

March 17, 2011

**FINANCIAL REPORT
FOR THE NINTH FISCAL PERIOD ENDED JANUARY 31, 2011**

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

Representative: Hiroshi Mori, Executive Director

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

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

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Planned submission of semiannual security report: April 28, 2011

Planned start of dividend payments: April 15, 2011

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

Figures are rounded down to the nearest one million yen.

1. PERFORMANCE FOR THE NINTH FISCAL PERIOD ENDED JANUARY 31, 2011

(August 1, 2010 – January 31, 2011)

(1) Business Results

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

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Ninth Fiscal Period	¥5,483	1.8%	¥2,957	10.4%	¥1,840	20.8%	¥1,839	20.8%
Eighth Fiscal Period	¥5,388	(2.4%)	¥2,679	(5.0%)	¥1,523	(11.9%)	¥1,522	(11.9%)

	Net Income per Unit (Note)	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Ninth Fiscal Period	¥7,947	1.8%	0.8%	33.6%
Eighth Fiscal Period	¥7,229	1.6%	0.7%	28.3%

(Note) Net income per unit is calculated by dividing net income by the following daily weighted average number of units and is rounded to the nearest yen.

Ninth fiscal period: 231,520 units

Eight fiscal period: 210,631 units

(2) Dividend

	Dividend per Unit (excluding dividend in excess of earnings)	Total Dividends	Dividend in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividend Payout Ratio	Dividend Ratio to Net Assets
Ninth Fiscal Period	¥7,947	¥1,839 million	¥0	–	99.9%	1.8%
Eighth Fiscal Period	¥6,577	¥1,522 million	¥0	–	99.9%	1.3%

(Note) The dividend payout ratio is calculated by using the formula below and is rounded down to the first decimal place.

Dividend Payout Ratio = [Total Dividends ÷ Net Income] × 100

(3) Financial Position

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
Ninth Fiscal Period	¥220,630 million	¥103,843 million	47.1%	¥448,530
Eighth Fiscal Period	¥221,366 million	¥103,520 million	46.8%	¥447,135

(4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
Ninth Fiscal Period	¥23,872 million	(¥22,954 million)	(¥1,629 million)	¥10,870 million
Eighth Fiscal Period	¥2,421 million	(¥10,137 million)	¥10,626 million	¥11,581 million

2. FORECAST OF RESULTS FOR THE TENTH FISCAL PERIOD ENDING JULY 31, 2011
(February 1, 2011 – July 31, 2011)

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

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Tenth Fiscal Period	¥5,251	(4.2%)	¥3,024	2.3%	¥1,899	3.2%	¥1,898	3.2%

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Tenth Fiscal Period	¥8,200	¥0

(Reference) Estimated net income per unit for the tenth fiscal period: ¥8,200

3. OTHER

(1) Changes in Accounting Policies

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

(2) Number of Units Outstanding

- (a) Number of units outstanding at end of period (including own units)
 Ninth fiscal period: 231,520 units Eighth fiscal period: 231,520 units
- (b) Number of own units at end of period
 Ninth fiscal period: 0 units Eighth fiscal period: 0 units

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

The forecast of results for the tenth fiscal period ending July 31, 2011 are calculated as of today based on the assumptions presented on pages 15 to 16. Forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit may differ from actual results due to changes in operating conditions and a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts.

4. BUSINESS RESULTS

(1) Overview of the Ninth Fiscal Period

(a) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated by Mori Building Investment Management Co., Ltd. (MHR's Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and was registered by the Prime Minister based on Article 187 of the Law Concerning Investment Trusts and Investment Corporations on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). MHR later issued new investment units through third-party allotment (29,400 units) on September 29, 2008, issued new investment units through public offering (67,000 units) on March 23, 2010, and issued new investment units through third-party allotment (over-allotment) (5,320 units) on April 23, 2010. As of the end of MHR's fiscal period under review (ninth fiscal period: August 1, 2010 to January 31, 2011), the total number of investment units outstanding was 231,520 units. Recently, MHR closed its ninth fiscal period.

(b) Investment Environment and Business Performance

i) Investment Environment

In the ninth fiscal period, the Japanese economy continued to see signs of economic recovery as exports – especially those bound for Asia – remained robust. However continued appreciation of the yen, the end of pump-priming measures and other factors caused consumer spending to take a downward turn again from October and the real GDP growth rate for October to December 2010 dropped. Production and capital investment are among the macroeconomic factors that continue to pick up.

In such an economic environment, the rental office building market is seeing signs of vacancy rates improving, particularly in central Tokyo, but rent continued to be adjusted downward. On the other hand, the luxury rental housing market is seeing improvements in vacancy rates with especially solid demand from Japanese residents, and there were signs of rent levels ceasing to fall. The real estate trading market saw a marked rise in investors' motivation to invest, backed by improvements, etc. in the financing environment, and the volume of real estate transactions was also on the increase, but there were only limited cases of transactions of large properties.

ii) Business Performance

MHR acquired Laforet Harajuku (Land) from sponsor Mori Building Co., Ltd during the ninth fiscal period. This asset is a "Premium Property," which MHR sets at the core of its portfolio development strategy. In conjunction with this acquisition, MHR sold Toranomon 35 Mori Building and Moto-Azabu Hills (42 sections) to Mori Building Co., Ltd, with the objective of enhancing the portfolio's cap rate. MHR also strove to enhance tenant satisfaction through such measures as meticulous operational management and systematic maintenance and repair of properties in its portfolio. Moreover, MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy while taking into account the quality of tenants.

MHR's real estate portfolio as of the end of the ninth fiscal period was comprised of 11 properties (Note 1) under management with a total leasable floor area of 96,233.88m². MHR has already invested 211,899 million yen (based on acquisition price) into this portfolio. The occupancy rate

(Note 2) at the end of the ninth fiscal period was 89.5%.

(Notes)

1. For Roppongi First Building and Roppongi View Tower, MHR purchased 6% of the trust beneficiary rights pertaining to the co-ownership portion on March 22, 2006 and 40% of the trust beneficiary rights pertaining to the co-ownership portion on April 13, 2006. However, MHR treats each of these properties as one property for purposes of calculating the number of properties in the portfolio (the same hereinafter). Furthermore, regarding ARK Mori Building, the property name is differentiated according to leasing scheme. MHR acquired the trust beneficiary rights pertaining to sectional ownership for the 13th floor portion on March 22, 2006 as property that adopts a fixed master lease scheme (hereinafter referred to as “ARK Mori Building (Fixed I)”); acquired 75% of the quasi co-ownership interest of the trust beneficiary rights pertaining to sectional ownership for the 12th and 22nd floor portions on March 28, 2008 and additionally acquired the remaining 25% of the quasi co-ownership interest on September 30, 2008 as property that adopts a pass-through master lease scheme (hereinafter referred to as “ARK Mori Building (Pass-through)”); and acquired the real estate pertaining to sectional ownership on March 23, 2010 as property that adopts a scheme of granting lease rights (hereinafter referred to as “ARK Mori Building (Fixed II)”). However, MHR treats each of these properties as one property with respect to the number of properties in the portfolio (the same hereinafter).
2. The occupancy rate expresses the sum total of the total leased floor area as a percentage of the sum total of the total leasable floor area, rounded to one decimal place.

