



H I L L S R E I T

March 17, 2009

**FINANCIAL REPORT
FOR THE FIFTH FISCAL PERIOD ENDED JANUARY 31, 2009**

Mori Hills REIT Investment Corporation is listed on the Tokyo Stock Exchange with the securities code number 3234.

Representative: Hiroshi Mori, Executive Director

URL: <http://www.mori-hills-reit.co.jp/>

Asset Manager: Mori Building Investment Management Co., Ltd.

Representative: Hiroshi Mori, President

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Planned submission of semiannual security report: April 28, 2009

Planned start of dividend payments: April 20, 2009

This financial report has been prepared in accordance with Japanese accounting standards, Japanese laws and other relevant regulations in Japan.

Figures are rounded down to the nearest one million yen.

1. PERFORMANCE FOR THE FIFTH FISCAL PERIOD ENDED JANUARY 31, 2009

(August 1, 2008 – January 31, 2009)

(1) Business Results

(Millions of yen; Percentage change represents a period-on-period comparison)

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Fifth Fiscal Period	¥5,701	18.2%	¥3,062	25.4%	¥2,179	18.7%	¥2,179	18.9%
Fourth Fiscal Period	¥4,823	4.2%	¥2,442	4.0%	¥1,837	(0.4%)	¥1,832	(0.6%)

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Fifth Fiscal Period	¥14,550	2.7%	1.1%	38.2%
Fourth Fiscal Period	¥14,117	2.5%	1.1%	38.1%

(2) Dividend

	Dividend per Unit (excluding dividend in excess of earnings)	Total Dividends	Dividend in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividend Payout Ratio	Dividend Ratio to Net Assets
Fifth Fiscal Period	¥13,688	¥2,179 million	¥0	–	99.9%	2.4%
Fourth Fiscal Period	¥14,117	¥1,832 million	¥0	–	99.9%	2.5%

(Note) The dividend payout ratio is rounded down to the first decimal place.

(3) Financial Position

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
Fifth Fiscal Period	¥212,964 million	¥89,541 million	42.0%	¥562,449
Fourth Fiscal Period	¥170,626 million	¥74,503 million	43.7%	¥573,989

(Reference) Total net assets

Fifth fiscal period: ¥89,541 million Fourth fiscal period: ¥74,503 million

(4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investment Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
Fifth Fiscal Period	¥2,672 million	(¥41,843 million)	¥38,846 million	¥11,377 million
Fourth Fiscal Period	¥2,503 million	(¥16,050 million)	¥13,162 million	¥11,702 million

2. FORECAST OF RESULTS FOR THE SIXTH FISCAL PERIOD ENDING JULY 31, 2009

(February 1, 2009 – July 31, 2009)

(Millions of yen; Percentage change represents a period-on-period comparison)

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Sixth Fiscal Period	¥5,830	2.3%	¥2,980	(2.7%)	¥1,975	(9.4%)	¥1,974	(9.4%)

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Sixth Fiscal Period	¥12,400	¥0

(Reference) Estimated net income per unit for the sixth fiscal period: ¥12,400

3. OTHER

(1) Changes in Accounting Policies

- (a) Changes accompanying amendments to accounting standards, etc.: None
- (b) Changes other than (a): None

(2) Number of Units Outstanding

- (a) Number of units outstanding at end of period (including own units)
 - Fifth fiscal period: 159,200 units
 - Fourth fiscal period: 129,800 units
- (b) Number of own units at end of period
 - Fifth fiscal period: 0 units
 - Fourth fiscal period: 0 units

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

The forecast of results for the sixth fiscal period ending July 31, 2009 are calculated as of today based on the assumptions presented on pages 7 and 8. Forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend 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 dividend amounts.

4. BUSINESS RESULTS

(1) Overview of the Fifth Fiscal Period

(a) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated by Mori Building Investment Management Co., Ltd. (MHR's Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and was registered by the Prime Minister based on Article 187 of the Law Concerning Investment Trusts and Investment Corporations on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). As of the end of MHR's fiscal period under review (fifth fiscal period: August 1, 2008 to January 31, 2009), the total number of investment units outstanding was 159,200 units. Recently, MHR closed its fifth fiscal period.

