



H I L L S R E I T

September 20, 2012

**FINANCIAL REPORT
FOR THE TWELFTH FISCAL PERIOD ENDED JULY 31, 2012**

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

Representative: Hideyuki Isobe, Executive Director

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

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

Representative: Hideyuki Isobe, President & CEO

Contact: Yoshimi Nishibeppu, General Manager of Administration Department
TEL: +81-3-6234-3234

Planned submission of semiannual security report: October 25, 2012

Planned start of dividend payments: October 15, 2012

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 TWELFTH FISCAL PERIOD ENDED JULY 31, 2012

(February 1, 2012 – July 31, 2012)

(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
Twelfth Fiscal Period	¥4,797	0.7%	¥3,183	2.4%	¥2,120	6.2%	¥2,119	6.2%
Eleventh Fiscal Period	¥4,765	(9.4%)	¥3,108	1.6%	¥1,997	2.5%	¥1,996	3.2%

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Twelfth Fiscal Period	¥9,154	2.0%	1.0%	44.2%
Eleventh Fiscal Period	¥8,622	1.9%	0.9%	41.9%

(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.

Twelfth fiscal period: 231,520 units

Eleventh fiscal period: 231,520 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
Twelfth Fiscal Period	¥8,700	¥2,014 million	¥0	¥0	95.0%	1.9%
Eleventh Fiscal Period	¥8,622	¥1,996 million	¥0	¥0	100.0%	1.9%

(Notes)

- 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
- Dividend per unit for the twelfth fiscal period is calculated by deducting reserve for reduction entry (¥105 million) from unappropriated retained earnings, and dividing the amount by the number of units outstanding. In addition, the main difference between dividend per unit and net income per unit is attributable to calculation of dividend per unit involving deduction of reserve for reduction entry as described above.

(3) Financial Position

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
Twelfth Fiscal Period	¥219,405 million	¥104,130 million	47.5%	¥449,768
Eleventh Fiscal Period	¥219,119 million	¥104,007 million	47.5%	¥449,236

(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
Twelfth Fiscal Period	¥28,248 million	(¥25,782 million)	(¥2,106 million)	¥9,651 million
Eleventh Fiscal Period	¥38,142 million	(¥35,856 million)	(¥2,044 million)	¥9,291 million

2. FORECAST OF RESULTS FOR THE THIRTEENTH FISCAL PERIOD ENDING JANUARY 31, 2013 (August 1, 2012 – January 31, 2013)

(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
Thirteenth Fiscal Period	¥4,673	(2.6%)	¥3,134	(1.6%)	¥2,107	(0.6%)	¥2,106	(0.6%)

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Thirteenth Fiscal Period	¥9,100	¥0

(Reference) Estimated net income per unit for the thirteenth fiscal period: ¥9,100

3. OTHER

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

- (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (b) Changes in accounting policies other than (a): None
- (c) Changes in accounting estimates: None
- (d) Corrections of errors: None

(2) Number of Units Outstanding

- (a) Number of units outstanding at end of period (including own units)

Twelfth fiscal period: 231,520 units Eleventh fiscal period: 231,520 units

- (b) Number of own units at end of period

Twelfth fiscal period: 0 units Eleventh fiscal period: 0 units

***Presentation of the status of implementation of audit procedures**

At the time of disclosure of the original Japanese language Financial Release (*Kessan-Tanshin*), from which selected information is translated in this document, audit procedures pursuant to the Financial Instruments and Exchange Law have not been completed.

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

The forecast of results and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Mori Hills REIT Investment Corporation (“the Company”). Accordingly, actual results, etc. may differ materially due to a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts. For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Thirteenth Fiscal Period Ending January 31, 2013 (August 1, 2012 – January 31, 2013)” presented on pages 9 to 10.

4. BUSINESS RESULTS

(1) Overview of the Twelfth Fiscal Period

(a) Brief Background of the Company

Mori Hills REIT Investment Corporation (“the Company”) was incorporated by Mori Building Investment Management Co., Ltd. (the Company’s Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and registration was approved 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, the Company was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234).

The Company later issued new investment units through a third-party allotment (29,400 units) on September 29, 2008, issued new investment units through a public offering (67,000 units) on March 23, 2010, and issued new investment units through a third-party allotment (over-allotment) (5,320 units) on April 23, 2010. As of the end of the Company’s fiscal period under review (twelfth fiscal period: February 1, 2012 to July 31, 2012), the total number of investment units outstanding was 231,520 units.