(c) Overview of Fund Procurement

During the ninth fiscal period, MHR took out a short-term loan payable in the amount of 5,500 million yen and long-term loans payable in the amount of 2,000 million yen, 7,100 million yen and 3,900 million yen for the refinancing of an existing short-term loan payable in the amount of 5,500 million yen and long-term loans payable in the amount of 8,000 million yen and 5,000 million yen. MHR also made a previously agreed repayment of 112 million yen of an existing long-term loan payable during the ninth fiscal period.

As a result, as of the end of the ninth fiscal period, the balance of loans payable stands at 88,735 million yen (long-term loans payable: 43,000 million yen; current portion of long-term loans payable: 37,225 million yen; and short-term loans payable: 8,510 million yen), the balance of investment corporation bonds stands at 20,000 million yen and the balance of interest-bearing debt stands at 108,735 million yen.

Of the loans payable, in addition to the 7,900 million yen in long-term loans payable and 225 million yen in current portion of long-term loans payable that have fixed interest rates, MHR utilizes interest rate swaps to in effect convert the interest rates for loans payable that have variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 16,500 million yen of the 35,100 million yen in long-term loans payable and 27,000 million yen of the 37,000 million yen in current portion of long-term loans payable. Concerning future loans payable, MHR will strive to minimize refinancing risks by diversifying repayment dates for loans payable and extend the average remaining duration of loans payable by increasing the percentage of fund procurement through long-term loans payable.

As of the end of the ninth fiscal period, MHR has obtained a Baa1 issuer credit rating and unsecured long-term debt rating (rating outlook: negative) from Moody's Investors Service, Inc. and AA-long-term senior debt rating (rating outlook: negative) from Japan Credit Rating Agency, Ltd.

(Note) Long-term loans payable are loans payable with a period of over one year until the repayment date at the time of drawdown, and short-term loans payable are loans payable with a period of one year or less until the repayment date at the time of drawdown (the same hereinafter).

(d) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 5,483 million yen in operating revenue, 2,957 million yen in operating income, 1,840 million yen in ordinary income and 1,839 million yen in net income in the ninth fiscal period.

In regards to dividends, to ensure that income distributions would be deductible for tax purposes based on application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957; including amendments thereto), MHR decided to pay out the entire amount of unappropriated retained earnings, excluding fractions of the dividend per unit that are less than 1 yen. Consequently, MHR declared a dividend per unit of 7,947 yen.

(2) Outlook for the Tenth Fiscal Period

(a) Future Management Policy

Pursuant to MHR's investment policy, MHR seeks to increasingly enhance the profitability and asset value of assets under management by focusing on the competitiveness and the ability to create value attributable to "urban" areas (central Tokyo being the core area) and concentrating investment into "urban" areas. Specifically, MHR seeks to develop an urban portfolio centered on office buildings and residential and retail properties that are situated in "Premium Areas" (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward, Shibuya Ward and their vicinity) and that are capable of maintaining competitiveness in the future due to attributes such as quality, size and specifications ("Premium Properties"). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner perfected over the years by the Mori Building Group.

With respect to the management of properties in the portfolio, MHR seeks to ensure stable revenue over the medium and long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of conducting rational, efficient and systematic asset management and administration that enhances satisfaction and captures the extensive trust of tenants.

In addition, MHR will seek to maximize investor returns by conducting dividend-oriented management, such as by striving to enhance the portfolio NOI cap rate through asset exchanges, keeping borrowing costs down and minimizing other operating expenses.

With respect to asset exchanges, MHR will aim to improve the NOI cap rate by continuing to engage in property transactions primarily with the company sponsor in which MHR sells properties that have low cap rates and then acquires Premium Properties that have higher cap rates or properties other than Premium Properties that have high cap rates.

With respect to financing, while monitoring the trends of the financial and capital markets, MHR will aim to strengthen its financial standing by keeping borrowing costs down, along with promoting diversification of financing means, such as issuing investment corporation bonds, and extending the duration of loans payable.

In order to minimize other operating expenses, MHR will strive to reduce costs to a level that will allow it to maintain the present high competitive standards of its assets under management by proactively leveraging Mori Building Co., Ltd.'s high value-added know-how and operating services.

(b) Significant Subsequent Events

Not applicable.

(Reference Information)

i) Issuance of Investment Corporation Bonds

MHR decided to issue investment corporation bonds as follows on February 10, 2011 based on the resolution adopted at a meeting of its board of directors held on January 31, 2011. Payment was completed on February 25, 2011.

Name of investment corporation bond:	MHR Fifth Series Unsecured Investment Corporation Bond (subject to a limited pari passu clause between specified investment corporation bonds) (hereinafter, the "Investment Corporation Bond")
Total issue amount:	5 billion yen
Interest rate:	1.29% per annum
Payment date:	February 25, 2011
Collateral, etc.:	The Investment Corporation Bond is unsecured and unguaranteed. There is also no particular asset retained for the Investment Corporation Bond.
Redemption method and maturity:	The total amount of the Investment Corporation Bond will be redeemed on February 25, 2014.
Credit rating:	AA- from Japan Credit Rating Agency, Ltd.
Fiscal agent, issuing agent and paying agent:	The Sumitomo Trust & Banking Co., Ltd.
Underwriting securities companies:	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Mizuho Securities Co., Ltd. Nikko Cordial Securities Inc. Daiwa Securities Capital Markets Co. Ltd.
Use of funds:	Repayment funds for borrowings (Repayment of a long-term loan payable in the amount of 5 billion yen due for repayment on February 28, 2011)

ii) Acquisition of Assets

MHR adopted a resolution at a meeting of its board of directors held on March 1, 2011 to acquire ARK Mori Building (Fixed III) and Akasaka Tameike Tower.