(b) Investment Environment and Business Performance

i) Investment Environment

In the Japanese economy during the fifth fiscal period, turmoil in the global financial and capital markets, spread to the real economy and impacted corporate earnings, capital investment and the employment environment. These, among other factors, reflect the increasingly severe economic recession. Personal spending is also decreasing due to consumer confidence declining in parallel with growing employment uncertainty.

Concerning the rental office building market, while the market had hitherto managed to remain solid amid relatively little supply of new properties, occupancy rates are now on a downward trend due to rental office demand falling in correlation with deteriorating corporate performance. With respect to the luxury rental housing market, demand from foreign staff working at non-Japanese firms and domestic high net-worth households, which had been on an upward trend, weakened and vacancy was on the rise at some luxury rental properties.

In the real estate trading market, there was a marked drop in sale and purchase transactions in concert with changes in the financing environment. Even the office market in central Tokyo has begun to see a surge in cap rates centering on properties with relatively low competitiveness.

ii) Business Performance

MHR acquired an additional 0.5 floors of ARK Mori Building from its sponsor, Mori Building Co., Ltd., an asset that falls under the definition of "Premium Properties". MHR also acquired Akasaka Tameike Tower (the office section which includes, storage areas, parking lots, etc.). In addition, one residential unit of Moto-Azabu Hills was transferred to Mori Building Co., Ltd. , MHR achieved positive operating results by enhancing tenant satisfaction through meticulous operational management, systematic maintenance and repairs and other efforts, as well as by negotiating upward rent revisions with existing tenants.

MHR's real estate portfolio as of the end of the fifth fiscal period was comprised of ten properties (Note 1) under management with a total leasable floor area of 103,169.40m². MHR has already invested 201.6 billion yen (based on acquisition value) into this portfolio. The occupancy rate (Note 2) at the end of the fifth fiscal period was 96.5%.

(Notes)

1. For Roppongi First Building and Roppongi View Tower, MHR purchased 6% of the trust beneficiary rights pertaining to the joint ownership portion on March 22, 2006 and 40% of the trust beneficiary rights pertaining to the joint ownership portion on April 13, 2006. However, MHR treats each of these properties as one property in the number of properties in the portfolio (the same hereinafter). Furthermore, regarding ARK Mori Building, the property name is differentiated according to leasing scheme. MHR acquired the trust beneficiary rights pertaining to sectional ownership for the 13th floor portion on March 22, 2006 as property that adopts a fixed master lease scheme (hereinafter referred to as “ARK Mori Building (fixed)”), and acquired 75% of the quasi co-ownership interest of the trust beneficiary rights pertaining to sectional ownership for the 12th and 22nd floor portions on March 28, 2008 and additionally acquired the remaining 25% of the quasi co-ownership interest on September 30, 2008 as property that adopts a pass-through master lease scheme (hereinafter referred to as “ARK Mori Building (pass-through)”). However, MHR treats each of these properties as one property in the number of properties in the portfolio (the same hereinafter).
2. The occupancy rate expresses the sum total of the total leased floor area as a percentage of the sum total of the total leasable floor area, rounded to one decimal place.

(c) Overview of Fund Procurement

During the fifth fiscal period, MHR procured 40.7 billion yen in funds by implementing a 14.7 billion yen increase in capital through third-party allotment and borrowing 26.0 billion yen (short-term loans payable: 7.0 billion yen; long-term loans payable: 19.0 billion yen (Note 1)). In addition, MHR took out 25.0 billion yen in long-term loans payable to refinance 10.0 billion yen in existing short-term loans payable and 15.0 billion yen in existing long-term loans payable.

As a result, as of the end of the fifth fiscal period, the balance of loans payable stands at 104.0 billion yen (long-term loans payable: 62.0 billion yen; current portion of long-term loans payable: 25.0 billion yen; and short-term loans payable: 17.0 billion yen), the balance of investment corporation bonds stands at 10.0 billion yen and the balance of interest-bearing debt stands at 114.0 billion yen.

