September 13, 2007

FINANCIAL REPORT
FOR THE SECOND FISCAL PERIOD ENDED JULY 31, 2007

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

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Planned submission of semiannual security report: October 25, 2007
Planned start of dividend payments: October 19, 2007

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 SECOND FISCAL PERIOD ENDED JULY 31, 2007

(February 1, 2007 – July 31, 2007)

(1) Business Results

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

	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Second Fiscal Period	¥4,553	(35.1%)	¥2,381	(38.3%)	¥1,936	(27.3%)	¥1,935	(27.3%)
First Fiscal Period	¥7,012	–	¥3,862	–	¥2,664	–	¥2,662	–

	Net Profit per Unit	Net Profit to Total Net Assets	Ordinary Profit to Total Assets	Ordinary Profit to Operating Revenues
Second Fiscal Period	¥14,912	2.6%	1.2%	42.5%
First Fiscal Period	¥32,403 [¥28,185]	6.1%	2.7%	38.0%

(Notes)

1. The second fiscal period was from February 1, 2007 to July 31, 2007, a period of 181 days. The first fiscal period was from February 2, 2006 to January 31, 2007, a period of 364 days; the actual period of asset management, however, was from March 22, 2006, a period of 316 days.
2. Net profit per unit is calculated by using the average number of investment units for the period as follows.
   Second fiscal period: 129,800 units
   First fiscal period: 82,164 units
   Net profit per unit in parentheses [ ] is calculated by the weighted average number of investment units (94,458 units) for the actual number of asset management days for the period commencing March 22, 2006, after the date of registration completion at the Kanto Local Finance Bureau of the Ministry of Finance.
3. For the first fiscal period, net profit to total net assets is calculated by using the average of the amounts of total net assets as of the first date of the period and as of the last date of the period, and ordinary profit to total assets is calculated by using the average of the amounts of total assets as of the first date of the period and as of the last date of the period. For this calculation, the first date of actual asset management (March 22, 2006) is deemed as the first date of the period.

(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
Second Fiscal Period	¥14,912	¥1,935 million	¥0	–	99.9%	2.6%
First Fiscal Period	¥20,511	¥2,662 million	¥0	–	99.9%	3.5%

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

(3) Financial Position

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
Second Fiscal Period	¥155,165 million	¥74,607 million	48.1%	¥574,784
First Fiscal Period	¥155,689 million	¥75,333 million	48.4%	¥580,383

(Reference) Total net assets
Second fiscal period: ¥74,607 million First fiscal period: ¥75,333 million

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Second Fiscal Period	¥3,897 million	¥3 million	(¥2,656 million)	¥11,903 million
First Fiscal Period	¥3,285 million	(¥138,251 million)	¥145,624 million	¥10,657 million

2. FORECAST OF RESULTS FOR THE THIRD FISCAL PERIOD ENDING JANUARY 31, 2008

(August 1, 2007 – January 31, 2008)

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

	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Third Fiscal Period	¥4,527	(0.6%)	¥2,189	(8.0%)	¥1,636	(15.5%)	¥1,635	(15.5%)

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Third Fiscal Period	¥12,600	¥0

(Reference) Estimated net profit per unit for the third fiscal period: ¥12,600

3. OTHER

(1) Changes in Accounting Policies

(a) Changes accompanying amendments to accounting standards, etc.: No

(b) Changes other than (a): No

(2) Number of Units Outstanding

(a) Number of units outstanding at end of period (including treasury units)

Second fiscal period: 129,800 units First fiscal period: 129,800 units

(b) Number of treasury units at end of period

Second fiscal period: 0 units First fiscal period: 0 units

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

(Note) The forecast of results for the third fiscal period ending January 31, 2008 are calculated as of today based on the assumptions presented on page 7. Forecasts for operating revenues, operating profit, ordinary profit, net profit and dividend per unit may differ from actual results due to changes in operating conditions and a variety of factors. Accordingly, Mori Hills REIT Investment Corporation does not guarantee any forecasted dividend amount.