The seller, Mori Building Co., Ltd., constitutes an interested party, etc. of MHR's Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Law Concerning Investment Trusts and Investment Corporations. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of MHR from being negatively impacted with respect to the acquisition price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

i. Overview of Acquisition

(1) ARK Mori Building

1) Asset-to-be-acquired:	Trust beneficiary right (Note 1)
2) Property name:	ARK Mori Building (Fixed III)
3) Scheduled acquisition price:	9,770 million yen (Note 2)
4) Appraisal value:	11,300 million yen
5) Agreement date:	March 18, 2011
6) Scheduled acquisition date:	March 18, 2011
7) Seller:	Mori Building Co., Ltd.
8) Acquisition financing:	Cash on hand (plan to use capital acquired through the transfer of real estate announced on March 1, 2011) (Note 3)

(Notes)

1. MHR is planning to acquire 50% co-ownership interest in a sectional ownership of the 23rd floor and a trust beneficiary right in a trust that holds title to sectional ownership of the 25th floor. Furthermore, on March 18, 2011, MHR is planning to conclude an additional trust agreement with the trust fiduciary for the purpose of adding the 50% co-ownership interest in a sectional ownership of the 23rd floor which it already owns (ARK Mori Building (Fixed II)) as a trust asset in accordance with the new trust agreement for the acquisition.
2. Acquisition price excludes acquisition costs, property taxes, city planning taxes and consumption taxes. This shall apply hereinafter.
3. Please refer to "MHR Announces Transfer of Real Estate; Moto-Azabu Hills: Partial Transfer" separately announced on March 1, 2011.

(2) Akasaka Tameike Tower (Residential)

1) Asset-to-be-acquired:	Trust beneficiary right (Note 1)
2) Property name:	Akasaka Tameike Tower
3) Scheduled acquisition price:	6,730 million yen
4) Appraisal value:	6,870 million yen
5) Agreement date:	March 18, 2011
6) Scheduled acquisition date:	March 18, 2011
7) Seller:	Mori Building Co., Ltd.
8) Acquisition financing:	Cash on hand (plan to use capital acquired through the transfer of real estate announced on March 1, 2011) (Note 2)

(Notes)

1. MHR is planning to acquire a trust beneficiary right in a trust that holds title to sectional ownership for 87 residential units out of a total of 130 residential units and 84.8% co-ownership interest in a sectional ownership for 1 residential unit. Furthermore, MHR is planning to acquire a trust beneficiary right in a trust that holds title to approximately 31.2% co-ownership interest in a sectional ownership for a parking lot and bicycle parking lot.
2. Please refer to "MHR Announces Transfer of Real Estate; Moto-Azabu Hills: Partial Transfer" separately announced on March 1, 2011.

ii. Details of the Asset-to-be-Acquired

[ARK Mori Building]

Details of the real estate trust beneficiary right

Property name	ARK Mori Building (Fixed III)
Trust fiduciary	Mizuho Trust & Banking Co., Ltd.
Trust beneficiary	MHR
Trust establishment	March 18, 2011
Trust maturity date	January 31, 2021

Details of the real estate that is the asset in trust

Location	Lot number	1-1 Akasaka, Minato-ku, Tokyo, and 1-1 Roppongi, Minato-ku, Tokyo
	Residential indication	1-12-32 Akasaka, Minato-ku, Tokyo
Area (Note 1)	Land	39,602.42m ²
	Building	177,486.95m ²
Structure	Reinforced concrete, steel-framed reinforced concrete and steel-framed structure with flat roof; 37 floors above ground and 4 floors below ground	
Use	Offices	
Construction completion	March 1986	
Designers	Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers	
Contractors	Kajima Corporation, Toda Corporation and Fujita Engineering Co., Ltd., a consortium	
Building verification agency	Tokyo Metropolitan Government	
Form of ownership	Land	Ownership (Note 2)
	Building	Sectional ownership (Note 3)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	11,300,000,000 yen
	Appraisal date	February 25, 2011
PML (Note 4)	0.38%	
Collateral	None	
Leasing scheme	Fixed master lease	
Master lessee	Mori Building Co., Ltd.	
Property manager	Mori Building Co., Ltd.	
Details of tenants (as of March 18, 2011)		
	Total number of tenants	1 (Note 5)
	Gross rent income (annual rent)	472,990,716 yen
	Deposits/Guarantees	394,158,930 yen
	Total leasable floor area (Note 6)	4,343.36m ²
	Total leased floor area (Note 7)	4,343.36m ²
Other special consideration	<ul style="list-style-type: none"> • A fixed mortgage has been established for the interest for other co-owners of the land to the property. • Wet-spray rockwool containing asbestos is used on the columns, beams, etc. of the ceiling, party wall, etc. No scattering has been found and the places are in stable condition. Furthermore, appropriate removal and other action are scheduled to be taken at the expense of the seller. • The trust fiduciary and Mori Building Co., Ltd. are planning to conclude a building lease (master lease) and property management agreement. 	

(Notes)

1. Area (land) is the area of the entire parcel, and area (building) is the total floor area of the entire building, as indicated on the real estate registry. The same shall apply hereinafter.
2. Land use rights for the property are in place. The lot size as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to acquire is 851.42m². The land use right interest ratio is about 2.1%. Moreover, lot size as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to own after the acquisition, is 2,708.37m² and the land use right interest ratio is about 6.8%.
3. The private-use floor area as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to acquire is 4,285.65m². The private-use floor area interest ratio is about 3.1%. Moreover, private-use floor area as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to own after the acquisition, is 13,625.22m² and the private-use floor area interest ratio is about 9.8%.
4. PML refers to the probability of the maximum loss expected to result from an earthquake. There is no standardized precise definition. Rather, definitions vary depending on the intended purpose and use. Herein, however, PML is defined as “the percentage of losses against building price which will not be exceeded based on a 90% probability, should the greatest earthquake that has a 10% probability occurring within the average useful life of a building of 50 years, occur.” The value as indicated on the earthquake PML assessment report dated February 18, 2011 by Tokyo Bldg-Tech Center Co., Ltd. is shown; hereinafter the same.
5. With regards to the property, MHR will outsource building lease operations to Mori Building Co., Ltd. and shall receive a fixed amount of rent from the company, regardless of the rent amount paid by end tenants. Due to this, Mori Building Co., Ltd. is treated as the tenant in this acquisition.
6. Total leasable floor area is the floor area deemed leasable to end tenants; hereinafter the same.
7. Total leased floor area is the floor area being leased to end tenants; hereinafter the same.

