



H I L L S R E I T

MORI HILLS REIT INVESTMENT CORPORATION

(CODE: 3234)

Results of 1st Fiscal Period (Ended Jan. 31, 2007)



MORI HILLS REIT INVESTMENT CORPORATION

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

Mori Building Investment Management Co.,Ltd.

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

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1. Introduction of MHR



MORI HILLS REIT

Investment Strategy

Portfolio Strategy

- Focus on Large-scale, Class A Property
- Focus on Central Tokyo
- Focus on Mixed-use Property

Growth Strategy

- Leverage Mori Building's pipeline support
- Aggressively negotiate rent revisions
- Utilize Mori Building's Brand and PM
- Build own MIM acquisition network

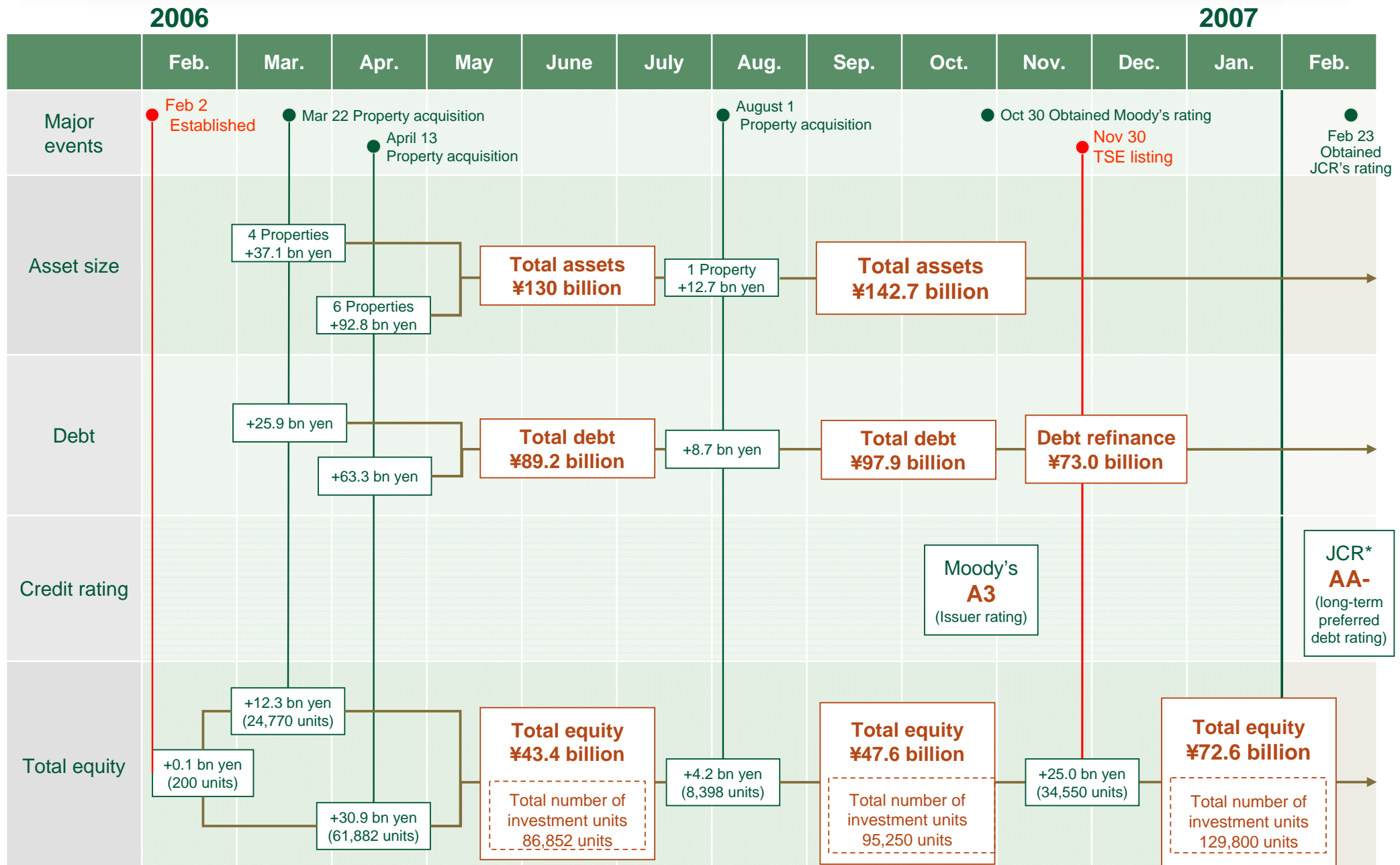


“Investment in the city”

2. 1st Period Financial Results



Track record since establishment



1st Period highlights

	Forecasts ① (Yen mn)	Actual ② (Yen mn)	②—① (Yen mn)	Difference (%)	
Operating revenue	6,872	7,012	140	2.0	Rent and other revenues: + ¥ 121 million
Operating profit	3,685	3,862	177	4.8	
Ordinary profit	2,452	2,664	212	8.6	Interest expenses: - ¥ 34 million TSE listing related expenses: - ¥ 66 million
Net profit	2,450	2,662	212	8.7	
Dividend per Unit (yen)	18,875	20,511	1,636	8.7	

Income statement

Item	Current period (1st period: Feb. 2, 2006 - Jan. 31, 2007)	
	Amount (Yen thousand)	Percentage (%)
Operating revenue	7,012,311	100.0
Property revenue		
Rental revenue	6,246,493	
Other	96,078	
Other property revenue	669,739	
Operating expenses	3,150,043	44.9
Property expenses	2,654,151	
Asset management fees	396,775	
Director's compensational	22,800	
Asset custody fees	6,499	
Administration fees	11,891	
Other operating expenses	57,926	
Operating profit	3,862,267	55.1
Non-operating revenue	1,031	0.0
Interest revenue	1,031	0.0
Non-operating expenses	1,199,130	17.1
Interest expenses	554,327	
Amortization of initial expenses	10,222	
Loan related expenses	237,265	
Issue costs of new units	47,122	
Expenses related to listing of new units	349,990	
Other non-operating expenses	202	
Ordinary profit	2,664,169	38.0
Profit before tax	2,664,169	38.0
Net profit	2,662,335	38.0
Unappropriated retained earnings	2,662,335	
Dividend per unit (yen)	20,511	

(Yen thousand)	
Parking revenue	272,057
Incidental revenue	387,947
Early termination penalty	9,735

Property management fees	981,920
Utilities	304,279
Property taxes	1,064
Rent	107,456
Custodian fees	11,411
Maintenance & repairs	108,758
Insurance premium	22,528
Depreciation & Amortization	949,193
Other property expenses	167,539

Balance sheet

Item	As of the end of 1st fiscal period (Jan. 31, 2007)	
	Amount (Yen thousand)	(%)
Asset		
Current assets		
Cash and deposit	3,494,526	
Entrusted cash and deposits	7,163,207	
Account receivable	95,703	
Prepaid expenses	107,420	
Consumption tax receivable	1,193,776	
Deferred tax assets	38	
Total current assets	12,054,672	7.7
Fixed assets		
Tangible fixed asset		
Entrusted buildings	37,545,812	
Entrusted structures	544,935	
Entrusted machinery and equipment	687,071	
Tools, furniture and fixtures	1,024	
Land	86,332,510	
Sub total	125,111,353	80.4
Intangible fixed assets		
Leasehold rights	18,409,956	
Sub total	18,409,956	11.8
Investment and other assets		
Security deposits	10,300	
Long-term prepaid expenses	62,649	
Sub total	72,949	0.1
Total fixed assets	143,594,260	92.3
Deferred assets		
Initial expenses	40,890	
Deferred assets	40,890	0.0
Total assets	155,689,823	100.0

Item	As of the end of 1st fiscal period (Jan. 31, 2007)	
	Amount (Yen thousand)	(%)
Liabilities		
Current liabilities		
Payable-trade	263,476	
Short-term debt	33,000,000	
Accounts payable	21,177	
Accrued expenses	143,947	
Accrued income taxes	1,665	
Rent received in advance	601,606	
Other current liabilities	155,093	
Total current liabilities	34,186,967	22.0
Fixed liabilities		
Long-term debt	40,000,000	
Tenant leasehold and security deposit	6,169,101	
Total fixed liabilities	46,169,101	29.6
Total liabilities	80,356,069	51.6
Unitholders' equity		
Unitholders' equity		
Total equity	72,671,418	
Sub total	72,671,418	46.7
Retained earnings		
Unappropriated retained earnings	2,662,335	
Sub total	2,662,335	1.7
Total unitholders' equity	75,333,754	48.4
Total liabilities and unitholders' equity	155,689,823	100.0

Cashflow statement / Retained earnings

Cashflow statement		Amount (Yen thousand)	Retained earnings		Amount (yen)
Item	Current period (1st period: Feb. 2, 2006 - Jan. 31, 2007)			Current period (1st period: Feb. 2, 2006 - Jan. 31, 2007)	
I Cashflow from operating activities	3,285,086		I Retained earnings	2,662,335,436	
EBIT	2,664,169		II Dividend	2,662,327,800	
Depreciation & Amortization	949,193		(Dividend per unit)	(20,511)	
Amortization of long-term prepaid expenses	10,222		III Earnings carried forward	7,636	
Amortization of issue costs of new units	47,122				
Interest income	△ 1,031				
Interest expenses	554,327				
Increase/decrease in notes receivable	△ 95,703				
Increase/decrease in consumption tax receivable	△ 1,193,776				
Increase/decrease in trade accounts payable	203,423				
Increase/decrease in account other payable	21,177				
Increase/decrease in accrued expenses	10,240				
Increase/decrease in rent received in advance	601,606				
Increase/decrease in other current liabilities	155,093				
Initial expenses	△ 51,113				
Increase/decrease in prepaid expenses	△ 107,420				
Increase/decrease in long-term prepaid expenses	△ 62,649				
Sub total	3,704,880				
Interest received	1,031				
interest paid	△ 420,619				
Income tax paid	△ 206				
II Cashflow from investing activities	△ 138,251,648				
Purchases of property and equipment	△ 126,000,493				
Payment for purchases of intangible assets	△ 18,409,956				
Receipt of tenant leasehold and security deposits	7,474,141				
Expenditure of tenant leasehold and security deposits	△ 1,305,039				
Security deposits	△ 10,300				
III Cashflow from financing activities	145,624,296				
Proceed from short-term debt	161,841,000				
Issue costs of short-term debt	△ 128,841,000				
Proceeds from long-term debt	40,000,000				
Proceeds from issuance of new units	72,671,418				
Issue costs of new units	△ 47,122				
IV Increase/decrease in cash & equivalents	10,657,734				
V Cash & equivalents at start of period	-				
VI Cash & equivalents at end of period	10,657,734				

Financial highlights

Indices		1st period : Feb. 2,2006 – Jan. 31,2007	
Net profit		2,662 mn yen	
FFO		3,611 mn yen	Net profit + Depreciation & Amortization
Depreciation & Amortization		949 mn yen	
CAPEX		19 mn yen	
Total assets		155,689 mn yen	
Interest-bearing debt		73,000 mn yen	
NAV		75,333 mn yen	
Dividend		2,662 mn yen	
Total units outstanding		129,800 units	
NAV per unit		580,383 yen	NAV at end of period/Total units outstanding
Dividend per unit		20,511 yen	Dividend/Total units outstanding
FFO per unit		43,955 yen	FFO/ Weighted average number of investment units for the period
ROA		2.7%	Ordinary profit/Average of total assets during the period
	Annualized*	3.2%	
ROE		6.1%	Net profit/Average of NAV during the period
	Annualized*	7.0%	
LTV		46.9%	LTV=Interest-bearing debt/Total assets
Dividend yield (annualized*)		2.15%	Dividend per unit/Unit price (closing price on Jan. 31)
Number of operating days in the period		316 days	
PER		53.6 x	Unit price (closing price on Jan. 31)/Net profit per unit
PBR		1.9 x	Unit price (closing price on Jan. 31)/NAV per unit

* Calculated as 1st Period figure/316days × 365days

2nd Fiscal period forecast

Item	2nd period: Feb. 1, 2007 - Jul. 31, 2007 (Previous forecast) (Yen mn)	2nd period: Feb. 1, 2007 – Jul. 31, 2007 (Revised forecast) (Yen mn)	Difference (Yen mn)
Operating revenue	4,454	4,477	23
Operating profit	2,355	2,352	-3
Ordinary profit	1,748	1,870	122
Net profit	1,747	1,869	122
Dividend per unit (yen)	13,461	14,400	939

Note on Property, City Planning Tax Expense:

1st period: Capitalized

2nd period: 1 payment x 128 mn yen (assumption)

3rd period: 2 payments x 128mn yen (assumption)

Payments in March, June, Sept., and Dec.