4. BUSINESS RESULTS

(1) Overview of the Second Fiscal Period

(a) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated by Mori Building Investment Management Co., Ltd. (MHR's Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and was registered by the Prime Minister based on Article 187 of the Law Concerning Investment Trusts and Investment Corporations on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). As of the end of MHR's fiscal period under review (second fiscal period ended July 31, 2007), the total number of units outstanding was 129,800 units. Recently, MHR closed its second fiscal period.

(b) Investment Environment and Business Performance

i) Investment Environment

During the second fiscal period, the Japanese economy maintained its economic recovery as evidenced by the ongoing increased capital investment and better employment situation backed by improvements in corporate earnings. In addition, though gradual, personal spending was also on the rise. As for land price trends, polarization continues to spread into regions showing trends of price rebound or increase, as well as into regions experiencing ongoing stagnation. Meanwhile, the upward trend in central Tokyo is becoming increasingly conspicuous. The rental office building market remains buoyant due in part to strong corporate earnings driven by an active demand for more floor area or to integrate offices, and this is driving vacancy rates to drop particularly at highly competitive large buildings in central Tokyo. The contracted rent of new tenants and revised rent of existing tenants are also clearly on an upward trend due to the tight demand and supply situation. The luxury rental housing market saw occupancy rates hover at higher levels along with a trend of increasing rent, owing to the increase in the number of foreigners working at foreign firms in correlation with the recovery in the Japanese economy and the increase in demand for luxury rental housing along with more vigorous personal spending by the wealthy. In the real estate trading market, Japanese and overseas investors proactively invested into real estate against a backdrop of robust rental office demand and supply. This was accompanied by a prominent rise in acquisition costs. The acquisition of blue-chip real estate from which modest returns on investment can be secured remains extremely difficult.

ii) Business Performance

Under such circumstances, MHR proceeded to operate based on the policy of focusing on the competitiveness and the ability to create value attributable to "urban" areas (centering on central Tokyo) and based on a policy of conducting asset management focusing on "Premium Properties" (properties situated in urban areas and considered to be capable of maintaining competitiveness in the future in terms of quality, size and specifications). During the second fiscal period, there were no opportunities to acquire new properties that comply with such policies. Regarding properties in the portfolio, MHR achieved positive results by enhancing tenant satisfaction through meticulous operational management, systematic maintenance and repairs and other efforts, as well as by negotiating upward rent revisions with existing tenants.

MHR's real estate portfolio as of the end of the second fiscal period was comprised of nine properties under management with a total leasable floor area of 87,631.12m². MHR has already invested 142.7 billion yen (based on acquisition value) into this portfolio. The occupancy rate at the end of the second fiscal period was 96.7%.

(Notes)

i. For Roppongi First Building and Roppongi View Tower, MHR purchased 6% of the trust certificate pertaining to the joint ownership portion on March 22, 2006 and 40% of the trust certificate pertaining to the joint ownership portion on April 13, 2006. However, MHR treats each of these properties as one property in the number of properties in the portfolio (the same hereinafter).

ii. 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

MHR's debt balance stands at 73 billion yen (short-term debt: 33 billion yen; long-term debt: 40 billion yen) as of the end of the second fiscal period (LTV at the end of the second fiscal period: 47.05%). The weighted average interest rate as of the end of the second fiscal period was 1.14%.

Of this debt, for the 40 billion yen in long-term debt with variable interest rates, MHR takes measures that in effect convert variable interest rates into fixed interest rates. Such measures include utilizing interest rate swaps to hedge against the risk of fluctuations in interest rates. Concerning future debt, MHR will strive to minimize refinancing risks by diversifying debt repayment dates and by extending the average remaining duration of debt by increasing the percentage of fund procurement through long-term debt.

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

(d) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 4,553 million yen in operating revenues, 2,381 million yen in operating profit, 1,936 million yen in ordinary profit after deducting the interest expense for debt, etc. and 1,935 million yen in net profit in the second fiscal period.

