



H I L L S R E I T

September 14, 2009

**FINANCIAL REPORT
FOR THE SIXTH FISCAL PERIOD ENDED JULY 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: October 29, 2009

Planned start of dividend payments: October 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 SIXTH FISCAL PERIOD ENDED JULY 31, 2009

(February 1, 2009 – July 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
Sixth Fiscal Period	¥5,789	1.5%	¥3,004	(1.9%)	¥2,027	(7.0%)	¥2,026	(7.0%)
Fifth Fiscal Period	¥5,701	18.2%	¥3,062	25.4%	¥2,179	18.7%	¥2,179	18.9%

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Sixth Fiscal Period	¥12,726	2.3%	1.0%	35.0%
Fifth Fiscal Period	¥14,550	2.7%	1.1%	38.2%

(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
Sixth Fiscal Period	¥12,726	¥2,025 million	¥0	–	99.9%	2.3%
Fifth Fiscal Period	¥13,688	¥2,179 million	¥0	–	99.9%	2.4%

(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
Sixth Fiscal Period	¥212,860 million	¥89,383 million	42.0%	¥561,451
Fifth Fiscal Period	¥212,964 million	¥89,541 million	42.0%	¥562,449

(Reference) Total net assets

Sixth fiscal period: ¥89,383 million

Fifth fiscal period: ¥89,541 million

(4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
Sixth Fiscal Period	¥3,362 million	(¥784 million)	(¥2,172 million)	¥11,783 million
Fifth Fiscal Period	¥2,672 million	(¥41,843 million)	¥38,846 million	¥11,377 million

2. FORECAST OF RESULTS FOR THE SEVENTH FISCAL PERIOD ENDING JANUARY 31, 2010 (August 1, 2009 – January 31, 2010)

(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
Seventh Fiscal Period	¥5,504	(4.9%)	¥2,728	(9.2%)	¥1,640	(19.1%)	¥1,639	(19.1%)

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Seventh Fiscal Period	¥10,300	¥0

(Reference) Estimated net income per unit for the seventh fiscal period: ¥10,300

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)
 - Sixth fiscal period: 159,200 units Fifth fiscal period: 159,200 units
- (b) Number of own units at end of period
 - Sixth fiscal period: 0 units Fifth 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 seventh fiscal period ending January 31, 2010 are calculated as of today based on the assumptions presented on pages 9 and 10. 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 Sixth 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). On September 29, 2008, MHR issued new investment units through third-party allotment (29,400 units). As of the end of MHR's fiscal period under review (sixth fiscal period: February 1, 2009 to July 31, 2009), the total number of investment units outstanding was 159,200 units. Recently, MHR closed its sixth fiscal period.

(b) Investment Environment and Business Performance

i) Investment Environment

In the Japanese economy during the sixth fiscal period, rapid worsening of the global economy caused a prolonged economic downturn, including impacts on corporate earnings and capital investment, as well as on the employment environment. On the other hand, there were signs of economic recovery, resulting from exports picking up and economic measures. For example, the real GDP growth rate for the April to June 2009 period marked a positive growth rate for the first time in five quarters.

Concerning the rental office building market, vacancy rates increased due to rental office demand shrinking in correlation with deteriorating corporate performance. In addition, rent levels entered a downward correction phase.

With respect to the luxury rental housing market, demand for luxury rental housing from foreign staff working at non-Japanese firms and domestic high net-worth households declined, reflecting the uncertainty over the future of the economy. As a consequence, vacancy rates rose and rent levels were on a downward trend.

In the real estate trading market, there was a marked drop in sale and purchase transactions in concert with turmoil in the financing environment and the increasingly passive investment stance of investors. Even the office market in central Tokyo saw a surge in cap rates and a downward trend in real estate prices.

ii) Business Performance

In the sixth fiscal period, MHR continued to enhance tenant satisfaction through such measures as meticulous operational management and systematic maintenance and repair of properties in its portfolio. Moreover, MHR also took such measures as to set rents for new tenants at appropriate levels and to revise rents with existing tenants. MHR secured stable real estate rent revenue as a result.