[Akasaka Tameike Tower]**Details of the real estate trust beneficiary right**

Property name	Akasaka Tameike Tower
Trust fiduciary	The Sumitomo Trust & Banking Co., Ltd.
Trust beneficiary	MHR
Trust establishment	March 18, 2011
Trust maturity date	March 31, 2026

Details of the real estate that is the asset in trust

Location	Lot number	2-1701-1 and 2-1705-1 Akasaka, Minato-ku, Tokyo
	Residential indication	2-17-1 Akasaka, Minato-ku, Tokyo
Area	Land	5,694.16m ²
	Building	46,971.43m ²
Structure	Steel-framed, steel-framed reinforced concrete and reinforced concrete structure with flat roof; 25 floors above ground and 2 floors below ground	
Use	Residences, parking lot and bicycle parking lot	
Construction completion	August 2000	
Designers	Shimizu Corporation, first class architect office	
Contractors	Shimizu Corporation and Takenaka Corporation, a consortium	
Building verification agency	Tokyo Metropolitan Government	
Form of ownership	Land	Ownership (co-ownership) (Note 1)
	Building	Sectional ownership (Note 2)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	6,870,000,000 yen
	Appraisal date	February 25, 2011
PML	2.15%	

Collateral	None
Leasing scheme	Fixed master lease
Master lessee	Mori Building Co., Ltd.
Property manager	Mori Building Co., Ltd.
Details of tenants (as of March 18, 2011)	
Total number of tenants	1 (Note 3)
Gross rent income (annual rent)	544,243,200 yen
Deposits/Guarantees	181,414,400 yen
Total leasable floor area	9,370.62m ²
Total leased floor area	9,370.62m ²
Other special consideration	<ul style="list-style-type: none"> • A mortgage and fixed mortgage have been established for the interest for other co-owners of the land to the property. • The trust fiduciary and Mori Building Co., Ltd. are planning to conclude a building lease (master lease) and property management agreement. • The trust fiduciary and Akasaka Tameike Tower Management Co., Ltd. are planning to conclude an agreement to change the building maintenance and management agreement.

(Notes)

1. Ownership for the land where the property is located is subdivided into the addresses of 1701-1 and 1705-1, and MHR plans to acquire the trust beneficiary right in a trust that holds title to the co-ownership interest of 1701-1. The lot size, as recorded in the real estate registry corresponding to the co-ownership interest of the trust beneficiary right that MHR is planning to acquire, is 1,200.64m² and the co-ownership interest ratio is about 36.9%. Moreover, lot size as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to own after the acquisition, is 3,211.94m² and the land use right interest ratio is about 98.6%.
2. The private-use floor area as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to acquire is 9,580.88m². The private-use floor area interest ratio is about 30.0%. Moreover, private-use floor area as indicated in the real estate registry corresponding to the trust beneficiary right that MHR is to own after the acquisition, is 20,919.00m² and the private-use floor area interest ratio is about 65.5%.
3. With regards to the property, MHR will outsource building lease operations to Mori Building Co., Ltd. and shall receive a fixed amount of rent from the company, regardless of the rent amount paid by end tenants. Due to this, Mori Building Co., Ltd. is treated as the tenant in this acquisition.

For details, please refer to the “MHR Announces Asset Acquisition; ARK Mori Building: Additional Acquisition; Akasaka Tameike Tower: Additional Acquisition (Residential)” news release separately announced on March 1, 2011.

iii) Sale of Assets

MHR adopted a resolution at a meeting of its board of directors held on March 1, 2011 to sell a portion of Moto-Azabu Hills.

The buyer Mori Building Co., Ltd. constitutes an interested party, etc. of MHR’s Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Law Concerning Investment Trusts and Investment Corporations. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of MHR from being negatively impacted with respect to the transfer price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

i. Overview of Sale**Moto-Azabu Hills**

1) Asset-to-be-sold:	Real estate (Note 1)
2) Property name:	Moto-Azabu Hills
3) Book value:	15,876 million yen (Note 2)
4) Sales price:	16,240 million yen (Note 3)
5) Gain (loss) on sale:	335 million yen (Note 4)
6) Agreement date:	March 18, 2011
7) Scheduled sales date:	March 18, 2011
8) Buyer:	Mori Building Co., Ltd.

(Notes)

- In the sale of Moto-Azabu Hills which MHR owns as of January 31, 2011, the trust beneficiary rights corresponding to the sectional ownership for 86 sections are to be transferred by the trust fiduciary according to the instructions of MHR. The sales proceeds will be held in trust assets and then be granted to MHR according to the trust agreement.
- Book value is an estimate of the asset-to-be-sold's book value at the scheduled transfer date based on the book value as of December 31, 2010. The amount will be finalized after taking into account depreciation and amortization until the scheduled transfer date. The same shall apply hereinafter.
- Sales price excludes transaction costs, property taxes, city planning taxes and consumption taxes. The same shall apply hereinafter.
- Gain (loss) on sale is the amount arrived at when the book value shown in the table and approximate sales costs are deducted from the sales price. The same shall apply hereinafter.

ii. Details of the Assets-to-be-Sold**Moto-Azabu Hills****Details of the entire real estate**

Property name		Moto-Azabu Hills
Location		1-3-1, -2, -3 Moto-Azabu, Minato-ku, Tokyo (Residential indication)
Use		Residences and storage areas, etc.
Area (Note 1)	Land	12,199.65m ² (Note 4)
	Building	54,006.76m ² (Note 5)
Construction completion (Note 2)		May 2002 and September 2002
Structure (Note 3)		Steel-framed, steel-framed reinforced concrete and reinforced concrete structure; 29 floors above ground and 4 floors below ground
Form of ownership	Land	Ownership (Note 4)
	Building	Sectional ownership (Note 5)

(Notes)

- Area refers to the area of the entire parcel, and the total floor area of the entire building, both based on the record in the real estate registry.
- The month construction was completed for the respective buildings was May 2002 for Forest Tower and Forest Terrace East and September 2002 for Forest Terrace West.
- The property is a single establishment in the registry, but according to the Building Standards Law, it consists of three establishments, which are: Forest Tower (SRC B3F/29F), Forest Terrace East (RC B1F/6F) and Forest Terrace West (RC B1F/5F).
- Lot size owned by MHR before the sale, based on the record in the real estate registry, is 4,554.64m², and the land use right interest ratio is about 37.3%.
- The private-use floor area owned by MHR before the sale, based on the record in the real estate registry, 16,513.83m², and the private-use floor area interest ratio is about 42.6%. In addition, the leasable floor area that can be rented to end tenants is 12,640.51m².

