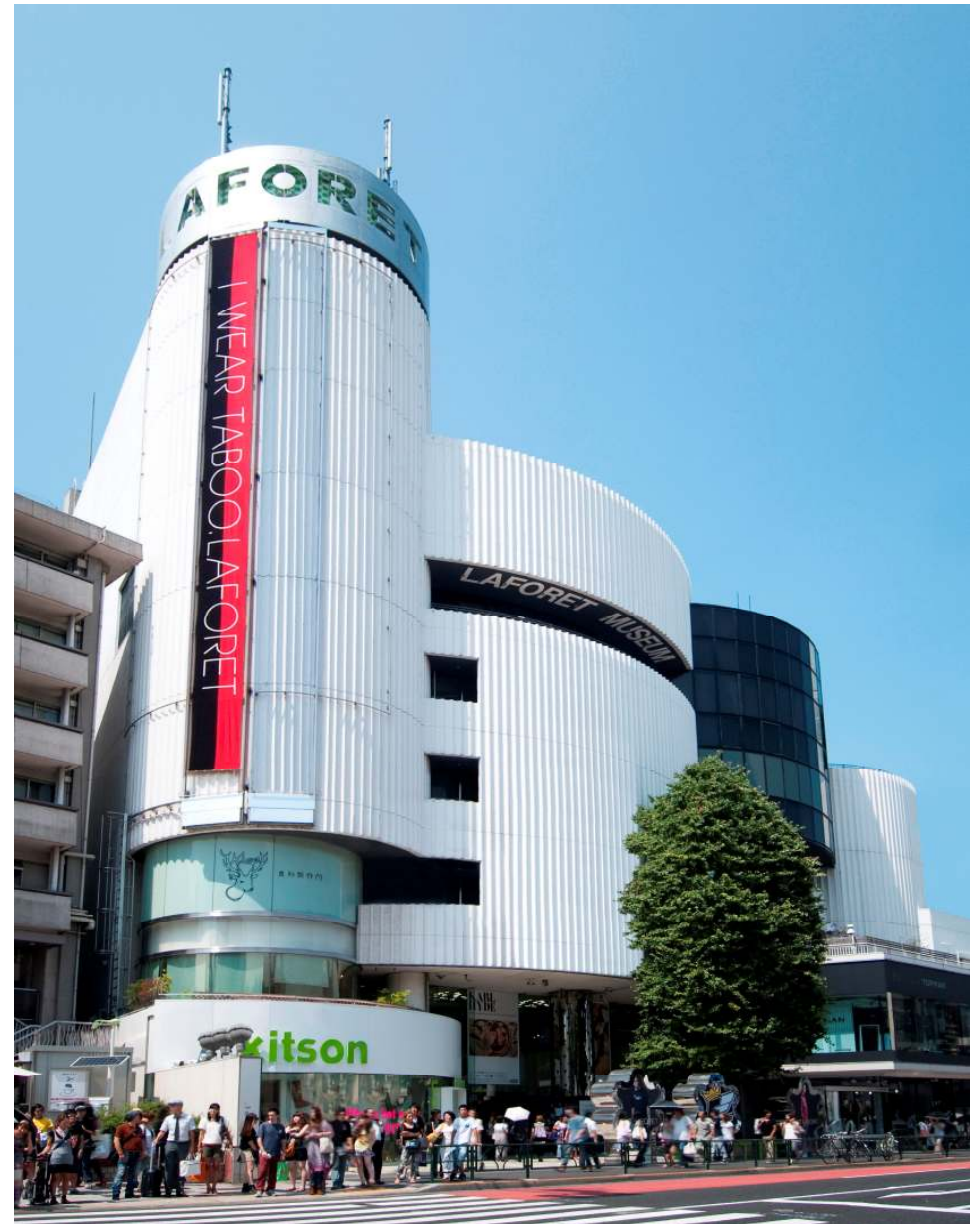




HILLS REIT

MORI HILLS REIT INVESTMENT CORPORATION (CODE:3234)

Results of 8th Fiscal Period (Ended July 31, 2010)



MORI HILLS REIT INVESTMENT CORPORATION

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

Mori Building Investment Management Co.,Ltd.

<http://www.morifund.co.jp/english/>

| | |
|---|-----------|
| 1. New policy initiatives | 2 |
| 2. 8th period financial highlights | 9 |
| 3. Operation highlights | 12 |
| 4. Financial overview | 17 |
| 5. Unitholders breakdown | 18 |
| 6. Tokyo market environment | 19 |
| 7. Appendix | 26 |

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This document 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 document includes statements based on analyses, judgments, and other observations concerning such matters by the asset manager as of the date of preparation.

1-1 New policy initiatives

New management structures and basic strategies

President's message and basic strategies

I assumed the role of President & CEO of MIM on June 24, 2010. In this role I have established new management structures, and will carry out asset management for MHR, based on the following management strategies.

1) Investment in the city

This basic strategy has been pursued since the REIT inception, and entails investing in high quality real estate in the city center that has a high potential for maintaining or increasing value over the long term.

2) Dividend-driven Management

Manage assets with an emphasis on dividends while focusing investment on high-quality real estate in the city center

3) Investment that accurately grasps real estate market cycles

Carry out investment by carefully ascertaining up and down movements in the cycle of real estate prices.

Maximization of unitholder profits

In view of the basic strategies above, we will strive to aim for maximization of unitholder profits, and carry out asset management which meets the expectations of unitholders.

I look forward to receiving your kind support.

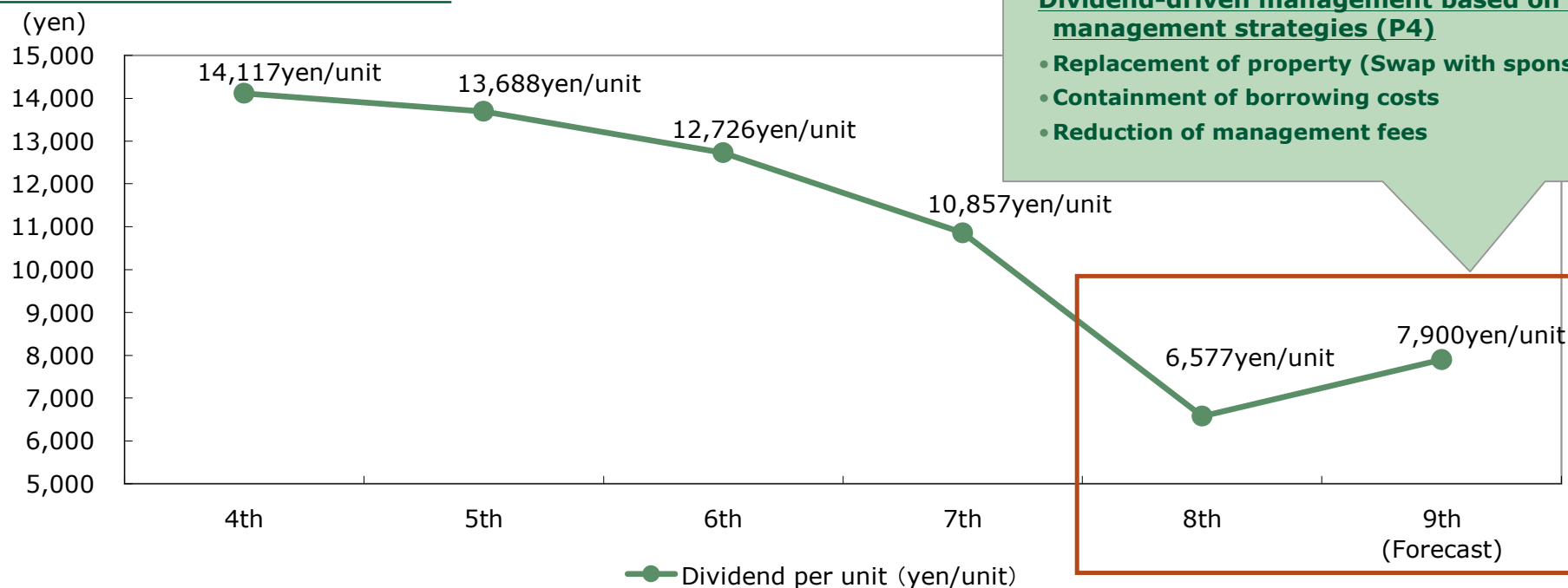
Hideyuki Isobe
President & CEO
Mori Building Investment Management Co., Ltd.



1-2 New policy initiatives

Change and forecast in dividend

Change in dividend per unit



Operating results and projections

(Amount: mn yen)

| | Actual | | Forecast | |
|---|---|---|------------------|--|
| | 8th period (Feb. 1, 2010 - Jul. 31, 2010) | 9th period (Aug. 1, 2010 - Jan. 31, 2011) | 9th - 8th period | |
| Days of operation | 181 days | 184 days | | |
| Operating Revenue | 5,388 | 5,490 | 102 | |
| Gain on sales of assets | - | 294 | 294 | |
| Operating income | 2,679 | 2,952 | 272 | |
| Ordinary income | 1,523 | 1,830 | 306 | |
| Net income | 1,522 | 1,829 | 306 | |
| Dividend per unit (yen/unit) | 6,577 | 7,900 | 1,323 | |
| No. of outstanding units | 231,520 | 231,520 | | |
| Total assets (asset price based) ^(Note2) | 211,864 | 211,900 | | |

(Note1) Figures in the chart are rounded. Amounts are rounded down to the nearest mn yen and percentage rounded up to one digit below decimal point unless otherwise stated.

(Note2) Acquisition price is rounded down to the nearest mn yen.

Dividend-driven management

Policy 1: Property replacement

- Principally carry out mutually beneficial property exchanges with sponsor
- ⇒ Improve portfolio NOI yield
- ⇒ NOI Yield target 4.5% or higher

Policy 2: Containment of borrowing costs

- Reduce borrowing costs by refinancing with investment corporation bonds
- Reduce the appraisal-based LTV by selling property at a price above appraisal value and acquiring at a price below appraisal value. Lower LTV will contain borrowing costs

Policy 3: Reduction of other costs

- Change the management fee structure that is linked to performance, leading to a reduction of management fees under the current structure (▲¥74 million/yr : based on acquisition price at the end of 8th period)
- Undertake additional reductions of building management costs, etc.



Policy 4: Effective use of the sponsor

- Exchange low-yield properties for high-yield properties with our sponsor. Our sponsor is a closely held company with a long-term, redevelopment vision, and thus has appetite for lower-yielding property, and a willingness to enter into transactions favorable to MHR in the short-term.
- Negotiate master leases ensuring stable profitability from selected properties.

1-4 New policy initiatives

Overview of property replacement

Current status

NOI yield
3.7%
(8th period)

NOI yield of each asset
4.5% or higher
approx. 21%
(approx. 43.9bn yen)

from 4.0% to 4.5%
approx. 25%
(approx. 53.3bn yen)

under 4.0%
approx. 54%
(approx. 114.6bn yen)

Potential
properties
to be
replaced

Dividend
(8th period)
¥6,577/unit

Target

NOI yield
Target 4.5%
or higher

**Assets under
management**

**Equal to
current amount
(211.8bn yen)**

Dividend (Target)
¥10,000/unit or higher

Improve NOI yield by property exchange with sponsor

Sell low-yield premium properties



(1) Acquire higher-yielding premium properties

- Acquire premium office, residential and retail properties (including underlying land) that are higher-yielding than before

(2) Only acquire non-premium properties that are high-yield and located in premium area

- Low liquidity concerns
- Potential to become premium (or similar standard) property through reconstruction
- Prospect of increased asset value from nearby development

1-5 New policy initiatives

Overview of property exchange with sponsor

Sale

Toranomon 35 Mori Building (OMRON Tokyo head office building)



| | |
|------------------------------------|-------------|
| Transfer price | 12.68bn yen |
| Appraisal value | 11.0bn yen |
| NOI yield (Note 1) | 5.3% |
| NOI after depreciation (Note 2) | 4.7% |

Moto-Azabu Hills (42 units) (Note 3)



| | |
|------------------------------------|------------|
| Transfer price | 9.11bn yen |
| Appraisal value | 7.45bn yen |
| NOI yield (Note 1) | 1.7% |
| NOI after depreciation (Note 2) | 0.8% |

Acquisition

Laforet Harajuku (land)



| | |
|------------------------------------|-------------|
| Acquisition price | 21.82bn yen |
| Appraisal value | 24.2bn yen |
| Estimated NOI yield (Note 4) | 5.5% |
| NOI after depreciation (Note 2) | 5.5% |

Effect

- NOI increase after depreciation
 - + ¥200 mn (9th period)
 - + ¥250 mn (adjust to full-period basis) (Note1)
- Effect on dividends
 - + ¥ 844/unit (9th period)
 - + ¥1,092/unit (adjust to full-period basis) (Note1)
- Contribution to improvement of unrealized gains/losses
 - +¥5,370 mn
 - Toranomon 35 Mori Building, Moto-Azabu Hills
Unrealized losses (Note2) ▲¥2,990 mn
 - Laforet Harajuku (land)
Unrealized gains (Note3) +¥2,380 mn
- Gains on sale (after deducting disposal expenses)
 - +¥290 mn

(Note1) Calculated by deducting special factors for the acquisition year of the acquired property.
 (Note2) Calculation of the difference between appraised value and Book value of properties sold.
 (Note3) Calculation of the difference between appraised value and acquisition price.

• Sold single-tenanted property facing exit of tenant (Toranomon 35 Mori Building) and a low-yielding property (Moto-Azabu Hills) for a price higher than the appraisal value, while acquiring a high-yielding property (Laforet Harajuku, land) for a price lower than the appraisal value

• Improvement of NOI yield + containment of borrowing cost

• In future periods we plan to successively carry out similar transactions

(Note1) Calculated as [NOI=Rent revenue from real estate + Other lease business revenue - Expenses related to rent business + Depreciation], and NOI yield is calculated on an annualized basis based on forecast revenue for the 9th period.

(Note2) Calculated as [NOI after depreciation=Rent revenue from real estate + Other lease business revenue - Expenses related to rent business], and NOI yield after depreciation is calculated on an annualized basis based on forecast profits for the 9th period.

(Note3) The number of lots for each purpose in the Moto-Azabu Hills property as at July 31, 2010 was: residential: 39; retail: 1; clinic: 1; car park: 1 (space for 39 cars) (approx. 33.3% of the total area), and in accordance with MHR's instructions we transferred the trust beneficiary interests for the comparted ownership thereof to the trust fiduciary. The sold lots were mainly unoccupied units.

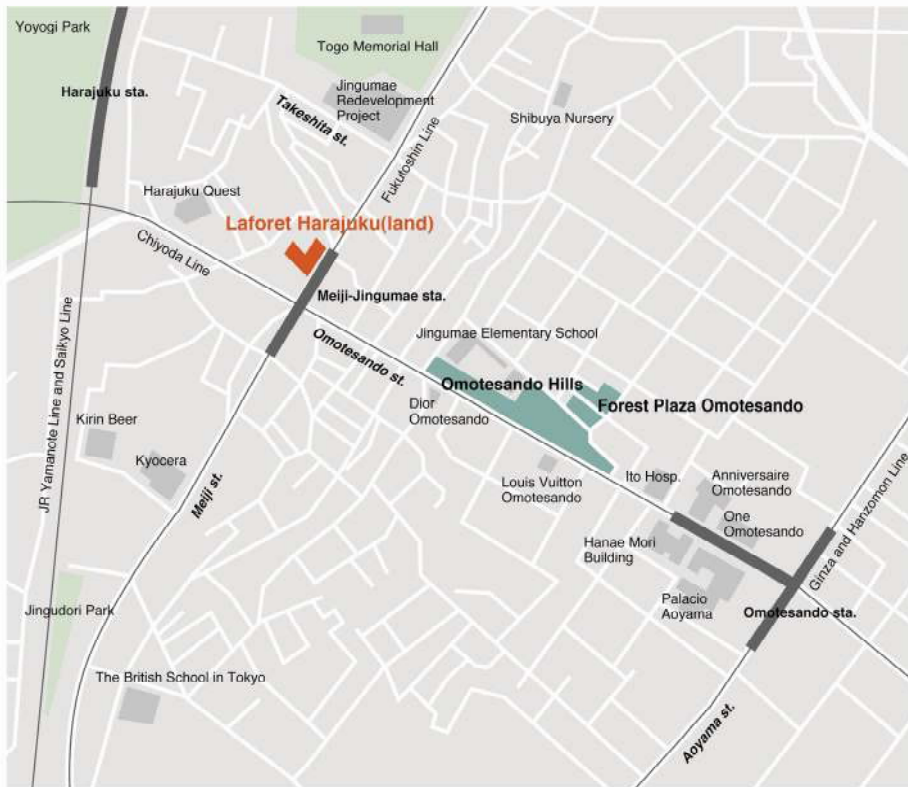
(Note4) This is the estimated NOI yield after deducting special factors for the acquisition year.

1-6 New policy initiatives

Investment in higher yielding premium properties

Harajuku and Omotesando area: a fashion and cultural hotspot

The Harajuku/Omotesando area, which was "the town of Meiji Shrine" up until 30 years ago, has established a powerful global image as an area for fashion, starting with a concentration of retail following the opening of Laforet Harajuku in 1978. Harajuku continues to convey the pulse of a new generation, while carrying on the memory of a town with history.



MHR Mori Building (Note)

(Note) We do not have plans to acquire these properties as of the date this document was created

Laforet Harajuku

Since Laforet's opening, it has aimed to be not merely a shopping center, but a highly original fashion incubator, and together with tenants and young talent has created "Harajuku - fashion city".

Laforet Harajuku has continued to change with a daring spirit of challenge, and continues to evolve as a trend-setting base for fashion, even now more than 30 years since it opened.



| | |
|-------------------|---|
| Location | 1-11-6 Jingumae, Shibuya-ku, Tokyo 5 minutes walk from Harajuku Station (JR Yamanote Line) 1 minute walk from Meijijingumae Station (Tokyo Metro Chiyoda Line, Fukutoshin Line) |
| Opening date | October 1978 |
| Number of stories | Six floors above ground/ two floors below ground |
| Land area | 2,565.06㎡ |
| Gross floor area | 14,757.13㎡ |

- High capacity to draw customers and advantageous store position in an area with a high concentration of retail stores
- Excellent transport access for a retail facility

Mori Building properties in the vicinity Omotesando Hills

A cultural and retail of facility which opened in 2006 as the new core of Omotesando, a street which has continued to be a fashion and cultural trend-setter. Due to the plans for reconstruction of the Dojunkai Aoyama Apartments, a great deal of creativity was used, ensuring the key consideration was harmonization with the landscape and environment historic Omotesando.

