



Mori Hills REIT Investment Corporation

Semiannual Report

**12th Fiscal Period
(February 1, 2012 – July 31, 2012)**



H I L L S R E I T

To Our Unitholders

All of us at Mori Hills REIT Investment Corporation (MHR) wish to extend our deep appreciation to our unitholders for your continuous support of MHR. I am pleased to report on MHR's performance for the twelfth fiscal period which ended July 31, 2012.

In the twelfth fiscal period, the Japanese economy was on a moderate recovery path, backed by strong consumer spending and public investment. This spending and investment was buoyed in part by demand stemming from reconstruction from the Great East Japan Earthquake. The recovery has continued despite such factors as concerns over Europe's debt crisis and rising crude oil prices.

In such an economic environment, in the rental office building market, although occupancy rates are declining due to large supply of newly-constructed buildings, the historically low level of rent is stimulating demand for large blue-chip properties that possess high earthquake resistance and disaster prevention features. The luxury rental housing market did not see a recovery in demand from non-Japanese tenants, but as the domestic population influx into central Tokyo continues, limited new supply led to rent levels and occupancy rates improving, albeit gradually.

In the twelfth fiscal period, MHR acquired Atago Green Hills (about 20.0% of total property) from sponsor Mori Building Co., Ltd. In conjunction with this acquisition, MHR sold Roppongi First Building and ARK Forest Terrace to Mori Building Co., Ltd. with the objective of enhancing the portfolio's cap rate. MHR's real estate portfolio as of the end of the twelfth fiscal period was comprised of 9 properties under management with a total leasable floor area of 97,498.53m². MHR has already invested 210,816 million yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the twelfth fiscal period was 98.1%.

The asset management activities described above resulted in MHR recording 4,797 million yen in operating revenue, 3,183 million yen in operating income, 2,120 million yen in ordinary income and 2,119 million yen in net income in the twelfth fiscal period.

In regards to dividends, MHR decided to set aside a portion of unappropriated retained earnings as reserve for reduction entry based on application of the "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010." On that basis, MHR decided to pay out the entire amount of the amount remaining after 105 million yen is deducted from unappropriated retained earnings as reserve for reduction entry. Consequently, MHR declared a dividend per unit of 8,700 yen.

MHR will continue to seek to maximize investor returns through conducting dividend-oriented management, such as by striving to enhance the portfolio NOI cap rate through property transactions, keeping financial costs down and minimizing other operating expenses. MHR expects a dividend per unit of 9,100 yen in the thirteenth fiscal period ending January 31, 2013.

I would like to ask for your continued support.

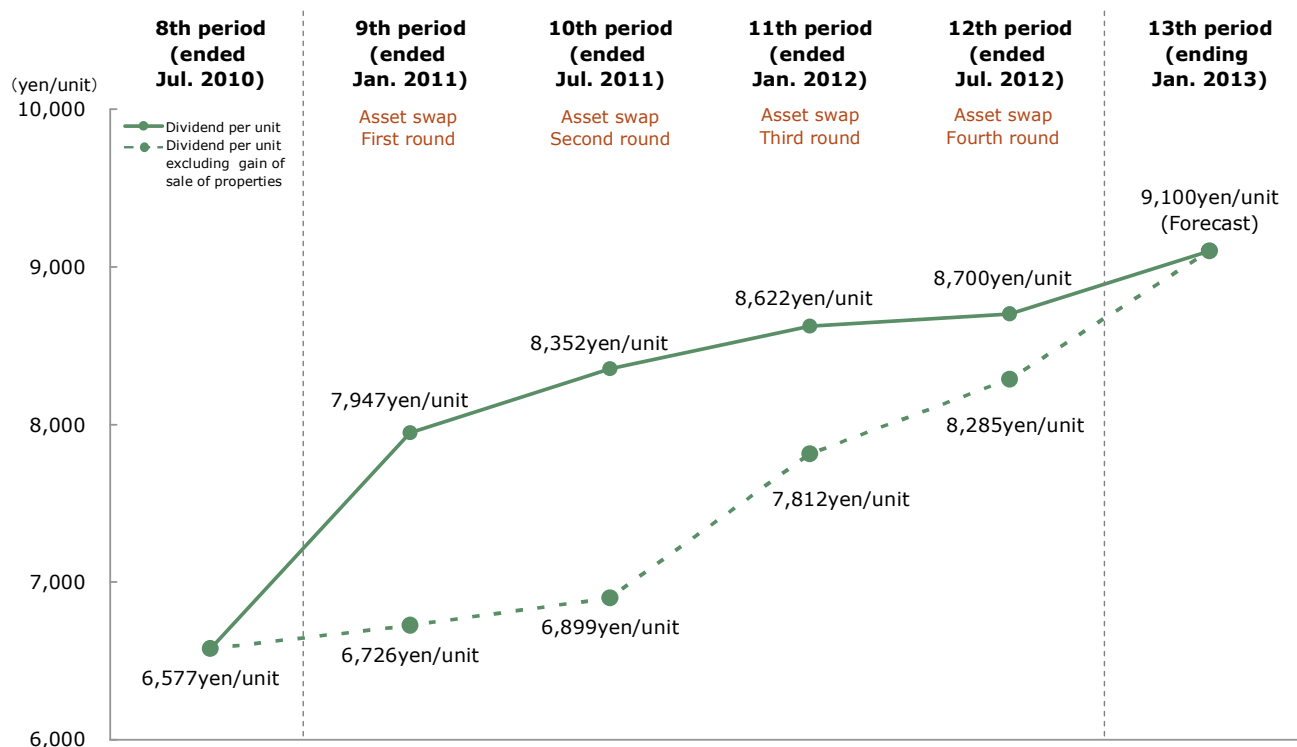
A handwritten signature in black ink, appearing to read 'Hideyuki Isobe'.