Of the loans payable, for 47.0 billion yen of the 62.0 billion yen in long-term loans payable and the 25.0 billion yen in current portion of long-term loans payable, which have variable interest rates, MHR utilizes interest rate swaps that in effect convert variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Concerning future loans payable, MHR will strive to minimize refinancing risks by diversifying repayment dates for loans payable and extend the average remaining duration of loans payable by increasing the percentage of fund procurement through long-term loans payable.

As of the end of the fifth fiscal period, MHR has obtained an A3 (Note 2) issuer credit rating from Moody's Investors Service, Inc. and AA- long-term senior debt rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Notes)

1. Long-term loans payable is loans payable with a period of over one year until the repayment date at the time of drawdown, and short-term loans payable is loans payable with a period of one year or less until the repayment date at the time of drawdown (the same hereinafter).
2. Moody's Investors Service, Inc. issued an announcement on January 15, 2009 stating that the issuer credit ratings for twelve real estate investment corporations, including MHR, are under review for possible downgrade.

(d) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 5,701 million yen in operating revenue, 3,062 million yen in operating income, 2,179 million yen in ordinary income and 2,179 million yen in net income in the fifth fiscal period.

In regards to dividends, to ensure that income distributions would be deductible for tax purposes based on application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957; including amendments thereto), MHR decided to pay out the entire amount of unappropriated retained earnings, excluding fractions of the dividend per unit that are less than 1 yen. Consequently, MHR declared a dividend per unit of 13,688 yen.

(2) Outlook for the Sixth Fiscal Period

(a) Future Management Policy

Pursuant to MHR's investment policy, MHR seeks to increasingly enhance the profitability and asset 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, MHR seeks to develop an urban portfolio with office buildings and residential and retail properties that are situated in "Premium Areas" (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward, Shibuya Ward and their vicinity) and that are capable of maintaining competitiveness in the future from such perspectives as quality, size and specifications ("Premium Properties"). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner perfected over the years by the Mori Building Group.

Concerning the acquisition of new properties, MHR will aim to enhance the quality of its portfolio by acquiring blue-chip assets proactively utilizing information independently gathered by MHR's Asset Manager based on a pipeline support agreement entered into with Mori Building Co., Ltd.

As for opportunities to additionally acquire properties in the sixth fiscal period during which the harsh financing environment is expected to continue, MHR will exercise careful judgment based on taking into account the characteristics of individual properties and closely monitoring trends in the financing environment.

In the management of properties in the portfolio, MHR seeks to ensure stable revenue over the medium and long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of conducting rational, efficient and systematic asset management and administration that enhances satisfaction and captures the extensive trust of tenants. Furthermore, in the operation of individual assets under management, MHR strives to raise the presence of its assets under management by proactively leveraging Mori Building Co., Ltd.'s high value-added know-how and high-level services.

In particular, recognizing that the current rental market is susceptible to fluctuations, MHR will aim to conduct stable and steady management by striving to maintain and enhance occupancy rates through the launch of marketing activities targeting new and existing tenants as well as by focusing on raising the rents of existing tenants as much as possible.

With respect to financing, MHR recognizes the environment is especially severe owing to the deteriorating global financial situation since last year. Under such an environment, MHR will respond appropriately in pursuit of achieving stable financing while working more closely with its financial institution relationships – primarily major domestic financial institutions – and promoting diversification of lenders at the same time.

(b) Significant Subsequent Events

Not applicable.

(c) Outlook of Business Results

MHR expects the following business results for its next fiscal period (sixth fiscal period: February 1, 2009 to July 31, 2009). For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Sixth Fiscal Period Ending July 31, 2009 (February 1, 2009 – July 31, 2009)” presented below.

Operating revenue	¥5,830 million
Operating income	¥2,980 million
Ordinary income	¥1,975 million
Net income	¥1,974 million
Dividend per unit	¥12,400
Dividend 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, dividend per unit and dividend 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 dividend amounts.