(b) Investment Environment and Business Performance

i) Investment Environment

In the twelfth fiscal period, the Japanese economy was on a moderate recovery path, backed by strong consumer spending and public investment. This spending and investment was buoyed in part by demand stemming from reconstruction from the Great East Japan Earthquake. The recovery has continued despite such factors as concerns over Europe’s debt crisis and rising crude oil prices.

In such an economic environment, in the rental office building market, although occupancy rates are declining due to large supply of newly-constructed buildings, the historically low level of rent is stimulating demand for large blue-chip properties that possess high earthquake resistance and disaster prevention features. The luxury rental housing market did not see a recovery in demand from non-Japanese tenants, but as the domestic population influx into central Tokyo continues, limited new supply led to rent levels and occupancy rates improving, albeit gradually. In the real estate trading market, the series of new J-REIT listings, movements among existing J-REITs to raise capital through public offerings, and investment activity by overseas investors led to transactions of large properties beginning to be seen in Tokyo’s three central wards and the surrounding area.

ii) Business Performance

In the twelfth fiscal period, the Company acquired Atago Green Hills (about 20.0% of total property) from sponsor Mori Building Co., Ltd. This asset falls under the definition of “Premium Properties” (Note 1), which the Company positions at the core of its portfolio development strategy. In conjunction with this acquisition, the Company sold Roppongi First Building and ARK Forest Terrace to Mori Building Co., Ltd. with the objective of enhancing the portfolio’s cap rate. The Company also strove to enhance tenant satisfaction through such measures as meticulous operational management and systematic maintenance and repair of properties in its portfolio. Moreover, the Company 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.

The Company's real estate portfolio as of the end of the twelfth fiscal period was comprised of 9 properties (Note 2) under management with a total leasable floor area of 97,498.53m². The Company has already invested 210,816 million yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the twelfth fiscal period (Note 3) was 98.1%.

(Notes)

1. Premium Properties refer to properties that are situated in "Premium Areas" (central five wards of Tokyo (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward and Shibuya Ward) and their vicinity; the same hereinafter), where the Mori Building Group (Mori Building Co., Ltd., Mori Building Co., Ltd.'s consolidated subsidiaries and, of affiliated companies accounted for by the equity method, companies that are engaged in business in Japan; the same hereinafter) can fully demonstrate its brand/marketing strength and facilities management capabilities, and that are capable of maintaining competitiveness in the future due to attributes such as quality, size and specifications. The same shall apply hereinafter.
2. For Roppongi View Tower, the Company purchased the trust beneficial interest pertaining to 6% co-ownership interest on March 22, 2006 and the trust beneficial interest pertaining to 40% co-ownership interest on April 13, 2006. However, the Company treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter. Regarding ARK Mori Building, the Company made acquisitions as follows to date. However, the Company treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.
 - 1) Trust beneficial interest pertaining to compartmentalized ownership for the 13th floor portion on March 22, 2006
 - 2) 75% quasi co-ownership interest of the trust beneficial interest pertaining to compartmentalized ownership for the 12th and 22nd floor portions on March 28, 2008
 - 3) The remaining 25% quasi co-ownership interest of the trust beneficial interest pertaining to compartmentalized ownership for the 12th and 22nd floor portions on September 30, 2008
 - 4) 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion on March 23, 2010. The Company holds trust beneficial interest from adding this co-ownership interest as a trust asset of 5) on March 18, 2011.
 - 5) Trust beneficial interest pertaining to the remaining 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion and trust beneficial interest pertaining to compartmentalized ownership for the 25th floor portion on March 18, 2011
 - 6) Trust beneficial interest pertaining to compartmentalized ownership for the 4th, 15th and 24th floor portions on August 1, 2011

Regarding Akasaka Tameike Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

 - 1) Trust beneficial interest pertaining to compartmentalized ownership for the office portion (including parts of shops, storage areas, parking lots, etc.) (about 35.4% of total private-use floor area) on September 30, 2008
 - 2) Trust beneficial interest pertaining to compartmentalized ownership for 87 residential units and trust beneficial interest pertaining to 84.8% co-ownership interest in compartmentalized ownership for 1 residential unit out of a total of 130 residential units, and trust beneficial interest pertaining to approximately 31.2% co-ownership interest in compartmentalized ownership for a parking lot and bicycle parking lot on March 18, 2011