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

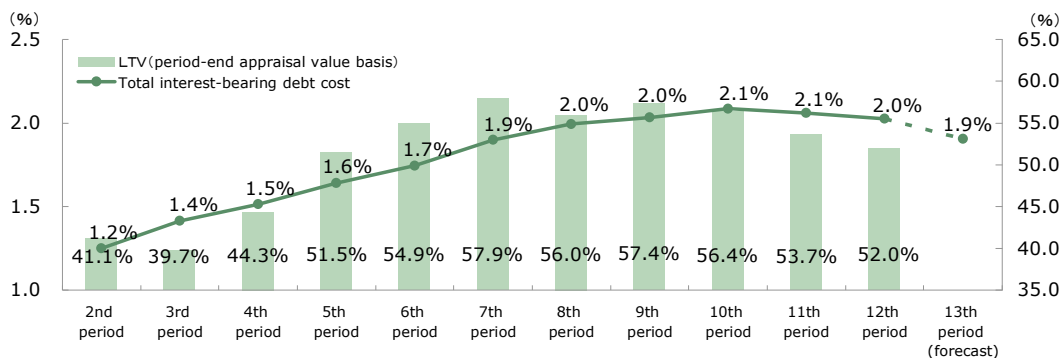
Investment Highlights (1) Upward trend in dividends

- Lower interest costs due to improved LTV (contributing to increased dividends)
- Fixed rent properties account for approx. 84% of portfolio (mitigate the risk of dividends decrease)
- Change ratio of fixed rent properties according to rental market trends (setting rent of newly acquired property as “non-fixed rent type” in the case of improved market conditions)

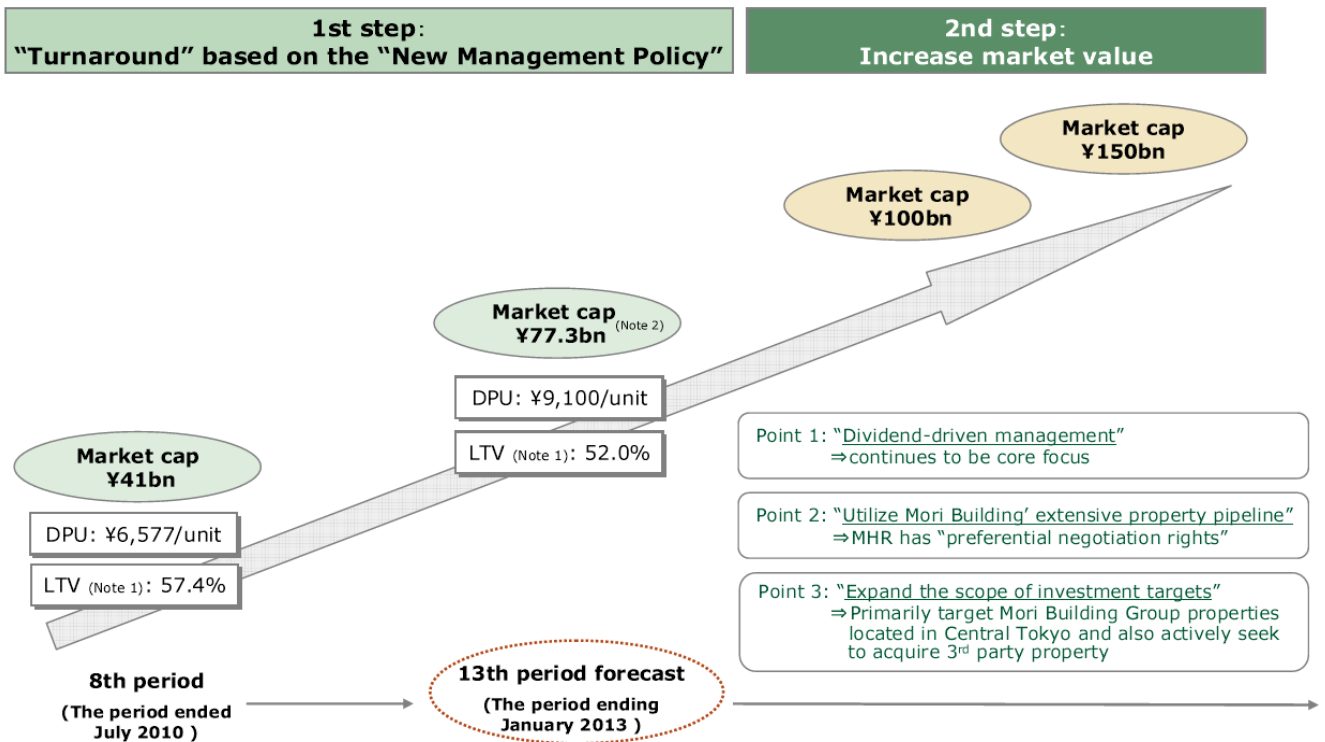
Stable income system that can aim for market upside



Improved LTV enabled MHR to negotiate lower interest rates (contributing to increased dividends)



Investment Highlights (2) Increasing trend in market value



(Note 1) Market value based LTV denotes the "LTV based on appraisal value"; value for the 8th period shows the value at the end of 9th period (period ended Jan. 2011) which was the highest since introduction of the new management policy. Value for the 13th period shows the value at the end of 12th period (period ended Jul. 2012)

(Note 2) Market cap is based on MHR's unit price of Sep. 7, 2012

Mori Building's properties in its strong pipeline

- Total assets of 1.2 trillion yen as of March 2012
- 110 buildings for lease as of April 2012

MHR has "preferential negotiation rights"

Investment Highlights (3) High quality of properties owned

MHR properties' PML

Lowest portfolio PML of all J-REITs : 0.71%

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

Three buildings were awarded certification as “Excellent Specified Global Warming Countermeasure Offices”

- Business facilities that have made “outstanding progress in the implementation of measures against global warming” were recognized by the Tokyo Metropolitan Government
- Offices so recognized are granted moderation in the reduction rates imposed in the "obligations to reduce total global-warming gas emissions for large-scale business facilities" based on the Ordinance on Environmental Protection
- As of August 31, 2012, 18 office buildings were recognized as Top Level Facilities and 30 office buildings were recognized as 2nd-Top-Level Facilities



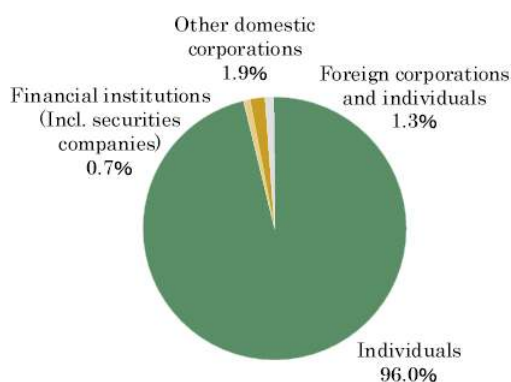
Major Unitholders (as of July 31, 2012)