Assumptions of Forecast of Results for the Sixth Fiscal Period Ending July 31, 2009
(February 1, 2009 – July 31, 2009)

The forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit for the sixth fiscal period were calculated based on the following assumptions. MHR may revise the forecast if it expects substantial discrepancies in the following assumptions from that of the initial forecast and if, as a result, it anticipates a large variance in the forecasted figures presented in the foregoing “(c) Outlook of Business Results.”

Item	Assumptions
Investment Portfolio	<ul style="list-style-type: none"> • MHR assumes that there will be no change in the investment portfolio (new acquisition of properties, transfer of existing properties, etc.) during the period up to the end of the sixth fiscal period (July 31, 2009). • In actual practice, however, the forecast is subject to change due to changes in the investment portfolio.
Operating Revenue	<ul style="list-style-type: none"> • Rent revenue – real estate is estimated based on the lease contracts effective as of the end of the fifth fiscal period (January 31, 2009), taking into account the market environment, the competitiveness of the individual properties and other factors. • For estimation of operating revenue, MHR assumes that there will be no delinquencies or unpaid rent by tenants.
Operating Expenses	<ul style="list-style-type: none"> • Of the expenses related to rent business, which account for the majority of operating expenses, the expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. A) For property taxes, city planning taxes, etc., the amount of taxation during the sixth fiscal period is expected to total 277 million yen (for 6 months). Furthermore, of this, 31 million yen (for 3 months) is expected to be recorded as expenses for the 2 properties acquired during the fourth fiscal period and

	<p>fifth fiscal period (ARK Mori Building (pass-through) and Akasaka Tameike Tower).</p> <p>B) For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal period (150 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal period may differ significantly from 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.</p> <p>C) Depreciation and amortization are calculated using the straight-line method, with future additional capital expenditures taken into account (756 million yen).</p> <p>D) As a result of a review of property management contracts and building lease contracts (including the entrustment of property management services) entered into with the property manager, a decrease in property management fees and other lease business expenses is expected (property management fees: 802 million yen; other lease business expenses: 90 million yen).</p> <ul style="list-style-type: none"> • 421 million yen is expected for the operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.). Of these, asset management fee rates are expected to be lowered during the sixth fiscal period.
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 873 million yen in interest expenses.
Loans Payable and Investment Corporation Bonds	<ul style="list-style-type: none"> • The loans payable outstanding as of the end of the fifth fiscal period (January 31, 2009) was 104,000 million yen. MHR assumes that there will be no change in the loans payable outstanding from this amount until the end of the sixth fiscal period (July 31, 2009). • The balance of investment corporation bonds as of the end of the fifth fiscal period (January 31, 2009) was 10,000 million yen. MHR assumes that there will be no change in the balance of investment corporation bonds from this amount until the end of the sixth fiscal period (July 31, 2009).
Investment Units	<ul style="list-style-type: none"> • The number of investment units outstanding as of the end of the fifth fiscal period (January 31, 2009) was 159,200 units. MHR assumes that there will be no change in the number of investment units outstanding from this number until the end of the sixth fiscal period (July 31, 2009).
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit is calculated based on the assumption that MHR will distribute all earnings in accordance with its cash distribution policy as outlined in its Articles of Incorporation. • Dividend per unit may vary due to numerous factors, including changes in the investment portfolio, changes in rent income caused by the moving-in/out of tenants, unplanned repairs, changes in interest rates, or additional issue of new investment units.
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> • MHR assumes at present that it will not make any cash distributions in excess of earnings (dividend in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • MHR assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, Investment Trusts Association rules, etc. that would affect the above forecasts. • MHR assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.