MHR's real estate portfolio as of the end of the sixth fiscal period was comprised of ten properties (Note 1) under management with a total leasable floor area of 103,151.71m². MHR has already

invested 201,654 million yen (based on acquisition value) into this portfolio. The occupancy rate (Note 2) at the end of the sixth fiscal period was 93.7%.

(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 for purposes of calculating 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 with respect to 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 sixth fiscal period, MHR took out short-term loans payable in the amount of 8,000 million yen and a long-term loan payable in the amount of 2,000 million yen for the purpose of refinancing an existing 10,000 million yen short-term loan payable.

As a result, as of the end of the sixth fiscal period, the balance of loans payable stands at 104,000 million yen (long-term loans payable: 53,900 million yen; current portion of long-term loans payable: 35,100 million yen; and short-term loans payable: 15,000 million yen), the balance of investment corporation bonds stands at 10,000 million yen and the balance of interest-bearing debt stands at 114,000 million yen.

Of the loans payable, in addition to the 1,900 million yen long-term loan payable that has fixed interest rates, MHR utilizes interest rate swaps and takes other measures to in effect convert the interest rates for loans payable that have variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 47,000 million yen of the 52,000 million yen in long-term loans payable and 25,100 million yen of the 35,100 million yen in current portion of long-term loans payable. 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 sixth fiscal period, MHR has obtained a Baa1 issuer credit rating and unsecured long-term debt rating (rating outlook: negative) from Moody's Investors Service, Inc. and AA-long-term senior debt rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Note) 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).

(d) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 5,789 million yen in operating revenue, 3,004 million yen in operating income, 2,027 million yen in ordinary income and 2,026 million yen in net income in the sixth 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 12,726 yen.

(e) Other

MHR's Asset Manager made changes to its internal rules, the Related Parties Transaction Guidelines, on May 27, 2009. The provision regarding "the maximum amount of the acquisition in the case that a real estate asset, etc. is to be acquired from a related party" was changed from "110% of the appraisal value" to "appraisal value (however, in the case of there being reasonable grounds for doing so, then 110% of the appraisal value)."

(2) Outlook for the Seventh 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 due to attributes such 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.

With the harsh financing environment surrounding MHR expected to continue, MHR believes additional property acquisitions should be subject to careful review. For the time being, MHR will focus also on information gathering and various reviews in preparation for future property acquisitions, replacement of assets and other portfolio changes.

With respect to 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, MHR will strive to maintain and enhance occupancy rates by proactively launching marketing activities targeting new and existing tenants. While taking into account the quality of tenants, tenant negotiations will be pursued based on a flexible price policy in order to cope with the rental market currently being in a correction phase which is resulting in higher vacancy rates and lower unit price of rent. MHR will also aim to conduct stable and steady management.

With respect to financing, although factors including government measures to support corporations raise funds launched from the past spring onwards in response to the downturn in the global financial and economic situation, have dispelled concerns over J-REIT failures, MHR recognizes the financing environment for J-REITs is still severe. Under such an environment, MHR will continue to aim to promote diversification of financing means, such as increasing capital and issuing investment corporation bonds, while monitoring the trends of the J-REIT market and bond market and paying due heed to the appropriate timing and environment.

(b) Significant Subsequent Events

Not applicable.