Top 10 unitholders

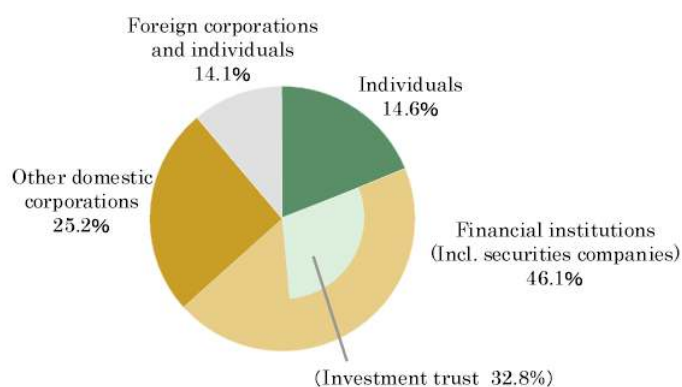
Rank	Name	No. of units held	Ratio
1	Mori Building Co., Ltd.	48,918	21.1%
2	Japan Trustee Services Bank, Ltd. (Trust account)	48,672	21.0%
3	Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust account)	15,904	6.9%
4	The Nomura Trust & Banking Co., Ltd. (Trust account)	14,255	6.2%
5	The Master Trust Bank of Japan, Ltd. (Trust account)	11,642	5.0%
6	JP Morgan Chase Bank 385174 Standing agent (local custodian): Mizuho Corporate Bank, Ltd.	6,140	2.7%
7	Nomura Bank (Luxembourg) S.A. Standing agent (local custodian): Sumitomo Mitsui Banking Corporation	4,599	2.0%
8	Shikoku Railway Company	3,324	1.4%
9	Trust & Custody Service Bank of Japan, Ltd. (Taxable money trust account)	3,290	1.4%
10	The Gibraltar Life Insurance Co., Ltd. (General account J-REIT) Standing agent (local custodian): Japan Trustee Services Bank, Ltd.	2,591	1.1%
Top 10 unitholders total		159,335	68.8%

Unitholders breakdown

Number of unitholders



Number of investment units





Disclaimer

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

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

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

Independent Auditor's Report

The Board of Directors
Mori Hills REIT Investment Corporation

We have audited the accompanying financial statements of Mori Hills REIT Investment Corporation, which comprise the balance sheet as at July 31, 2012, and the statements of income and retained earnings, changes in net assets, cash distributions, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mori Hills REIT Investment Corporation as at July 31, 2012, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.



October 24, 2012

FINANCIAL STATEMENTS

BALANCE SHEET

(Unit: thousands of yen)

	Twelfth Fiscal Period (as of July 31, 2012)	Eleventh Fiscal Period (as of January 31, 2012)
Assets		
Current assets		
Cash and deposits	2,222,988	2,321,952
Cash and deposits in trust	7,428,489	6,969,478
Operating accounts receivable	74,451	73,846
Prepaid expenses	401,810	377,898
Deferred tax assets	13	18
Consumption taxes receivable	-	83,882
Other	2	-
Total current assets	<u>10,127,757</u>	<u>9,827,076</u>
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	41,547,821	41,826,345
Accumulated depreciation	(4,032,223)	(4,732,322)
Buildings in trust, net	<u>37,515,597</u>	<u>37,094,023</u>
Structures in trust	393,266	278,897
Accumulated depreciation	(102,690)	(144,630)
Structures in trust, net	<u>290,575</u>	<u>134,267</u>
Machinery and equipment in trust	448,442	316,886
Accumulated depreciation	(37,837)	(31,529)
Machinery and equipment in trust, net	<u>410,604</u>	<u>285,357</u>
Tools, furniture and fixtures in trust	53,465	63,873
Accumulated depreciation	(18,620)	(19,116)
Tools, furniture and fixtures in trust, net	<u>34,845</u>	<u>44,757</u>
Land in trust	122,721,231	130,873,828
Construction in progress in trust	2,090	722
Total property, plant and equipment	<u>183,049,106</u>	<u>190,507,117</u>
Intangible assets		
Leasehold rights in trust	25,825,688	18,409,956
Other intangible assets in trust	973	1,547
Other	2,496	2,996
Total intangible assets	<u>25,829,158</u>	<u>18,414,500</u>
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	344,619	299,346
Total investments and other assets	<u>354,619</u>	<u>309,346</u>
Total noncurrent assets	<u>209,232,884</u>	<u>209,230,964</u>
Deferred assets		
Investment corporation bonds issuance cost	44,993	61,281
Total deferred assets	<u>44,993</u>	<u>61,281</u>
Total assets	<u>219,405,635</u>	<u>219,119,322</u>

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Operating revenue		
Rent revenue of real estate (Note 12)	4,467,826	4,417,829
Other rent revenue of real estate (Note 12)	128,597	160,306
Gain on sales of real estate properties (Note 12)	201,158	187,430
Total operating revenue	<u>4,797,582</u>	<u>4,765,566</u>
Operating expenses		
Expenses of real estate rent (Note 12)	1,294,704	1,348,255
Asset management fee	231,891	222,580
Directors' compensation	5,400	5,400
Asset custody fee	5,477	5,473
Administrative service fees	14,807	15,374
Other operating expenses	61,870	59,633
Total operating expenses	<u>1,614,152</u>	<u>1,656,716</u>
Operating income	<u>3,183,429</u>	<u>3,108,850</u>
Non-operating income		
Interest income	976	988
Exclusion gain of unpaid dividend	2,502	648
Income from settlement of management association accounts	14,052	-
Other	789	-
Total non-operating income	<u>18,320</u>	<u>1,636</u>
Non-operating expenses		
Interest expenses	612,172	640,371
Interest expenses on investment corporation bonds	196,650	196,650
Amortization of investment corporation bonds issuance cost	16,287	16,287
Borrowing expenses	254,573	258,234
Other	1,802	1,802
Total non-operating expenses	<u>1,081,486</u>	<u>1,113,345</u>
Ordinary income	<u>2,120,263</u>	<u>1,997,140</u>
Income before income taxes	<u>2,120,263</u>	<u>1,997,140</u>
Income taxes-current	913	987
Income taxes-deferred	4	0
Total income taxes	<u>918</u>	<u>987</u>
Net income	<u>2,119,344</u>	<u>1,996,152</u>
Retained earnings brought forward	123	135
Unappropriated retained earnings	2,119,468	1,996,288