5. FINANCIAL STATEMENTS**(1) Balance Sheet**

	(Unit: thousands of yen)	
	Fourth Fiscal Period (as of July 31, 2008)	Fifth Fiscal Period (as of January 31, 2009)
Assets		
Current assets		
Cash and deposits	5,205,753	5,397,284
Cash and deposits in trust	6,496,459	5,980,177
Accounts receivable – trade	97,677	105,028
Prepaid expenses	139,910	255,158
Deferred tax assets	238	210
Consumption taxes receivable	39,956	363,741
Other	749	4,611
Total current assets	11,980,745	12,106,211
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	39,741,996	48,524,014
Accumulated depreciation	(2,488,925)	(3,139,286)
Buildings in trust, net	37,253,071	45,384,727
Structures in trust	605,642	689,082
Accumulated depreciation	(150,687)	(186,257)
Structures in trust, net	454,955	502,825
Machinery and equipment in trust	705,617	883,325
Accumulated depreciation	(50,755)	(63,606)
Machinery and equipment in trust, net	654,862	819,719
Tools, furniture and fixtures in trust	25,442	34,074
Accumulated depreciation	(3,471)	(5,712)
Tools, furniture and fixtures in trust, net	21,970	28,362
Land in trust	101,704,640	135,404,662
Construction in progress in trust	647	1,077
Total property, plant and equipment	140,090,147	182,141,374
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	5,210	4,660
Total intangible assets	18,415,167	18,414,617
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	54,832	222,011
Deferred tax assets	–	5,565
Total investments and other assets	64,832	237,576
Total noncurrent assets	158,570,146	200,793,568
Deferred assets		
Deferred organization expenses	25,556	20,445
Investment corporation bond issuance costs	49,743	44,613
Total deferred assets	75,300	65,059
Total assets	170,626,192	212,964,839

Mori Hills REIT Investment Corporation (3234) Fifth Fiscal Period Financial Report

	Fourth Fiscal Period (as of July 31, 2008)	Fifth Fiscal Period (as of January 31, 2009)
Liabilities		
Current liabilities		
Accounts payable	262,434	283,711
Short-term loans payable	20,000,000	17,000,000
Current portion of long-term loans payable	15,000,000	25,000,000
Accounts payable – other	12,759	14,599
Accrued expenses	209,150	285,615
Income taxes payable	1,424	631
Accrued consumption taxes	19,538	19,245
Advances received	695,667	696,636
Deposits received	79,808	108,324
Total current liabilities	36,280,784	43,408,764
Noncurrent liabilities		
Investment corporation bond	10,000,000	10,000,000
Long-term loans payable	43,000,000	62,000,000
Tenant leasehold and security deposits in trust	6,841,592	7,999,934
Derivatives liabilities	–	14,150
Total noncurrent liabilities	59,841,592	80,014,085
Total liabilities	96,122,376	123,422,849
Net assets		
Unitholders' equity		
Unitholders' capital	72,671,418	87,371,418
Surplus		
Unappropriated retained earnings (undisposed loss)	1,832,397	2,179,156
Total surplus	1,832,397	2,179,156
Total unitholders' equity	74,503,815	89,550,574
Valuation and translation adjustments		
Deferred gains or losses on hedges	–	(8,585)
Total valuation and translation adjustments	–	(8,585)
Total net assets	74,503,815	89,541,989
Total liabilities and net assets	170,626,192	212,964,839

(2) Statement of Income

(Unit: thousands of yen)

	Fourth Fiscal Period (February 1, 2008 to July 31, 2008)	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)
Operating revenue		
Rent revenue – real estate	4,407,694	5,015,896
Other lease business revenue	415,465	534,027
Gain on sales of real estate properties	–	151,692
Total operating revenue	4,823,159	5,701,616
Operating expenses		
Expenses related to rent business	2,044,806	2,251,869
Asset management fee	249,075	280,925
Directors' compensations	8,100	8,100
Asset custody fee	4,198	5,142
Administrative service fees	11,336	13,811
Other operating expenses	62,883	78,849
Total operating expenses	2,380,399	2,638,699
Operating income	2,442,759	3,062,916
Non-operating income		
Interest income	16,132	15,831
Compensation income	16,033	–
Other	3,333	391
Total non-operating income	35,500	16,223
Non-operating expenses		
Interest expenses	483,361	669,360
Interest expenses on investment corporation bonds	80,705	81,150
Amortization of investment corporation bond issuance costs	5,130	5,130
Amortization of deferred organization expenses	5,111	5,111
Borrowing expenses	59,901	116,182
Investment unit issuance expenses	–	20,297
Other	6,807	1,920
Total non-operating expenses	641,017	899,151
Ordinary income	1,837,242	2,179,989
Income before income taxes	1,837,242	2,179,989
Income taxes – current	5,067	815
Income taxes – deferred	(219)	28
Total income taxes	4,847	843
Net income	1,832,395	2,179,145
Retained earnings brought forward	1	10
Unappropriated retained earnings (undisposed loss)	1,832,397	2,179,156