(Reference Information)

i) Borrowing of Funds

MHR borrowed funds as follows on August 31, 2009, the purpose of which is to fund the refinancing of a 7,000 million yen short-term loan payable due for repayment on August 31, 2009.

i. Short-Term Loan Payable

Lenders	Mitsubishi UFJ Trust and Banking Corporation Mizuho Corporate Bank, Ltd. The Sumitomo Trust & Banking Co., Ltd. Sumitomo Mitsui Banking Corporation
Borrowing amount	5,500 million yen
Interest rate	1.32091% per annum (variable interest rate) (The interest rate shown above is in effect until September 30, 2009.)
Drawdown date	August 31, 2009
Principal repayment date	August 31, 2010 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

ii. Long-Term Loan Payable

Lender	Bank of Tokyo-Mitsubishi UFJ, Ltd.
Borrowing amount	1,500 million yen
Interest rate	1.72091% per annum (variable interest rate) (The interest rate shown above is in effect until September 30, 2009.)
Drawdown date	August 31, 2009
Principal repayment date	August 31, 2012 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

ii) Borrowing of Funds

MHR adopted a resolution at a meeting of its board of directors held on September 14, 2009 with respect to a borrowing agreement to fund part of the refinancing of a 25,000 million yen long-term loan payable and a 2,940 million yen short-term loan payable, which are due for repayment on November 30, 2009, as outlined below.

i. Long-Term Loan Payable

Lender	The Bank of Fukuoka, Ltd.
Borrowing amount	2,000 million yen
Scheduled drawdown date	November 30, 2009
Principal repayment date	November 30, 2011 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

iii) Planned Amendment of Part of the Articles of Incorporation and Appointment of Directors

MHR resolved at a meeting of its board of directors held on September 14, 2009 to refer three agenda items to the third general meeting of unitholders, which is scheduled to be held on October 9, 2009, for discussion as agenda items at the meeting. The agenda items are an amendment of part of the Articles of Incorporation, appointment of two executive directors and appointment of three supervisory directors.

For details on the agenda items referred for discussion, please refer to “MHR Announces Amendment of Part of the Articles of Incorporation and Appointment of Directors” dated September 14, 2009.

(c) Outlook of Business Results

MHR expects the following business results for its next fiscal period (seventh fiscal period: August 1, 2009 to January 31, 2010). For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Seventh Fiscal Period Ending January 31, 2010 (August 1, 2009 to January 31, 2010)” presented below.

Operating revenue	¥5,504 million
Operating income	¥2,728 million
Ordinary income	¥1,640 million
Net income	¥1,639 million
Dividend per unit	¥10,300
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 Seventh Fiscal Period Ending January 31, 2010
(August 1, 2009 – January 31, 2010)

The forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit for the seventh 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 seventh fiscal period (January 31, 2010). • 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 sixth fiscal period (July 31, 2009), taking into account the market environment, the competitiveness of the individual properties and other factors. • The average occupancy rate of the portfolio during the seventh fiscal period is expected to be 91.8% (while reflecting all tenant exits projected at this stage, and adopting a conservative assumption for returning vacancies to an occupied state). • 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. <ul style="list-style-type: none"> A) For property taxes, city planning taxes, etc., the amount of taxation during the seventh fiscal period is expected to total 294 million yen (for 6 months). B) For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal period (140 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal period may differ 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. C) Depreciation and amortization are calculated using the straight-line method, with future additional capital expenditures taken into account (712 million yen). • 442 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.).
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 892 million yen in interest expenses and 189 million yen in borrowing expenses.

Loans Payable and Investment Corporation Bonds	<ul style="list-style-type: none"> • The balance of loans payable outstanding as of the end of the sixth fiscal period (July 31, 2009) was 104,000 million yen. MHR assumes that, of that amount, the 7,000 million yen remaining of a short-term loan payable (due for repayment on August 31, 2009), the 2,940 million yen remaining of a short-term loan payable (due for repayment on November 30, 2009) and the 25,000 million yen remaining of a long-term loan payable (due for repayment on November 30, 2009) will be refinanced in the entire amount. MHR also assumes that an agreed repayment of 50 million yen of the 2,000 million yen remaining of a long-term loan payable (due for repayment on March 27, 2012) will be conducted, resulting in the balance of loans payable outstanding as of the end of the seventh fiscal period (January 31, 2010) being 103,950 million yen. • The balance of investment corporation bonds as of the end of the sixth fiscal period (July 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 seventh fiscal period (January 31, 2010).
Investment Units	<ul style="list-style-type: none"> • The number of investment units outstanding as of the end of the sixth fiscal period (July 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 seventh fiscal period (January 31, 2010).
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 Sheets**