HILLS REIT

STATEMENT OF CHANGES IN NET ASSETS

(February 1, 2012 to July 31, 2012)

(Unit: thousands of yen)

	Unitholders' capital	Total surplus	Total unitholders' equity	Total net assets
Balance at February 1, 2012	102,010,939	1,996,288	104,007,228	104,007,228
Change during the period				
Dividends from surplus	-	(1,996,165)	(1,996,165)	(1,996,165)
Net income	-	2,119,344	2,119,344	2,119,344
Total changes of items during the period	-	123,179	123,179	123,179
Balance at July 31, 2012	102,010,939	2,119,468	104,130,407	104,130,407

(August 1, 2011 to January 31, 2012)

(Unit: thousands of yen)

	Unitholders' capital	Total surplus	Total unitholders' equity	Total net assets
Balance at August 1, 2011	102,010,939	1,933,790	103,944,730	103,944,730
Change during the period				
Dividends from surplus	-	(1,933,655)	(1,933,655)	(1,933,655)
Net income	-	1,996,152	1,996,152	1,996,152
Total changes of items during the period	-	62,497	62,497	62,497
Balance at January 31, 2012	102,010,939	1,996,288	104,007,228	104,007,228



STATEMENT OF CASH DISTRIBUTIONS

(Unit: yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
I . Unappropriated retained earnings	2,119,468,036	1,996,288,616
II . Amount of dividends	2,014,224,000	1,996,165,440
Amount of dividends per unit	8,700	8,622
III. Voluntary retained earnings		
Provision of reserve for reduction entry	105,244,036	-
IV. Retained earnings carried forward	-	123,176
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 Act on Special Measures Concerning Taxation of Japan, but not in excess of the amount of earnings. Based on such policy, the Company decided to pay out dividends of earnings in the amount remaining after recognizing a reduction entry pursuant to Article 66-2 of the Act on Special Measures Concerning Taxation of Japan, which is deducted from unappropriated retained earnings. The Company has declared the total dividends to be 2,014,224,000 yen, which is the largest integral multiple of the number of investment units issued and outstanding (231,520 units). 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 Act on Special Measures Concerning Taxation of Japan, but not in excess of the amount of earnings. Based on such policy, 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. The Company has declared the total dividends to be 1,996,165,440 yen, which is the largest integral multiple of the number of investment units issued and outstanding (231,520 units).</p>

STATEMENT OF CASH FLOWS

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	2,120,263	1,997,140
Depreciation and amortization	658,512	648,058
Amortization of investment corporation bonds issuance cost	16,287	16,287
Increase (decrease) in provision for loss on disaster	(6,813)	(1,605)
Interest income	(976)	(988)
Exclusion gain of unpaid dividend	(2,502)	(648)
Interest expenses	808,822	837,021
Decrease (increase) in operating accounts receivable	(605)	20,352
Decrease (increase) in consumption taxes refund receivable	83,882	(83,882)
Increase (decrease) in operating accounts payable	(35,664)	(116,533)
Increase (decrease) in accounts payable – other	797	(2,704)
Increase (decrease) in accrued expenses	10,350	229,729
Increase (decrease) in accrued consumption taxes	53,559	(52,632)
Increase (decrease) in advances received	101,606	196,982
Increase (decrease) in deposits received	(629)	(202,199)
Decrease (increase) in prepaid expenses	(23,912)	(23,436)
Decrease (increase) in long-term prepaid expenses	(45,273)	(116,736)
Decrease in carrying amounts of property, plant and equipment in trust due to sale	25,332,951	35,678,698
Decrease in carrying amounts of intangible assets in trust due to sale	-	90
Other, net	40	1,183
Subtotal	<u>29,070,696</u>	<u>39,024,177</u>
Interest income received	976	988
Interest expenses paid	(821,748)	(881,902)
Income taxes paid	(982)	(973)
Net cash provided by (used in) operating activities	<u>28,248,941</u>	<u>38,142,289</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(18,525,271)	(36,074,543)
Purchase of intangible assets in trust	(7,415,731)	-
Repayments of lease and guarantee deposited in trust	(2,022,994)	(2,076,289)
Proceeds from lease and guarantee deposited in trust	2,181,982	2,294,056
Net cash provided by (used in) investing activities	<u>(25,782,014)</u>	<u>(35,856,777)</u>
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	3,478,000	18,000,000
Repayments of short-term loans payable	(11,500,000)	(18,000,000)
Proceeds from long-term loans payable	22,722,000	22,000,000
Repayments of long-term loans payable	(14,812,500)	(22,112,500)
Cash dividends paid	(1,994,379)	(1,931,716)
Net cash provided by (used in) financing activities	<u>(2,106,879)</u>	<u>(2,044,216)</u>
Net increase (decrease) in cash and cash equivalents	<u>360,047</u>	<u>241,296</u>
Cash and cash equivalents at beginning of the period	<u>9,291,430</u>	<u>9,050,134</u>
Cash and cash equivalents at end of the period (Note 16)	<u>9,651,478</u>	<u>9,291,430</u>

NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended July 31, 2012 and January 31, 2012

1. ORGANIZATION

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

The Company later issued new investment units through a third-party allotment (29,400 units) on September 29, 2008, issued new investment units through a public offering (67,000 units) on March 23, 2010, and issued new investment units through a third-party allotment (over-allotment) (5,320 units) on April 23, 2010. As of the end of the Company’s fiscal period under review (twelfth fiscal period: February 1, 2012 to July 31, 2012), the total number of investment units outstanding was 231,520 units.

The Company’s real estate portfolio as of the end of the twelfth fiscal period was comprised of 9 properties under management with a total leasable floor area of 97,498.53m². The Company has already invested 210,816 million yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the twelfth fiscal period was 98.1%.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Buildings	3~66 years
Structures	3~45 years
Machinery and equipment	8~31 years
Tools, furniture and fixtures	3~15 years

(2) Intangible assets (including assets in trust)

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

(3) Long-term prepaid expenses

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

(4) Deferred assets

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

(5) Provision for loss on disaster

Provision for loss on disaster is provided to cover the payment of restoration expenses for property, plant and equipment due to the Great East Japan Earthquake and other expenses, based on the Company's estimation as of the balance sheet date.