Details of the portion-to-be-sold (86 sections)

Lot size (Note 1)		4,079.02m ²				
Private-use floor area (Note 2)		15,263.68m ²				
Use (Note 3)		Residences, storage area, management offices, clerical office, nursery, meeting place, resting space, machine room, parking and bicycle parking				
Book value		15,876 million yen				
Sales price		16,240 million yen				
Gain (loss) on sale		335 million yen				
Appraisal	Appraisal value	12,200 million yen (Note 4)				
	Appraisal date	February 25, 2011				
	Appraiser	Japan Real Estate Institute				
Transfer date		March 18, 2011 (Plan)				
Details of end tenants (Note 5) (as of January 31, 2011)						
Total number of end tenants		61				
Gross rent income (annual rent)		791,670,828 yen				
Deposits/Guarantees		311,057,000 yen				
Total leasable floor area		11,315.21m ²				
Total leased floor area		10,680.80m ²				
Occupancy rate (with past data)		End of Jan. 2009	End of July 2009	End of Jan. 2010	End of July 2010	End of Jan. 2011
		90.7%	90.8%	94.6%	100.0%	94.4%
Other special consideration		None				

(Notes)

1. Lot size owned by MHR after the transfer, based on the record in the real estate registry, is 475.62m², and the land use right interest ratio is about 3.9%.
2. The private-use floor area owned by MHR after the transfer, based on the record in the real estate registry, is 1,250.15m², and the private-use floor area interest ratio is about 3.2%. Moreover, the leasable floor area that can be rented to end tenants is 1,325.30m².
3. The breakdown of the number of sections by use is as follows: Residences: 63; storage areas: 14; management offices: 2; clerical office: 1, nursery: 1; meeting place: 1; resting space: 1; machine room: 1; parking: 1; and bicycle parking: 1.
4. The type of price in the appraisal is an ordinary price (fair value that reflects market value, thought to be formed in the market upon fulfilling conditions that are deemed logical under current social conditions) and not a specific price (price that reflects investor break-even price to show to investors).
5. Of the sections to be transferred, residences, clerical office and nursery sections are not subject to the calculation.

For details, please refer to the “MHR Announces Transfer of Real Estate: Moto-Azabu Hills: Partial Transfer” news release separately announced on March 1, 2011.

iv) Change in Tenant

MHR received an advance notice of termination of an office lease agreement from a tenant of MHR’s Koraku Mori Building on February 2, 2011 (termination planned for August 2, 2011).

For details, please refer to the “MHR Announces Change in Tenant” news release separately announced on February 4, 2011.

v) Plans for Amendment of Part of the Articles of Incorporation and Appointment of Directors

MHR adopted a resolution at a meeting of its board of directors held on February 23, 2011 to refer several matters to MHR's general meeting of unitholders, which is scheduled to be held on April 8, 2011. The matters are an amendment of part of the Articles of Incorporation and the appointment of directors.

For details, please refer to the "MHR Announces Amendment of Part of the Articles of Incorporation and Appointment of Directors" news release separately announced on February 23, 2011.

(c) Outlook of Business Results

MHR expects the following business results for its next fiscal period (tenth fiscal period: February 1, 2011 to July 31, 2011). For the assumptions underlying the forecast of results, please refer to "Assumptions of Forecast of Results for the Tenth Fiscal Period Ending July 31, 2011 (February 1, 2011 – July 31, 2011)" presented below.

Operating revenue	¥5,251 million
Operating income	¥3,024 million
Ordinary income	¥1,899 million
Net income	¥1,898 million
Dividend per unit	¥8,200
Dividend in excess of earnings per unit	¥0

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

Assumptions of Forecast of Results for the Tenth Fiscal Period Ending July 31, 2011
(February 1, 2011 – July 31, 2011)

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

Item	Assumptions
Investment Portfolio	<ul style="list-style-type: none"> • MHR assumes that, of its investment portfolio comprised of the 11 properties in its portfolio as of the end of the ninth fiscal period (January 31, 2011), it is scheduled to sell a portion of Moto-Azabu Hills, as well as acquire ARK Mori Building (Fixed III) and Akasaka Tameike Tower, on March 18, 2011 (plan). • From February 1, 2011 to March 17, 2011, MHR assumes that its investment portfolio will comprise the 11 properties in its portfolio as of the end of the ninth fiscal period (January 31, 2011). From March 18, 2011 onwards, MHR assumes that it will sell a portion of Moto-Azabu Hills, as well as acquire ARK Mori Building (Fixed III) and Akasaka Tameike Tower, and that there will be no subsequent change in the investment portfolio (new acquisition of properties, sale of existing properties, etc.) during the period up to the end of the tenth fiscal period (July 31, 2011). • In actual practice, however, the forecast is subject to change due to changes in the investment portfolio and other factors.
Operating Revenue	<ul style="list-style-type: none"> • Rent revenue – real estate is estimated based on the lease contracts effective as of the end of the ninth fiscal period (January 31, 2011) (for ARK Mori Building (Fixed III) and Akasaka Tameike Tower, the lease contracts that are scheduled to be concluded upon MHR’s acquisition of the properties), etc., taking into account the market environment, the competitiveness of the individual properties, the trends of individual tenants and other factors. • MHR assumes that there will be no delinquencies or unpaid rent by tenants. • Of the operating revenue, the revenue associated with the properties in its portfolio as of the end of the ninth fiscal period (January 31, 2011) is expected to be 4,539 million yen and the revenue associated with the assets to be acquired on March 18, 2011 (ARK Mori Building (Fixed III) and Akasaka Tameike Tower) are expected to be 376 million yen. • In calculating operating revenue, MHR assumes the sale of the asset as described in “Investment Portfolio” above and estimates 335 million yen will be generated as a gain on sales from the transfer of the asset.
Operating Expenses	<ul style="list-style-type: none"> • 1,909 million yen is expected for the expenses related to rent business, which account for the majority of operating expenses. The expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> A) For property taxes, city planning taxes, etc., the amount of taxation during the tenth fiscal period is expected to total 285 million yen (for 6 months). Furthermore, for the property taxes, city planning taxes, etc. associated with the assets acquired on March 23, 2010 (Roppongi Hills Mori Tower and ARK Mori Building (Fixed II)) and the asset acquired on September 15, 2010 (Laforet Harajuku (Land)), a total of 30 million yen (for 3 months) is expected to be recognized as expenses. For the property taxes, city planning taxes, etc. associated with the assets to be acquired on March 18, 2011 (ARK Mori Building (Fixed III) and Akasaka Tameike Tower), MHR shall incorporate these amounts into the cost of acquisition and, thus, shall not recognize them as operating expenses for the tenth fiscal period. B) For building maintenance and repairs, MHR recorded the estimated required