	(Unit: thousands of yen)	
	Fifth Fiscal Period (as of January 31, 2009)	Sixth Fiscal Period (as of July 31, 2009)
Assets		
Current assets		
Cash and deposits	5,397,284	7,321,675
Cash and deposits in trust	5,980,177	5,061,722
Operating accounts receivable	105,028	107,677
Prepaid expenses	255,158	249,774
Deferred tax assets	210	10
Consumption taxes receivable	363,741	-
Other	4,611	4,109
Total current assets	12,106,211	12,744,969
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	48,524,014	48,578,539
Accumulated depreciation	(3,139,286)	(3,826,792)
Buildings in trust, net	45,384,727	44,751,746
Structures in trust	689,082	695,251
Accumulated depreciation	(186,257)	(221,350)
Structures in trust, net	502,825	473,901
Machinery and equipment in trust	883,325	883,325
Accumulated depreciation	(63,606)	(77,762)
Machinery and equipment in trust, net	819,719	805,562
Tools, furniture and fixtures in trust	34,074	46,430
Accumulated depreciation	(5,712)	(7,931)
Tools, furniture and fixtures in trust, net	28,362	38,498
Land in trust	135,404,662	135,404,662
Construction in progress in trust	1,077	449
Total property, plant and equipment	182,141,374	181,474,821
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	4,660	4,604
Total intangible assets	18,414,617	18,414,561
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	222,011	151,929
Deferred tax assets	5,565	9,283
Total investments and other assets	237,576	171,212
Total noncurrent assets	200,793,568	200,060,595
Deferred assets		
Deferred organization expenses	20,445	15,334
Investment corporation bond issuance costs	44,613	39,483
Total deferred assets	65,059	54,817
Total assets	212,964,839	212,860,382

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	Fifth Fiscal Period (as of January 31, 2009)	Sixth Fiscal Period (as of July 31, 2009)
Liabilities		
Current liabilities		
Operating accounts payable	283,711	270,689
Short-term loans payable	17,000,000	15,000,000
Current portion of long-term loans payable	25,000,000	35,100,000
Accounts payable – other	14,599	18,899
Accrued expenses	285,615	289,948
Income taxes payable	631	630
Accrued consumption taxes	19,245	167,248
Advances received	696,636	742,975
Deposits received	108,324	62,851
Total current liabilities	43,408,764	51,653,243
Noncurrent liabilities		
Investment corporation bond	10,000,000	10,000,000
Long-term loans payable	62,000,000	53,900,000
Tenant leasehold and security deposits in trust	7,999,934	7,900,409
Derivatives liabilities	14,150	23,603
Total noncurrent liabilities	80,014,085	71,824,012
Total liabilities	123,422,849	123,477,256
Net assets		
Unitholders' equity		
Unitholders' capital	87,371,418	87,371,418
Surplus		
Unappropriated retained earnings (undisposed loss)	2,179,156	2,026,027
Total surplus	2,179,156	2,026,027
Total unitholders' equity	89,550,574	89,397,446
Valuation and translation adjustments		
Deferred gains or losses on hedges	(8,585)	(14,320)
Total valuation and translation adjustments	(8,585)	(14,320)
Total net assets	89,541,989	89,383,126
Total liabilities and net assets	212,964,839	212,860,382

(2) Statements of Income

(Unit: thousands of yen)