1-7 New policy initiatives

Reduction of finance costs and reinforcement of financial strength

Issuance of investment corporation bonds May 2010

Before the issuance

| Long-term loan | |
|-------------------------|--------------|
| Loan amount | ¥10,000mn |
| Rate of interest (Note) | 1.61% |
| Maturity | 1.5yr |
| Borrowing date | Nov 28, 2008 |
| Maturity date | May 31, 2010 |

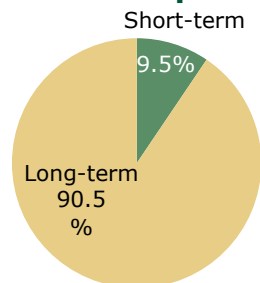
(Note) Average rate of interest while borrowing

After the issuance

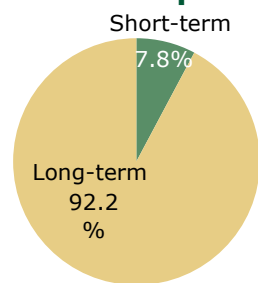
| Investment corporation bonds | Investment corporation bonds | |
|------------------------------|------------------------------|--------------|
| | 3rd | 4th |
| Issue amount | ¥5,000mn | ¥5,000mn |
| Rate of interest | 1.38% | 1.95% |
| Maturity | 3yr | 5yr |
| Issue date | May 27, 2010 | May 27, 2010 |
| Maturity date | May 27, 2013 | May 27, 2015 |

Long and short-term debt ratio

End of 7th period

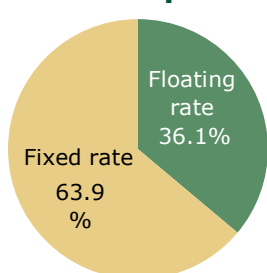


End of 8th period

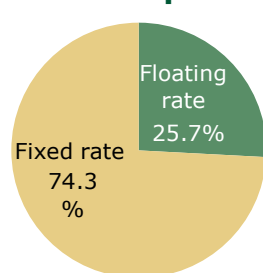


Fixed rate ratio

End of 7th period

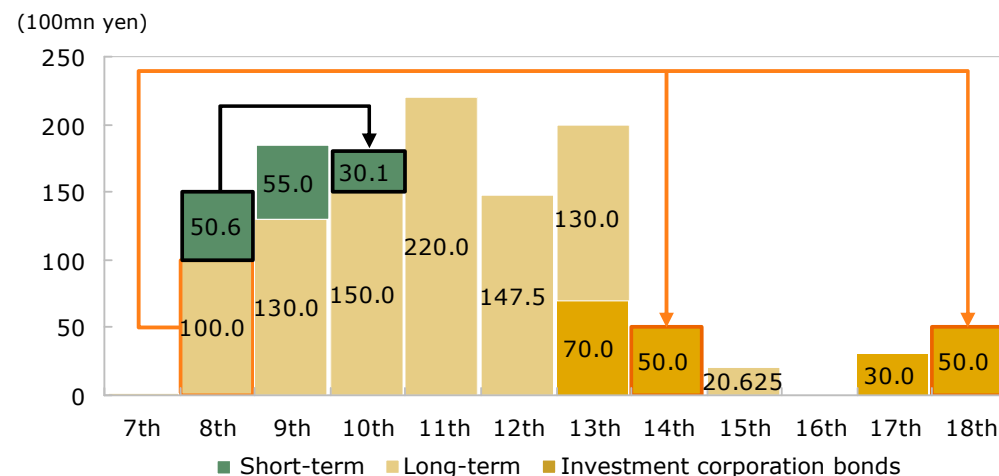


End of 8th period



- Issuance of investment corporation bonds with favorable conditions compared to long-term loan
- Simultaneously achieve lengthening of debt terms/diversification of repayment terms and reduction of finance costs

Overview of maturity



2-1 8th period financial highlights

Financial summary

| | Actual | | Difference | | |
|---|-------------------|------------|------------------|---------|---|
| | 7th period | 8th period | 8th - 7th period | | |
| | 184 days | 181 days | | | |
| | (Amount: mn yen) | | | | |
| | Days of operation | | | | |
| Operating revenue | 5,520 | 5,388 | ▲ 132 | ▲ 2.4% | Acquisition of Roppongi Hills Mori Tower and ARK Mori Building (FixedII) +162 |
| Rent revenue-real estate | 4,983 | 4,922 | ▲ 60 | ▲ 1.2% | Ark Mori Building (pass-through) ▲41 |
| Rents incl. CAM fees | 4,927 | 4,868 | ▲ 59 | ▲ 1.2% | Akasaka Tameike Tower ▲44 |
| Office | 3,585 | 3,546 | ▲ 39 | ▲ 1.1% | Roppongi First Building ▲47 |
| Residential | 1,164 | 1,144 | ▲ 19 | ▲ 1.7% | Kouraku Mori Building ▲67 |
| Commercial | 177 | 177 | ▲ 0 | ▲ 0.1% | |
| Other rent revenue | 56 | 54 | ▲ 1 | ▲ 2.9% | Roppongi Hills Gate Tower +19 |
| Other lease business revenue | 537 | 465 | ▲ 71 | ▲ 13.4% | Ark Forest Terrace ▲14 |
| Operating expenses | 2,699 | 2,708 | 8 | 0.3% | Moto-Azabu Hills ▲18 |
| Expenses related to rent business | 2,277 | 2,299 | 22 | 1.0% | Cancellation penalty +11 |
| Profit on real estate rental | 3,243 | 3,088 | ▲ 155 | ▲ 4.8% | Electricity ▲23 |
| Depreciation expense | 716 | 747 | 30 | 4.2% | Revenue from after-hours heating/cooling usage, etc. ▲47 |
| NOI(Note) | 3,960 | 3,835 | ▲ 124 | ▲ 3.1% | |
| NOI (annualized)/real estate acquisition price | 3.9% | 3.7% | ▲ 0.2PT | ▲ 5.0% | Depreciation expenses +30 |
| SG&A | 421 | 408 | ▲ 13 | ▲ 3.2% | Utilities ▲21 |
| Operating income | 2,821 | 2,679 | ▲ 141 | ▲ 5.0% | Lease fees +12 |
| Non-operating income | 5 | 5 | ▲ 0 | ▲ 11.2% | Agent service fee ▲6 |
| Non-operating expenses | 1,097 | 1,161 | 63 | 5.8% | |
| Interest expenses | 890 | 868 | ▲ 21 | ▲ 2.5% | Interest expenses ▲51 |
| Other non-operating expenses | 206 | 292 | 85 | 41.4% | Interest expenses on investment corporation bonds +29 |
| Non-operating income/expenses | ▲ 1,091 | ▲ 1,156 | ▲ 64 | ▲ 5.9% | |
| Ordinary income | 1,729 | 1,523 | ▲ 205 | ▲ 11.9% | |
| Income before income taxes | 1,729 | 1,523 | ▲ 205 | ▲ 11.9% | Borrowing expenses +11 |
| Corporate income, inhabitant and business taxes | 1 | 1 | ▲ 0 | ▲ 1.4% | Investment unit issuance expenses +70 |
| Net income | 1,728 | 1,522 | ▲ 205 | ▲ 11.9% | |
| Dividend per unit (yen) | 10,857 | 6,577 | ▲ 4,280 | ▲ 39.4% | |
| Real estate acquisition price | 201,654 | 211,864 | 10,210 | 5.1% | |

(Note) Calculated as [NOI=Rent revenue – real estate + Other lease business revenue – Expenses related to rent business + Depreciation]. This same shall apply hereinafter.

2-2 8th period financial highlights

Comparison between projections and results

(Amount: mn yen)

| | 8th period | | Comparison between projections and results | | |
|---|------------------|--------------------|--|--------|--|
| | Plan 181 days | Actual 181 days | | | |
| Operating revenue | 5,425 | 5,388 | ▲37 | ▲0.7% | Akasaka Tameike Tower ▲6 |
| Rent revenue-real estate | 4,912 | 4,922 | 10 | 0.2% | |
| Rents incl. CAM fees | 4,858 | 4,868 | 9 | 0.2% | |
| Office | 3,552 | 3,546 | ▲6 | ▲0.2% | Moto-Azabu Hills +16 |
| Residential | 1,128 | 1,144 | 16 | 1.4% | |
| Commercial | 177 | 177 | ▲0 | ▲0.0% | |
| Other rent revenue | 54 | 54 | 0 | 1.0% | |
| Other lease business revenue | 512 | 465 | ▲47 | ▲9.3% | Cancellation penalty +14 Revenue from after-hours heating/cooling usage, etc ▲24 Electricity ▲28 |
| Operating expenses | 2,779 | 2,708 | ▲71 | ▲2.6% | |
| Expenses related to rent business | 2,362 | 2,299 | ▲62 | ▲2.6% | |
| Profit on real estate rental business | 3,063 | 3,088 | 24 | 0.8% | |
| Depreciation expense | 750 | 747 | ▲3 | ▲0.5% | |
| NOI | 3,814 | 3,835 | 20 | 0.6% | Repair charges ▲38 Utilities ▲15 |
| NOI (annualized) /real estate acquisition price | 3.6% | 3.7% | 0.1PT | 1.9% | |
| SG&A | 417 | 408 | ▲9 | ▲2.2% | Lawyer's fee ▲1 IR expenses ▲4 |
| Operating income | 2,646 | 2,679 | 33 | 1.3% | |
| Non-operating income | 2 | 5 | 3 | 156.3% | Exclusion gain of unpaid dividend +2 |
| Non-operating expenses | 1,121 | 1,161 | 39 | 3.6% | |
| Interest expenses | 865 | 868 | 3 | 0.4% | Interest expenses ▲26 |
| Other non-operating expenses | 255 | 292 | 36 | 14.4% | Interest expenses on investment corporation bonds +29 |
| Non-operating income/expenses | ▲1,119 | ▲1,156 | ▲36 | ▲3.3% | |
| Ordinary income | 1,526 | 1,523 | ▲2 | ▲0.2% | |
| Income before income taxes | 1,526 | 1,523 | ▲2 | ▲0.2% | |
| Corporate income, inhabitant and business taxes | 1 | 1 | ▲0 | ▲7.9% | Borrowing expenses ▲19 Investment unit issuance expenses +52 |
| Net income | 1,525 | 1,522 | ▲2 | ▲0.2% | |
| Dividend per unit (yen) | 6,550 | 6,577 | 27 | 0.4% | |
| Real estate acquisition price | 211,864 | 211,864 | 0 | 0.0% | |

2-3 8th period financial highlights Projection

| | | | (Amount: mn yen) | | |
|---|------------|------------|------------------|--------|---|
| | Actual | Forecast | Difference | | |
| | 8th period | 9th period | 9th - 8th period | | |
| Days of operation | 181 days | 184 days | | | |
| Operating revenue | 5,388 | 5,490 | 102 | 1.9% | Roppongi Hills Mori Tower and ARK Mori Building (FixedII) Full period operation +64 |
| Rent revenue-real estate | 4,922 | 4,747 | ▲175 | ▲3.6% | Ark Mori Building (pass-through) ▲25 |
| Rents incl. CAM fees | 4,868 | 4,696 | ▲172 | ▲3.5% | Roppongi First Building ▲53 |
| Office | 3,546 | 3,079 | ▲466 | ▲13.1% | Akasaka Tameike Tower ▲119 |
| Residential | 1,144 | 957 | ▲187 | ▲16.4% | Disposal of Toranomom 35 Mori Building ▲318 |
| Commercial | 177 | 171 | ▲6 | ▲3.4% | Disposal of Moto-Azabu Hills ▲174 |
| Land | — | 487 | 487 | - | Roppongi Hills Gate Tower ▲14 |
| Other rent revenue | 54 | 51 | ▲3 | ▲5.7% | Acquisition of Laforet Harajuku (land) +487 |
| Other lease business revenue | 465 | 448 | ▲16 | ▲3.6% | |
| Gain on sales of assets | — | 294 | 294 | - | Disposal of Toranomom 35 Mori Building +112 |
| Operating expenses | 2,708 | 2,538 | ▲169 | ▲6.3% | Disposal of Moto-Azabu Hills +181 |
| Expenses related to rent business | 2,299 | 2,134 | ▲165 | ▲7.2% | |
| Profit on real estate rental business | 3,088 | 3,062 | ▲26 | ▲0.8% | Building management fee ▲78 |
| Depreciation expense | 747 | 701 | ▲45 | ▲6.1% | Depreciation expenses ▲45 |
| NOI | 3,835 | 3,763 | ▲71 | ▲1.9% | Real estate taxes and public charges ▲34 |
| NOI (annualized) /real estate acquisition price | 3.7% | 3.5% | ▲0.2PT | ▲4.7% | Lease fees ▲17 |
| SG&A | 408 | 404 | ▲4 | ▲1.0% | PM fee ▲17 |
| Operating income | 2,679 | 2,952 | 272 | 10.2% | Utilities +20 |
| Non-operating income | 5 | 4 | ▲0 | ▲8.4% | Repair charges +23 |
| Non-operating expenses | 1,161 | 1,126 | ▲34 | ▲3.0% | Management fees ▲15 |
| Interest expenses | 868 | 882 | 13 | 1.5% | |
| Other non-operating expenses | 292 | 244 | ▲48 | ▲16.5% | |
| Non-operating income/expenses | ▲1,156 | ▲1,121 | 34 | 3.0% | Interest expenses ▲40 |
| Ordinary income | 1,523 | 1,830 | 306 | 20.1% | Interest expenses on investment corporation bonds +53 |
| Income before income taxes | 1,523 | 1,830 | 306 | 20.1% | |
| Corporate income, inhabitant and business taxes | 1 | 1 | 0 | 8.6% | |
| Net income | 1,522 | 1,829 | 306 | 20.1% | Borrowing expenses +19 |
| Dividend per unit (yen) | 6,577 | 7,900 | 1,323 | 20.1% | Investment unit issuance expenses ▲70 |
| Real estate acquisition price | 211,864 | 211,900 | 36 | 0.0% | |

(Note1) Property taxes for properties acquired during the 8th and 9th fiscal periods have not been charged in this fiscal period, and are included in acquisition costs.

(Note2) Income and expenditure for Roppongi Hills Mori Tower and Ark Hills Building (fixed type II), which were acquired in the 8th period, were calculated from March 23, 2010 (131 days).

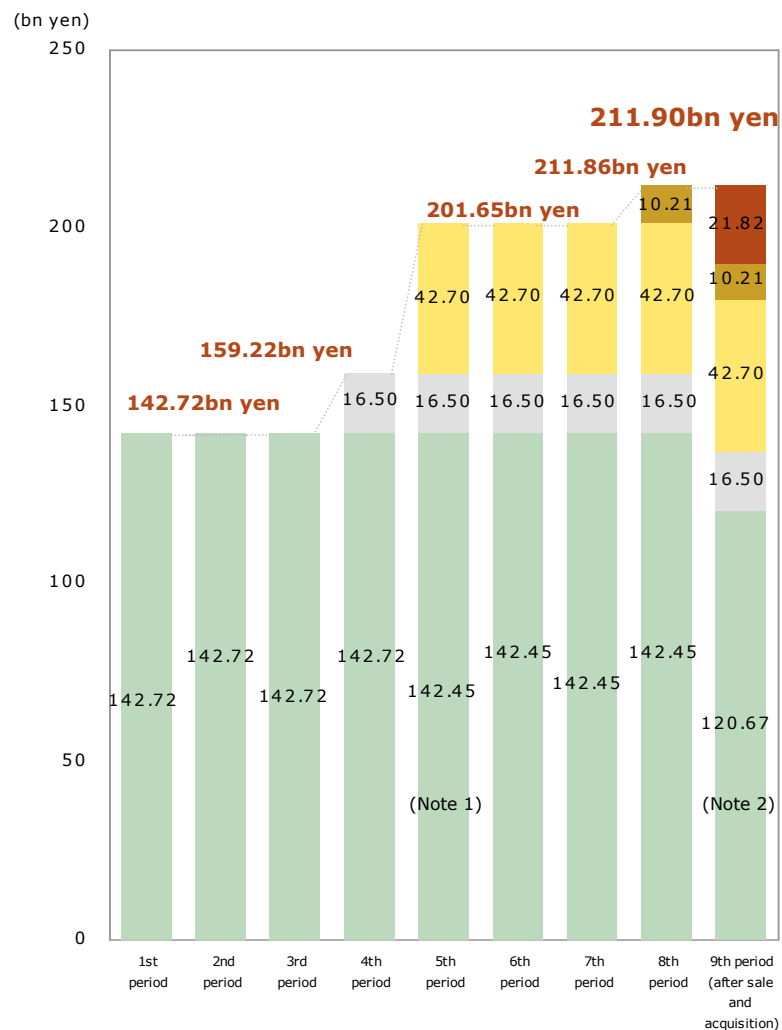
(Note3) Income and expenditure for Laforet Harajuku (land), which was acquired in the 9th period, were calculated from September 15, 2010 (139 days).

(Note4) Income and expenditure for Toranomom 35 Mori Building and Moto-Azabu Hills (33.3%), which were transferred in the 9th period, were calculated up until September 14, 2010 (45 days).

3-1 Operation highlights

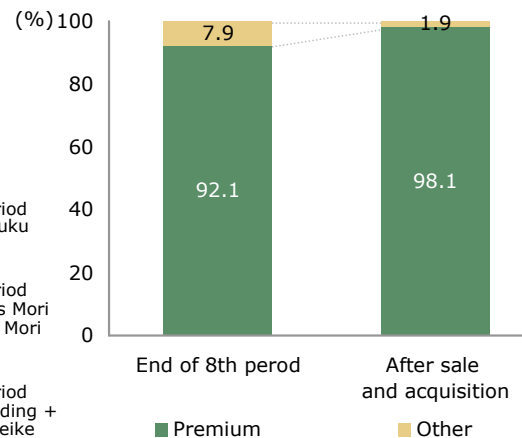
Portfolio overview

Change in assets under management

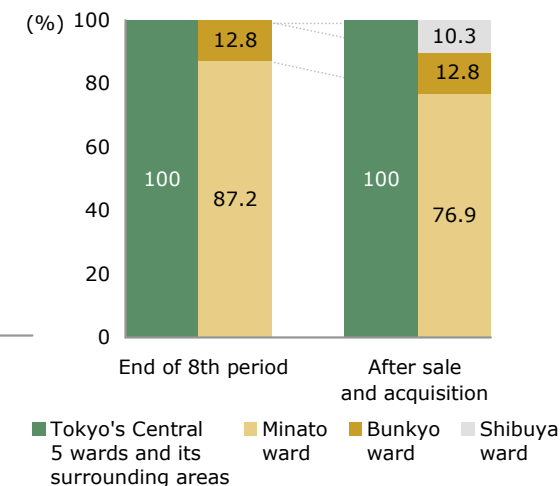


(Note 1) MHR sold one residential unit in the 5th period.
 (Note 2) MHR sold Toranomon 35 Mori Building and Moto-Azabu Hills (partial) in the 9th period.