(6) Revenue recognition

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

(7) Accounting for property taxes

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

Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate. The amounts equivalent to property taxes included in the cost of acquisition of real estate are 52,735 thousand yen and 46,139 thousand yen as of July 31, 2012 and January 31, 2012, respectively.

(8) Hedge accounting approach

(a) Hedge accounting approach

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

(b) Hedging instruments and hedged items

Hedging instruments: Interest rate swap transactions

Hedged items: Borrowing interest rates

(c) Hedging policy

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

(d) Method for assessing the effectiveness of hedging

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

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

(9) Cash and cash equivalents

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

(10) Accounting for trust beneficial interest in real estate

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

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

(a) Cash and deposits in trust

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

(c) Lease and guarantee deposited in trust

(11) Consumption taxes

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



4. PROPERTY AND EQUIPMENT

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

(Unit: thousands of yen)

Type of asset		Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Accumulated depreciation/ Accumulated amortization		Net balance at end of the period	Remarks
							Depreciation and amortization		
Property, plant and equipment	Land	22,074,160	-	-	22,074,160	-	-	22,074,160	
	Buildings in trust	41,826,345	7,761,896	8,040,421	41,547,821	4,032,223	629,671	37,515,597	(Note 1)
	Structures in trust	278,897	187,081	72,712	393,266	102,690	14,855	290,575	(Note 1)
	Machinery and equipment in trust	316,886	141,602	10,046	448,442	37,837	8,151	410,604	(Note 1)
	Tools, furniture and fixtures in trust	63,873	12,068	22,477	53,465	18,620	4,759	34,845	(Note 1)
	Land in trust	130,873,828	10,427,953	18,580,551	122,721,231	-	-	122,721,231	(Note 1)
	Construction in progress in trust	722	1,817	449	2,090	-	-	2,090	
	Subtotal	195,434,715	18,532,420	26,726,657	187,240,479	4,191,372	657,438	183,049,106	
Intangible assets	Leasehold rights in trust	18,409,956	7,415,731	-	25,825,688	-	-	25,825,688	(Note 1)
	Other intangible assets in trust	5,742	-	-	5,742	4,769	574	973	
	Subtotal	18,415,699	7,415,731	-	25,831,431	4,769	574	25,826,662	
Total		213,850,415	25,948,152	26,726,657	213,071,910	4,196,142	658,012	208,875,768	

(Note 1) The amount of increase during the period is primarily attributable to additional acquisition of Atago Green Hills. The amount of decrease during the period is primarily attributable to the sales of Roppongi First Building and ARK Forest Terrace.



5. SHORT-TERM LOANS PAYABLE

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment dates	Use of funds	Remarks
Sumitomo Mitsui Trust Bank, Ltd.	289,000	-	289,000	-	1.1800%	Mar. 29, 2012	(Note 2)	Unsecured/ Unguaranteed
	1,978,000	-	1,978,000	-	1.1800%	May 31, 2012		
	1,000,000	-	-	1,000,000	1.1800%	Aug. 31, 2012		
	-	1,978,000	-	1,978,000	0.8800%	May 31, 2013		
Mizuho Corporate Bank, Ltd.	341,000	-	341,000	-	1.1800%	Mar. 29, 2012		
	2,276,000	-	2,276,000	-	1.1800%	May 31, 2012		
	1,500,000	-	-	1,500,000	1.1800%	Aug. 31, 2012		
Mitsubishi UFJ Trust and Banking Corporation	341,000	-	341,000	-	1.1800%	Mar. 29, 2012		
	2,276,000	-	2,276,000	-	1.1800%	May 31, 2012		
	1,500,000	-	-	1,500,000	1.1800%	Aug. 31, 2012		
Sumitomo Mitsui Banking Corporation	188,000	-	188,000	-	1.1800%	Mar. 29, 2012		
	1,194,000	-	1,194,000	-	1.1800%	May 31, 2012		
	1,500,000	-	-	1,500,000	1.1800%	Aug. 31, 2012		
ORIX Bank Corporation	-	1,000,000	-	1,000,000	0.7800%	Mar. 29, 2013		
The Hiroshima Bank, Ltd.	-	500,000	-	500,000	0.7800%	Mar. 29, 2013		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	341,000	-	341,000	-	1.1800%	Mar. 29, 2012		
	2,276,000	-	2,276,000	-	1.1800%	May 31, 2012		
Total	17,000,000	3,478,000	11,500,000	8,978,000				

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

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

6. INVESTMENT CORPORATION BONDS

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

(Unit: thousands of yen)

	Issue date	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Interest rate	Redemption maturity date	Use of funds	Collateral
First Series Unsecured Investment Corporation Bonds	Nov. 29, 2007	7,000,000	-	-	7,000,000	1.5600%	Nov. 29, 2012	(Note 1)	-
Second Series Unsecured Investment Corporation Bonds	Nov. 29, 2007	3,000,000	-	-	3,000,000	1.7700%	Nov. 28, 2014		-
Third Series Unsecured Investment Corporation Bonds	May 27, 2010	5,000,000	-	-	5,000,000	1.3800%	May 27, 2013		-
Fourth Series Unsecured Investment Corporation Bonds	May 27, 2010	5,000,000	-	-	5,000,000	1.9500%	May 27, 2015		-
Fifth Series Unsecured Investment Corporation Bonds	Feb. 25, 2011	5,000,000	-	-	5,000,000	1.2900%	Feb. 25, 2014		-
Total		25,000,000	-	-	25,000,000				

(Note 1) The funds are used for the repayment of loans payable.