	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)	Sixth Fiscal Period (February 1, 2009 to July 31, 2009)
Operating revenue		
Rent revenue – real estate	5,015,896	5,217,909
Other lease business revenue	534,027	571,241
Gain on sales of real estate properties	151,692	–
Total operating revenue	5,701,616	5,789,150
Operating expenses		
Expenses related to rent business	2,251,869	2,367,640
Asset management fee	280,925	314,994
Directors' compensations	8,100	7,950
Asset custody fee	5,142	5,322
Administrative service fees	13,811	12,750
Other operating expenses	78,849	76,104
Total operating expenses	2,638,699	2,784,762
Operating income	3,062,916	3,004,388
Non-operating income		
Interest income	15,831	13,341
Interest on refund	–	1,894
Other	391	157
Total non-operating income	16,223	15,393
Non-operating expenses		
Interest expenses	669,360	765,394
Interest expenses on investment corporation bonds	81,150	81,149
Amortization of investment corporation bond issuance costs	5,130	5,130
Amortization of deferred organization expenses	5,111	5,111
Borrowing expenses	116,182	134,062
Investment unit issuance expenses	20,297	–
Other	1,920	1,920
Total non-operating expenses	899,151	992,768
Ordinary income	2,179,989	2,027,012
Income before income taxes	2,179,989	2,027,012
Income taxes – current	815	811
Income taxes – deferred	28	200
Total income taxes	843	1,011
Net income	2,179,145	2,026,001
Retained earnings brought forward	10	26
Unappropriated retained earnings (undisposed loss)	2,179,156	2,026,027

(3) Statements of Unitholders' Equity

(Unit: thousands of yen)

	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)	Sixth Fiscal Period (February 1, 2009 to July 31, 2009)
Unitholders' equity		
Unitholders' capital		
Balance at the end of previous period	72,671,418	87,371,418
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	87,371,418	87,371,418
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the end of previous period	1,832,397	2,179,156
Changes of items during the period		
Dividends from surplus	(1,832,386)	(2,179,156)
Net income	2,179,145	2,026,001
Total changes of items during the period	346,758	(153,128)
Balance at the end of current period	2,179,156	2,026,027
Total unitholders' equity		
Balance at the end of previous period	74,503,815	89,550,574
Changes of items during the period		
Issuance of new investment units	14,700,000	–
Dividends from surplus	(1,832,386)	(2,179,129)
Net income	2,179,145	2,026,001
Total changes of items during the period	15,046,758	(153,128)
Balance at the end of current period	89,550,574	89,397,446
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the end of previous period	–	(8,585)
Changes of items during the period		
Net changes of items other than owners' equity	(8,585)	(5,735)
Total changes of items during the period	(8,585)	(5,735)
Balance at the end of current period	(8,585)	(14,320)
Total valuation and translation adjustments		
Balance at the end of previous period	–	(8,585)
Changes of items during the period		
Net changes of items other than owners' equity	(8,585)	(5,735)
Total changes of items during the period	(8,585)	(5,735)
Balance at the end of current period	(8,585)	(14,320)
Total net assets		
Balance at the end of previous period	74,503,815	89,541,989
Changes of items during the period		
Issuance of new investment units	14,700,000	–
Dividends from surplus	(1,832,386)	(2,179,129)
Net income	2,179,145	2,026,001
Net changes of items other than owners' equity	(8,585)	(5,735)
Total changes of items during the period	15,038,173	(158,863)
Balance at the end of current period	89,541,989	89,383,126

(4) Statements of Cash Distributions

(Unit: yen)

Item \ Period	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)	Sixth Fiscal Period (February 1, 2009 to July 31, 2009)
I. Unappropriated retained earnings	2,179,156,001	2,026,027,879
II. Amount of dividends	2,179,129,600	2,025,979,200
[Amount of dividend per unit]	[13,688]	[12,726]
III. Retained earnings carried forward	26,401	48,679

(5) Statements of Cash Flows

(Unit: thousands of yen)