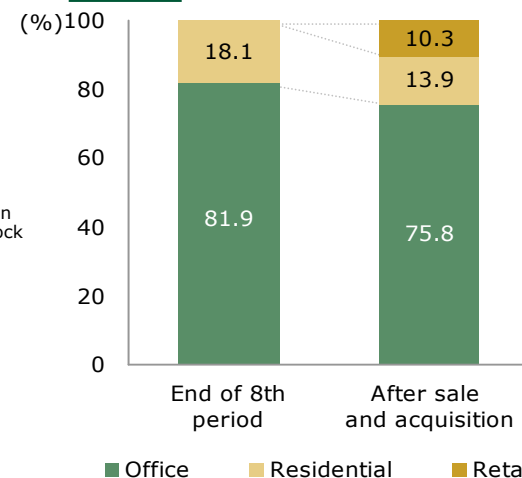
Quality (Note2)



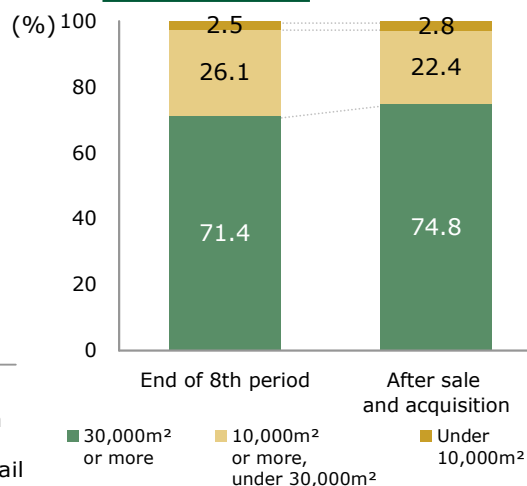
Area



Type



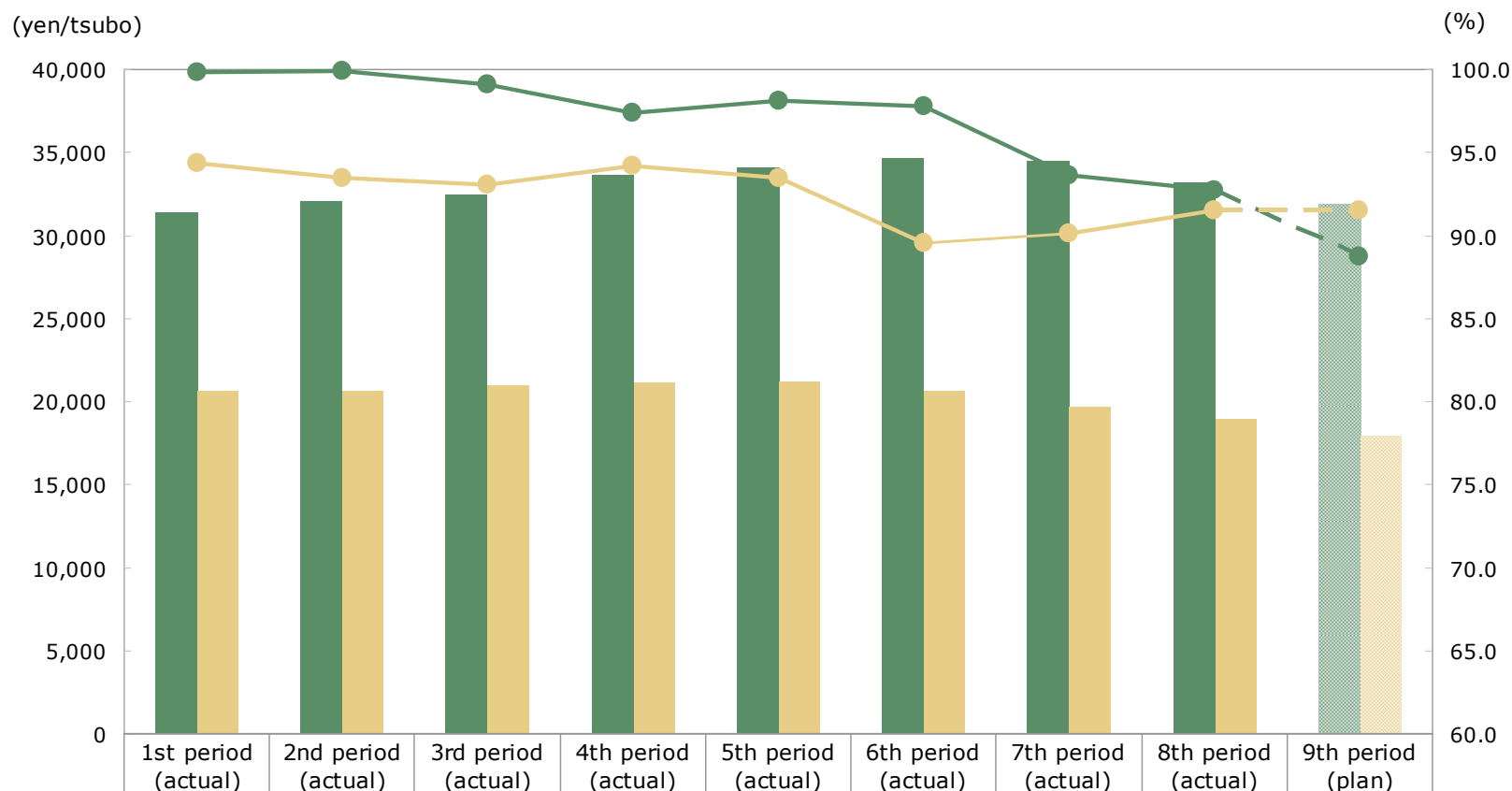
Size (Note3)



(Note 1) The ratios represent proportions of acquisition price to total acquisition price. Figures are rounded up to one digit below decimal point.
 (Note 2) Premium properties are defined as properties located in prime areas (Tokyo's Central 5 wards and its surrounding areas) that enable Mori Building Group to demonstrate its brand/marketing strength and facilities management capabilities based on the outstanding quality, size, and specification which are expected to maintain their competitive strength over a long time. In case building on land with leasehold satisfies criteria for prime core property, land shall also be positioned as prime core property.
 (Note 3) Chart by size does not include Laforet Harajuku (land).

3-2 Operation highlights

Changes in the rent and occupancy rates



| | | | | | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Office unit rent | 31,450 | 32,068 | 32,462 | 33,648 | 34,118 | 34,725 | 34,554 | 33,187 | 31,928 |
| Residential unit rent | 20,625 | 20,674 | 20,964 | 21,157 | 21,234 | 20,664 | 19,658 | 18,959 | 17,941 |
| Office occupancy rates | 99.9 | 100.0 | 99.1 | 97.4 | 98.1 | 97.8 | 93.7 | 92.7 | 88.7 |
| Residential occupancy rates | 94.4 | 93.4 | 93.1 | 94.2 | 93.5 | 89.6 | 90.1 | 91.5 | 91.5 |

(Note 1) The definitions of the Office and Residential categories used in these materials differ from the definitions on Mori Hills REIT Investment Corporation's website (<http://www.mori-hills-reit.co.jp/en/portfolio/index4.html>). In these materials, Office and Residential figures are compiled using individual figures for all office and residential properties in which Mori Hills REIT Investment Corporation has invested. Figures on Mori Hills REIT Investment Corporation's website are defined as per Portfolio Overview (page 43).

(Note 2) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant periods.

3-3 Operation highlights

Office leasing overview

Result of rent revision

(Amount: mn yen)

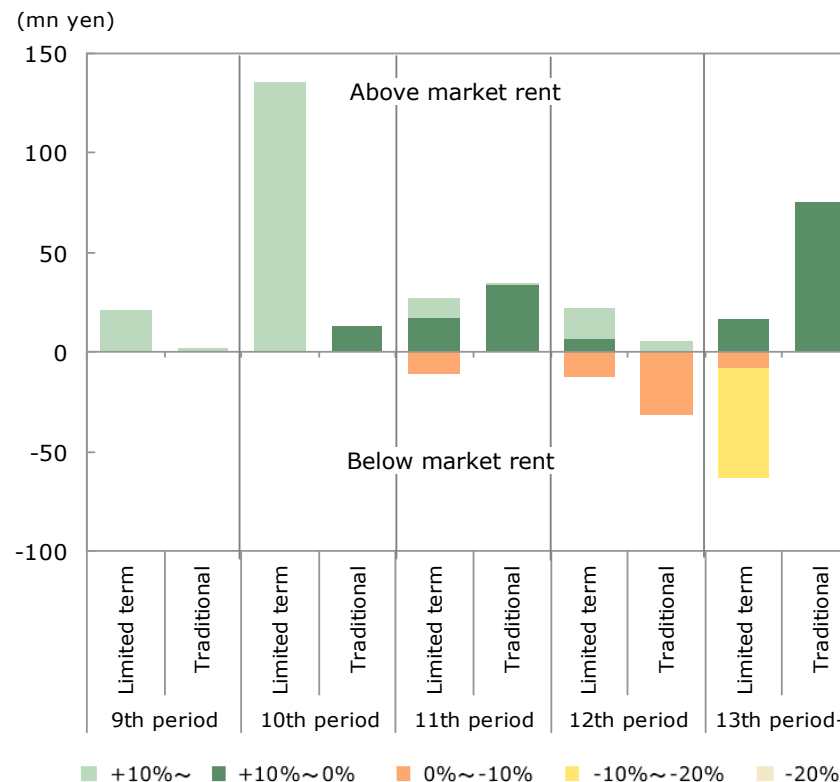
| | No. of tenants | Monthly rent prior to rent change | Monthly rent after rent change | Increase/decrease in monthly rent | Rate of revision (%) |
|------------|----------------|-----------------------------------|--------------------------------|-----------------------------------|----------------------|
| 5th period | 12 tenants | 78.0 | 87.1 | 9.0 | 11.6 |
| 6th period | 14 tenants | 162.4 | 170.1 | 7.7 | 4.7 |
| 7th period | 9 tenants | 103.0 | 90.5 | ▲ 12.5 | ▲ 12.1 |
| 8th period | 12 tenants | 134.6 | 114.5 | ▲ 20.1 | ▲ 15.0 |

| | | |
|-------------|-----------|-------|
| 9th period | 5 tenants | 22.9 |
| 10th period | 4 tenants | 147.8 |

Difference in current office rent and market rent

(Amount: mn yen)

| | | Above market rent | | Below market rent | | | Total |
|---------------------------|--------------|-------------------|---------|-------------------|-----------|--------|-------|
| | | ~+10% | +10%~0% | 0%~▲10% | ▲10%~▲20% | ▲20%~ | |
| 9th period | Limited term | 21.1 | - | - | - | - | 21.1 |
| | Traditional | 1.8 | - | - | - | - | 1.8 |
| 10th period | Limited term | 135.4 | - | - | - | - | 135.4 |
| | Traditional | - | 12.4 | - | - | - | 12.4 |
| 11th period | Limited term | 9.8 | 17.1 | 10.3 | - | - | 37.3 |
| | Traditional | 1.6 | 33.2 | - | - | - | 34.8 |
| 12th period | Limited term | 15.9 | 6.1 | 12.8 | - | - | 34.8 |
| | Traditional | 5.2 | - | 31.5 | - | - | 36.7 |
| 13th period- | Limited term | - | 16.8 | 7.9 | 54.8 | 3.2 | 82.8 |
| | Traditional | - | 75.4 | - | - | - | 75.4 |
| Total | | 190.8 | 161.1 | 62.6 | 54.8 | 3.2 | 472.5 |
| Average of the difference | | 12.8% | 1.6% | ▲4.9% | ▲13.9% | ▲29.1% | |
| Ratio | | 40.4% | 34.1% | 13.3% | 11.6% | 0.7% | |
| | | 74.5% | | 25.5% | | | |



(Note 1) Figures in the charts are based on data that show rent by Month/Period which reflects the situation of tenants on August 27, 2010 including move in/out and rent revision that are classified by % divergence from market rent levels.

(Note 2) Market rents are determined by the asset manager based on the capitalized value used for appraisal of properties at the end of the 8th period as appears in the research report.

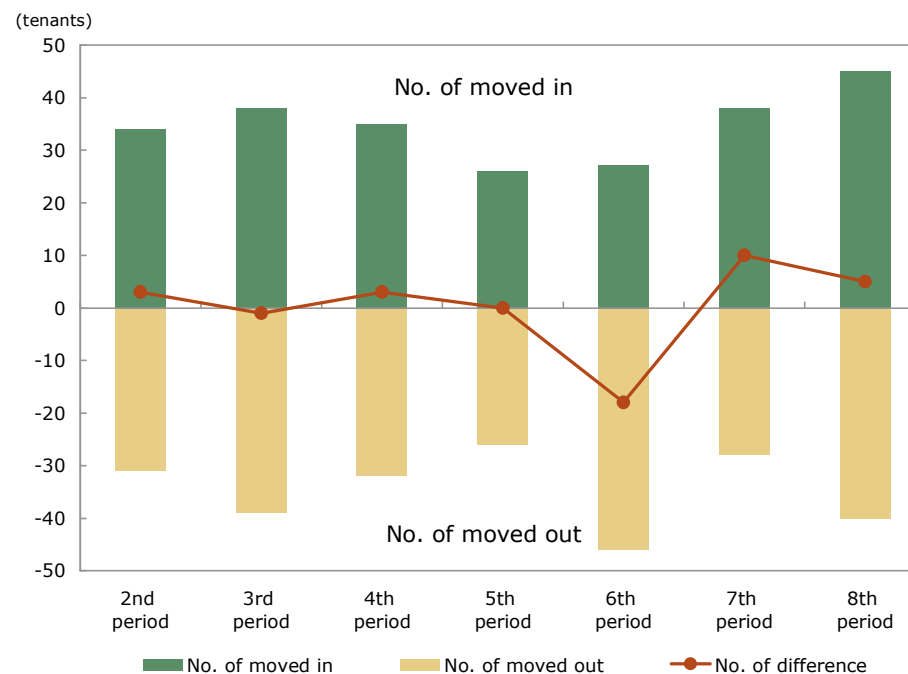
3-4 Operation highlights

Residential leasing overview

Rent revision - residential

| | Moved in | Moved out | Difference |
|------------|----------|-----------|---------------|
| 2nd period | 34 | 31 | 3 |
| | 25,776 | 24,639 | 1,137 |
| 3rd period | 38 | 39 | -1 |
| | 24,210 | 23,639 | 571 |
| 4th period | 35 | 32 | 3 |
| | 24,885 | 23,648 | 1,237 |
| 5th period | 26 | 26 | 0 |
| | 24,607 | 25,466 | -859 |
| 6th period | 28 | 46 | -18 |
| | 20,183 | 23,223 | -3,040 |
| 7th period | 38 | 28 | 10 |
| | 18,045 | 23,702 | -5,657 |
| 8th period | 45 | 40 | 5 |
| | 18,456 | 22,450 | -3,994 |

Change in moved in and moved out



(Note 1) Upper line: No. of moved in/moved out. Lower line: Average rent (yen/tsubo per month).

3-5 Operation highlights

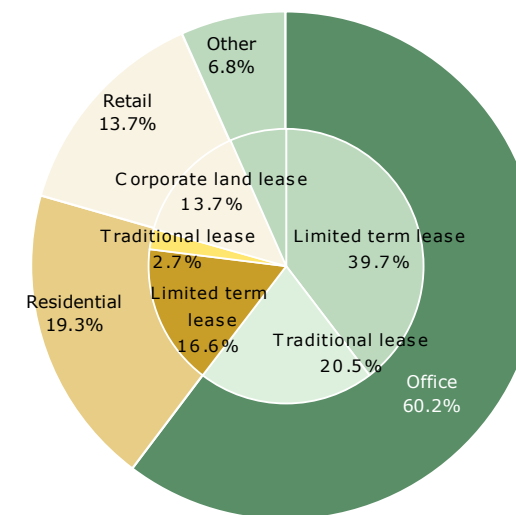
Breakdown of rental income and future contract renewals

Breakdown of monthly rent revenue and agreement renewal timing

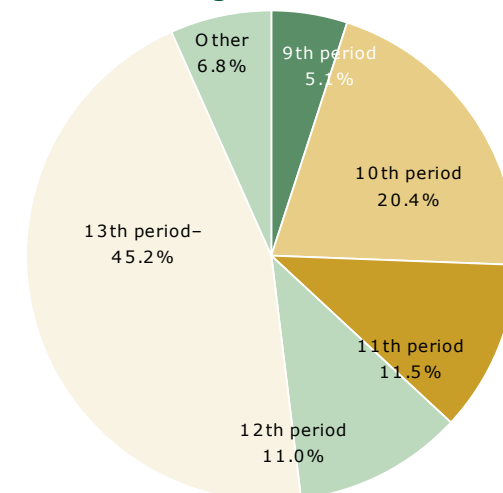
(Amount: mn yen)

| Tenant type | Type of lease contract | Total rent per month | (%) | Agreement renewal timing | | | | |
|--------------------|------------------------|----------------------|-------|--------------------------|-------------|-------------|-------------|--------------|
| | | | | 9th period | 10th period | 11th period | 12th period | 13th period- |
| Office tenant | Limited term lease | 311.4 | 39.7% | 21.1 | 135.4 | 37.3 | 34.8 | 82.8 |
| | Traditional lease | 161.0 | 20.5% | 1.8 | 12.4 | 34.8 | 36.7 | 75.4 |
| | Total | 472.5 | 60.2% | 22.9 | 147.8 | 72.1 | 71.5 | 158.2 |
| Residential tenant | Limited term lease | 130.2 | 16.6% | 16.2 | 12.1 | 16.6 | 14.4 | 71.0 |
| | Traditional lease | 20.9 | 2.7% | 1.1 | 0.0 | 1.5 | 0.0 | 18.2 |
| | Total | 151.1 | 19.3% | 17.3 | 12.1 | 18.1 | 14.4 | 89.2 |
| Retail tenant | Corporate land lease | 107.5 | 13.7% | 0.0 | 0.0 | 0.0 | 0.0 | 107.5 |
| | Total | 107.5 | 13.7% | 0.0 | 0.0 | 0.0 | 0.0 | 107.5 |
| Sub total | | 731.0 | 93.2% | 40.2 | 159.9 | 90.2 | 85.9 | 354.9 |
| Others | Retail | 27.9 | 3.6% | | | | | |
| | Parking | 16.2 | 2.1% | | | | | |
| | Others | 9.0 | 1.2% | | | | | |
| Sub total | | 53.2 | 6.8% | | | | | |
| Total | | 784.2 | 100% | | | | | |

Rent revenue breakdown by types of lease contract



Rent revenue breakdown by timing of renewal



(Note 1) Situation of tenants reflects actual move in/out and revised rents as of Aug. 27, 2010.

(Note 2) Following mutual property sale/purchase with the sponsor, Toranomom 35 Mori Bldg, and Moto-Azabu Hills (42 units) are excluded and Laforet Harajuku (land) included in the figures.

Key financial indicators

| | (Amount: mn yen) | |
|--------------------------------------|-------------------|-------------------|
| | End of 7th period | End of 8th period |
| Debt balance | 111,010 | 108,847 |
| Short-term debt | 10,560 | 8,510 |
| Long-term debt | 90,450 | 80,337 |
| Investment corporation bonds | 10,000 | 20,000 |
| LTV (total asset basis) (Note 1) | 53.1% | 49.2% |
| LTV (appraisal value basis) (Note 2) | 57.9% | 56.0% |
| DSCR (Note 3) | 3.7x | 3.6x |
| Avg. remaining duration | 1.68yr | 1.61yr |
| Weighted avg. interest rate | 1.60% | 1.60% |

(Note 1) LTV (total asset basis) is calculated as [Interest-bearing debt/Total assets].

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

(Note 3) DSCR is calculated as [net income before interest expenses/Interest expenses].