	<p>amount for the respective fiscal period (64 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal period may differ materially from estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next.</p> <p>C) Depreciation and amortization are calculated using the straight-line method, with future additional capital expenditures taken into account. 674 million yen is expected in the tenth fiscal period.</p> <p>D) 549 million yen is expected for property management fees.</p> <ul style="list-style-type: none"> • 317 million yen is expected for the operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.). Of these, asset management fee rates are expected to be lowered during the tenth fiscal period.
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 866 million yen in interest expenses and 243 million yen in borrowing expenses.
Interest-Bearing Debt	<ul style="list-style-type: none"> • The balance of loans payable outstanding as of the end of the ninth fiscal period (January 31, 2011) was 88,735 million yen. MHR assumes that, of that amount, the 5,000 million yen remaining of a long-term loan payable (due for repayment on February 28, 2011) will be repaid with the issuance of investment corporation bonds in the amount of 5,000 million yen as described below. The 3,010 million yen remaining of a short-term loan payable (due for repayment on March 29, 2011) and the 10,000 million yen remaining of a long-term loan payable (due for repayment on May 31, 2011) will be refinanced in the entire amount. MHR also assumes that an agreed repayment of 50 million yen of the 1,850 million yen remaining of a long-term loan payable (due for repayment on March 27, 2012) and an agreed repayment of 62 million yen of the 2,375 million yen remaining of a long-term loan payable (due for repayment on November 30, 2013) will be concluded, resulting in the balance of loans payable outstanding as of the end of the tenth fiscal period (July 31, 2011) being 83,622 million yen. • The balance of investment corporation bonds as of the end of the ninth fiscal period (January 31, 2011) was 20,000 million yen, and MHR issued new investment corporation bonds of 5,000 million yen. MHR assumes that 25,000 million yen will be the balance of investment corporation bonds as of the end of the tenth fiscal period (July 31, 2011).
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units outstanding as of the end of the ninth fiscal period (January 31, 2011) was 231,520 units. MHR assumes that there will be no additional issuance of investment units to this number until the end of the tenth fiscal period (July 31, 2011).
Dividend per Unit (excluding dividend in excess of earnings)	<ul style="list-style-type: none"> • Dividend per unit is calculated based on the assumption that MHR will make distributions in accordance with its cash distribution policy as outlined in its Articles of Incorporation. • Dividend per unit may vary due to numerous factors, including changes in the investment portfolio, changes in rent income caused by the moving-in/out of tenants, unplanned repairs, changes in interest rates, or additional issuance of new investment units.
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> • MHR assumes at present that it will not make any cash distributions in excess of earnings (dividend in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • MHR assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, Investment Trusts Association rules, etc. that would affect the above forecasts. • MHR assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.

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

	(Unit: thousands of yen)	
	Eighth Fiscal Period (as of July 31, 2010)	Ninth Fiscal Period (as of January 31, 2011)
Assets		
Current assets		
Cash and deposits	6,093,351	3,644,923
Cash and deposits in trust	5,488,095	7,225,291
Operating accounts receivable	98,383	92,656
Prepaid expenses	377,714	395,005
Deferred tax assets	8,472	4,626
Consumption taxes receivable	67,217	-
Other	168	345
Total current assets	12,133,402	11,362,849
Noncurrent assets		
Property, plant and equipment		
Buildings	2,013,883	2,023,533
Accumulated depreciation	(29,058)	(63,991)
Buildings, net	1,984,824	1,959,542
Structures	12,804	12,933
Accumulated depreciation	(652)	(1,440)
Structures, net	12,152	11,492
Machinery and equipment	20,407	20,407
Accumulated depreciation	(290)	(639)
Machinery and equipment, net	20,117	19,768
Land	8,278,386	30,363,849
Buildings in trust	48,702,240	43,905,819
Accumulated depreciation	(5,162,728)	(5,180,189)
Buildings in trust, net	43,539,512	38,725,629
Structures in trust	695,404	550,278
Accumulated depreciation	(279,738)	(250,221)
Structures in trust, net	415,666	300,056
Machinery and equipment in trust	885,015	802,416
Accumulated depreciation	(106,171)	(108,159)
Machinery and equipment in trust, net	778,843	694,257
Tools, furniture and fixtures in trust	70,825	67,994
Accumulated depreciation	(17,088)	(20,771)
Tools, furniture and fixtures in trust, net	53,737	47,223
Land in trust	135,404,662	118,350,594
Construction in progress in trust	1,935	449
Total property, plant and equipment	190,489,838	190,472,863
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	3,800	3,035
Other	3,780	3,703
Total intangible assets	18,417,538	18,416,695
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	231,675	300,901
Total investments and other assets	241,675	310,901
Total noncurrent assets	209,149,052	209,200,460
Deferred assets		
Deferred organization expenses	5,111	-
Investment corporation bond issuance costs	78,615	66,727
Total deferred assets	83,726	66,727
Total assets	221,366,182	220,630,037

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

	Eighth Fiscal Period (as of July 31, 2010)	Ninth Fiscal Period (as of January 31, 2011)
Liabilities		
Current liabilities		
Operating accounts payable	212,897	203,639
Short-term loans payable	8,510,000	8,510,000
Current portion of long-term loans payable	28,225,000	37,225,000
Accounts payable – other	19,561	26,735
Accrued expenses	263,173	245,022
Income taxes payable	655	653
Accrued consumption taxes	22,631	347,231
Advances received	711,762	537,089
Deposits received	301,827	45,425
Derivatives liabilities	21,491	11,715
Total current liabilities	<u>38,289,000</u>	<u>47,152,512</u>
Noncurrent liabilities		
Investment corporation bond	20,000,000	20,000,000
Long-term loans payable	52,112,500	43,000,000
Tenant leasehold and security deposits	454,440	454,440
Tenant leasehold and security deposits in trust	6,989,513	6,179,242
Total noncurrent liabilities	<u>79,556,453</u>	<u>69,633,682</u>
Total liabilities	<u>117,845,453</u>	<u>116,786,194</u>
Net assets		
Unitholders' equity		
Unitholders' capital	102,010,939	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)	1,522,828	1,840,011
Total surplus	<u>1,522,828</u>	<u>1,840,011</u>
Total unitholders' equity	<u>103,533,767</u>	<u>103,850,950</u>
Valuation and translation adjustments		
Deferred gains or losses on hedges	(13,038)	(7,107)
Total valuation and translation adjustments	<u>(13,038)</u>	<u>(7,107)</u>
Total net assets	<u>103,520,729</u>	<u>103,843,842</u>
Total liabilities and net assets	<u>221,366,182</u>	<u>220,630,037</u>

(2) Statements of Income

(Unit: thousands of yen)

	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)	Ninth Fiscal Period (August 1, 2010 to January 31, 2011)
Operating revenue		
Rent revenue – real estate	4,922,890	4,755,213
Other lease business revenue	465,319	445,878
Gain on sales of real estate properties	–	282,589
Total operating revenue	5,388,209	5,483,681
Operating expenses		
Expenses related to rent business	2,299,970	2,114,307
Asset management fee	314,994	299,040
Directors' compensations	7,200	7,200
Asset custody fee	5,483	5,526
Administrative service fees	14,543	15,514
Other operating expenses	66,083	84,748
Total operating expenses	2,708,275	2,526,338
Operating income	2,679,933	2,957,343
Non-operating income		
Interest income	2,291	3,442
Exclusion gain of unpaid dividend	2,430	1,128
Interest on refund	26	633
Other	388	16
Total non-operating income	5,136	5,220
Non-operating expenses		
Interest expenses	758,091	714,388
Interest expenses on investment corporation bonds	110,800	164,400
Amortization of investment corporation bond issuance costs	8,515	11,888
Amortization of deferred organization expenses	5,111	5,111
Borrowing expenses	206,114	224,135
Investment unit issuance expenses	70,736	–
Other	1,955	1,753
Total non-operating expenses	1,161,325	1,121,676
Ordinary income	1,523,745	1,840,886
Income before income taxes	1,523,745	1,840,886
Income taxes – current	1,011	995
Income taxes – deferred	1	0
Total income taxes	1,012	996
Net income	1,522,732	1,839,890
Retained earnings brought forward	95	121
Unappropriated retained earnings (undisposed loss)	1,522,828	1,840,011