(3) Statement of Unitholders' Equity

(Unit: thousands of yen)

	Fourth Fiscal Period (February 1, 2008 to July 31, 2008)	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)
Unitholders' equity		
Unitholders' capital		
Balance at the end of previous period	72,671,418	72,671,418
Changes of items during the period		
Issuance of new investment units	—	14,700,000
Total changes of items during the period	—	14,700,000
Balance at the end of current period	72,671,418	87,371,418
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the end of previous period	1,842,772	1,832,397
Changes of items during the period		
Dividends from surplus	(1,842,770)	(1,832,386)
Net income	1,832,395	2,179,145
Total changes of items during the period	(10,375)	346,758
Balance at the end of current period	1,832,397	2,179,156
Total unitholders' equity		
Balance at the end of previous period	74,514,191	74,503,815
Changes of items during the period		
Issuance of new investment units	—	14,700,000
Dividends from surplus	(1,842,770)	(1,832,386)
Net income	1,832,395	2,179,145
Total changes of items during the period	(10,375)	15,046,758
Balance at the end of current period	74,503,815	89,550,574
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than owners' equity	—	(8,585)
Total changes of items during the period	—	(8,585)
Balance at the end of current period	—	(8,585)
Total valuation and translation adjustments		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than owners' equity	—	(8,585)
Total changes of items during the period	—	(8,585)
Balance at the end of current period	—	(8,585)
Total net assets		
Balance at the end of previous period	74,514,191	74,503,815
Changes of items during the period		
Issuance of new investment units	—	14,700,000
Dividends from surplus	(1,842,770)	(1,832,386)
Net income	1,832,395	2,179,145
Net changes of items other than owners' equity	—	(8,585)
Total changes of items during the period	(10,375)	15,038,173
Balance at the end of current period	74,503,815	89,541,989

(4) Statement of Cash Distributions

(Unit: yen)

Item \ Period	Fourth Fiscal Period (February 1, 2008 to July 31, 2008)	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)
I. Unappropriated retained earnings	1,832,397,221	2,179,156,001
II. Amount of dividends	1,832,386,600	2,179,129,600
[Amount of dividend per unit]	[14,117]	[13,688]
III. Retained earnings carried forward	10,621	26,401

(5) Statements of Cash Flows

(Unit: thousands of yen)