Overview of equity finance

| Overview | |
|--|-----------------------------|
| Units outstanding before the offering | 159,200 unit |
| Number of units issued | 72,320 unit |
| Units outstanding | 231,520 unit |
| Total amount of issue price | 14,639,520,640 yen |
| Issue price | 202,427 yen per unit |
| Additional listing date (Primary offering) | Mar 23, 2010 (Tue) |
| Lead manager | Mizuho Securities Co., Ltd. |

Outstanding balances

| Lender | (Amount: mn yen) | |
|--|------------------|---------------|
| | Balance | (%) |
| Mizuho Corporate Bank, Ltd. | 14,018 | 15.8% |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 14,018 | 15.8% |
| Mitsubishi UFJ Trust and Banking Corporation | 14,018 | 15.8% |
| Sumitomo Mitsui Banking Corporation | 13,109 | 14.8% |
| The Sumitomo Trust and Banking Co., Ltd. | 12,197 | 13.7% |
| The Norinchukin Bank | 5,000 | 5.6% |
| Development Bank of Japan Inc. | 4,337 | 4.9% |
| Aozora Bank, Ltd. | 4,000 | 4.5% |
| Shinsei Bank, Limited | 3,650 | 4.1% |
| Resona Bank, Ltd. | 2,500 | 2.8% |
| The Bank of Fukuoka, Ltd. | 2,000 | 2.3% |
| Total | 88,847 | 100.0% |

Ratings

Moody's Investors Service, Inc.
Issuer rating Baa1 (Negative)

Japan Credit Rating Agency, Ltd. (JCR)
Senior long-term credit rating AA- (Negative)

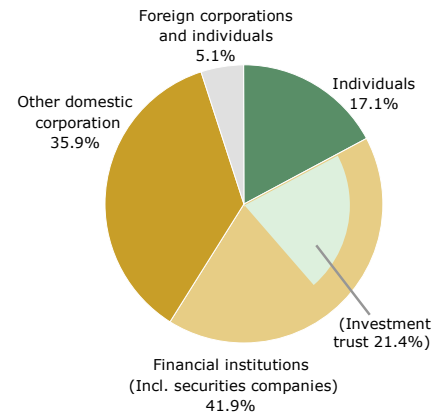
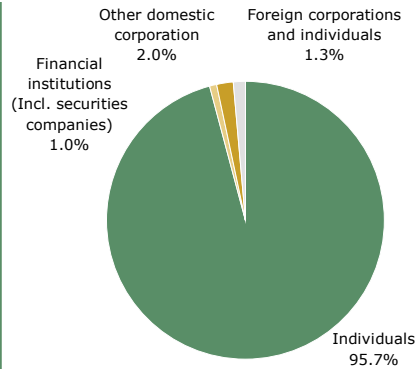
Unitholders breakdown (As of July 31, 2010)

Unitholder breakdown

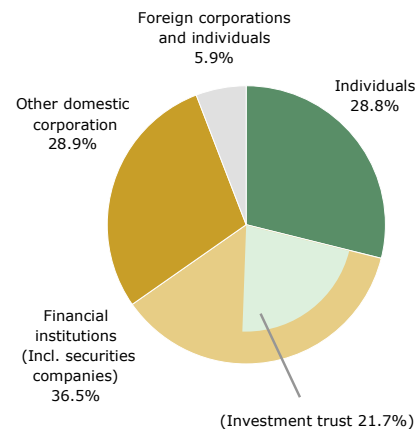
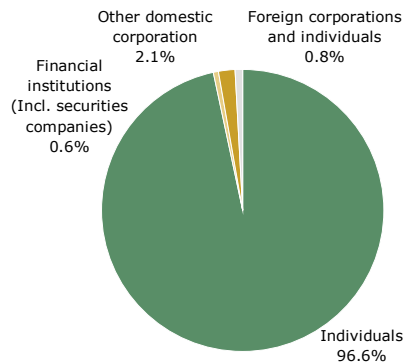
Number of unitholders

Number of investment units

End of 7th period



End of 8th period



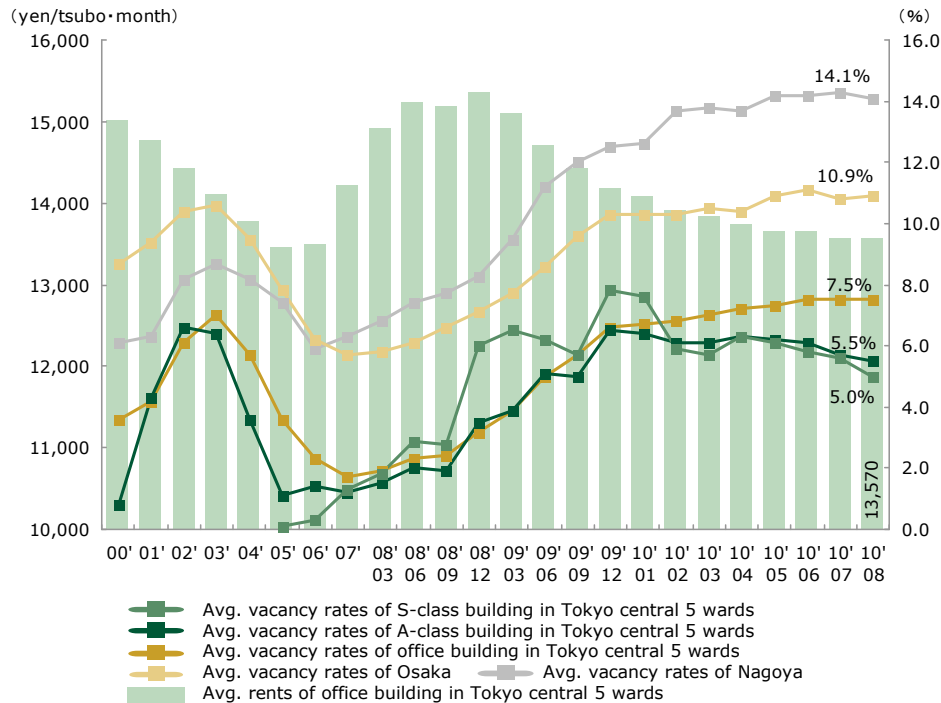
Top 10 unitholders

| Rank | Name | No. of units held | (%) |
|--------------------------|--|-------------------|------|
| 1 | Mori Building Co., Ltd. | 48,918 | 21.1 |
| 2 | The Nomura Trust & Banking (Trust account) | 24,009 | 10.4 |
| 3 | Japan Trustee Service Bank (Trust account) | 19,746 | 8.5 |
| 4 | The Fuji Fire and Marine Insurance Co., Ltd. | 10,450 | 4.5 |
| 5 | Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust unit) | 4,821 | 2.1 |
| 6 | The Master Trust Bank of Japan, Ltd. (Trust account) | 4,187 | 1.8 |
| 7 | Shikoku Railway Company | 3,324 | 1.4 |
| 8 | The Norinchukin Bank | 3,000 | 1.3 |
| 9 | Asahi Fire & Marine Insurance Co., Ltd. | 2,000 | 0.9 |
| 10 | Trust & Custody Service Bank of Japan, Ltd. (Securities Investment Trust unit) | 1,750 | 0.8 |
| Top 10 unitholders total | | 122,205 | 52.8 |

6-1 Tokyo market environment

Rental office market

Change in the rents and vacancy rates of rental office buildings

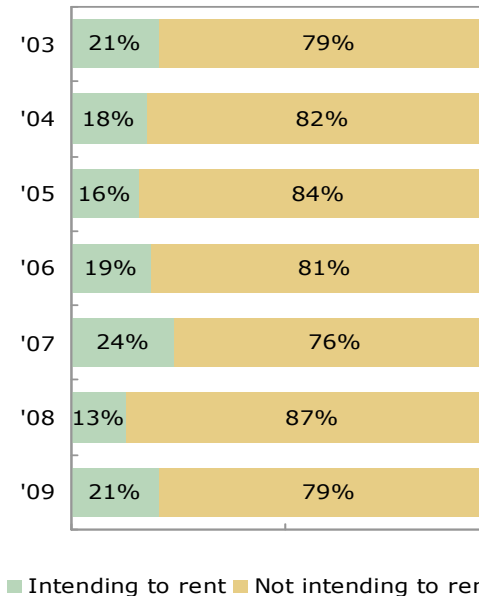


(Source) Created by the asset manager based on the "OFFICE MARKET REPORT" of CB Richard Ellis
 (Note 1) Offered rents do not include common area service fees.
 (Note 2) Annual rent covers rents from Jan-Dec, and Occupancy rate is as of end of Dec in each year.

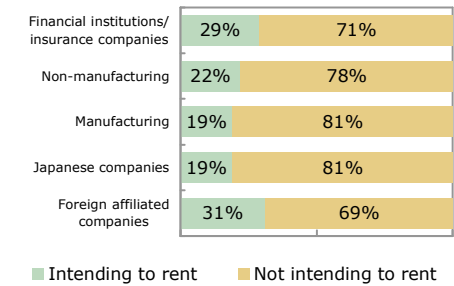
- Average vacancy rates of Class S and A properties in the central five wards of Tokyo have declined for four consecutive months, and there appears to be a bottoming out for the premium properties in which MHR principally invests
- Rents are expected to continue a period of adjustment, but recovery is expected, led by Class S and A properties, as vacancies bottom out.

Office Needs Survey for the 23 wards of Tokyo

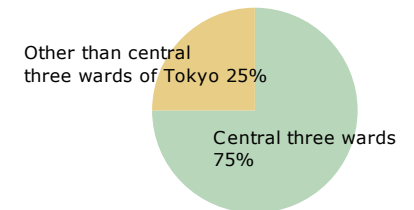
Plans to rent new space



Breakdown by industry (Responses for 2009)



Target areas for renting new space (Responses for 2009)



(Source) Mori Building Co., Ltd.'s "2009 Office Needs Survey for the 23 Wards of Tokyo" released on March 2010
 (Note) Survey period was from the middle of November to the middle of December in 2009 and the main target of the survey was the top 10,000 companies in terms of capital whose headquarters are located in Tokyo's 23 wards. Furthermore, 1,917 companies returned the questionnaires (ratio of return of 19.2%).

- Office demand is recovering centering on the central three wards of Tokyo
- Office needs from foreign affiliated companies, financial institutions and insurance companies are strong

Based on "2009 Office Needs Survey for the 23 wards of Tokyo"

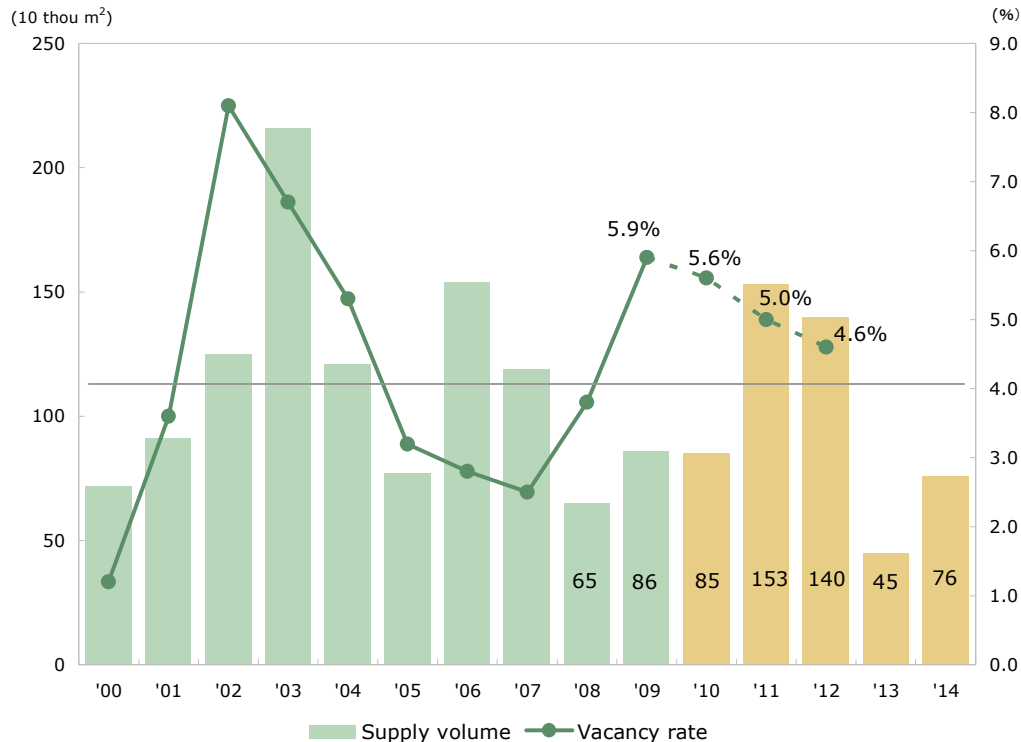
6-2 Tokyo market environment

Large-scale office building market trends in Tokyo's 23 wards



HILLS REIT

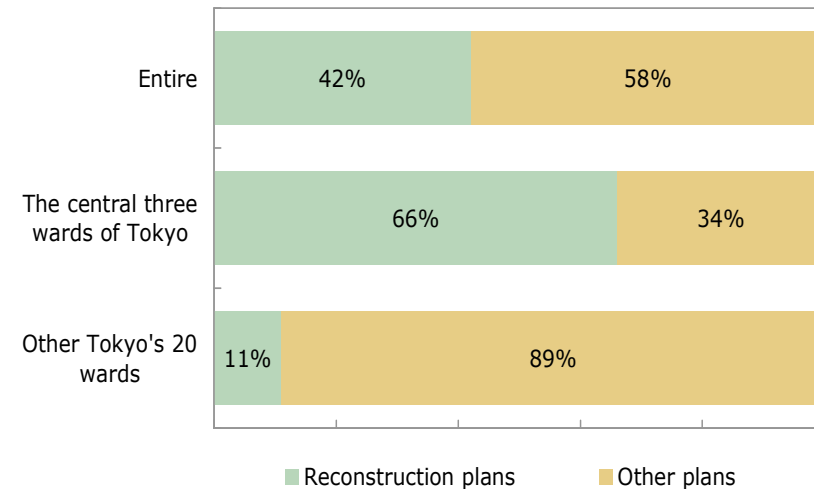
Supply volumes and vacancy rates of large-scale office buildings



(Source) Prepared by the asset management company based on Mori Building Co., Ltd's "Survey on large-scale office building market trends in Tokyo's 23 wards" (August 2010 Issue)

Supply trends for new and reconstructed buildings

Breakdown of reconstruction plans among supply volume in the next five years



(Source) Prepared by the asset management company based on Mori Building Co., Ltd's "Survey on large-scale office building market trends in Tokyo's 23 wards" (August 2010 Issue)

- Supply has been below the historical avg. of 1.03 mn m² over the past three years, but in 2011 and 2012 supply is expected to exceed avg.
- Companies' intentions to rent new space is recovering. 3 central wards of Tokyo expected to lead Tokyo's 23 wards overall in an improvement of vacancy rates

Based on "Survey on large-scale office building market trends in Tokyo's 23 wards"

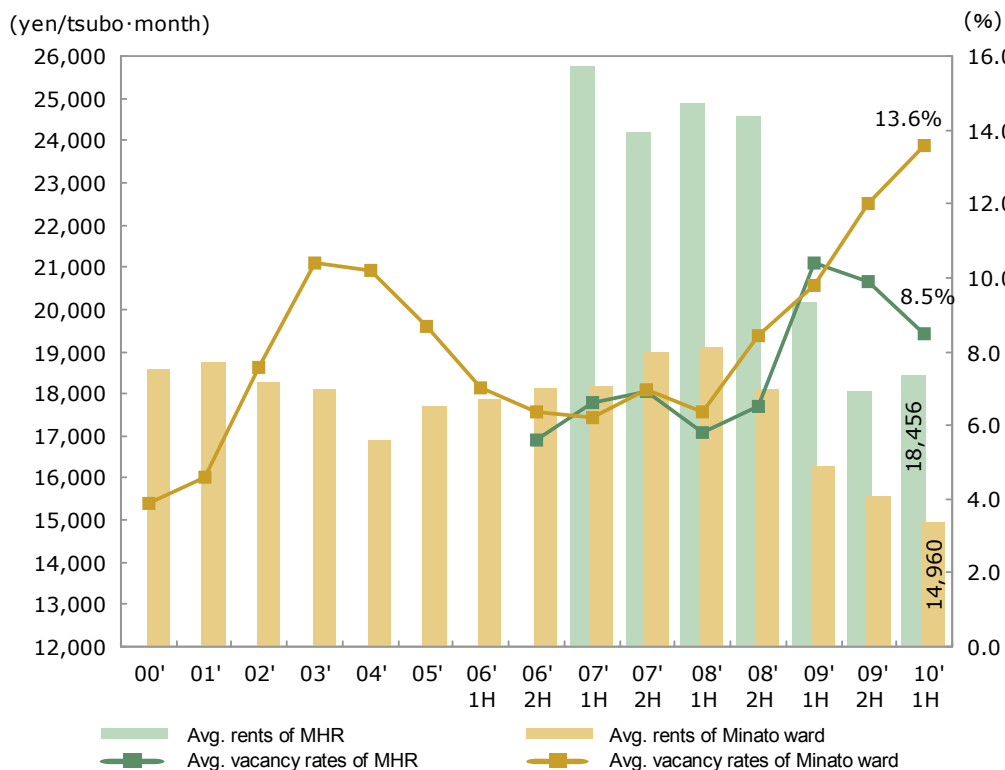
- Approx. 42% of new supply volume over next five years is reconstruction (66% in 3 central wards)
- In the 3 central wards of Tokyo, net increase in stock is only about half of the total new expected supply

Based on "Survey on large-scale office building market trends in Tokyo's 23 wards"

6-3 Tokyo market environment

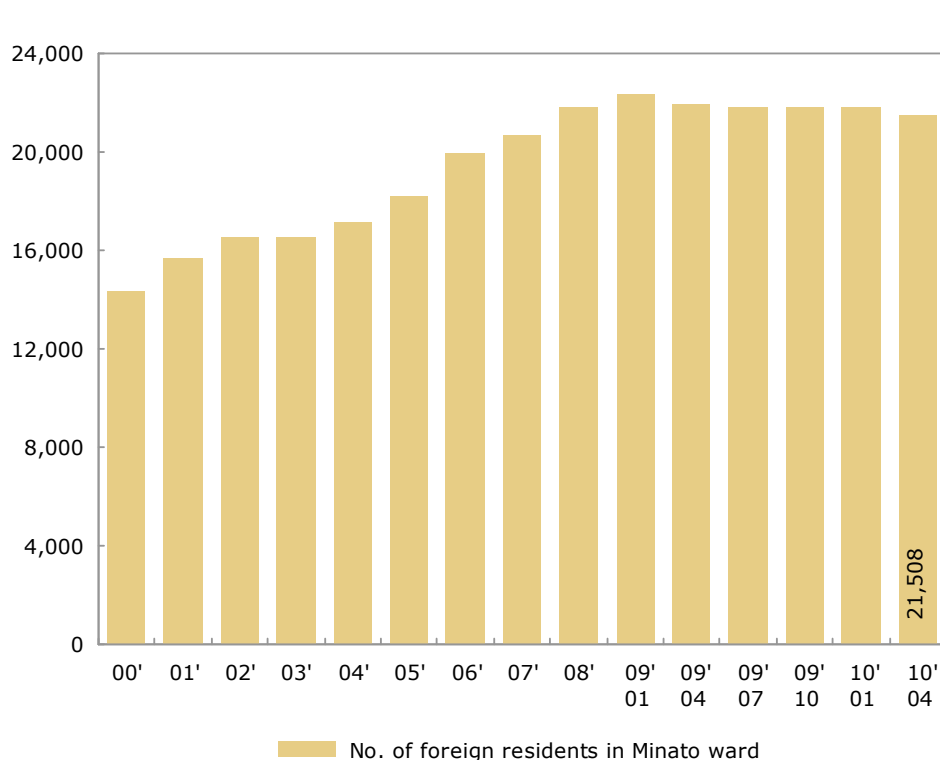
Luxury residential market

Change in the rents and vacancy rates of luxury housing



(Source) Created by the asset manager based on Ken Real Estate Investment Advisors' "Ken Data Press"
 (Note 1) Includes data on rental housing with monthly rent of more than JPY300,000 or with more than 30 tsubo exclusively owned area.
 (Note 2) Annual rent covers rents from Jan to Dec, and occupancy rate is annual average.
 (Note 3) For MHR, average of even years are indicated as 1st half, and average of odd years indicated as 2nd half.
 (Note 4) Occupancy rate of MHR shows its average occupancy rate during the relevant fiscal year.

Change in number of foreign residents



(Source) Created by asset manager based on the material prepared by Tokyo Municipal Government.
 (Note) Figures indicate the number of registered foreigners as of Jan 1st in each year.

• Although vacancy rates continue to increase, and rents continue to decrease in overall luxury residential market, MHR's properties show signs of vacancy rates bottoming out and improving.

• Compared to when vacancy rates increased around 2003, the number of foreign residents registered in Minato ward remains steady.

6-4 Tokyo market environment

Development in Akasaka, Roppongi & Toranomom area



Properties owned by MHR (including assets to be acquired) and Development Projects (including future plans) in the Akasaka/Roppongi and Toranomom Areas






■ MHR (Note 1)
 ■ Mori Building (Note 2)
 ■ Others (Note 2,3)

(Note 1) Some of the above were partially acquired or are held by MHR.
 (Note 2) MHR does not have plans to acquire these properties as of the date this document was created.
 (Note 3) Properties "A" through "E" that are located in redevelopment areas have not yet been completed as of the date this document was created.