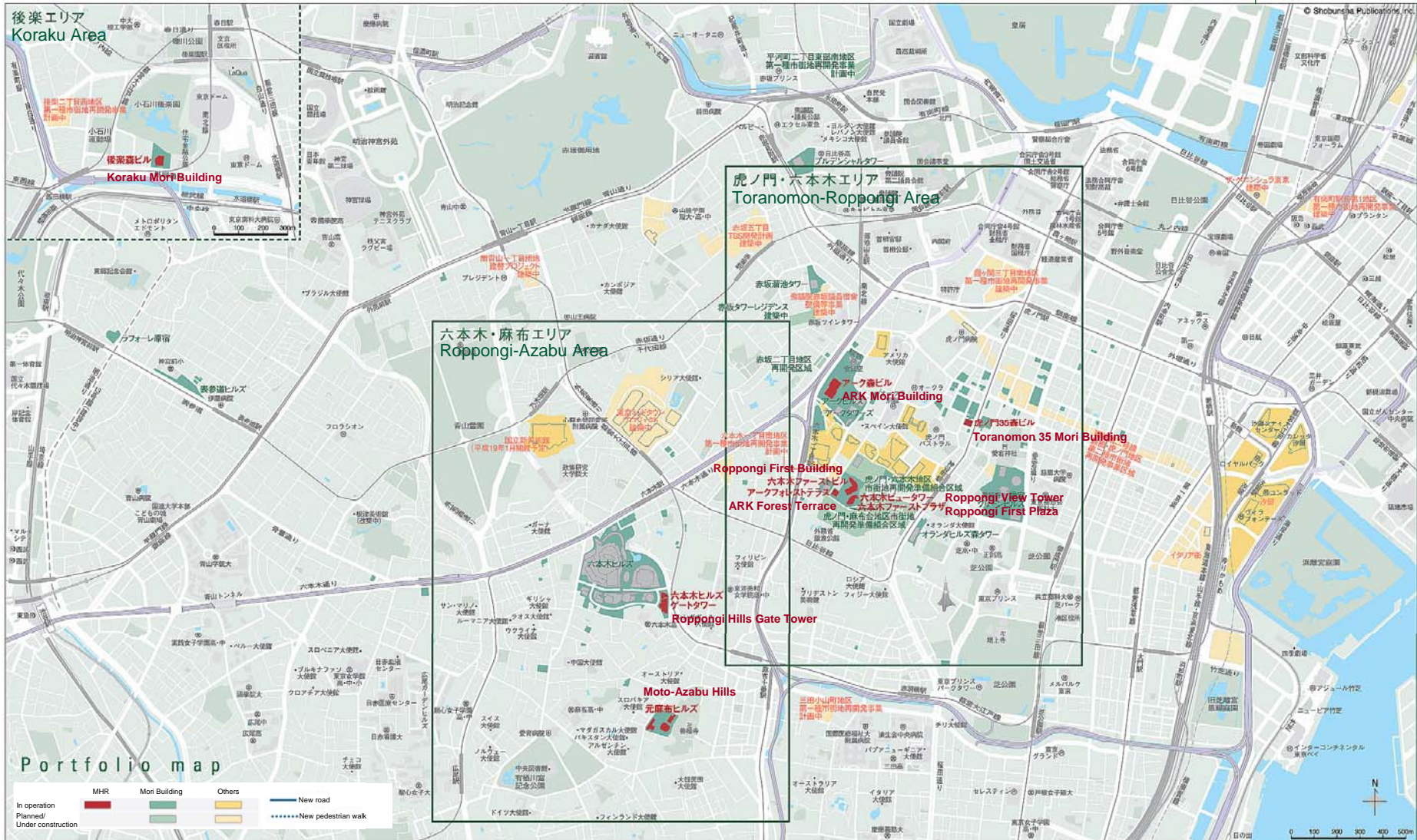
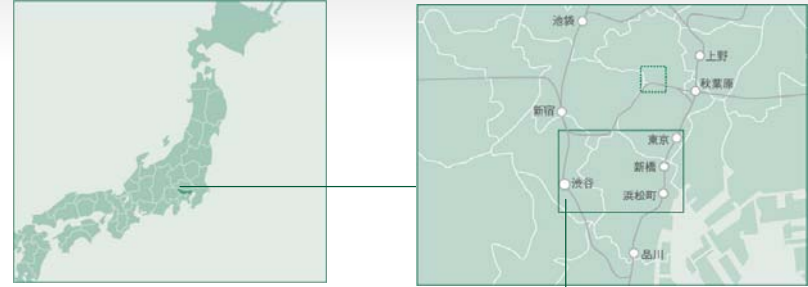
【Assumption】

- Property Tax, City planning Tax:
128 mn yen
- Depreciation & Amortization:
565 mn yen

3. Portfolio Overview



Portfolio map

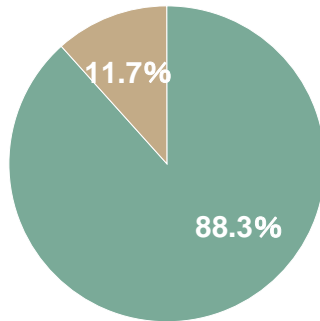


Portfolio overview

Type	Office building	Office building	Office building	Office building	Office building	Residential			Residential	Residential	Residential
Premium	Premium	Premium	Premium	Premium	—	Premium			Premium	Premium	—
Property name	ARK Mori Building	Roppongi Hills Gate Tower	Roppongi First Building	Koraku Mori Building	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Moto-Azabu Hills			ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower
											
Location	Akasaka, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo			Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	
Completion	Mar. 1986 (large-scale renovation in 2005)	Oct. 2001	Oct. 1993	Mar. 2000	Aug. 1981 (large-scale renovation in 2001)	May 2002		Sep. 2002	Jan. 2001	Oct. 1993	
Building age	20.9 years	5.3 years	13.3 years	6.9 years	25.5 years	4.8 years		4.4 years	6.1 years	13.3 years	
Number of stories	37 above ground, 4 below	15 above ground, 2 below	20 above ground, 4 below	19 above ground, 6 below	9 above ground, 1 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. 177,486m ²	c. 29,111m ²	c. 45,753m ²	c. 46,154m ²	c. 10,299m ²	c. 54,006m ²			c. 9,125m ²	c. 22,906m ²	
Mode of ownership	Land	Ownership 1.3%	Ownership 100%	Ownership (joint) 46%	Leased land	Ownership 89.5%	Ownership 56%		Ownership 100%	Ownership 47%	Joint ownership 46%
	Building	Sectional ownership 1.9%	Sectional ownership 100%	Joint ownership 46%	Sectional ownership 80% *	Sectional ownership 91.1%	Sectional ownership 64.5%		Sectional ownership 100%	Sectional ownership 46.4%	Joint ownership 46%
Rentable Area	c. 2,728m ²	c. 16,619m ²	c. 11,525m ²	c. 16,199m ²	c. 6,720m ²	c. 19,251m ²			c. 5,246m ²	c. 2,956m ²	c. 6,344m ²
PML	0.36%	1.90%	3.40%	0.33%	9.00%	3.33%	3.60%	7.78%	3.15%	7.65%	
Earthquake-resistant feature	—	Seismic Damping	—	Seismic Damping	—	Seismic Isolators	Seismic Isolators	—	Seismic Isolators	—	
Occupancy rate (as of Jan. 31, 2007)	100.0%	98.2%	99.8%	100.0%	100.0%	88.7%			91.3%	86.0%	100.0%
Acquisition price (Yen mn)	6,600	36,500	21,000	27,200	12,720	27,300			5,300	2,100	4,000

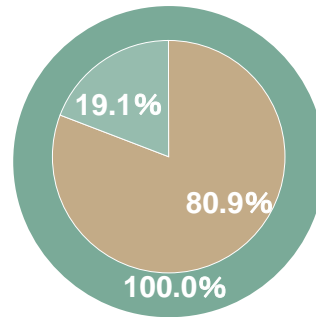
*Koraku Building Land Ownership: MHR owns 80% of office building which is 72.4% of entire facility (remainder is public utility facility)

• Quality



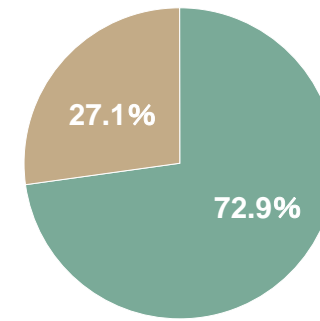
- Premium properties
- Other properties

• Location



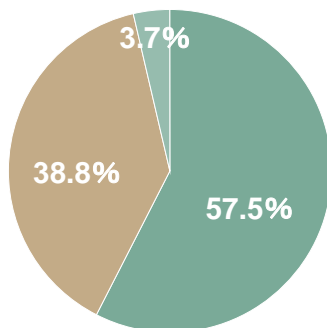
- Central five wards in Tokyo and their vicinity
- Minato-ku
- Bunkyo-ku

• Type



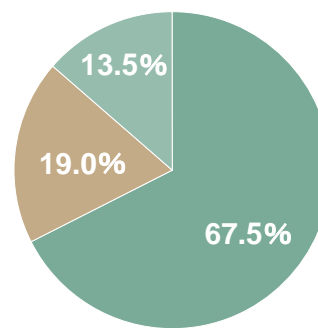
- Office building
- Residential and retail

• Scale



- 30,000m² or more
- 10,000m² or more, under 30,000m²
- Under 10,000m²

• Building age



- Under 10years
- 10years or more, under 15years
- 15years or more

**Avg. building age
9.6 years**

• Portfolio PML

2.29%

• Portfolio occupancy rate

96.2%

Portfolio value (1st period end)

Type	Property name	Acquisition price (Yen mn)	①Appraisal value as of acquisition (Yen mn)	Cap Rates as of acquisition (DC method)	②Appraisal value as of Jan. 31, 2007 (Yen mn)	Cap Rates as of Jan. 31, 2007 (DC method)	Difference ②-① (Yen mn)
Office building	ARK Mori Building	6,600	6,600	4.2%	7,960	4.2%	1,360
	Roppongi Hills Gate Tower	36,500	36,500	4.1%	40,000	4.0%	3,500
	Roppongi First Building	21,000	21,000	4.5%	24,000	4.3%	3,000
	Koraku Mori Building	27,200	27,200	4.6%	30,400	4.5%	3,200
	Toranomon 35 Mori Building (OMRON Tokyo Headquarters)	12,720	12,800	4.7%	13,700	4.4%	900
	Sub total	104,020	104,100		116,060		11,960
Residential	Moto-Azabu Hills	27,300	27,300	4.2%	27,600	4.2%	300
	ARK Forest Terrace	5,300	5,300	4.4%	5,330	4.4%	30
	Roppongi First Plaza	2,100	2,100	4.6%	2,290	4.6%	190
	Roppongi View Tower	4,000	4,000	4.6%	4,000	4.6%	0
	Sub total	38,700	38,700		39,220		520
Total		142,720	142,800		155,280		12,480

Results breakdown by property

(Yen mn)

Property name	ARK Mori Building****	Roppongi Hills Gate Tower	Roppongi First Building	Koraku Mori Building	Toranomon 35 Mori Building	Moto-Azabu Hills	ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower	Total
Days of operations*	316	294	297	294	184	316	294	294	297	
Occupancy rate	100.0%	98.2%	99.8%	100.0%	100.0%	88.7%	91.3%	86.0%	100.0%	96.2%
Number of tenants	1	44	17	17	1	102	35	36	1	254
Acquisition price (Yen mn)	6,600	36,500	21,000	27,200	12,720	27,300	5,300	2,100	4,000	142,720
Operating revenue	195	1,780	1,074	1,451	410	1,484	311	132	177	7,012
Rental revenue	195	1,571	950	1,275	400	1,352	293	130	177	6,343
Other	0	208	124	176	9	132	18	2	0	670
Property expenses	37	606	362	600	102	705	150	53	39	2,654
Maintenance expense	3	240	132	141	67	317	59	24	11	993
Utilities	0	93	55	132	0	8	16	0	0	304
Maintenance and repairs	0	16	4	12	1	64	7	5	0	109
Insurance premium	1	4	3	4	1	7	2	1	1	23
Property taxes**	0	0	0	107	0	1	0	0	0	108
Other property expenses	0	60	1	1	0	84	14	7	1	168
Depreciation ①	33	193	168	204	35	223	53	15	26	949
Operating profit ②	159	1,173	712	850	307	779	160	79	138	4,358
NOI ③ (①+②)	191	1,366	880	1,054	342	1,002	213	94	164	5,307
Annualized NOI ⑤	221	1,696	1,082	1,309	678	1,157	264	117	202	6,726
⑤ /Acquisition price	3.3%	4.6%	5.2%	4.8%	5.3%	4.2%	5.0%	5.6%	5.0%	4.7%
Capex ④	-	6	9	3	0	1	0	0	0	19
NCF ③-④	191	1,360	871	1,051	342	1,001	213	94	164	5,287
Annualized NOI after full term property taxes ⑥***	205	1,583	999	1,243	636	1,094	250	106	183	6,298
⑥ /Acquisition price	3.1%	4.3%	4.8%	4.6%	5.0%	4.0%	4.7%	5.0%	4.6%	4.4%

* For both Roppongi First Building and Roppongi View Tower, ① 6% of the trust certificate pertaining to the joint ownership portion was purchased on 2006/3/22 and ② 40% of the trust certificate pertaining to the joint ownership portion was purchased on 2006/4/13. The occupancy rate was calculated according to the weighted average for the joint ownership portion of each.

** Because property taxes and urban planning taxes on land and buildings in the first period are capitalized in the acquisition cost as a monetary settlement between the buyer and seller at the time of property acquisition, they are not reckoned as expenses. Also, the Koraku Mori Building's 107 mn yen corresponds to the land lease fee.