In regards to dividends, to ensure that profit 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 14,912 yen.

(2) Outlook of the Third Fiscal Period

(a) Future Management Policy

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

Concerning the acquisition of new properties, MHR will aim to further boost its portfolio size while increasing the quality of its portfolio by acquiring blue-chip assets by utilizing the information independently gathered by MHR's Asset Manager based on a pipeline support agreement entered into with Mori Building Co., Ltd. However, given the current highly competitive nature of the market in acquiring blue-chip properties in Japan, MHR will exercise careful and sound judgment regarding investment opportunities in properties that comply with MHR's management policy.

In the management of properties in the portfolio, MHR seeks to ensure stable revenue over the medium and long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of conducting rational, efficient and systematic asset and operational management that enhances satisfaction and captures the extensive trust of tenants. Furthermore, in the operation of individual assets under management, MHR strives to raise the presence of its assets under management by proactively leveraging the know-how and services of Mori Building Co., Ltd. In addition, MHR will also aim to achieve effective internal growth by focusing on raising the level of rent of new tenants as well as existing tenants based on the tightening demand and supply situation in the rental office market.

(b) Significant Subsequent Events

Not applicable.

(c) Outlook of Business Results

MHR expects the following business results for its next fiscal period (third fiscal period starting August 1, 2007 and ending January 31, 2007). For the assumptions underlying the forecast of results, please refer to "Assumptions of Forecast of Results for the Third Fiscal Period Ending January 31, 2008 (August 1, 2007 – January 31, 2008)" presented on page 7.

Operating revenues	¥4,527	million
Operating profit	¥2,189	million
Ordinary profit	¥1,636	million
Net profit	¥1,635	million
Dividend per unit	¥12,600	
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 revenues, operating profit, ordinary profit, net profit, dividend per unit and dividend in excess of earnings per unit may differ significantly from actual results due to changes in operating conditions and a variety of factors. Accordingly, these shall not be construed as a guarantee of those amounts.

Assumptions of Forecast of Results for the Third Fiscal Period Ending January 31, 2008 (August 1, 2007 – January 31, 2008)

The forecasts for operating revenues, operating profit, ordinary profit, net profit dividend per unit and dividend in excess of earnings per unit for the third 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	• MHR assumes that there will be no change in the investment portfolio (acquisition of new properties, disposition of existing properties, etc.) during the period up to the end of the third fiscal period (January 31, 2008). • In actual practice, however, the forecast is subject to change due to changes in the investment portfolio.
Operating Revenues	• Property revenues are estimated based on the lease contracts effective as of July 31, 2007, taking into account the market environment, the competitiveness of the individual properties and other factors. • For estimation of operating revenues, MHR assumes that there will be no delinquencies or unpaid rent by tenants.
Operating Expenses	• Of the property expenses, which accounts for the majority of operating expenses, the expenses other than depreciation and amortization are calculated by referring to historical figures and adjusted to reflect variable factors. • For property taxes, city planning taxes, etc., the amount of taxation during the third fiscal period is expected to total 249 million yen (for 6 months). 120 million yen (for 3 months) was taxed and recorded as expenses for the second fiscal period. • For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal period (110 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal periods may differ significantly from estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next. • Depreciation and amortization are calculated using the straight-line method, with future additional capital expenditures taken into account (573 million yen).
Non-Operating Expenses	• MHR expects to incur 520 million yen in debt related expenses such as interest expense.
Debt	• Debt outstanding as of the end of the second fiscal period (July 31, 2007) was 73,000 million yen. MHR assumes that there will be no change in the amount of debt outstanding and interest rate will not change until the end of the third fiscal period (January 31, 2008).
Investment Units	• MHR assumes that they will not issue any additional investment units until the end of the third fiscal period (January 31, 2008).
Dividend per Unit	• Dividend per unit is calculated based on the assumption that MHR will distribute all profits in accordance with its cash distribution policy as outlined in its Articles of Incorporation. • Dividend per unit may vary due to various factors, including changes in the investment portfolio, changes in rent income caused by the moving-in/out of tenants, unplanned repairs, changes in interest rates, or additional issue of new investment units.
Dividend in Excess of Earnings per Unit	• MHR assumes at present that it will not conduct any cash distributions in excess of earnings (dividend in excess of earnings per unit).
Other	• 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