New redevelopment plans promoted by Mori Building Group (Note1)

Synergistic effects and virtuous cycle of various municipal functions regenerated by Mori Building Group's new development projects

| A. Ark Hills Front Tower (Akasaka 2-chome (Fukuyoshicho) Plan) | B. Roppongi 6-chome 3 banchi plan | C. Plan to rebuild 21 & 25 Mori Buildings |
|---|---|---|
|  |  |  |
| a) Approx. 2,006m ² | a) Approx. 1,003m ² | a) Approx. 5,850m ² |
| b) Approx. 24,858m ² | b) Approx. 7,513m ² | b) Approx. 55,000m ² |
| c) Office/residential/retail | c) Office/retail/residential, etc. | c) Office/retail |
| d) Mori Building Co., LTd. | d) Mori Building Co., LTd. | d) Mori Building Co., LTd. |
| e) Jan. 2011 (planned) | e) End of Mar. 2011 (planned) | e) Apr. 2011 (planned/commencement of work) |

D. Toranomom Roppongi Category-1 Redevelopment Project

A redevelopment project for which preparations are underway to becoming the new center of the Toranomom/Roppongi area. Properties owned by MHR, such as Roppongi First, are adjacently located.



| |
|--|
| a) C-1 Area: 15,370m ² C-2 Area: 510m ² |
| b) Approx. 143,720m ² |
| c) Office/residential/retail |
| d) Redevelopment association (Note2) |
| e) 2012 (planned) |

a) Land area b) Total floor area c) Uses
d) Operator e) Completion date

E. Shinbashi & Toranomom Areas along Ring Road No. 2 Category-2 Urban Redevelopment Project III urban area (Toranomom area)

A redevelopment project expected to function as the main connection between Bay Area and central Tokyo, along with being a new business center. In the vicinity is a property owned by MHR.



| |
|---|
| a) Approx. 17,069m ² |
| b) Approx. 252,993m ² |
| c) Retail/residential/office/hotel/conference |
| d) Tokyo Metropolitan Government (Note3) |
| e) May. 2014 (planned) |

(Note1) MHR does not have plans to acquire these redevelopment properties as of the date this document was created.
 (Note2) Mori Building serves as the organizer of the association.
 (Note3) Mori Building was appointed as a prospective candidate of distinct developer.

6-5 Tokyo market environment

Movements concerning urban revitalization under the government's growth strategy



HILLS REIT

Strengthening international competitiveness of large cities

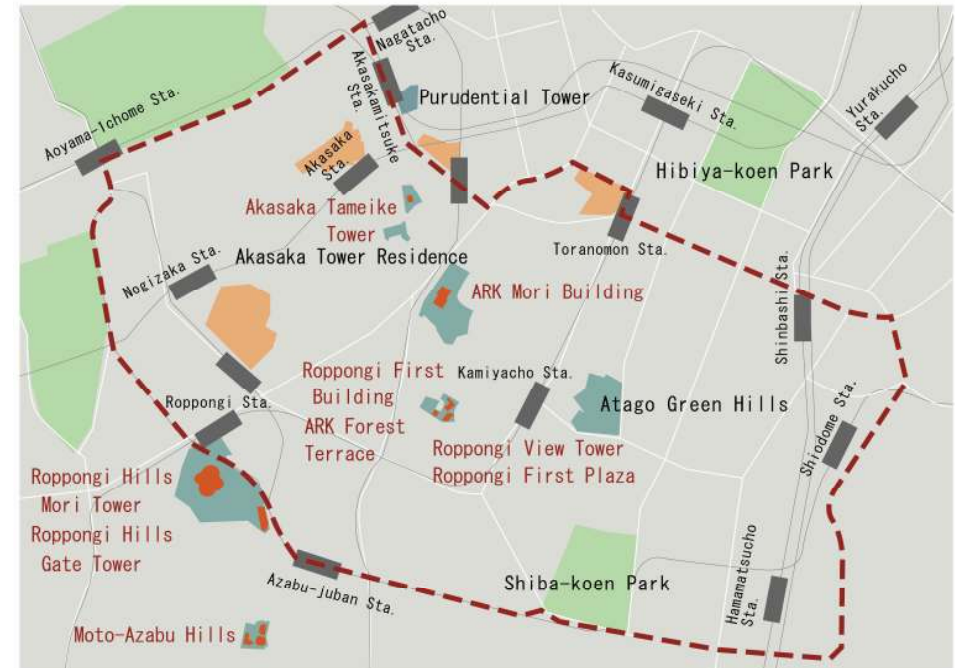
The Ministry of Land, Infrastructure, Transport and Tourism growth strategy was announced on May 17, 2010. "Strengthening international competitiveness of large cities, including international city Tokyo" is a matter of urgency and necessity which should be given high priority to achieve growth for Japan.


Matters to be carried out with priority (residential, urban sectors)

"Strengthening international competitiveness of large cities, including the international city Tokyo"

Establish a strategy concerning large metropolitan areas by 2011, and at the same time extend and expand the Act on Special Measures concerning Urban Revitalization which is not limited to such urban planning restrictions as capacity ratios, but provides for establishment of special zones for international competitiveness which comprehensively establishes various kinds of deregulation, tax and financial measures which are necessary for the development of systems to promote the revitalization and growth of large cities.

[Ministry of Land, Infrastructure, Transport and Tourism growth strategy: May 2010]



 - One of the urgent urban revitalization areas based on the Act on Special Measures concerning Urban Revitalization: Kanjo No. 2 Line around Shinjuku, Akasaka, Roppongi areas

Establishment of a comprehensive special zone system

In response to the Cabinet's approval on June 18, 2010, new growth strategies for regeneration of a vibrant Japan were announced. Urban Revitalization was emphasized among seven strategic categories.

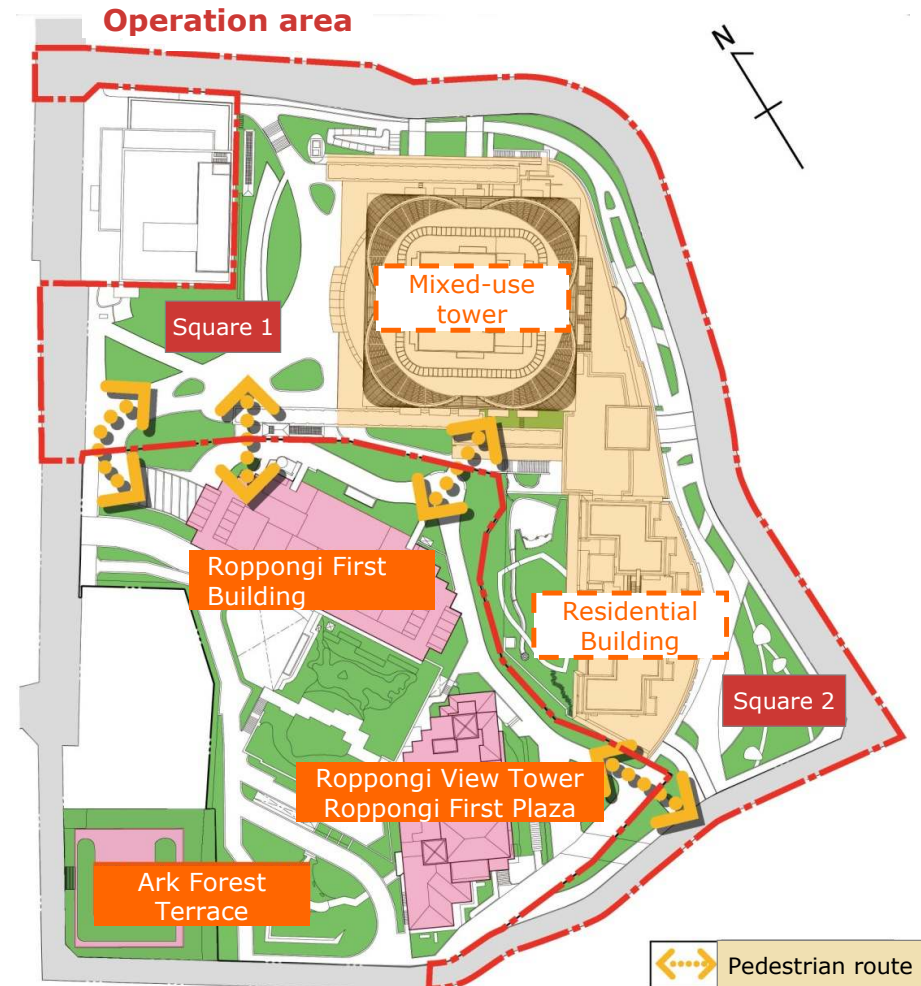
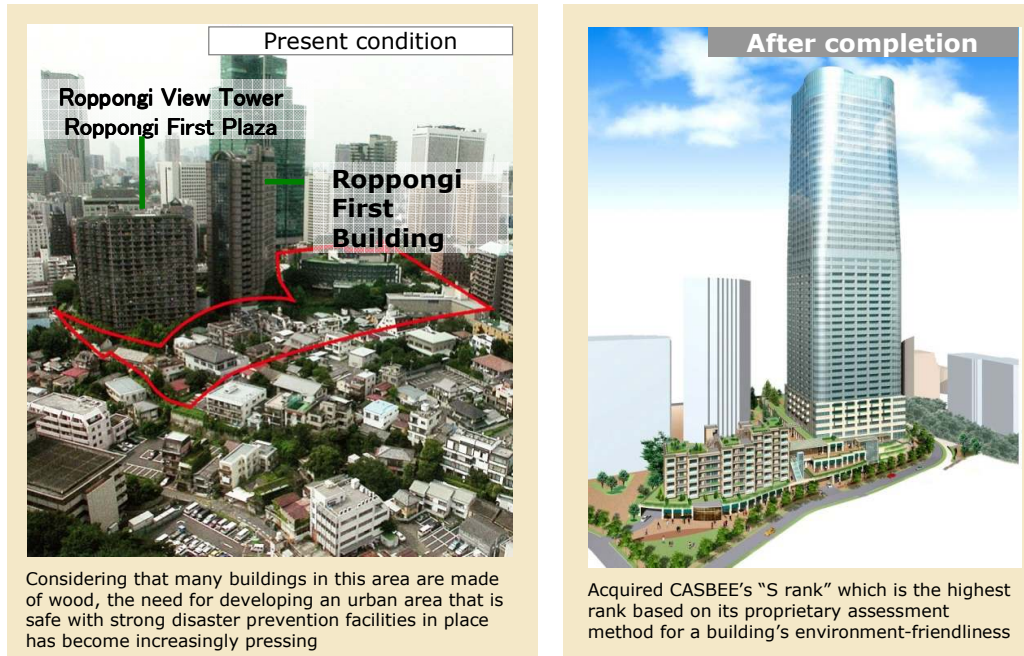
Establish comprehensive global strategic special zones (tentative name) such as large cities that have potential competitive advantages at the global level, and can lead Japan's growth overall, and comprehensively include special regulatory measures and tax, fiscal and financial support measures required to promote industries and attract foreign companies that are the growth engine for Japan's national economy.

[Government Cabinet Decision, new growth strategies: June 2010]

6-6 Mori Building Group's Urban development in Akasaka/Roppongi area

Start of construction for the category 1 urban redevelopment project in Toranomon and Roppongi area

The whole block including MHR's Roppongi First & Ark Forest Terrace are scheduled to become a new base in area
 The construction work started in Oct 2009. We expect that the value of our portfolio properties will increase further by becoming an integral part of the new "green city center residential area"



Overview of plan

| | |
|----------------------------|--|
| Operation area | Approx. 2.0ha |
| Total floor area | Approx. 143,720m ² |
| Floors | (Mixed-use tower) Above ground: 47 / Basement levels: 4 (Residential building) Above ground: 6 / Basement levels: 2 |
| Uses | Office/retail/residential |
| Operator | Toranomon-Roppongi District Urban Redevelopment Association (Mori Building Co. Ltd will organize the redevelopment association and acquire the floor area that are not reserved by land owners and leaseholders of the building rebuilt as its participating member) |
| Construction to be started | Oct. 2009 |
| Completion date | 2012 (Planned) |

Appointed as a distinct developer for Toranomon District Redevelopment Project

Contribution to improved traffic and logistics functions by providing a main route connecting the Bay Area and central Tokyo

Mori Building was appointed as a "prospective distinct developer" in the auction for selecting "distinct developer" for Block 3 (Toranomon Area) of the Loop Line #2 Shinbashi/Toranomon Class 2 Redevelopment Project by Tokyo Municipal Government. Once realized, the project will further increase the value of MHR properties located in the Toranomon area



High rise building (note 2)



Main entrance (Note 2)

Key points of the Project

The ultra high-rise building which is to be Japan's second highest building, will have a hotel, offices, conference halls, and a retail facility.

Based on the "multilevel motorway plan", Loop Line #2 will pass through the building. Mori Building as a prospective distinct developer will also construct the underground tunnel based on consignment by Tokyo Construction Bureau.

Concept of the Project

■Environment-friendly

At the crossing of the "East-West environment axis" formed by the trees of the ground part of Loop Line #2 and the "North-South environment axis" connecting Shiba Park, Atagoyama and Hibiya Park, Mori Building will develop an environment with lush greenery, open space and beautiful landscaping which is not only environment-friendly but also provides a place to rest in a natural environment by implementing diversified measures for reducing CO₂ emission

■International Business center "Compound facility"

Creation of an urban space that enables diversified urban activities by providing the multiple functions required by a knowledge-based and information-based society

■Safety & Security -Transformation from "run away from" to "escape into" town

Mori Building is aiming to develop a safe town where safety is not limited to the area to be developed but also helps prevent disaster in the surrounding areas



Redeveloped Loop Line #2 (Note 2)

| | |
|----------------------------|--|
| Operation area | 17,069m ² |
| Total floor area | 252,993m ² |
| Floors | (Complex wing) 53 floors above the ground and 5 underground floors |
| Height | 247m |
| Uses | Office, commercial, residential, hotel, conference and parking |
| Client | Tokyo Metropolitan Government (Mori Building was appointed as a "prospective distinct developer") |
| Construction to be started | November 2010 (planned) |
| Completion date | May 2014 (planned) |

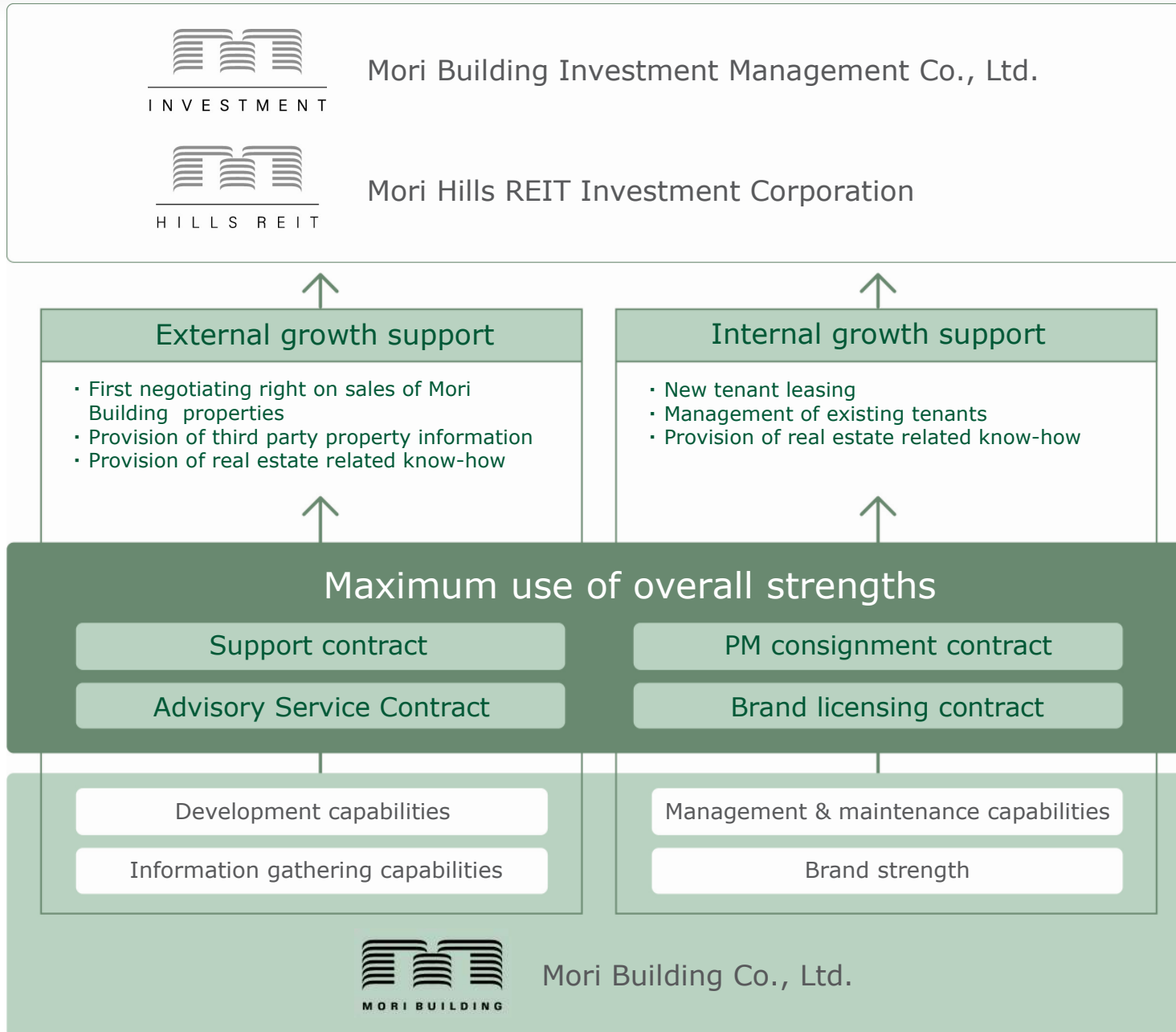
(Note 1) "Distinct developers" are a method for utilizing private sector companies as defined under the "Urban Development Law". After Mori Building's appointment to distinct developer, they will develop the plan and undertake the construction of the "Specified building facility" based on our business plan and acquire remaining floor area portions of the facility.

(Note 2) Illustrations are those included in the proposal material created by Mori Building.

Appendix



7-1 Collaborative relationship with Mori Building



Environmental initiatives – trend towards strict regulations

Initiatives to address urban environmental issues have become regulated due to the partial amendment of the Amended Act on Energy Conservation and implementation of Tokyo Metropolitan Ordinance on Environmental Preservation, and the Mori Building Group is quick to undertake measures to address environmental issues, and is further strengthening systems to cooperate with tenants.

Strengthening systems to cooperate with tenants

Conserving electricity, air conditioning and water

Promote saving electricity, reviewing air conditioning settings, saving water and awareness of energy saving.

Environmental Measures Council

Established environmental measures councils at each facility, and have started initiatives together with tenants.

Activities to promote energy conservation

We strive to promote energy conservation by creating environmental posters.

Creating abundant communities: Resident-friendly cities = Eco-friendly cities

CO₂ Reduction/Light-down Campaign 2010

Continuing on from last year, MHR participated in the "CO₂ reduction/Light-down Campaign", a movement aimed at preventing global warming. MHR turned lights off or down in office areas, and turned lights down or lit candles in certain authorized shop areas for the "Midsummer Light-down" on June 21, 2010 (Mon) and the "Tanabata Star Festival Light-down" on July 7, 2010 (Wed).

The amount of energy saved the light-down periods was approx. 28,000Kwh, leading to a reduction of approx. 11 tons of CO₂ emissions.

Participating MHR properties

| |
|---------------------------|
| Roppongi Hills Mori Tower |
| ARK Mori Building |
| Roppongi Hills Gate Tower |
| Roppongi First Building |
| Koraku Mori Building |
| Moto-Azabu Hills |
| Ark Forest Terrace |



Tokyo Tower



Roppongi Hills recognized as one of "Select Green 100 companies that contribute to biological diversity"

Roppongi Hills was recognized by The Urban Green Space Development Foundation as a good example that takes initiatives to preserve, create and utilize nearby surrounding greenery.