*** The amount shown is the annualized NOI in the event that taxes and public charges capitalized as a monetary settlement in the first period were reckoned as expenses.

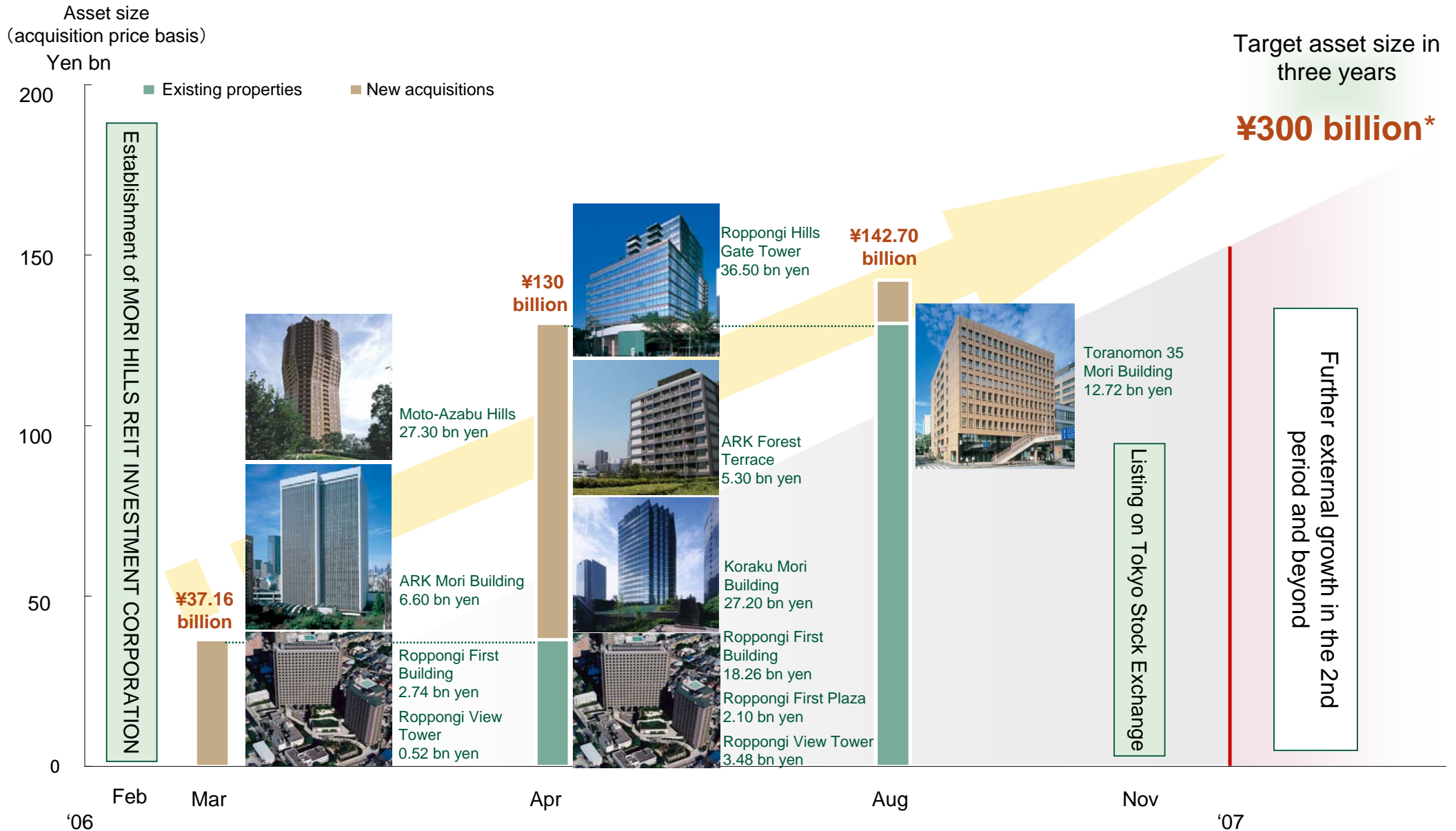
**** For ARK Mori Building (leased in entirety to Mori Building Co., Ltd.), the period from the acquisition date to 2006/10/31 was deemed to be provisional rent (16,510,000 yen per month); however, from 2006/11/1 the rent is 24,765,000 per month.

4. External Growth



Track record of property acquisitions and target for external growth

Constant acquisition of quality properties since establishment



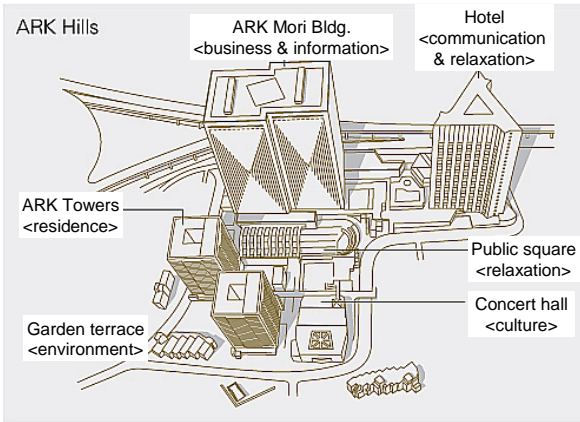
*Target asset size is the forecast as of now and there is no guarantee for this figure

Support from Mori Building Co., Ltd.

Growth strategy leveraging Mori Building's strengths

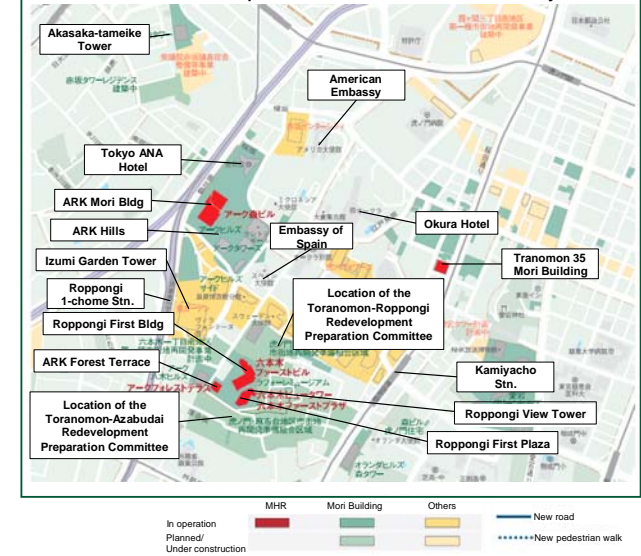
Mori Building's development capabilities

Execution of many large-scale complex developments



Mori Building's information capacity

Extensive development record in central Tokyo



• Mori Building's external growth support

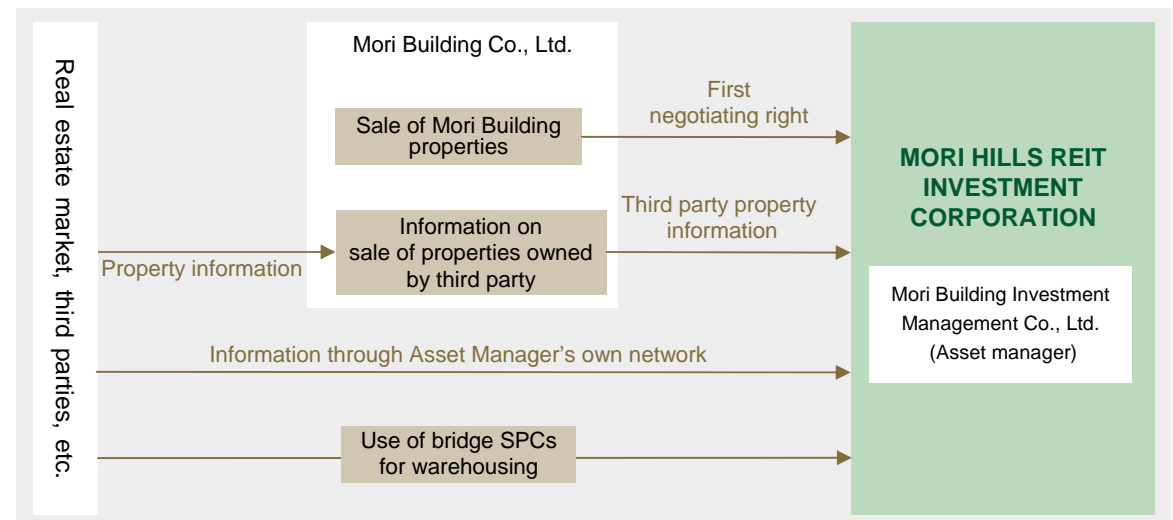
Pipeline support agreement

- First negotiating right on sales of Mori Building properties
- Provision of third party property information
- Other necessary supports such as staffing

Advisory agreement

- Provision of research-related functions
- Provision of advisory and auxiliary functions concerning properties acquisition and asset management

• External growth strategy



Overview of Mori Building Co., Ltd.

Mori Building development projects

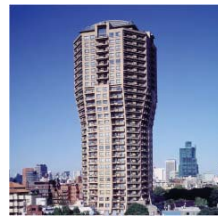
Mori Building large-scale redevelopment projects



ARK Hills
(completed: Mar. 1986)



Atago Green Hills
(completed: July 2001)



Moto-Azabu Hills
(completed: May 2002)



Roppongi Hills
(completed: Apr. 2003)



Holland Hills
(completed: Oct. 2004)



Omotesando Hills
(completed: Feb. 2006)

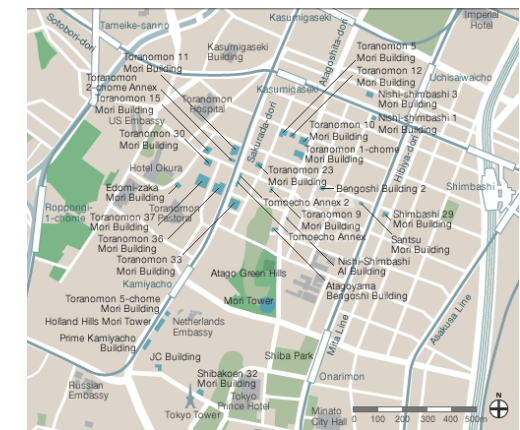
N.B. MHR has acquired part of these properties but has no plan to acquire other properties as of March 22, 2007

Other development projects – by area

Akasaka and Roppongi area



Shinbashi·Toranomon and Uchisaiwaicho area



■ Mori Building's development projects

	ARK Hills	Atago Green Hills	Moto-Azabu Hills	Roppongi Hills	Holland Hills	Omotesando Hills
Location	Minato-ku, Tokyo	Minato-ku, Tokyo	Minato-ku, Tokyo	Minato-ku, Tokyo	Minato-ku, Tokyo	Shibuya-Ku, Tokyo
Main uses	Office Residential Hotel Shops Concert hall	Office Residential Shops Buddhist temple	Residential Shops Child day care	Office Residential Hotel Shops Art museum Movie theater Television studio School Buddhist temple	Office Residential Shops	Shops Residential
Site area (㎡)	c. 41,000*	c. 38,000	c. 12,000	c. 89,000	c. 3,000	c. 6,000
Gross floor area (㎡)	c. 360,000	c. 167,000	c. 56,000	c. 760,000	c. 35,000	c. 34,000
Office portion of above	c. 181,000	c. 86,000	—	c. 379,000	c. 22,000	—
Total of residences	c. 480	c. 350	c. 220	c. 840	c. 70	c. 40

* Total development area including an enclave, in addition to from the area in which ARK Mori Building is located (39,602.42㎡)