Item	First Fiscal Period (as of January 31, 2007)			Second Fiscal Period (as of July 31, 2007)			Period-on-Period Comparison	
	Amount (thousands of yen)		Share of Total (%)	Amount (thousands of yen)		Share of Total (%)	Amount (thousands of yen)	Percentage Change (%)
Assets								
I. Current assets								
Cash and deposits		3,494,526			4,688,388		1,193,862	
Entrusted cash and deposits		7,163,207			7,214,625		51,417	
Accounts receivable – trade		95,703			87,521		(8,181)	
Prepaid expenses		107,420			101,877		(5,543)	
Deferred tax assets		38			19		(18)	
Consumption taxes receivable		1,193,776			–		(1,193,776)	
Other current assets		–			1,955		1,955	
Total current assets		12,054,672	7.7		12,094,388	7.8	39,715	0.3
II. Fixed assets								
1. Property and equipment, at cost								
Entrusted buildings	38,421,042			38,445,457				
Accumulated depreciation	(875,229)	37,545,812		(1,402,987)	37,042,470		(503,341)	
Entrusted structures	600,431			602,654				
Accumulated depreciation	(55,495)	544,935		(87,101)	515,552		(29,383)	
Entrusted machinery and equipment	705,392			705,617				
Accumulated depreciation	(18,321)	687,071		(29,132)	676,484		(10,586)	
Entrusted tools, furniture and fixtures	1,170			7,682				
Accumulated depreciation	(145)	1,024		(608)	7,073		6,049	
Entrusted land		86,332,510			86,332,510		–	
Property and equipment, net		125,111,353	80.4		124,574,091	80.3	(537,261)	(0.4)
2. Intangible assets								
Entrusted leasehold rights		18,409,956			18,409,956		–	
Total intangible assets		18,409,956	11.8		18,409,956	11.9	–	0.0
3. Investments and other assets								
Security deposits		10,300			10,300		–	
Long-term prepaid expenses		62,649			41,356		(21,293)	
Total investments and other assets		72,949	0.1		51,656	0.0	(21,293)	(29.2)
Total fixed assets		143,594,260	92.3		143,035,705	92.2	(558,554)	(0.4)
III. Deferred assets								
Initial expenses		40,890			35,779		(5,111)	
Total deferred assets		40,890	0.0		35,779	0.0	(5,111)	(12.5)
Total assets		155,689,823	100.0		155,165,873	100.0	(523,950)	(0.3)

Item	First Fiscal Period (as of January 31, 2007) Amount (thousands of yen)		First Fiscal Period Share of Total (%)	Second Fiscal Period (as of July 31, 2007) Amount (thousands of yen)		Second Fiscal Period Share of Total (%)	Period-on-Period Comparison Amount (thousands of yen)	Percentage Change (%)
Liabilities								
I. Current liabilities								
Accounts payable – trade		263,476			271,778		8,301	
Short-term debt		33,000,000			33,000,000		–	
Accounts payable – other		21,177			11,085		(10,092)	
Accrued expenses		143,947			150,643		6,695	
Accrued income taxes		1,665			654		(1,011)	
Accrued consumption taxes		–			117,541		117,541	
Rent received in advance		601,606			617,454		15,848	
Deposits received		155,093			143,117		(11,975)	
Total current liabilities		34,186,967	22.0		34,312,274	22.1	125,307	0.4
II. Long-term liabilities								
Long-term debt		40,000,000			40,000,000		–	
Tenant leasehold and security deposits received		6,169,101			6,246,570		77,468	
Total long-term liabilities		46,169,101	29.6		46,246,570	29.8	77,468	0.2
Total liabilities		80,356,069	51.6		80,558,844	51.9	202,775	0.3
Net Assets								
I. Unitholders' equity								
1. Unitholders' capital		72,671,418	46.7		72,671,418	46.8	–	0.0
2. Retained earnings								
Unappropriated retained earnings		2,662,335			1,935,609		(726,726)	
Total retained earnings		2,662,335	1.7		1,935,609	1.3	(726,726)	(27.3)
Total unitholders' equity		75,333,754	48.4		74,607,028	48.1	(726,726)	(1.0)
Total net assets		75,333,754	48.4		74,607,028	48.1	(726,726)	(1.0)
Total liabilities and net assets		155,689,823	100.0		155,165,873	100.0	(523,950)	(0.3)