(3) Statements of Unitholders' Equity

(Unit: thousands of yen)

	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)	Ninth Fiscal Period (August 1, 2010 to January 31, 2011)
Unitholders' equity		
Unitholders' capital		
Balance at the end of previous period	87,371,418	102,010,939
Changes of items during the period		
Issuance of new investment units	14,639,520	-
Total changes of items during the period	14,639,520	-
Balance at the end of current period	102,010,939	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the end of previous period	1,728,530	1,522,828
Changes of items during the period		
Dividends from surplus	(1,728,434)	(1,522,707)
Net income	1,522,732	1,839,890
Total changes of items during the period	(205,701)	(317,183)
Balance at the end of current period	1,522,828	1,840,011
Total unitholders' equity		
Balance at the end of previous period	89,099,949	103,533,767
Changes of items during the period		
Issuance of new investment units	14,639,520	-
Dividends from surplus	(1,728,434)	(1,522,707)
Net income	1,522,732	1,839,890
Total changes of items during the period	14,433,818	317,183
Balance at the end of current period	103,533,767	103,850,950
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the end of previous period	(17,973)	(13,038)
Changes of items during the period		
Net changes of items other than unitholders' equity	4,934	5,930
Total changes of items during the period	4,934	5,930
Balance at the end of current period	(13,038)	(7,107)
Total valuation and translation adjustments		
Balance at the end of previous period	(17,973)	(13,038)
Changes of items during the period		
Net changes of items other than unitholders' equity	4,934	5,930
Total changes of items during the period	4,934	5,930
Balance at the end of current period	(13,038)	(7,107)
Total net assets		
Balance at the end of previous period	89,081,975	103,520,729
Changes of items during the period		
Issuance of new investment units	14,639,520	-
Dividends from surplus	(1,728,434)	(1,522,707)
Net income	1,522,732	1,839,890
Net changes of items other than unitholders' equity	4,934	5,930
Total changes of items during the period	14,438,753	323,113
Balance at the end of current period	103,520,729	103,843,842

(4) Statements of Cash Distributions

(Unit: yen)

Item \ Period	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)	Ninth Fiscal Period (August 1, 2010 to January 31, 2011)
I. Unappropriated retained earnings	1,522,828,374	1,840,011,405
II. Amount of dividends [Amount of dividend per unit]	1,522,707,040 [6,577]	1,839,889,440 [7,947]
III. Retained earnings carried forward	121,334	121,965

(5) Statements of Cash Flows

(Unit: thousands of yen)

Account	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)	Ninth Fiscal Period (August 1, 2010 to January 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	1,523,745	1,840,886
Depreciation and amortization	747,463	699,502
Amortization of deferred organization expenses	5,111	5,111
Amortization of investment corporation bond issuance costs	8,515	11,888
Investment unit issuance expenses	70,736	-
Interest income	(2,291)	(3,442)
Gain on exclusion of distribution payable	(2,430)	(1,128)
Interest expenses	868,892	878,788
Decrease (increase) in operating accounts receivable	(4,296)	5,726
Decrease (increase) in consumption taxes refund receivable	(63,630)	67,217
Increase (decrease) in operating accounts payable	(14,705)	677
Increase (decrease) in accounts payable – other	(2,539)	2,690
Increase (decrease) in accrued expenses	1,027	(285)
Increase (decrease) in accrued consumption taxes	(33,118)	324,600
Increase (decrease) in advances received	(957)	(174,673)
Increase (decrease) in deposits received	22,818	(256,402)
Decrease (increase) in prepaid expenses	22,620	(17,290)
Decrease (increase) in long-term prepaid expenses	144,499	(69,225)
Decrease in carrying amounts of property, plant and equipment in trust due to sale	-	21,451,382
Decrease in carrying amounts of intangible assets in trust due to sale	-	128
Other, net	966	515
Subtotal	3,292,427	24,766,668
Interest income received	2,291	3,442
Interest expenses paid	(871,860)	(896,654)
Income taxes paid	(1,014)	(997)
Net cash provided by (used in) operating activities	2,421,842	23,872,457
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(10,325,382)	(22,095,341)
Purchase of intangible assets	(2,522)	(375)
Purchase of property, plant and equipment in trust	(46,306)	(48,206)
Purchase of intangible assets in trust	(445)	-
Proceeds from tenant leasehold and security deposits	454,440	-
Repayments of tenant leasehold and security deposits in trust	(787,420)	(1,565,923)
Proceeds from tenant leasehold and security deposits in trust	569,844	755,652
Net cash provided by (used in) investing activities	(10,137,792)	(22,954,194)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	3,010,000	5,500,000
Decrease in short-term loans payable	(5,060,000)	(5,500,000)
Proceeds from long-term loans payable	-	13,000,000
Repayment of long-term loans payable	(10,112,500)	(13,112,500)
Proceeds from issuance of investment corporation bonds	9,947,228	-
Proceeds from issuance of investment units	14,568,784	-
Dividends paid	(1,726,674)	(1,516,994)
Net cash provided by (used in) financing activities	10,626,838	(1,629,494)
Net increase (decrease) in cash and cash equivalents	2,910,888	(711,231)
Cash and cash equivalents at beginning of period	8,670,558	11,581,446
Cash and cash equivalents at end of period	11,581,446	10,870,215