Account	Fifth Fiscal Period (August 1, 2008 to January 31, 2009)	Sixth Fiscal Period (February 1, 2009 to July 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes	2,179,989	2,027,012
Depreciation and amortization	706,782	740,587
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	(15,831)	(13,341)
Interest expenses	750,510	846,544
Decrease (increase) in operating accounts receivable	(7,351)	(2,649)
Decrease (increase) in consumption taxes refund receivable	(323,784)	363,741
Increase (decrease) in operating accounts payable	(215)	(2,824)
Increase (decrease) in accounts payable – other	2,710	(2,259)
Increase (decrease) in accrued expenses	(4,944)	2,531
Increase (decrease) in accrued consumption taxes	(293)	148,003
Increase (decrease) in advances received	969	46,338
Increase (decrease) in deposits received	28,515	(45,473)
Decrease (increase) in prepaid expenses	(115,247)	5,384
Decrease (increase) in long-term prepaid expenses	(167,178)	70,081
Loss (gain) on sales of property, plant and equipment	265,756	–
Other, net	(2,324)	985
Subtotal	3,328,601	4,194,904
Interest income received	14,731	13,626
Interest expenses paid	(669,100)	(844,742)
Income taxes paid	(1,608)	(812)
Net cash provided by (used in) operating activities	2,672,623	3,362,976
Net cash provided by (used in) investing activities		
Payments into time deposits	–	(600,000)
Purchase of property, plant and equipment in trust	(43,002,162)	(84,423)
Purchase of intangible assets in trust	–	(520)
Proceeds from tenant leasehold and security deposits in trust	1,436,098	640,821
Payments of tenant leasehold and security deposits in trust	(277,755)	(704,347)
Net cash provided by (used in) investing activities	(41,843,819)	(784,469)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	7,000,000	8,000,000
Decrease in short-term loans payable	(10,000,000)	(10,000,000)
Proceeds from long-term loans payable	44,000,000	2,000,000
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	(1,833,257)	(2,172,570)
Net cash provided by (used in) financing activities	38,846,444	(2,172,570)
Net increase (decrease) in cash and cash equivalents	(324,751)	405,936
Cash and cash equivalents at beginning of period	11,702,213	11,377,462
Cash and cash equivalents at end of period	11,377,462	11,783,398

6. OVERVIEW OF LEASE CONDITIONS (as of July 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	737	591
O-2	Roppongi Hills Gate Tower	Pass-through master lease	16,657.52	15,621.36	93.8	35	1,886	1,694
O-3	Roppongi First Building	–	11,525.55	10,438.26	90.6	13	1,177	1,138
O-4	Koraku Mori Building	Pass-through master lease	16,200.52	15,251.46	94.1	14	1,835	1,768
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	10,504.83	10,504.83	100.0	13	1,296	1,061
R-1	Moto-Azabu Hills	Pass-through master lease	19,042.73	17,272.96	90.7	101	1,493	635
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,350.51	82.9	32	312	135
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,495.37	84.4	35	145	56
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	219	0
Total portfolio			103,151.71	96,655.95	93.7	257	10,241	7,747

7. STATUS OF INCOME AND EXPENDITURES (February 1, 2009 – July 31, 2009)

(Unit: thousands of yen)

Property no.	O-1-1 Premium		O-1-2 Premium		O-2 Premium		O-3 Premium	
	Property name		Property name		Property name		Property name	
Fiscal period (Note 1)	Fifth	Sixth	Fifth	Sixth	Fifth	Sixth	Fifth	Sixth
Days of operations	184	181	184	181	184	181	184	181
Rent revenue – real estate	148,591	148,591	330,581	366,411	986,840	967,712	619,309	612,857
Other lease business revenue	–	–	21,325	22,166	136,397	126,145	77,687	62,618
Total property operating revenue	148,591	148,591	351,907	388,577	1,123,237	1,093,857	696,996	675,475
Property management fees	1,200	1,200	57,432	61,938	163,464	158,164	77,291	75,202
Utilities	–	–	6,634	7,135	63,779	57,274	35,713	31,761
Property taxes	8,254	8,172	–	8,031	68,047	68,724	43,212	43,363
Maintenance and repairs	153	1,155	4,771	2,338	21,687	22,344	10,696	1,495
Insurance premium	426	422	591	638	2,712	2,686	2,256	2,235
Depreciation and amortization	17,768	14,855	42,148	46,068	117,092	117,375	99,715	87,668
Other lease business expenses	516	1,020	1,366	1,298	37,456	34,443	1,208	1,191
Total property operating expenses	28,319	26,825	112,944	127,450	474,240	461,013	270,095	242,917
NOI	138,040	136,621	281,110	307,195	766,089	750,219	526,616	520,225