(2) Statements of Income

Item	First Fiscal Period (February 2, 2006 – January 31, 2007) Amount (thousands of yen)		Percentage (%)	Second Fiscal Period (February 1, 2007 – July 31, 2007) Amount (thousands of yen)		Percentage (%)	Period-on-Period Comparison Amount (thousands of yen)	Percentage Change (%)
1. Operating revenues								
Property revenues	6,342,571			4,135,555				
Other property revenues	669,739	7,012,311	100.0	417,613	4,553,168	100.0	(2,459,142)	(35.1)
2. Operating expenses								
Property expenses	2,654,151			1,809,353				
Asset management fees	396,775			247,707				
Directors' compensation	22,800			10,400				
Asset custody fees	6,499			3,883				
Administration fees	11,891			11,411				
Other operating expenses	57,926	3,150,043	44.9	88,918	2,171,673	47.7	(978,369)	(31.1)
Operating profit		3,862,267	55.1		2,381,495	52.3	(1,480,772)	(38.3)
3. Non-operating revenues								
Interest income	1,031			4,814				
Other non-operating revenues	–	1,031	0.0	9,438	14,252	0.3	13,220	1,281.1
4. Non-operating expenses								
Interest expense	554,327			414,336				
Amortization of initial expenses	10,222			5,111				
Loan related expenses	237,265			38,139				
Issue costs of new units	47,122			–				
Expenses related to listing of new units	349,990			–				
Other non-operating expenses	202	1,199,130	17.1	1,545	459,132	10.1	(739,997)	(61.7)
Ordinary profit		2,664,169	38.0		1,936,615	42.5	(727,554)	(27.3)
Profit before tax		2,664,169	38.0		1,936,615	42.5	(727,554)	(27.3)
Current income taxes	1,872			995				
Deferred income taxes	(38)	1,834	0.0	18	1,013	0.0	(820)	(44.7)
Net profit		2,662,335	38.0		1,935,601	42.5	(726,733)	(27.3)
Retained earnings brought forward		–			7		7	0.0
Unappropriated retained earnings		2,662,335			1,935,609		(726,726)	(27.3)

(3) Statements of Changes in Unitholders' Equity

First Fiscal Period (February 2, 2006 – January 31, 2007)

(Unit: thousands of yen)

	Unitholders' equity			Total net assets
	Unitholders' capital	Retained earnings: Unappropriated retained earnings	Total unitholders' equity	
Balance at end of previous period	–	–	–	–
Changes during period				
Issue of new units	72,671,418	–	72,671,418	72,671,418
Net profit	–	2,662,335	2,662,335	2,662,335
Net change during period	72,671,418	2,662,335	75,333,754	75,333,754
Balance at end of period	72,671,418	2,662,335	75,333,754	75,333,754

Second Fiscal Period (February 1, 2007 – July 31, 2007)

(Unit: thousands of yen)

	Unitholders' equity			Total net assets
	Unitholders' capital	Retained earnings: Unappropriated retained earnings	Total unitholders' equity	
Balance at end of previous period	72,671,418	2,662,335	75,333,754	75,333,754
Changes during period				
Distribution of retained earnings	–	(2,662,327)	(2,662,327)	(2,662,327)
Net profit	–	1,935,601	1,935,601	1,935,601
Net change during period	–	(726,726)	(726,726)	(726,726)
Balance at end of period	72,671,418	1,935,609	74,607,028	74,607,028