Ambitious redevelopment plans drive funding needs

Toranomon-Roppongi & Toranomon-Azabudai Redevelopment (Under Planning)**

Yokohama Kitanaka-dori (Under Planning)***

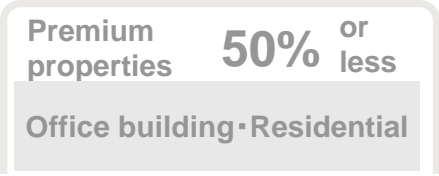
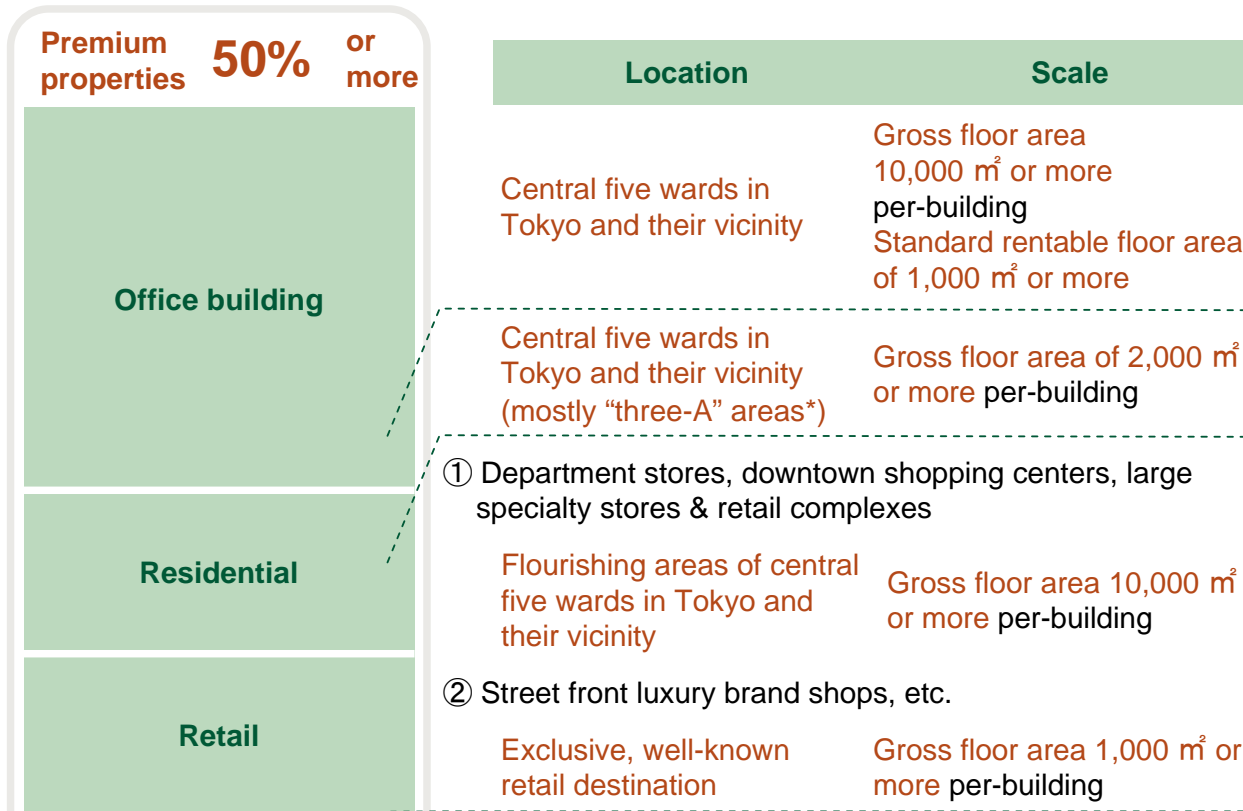
** The Redevelopment Preparation Association (administration: Mori Building) has been formed and activities are progressing

*** The Redevelopment Preparation Association (administration: Mori Building and Urban Renaissance Agency) has been formed and activities are progressing

Maintaining exceptional quality while aggressively expanding portfolio

Focus on Premium Properties

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



Focus on Office Buildings

Property type	Composition
Office building	50% or more
Residential and retail	50% or less

Focus on Tokyo central five wards

Target Area	Composition	
Tokyo Area	Central five wards in Tokyo and their vicinity	50% or more
	Tokyo/Kanagawa/Chiba/Saitama	80% or more
Other major cities	Major cities in areas other than Tokyo area	20% or less

Focus on Earthquake-resistance

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

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

5. Internal Growth

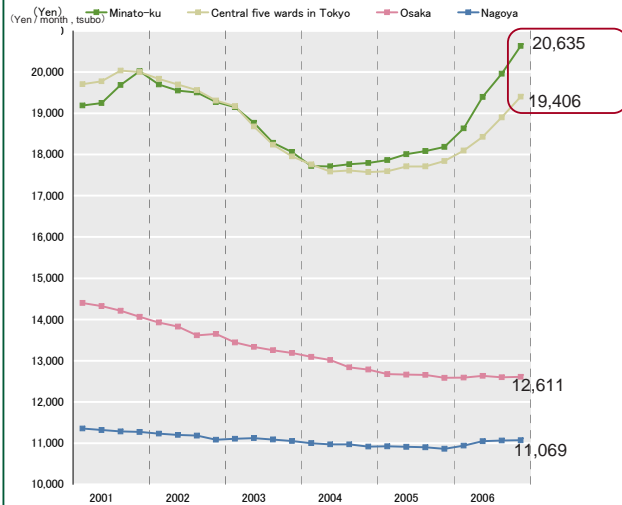


Market data: Minato-ku and central five wards of Tokyo

Mori Building has concentrated on Central Tokyo's Minato-ku property market since company founding in 1959

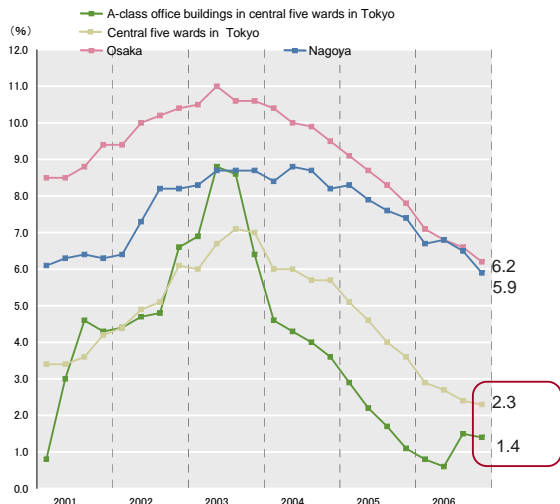
Office demand: Strong office demand and high stability

Average office rent in major cities



Source: Prepared by the Urban Research Institute based on MIKI SHOJI Co., Ltd. "MIKI OFFICE REPORT"

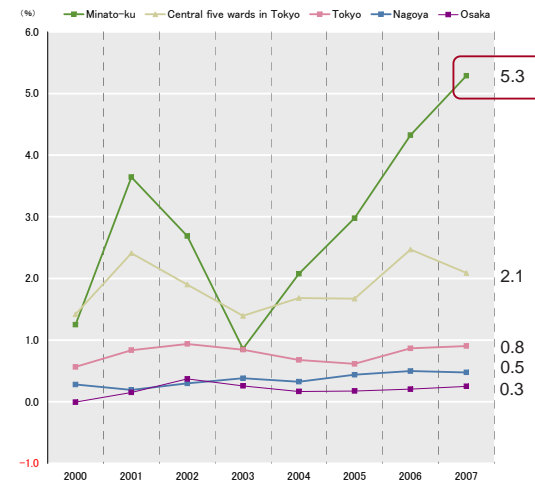
Average office vacancy rate in major cities



Source: Prepared by the Urban Research Institute based on CB RICHARD ELLIS K.K. "OFFICE MARKET REPORT"

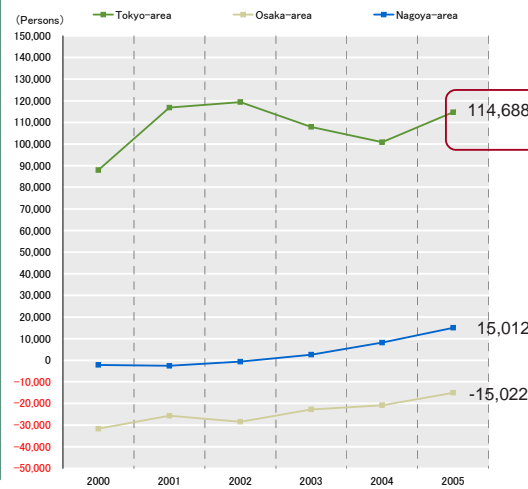
Residential demand : Continued steady population increase

Population growth in major cities



Source: Prepared by the Urban Research Institute based on population statistic released by the metropolitan governments of Tokyo, Osaka, Nagoya

Net population increase in major cities



Source: Prepared by the Urban Research Institute based on MIC's "juminkihon Daicho Jinko Ido Hokoku Nenpo"

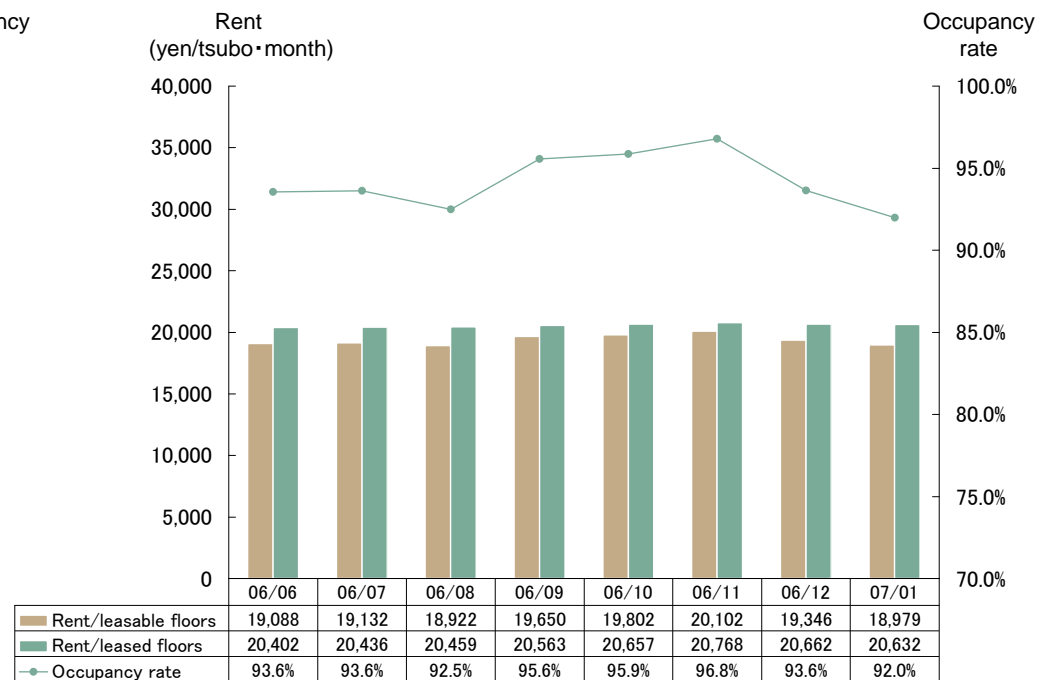
N.B. Prefectures included in each region are as follows:
 Tokyo-area: Tokyo, Kanagawa, Saitama, Chiba
 Osaka-area: Osaka, Hyogo, Kyoto, Nara
 Nagoya-area: Aichi, Gifu, Mie

1st period tenant leasing overview (1)

Office building tenant: Rent and occupancy rate



Residential tenant: Rent and occupancy rate



Office tenant renewals

	No. of tenants	Monthly rent prior to rent change	Revision in monthly rent	Rate of revision
Tenants that revised rent during the 1st period	6	134 mn yen	9 mn yen	+6.2%

Residential tenant moves in/out and renewals

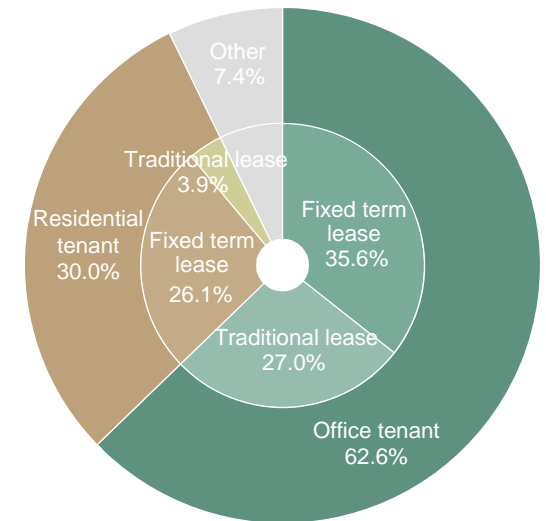
	Moved in	Moved out	Difference
Number of tenants	49	57	-8
Average rent (yen/tsubo)	24,699 yen	23,060 yen	+1,639 yen

1st period tenant leasing overview (2)

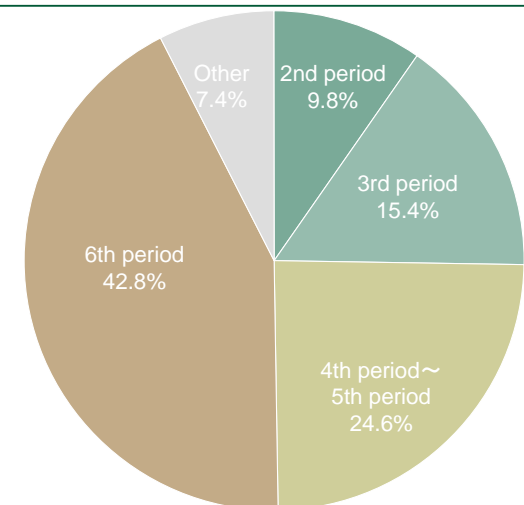
Breakdown of monthly rent revenue (as of Jan. 31, 2007)

By tenant type	By type of lease contract	Total	By agreement renewal timing			
			2nd period	3rd period	4th period~5th period	6th period~
Office tenant	Fixed term lease	248 mn yen	35 mn yen	7 mn yen	76 mn yen	130 mn yen
		35.5%	5.0%	1.0%	10.9%	18.7%
		10 tenants	3 tenants	1 tenant	3 tenants	3 tenants
	Traditional lease	188 mn yen	30 mn yen	72 mn yen	61 mn yen	25 mn yen
		27.0%	4.3%	10.4%	8.8%	3.6%
		21 tenants	5 tenants	6 tenants	8 tenants	2 tenants
Residential tenant	Fixed term lease	182 mn yen	4 mn yen	24 mn yen	29 mn yen	125 mn yen
		26.1%	0.6%	3.5%	4.1%	17.9%
		185 tenants	2 tenants	24 tenants	25 tenants	134 tenants
	Traditional lease	27 mn yen	0 mn yen	4 mn yen	5 mn yen	18 mn yen
		3.9%	0.0%	0.5%	0.8%	2.6%
		27 tenants	0 tenant	11 tenants	15 tenants	1 tenant
Sub total		645 mn yen	68 mn yen	107 mn yen	171 mn yen	299 mn yen
		92.6%	9.8%	15.4%	24.6%	42.8%
		243 tenants	10 tenants	42 tenants	51 tenants	140 tenants
Others	Retail	27 mn yen				
		3.9%				
	Parking	17 mn yen				
		2.4%				
	Others	7 mn yen				
		1.1%				
Sub total		51 mn yen				
		7.4%				
Total		697 mn yen				
		100%				