6. OVERVIEW OF LEASE CONDITIONS (as of January 31, 2011)

Property no.	Property name	Leasing scheme	Total leasable floor area (m ²)	Total leased floor area (m ²)	Occupancy rate (%)	Total no. of end tenants	Gross rent income (annual rent) (millions of yen)	Deposits / Guarantees (millions of yen)
O-0	Roppongi Hills Mori Tower	–	2,249.04	2,249.04	100.0	1	302	302
O-1-1	ARK Mori Building (Fixed I)	Fixed master lease	2,728.96	2,728.96	100.0	1	297	297
O-1-2	ARK Mori Building (Pass-through)	Pass-through master lease	5,223.59	4,927.06	94.3	11	595	438
O-1-3	ARK Mori Building (Fixed ID)	–	1,399.60	1,399.60	100.0	1	152	152
O-2	Roppongi Hills Gate Tower	Pass-through master lease	16,657.52	16,181.01	97.1	43	1,884	1,689
O-3	Roppongi First Building	–	11,525.55	8,609.00	74.7	12	822	667
O-4	Koraku Mori Building	Pass-through master lease	16,197.46	12,996.28	80.2	13	1,366	1,353
O-6	Akasaka Tameike Tower	Pass-through master lease	10,498.94	8,539.87	81.3	10	945	711
R-1	Moto-Azabu Hills	Pass-through master lease	12,640.51	12,006.10	95.0	68	922	364
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,996.61	95.2	36	289	116
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,569.24	86.9	37	136	45
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	219	–
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,294	–
Total portfolio			96,233.88	86,112.67	89.5	235	9,222	6,134

7. STATUS OF INCOME AND EXPENDITURES (August 1, 2010 – January 31, 2011)

(Unit: thousands of yen)

Property no.	O-0		O-1-1		O-1-2		O-1-3	
	Premium		Premium		Premium		Premium	
Property name	Roppongi Hills Mori Tower (Note 2)		ARK Mori Building (Fixed I)		ARK Mori Building (Pass-through)		ARK Mori Building (Fixed ID) (Note 2)	
Fiscal period (Note 1)	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth
Days of operations	131	184	181	184	181	184	131	184
Rent revenue – real estate	107,987	151,020	148,591	148,591	296,492	273,193	54,487	76,200
Other lease business revenue	–	–	–	–	17,954	18,572	–	–
Total property operating revenue	107,987	151,020	148,591	148,591	314,446	291,766	54,487	76,200
Property management fees	858	1,200	1,200	1,200	59,726	68,213	214	300
Utilities	–	–	–	–	6,460	6,570	–	–
Property taxes	–	–	8,326	8,562	16,459	16,863	–	–
Maintenance and repairs	–	–	133	–	1,844	2,439	–	–
Insurance premium	112	158	301	235	512	413	57	81
Depreciation and amortization	22,621	27,189	12,063	12,076	46,203	46,250	7,379	8,880
Other lease business expenses	110	–	519	1,019	1,302	1,805	113	–
Total property operating expenses	23,702	28,548	22,543	23,094	132,509	142,556	7,765	9,261
NOI	106,906	149,661	138,111	137,573	228,140	195,460	54,101	75,818

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

Property no.	O-2 Premium		O-3 Premium		O-4 Premium		O-5		O-6 Premium	
	Roppongi Hills Gate Tower		Roppongi First Building		Koraku Mori Building		Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building) (Note 3)		Akasaka Tameike Tower	
Property name										
Fiscal period (Note 1)	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth
Days of operations	181	184	181	184	181	184	181	45	181	184
Rent revenue – real estate	969,344	953,924	492,766	438,415	794,325	780,396	421,421	103,014	607,289	486,916
Other lease business revenue	116,155	127,039	55,756	57,889	94,081	104,988	9,240	2,258	100,355	80,240
Total property operating revenue	1,085,500	1,080,964	548,523	496,305	888,407	885,385	430,661	105,272	707,644	567,156
Property management fees	160,976	158,421	72,293	62,274	88,624	78,084	65,448	15,998	95,643	93,201
Utilities	46,398	56,530	26,711	28,643	70,075	77,836	–	–	25,728	26,570
Property taxes	70,635	71,864	44,034	44,611	34,421	34,444	23,690	490	31,565	31,671
Maintenance and repairs	11,333	12,538	–	–	7,233	16,254	–	–	3,883	8,855
Insurance premium	2,344	2,141	1,949	1,780	2,196	2,007	654	506	1,709	1,519
Depreciation and amortization	118,321	118,380	65,026	60,395	126,001	126,087	34,729	11,576	135,370	135,423
Other lease business expenses	33,850	34,543	1,206	1,209	76,483	77,158	1,471	189	897	1,431
Total property operating expenses	443,860	454,421	211,222	198,914	405,037	411,872	125,992	28,761	294,799	298,672
NOI	759,961	744,922	402,327	357,786	609,371	599,599	339,397	88,087	548,216	403,907

Property no.	R-1 Premium		R-2 Premium		R-3 Premium		R-4		S-1 Premium	
	Moto-Azabu Hills (Note 4)		ARK Forest Terrace		Roppongi First Plaza		Roppongi View Tower		Laforet Harajuku (Land) (Note 5)	
Property name										
Fiscal period (Note 1)	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth	Eighth	Ninth
Days of operations	181	184	181	184	181	184	181	184	–	139
Rent revenue – real estate	724,230	541,702	130,243	137,639	66,283	66,077	109,426	109,426	–	488,693
Other lease business revenue	63,206	46,738	8,569	8,151	–	–	–	–	–	–
Total property operating revenue	787,436	588,441	138,813	145,790	66,283	66,077	109,426	109,426	–	488,693
Property management fees	181,339	122,934	43,524	40,267	11,277	13,263	3,738	3,738	–	–
Utilities	4,484	4,861	9,585	10,703	206	250	–	–	–	–
Property taxes	41,962	28,806	9,393	9,430	6,762	6,952	10,528	10,739	–	–
Maintenance and repairs	52,627	42,081	14,409	22,334	4,739	1,138	–	–	–	–
Insurance premium	2,929	2,748	710	650	322	294	485	444	–	–
Depreciation and amortization	123,979	96,645	32,759	33,353	9,424	9,734	13,183	13,055	–	–
Other lease business expenses	41,732	31,396	7,739	7,688	3,784	3,779	905	905	–	4
Total property operating expenses	449,057	329,474	118,122	124,427	36,517	35,414	28,840	28,882	–	4
NOI	462,359	355,612	53,450	54,716	39,190	40,397	93,769	93,598	–	488,688

(Notes)

- The eighth fiscal period was from February 1, 2010 to July 31, 2010.
The ninth fiscal period was from August 1, 2010 to January 31, 2011.
- Acquired on March 23, 2010. Accordingly, the income and expenditures are for the period from March 23, 2010 to January 31, 2011.
- Sold on September 15, 2010. Accordingly, the income and expenditures are for the period from February 1, 2010 to September 14, 2010.
- Sold a portion on September 15, 2010.
- Acquired on September 15, 2010. Accordingly, the income and expenditures are for the period from September 15, 2010 to January 31, 2011.

Disclaimer:

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated March 17, 2011, and portions of the Financial Statements and the Performance Information Report for the ninth fiscal period from August 1, 2010 to January 31, 2011, of Mori Hills REIT Investment Corporation (MHR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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

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

The forward-looking statements contained in this document express information only as of the date of release, March 17, 2011, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.