Roppongi Hills Great Water Sprinkling Event 2010

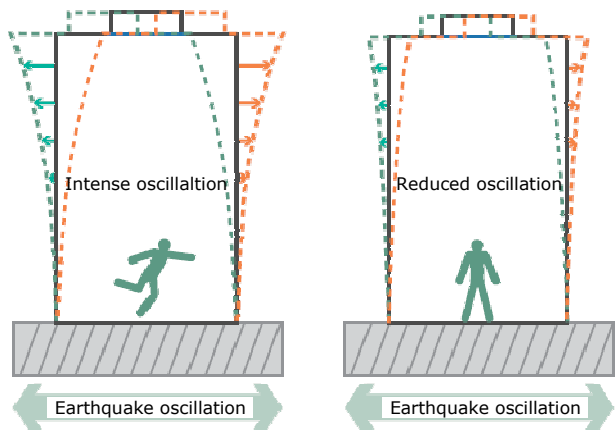
This event allows participants to think of the environment, and we consider the environment in the finest detail, for instance, by using water stored under the ground of Roppongi Hills for sprinkling, and using water pails made of thinned cypress wood.

7-3 Addressing safety (Countermeasures against earthquake disaster)

Earthquake-resistant features

Seismic damping

Minimize the level of oscillation



Viscous seismic damping wall

<Normal earthquake resistant building> <Building with seismic damping>

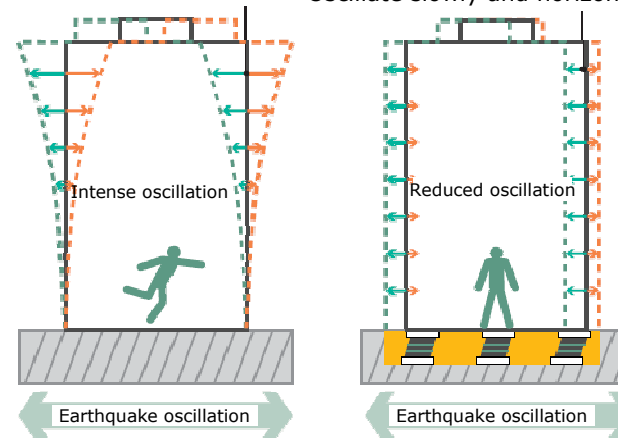
Seismic damping reduces earthquake magnitude of oscillation by approx. 20%

MHR properties using this feature

- Roppongi Hills Mori Tower
- Roppongi Hills Gate Tower
- Koraku Mori Building
- Akasaka Tameike Tower

Seismic isolators

Oscillate slowly and horizontally



Seismic isolators

<Normal earthquake resistant building> <Building with Seismic Isolators>

Seismic Isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of large earthquakes

MHR properties using this feature

- Moto-Azabu Hills (Forest Tower)
(Forest Terrace East)
- Ark Forest Terrace

Support originated with building automation

Preventive maintenance and emergency care utilizing Building Automation system (BA system)

Control of BA system

- Central supervisory control system
- Emergency broadcasting system
- ELV
- Distributed electricity supervisory system
- Mechanical parking
- ITV
- Engine/Lighting control system
- Automated control
- Security equipment
- Disaster prevention equipment

7-4 Financial highlights

| Indices | Previous period (7th period: Aug. 1, 2009–Jan. 31, 2010) | Current period (8th period: Feb. 1, 2010–Jul. 31, 2010) | |
|---|--|---|---|
| Net income | 1,728 mn yen | 1,522 mn yen | |
| FFO | 2,445 mn yen | 2,270 mn yen | Net profit + Depreciation & Amortization |
| Depreciation & amortization | 716 mn yen | 747 mn yen | |
| CAPEX | 106 mn yen | 44 mn yen | |
| Total assets | 208,893 mn yen | 221,366 mn yen | |
| Interest-bearing debt | 111,010 mn yen | 108,847 mn yen | |
| Net asset value | 89,081 mn yen | 103,520 mn yen | |
| Dividend | 1,728 mn yen | 1,522 mn yen | |
| Total units outstanding | 159,200 units | 231,520 units | |
| Book value per unit | 559,560 yen | 447,135 yen | Net asset value at end of period/ Total units outstanding |
| Dividend per unit | 10,857 yen | 6,577 yen | |
| FFO per unit | 15,359 yen | 9,805 yen | FFO/Weighted average number of investment units for the period |
| ROA | 0.82% | 0.71% | Ordinary profit/Average of total assets during the period |
| Annualized | 1.63% | 1.43% | |
| ROE | 1.94% | 1.58% | Net profit/Average of NAV during the period |
| Annualized | 3.84% | 3.19% | |
| LTV | 53.14% | 49.17% | LTV=Interest-bearing debt/Total assets |
| Dividend yield (annualized) | 8.13% | 7.48% | Dividend per unit/Unit price |
| Number of operating days in the period | 184 days | 181 days | |
| PER (annualized) | 12.3x | 12.2x | Unit price/Net profit per unit |
| PBR | 0.5x | 0.4x | Unit price/Book value per unit |

(Note) Calculated as 7th period figures/184 days x 365 days and 8th period figures/181 days x 365 days.

7-5 Balance sheet

| | Previous period (7th period) Jan. 31, 2010 | Current period (8th period) Jul. 31, 2010 |
|-------------------------------|--|---|
| | Amount (Yen thousand) | Amount (Yen thousand) |
| Assets | | |
| Current assets | 9,169,664 | 12,133,402 |
| Cash and deposits | 2,028,490 | 6,093,351 |
| Cash and deposits in trust | 6,642,068 | 5,488,095 |
| Other | 499,105 | 551,955 |
| Noncurrent assets | 199,679,279 | 209,149,052 |
| Property, plant and equipment | 180,865,434 | 190,489,838 |
| Intangible assets | 18,416,019 | 18,417,538 |
| Investment and other assets | 397,825 | 241,675 |
| Deferred assets | 44,575 | 83,726 |
| Total assets | 208,893,519 | 221,366,182 |

| | Previous period (7th period) Jan. 31, 2010 | Current period (8th period) Jul. 31, 2010 |
|--|--|---|
| | Amount (Yen thousand) | Amount (Yen thousand) |
| Liabilities | | |
| Current liabilities | 35,349,830 | 38,289,000 |
| Short-term loans payable | 10,560,000 | 8,510,000 |
| Current portion of long-term loans payable | 23,225,000 | 28,225,000 |
| Derivatives liabilities | - | 21,491 |
| Other | 1,564,830 | 1,532,508 |
| Noncurrent liabilities | 84,461,713 | 79,556,453 |
| Investment corporation bond | 10,000,000 | 20,000,000 |
| Long-term loans payable | 67,225,000 | 52,112,500 |
| Tenant leasehold and security deposit | - | 454,440 |
| Tenant leasehold and security | 7,207,088 | 6,989,513 |
| Derivatives liabilities | 29,624 | - |
| Total liabilities | 119,811,543 | 117,845,453 |
| Unitholders' equity | | |
| Unitholders' capital | 87,371,418 | 102,010,939 |
| Unappropriated retained earnings (undisposed loss) | 1,728,530 | 1,522,828 |
| Deferred gains or losses on hedges | ▲ 17,973 | ▲ 13,038 |
| Total net assets | 89,081,975 | 103,520,729 |
| Total liabilities and net assets | 208,893,519 | 221,366,182 |

7-6 Income statement

| | Previous period (7th period) (Aug. 1, 2009–Jan. 31, 2010) | Current period (8th period) (Feb. 1, 2010–Jul. 31, 2010) | |
|--|---|--|-----------------|
| | Amount (Yen thousand) | Amount (Yen thousand) | (Yen: thousand) |
| Operating revenue | 5,520,854 | 5,388,209 | |
| Rent revenue-real estate | 4,983,676 | 4,922,890 | |
| Other lease business revenue | 537,178 | 465,319 | |
| Operating expenses | 2,699,449 | 2,708,275 | (Yen: thousand) |
| Expenses related to rent business | 2,277,513 | 2,299,970 | |
| Asset management fees | 320,215 | 314,994 | |
| Director's compensation | 7,200 | 7,200 | |
| Asset custody fees | 5,296 | 5,483 | |
| Administration fees | 13,356 | 14,543 | |
| Other operating expenses | 75,867 | 66,083 | |
| Operating income | 2,821,404 | 2,679,933 | |
| Non-operating income | 5,786 | 5,136 | |
| Interest income | 5,709 | 2,291 | |
| Exclusion gain of unpaid dividend | - | 2,430 | |
| Compensation income | 8 | 26 | |
| Other | 68 | 388 | |
| Non-operating expenses | 1,097,682 | 1,161,325 | |
| Interest expenses | 809,674 | 758,091 | |
| Interest expenses on investment corporation bonds | 81,150 | 110,800 | |
| Amortization of investment corporation bond issuance costs | 5,130 | 8,515 | |
| Amortization of deferred organization expenses | 5,111 | 5,111 | |
| Borrowing expenses | 194,673 | 206,114 | |
| Unit issuing expenses | - | 70,736 | |
| Other | 1,943 | 1,955 | |
| Ordinary income | 1,729,508 | 1,523,745 | |
| Income before income taxes | 1,729,508 | 1,523,745 | |
| Net income | 1,728,481 | 1,522,732 | |
| Unappropriated retained earnings (undisposed loss) | 1,728,530 | 1,522,828 | |
| Dividend per unit (yen) | 10,857 | 6,577 | |

| | |
|--------------------------|---------|
| Parking revenue: | 166,558 |
| Incidental revenue: | 283,958 |
| Cancellation penalty: | 14,702 |
| Security deposit income: | 98 |

| | |
|---------------------------|---------|
| Property management fees: | 784,866 |
| Utilities: | 189,650 |
| Property taxes: | 297,778 |
| Lease fees: | 75,673 |
| Custodian fees: | 9,370 |
| Repair charges: | 96,204 |
| Insurance premium: | 14,286 |
| Depreciation expenses: | 747,065 |
| Other property expenses: | 85,073 |

7-7 Statement of cash flow/Retained earnings

Statement of cash flow

(Amount: thousand yen)

| Item | Previous period (7th period) (Aug. 1, 2009– Jan. 31, 2010) | Current period (8th period) (Feb. 1, 2010– Jul. 31, 2010) |
|--|---|--|
| I Net cash provided by (used in) operating activities | 2,107,108 | 2,421,842 |
| Income before income taxes | 1,729,508 | 1,523,745 |
| Depreciation & amortization | 716,821 | 747,463 |
| Amortization of deferred organization expenses | 5,111 | 5,111 |
| Amortization of issue business commencement expenses | 5,130 | 8,515 |
| Unit issuing expenses | - | 70,736 |
| Interest income | ▲ 5,709 | ▲ 2,291 |
| Exclusion gain of unpaid dividend | - | ▲ 2,430 |
| Interest expenses | 890,824 | 868,892 |
| Decrease (increase) in notes receivable-trade | 13,590 | ▲ 4,296 |
| Decrease (increase) in consumption taxes refund receivable | ▲ 3,587 | ▲ 63,630 |
| Increase (decrease) in accounts payable | ▲ 38,016 | ▲ 14,705 |
| Increase (decrease) in accounts payable-other | 1,472 | ▲ 2,539 |
| Increase (decrease) in accrued expenses | ▲ 343 | 1,027 |
| Increase (decrease) in accrued consumption taxes | ▲ 111,499 | ▲ 33,118 |
| Increase (decrease) in advances received | ▲ 30,255 | ▲ 957 |
| Increase (decrease) in deposits received | 216,157 | 22,818 |
| Decrease (increase) in prepaid expenses | ▲ 150,560 | 22,620 |
| Decrease in carrying amounts of property, plant and equipment in trust due to sale | ▲ 224,245 | 144,499 |
| Other | 1,760 | 966 |
| Sub total | 3,016,158 | 3,292,427 |
| Interest income received | 7,274 | 2,291 |
| Interest expenses paid | ▲ 915,315 | ▲ 871,860 |
| Income taxes paid | ▲ 1,009 | ▲ 1,014 |
| II Net cash provided by (used in) investing activities | ▲ 206,262 | ▲ 10,137,792 |
| Proceeds from withdrawal of time deposit | 600,000 | - |
| Purchase of tangible assets | - | ▲ 10,325,382 |
| Purchase of intangible assets | ▲ 1,814 | ▲ 2,522 |
| Purchase of property, plant and equipment in trust | ▲ 111,128 | ▲ 46,306 |
| Purchases of intangible assets in trust | - | ▲ 445 |
| Proceeds from tenant leasehold and security deposit | - | 454,440 |
| Proceeds from tenant leasehold and security deposits in trust | ▲ 1,089,193 | ▲ 787,420 |
| Payment of tenant leasehold and security deposits in trust | 395,873 | 569,844 |

(Amount: thousand yen)

| Item | Previous period (7th period) (Aug. 1, 2009– Jan. 31, 2010) | Current period (8th period) (Feb. 1, 2010– Jul. 31, 2010) |
|---|---|--|
| III Net cash provided by (used in) financing activities | ▲ 5,013,685 | 10,626,838 |
| Increase in short-term loan payable | 8,440,000 | 3,010,000 |
| Decrease in short-term loan payable | ▲ 12,880,000 | ▲ 5,060,000 |
| Proceeds from long-term loan payable | 26,500,000 | - |
| Repayment of long-term loan payable | ▲ 25,050,000 | ▲ 10,112,500 |
| Proceeds from new investment bond | - | 9,947,228 |
| Proceeds from new investment units | - | 14,568,784 |
| Dividends paid | ▲ 2,023,685 | ▲ 1,726,674 |
| IV Net Increase/decrease in cash & equivalents | ▲ 3,112,839 | 2,910,888 |
| V Cash and cash equivalents at beginning of period | 11,783,398 | 8,670,558 |
| VI Cash and cash equivalents at end of period | 8,670,558 | 11,581,446 |

Retained earnings

(Amount: thousand yen)

| Item | Previous period (7th period) (Aug. 1, 2009– Jan. 31, 2010) | Current period (8th period) (Feb. 1, 2010– Jul. 31, 2010) |
|-------------------------------------|---|--|
| I Retained earnings | 1,728,530,369 | 1,522,828,374 |
| II Dividend | 1,728,434,400 | 1,522,707,040 |
| (Dividend per unit) | 10,857 | 6,577 |
| III Earnings carried forward | 95,969 | 121,334 |

7-8 8th period results breakdown by property①

(Amount: mn yen)

| Property number | | O-0 | | | O-1-1 | | | O-1-2 | | | O-1-3 | | | O-2 | | |
|------------------------------------|----------------------------------|---------------------------|------------|------------|-----------------------------|------------|------------|----------------------------------|------------|------------|------------------------------|------------|------------|---------------------------|------------|------------|
| Property name | | Roppongi Hills Mori Tower | | | Ark Mori Building (fixed I) | | | Ark Mori Building (pass-through) | | | Ark Mori Building (fixed II) | | | Roppongi Hills Gate Tower | | |
| Period | | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference |
| Days of operation (days) | | - | 131 | 131 | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 | - | 131 | 131 | 184 | 181 | ▲ 3 |
| Occupancy rate (%) | | - | 100.0% | 100.0PT | 100.0% | 100.0% | 0.0PT | 88.6% | 81.6% | ▲ 7.0PT | - | 100.0% | 100.0PT | 96.0% | 98.7% | 2.7PT |
| Occupancy rate (during period) (%) | | - | 100.0% | 100.0PT | 100.0% | 100.0% | 0.0PT | 88.6% | 85.1% | ▲ 3.5PT | - | 100.0% | 100.0PT | 95.3% | 99.1% | 3.8PT |
| Number of tenants | | - | 1 | 1 | 1 | 1 | 0 | 10 | 9 | ▲ 1 | - | 1 | 1 | 40 | 46 | 6 |
| Acquisition price | | 6,810 | | | 6,600 | | | 22,000 | | | 3,400 | | | 36,500 | | |
| Operating Income | Rent revenue -real estate | - | 107 | 107 | 148 | 148 | 0 | 338 | 296 | ▲ 41 | - | 54 | 54 | 950 | 969 | 18 |
| | Other lease business revenue | - | - | - | - | - | - | 22 | 17 | ▲ 4 | - | - | - | 127 | 116 | ▲ 11 |
| Operating Income | | - | 107 | 107 | 148 | 148 | 0 | 360 | 314 | ▲ 46 | - | 54 | 54 | 1,077 | 1,085 | 7 |
| Property expense | Maintenance expenses | - | 0 | 0 | 1 | 1 | 0 | 63 | 59 | ▲ 3 | - | 0 | 0 | 161 | 160 | ▲ 0 |
| | Utilities | - | - | - | - | - | - | 8 | 6 | ▲ 1 | - | - | - | 50 | 46 | ▲ 4 |
| | Property taxes (Note1) | - | - | - | 8 | 8 | 0 | 16 | 16 | 0 | - | - | - | 69 | 70 | 1 |
| | Maintenance and repairs | - | - | - | 0 | 0 | ▲ 0 | 2 | 1 | ▲ 0 | - | - | - | 9 | 11 | 1 |
| | Insurance premium | - | 0 | 0 | 0 | 0 | ▲ 0 | 0 | 0 | ▲ 0 | - | 0 | 0 | 2 | 2 | ▲ 0 |
| | Depreciation ① | - | 22 | 22 | 12 | 12 | 0 | 46 | 46 | 0 | - | 7 | 7 | 117 | 118 | 0 |
| | Other property expense (Note2) | - | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | - | 0 | 0 | 35 | 33 | ▲ 1 |
| Property expense | | - | 23 | 23 | 22 | 22 | 0 | 137 | 132 | ▲ 5 | - | 7 | 7 | 447 | 443 | ▲ 4 |
| Operating profit ② | | - | 84 | 84 | 126 | 126 | 0 | 222 | 181 | ▲ 40 | - | 46 | 46 | 629 | 641 | 11 |
| NOI ③ (①+②) | | - | 106 | 106 | 138 | 138 | ▲ 0 | 268 | 228 | ▲ 40 | - | 54 | 54 | 747 | 759 | 12 |
| Annualized NOI | Annualized NOI | - | 297 | 297 | 274 | 278 | 4 | 533 | 460 | ▲ 73 | - | 150 | 150 | 1,483 | 1,532 | 49 |
| | Annualized NOI/Acquisition price | - | 4.4% | - | 4.2% | 4.2% | 0.0PT | 2.4% | 2.1% | ▲ 0.3PT | - | 4.4% | - | 4.1% | 4.2% | 0.1PT |
| Capex ④ | | - | - | - | - | - | 0 | 0 | 1 | 0 | - | - | - | 4 | 0 | ▲ 4 |
| NCF ③-④ | | - | 106 | 106 | 138 | 137 | ▲ 0 | 268 | 227 | ▲ 41 | - | 54 | 54 | 742 | 759 | 16 |

(Note1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 7th and 8th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period (However, for Roppongi Hills Mori Tower and Ark Mori Building (fixed type II) during the 8th Period, no expenses were charged since a transaction settlement amount was paid to the assignor, and the expenses were included in the acquisition cost). Furthermore the annualized NOI amount where expenses are charged for fixed property tax, etc. for the 131 days which are the number of days of operation is ¥2.8mn for Roppongi Hills Mori Tower (same/acquisition cost 4.1%), and ¥1.42mn for Ark Mori Building (fixed type II) (same/acquisition cost 4.2%).

(Note2) The other expenses are based on the total amount of rent, custodian fee and other expenses related to rent business (residential operation expense and general expenses related to rent business).