Regarding Roppongi Hills Mori Tower, the Company made acquisitions as follows to date. However, the Company treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

 - 1) 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on March 23, 2010. The Company holds trust beneficial interest from adding this co-ownership interest as a trust asset of 2) on August 1, 2011.
 - 2) Trust beneficial interest pertaining to compartmentalized ownership for the 23rd floor portion and trust beneficial interest pertaining to the remaining 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on August 1, 2011

For Atago Green Hills, the Company purchased 45% quasi co-ownership interest of the trust beneficial interest pertaining to co-ownership interest in compartmentalized ownership of Atago Green Hills' 3 buildings (MORI Tower, Forest Tower and Plaza), as well as co-ownership interest in ownership and quasi co-ownership interest in leasehold right and easement of the sites (about 20.0% of total property). The Company treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

3. The occupancy rate at the end of the fiscal period expresses the sum total of the total leased floor area at the end of the fiscal period as a percentage of the sum total of the total leasable floor area at the end of the fiscal period, rounded to one decimal place.

(c) Overview of Fund Procurement

During the twelfth fiscal period, the Company took out short-term loans payable in the amount of 3,478 million yen and long-term loans payable (Note 1) in the amount of 22,722 million yen. Proceeds from these loans, along with cash on hand in the amount of 50 million yen, were used for the refinancing of existing short-term loans payable in the amount of 11,500 million yen and long-term loans payable in the amount of 14,750 million yen. The Company also made a previously agreed repayment in the amount of 62 million yen on existing long-term loans payable during the twelfth fiscal period.

As a result, as of the end of the twelfth fiscal period, the balance of loans payable stands at 81,887 million yen (long-term loans payable: 72,909 million yen (of which, current portion of long-term loans payable: 13,125 million yen); and short-term loans payable: 8,978 million yen), the balance of investment corporation bonds stands at 25,000 million yen (of which, current portion of investment corporation bonds: 12,000 million yen) and the balance of interest-bearing debt stands at 106,887 million yen.

Of the loans payable, in addition to the 25,000 million yen in investment corporation bonds and 7,787 million yen in long-term loans payable that have fixed interest rates, the Company 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 65,122 million yen in long-term loans payable. Concerning future loans payable, the Company will strive to minimize refinancing risks by diversifying repayment dates for loans payable.

As of the end of the twelfth fiscal period, the Company has obtained a Baa2 (rating outlook: negative) (Note 2) issuer credit rating and unsecured long-term debt rating from Moody's Japan K.K. and AA-long-term senior debt rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Notes)

1. 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).
2. On August 30, 2012, Moody's Japan K.K. issued an announcement stating that the issuer credit rating and unsecured long-term debt rating of the Company will be withdrawn.

(d) Overview of Business Results and Distributions

The asset management activities described above resulted in the Company recording 4,797 million yen in operating revenue, 3,183 million yen in operating income, 2,120 million yen in ordinary income and 2,119 million yen in net income in the twelfth fiscal period.

In regards to dividends, the Company decided to set aside a portion of unappropriated retained earnings as reserve for reduction entry based on application of the "Special Provisions for Taxation in

the Event of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of the Special Taxation Measures Law (Law No. 26 of 1957; including amendments thereto)). On that basis, the Company decided to pay out the entire amount of the amount remaining after 105 million yen, (which is the amount of the maximum amount of reduction entry pursuant to Article 66-2 of the Special Taxation Measures Law within the scope of application of the provisions of Article 67-15 of the Special Taxation Measures Law), is deducted from unappropriated retained earnings as reserve for reduction entry. Consequently, the Company declared a dividend per unit of 8,700 yen.

(2) Outlook for the Thirteenth Fiscal Period

(a) Future Management Policy

Pursuant to the Company’s investment policy, the Company will seek to grow and 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, the Company will seek to develop an urban portfolio centered on office buildings and residential and retail properties that are situated in “Premium Areas” 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, the Company will seek 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 enhancing tenant satisfaction and conducting rational, efficient and systematic asset management and administration.

In addition, the Company will continue to seek to maximize investor returns through conducting dividend-oriented management, such as by striving to enhance the portfolio NOI cap rate through property transactions, keeping financial costs down and minimizing other operating expenses.

(b) Significant Subsequent Events

Not applicable.