Rent revenue breakdown by types of lease contract



Rent revenue breakdown by timing of renewal



(N.B.) Excludes other agreement

Internal growth strategy: Upward rent revisions (1)

Office tenant leasing

• 2nd period, 3rd period rent revision status

	No. of tenants	Current rent (monthly)	Rent increase
Tenants facing rent revision in the 2nd period	8	65 mn yen	—
Rent revision completed	5	45 mn yen	5 mn yen (11.1%)
Rent revisions under negotiation	3	20 mn yen	About 5-15% (expected)

	No. of tenants	Current rent (Monthly)	Rent increase
Tenants facing rent revision in the 3rd period	7	79 mn yen	About 5-15% (expected)

• Property management by Mori Building

Mori Building will set new rents and will revise existing rents taking into consideration existing rent level, demand/supply and requests of each individual tenant

Case study

Immediately after a tenant moved out of the Roppongi First Building, the vacant space was rented to an existing tenant without any restoration work. Moreover a rent increase was also realized



Floor area of the tenant change:

Lased floor area: 379.24 m²
(of which MHR owns 174.45 m²)



Successful tenant change achieved by coordinating communication between the tenants moving out and in

Perspective of mid-term urban development

In areas where MHR has properties, various seasonal events are held by Mori Building during the course of the year. Through these events improvement in the attractiveness and vitality of the "city" in the mid to long-run is expected. MHR focuses on such growth and maturity of the city as it invests and manages the assets.



Gardening classroom (ARK Hills)



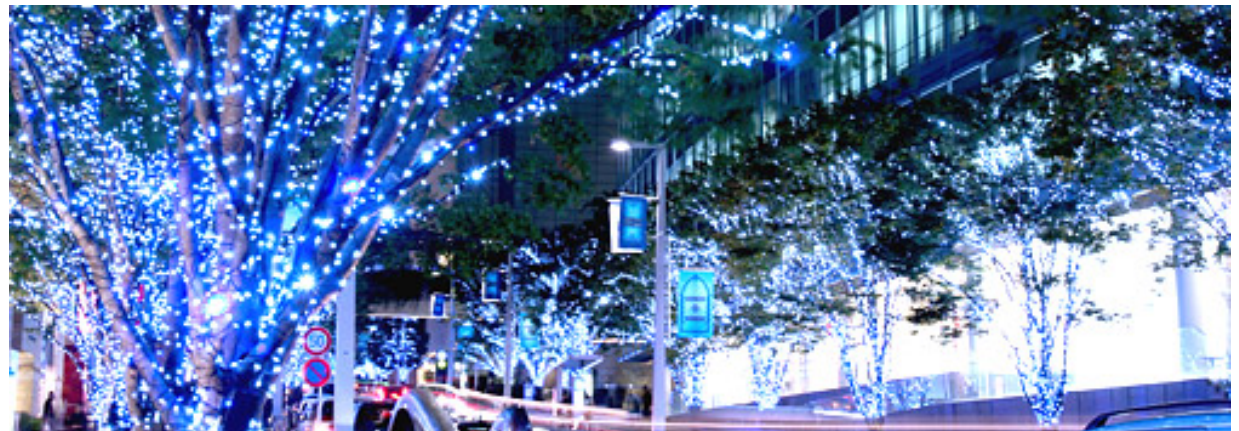
Rose Festival (ARK Hills)



Children planting rice (Roppongi Hills)



Mini concert (ARK Hills)



Illumination (Roppongi Hills)

Internal growth strategy: Building brand awareness (3)

About MORI LIVING

MHR will continue to enhance asset value by leveraging **MORI LIVING**, a leading brand in luxury rental housing

• Mori Building's involvement with the luxury housing market

- 20 years ago, the luxury rental housing market was small and regarded as less attractive than the market for condominiums
- Mori Building believed there must be potential demand for luxury rental housing in Tokyo, just as in the USA and Europe, and has promoted its concept since the completion of ARK Hills' ARK Tower in 1986
- Mori Building has accumulated vast management know-how during the past 20+ years of furnished apartment services and short-term rental services. (Currently the company operates 14 apartments with about 2,000 residences)



ARK Towers

• What is MORI LIVING?

- Luxury rental housing brand that Mori Building promotes in central Tokyo (commenced in 2003)



• The source of MORI LIVING's competitiveness

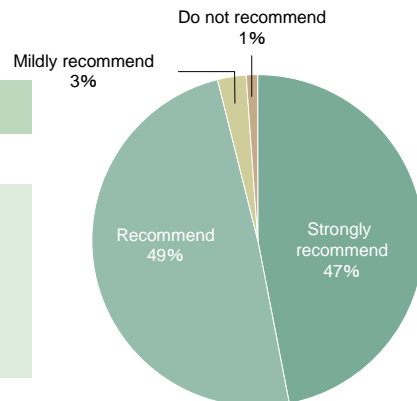
- Brand positioning established through over 20 years of managerial expertise in expats luxury housing
- Comprehensive value chain and know-how established in the process of strategic concentration (product planning, design, promotion, leasing, operation, follow-up subsequent to move-out, etc.)
- Provision of Mori Building Group's diverse content, and the accompanying synergy effects (SPA, art museum, golf courses, etc.)
- Establishing barriers to entry by building brand, management expertise and superior content.

• Customer evaluation

Survey of MORI LIVING tenants

Would you recommend the property in which you currently reside to friends and associates?

• Survey in November, 2006 (243 valid responses)



Mori Living's services lead the way

Mori Living has accumulated more than 20 years of expertise in serviced apartment operation in Tokyo. The company always strives to represent the very highest standards of service. Residents are offered good amenities, events, Ward, SPA, and a full range of services. Mori Living operates four serviced apartment blocks in Tokyo: ARK Towers, Alago Green Hills Forest Tower, The Prudent Hill Tower Residences and Roppongi Hills Residences. Careful to create a fine residential environment, Alago Green Hills incorporates the motif of a lotus that was designed by Cesar Pelli, a prominent architect. Locating the lush greenery of Seishoji Temple within a garden and standing right next to Alago Shrine, the quiet oasis close to the city center has a health consultation room on the 41st floor, as well as a health spa on the 42nd floor, 140 meters above the ground. The monthly rent for a 67-sq-meter one-bedroom apartment at the Alago Green Hills Forest Tower is \$1640,000 and up. Ever since the emergence of the Roppongi Hills Residences, the number of Japanese users and foreign residents is increasing, and such a trend is likely to continue for some time. (M.Y.)

6. Financial Strategy



Borrowing status (1)

	Lender	Loan balance (Yen mn)	Rate of interest	Borrowing date	Maturity Date	Remarks
Short-term	Mizuho Corporate Bank, Ltd.	33,000	0.787%	Dec. 4, 2006	Nov. 30, 2007	Unsecured, non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	Sumitomo Mitsui Banking Corporation					
	The Sumitomo Trust and Banking Co., Ltd.					
	Shinsei Bank, Limited					
	Sub-total					
Long-term	Mizuho Corporate Bank, Ltd.	15,000	1.285%	Dec. 4, 2006	Nov. 30, 2008	Unsecured, non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	The Sumitomo Trust and Banking Co., Ltd.					
	Shinsei Bank, Limited					
	Mizuho Corporate Bank, Ltd.	25,000	1.498%	Dec. 4, 2006	Nov. 30, 2009	Unsecured, non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	Sumitomo Mitsui Banking Corporation					
	The Sumitomo Trust and Banking Co., Ltd.					
Shinsei Bank, Limited						
The Norinchukin Bank	40,000					
Total		73,000				

(N.B.) As of Jan. 31, 2007

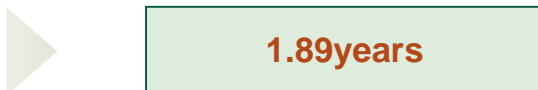
Borrowing status (2)

Major credit status

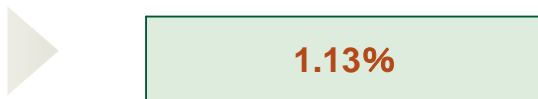
• L T V



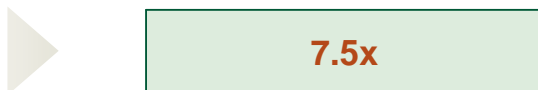
• Average remaining duration



• Weighted average interest rate

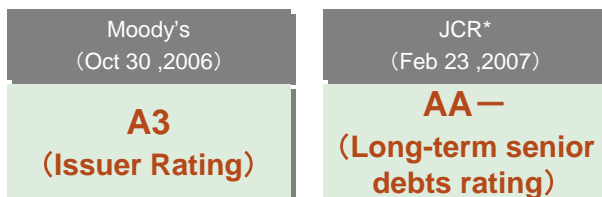


• D S C R



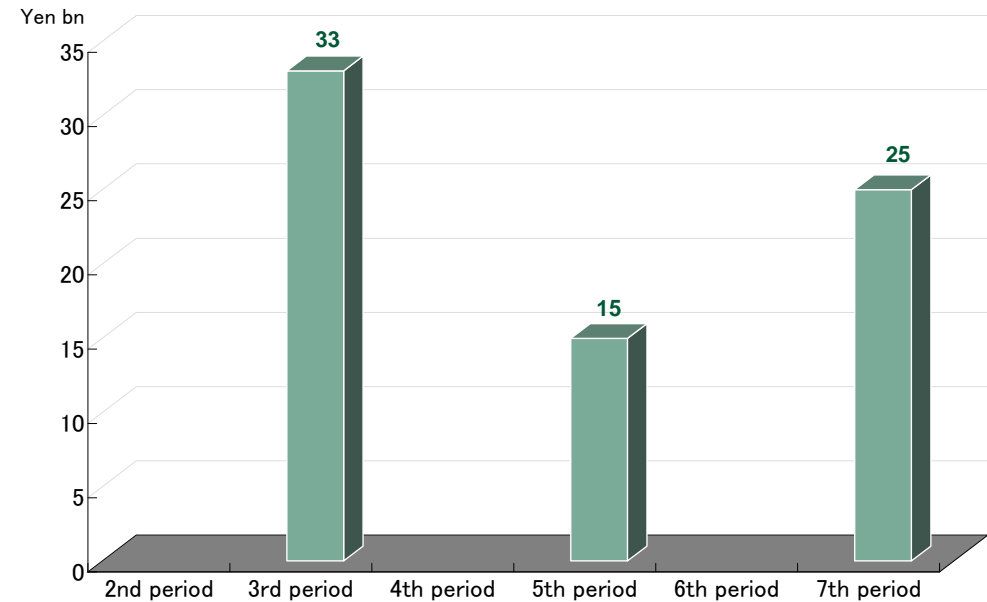
※ DSCR=Net income before interest expense and depreciation/Interest expense

• Credit rating

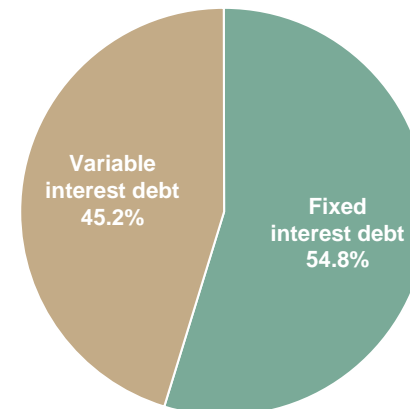


*JCR = Japan Credit Rating Agency, Ltd.