7-9 8th period results breakdown by property②

(Amount: mn yen)

| Property number | O-3 | | | O-4 | | | O-5 | | | O-6 | | |
|------------------------------------|-------------------------|------------|------------|----------------------|------------|------------|----------------------------|------------|------------|-----------------------|------------|------------|
| Property name | Roppongi First Building | | | Koraku Mori Building | | | Toranomom 35 Mori Building | | | Akasaka Tameike Tower | | |
| Period | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference |
| Days of operation (days) | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 |
| Occupancy rate (%) | 84.0% | 84.0% | 0.0PT | 88.6% | 91.9% | 3.3PT | 100.0% | 100.0% | 0.0PT | 98.1% | 89.7% | ▲ 8.4PT |
| Occupancy rate (during period) (%) | 85.8% | 84.0% | ▲ 1.8PT | 90.1% | 90.6% | 0.5PT | 100.0% | 100.0% | 0.0PT | 99.7% | 95.3% | ▲ 4.4PT |
| Number of tenants | 13 | 13 | 0 | 14 | 13 | ▲ 1 | 1 | 1 | 0 | 12 | 11 | ▲ 1 |
| Acquisition price | 21,000 | | | 27,200 | | | 12,720 | | | 37,200 | | |
| Rent revenue -real estate | 540 | 492 | ▲ 47 | 862 | 794 | ▲ 67 | 421 | 421 | 0 | 652 | 607 | ▲ 45 |
| Other lease business revenue | 61 | 55 | ▲ 5 | 109 | 94 | ▲ 15 | 9 | 9 | 0 | 134 | 100 | ▲ 34 |
| Operating Income | 601 | 548 | ▲ 53 | 971 | 888 | ▲ 83 | 430 | 430 | 0 | 787 | 707 | ▲ 79 |
| Maintenance expenses | 65 | 72 | 6 | 79 | 88 | 9 | 65 | 65 | 0 | 98 | 95 | ▲ 3 |
| Utilities | 26 | 26 | 0 | 75 | 70 | ▲ 5 | - | - | - | 35 | 25 | ▲ 9 |
| Property taxes (Note1) | 43 | 44 | 0 | 34 | 34 | ▲ 0 | 22 | 23 | 0 | 31 | 31 | 0 |
| Maintenance and repairs | 0 | - | ▲ 0 | 14 | 7 | ▲ 7 | - | - | - | 3 | 3 | 0 |
| Insurance premium | 2 | 1 | ▲ 0 | 2 | 2 | ▲ 0 | 0 | 0 | 0 | 2 | 1 | ▲ 0 |
| Depreciation ① | 66 | 65 | ▲ 1 | 125 | 126 | 0 | 35 | 34 | ▲ 0 | 135 | 135 | 0 |
| Other property expense (Note2) | 1 | 1 | ▲ 0 | 75 | 76 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Property expense | 205 | 211 | 5 | 407 | 405 | ▲ 2 | 124 | 125 | 1 | 307 | 294 | ▲ 12 |
| Operating profit ② | 396 | 337 | ▲ 58 | 563 | 483 | ▲ 80 | 305 | 304 | ▲ 1 | 480 | 412 | ▲ 67 |
| NOI ③ (①+②) | 462 | 402 | ▲ 60 | 689 | 609 | ▲ 79 | 340 | 339 | ▲ 1 | 615 | 548 | ▲ 67 |
| Annualized NOI | 918 | 811 | ▲ 106 | 1,366 | 1,228 | ▲ 138 | 676 | 684 | 8 | 1,221 | 1,105 | ▲ 115 |
| Annualized NOI/Acquisition price | 4.4% | 3.9% | ▲ 0.5PT | 5.0% | 4.5% | ▲ 0.5PT | 5.3% | 5.4% | 0.1PT | 3.3% | 3.0% | ▲ 0.3PT |
| Capex ④ | 3 | 0 | ▲ 3 | 61 | 4 | ▲ 57 | 1 | - | ▲ 1 | 4 | 2 | ▲ 1 |
| NCF ③-④ | 459 | 402 | ▲ 57 | 627 | 605 | ▲ 21 | 339 | 339 | ▲ 0 | 611 | 545 | ▲ 65 |

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 6th and 7th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period.

(Note 2) Other property expenses include sum of rental expenses, trust fees and other leasing expenses (residential property management fee and general leasing expenses).

7-10 8th period results breakdown by property③

(Amount: mn yen)

| Property number | R-1 | | | R-2 | | | R-3 | | | R-4 | | | Total | | |
|----------------------------------|------------------|------------|------------|--------------------|------------|------------|----------------------|------------|------------|---------------------|------------|------------|------------|------------|------------|
| Property name | Moto-Azabu Hills | | | Ark Forest Terrace | | | Roppongi First Plaza | | | Roppongi View Tower | | | Total | | |
| Period | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference | 7th period | 8th period | Difference |
| Days of operation (days) | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 | 184 | 181 | ▲ 3 |
| Occupancy rate (%) | 95.2% | 94.1% | ▲ 1.1PT | 78.3% | 92.9% | 14.6PT | 85.8% | 72.2% | ▲ 13.6PT | 100.0% | 100.0% | 0.0PT | 92.6% | 92.8% | 0.2PT |
| Occupancy rate (during period) | 92.8% | 93.1% | 0.3PT | 78.1% | 79.6% | 1.5PT | 85.5% | 78.8% | ▲ 6.7PT | 100.0% | 100.0% | 0.0PT | 92.7% | 92.7% | 0.0PT |
| Number of tenants | 104 | 106 | 2 | 32 | 35 | 3 | 36 | 30 | ▲ 6 | 1 | 1 | 0 | 264 | 268 | 4 |
| Acquisition price | 27,034 | | | 5,300 | | | 2,100 | | | 4,000 | | | 211,864 | | |
| Rent revenue -real estate | 743 | 724 | ▲ 18 | 144 | 130 | ▲ 14 | 72 | 66 | ▲ 6 | 109 | 109 | 0 | 4,983 | 4,922 | ▲ 60 |
| Other lease business revenue | 62 | 63 | 0 | 9 | 8 | ▲ 1 | - | - | - | - | - | - | 537 | 465 | ▲ 71 |
| Operating Income | 805 | 787 | ▲ 18 | 154 | 138 | ▲ 15 | 72 | 66 | ▲ 6 | 109 | 109 | 0 | 5,520 | 5,388 | ▲ 132 |
| Maintenance expenses | 181 | 181 | ▲ 0 | 37 | 43 | 6 | 12 | 11 | ▲ 1 | 3 | 3 | 0 | 770 | 784 | 14 |
| Utilities | 5 | 4 | ▲ 0 | 8 | 9 | 0 | 0 | 0 | 0 | - | - | - | 210 | 189 | ▲ 21 |
| Property taxes (Note1) | 42 | 41 | ▲ 0 | 9 | 9 | 0 | 6 | 6 | 0 | 10 | 10 | 0 | 294 | 297 | 3 |
| Maintenance and repairs | 56 | 52 | ▲ 3 | 7 | 14 | 7 | 3 | 4 | 1 | - | - | - | 97 | 96 | ▲ 1 |
| Insurance premium | 3 | 2 | ▲ 0 | 0 | 0 | ▲ 0 | 0 | 0 | ▲ 0 | 0 | 0 | ▲ 0 | 16 | 14 | ▲ 2 |
| Depreciation ① | 123 | 123 | 0 | 32 | 32 | 0 | 9 | 9 | 0 | 13 | 13 | ▲ 0 | 716 | 747 | 30 |
| Other property expense (Note2) | 42 | 41 | ▲ 0 | 7 | 7 | ▲ 0 | 3 | 3 | 0 | 0 | 0 | 0 | 171 | 169 | ▲ 1 |
| Property expense | 454 | 449 | ▲ 5 | 104 | 118 | 14 | 36 | 36 | 0 | 28 | 28 | 0 | 2,277 | 2,299 | 22 |
| Operating profit ② | 351 | 338 | ▲ 12 | 50 | 20 | ▲ 29 | 36 | 29 | ▲ 6 | 80 | 80 | ▲ 0 | 3,243 | 3,088 | ▲ 155 |
| NOI ③ (①+②) | 474 | 462 | ▲ 12 | 83 | 53 | ▲ 29 | 45 | 39 | ▲ 6 | 93 | 93 | ▲ 0 | 3,960 | 3,835 | ▲ 124 |
| Annualized NOI | 941 | 932 | ▲ 8 | 164 | 107 | ▲ 56 | 90 | 79 | ▲ 11 | 186 | 189 | 2 | 7,855 | 7,858 | 2 |
| Annualized NOI/Acquisition price | 3.5% | 3.4% | ▲ 0.1PT | 3.1% | 2.0% | ▲ 1.1PT | 4.3% | 3.8% | ▲ 0.5PT | 4.7% | 4.7% | 0.0PT | 3.9% | 3.7% | ▲ 0.2PT |
| Capex ④ | 9 | 8 | ▲ 1 | 6 | 5 | ▲ 0 | 14 | 21 | 6 | - | - | - | 106 | 44 | ▲ 62 |
| NCF ③-④ | 464 | 454 | ▲ 10 | 76 | 47 | ▲ 28 | 31 | 18 | ▲ 13 | 93 | 93 | ▲ 0 | 3,853 | 3,790 | ▲ 62 |

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 6th and 7th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period.

(Note 2) Other property expenses include sum of rental expenses, trust fees and other leasing expenses (residential property management fee and general leasing expenses).

7-11 Portfolio value

(Amount: mn yen)

| Type | Property name | Property No. | Acquisition price | Book value | As of end of 5th period (Jan. 31, 2009) | | As of end of 6th period (Jul. 31, 2009) | | As of end of 7th period (Jan. 31, 2010) | | As of end of 8th period (Jul. 31, 2010) | | | | Difference (②-①) | Difference (②/①-1) (%) | Unrealized capital gain (②-book value) |
|-------------|----------------------------------|--------------|-------------------|------------|--|--|--|--|--|--|--|--|-------------------|----------------------------|---------------------|------------------------------|---|
| | | | | | Portfolio | Yield (direct capitalization method) | Portfolio | Yield (direct capitalization method) | ①Portfolio | Yield (direct capitalization method) | ②Portfolio | Yield (direct capitalization method) | Discount (DCF) | Terminal yield (DCF) | | | |
| Office | Roppongi Hills Mori Tower | O-0 | 6,810 | 6,864 | - | - | - | - | (Note 4) 7,400 | 3.8% | 7,410 | 3.8% | 3.5% | 4.0% | 10 | 0.1 | 546 |
| | Ark Mori Building (fixed I) | O-1-1 | 6,600 | 6,511 | 8,470 | 3.8% | 7,890 | 3.7% | 7,330 | 3.8% | 7,340 | 3.8% | 3.7% | 4.2% | 10 | 0.1 | 829 |
| | Ark Mori Building (pass-through) | O-1-2 | 22,000 | 21,947 | (Note 3) 17,100 | 3.6% | 15,100 | 3.7% | 13,700 | 3.8% | 12,800 | 3.8% | 3.7% | 4.2% | ▲ 900 | ▲ 6.6 | ▲ 9,147 |
| | Ark Mori Building (fixed II) | O-1-3 | 3,400 | 3,431 | - | - | - | - | (Note 4) 3,710 | 3.8% | 3,710 | 3.8% | 3.6% | 4.1% | 0 | 0.0 | 279 |
| | Roppongi Hills Gate Tower | O-2 | 36,500 | 35,904 | 39,900 | 3.9% | 37,500 | 3.9% | 35,100 | 3.9% | 33,500 | 3.9% | 3.7% | 4.2% | ▲ 1,600 | ▲ 4.6 | ▲ 2,404 |
| | Roppongi First Building | O-3 | 21,000 | 20,393 | 25,700 | 4.2% | 24,100 | 4.3% | 22,500 | 4.3% | 21,200 | 4.3% | 4.0% | 4.5% | ▲ 1,300 | ▲ 5.8 | 807 |
| | Koraku Mori Building (Note 2) | O-4 | 27,200 | 26,408 | 34,160 | 4.5% | 32,000 | 4.6% | 29,920 | 4.6% | 27,600 | 4.7% | 4.3% | 5.0% | ▲ 2,320 | ▲ 7.8 | 1,192 |
| | Toranomon 35 Mori Building | O-5 | 12,720 | 12,553 | 13,800 | 4.4% | 12,800 | 4.5% | 11,700 | 4.5% | 11,000 | 4.5% | 4.2% | 4.7% | ▲ 700 | ▲ 6.0 | ▲ 1,553 |
| | Akasaka Tameike Tower | O-6 | 37,200 | 36,942 | 33,500 | 3.9% | 31,300 | 3.9% | 29,600 | 3.9% | 26,600 | 3.9% | 3.6% | 4.1% | ▲ 3,000 | ▲ 10.1 | ▲ 10,342 |
| | Sub total | | | 173,430 | 170,957 | 172,630 | - | 160,690 | - | 160,960 | - | 151,160 | - | - | - | ▲ 9,800 | ▲ 6.1 |
| Residential | Moto-Azabu Hills | R-1 | 27,034 | 26,583 | 26,100 | 4.6% | 23,900 | 4.7% | 22,800 | 4.7% | 22,000 | 4.7% | 4.3% | 4.9% | ▲ 800 | ▲ 3.5 | ▲ 4,583 |
| | Ark Forest Terrace | R-2 | 5,300 | 5,199 | 4,640 | 4.8% | 4,350 | 4.9% | 4,110 | 4.9% | 3,830 | 4.9% | 4.7% | 5.1% | ▲ 280 | ▲ 6.8 | ▲ 1,369 |
| | Roppongi First Plaza | R-3 | 2,100 | 2,196 | 2,070 | 5.1% | 1,960 | 5.2% | 1,950 | 5.2% | 1,880 | 5.2% | 5.0% | 5.4% | ▲ 70 | ▲ 3.6 | ▲ 316 |
| | Roppongi View Tower | R-4 | 4,000 | 3,966 | 3,610 | 5.1% | 3,600 | 5.2% | 3,280 | 5.3% | 3,180 | 5.3% | 5.1% | 5.5% | ▲ 100 | ▲ 3.0 | ▲ 786 |
| | Sub total | | | 38,434 | 37,946 | 36,420 | - | 33,810 | - | 32,140 | - | 30,890 | - | - | - | ▲ 1,250 | ▲ 3.9 |
| Total | | | 211,864 | 208,903 | 209,050 | - | 194,500 | - | 193,100 | - | 182,050 | - | - | - | ▲ 11,050 | ▲ 5.7 | ▲ 26,853 |

(Note 1) "Appraisal values" as of end of each period are based on the REIT's calculation rules, asset valuation methods & standards defined by the Business Regulation (Kiyaku), rules defined by the Investment Trust Association (Toshin Kyokai), and the property appraisal reports created by Japan Real Estate Institute (Fudoken).

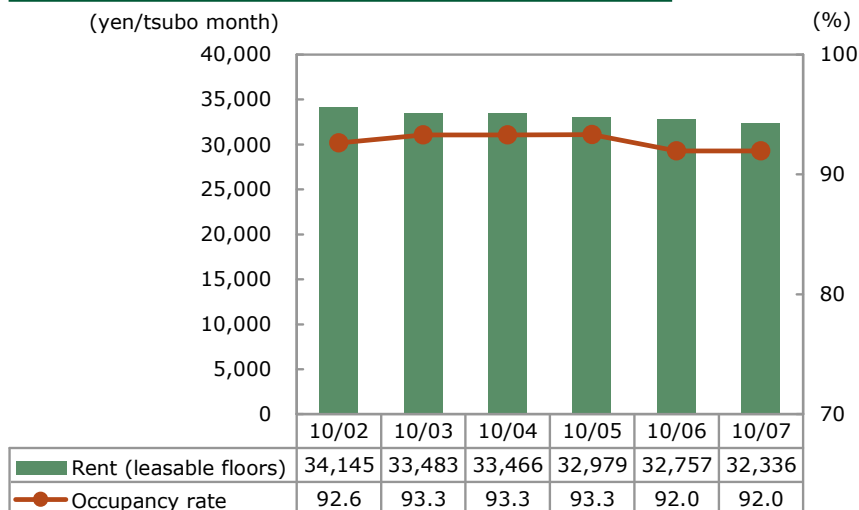
(Note 2) Koraku Mori Bldg's Acquisition price and Book value are based on the appraisal value stated in the research report multiplied by the REIT's portion of Joint ownership in the quasi-undivided interests of the Trust beneficiary interests (80%).

(Note 3) During the 4th Period, we have acquired 75% of the Joint ownership in the quasi-undivided interests of the Trust beneficiary interests, and in the 5th period, the remaining 25%.

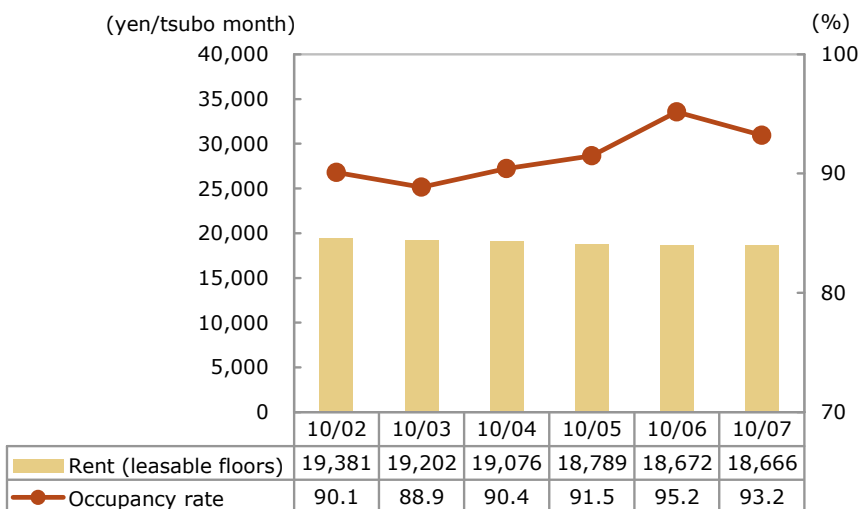
(Note 4) Appraisal values as of end of 7th period for Roppongi Hills Mori Tower and Ark Hills Building (fixed type II) are based on the appraisal value as of Jan. 31, 2010 stated in the research report obtained when MHR acquired two properties on March 23, 2010.