(Reference Information)**i) Borrowing of Funds**

The Company borrowed funds as follows on August 31, 2012 to fund the refinancing of a short-term loan payable in the amount of 5,500 million yen and long-term loans payable in the amounts of 1,500 million yen and 2,000 million yen, which are due for repayment on August 31, 2012.

i. Short-Term Loan Payable

Lender	Sumitomo Mitsui Trust Bank, Ltd.
Borrowing amount	1,000 million yen
Interest rate	0.88000% per annum (variable interest rate) (The interest rate shown above is the interest rate that is applicable until September 28, 2012.)
Drawdown date	August 31, 2012
Principal repayment date	August 31, 2013 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

ii. Long-Term Loan Payable

Lenders	Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, and Sumitomo Mitsui Banking Corporation
Borrowing amount	6,000 million yen
Interest rate	1.03000% per annum (variable interest rate) (The interest rate shown above is the interest rate that is applicable until September 28, 2012.)
Drawdown date	August 31, 2012
Principal repayment date	August 31, 2015 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

iii. Long-Term Loan Payable

Lender	Aozora Bank, Ltd.
Borrowing amount	2,000 million yen
Interest rate	1.08000% per annum (variable interest rate) (The interest rate shown above is the interest rate that is applicable until September 28, 2012.) (Note)
Drawdown date	August 31, 2012
Principal repayment date	August 31, 2016 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

(Note) The Company entered into an interest rate swap agreement (counterparty: Mitsubishi UFJ Trust and Banking Corporation) on August 29, 2012 with notional principal of 2,000 million yen to in effect convert the interest rate until the repayment date for the notional principal amount to 1.18500% per annum.

(c) Outlook of Business Results

The Company expects the following business results for its next fiscal period (thirteenth fiscal period: August 1, 2012 to January 31, 2013). For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Thirteenth Fiscal Period Ending January 31, 2013 (August 1, 2012 – January 31, 2013)” presented below.

Operating revenue	¥4,673 million
Operating income	¥3,134 million
Ordinary income	¥2,107 million
Net income	¥2,106 million
Dividend per unit	¥9,100
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 Thirteenth Fiscal Period Ending January 31, 2013
(August 1, 2012 – January 31, 2013)

Item	Assumptions
Investment Portfolio	<p>The Company assumes that there will be no change in the investment portfolio (new acquisition of properties, sale of existing properties, etc.) during the period up to the end of the thirteenth fiscal period (January 31, 2013).</p> <ul style="list-style-type: none"> • 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 is estimated based on lease contracts, etc. of the assets under management above, taking into account the market environment, the trends of individual tenants and other factors. • The Company assumes that there will be no delinquencies or unpaid rent by tenants.
Operating Expenses	<ul style="list-style-type: none"> • 1,252 million yen is expected for the expenses of real estate rent, 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 thirteenth fiscal period is expected to total 260 million yen (for 6 months). For the property taxes, city planning taxes, etc. associated with Atago Green Hills, which was acquired in the twelfth fiscal period, the Company shall incorporate these amounts into the cost of acquisition and, thus, shall not recognize them as operating expenses for the thirteenth fiscal period. B) For building maintenance and repairs, the Company recorded the estimated required amount for the respective fiscal period (21 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