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Property no.	O-4 Premium		O-5		O-6 Premium	
	Koraku Mori Building		Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building)		Akasaka Tameike Tower (Note 3)	
Fiscal period (Note 1)	Fifth	Sixth	Fifth	Sixth	Fifth	Sixth
Days of operations	184	181	184	181	124	181
Rent revenue – real estate	919,281	953,164	421,421	421,421	412,185	635,524
Other lease business revenue	123,859	111,617	9,240	9,240	87,096	160,354
Total property operating revenue	1,043,141	1,064,781	430,661	430,661	499,282	795,878
Property management fees	99,005	87,799	65,448	65,448	69,045	98,638
Utilities	90,031	83,592	–	–	22,751	47,371
Property taxes	35,183	34,820	21,755	22,311	–	15,748
Maintenance and repairs	1,779	6,840	–	–	1,206	545
Insurance premium	2,541	2,517	638	625	1,406	2,053
Depreciation and amortization	123,975	124,059	35,735	35,785	90,042	135,115
Other lease business expenses	66,325	66,326	767	1,164	592	734
Total property operating expenses	418,842	405,956	124,346	125,335	185,046	300,207
NOI	748,273	782,884	342,050	341,111	404,278	630,787

Property no.	R-1 Premium		R-2 Premium		R-3 Premium		R-4	
	Moto-Azabu Hills (Note 4)		ARK Forest Terrace		Roppongi First Plaza		Roppongi View Tower	
Fiscal period (Note 1)	Fifth	Sixth	Fifth	Sixth	Fifth	Sixth	Fifth	Sixth
Days of operations	184	181	184	181	184	181	184	181
Rent revenue – real estate	812,462	765,410	177,349	162,362	78,446	75,027	109,426	109,426
Other lease business revenue	68,373	69,064	9,777	9,196	270	837	–	–
Total property operating revenue	880,836	834,475	187,126	171,558	78,716	75,865	109,426	109,426
Property management fees	181,749	185,686	38,963	38,099	12,105	17,338	4,012	3,738
Utilities	4,996	4,780	10,748	10,623	138	168	–	–
Property taxes	43,063	42,553	9,268	9,321	6,347	6,488	9,954	10,134
Maintenance and repairs	54,624	79,407	5,195	19,122	4,670	9,463	–	–
Insurance premium	3,421	3,370	818	811	373	369	558	553
Depreciation and amortization	122,624	122,763	32,010	32,115	10,164	10,100	15,504	14,678
Other lease business expenses	51,914	43,505	9,531	8,048	4,365	3,784	905	905
Total property operating expenses	462,395	482,066	106,536	118,142	38,165	47,713	30,936	30,010
NOI	541,064	475,172	112,599	85,532	50,715	38,252	93,995	94,094

(Notes)

- The fifth fiscal period was from August 1, 2008 to January 31, 2009. The sixth fiscal period was from February 1, 2009 to July 31, 2009.
- 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.
- For Akasaka Tameike Tower, which was acquired on September 30, 2008, the income and expenditures are calculated from October 1, 2008.
- For the one residential unit of Moto-Azabu Hills that was sold on October 31, 2008, the number of 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 September 14, 2009, and portions of the Financial Statements and the Performance Information Report for the sixth fiscal period from February 1, 2009 to July 31, 2009, of Mori Hills REIT Investment Corporation (MHR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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

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The financial statements are a translation of the audited financial statements of MHR, that were prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP) which may materially differ in certain respects from generally accepted accounting principles and practices in other jurisdictions. In preparing the financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

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, September 14, 2009, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.