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

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Investment corporation bonds	12,000,000	5,000,000	8,000,000	-	-



7. LONG-TERM LOANS PAYABLE

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

(1) Current portion of long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment dates	Use of funds	Remarks
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,138,000	-	1,138,000	-	2.1555%	May 31, 2012	(Note 2)	Unsecured/ Unguaranteed
	1,600,000	-	1,600,000	-	1.4800%	May 31, 2012		
	1,500,000	-	-	1,500,000	1.5800%	Aug. 31, 2012		
	1,600,000	-	-	1,600,000	2.0200%	Nov. 30, 2012		
Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	1.6170%	Aug. 31, 2012		
Mizuho Corporate Bank, Ltd.	1,138,000	-	1,138,000	-	2.1555%	May 31, 2012		
	1,600,000	-	1,600,000	-	1.4800%	May 31, 2012		
	1,600,000	-	-	1,600,000	2.0200%	Nov. 30, 2012		
Mitsubishi UFJ Trust and Banking Corporation	1,138,000	-	1,138,000	-	2.1555%	May 31, 2012		
	1,600,000	-	1,600,000	-	1.4800%	May 31, 2012		
	1,600,000	-	-	1,600,000	2.0200%	Nov. 30, 2012		
Sumitomo Mitsui Banking Corporation	597,000	-	597,000	-	2.1555%	May 31, 2012		
	1,600,000	-	1,600,000	-	1.4800%	May 31, 2012		
	1,600,000	-	-	1,600,000	2.0200%	Nov. 30, 2012		
Sumitomo Mitsui Trust Bank, Ltd.	989,000	-	989,000	-	2.1555%	May 31, 2012		
	1,600,000	-	1,600,000	-	1.4800%	May 31, 2012		
	1,600,000	-	-	1,600,000	2.0200%	Nov. 30, 2012		
Shinsei Bank, Ltd.	1,500,000	-	-	1,500,000	2.0200%	Nov. 30, 2012		
Development Bank of Japan Inc.	1,750,000	-	1,750,000	-	2.0413%	Mar. 27, 2012 (Note 3)		
	125,000	62,500	62,500	125,000	2.3400%	May 31, 2013 (Note 4)		
Subtotal	27,875,000	62,500	14,812,500	13,125,000				



(2) Long-term loans payable

(Unit: thousands of yen)

Lender	Balance at beginning of the period	Amount of increase during the period	Amount of decrease during the period	Balance at end of the period	Average interest rate (Note 1)	Repayment dates	Use of funds	Remarks
Mizuho Corporate Bank, Ltd.	1,100,000	-	-	1,100,000	1.5800%	Nov. 29, 2013	(Note 2)	Unsecured/ Unguaranteed
	2,500,000	-	-	2,500,000	1.3800%	Nov. 28, 2014		
	-	2,276,000	-	2,276,000	0.9800%	May 30, 2014		
	-	1,600,000	-	1,600,000	1.0300%	May 29, 2015		
	-	1,138,000	-	1,138,000	1.2280%	May 29, 2015		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,100,000	-	-	1,100,000	1.5800%	Nov. 29, 2013		
	2,500,000	-	-	2,500,000	1.3800%	Nov. 28, 2014		
	-	2,276,000	-	2,276,000	0.9800%	May 30, 2014		
	-	1,600,000	-	1,600,000	1.0300%	May 29, 2015		
	-	1,138,000	-	1,138,000	1.2280%	May 29, 2015		
Mitsubishi UFJ Trust and Banking Corporation	1,100,000	-	-	1,100,000	1.5800%	Nov. 29, 2013		
	2,500,000	-	-	2,500,000	1.3800%	Nov. 28, 2014		
	-	2,276,000	-	2,276,000	0.9800%	May 30, 2014		
	-	1,600,000	-	1,600,000	1.0300%	May 29, 2015		
	-	1,138,000	-	1,138,000	1.2280%	May 29, 2015		
Sumitomo Mitsui Banking Corporation	1,600,000	-	-	1,600,000	1.5800%	Nov. 29, 2013		
	3,000,000	-	-	3,000,000	1.3800%	Nov. 28, 2014		
	-	1,194,000	-	1,194,000	0.9800%	May 30, 2014		
	-	1,600,000	-	1,600,000	1.0300%	May 29, 2015		
	-	597,000	-	597,000	1.2280%	May 29, 2015		
Sumitomo Mitsui Trust Bank, Ltd.	1,000,000	-	-	1,000,000	1.5800%	Nov. 29, 2013		
	2,000,000	-	-	2,000,000	1.3800%	Nov. 28, 2014		
	-	1,600,000	-	1,600,000	1.0300%	May 29, 2015		
	-	989,000	-	989,000	1.2280%	May 29, 2015		
The Norinchukin Bank	1,200,000	-	-	1,200,000	1.5800%	Nov. 29, 2013		
	3,000,000	-	-	3,000,000	1.3300%	May 30, 2014		
The Bank of Fukuoka, Ltd.	2,000,000	-	-	2,000,000	1.5800%	Nov. 29, 2013		
	2,000,000	-	-	2,000,000	1.3300%	May 30, 2014		
Development Bank of Japan Inc.	2,125,000	-	62,500	2,062,500	2.3400%	Nov. 29, 2013 (Note 4)		
	-	1,700,000	-	1,700,000	1.4313%	Mar 27, 2015		
Resona Bank, Ltd.	2,500,000	-	-	2,500,000	1.3800%	Aug. 29, 2014		
Aozora Bank, Ltd.	2,000,000	-	-	2,000,000	1.3800%	Aug. 29, 2014		
The Hiroshima Bank, Ltd.	1,000,000	-	-	1,000,000	1.6838%	Nov. 29, 2013		
The Oita Bank, Ltd.	1,000,000	-	-	1,000,000	1.6838%	Nov. 29, 2013		
ShinGinko Tokyo, Ltd.	1,000,000	-	-	1,000,000	1.6838%	Nov. 29, 2013		

Shinsei Bank, Ltd.	900,000	-	-	900,000	1.6838%	Nov. 29, 2013		
Subtotal	37,125,000	22,722,000	62,500	59,784,500				

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

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

(Note 3) Installment payments of 50,000 thousand yen were made on the 27th of every sixth month starting on September 27, 2009, with the remaining payment of 1,750,000 thousand yen repaid on March 27, 2012.

(Note 4) Installment payments of 62,500 thousand yen will be made at the end of every sixth month starting on May 31, 2010, with the remaining payment of 2,062,500 thousand yen to be repaid on November 29, 2013.