(4) Statements of Cash Distributions

(Unit: yen)

Item \ Period	First Fiscal Period (February 2, 2006 – January 31, 2007	Second Fiscal Period (February 1, 2007 – July 31, 2007)
I. Unappropriated retained earnings	2,662,335,436	1,935,609,421
II. Amount of dividends	2,662,327,800	1,935,577,600
[Amount of dividend per unit]	[20,511]	[14,912]
III. Retained earnings carried forward	7,636	31,821

(5) Statements of Cash Flows

	First Fiscal Period (February 2, 2006 – January 31, 2007)	Second Fiscal Period (February 1, 2007 – July 31, 2007)	Period-on-Period Comparison
Item	Amount (thousands of yen)	Amount (thousands of yen)	Amount (thousands of yen)
I. Cash flows from operating activities			
Profit before tax	2,664,169	1,936,615	(727,554)
Depreciation and amortization	949,193	570,637	(378,556)
Amortization of initial expenses	10,222	5,111	(5,111)
Issue costs of new units	47,122	–	(47,122)
Interest income	(1,031)	(4,814)	(3,782)
Interest expense	554,327	414,336	(139,990)
Decrease (Increase) in accounts receivable – trade	(95,703)	8,181	103,884
Decrease (Increase) in consumption taxes receivable	(1,193,776)	1,193,776	2,387,552
Increase (Decrease) in accounts payable – trade	203,423	48,604	(154,818)
Increase (Decrease) in accounts payable – other	21,177	(15,923)	(37,101)
Increase (Decrease) in accrued expenses	10,240	(1,985)	(12,225)
Increase (Decrease) in accrued consumption taxes	–	117,541	117,541
Increase (Decrease) in rent received in advance	601,606	15,848	(585,758)
Increase (Decrease) in deposits received	155,093	(11,975)	(167,068)
Initial expenses paid	(51,113)	–	51,113
Decrease (Increase) in prepaid expenses	(107,420)	5,543	112,964
Decrease (Increase) in long-term prepaid expenses	(62,649)	21,293	83,942
Other	–	(1,955)	(1,955)
Sub total	3,704,880	4,300,834	595,953
Interest received	1,031	4,814	3,782
Interest paid	(420,619)	(405,655)	14,964
Income taxes paid	(206)	(2,006)	(1,800)
Net cash provided by operating activities	3,285,086	3,897,987	612,900
II. Cash flows from investing activities			
Payments for purchase of entrusted property and equipment	(126,000,493)	(73,678)	125,926,814
Payments for purchase of intangible assets	(18,409,956)	–	18,409,956
Proceeds from tenant leasehold and security deposits received	7,474,141	292,691	(7,181,449)
Payments for tenant leasehold and security deposits received	(1,305,039)	(215,223)	1,089,815
Payments for security deposits	(10,300)	–	10,300
Net cash provided by (used in) investing activities	(138,251,648)	3,789	138,255,437
III. Cash flows from financing activities			
Proceeds from short-term debt	161,841,000	–	(161,841,000)
Repayment of short-term debt	(128,841,000)	–	128,841,000
Proceeds from long-term debt	40,000,000	–	(40,000,000)
Proceeds from issue of new units	72,671,418	–	(72,671,418)
Issue costs of new units	(47,122)	–	47,122
Dividends paid	–	(2,656,496)	(2,656,496)
Net cash provided by (used in) financing activities	145,624,296	(2,656,496)	(148,280,793)
IV. Net increase (decrease) in cash and cash equivalents	10,657,734	1,245,279	(9,412,455)
V. Cash and cash equivalents at beginning of period	–	10,657,734	10,657,734
VI. Cash and cash equivalents at end of period	10,657,734	11,903,014	1,245,279