	<p>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, which are calculated using the straight-line method with future additional capital expenditures taken into account, is expected to be 671 million yen.</p> <p>D) 99 million yen is expected for property management fees.</p> <ul style="list-style-type: none"> • 287 million yen is expected for the operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.).
Non-Operating Expenses	<ul style="list-style-type: none"> • The Company expects to incur 567 million yen in interest expenses, 195 million yen in interest expenses on investment corporation bonds and 245 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 twelfth fiscal period (July 31, 2012) was 81,887 million yen. The Company assumes that, of that amount, the 18,500 million yen remaining of loans payable due for repayment by the end of the thirteenth fiscal period (January 31, 2013) will be refinanced in the entire amount. The Company also assumes that an agreed repayment of 62 million yen of the 2,187 million yen 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 thirteenth fiscal period (January 31, 2013) being 81,825 million yen. • The balance of investment corporation bonds as of the end of the twelfth fiscal period (July 31, 2012) was 25,000 million yen. The Company assumes that, of that amount, the 7,000 million yen remaining of investment corporation bonds due for repayment by the end of the thirteenth fiscal period (January 31, 2013) will be redeemed through issuance of investment corporation bonds in the same amount, and that there will be no change in the balance of investment corporation bonds from 25,000 million yen until the end of the thirteenth fiscal period (January 31, 2013).
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units outstanding as of the end of the twelfth fiscal period (July 31, 2012) was 231,520 units. The Company assumes that there will be no additional issuance of investment units to this number until the end of the thirteenth fiscal period (January 31, 2013).
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 the Company 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. • The Company assumes that there will be no reversal of reserve for reduction entry.
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> • The Company 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"> • The Company 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. • The Company 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)	
	Eleventh Fiscal Period (as of January 31, 2012)	Twelfth Fiscal Period (as of July 31, 2012)
Assets		
Current assets		
Cash and deposits	2,321,952	2,222,988
Cash and deposits in trust	6,969,478	7,428,489
Operating accounts receivable	73,846	74,451
Prepaid expenses	377,898	401,810
Deferred tax assets	18	13
Consumption taxes receivable	83,882	-
Other	-	2
Total current assets	9,827,076	10,127,757
Noncurrent assets		
Property, plant and equipment		
Land	22,074,160	22,074,160
Buildings in trust	41,826,345	41,547,821
Accumulated depreciation	(4,732,322)	(4,032,223)
Buildings in trust, net	37,094,023	37,515,597
Structures in trust	278,897	393,266
Accumulated depreciation	(144,630)	(102,690)
Structures in trust, net	134,267	290,575
Machinery and equipment in trust	316,886	448,442
Accumulated depreciation	(31,529)	(37,837)
Machinery and equipment in trust, net	285,357	410,604
Tools, furniture and fixtures in trust	63,873	53,465
Accumulated depreciation	(19,116)	(18,620)
Tools, furniture and fixtures in trust, net	44,757	34,845
Land in trust	130,873,828	122,721,231
Construction in progress in trust	722	2,090
Total property, plant and equipment	190,507,117	183,049,106
Intangible assets		
Leasehold rights in trust	18,409,956	25,825,688
Other intangible assets in trust	1,547	973
Other	2,996	2,496
Total intangible assets	18,414,500	25,829,158
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	299,346	344,619
Total investments and other assets	309,346	354,619
Total noncurrent assets	209,230,964	209,232,884
Deferred assets		
Investment corporation bond issuance costs	61,281	44,993
Total deferred assets	61,281	44,993
Total assets	219,119,322	219,405,635

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

(Unit: thousands of yen)

	Eleventh Fiscal Period (as of January 31, 2012)	Twelfth Fiscal Period (as of July 31, 2012)
Liabilities		
Current liabilities		
Operating accounts payable	118,321	89,784
Short-term loans payable	17,000,000	8,978,000
Current portion of investment corporation bonds	7,000,000	12,000,000
Current portion of long-term loans payable	27,875,000	13,125,000
Accounts payable – other	26,008	26,112
Accrued expenses	421,523	418,948
Income taxes payable	789	720
Accrued consumption taxes	60,907	114,466
Advances received	580,112	681,719
Deposits received	689,372	763,744
Provision for loss on disaster	6,813	-
Total current liabilities	53,778,850	36,198,496
Noncurrent liabilities		
Investment corporation bond	18,000,000	13,000,000
Long-term loans payable	37,125,000	59,784,500
Lease and guarantee deposited in trust	6,208,244	6,292,231
Total noncurrent liabilities	61,333,244	79,076,731
Total liabilities	115,112,094	115,275,228
Net assets		
Unitholders' equity		
Unitholders' capital	102,010,939	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)	1,996,288	2,119,468
Total surplus	1,996,288	2,119,468
Total unitholders' equity	104,007,228	104,130,407
Total net assets	104,007,228	104,130,407
Total liabilities and net assets	219,119,322	219,405,635

(2) Statements of Income and Retained Earnings

(Unit: thousands of yen)