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

(Unit: thousands of yen)

	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years
Long-term loans payable	28,084,500	31,700,000	-	-

8. NET ASSETS

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

9. INCOME TAXES

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

(Unit: thousands of yen)

	Twelfth Fiscal Period (as of July 31, 2012)	Eleventh Fiscal Period (as of January 31, 2012)
[Deferred tax assets]		
Current assets		
Accrued enterprise tax excluded from expenses	13	18
Total deferred tax assets [current]	13	18
[Net deferred tax assets [current]]	13	18

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

	Twelfth Fiscal Period (as of July 31, 2012)	Eleventh Fiscal Period (as of January 31, 2012)
Statutory tax rate	39.33%	39.33%
[Adjustments]		
Deductible cash distributions	(37.36%)	(39.31%)
Provision of reserve for reduction entry	(1.95%)	-
Others	0.03%	0.03%
Effective tax rate	0.04%	0.05%



10. PER UNIT INFORMATION

(Unit: yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Net assets per unit	449,768	449,236
Net income per unit	9,154	8,622

(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.

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Net income (thousands of yen)	2,119,344	1,996,152
Amounts not attributable to common unitholders (thousands of yen)	-	-
Net income attributable to common investment units (thousands of yen)	2,119,344	1,996,152
Average number of investment units during the period (units)	231,520	231,520

11. RELATED PARTY TRANSACTIONS

(1) Parent company and major corporate unitholders

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

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	21.1% directly held by related party	Leasing and management of real estate	Acquisition of property (Note 2) (Note 6)	25,600,000	-	-
							Sales of properties (Note 3) (Note 7)	25,600,000	-	-
							Leasing of properties (Note 4) (Note 8)	2,774,633	Operating accounts receivable	373
									Advances received	541,029
									Lease and guarantee deposited in trust	5,032,190
							Payment of property operation and management fees (Note 9)	112,583 (Note 5)	Operating accounts receivable	276
Prepaid expenses	1,858									
Operating accounts payable	24,249									

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

(Note 2) Atago Green Hills

(Note 3) Roppongi First Building and ARK Forest Terrace

(Note 4) Roppongi Hills Mori Tower, ARK Mori Building, Akasaka Tameike Tower, Atago Green Hills and a portion of Koraku Mori Building

(Note 5) The amount includes construction fees (540 thousand yen) and construction management fees (1,002 thousand yen) that are not charged to expenses but recognized as assets.



[Transaction terms and conditions and related policies]

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

(Note 7) Sale decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager. Furthermore, sales are not made at a value below the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

(Note 8) 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 9) 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.

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

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	21.1% directly held by related party	Leasing and management of real estate	Acquisition of properties (Note 2) (Note 6)	35,880,000	-	-
							Sale of property (Note 3) (Note 7)	35,920,000	-	-
							Leasing of properties (Note 4) (Note 8)	2,436,503	Operating accounts receivable	411
									Advances received	424,331
									Lease and guarantee deposited in trust	4,130,758
							Payment of property operation and management fees (Note 9)	150,603 (Note 5)	Operating accounts receivable	106
									Prepaid expenses	1,575
		Operating accounts payable	34,463							

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

(Note 2) Roppongi Hills Mori Tower and ARK Mori Building

(Note 3) Roppongi Hills Gate Tower

(Note 4) Roppongi Hills Mori Tower, ARK Mori Building, Akasaka Tameike Tower and a portion of Koraku Mori Building

(Note 5) The amount includes construction management fees (768 thousand yen) and an amount received as reimbursement upon the sale of property (101 thousand yen) that are not charged to expenses but recognized as assets.

[Transaction terms and conditions and related policies]

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

(Note 7) Sale decisions are made in accordance with the provisions of the Related Parties Transaction Guidelines stipulated by the Company's Asset Manager. Furthermore, sales are not made at a value below the appraisal value as determined by an independent third-party real estate appraiser (including corporations).

(Note 8) 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 9) 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.

(2) Subsidiaries and affiliate

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

Not applicable.

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

Not applicable.

(3) Subsidiaries of Parent company

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

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	Payment of management fees (Note 2) (Note 4)	257,491 (Note 3)	Accrued expenses	243,486

(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 25,600 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

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	Payment of management fees (Note 2) (Note 4)	258,460 (Note 3)	Accrued expenses	233,709

(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 35,880 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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



(4) Directors and major individual unitholders

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

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)	257,491 (Note 3)	Accrued expenses	243,486

(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 25,600 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

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)	258,460 (Note 3)	Accrued expenses	233,709

(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 35,880 thousand yen in acquisition fees pertaining to real estate acquisition included in the book value of real estate.

[Transaction terms and conditions and related policies]

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

12. BREAKDOWN OF PROPERTY-RELATED REVENUE AND EXPENSES

Breakdown of property operating income (loss)

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)		Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	
A. Property operating revenue				
Rent revenue of real estate				
Rent and common area revenue	4,448,949		4,383,256	
Other rent revenue	18,876	4,467,826	34,573	4,417,829
Other rent revenue of real estate				
Parking revenue	25,821		38,026	
Utilities and other revenue	100,319		118,693	
Cancellation penalty	2,457		1,286	
Key money income	-	128,597	2,300	160,306
Total property operating revenue		4,596,423		4,578,136
B. Property operating expenses				
Expenses of real estate rent				
Property management fees	154,179		206,833	
Utilities	97,024		118,150	
Property taxes	249,554		235,387	
Rent expenses	87,546		75,673	
Custodian fees	6,294		7,708	
Maintenance and repairs	17,845		29,689	
Insurance premium	11,703		11,524	
Depreciation and Amortization	658,012		647,558	
Other lease business expenses	12,543	1,294,704	15,729	1,348,255
Total property operating expenses		1,294,704		1,348,255
C. Property operating income (loss) [A – B]		3,301,719		3,229,881

Transactions with major unitholders

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)		Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	
From operating transactions				
Rent revenue of real estate	2,774,633		2,436,503	
Gain on sales of real estate properties	201,158		187,430	
Expenses of real estate rent	111,040		149,936	

Breakdown of gain on sales of real estate properties (Unit: thousands of yen)

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

Roppongi First Building

Proceeds from sales of real estate properties	20,460,000
Cost of sales of real estate properties	20,219,989
Other expenses on sales	48,615
Gain on sales of real estate properties	191,395

ARK Forest Terrace

Proceeds from sales of real estate properties	5,140,000
Cost of sales of real estate properties	5,112,961
Other expenses on sales	17,274
Gain on sales of real estate properties	9,763

Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

Roppongi Hills Gate Tower

Proceeds from sales of real estate properties	35,920,000
Cost of sales of real estate properties	35,678,788
Other expenses on sales	53,781
Gain on sales of real estate properties	187,430