6. OVERVIEW OF LEASE CONDITIONS (as of July 31, 2007)

Property no.	Property name	Leasing scheme	Total leasable floor area (m^2)	Total leased floor area (m^2)	Occupancy rate (%)	Total no. of end tenants	Gross rent income (annual rent) (millions of yen)	Deposits / Guarantees (millions of yen)
O-1	ARK Mori Building	Fixed master lease	2,728.96	2,728.96	100.0	1	297	297
O-2	Roppongi Hills Gate Tower	Pass-through master lease	16,657.52	16,281.61	97.7	44	1,953	1,721
O-3	Roppongi First Building	–	11,525.55	11,503.27	99.8	16	1,230	1,270
O-4	Koraku Mori Building	Pass-through master lease	16,199.26	16,090.42	99.3	16	1,701	1,590
O-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Pass-through master lease	6,720.34	6,720.34	100.0	1	801	351
R-1	Moto-Azabu Hills	Pass-through master lease	19,251.84	17,869.02	92.8	107	1,586	669
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,628.13	88.2	34	333	142
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,576.36	87.1	37	154	65
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	219	0
Total portfolio			87,631.12	84,742.95	96.7	257	8,274	6,105

7. STATUS OF INCOME AND EXPENDITURES (February 1, 2007 – July 31, 2007)

(Unit: thousands of yen)

Property no.	O-1 Premium	O-2 Premium	O-3 Premium	O-4 Premium	O-5
Property name	ARK Mori Building	Roppongi Hills Gate Tower	Roppongi First Building	Koraku Mori Building	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)
Days of operations	181	181	181	181	181
Property revenues	148,591	986,724	606,941	847,915	400,375
Other property revenues	–	127,922	86,273	116,423	9,240
Total property revenues	148,591	1,114,647	693,214	964,338	409,615
Property management fees	1,200	150,316	80,043	87,343	66,777
Property taxes	4,158	33,105	21,684	17,652	11,054
Utilities	–	56,403	34,579	77,858	–
Maintenance and repairs	–	9,091	6,136	4,766	32,953
Insurance premium	422	2,137	1,722	1,875	564
Depreciation and amortization	17,768	116,194	99,589	123,128	35,553
Other property expenses	516	37,603	1,200	65,541	766
Total property expenses	24,064	404,852	244,956	378,165	147,669
Property income (NOI)	142,294	825,989	547,847	709,301	297,498

Property no.	R-1 Premium	R-2 Premium	R-3 Premium	R-4
Property name	Moto-Azabu Hills	ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower
Days of operations	181	181	181	181
Property revenues	782,255	174,869	78,455	109,426
Other property revenues	66,377	10,583	793	–
Total property revenues	848,633	185,453	79,249	109,426
Property management fees	189,818	36,106	13,327	6,474
Property taxes	19,869	4,614	3,065	4,901
Utilities	3,823	8,902	145	–
Maintenance and repairs	55,670	6,147	6,395	–
Insurance premium	4,619	1,098	505	743
Depreciation and amortization	122,020	31,820	9,056	15,504
Other property expenses	50,053	9,191	4,859	905
Total property expenses	445,875	97,882	37,355	28,529
Property income (NOI)	524,778	119,391	50,949	96,401

(Note) The amounts are rounded down to the nearest thousand yen. Accordingly, the amounts shown do not necessarily add up to the total figures.

Disclaimer:

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated September 13, 2007, and portions of the Financial Statements and the Performance Information Report for the second fiscal period from February 1, 2007 to July 31, 2007, of MORI Hills REIT Investment Corporation (MHR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

This English language document was prepared solely for the convenience of and reference by investors and neither corresponds to the original Japanese documents nor is it intended to constitute a disclosure document. The Japanese language *Kessan-Tanshin* and the Financial Statements and the Performance Information Report for the aforementioned should always be referred to as originals of this document.

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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 speak only as of the date of release, September 13, 2007, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.