Account	Fourth Fiscal Period (February 1, 2008 to July 31, 2008)	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes	1,837,242	2,179,989
Depreciation and amortization	602,293	706,782
Amortization of deferred organization expenses	5,111	5,111
Amortization of investment corporation bond issuance costs	5,130	5,130
Investment unit issuance expenses	–	20,297
Interest income	(16,132)	(15,831)
Interest expenses	564,066	750,510
Decrease (increase) in accounts receivable – trade	2,771	(7,351)
Decrease (increase) in consumption taxes refund receivable	(39,956)	(323,784)
Increase (decrease) in accounts payable	14,055	(215)
Increase (decrease) in accounts payable – other	(4,138)	2,710
Increase (decrease) in accrued expenses	8,481	(4,944)
Increase (decrease) in accrued consumption taxes	(19,331)	(293)
Increase (decrease) in advances received	86,136	969
Increase (decrease) in deposits received	22,231	28,515
Decrease (increase) in prepaid expenses	(34,016)	(115,247)
Decrease (increase) in long-term prepaid expenses	(661)	(167,178)
Loss (gain) on sales of property, plant and equipment	–	265,756
Other, net	3,102	(2,324)
Subtotal	3,036,386	3,328,601
Interest income received	18,214	14,731
Interest expenses paid	(546,310)	(669,100)
Income taxes paid	(4,294)	(1,608)
Net cash provided by (used in) operating activities	2,503,995	2,672,623
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(16,663,710)	(43,002,162)
Purchase of intangible assets in trust	(5,500)	–
Proceeds from tenant leasehold and security deposits in trust	1,232,988	1,436,098
Payments of tenant leasehold and security deposits in trust	(614,210)	(277,755)
Net cash provided by (used in) investment activities	(16,050,432)	(41,843,819)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	10,000,000	7,000,000
Decrease in short-term loans payable	–	(10,000,000)
Proceeds from long-term loans payable	5,000,000	44,000,000
Repayment of long-term loans payable	–	(15,000,000)
Proceeds from issuance of investment units	–	14,700,000
Payments for investment unit issuance expenses	–	(20,297)
Dividends paid	(1,837,184)	(1,833,257)
Net cash provided by (used in) financing activities	13,162,815	38,846,444
Net increase (decrease) in cash and cash equivalents	(383,621)	(324,751)
Cash and cash equivalents at beginning of period	12,085,834	11,702,213
Cash and cash equivalents at end of period	11,702,213	11,377,462

6. OVERVIEW OF LEASE CONDITIONS (as of January 31, 2009)

Property no.	Property name	Leasing scheme	Total leasable floor area (m ²)	Total leased floor area (m ²)	Occupancy rate (%)	Total no. of end tenants	Gross rent income (annual rent) (millions of yen)	Deposits / Guarantees (millions of yen)
O-1-1	ARK Mori Building (fixed)	Fixed master lease	2,728.96	2,728.96	100.0	1	297	297
O-1-2	ARK Mori Building (pass-through)	Pass-through master lease	5,223.61	4,927.06	94.3	11	728	591
O-2	Roppongi Hills Gate Tower	Pass-through master lease	16,657.52	16,340.29	98.1	44	1,971	1,722
O-3	Roppongi First Building	–	11,525.55	10,852.94	94.2	14	1,233	1,193
O-4	Koraku Mori Building	Pass-through master lease	16,199.26	16,090.42	99.3	14	1,888	1,823
O-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Pass-through master lease	6,720.34	6,720.34	100.0	1	843	372
O-6	Akasaka Tameike Tower	Pass-through master lease	10,523.78	10,523.78	100.0	13	1,242	1,045
R-1	Moto-Azabu Hills	Pass-through master lease	19,042.73	17,671.12	92.8	107	1,593	674
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,923.56	93.9	35	358	153
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,457.89	83.1	36	148	67
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	219	0
Total portfolio			103,169.40	99,581.20	96.5	277	10,520	7,936

7. STATUS OF INCOME AND EXPENDITURES (August 1, 2008 – January 31, 2009)

(Unit: thousands of yen)

Property no.	O-1-1 Premium		O-1-2 Premium		O-2 Premium		O-3 Premium	
	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth
Property name	ARK Mori Building (fixed)		ARK Mori Building (pass-through) (Note 2)		Roppongi Hills Gate Tower		Roppongi First Building	
Fiscal period (Note 1)	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth
Days of operations	182	184	126	184	182	184	182	184
Rent revenue – real estate	148,591	148,591	188,802	330,581	989,549	986,840	610,678	619,309
Other lease business revenue	–	–	9,421	21,325	131,926	136,397	75,569	77,687
Total property operating revenue	148,591	148,591	198,224	351,907	1,121,476	1,123,237	686,248	696,996
Property management fees	1,200	1,200	34,610	57,432	165,702	163,464	86,410	77,291
Utilities	–	–	2,791	6,634	55,554	63,779	35,513	35,713
Property taxes	8,285	8,254	–	–	67,129	68,047	43,291	43,212
Maintenance and repairs	–	153	759	4,771	17,788	21,687	–	10,696
Insurance premium	424	426	331	591	2,399	2,712	2,043	2,256
Depreciation and amortization	17,768	17,768	28,589	42,148	116,916	117,092	99,677	99,715
Other lease business expenses	516	516	982	1,366	36,653	37,456	1,203	1,208
Total property operating expenses	28,194	28,319	68,064	112,944	462,143	474,240	268,139	270,095
NOI	138,165	138,040	158,749	281,110	776,249	766,089	517,787	526,616