13. UNITHOLDERS' EQUITY

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	2,000,000 units	2,000,000 units
Total number of investment units issued and outstanding	231,520 units	231,520 units

14. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

(a) Policy for holding financial instruments

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

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

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

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

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

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

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

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

(2) Fair value of financial instruments

The following are the carrying amount, fair value and the difference between them of financial instruments as of July 31, 2012.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	2,222,988	2,222,988	-
(b) Cash and deposits in trust	7,428,489	7,428,489	-
Total	9,651,478	9,651,478	-
(c) Short-term loans payable	8,978,000	8,978,000	-
(d) Current portion of investment corporation bonds	12,000,000	12,034,900	34,900
(e) Current portion of long-term loans payable	13,125,000	13,156,404	31,404
(f) Investment corporation bonds	13,000,000	13,166,500	166,500
(g) Long-term loans payable	59,784,500	59,859,176	74,676
Total	106,887,500	107,194,981	307,481
Derivative transactions	-	-	-

The following are the carrying amount, fair value and the difference between them of financial instruments as of January 31, 2012.

	(Unit: thousands of yen)		
	Carrying amount	Fair value	Difference
(a) Cash and deposits	2,321,952	2,321,952	-
(b) Cash and deposits in trust	6,969,478	6,969,478	-
Total	9,291,430	9,291,430	-
(c) Short-term loans payable	17,000,000	17,000,000	-
(d) Current portion of investment corporation bonds	7,000,000	7,039,200	39,200
(e) Current portion of long-term loans payable	27,875,000	27,937,269	62,269
(f) Investment corporation bonds	18,000,000	18,190,900	190,900
(g) Long-term loans payable	37,125,000	37,148,697	23,697
Total	107,000,000	107,316,067	316,067
Derivative transactions	-	-	-

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

Assets

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

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

Liabilities

(c) Short-term loans payable

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

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

The fair value of these is based on market prices.

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

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

Derivative transactions

Please refer to "Derivative transactions" below.

(Note 2) Redemption of monetary claims scheduled to be due after the balance sheet date (as of July 31, 2012)

(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	2,222,988	-	-	-	-	-
Cash and deposits in trust	7,428,489	-	-	-	-	-
Total	9,651,478	-	-	-	-	-

Redemption of monetary claims scheduled to be due after the balance sheet date (as of January 31, 2012)

(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	2,321,952	-	-	-	-	-
Cash and deposits in trust	6,969,478	-	-	-	-	-
Total	9,291,430	-	-	-	-	-

(Note 3) Short-term loans payable, investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of July 31, 2012)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	8,978,000	-	-	-	-	-
Investment corporation bonds	12,000,000	5,000,000	8,000,000	-	-	-
Long-term loans payable	13,125,000	28,084,500	31,700,000	-	-	-
Total	34,103,000	33,084,500	39,700,000	-	-	-

Short-term loans payable, investment corporation bonds and long-term loans payable scheduled to be due after the balance sheet date (as of January 31, 2012)

(Unit: thousands of yen)

	Due within 1 year	Due after 1 year, but within 2 years	Due after 2 years, but within 3 years	Due after 3 years, but within 4 years	Due after 4 years, but within 5 years	Due after 5 years
Short-term loans payable	17,000,000	-	-	-	-	-
Investment corporation bonds	7,000,000	5,000,000	8,000,000	5,000,000	-	-
Long-term loans payable	27,875,000	15,125,000	22,000,000	-	-	-
Total	51,875,000	20,125,000	30,000,000	5,000,000	-	-

15. DERIVATIVE TRANSACTIONS

(1) Transactions for which hedge accounting is not applied

Twelfth Fiscal Period (as of July 31, 2012)

Not applicable.

Eleventh Fiscal Period (as of January 31, 2012)

Not applicable.

(2) Transactions for which hedge accounting is applied

Twelfth Fiscal Period (as of July 31, 2012)

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	16,500,000	5,000,000	*	-

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

Eleventh Fiscal Period (as of January 31, 2012)

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

(Unit: thousands of yen)

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount		Fair value	Method of calculating the fair value
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap transactions Floating receivable; Fixed payable	Long-term loans payable	16,500,000	-	*	-

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

16. CASH AND CASH EQUIVALENTS

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

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Cash and deposits	2,222,988	2,321,952
Cash and deposits in trust	7,428,489	6,969,478
Cash and cash equivalents	9,651,478	9,291,430

17. LEASES

Operating lease transactions (as lessor)

Future minimum rental revenues under existing non-cancelable lease agreements

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Due within 1 year	2,343,700	2,965,431
Due after 1 year	22,149,306	22,915,770
Total	24,493,006	25,881,202

18. INVESTMENT AND RENTAL PROPERTIES

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

(Unit: thousands of yen)

	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Carrying amount		
Balance at beginning of the period	208,918,622	209,177,233
Amount of increase (decrease) during the period	(42,853)	(258,611)
Balance at end of the period	208,875,768	208,918,622
Fair value at end of the period	195,070,000	189,110,000

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

(Note 2) Of the amount of the increase (decrease) during the twelfth fiscal period, the amount of the increase is primarily attributable to the acquisition of one property (Atago Green Hills (about 20.0% of total property)) (25,903,464 thousand yen), while the amount of the decrease is primarily attributable to the sales of two properties (Roppongi First Building and ARK Forest Terrace) (25,332,951 thousand yen) and recognition of depreciation and amortization. Of the amount of the increase (decrease) during the eleventh fiscal period, the amount of the increase is primarily attributable to the acquisition of two properties (Roppongi Hills Mori Tower (23rd floor, and 50% co-ownership interest in classification ownership for the 24th floor) and ARK Mori Building (4th, 15th and 24th floors)) (36,008,481 thousand yen), while the amount of the decrease is primarily attributable to the sale of one property (Roppongi Hills Gate Tower) (35,678,788 thousand yen) and recognition of depreciation and amortization.

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

19. SEGMENT AND RELATED INFORMATION

[Segment Information]

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

[Related Information]

Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)

(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.	2,978,095	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	662,683	Real estate leasing business



Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)

(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)

<u>Name of tenant</u>	<u>Operating revenue</u>	<u>Related segment</u>
Mori Building Co., Ltd.	2,626,280	Real estate leasing business
Mori Building Ryutsu System Co., Ltd.	677,918	Real estate leasing business

20. SUBSEQUENT EVENTS

Not applicable.