7-12 Tenant status during the 8th period

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



Top 10 tenants

| Tenant | Property name | Leased space (㎡) | % of total space |
|--|---|------------------|------------------|
| Japan Racing Association | Roppongi Hills Gate Tower | 9,821.62 | 9.9 |
| Mori Building Co., Ltd | Roppongi Hills Mori-Tower Ark Mori Building (fixed I, fixed II), Koraku Mori Building, Moto-Azabu Hills | 6,721.16 | 6.8 |
| OMRON Corporation | Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building) | 6,720.34 | 6.8 |
| Urban Renaissance Agency | Roppong View Tower | 6,344.84 | 6.4 |
| Mercedes-Benz Japan Co., Ltd. | Roppongi First Building | 2,733.49 | 2.8 |
| Regus Japan | Ark Mori Building (pass-through) | 2,673.21 | 2.7 |
| Alcon Japan Ltd. | Akasaka Tameike Tower | 2,635.02 | 2.7 |
| Japan Worker's Credit Fund Association | Koraku Mori Building | 2,384.61 | 2.4 |
| AstraZeneca K.K. | Koraku Mori Building | 2,245.06 | 2.3 |
| ITOCHU Techno-Solutions Corporation | Koraku Mori Building | 2,116.88 | 2.1 |
| Total | | 44,396.23 | 44.8 |

(Note) As of Jul. 31, 2010

(Note) The definitions of the Office and Residential categories used in these materials differ from those used in discussions of operating rates on Mori Hills REIT Investment Corporation's website. In these materials, Office and Residential figures are compiled using individual figures for all office and residential properties in which Mori Hills REIT Investment Corporation has invested. Figures on Mori Hills REIT Investment Corporation's website are defined as per Portfolio Overview (page 43)

7-13 Debt status (as of July 31, 2010)

| | Lender | Lender Loan balance | Rate of interest | Borrowing date | Maturity date | Remarks | | | | | | | | | | | | | | | |
|--|--|--|------------------|----------------|---------------|---------------------------|--------|----------------|--------------|--------------|---------------------------|--|---------------------------|----------------|--------------|--------------|---------------------------|-------|----------------|--------------|--------------|
| Short-term | Mitsubishi UFJ Trust and Banking Corporation Mizuho Corporate Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation | 5,500 | 1.21% | Aug. 31, '09 | Aug. 31, '10 | Unsecured, non-guaranteed | | | | | | | | | | | | | | | |
| | Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation | | | | | | 3,010 | 1.21% | Mar. 29, '10 | Mar. 29, '11 | Unsecured, non-guaranteed | | | | | | | | | | |
| | Sub-total | | | | | | | | | | | 8,510 | - | - | - | | | | | | |
| | Long-term | | | | | | | | | | | The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Shinsei Bank, Limited The Norinchukin Bank | 8,000 | 1.38% (Note 1) | Nov. 30, '07 | Nov. 30, '10 | Unsecured, non-guaranteed | | | | |
| | | The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation | 5,000 | 1.35% (Note 1) | Nov. 30, '07 | Nov. 30, '10 | | | | | | Unsecured, non-guaranteed | | | | | | | | | |
| | | Mitsubishi UFJ Trust and Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. Shinsei Bank, Limited Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Banking Corporation | | | | | | | | | | | | | | | | 5,000 | 1.23% (Note 1) | Mar. 28, '08 | Feb. 28, '11 |
| | | Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Aozora Bank, Ltd. Resona Bank, Ltd. | | | | | 17,000 | 1.50% (Note 1) | Sep. 30, '08 | Aug. 31, '11 | Unsecured, non-guaranteed | | | | | | | | | | |
| Aozora Bank, Ltd. | | 2,000 | | | | | | | | | | | | | | | | | | | |
| Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation | | | 10,000 | 5,000 | 1.49% | Nov. 28, '08 | | | | | | May. 31, '11 | Unsecured, non-guaranteed | | | | | | | | |
| Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation | | 5,000 | | | | | | | | | | | | 2.16% (Note 1) | Nov. 28, '08 | May. 31, '12 | Unsecured, non-guaranteed | | | | |

| | Lender | Lender Loan balance | Rate of interest | Borrowing date | Maturity date | Remarks | | | | | | | | | | |
|-----------|---|---------------------|------------------|----------------|---------------|---------------------------|-------|----------------|--------------|--------------|---------------------------|------------------|-------|--------------|--------------|---------------------------|
| Long-term | Development Bank of Japan Inc. | 1,900 (Note 2) | 2.04% | Mar. 27, '09 | Mar. 27, '12 | Unsecured, non-guaranteed | | | | | | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 1,500 | 1.61% | Aug. 31, '09 | Aug. 31, '12 | Unsecured, non-guaranteed | | | | | | | | | | |
| | The Bank of Fukuoka, Ltd. | 2,000 | 1.41% | Nov. 30, '09 | Nov. 30, '11 | Unsecured, non-guaranteed | | | | | | | | | | |
| | The Norinchukin Bank | 3,000 | 1.41% | Nov. 30, '09 | Nov. 30, '11 | Unsecured, non-guaranteed | | | | | | | | | | |
| | Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation Shinsei Bank, Limited | 8,000 | 1.51% | Nov. 30, '09 | May. 31, '12 | Unsecured, non-guaranteed | | | | | | | | | | |
| | Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation | | | | | | 9,500 | 2.02% (Note 1) | Nov. 30, '09 | Nov. 30, '12 | Unsecured, non-guaranteed | | | | | |
| | Development Bank of Japan Inc. | | | | | | | | | | | 2,437.5 (Note 3) | 2.34% | Nov. 30, '09 | Nov. 29, '13 | Unsecured, non-guaranteed |
| | Sub-total | | | | | | | | | | | 80,337 | - | - | - | - |
| | Total | | | | | | | | | | | 88,847 | - | - | - | - |

(Note 1) MHR has entered an interest swap agreement with a floating rate for a notional principal.

The interest rates above are the actual fixed interest rates that will be paid.

(Note 2) Planning to repay JPY50mn every 6 months up to repayment deadline, and JPY1,750mn at the repayment deadline

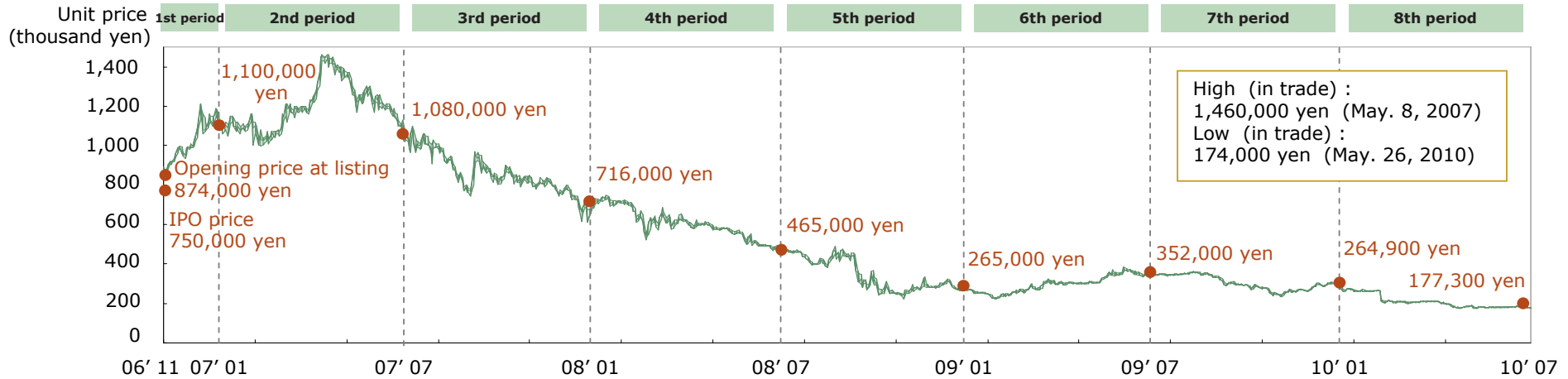
(Note 3) Planning to repay JPY62.5mn every 6 months up to repayment deadline, and JPY2,062.5mn at the repayment deadline

Investment corporation bonds

| | | Issue amount | Rate of Interest | Payment date | Maturity date |
|------------------------------|-----|--------------|------------------|--------------|---------------|
| Investment corporation bonds | 1st | 7,000 | 1.56% | Nov. 29, '07 | Nov. 29, '12 |
| | 2nd | 3,000 | 1.77% | Nov. 29, '07 | Nov. 28, '14 |
| | 3rd | 5,000 | 1.38% | May. 27, '10 | May. 27, '13 |
| | 4th | 5,000 | 1.95% | May. 27, '10 | May. 27, '15 |
| Total | | 20,000 | - | - | - |

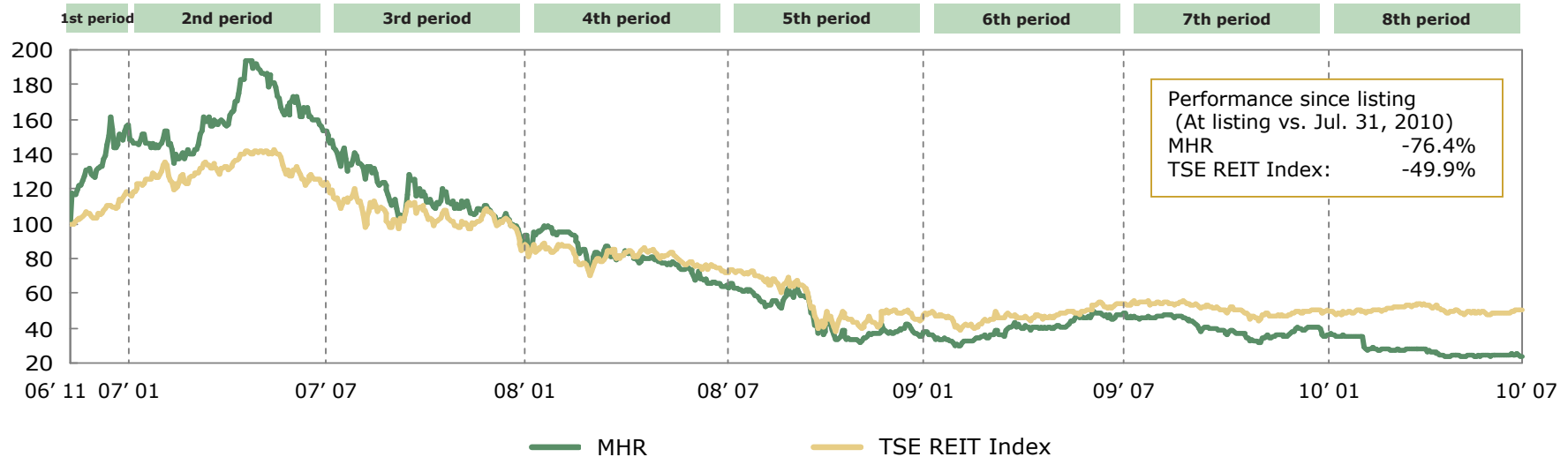
7-14 Unit price performance

Since IPO ~ End of the 8th period (Jul. 31, 2010)



Source: Bloomberg

Relative price performance (Since IPO~Jul. 31, 2010)



Source: Bloomberg

Note: Rebased to 100 as per IPO price

7-15 Investment criteria

Focus on Premium Properties

MHR seeks to maintain the exceptional level of quality of its portfolio while aggressively expanding. To that end, MHR has established a high standard for "Premium Properties" which are to comprise at least 50% of the portfolio.

Premium Properties = Located mainly in central five wards in Tokyo (especially Minato-ku) + Large scale + High-grade specifications

Focus on Premium Properties

Premium properties
50% or more

〈Office buildings〉
〈Residential〉
〈Retail〉

| | Location | Scale |
|-----------------|---|--|
| Office building | Central five wards in Tokyo and their vicinity | Gross floor area of 10,000㎡ or more per-building Standard rentable floor area of 1,000㎡ or more |
| Residential | Central five wards in Tokyo and their vicinity (Primarily in the "three-A" area) | Gross floor area of 2,000㎡ or more |
| Retail | 〈Department stores, downtown shopping centers, large specialty stores & retail complexes〉 | |
| | Flourishing areas of central five wards in Tokyo and their vicinity | Gross floor area of 10,000㎡ or more per-building |
| | 〈Street front luxury brand shops, etc.〉 | |
| | Exclusive, well-known retail destinations | Gross floor area of 1,000㎡ or more per-building |

Office building focus

Office building
50% or more

Residential and retail 50% or less

Tokyo central five wards focus

Central five wards in Tokyo and their vicinity
50% or more

Tokyo Area (Tokyo/Kanagawa/Chiba/Saitama) 80% or more
Other major cities (Major cities in areas other than Tokyo area) 20% or less

Earthquake-resistance

Investment focused on properties' earthquake resistance, the safety of the area, disaster countermeasures, etc.

* "Tokyo central five wards" include: Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku and Shibuya-ku

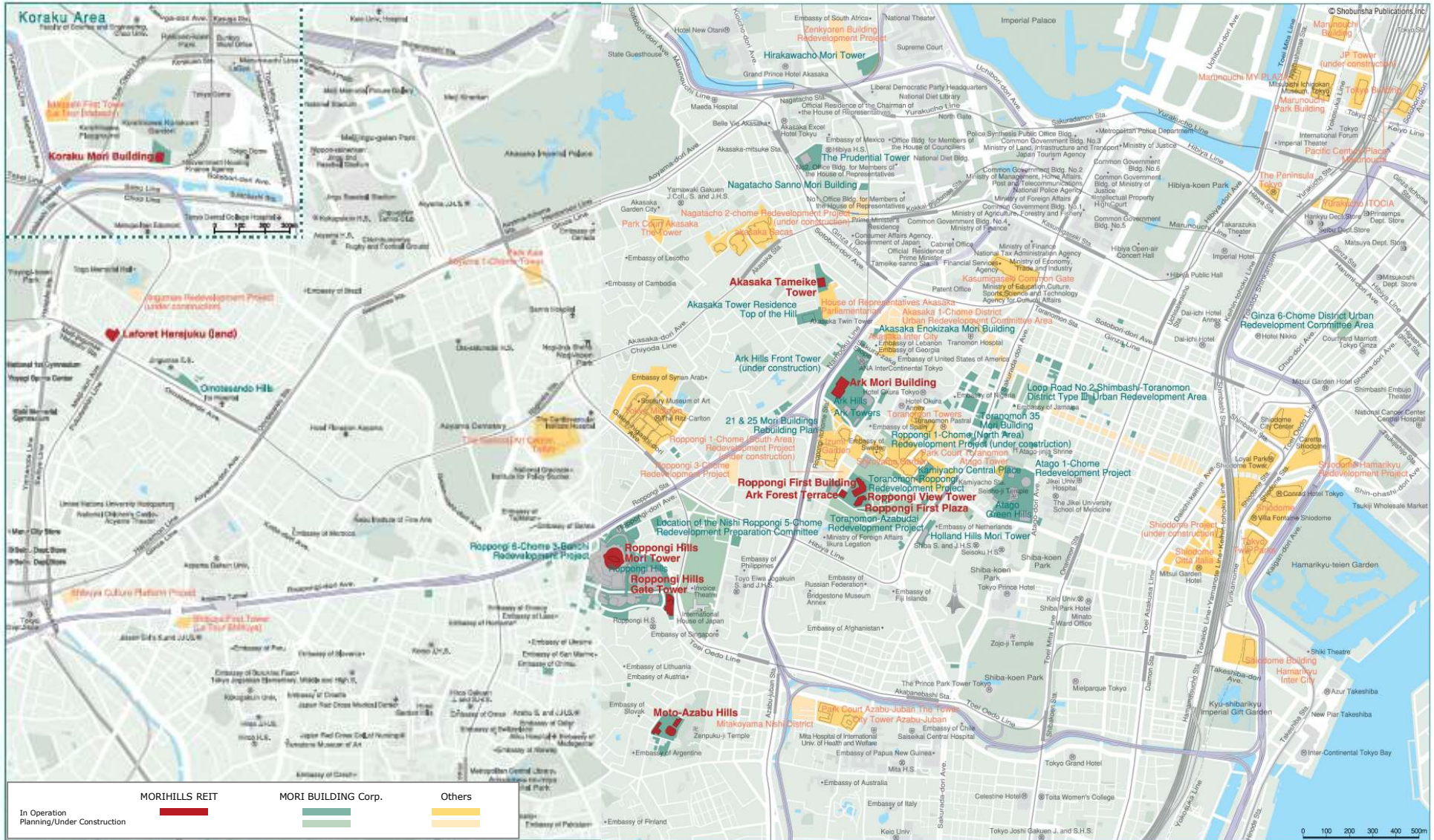
* "Three-A" areas include: Akasaka/Roppongi area, Aoyama/Harajuku area, and Azabu/Hiroo area

* Ratios are based on the acquisition price.

7-16 Portfolio Map



HILLS REIT



7-17 Portfolio overview (As of September 15, 2010)

| Type | Office building | | | | | | | Residential | | | | | Retail | | | |
|------------------------------|---|---|---------------------------------------|---------------------------------------|---|--|---|---|---|--|-------------------------|---|---|---|---|------------------|
| Premium | Premium | Premium | | | Premium | Premium | Premium | Premium | Premium | | | Premium | - | Premium | | |
| Property name | Roppongi Hills Mori Tower | ARK Mori Building (Fixed I) (pass-through) (Fixed II) | | | Roppongi Hills Gate Tower | Roppongi First Building | Koraku Mori Building | Akasaka Tameike Tower | Moto-Azabu Hills Forest Tower Forest Terrace East Forest Terrace West | | | Ark Forest Terrace | Roppongi First Plaza | Roppongi View Tower | Laforet Harajuku (land) | |
| | O-0 | O-1-1 | O-1-2 | O-1-3 | O-2 | O-3 | O-4 | O-6 | R-1 | | | R-2 | R-3 | R-4 | S-1 | |
| Photo |  |  | | |  |  |  |  |  | | |  |  |  |  | |
| Location | Roppongi, Minato-ku, Tokyo | Akasaka, Minato-ku, Tokyo | | | Roppongi, Minato-ku, Tokyo | Roppongi, Minato-ku, Tokyo | Koraku, Bunkyo-ku, Tokyo | Akasaka, Minato-ku, Tokyo | Motoazabu, Minato-ku, Tokyo | | | Roppongi, Minato-ku, Tokyo | Roppongi, Minato-ku, Tokyo | Jingumae, Shibuya-ku, Tokyo | | |
| Completion | Apr. 2003 | Mar.1986 (large-scale renovation in 2005) | | | Oct. 2001 | Oct. 1993 | Mar. 2000 | Aug. 2000 | May. 2002 | Sep. 2002 | Jan. 2001 | Oct. 1993 | — | | | |
| Building age | 7 years and 5 months | 24 years and 5 months | | | 8 years and 10 months | 16 years and 10 months | 10 years and 5 months | 10 years and 0 months | 8 years and 4 months | 8 years and 0 months | 9 years and 7 months | 16 years and 10 months | — | | | |
| Number of stories | 54 above ground, 6 below | 37 above ground, 4 below | | | 15 above ground, 2 below | 20 above ground, 4 below | 19 above ground, 6 below | 25 above ground, 2 below | 29 above ground, 3 below | 6 above ground, 1 below | 5 above ground, 1 below | 11 above ground, 2 below | 20 above ground, 1 below | — | | |
| Gross floor area | c. 442,150m ² | c. 177,486m ² | | | c. 29,111m ² | c. 45,753m ² | c. 46,154m ² | c. 46,971m ² | c. 54,006m ² | | | c. 9,125m ² | c. 22,906m ² | — | | |
| Owner-ship | Land | Co-ownership (c. 0.9%) | Co-ownership (c. 1.3%) | Co-ownership (c. 2.6%) | Co-ownership (c. 0.6%) | Ownership (100%) | Co-ownership (46%) | Leased land | Co-ownership (c. 35.5%) | Co-ownership (c. 37.3%) | | | Ownership (100%) | Co-ownership (c. 47%) | Co-ownership (46%) | Ownership (100%) |
| | Building | Co-ownership (c. 0.7%) | Compartmentalized ownership (c. 1.9%) | Compartmentalized ownership (c. 3.8%) | Co-ownership (c. 0.9%) | Compartmentalized ownership (100%) | Co-ownership (46%) | Compartmentalized ownership (c. 57.9%) | Compartmentalized ownership (35.4%) | Compartmentalized ownership (c. 42.6%) | | | Compartmentalized ownership (100%) | Compartmentalized ownership (c. 46.4%) | Co-ownership of compartmentalized (46%) | — |
| PML | 0.29% | 0.38% | | | 1.29% | 2.07% | 0.42% | 2.15% | 1.16% | 1.72% | 5.78% | 1.60% | 3.53% | 3.53% | — | |
| Earthquake-resistant feature | Seismic Damping | — | | | Seismic Damping | — | Seismic Damping | Seismic Damping | Seismic Isolators | Seismic Isolators | — | Seismic Isolators | — | — | | |
| Acquisition price (mn yen) | 6,810 | 6,600 | 22,000 | 3,400 | 36,500 | 21,000 | 27,200 | 37,200 | 17,970 | | | 5,300 | 2,100 | 4,000 | 21,820 | |
| Occupancy rate | 100% | 100% | 81.6% | 100% | 98.7% | 84.0% | 91.9% | 89.7% | 94.1% | | | 92.9% | 72.2% | 100% | — | |

Average building age 13yr Portfolio PML 0.82% Total acquisition price 211,900 mn yen

(Note) "Ownership" indicates the type of rights owned by MHR or the trust fiduciary. Moreover, "Ownership" indicates ownership, "Co-ownership" indicates co-ownership, "Compartmentalized ownership" indicates ownership of exclusive use areas of compartmentalized ownership buildings (i.e. compartmentalized ownership) and "Leased" indicates leasehold rights.