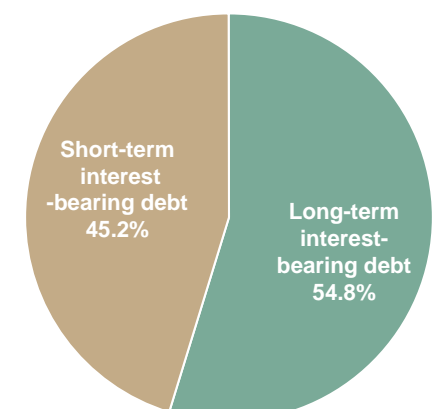
Diversification of debt maturity



Breakdown of fixed/floating rate



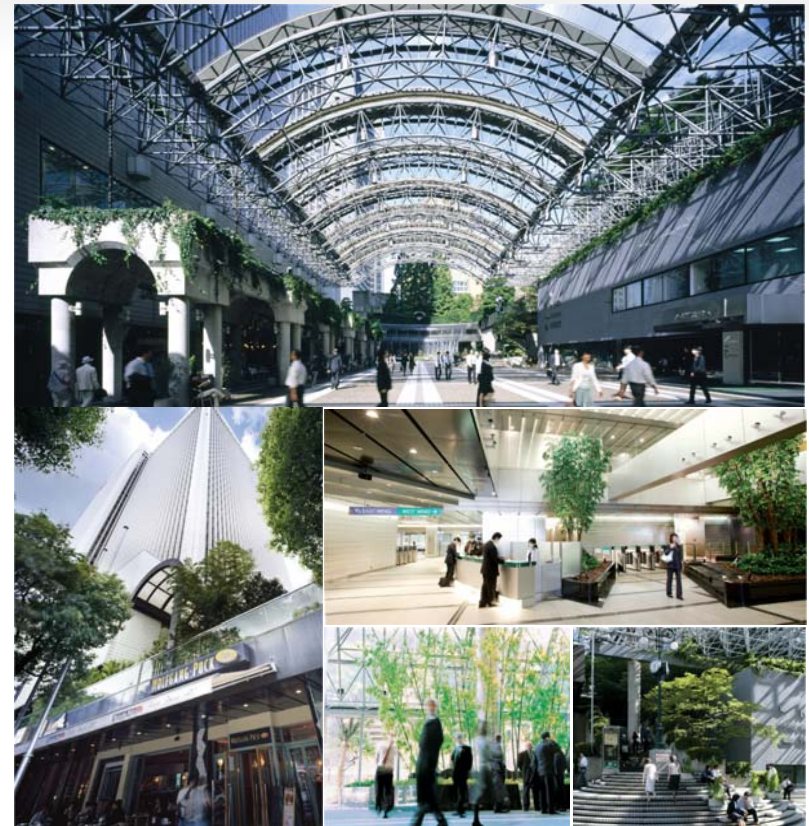
Breakdown of long-term/short-term debt



Appendix



Premium ARK MORI BUILDING



Landmark in Akasaka area

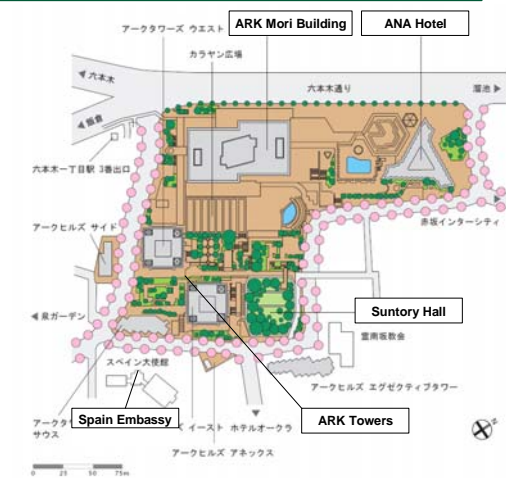
- ARK Hills consists of office, residences, retail facilities, Suntory Hall, ANA Hotel Tokyo, etc.
- ARK Mori Building is an iconic presence in the Akasaka area

■ High competitiveness

- Large floor space (rentable area of the acquired property: approx. 2,728m²)
- Large-scale renovation carried out in 2005
- Comparable with the latest office buildings

■ Environs overflowing with greenery

- Achieved the highest rank in the 2005 Social and Environmental Green Evaluation System
- Complex surrounded by cherry blossom



Premium ROPPONGI FIRST BUILDING

Premium ROPPONGI FIRST PLAZA

ROPPONGI VIEW TOWER



Large-scale multi-functional complex with office and residence

- Large-scale multi-functional complex with expansive exterior garden combining office and residence

ARK Forest Terrace 飯倉

■ Roppongi First Building

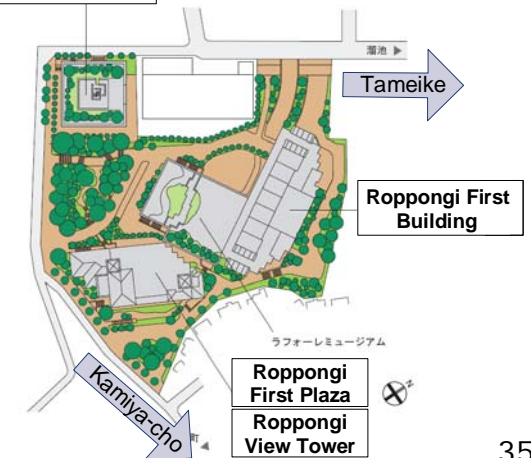
- Standard rentable floor area is approx. 1,129m²
- Many foreign affiliated companies amongst the tenants
- Multi-purpose hall (Laforet Museum Roppongi)

■ Roppongi First Plaza

- Superb view: Tokyo Tower visible from all units
- Benefit of MORI LIVING's services such as Hills Spa, health promotion services, etc.

■ Roppongi View Tower

- Master-leased to Urban Renaissance Agency





Luxurious rental apartment in excellent environment

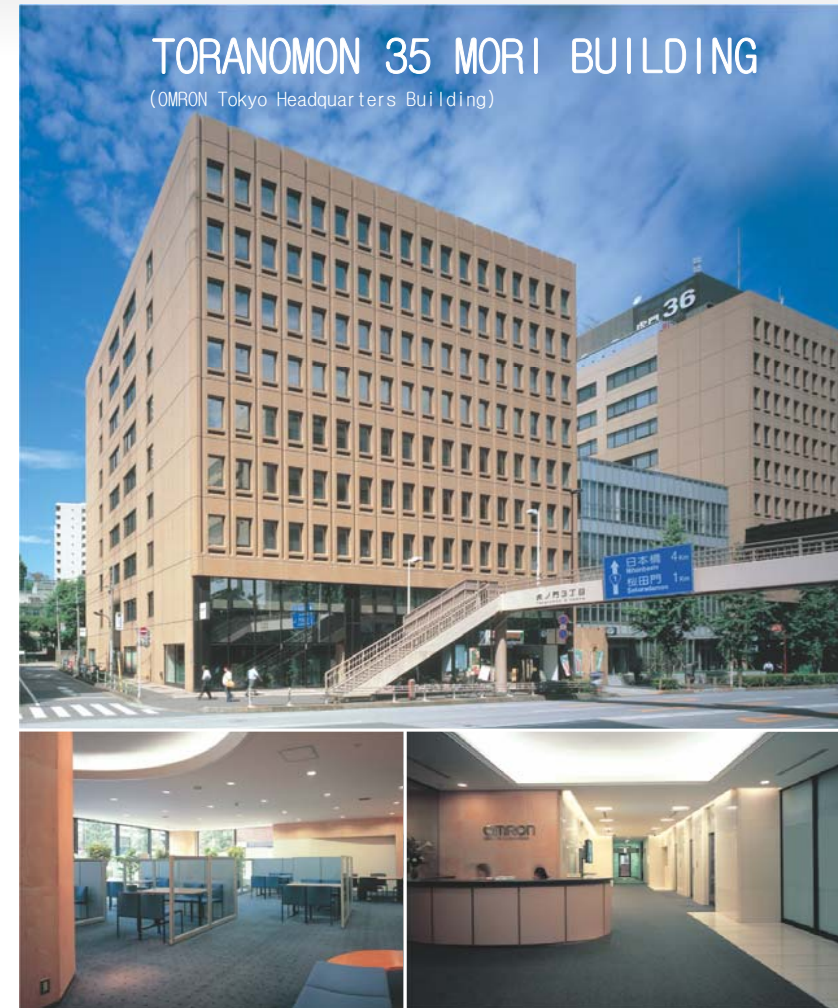
- Facing the greenery of the Roppongi First, this luxurious rental apartment with large units is located in a quiet neighborhood nearby Hotel Okura and various foreign embassies

■ Benefits of MORI LIVING's diverse services

- Rooftop garden
- Bilingual concierge services
- Hills Spa
- Health promotion service, etc.

■ Superior earthquake resistance

- Uses Seismic Isolation structure incorporating laminated rubber



Located in Toranomom, a major business district

- Located in an excellent, highly visible location facing Sakurada-dori Avenue

■ Maintaining the level of quality to meet tenant needs

- Standard rentable floor area is approx. 861㎡
- Large-scale renovation of the building and facilities carried out in 2001
- Leased to OMRON Corporation as its Tokyo headquarters

Premium

ROPPONGI HILLS GATE TOWER



Located at the gateway of Roppongi Hills (Azabu-juban side)

- Located at the Azabu-juban side gateway of Roppongi Hills, Japan's largest multi-functional complex redevelopment project

■ Office, retail and residential multi-functional complex

- Levels 1-3: retail
TSUTAYA with Starbucks, an upscale supermarket and restaurants
- Levels 3-9: office
Standard rentable floor area is approx. 1,496㎡
- Levels 10-15: residential
Bilingual concierge services, Hills Spa and other MORI LIVING's services

■ Superior earthquake resistance

- Seismic Damping walls and concrete-filled tubular steel (CFT) columns



Premium

MOTO-AZABU HILLS



Excellent environment ideally located in the “three-A” area

- Comprised of Forest Tower, Forest Terrace East and Forest Terrace West. Located on a hillcock in one of Minato-ku's “three-A” areas, quiet and relaxed premier neighborhoods

■ “Forest in the City” where city and nature harmonize

- More than half the site, the rooftop and balconies are covered with greenery

■ High competitiveness

- Well recognized, iconic design, excellent view, etc., make this one of the city's highest ranked buildings

■ Benefits of MORI LIVING's diverse services

- Hills Spa
- Sky Lounge
- Wine Cellar
- Twenty-four hour bilingual concierge service, etc.

■ Superior earthquake resistance

- Seismic Isolation
(Forest Tower and Forest Terrace East)



Premium **KORAKU MORI BUILDING**



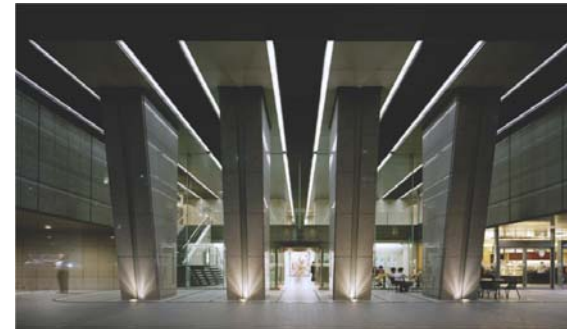
Koraku Area

■ Surroundings

- Koishikawa Korakuen, designated as a special historic site and scenic beauty spot
- Tokyo Dome, LaQua and other entertainment facilities

■ Redevelopment project in progress

- Koraku 2-chome West Urban Renewal Project



Location with excellent environment and high visibility

- High level of visibility from Sotobori-dori
- Standard rentable floor area is approx. 1,157 m²
- One of the office buildings representative of the Koraku area

■ Excellent office environment

- Level 1: Starbucks
- Level 2: Clinics and restaurant
- Level 3: Rooftop garden

■ Superior earthquake resistance

- Seismic Damping walls



Tenant status

• Top 10 tenants

Tenant	Property name	Leased space (m ²)	% of total space
Japan Racing Association	Roppongi Hills Gate Tower	9,821.62	11.7
OMRON Corporation	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	6,720.34	8.0
Urban Renaissance Agency	Roppongi View Tower	6,344.84	7.5
Mori Building Co., Ltd.	ARK Mori Building, Koraku Mori Building , Moto-Azabu Hills	3,072.52	3.6
DaimlerChrysler Japan Co., Ltd.	Roppongi First Building	2,965.03	3.5
Nippon Ericsson K.K.	Koraku Mori Building	2,690.82	3.2
McKinsey & Company, Inc Japan	Roppongi First Building	2,344.21	2.8
AstraZeneca K.K.	Koraku Mori Building	2,245.06	2.7
NTT Communications Corporation	Koraku Mori Building	1,851.87	2.2
NTT DATA CORPORATION	Koraku Mori Building	1,851.87	2.2
Total		39,908.18	47.4

■ Breakdown of office tenants

	Domestic companies	Foreign affiliated companies	Total
Manufacturing	67 mn yen	80 mn yen	147 mn yen
	15.3%	18.4%	33.7%
	1 tenant	5 tenants	6 tenants
Non-manufacturing	125 mn yen	35 mn yen	160 mn yen
	28.7%	8.1%	36.8%
	15 tenants	6 tenants	21 tenants
Public institution	129 mn yen	-	129 mn yen
	29.6%	-	29.6%
	3 tenants	-	3 tenants
Total	321 mn yen	115 mn yen	436 mn yen
	73.5%	26.5%	100%
	19 tenants	11 tenants	30 tenants

Upper row: Monthly rent (as of Jan. 31, 2007)

Middle row: Percentage of total tenants

Lower row: Number of tenants

■ Breakdown of residential tenants

	Tenant nationality		Total
	Japanese	Foreign	
Corporate	57 mn yen	98 mn yen	155 mn yen
	29.6%	51.3%	80.9%
	71 tenants	102 tenants	173 tenants
Individual	33 mn yen	4 mn yen	37 mn yen
	17.0%	2.1%	19.1%
	33 tenants	5 tenants	38 tenants
Total	89 mn yen	102 mn yen	191 mn yen
	46.6%	53.4%	100%
	104 tenants	107 tenants	211 tenants

Upper row: Monthly rent (Jan. 31, 2007)