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Property no.	O-4 Premium		O-5		O-6 Premium	
Property name	Koraku Mori Building		Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building)		Akasaka Tameike Tower (Note 3)	
Fiscal period (Note 1)	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth
Days of operations	182	184	182	184	–	124
Rent revenue – real estate	881,082	919,281	403,882	421,421	–	412,185
Other lease business revenue	109,766	123,859	9,240	9,240	–	87,096
Total property operating revenue	990,849	1,043,141	413,122	430,661	–	499,282
Property management fees	112,793	99,005	65,448	65,448	–	69,045
Utilities	77,108	90,031	–	–	–	22,751
Property taxes	35,244	35,183	21,932	21,755	–	–
Maintenance and repairs	22,870	1,779	870	–	–	1,206
Insurance premium	2,246	2,541	606	638	–	1,406
Depreciation and amortization	123,686	123,975	35,725	35,735	–	90,042
Other lease business expenses	66,300	66,325	769	767	–	592
Total property operating expenses	440,250	418,842	125,352	124,346	–	185,046
NOI	674,284	748,273	323,496	342,050	–	404,278

Property no.	R-1 Premium		R-2 Premium		R-3 Premium		R-4	
Property name	Moto-Azabu Hills (Note 4)		ARK Forest Terrace		Roppongi First Plaza		Roppongi View Tower	
Fiscal period (Note 1)	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth	Fourth	Fifth
Days of operations	182	184	182	184	182	184	182	184
Rent revenue – real estate	819,143	812,462	178,426	177,349	78,108	78,446	109,426	109,426
Other lease business revenue	68,308	68,373	10,982	9,777	250	270	–	–
Total property operating revenue	887,452	880,836	189,408	187,126	78,358	78,716	109,426	109,426
Property management fees	183,672	181,749	38,194	38,963	14,499	12,105	6,474	4,012
Utilities	4,017	4,996	11,190	10,748	186	138	–	–
Property taxes	41,401	43,063	9,249	9,268	6,238	6,347	9,878	9,954
Maintenance and repairs	56,550	54,624	8,264	5,195	10,830	4,670	–	–
Insurance premium	3,985	3,421	951	818	437	373	647	558
Depreciation and amortization	122,726	122,624	31,941	32,010	9,756	10,164	15,504	15,504
Other lease business expenses	50,996	51,914	9,766	9,531	4,389	4,365	905	905
Total property operating expenses	463,350	462,395	109,559	106,536	46,339	38,165	33,411	30,936
NOI	546,827	541,064	111,791	112,599	41,776	50,715	91,519	93,995

(Notes)

1. The fourth fiscal period was from February 1, 2008 to July 31, 2008. The fifth fiscal period was from August 1, 2008 to January 31, 2009.
2. For the 25% of the quasi co-ownership interest of the trust beneficiary rights pertaining to ARK Mori Building (pass-through) that was additionally acquired on September 30, 2008, the income and expenditures are calculated from October 1, 2008.
3. For Akasaka Tameike Tower that was acquired on September 30, 2008, the income and expenditures are calculated from October 1, 2008.
4. For the one residential unit of Moto-Azabu Hills that was sold on October 31, 2008, the days of operations during the fifth fiscal period was 92 days.

Disclaimer:

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated March 17, 2009, and portions of the Financial Statements and the Performance Information Report for the fifth fiscal period from August 1, 2008 to January 31, 2009, of Mori Hills REIT Investment Corporation (MHR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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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, March 17, 2009, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.