Middle row: Percentage of total tenants

Lower row: Number of tenants

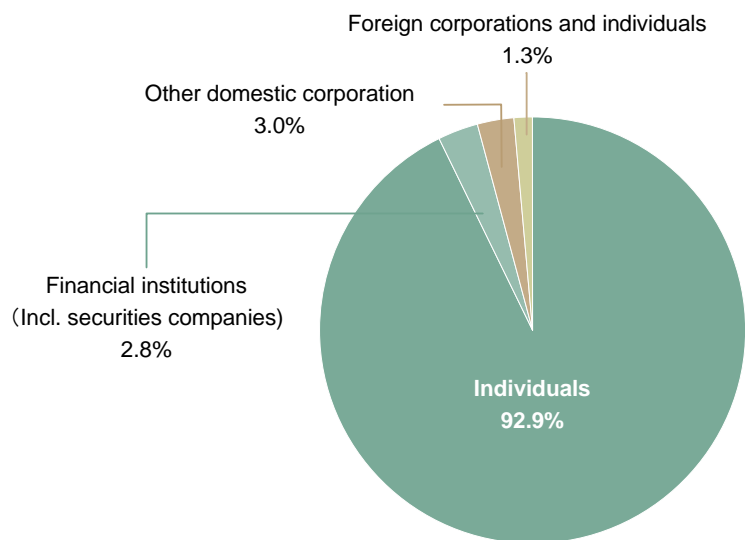
(N.B.) This table excludes Roppongi View Tower which is leased to the Urban Renaissance Agency

Unit price performances (Nov. 30, 2006 – Mar. 30, 2007)

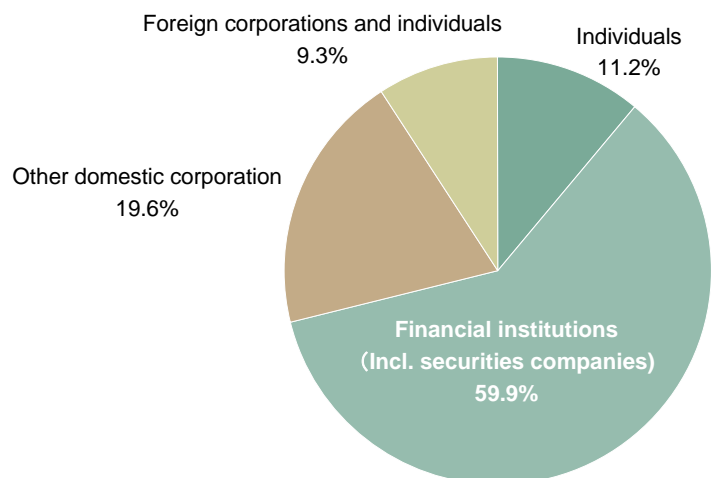


Unitholder breakdown

• Number of unitholders



• Number of investment units



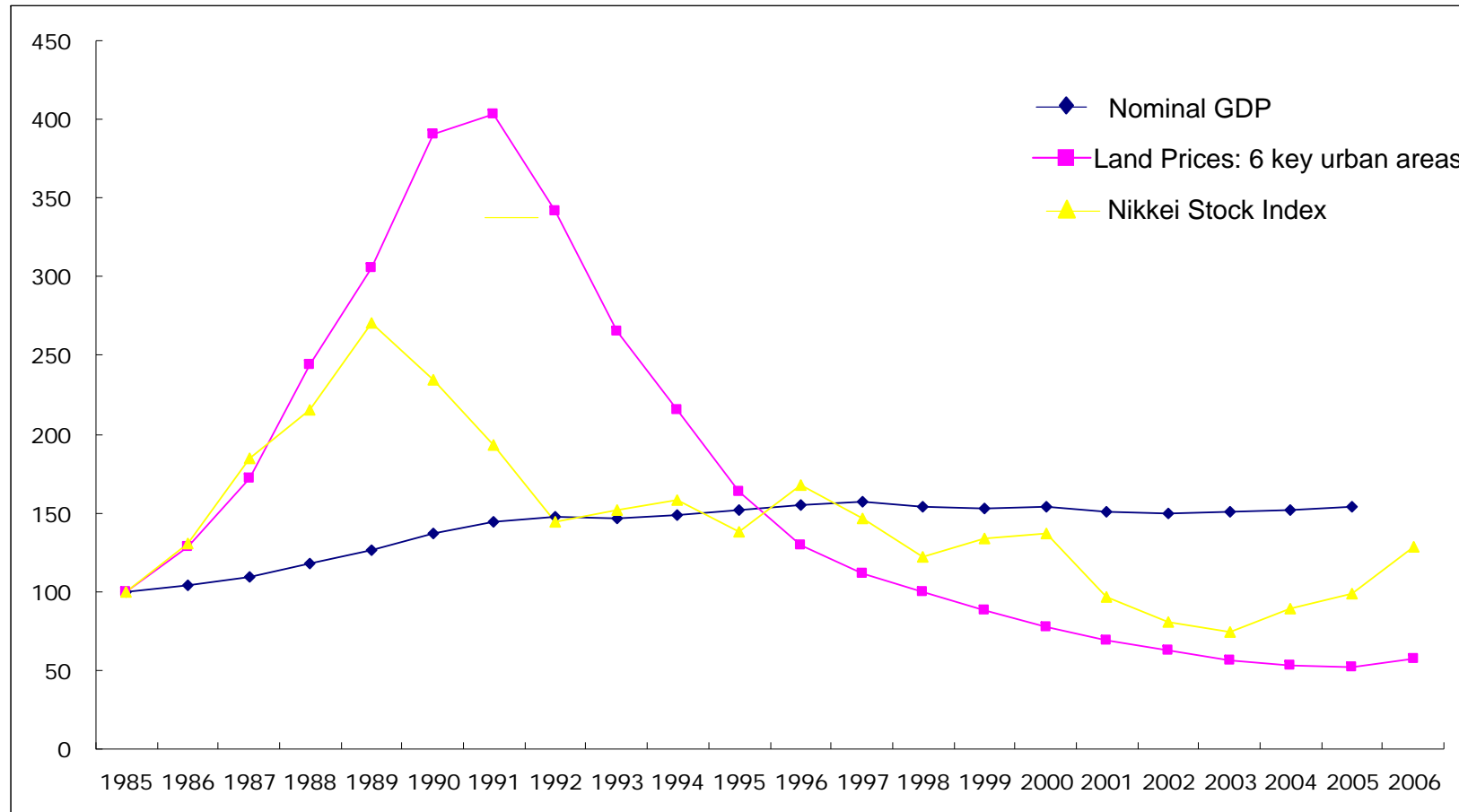
• Unitholder ownership categories

Type of unitholder	Unitholders		Investment units	
	# of unitholder	%	# of units	%
Individuals	5,144	92.9%	14,568	11.2%
Financial institutions (Incl. securities companies)	155	2.8%	77,724	59.9%
Other domestic corporation	168	3.0%	25,478	19.6%
Foreign corporations and individuals	70	1.3%	12,030	9.3%
Total	5,537	100.0%	129,800	100.00%

• Top 10 unitholders

	Name	# of units held	%
1	Mori Building Co., Ltd.	19,518	15.0%
2	NikkoCiti Trust and Banking Corporation (Investment trust account)	9,152	7.1%
3	Japan Trustee Services Bank (Trust account)	8,837	6.8%
4	The Norinchukin Bank	6,400	4.9%
5	The Master Trust Bank of Japan, Ltd. (Trust account)	5,643	4.3%
6	Trust & Custody Services Bank of Japan, Ltd. (Securities Investment Trust unit)	4,646	3.6%
7	Resona Bank, Limited	3,771	2.9%
8	The Hiroshima Bank, Ltd.	3,500	2.7%
9	Aioi Insurance Co., Ltd.	2,600	2.0%
10	The Bank of IKEDA, Ltd.	2,380	1.8%

Land price changes in Japan (1)

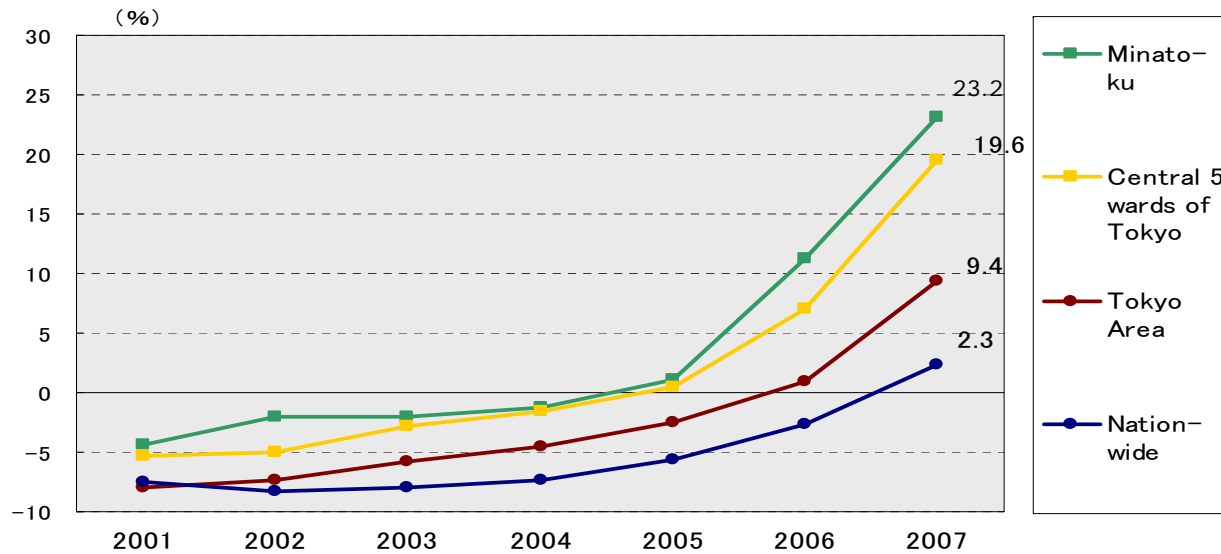


- 1: Nominal GDP on a fiscal year basis
- 2: Nikkei Index is average for full year
- 3: 1985=100
- 4: Land Prices determined by Japan Real Estate Institute valuations of 2,000 sites in 223 cities in March and September. Commercial land prices in 6 largest urban areas

Source: JREI, Japan Cabinet Office System of National Accounts, Bloomberg Data

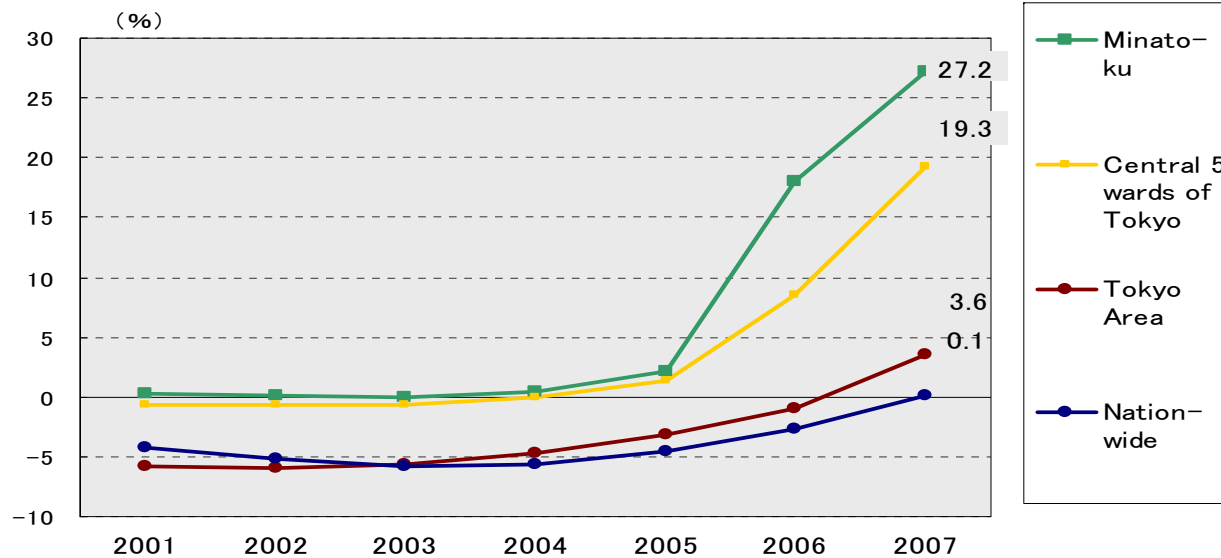
Land price changes in Japan (2)

Central Tokyo, particularly Minato-ku, sees accelerating economic concentration as evidenced by increasing land prices



Official Land prices
in commercial areas
(YoY change)

Source* Prepared by the Urban Research Institute based on MLIT Land Appraisal Committee "Land Price Publication" 2000-2007



Official land prices
in residential areas
(YoY change)

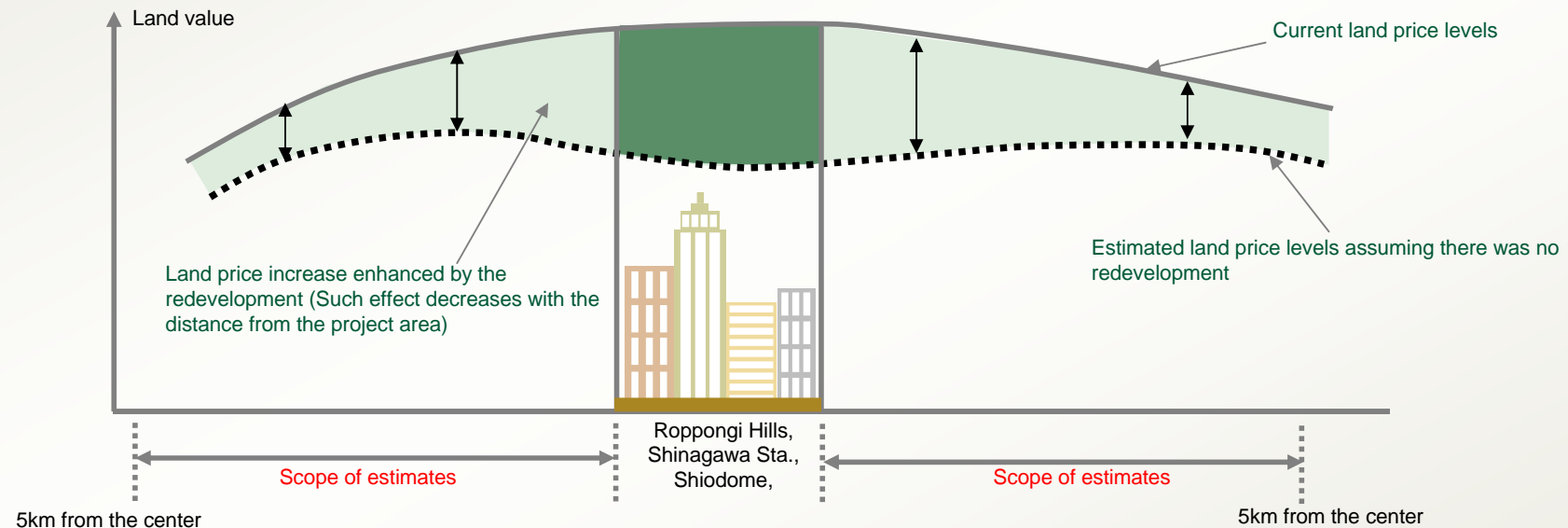
Source* Prepared by the Urban Research Institute based on MLIT Land Appraisal Committee "Land Price Publication" 2000-2007

Impact of large-scale redevelopment projects

Large-scale redevelopment projects enhance the surrounding area's land prices

Analysis of current land prices and land prices assuming there was no redevelopment

Value impact on the surrounding area (within 5 km) is estimated to be around 2.3 trillion yen (about 1.5 times larger than the project cost)



Estimated land price increase in official land prices of the project vicinity

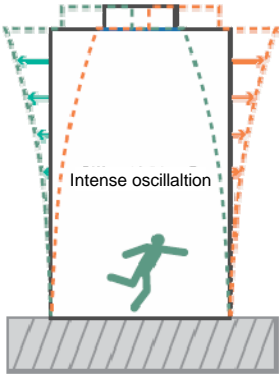
◆ **Roppongi Residential land: +14.1% Commercial land: +8.3%**

(N.B.) This estimates purely measures the difference in current land price and estimated land price assuming there was no redevelopment. Accordingly, it is not a comparison of how land prices actually changed over time (before and after completion of the project). Consequently, the calculation suggests there was a positive impact on the land price even if the actual land price declined, in which case the analysis implies that the decline would have been larger had the redevelopment not taken place.

• Earthquake-resistant features

Seismic Damping

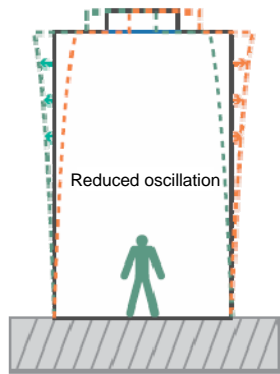
Minimize the level of oscillation



Intense oscillation

Earthquake oscillation


<Normal earthquake resistant building>



Reduced oscillation

Earthquake oscillation

<Building with Seismic Damping>



Viscous Seismic Damping wall

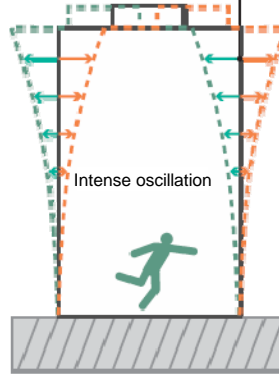
- Seismic Damping reduces earthquake magnitude of oscillation by approx. 20%

MHR properties using this feature

- Roppongi Hills Gate Tower
- Koraku Mori Building

Seismic Isolators

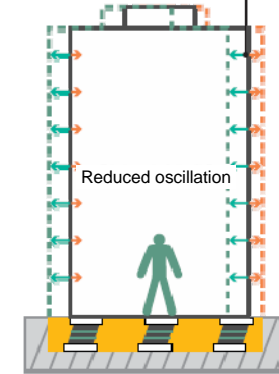
Oscillate slowly and horizontally



Intense oscillation

Earthquake oscillation


<Normal earthquake resistant building>



Reduced oscillation

Earthquake oscillation

<Building with Seismic Isolators>



Seismic Isolators

- Seismic Isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of big earthquake

MHR properties using this feature

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

• Other disaster countermeasures



Emergency well



Storage for emergency

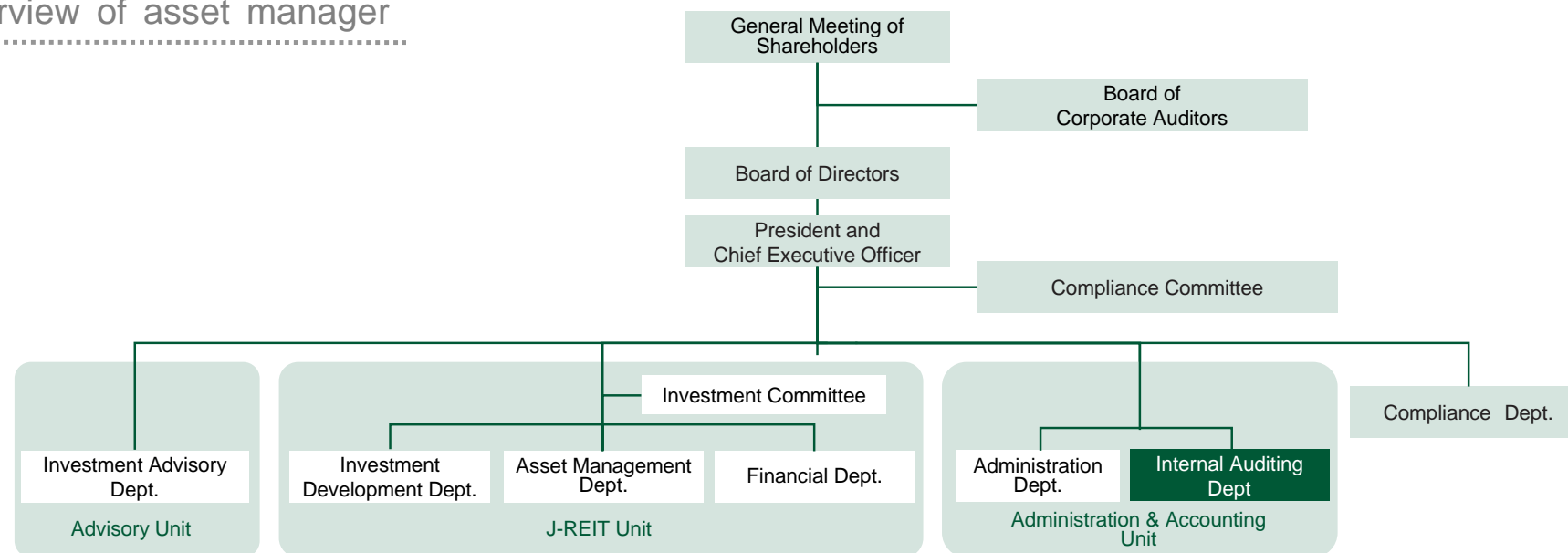


Emergency electrical generation system



Evacuation drill

Overview of asset manager



Company name	Mori Building Investment Management Co., Ltd.	Registered capital	200 mn yen
Established	March 30, 1984	Shareholder	Mori Building Co., Ltd. 100%

About establishment of internal auditing

Internal Auditing Dept. established

(Internal auditing functions separated from the Administration Dept.)

⇒ Aims to reinforce and enhance legal compliance as well as administrative functions

«Scope of Internal Audit»

Whether operations are being executed appropriately and efficiently in accordance with relevant regulations, internal rules, etc.

«Objective»

Ensure operations suitability

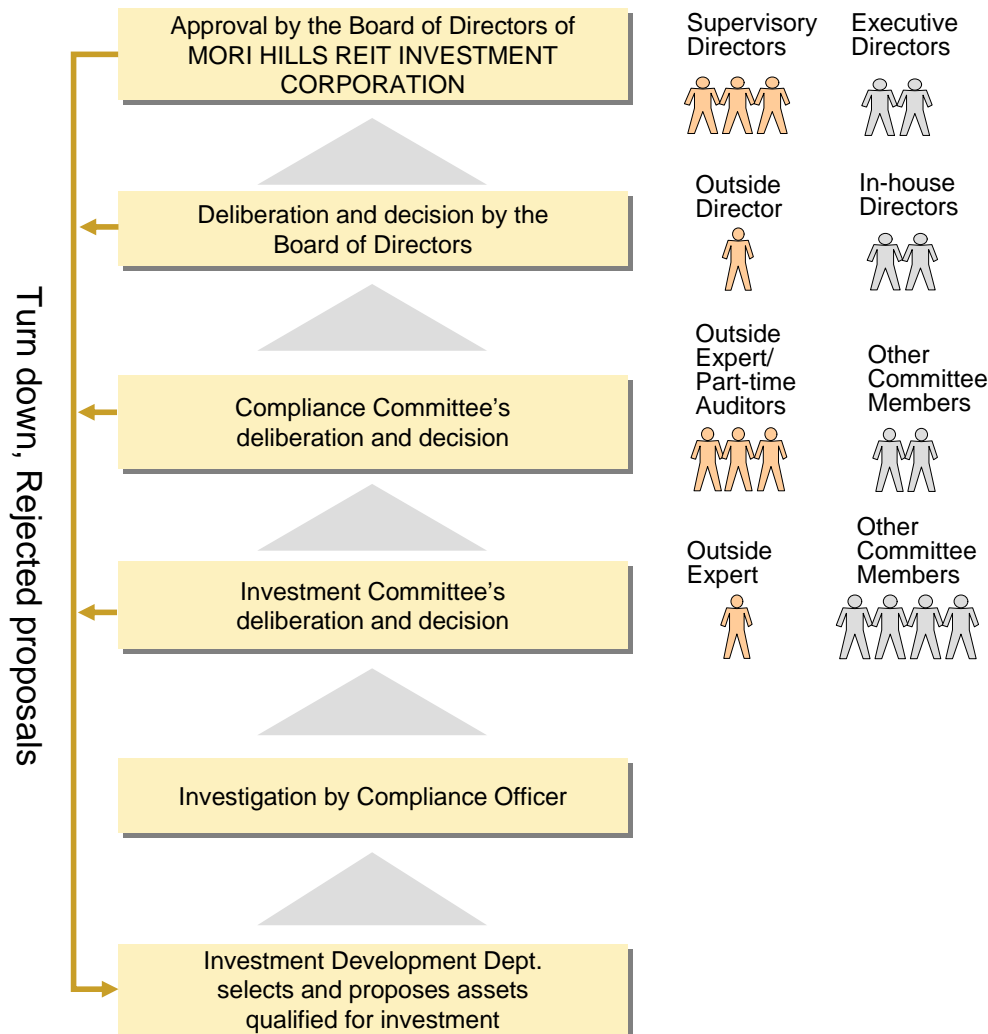
- Internal audits are conducted **once every half year** for each section in principle
- Results are **reported to the President and to the Board of Directors** and necessary improvement measures to be implemented

Organizational structure

Conflict of interest countermeasures

- Acquisition of assets from related parties

Rigorous two-stage process requiring deliberation and approval by outside experts and investment corporation directors



Compliance system

Being aware that lack of compliance would damage investors' trust on us and would undermine our business, we regard full compliance with relevant regulations and ethic as one of the most important managerial principles.

The board of directors, the President and CEO, Compliance Committee, Compliance Department and Compliance Officer implement relevant measures under their authority and responsibility to ensure business integrity and compliance of MIM.

Related parties transactions are required to follow the MIM's "Rules for Related Parties Transactions". Terms and conditions of such related parties transactions are rigorously examined in order not to cause damage to the interests of MHR.

Fee arrangement with asset management company

Maximum fees paid to asset management company (MIM)

Management fee	No more than 0.4% of the total amount of assets under management during the preceding fiscal period (No more than 0.4% of the total amount of the acquisition prices of the acquired real estate for the 1st fiscal period)
Acquisition fee	No more than 1.0% of the acquisition price of assets acquired by the investment corporation (No more than 0.5% in the case of assets acquired from interested parties)
Disposition fee	No more than 0.25% of the disposition price of assets transfer by the investment corporation