	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)
Operating revenue		
Rent revenue of real estate	4,417,829	4,467,826
Other rent revenue of real estate	160,306	128,597
Gain on sales of real estate properties	187,430	201,158
Total operating revenue	4,765,566	4,797,582
Operating expenses		
Expenses of real estate rent	1,348,255	1,294,704
Asset management fee	222,580	231,891
Directors' compensation	5,400	5,400
Asset custody fee	5,473	5,477
Administrative service fees	15,374	14,807
Other operating expenses	59,633	61,870
Total operating expenses	1,656,716	1,614,152
Operating income	3,108,850	3,183,429
Non-operating income		
Interest income	988	976
Exclusion gain of unpaid dividend	648	2,502
Income from settlement of management association accounts	-	14,052
Other	-	789
Total non-operating income	1,636	18,320
Non-operating expenses		
Interest expenses	640,371	612,172
Interest expenses on investment corporation bonds	196,650	196,650
Amortization of investment corporation bond issuance cost	16,287	16,287
Borrowing expenses	258,234	254,573
Other	1,802	1,802
Total non-operating expenses	1,113,345	1,081,486
Ordinary income	1,997,140	2,120,263
Income before income taxes	1,997,140	2,120,263
Income taxes - current	987	913
Income taxes - deferred	0	4
Total income taxes	987	918
Net income	1,996,152	2,119,344
Retained earnings brought forward	135	123
Unappropriated retained earnings (undisposed loss)	1,996,288	2,119,468

(3) Changes in Net Assets

For the six-month period ended January 31, 2012

(Unit: thousands of yen)

	Unitholders' capital	Total surplus	Total unitholders' equity	Valuation and translation adjustments	Total net assets
Balance at July 31, 2011	102,010,939	1,933,790	103,944,730	-	103,944,730
Change during the period					
Dividends from surplus	-	(1,933,655)	(1,933,655)	-	(1,933,655)
Net income	-	1,996,152	1,996,152	-	1,996,152
Total changes of items during the period	-	62,497	62,497	-	62,497
Balance at January 31, 2012	102,010,939	1,996,288	104,007,228	-	104,007,228

For the six-month period ended July 31, 2012

(Unit: thousands of yen)

	Unitholders' capital	Total surplus	Total unitholders' equity	Valuation and translation adjustments	Total net assets
Balance at January 31, 2012	102,010,939	1,996,288	104,007,228	-	104,007,228
Change during the period					
Dividends from surplus	-	(1,996,165)	(1,996,165)	-	(1,996,165)
Net income	-	2,119,344	2,119,344	-	2,119,344
Total changes of items during the period	-	123,179	123,179	-	123,179
Balance at July 31, 2012	102,010,939	2,119,468	104,130,407	-	104,130,407

(4) Statements of Cash Distributions

(Unit: yen)

Item \ Period	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)
I. Unappropriated retained earnings	1,996,288,616	2,119,468,036
II. Amount of dividends	1,996,165,440	2,014,224,000
[Amount of dividends per unit]	[8,622]	[8,700]
III. Voluntary retained earnings		
Reserve for reduction entry	-	105,244,036
IV. Retained earnings carried forward	123,176	-

(5) Statements of Cash Flows

(Unit: thousands of yen)

Account	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)	Twelfth Fiscal Period (February 1, 2012 to July 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	1,997,140	2,120,263
Depreciation and amortization	648,058	658,512
Amortization of investment corporation bond issuance cost	16,287	16,287
Increase (decrease) in provision for loss on disaster	(1,605)	(6,813)
Interest income	(988)	(976)
Exclusion gain of unpaid dividend	(648)	(2,502)
Interest expenses	837,021	808,822
Decrease (increase) in operating accounts receivable	20,352	(605)
Decrease (increase) in consumption taxes refund receivable	(83,882)	83,882
Increase (decrease) in operating accounts payable	(116,533)	(35,664)
Increase (decrease) in accounts payable – other	(2,704)	797
Increase (decrease) in accrued expenses	229,729	10,350
Increase (decrease) in accrued consumption taxes	(52,632)	53,559
Increase (decrease) in advances received	196,982	101,606
Increase (decrease) in deposits received	(202,199)	(629)
Decrease (increase) in prepaid expenses	(23,436)	(23,912)
Decrease (increase) in long-term prepaid expenses	(116,736)	(45,273)
Decrease in carrying amounts of property, plant and equipment in trust due to sale	35,678,698	25,332,951
Decrease in carrying amounts of intangible assets in trust due to sale	90	-
Other, net	1,183	40
Subtotal	39,024,177	29,070,696
Interest income received	988	976
Interest expenses paid	(881,902)	(821,748)
Income taxes paid	(973)	(982)
Net cash provided by (used in) operating activities	38,142,289	28,248,941
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment in trust	(36,074,543)	(18,525,271)
Purchase of intangible assets in trust	-	(7,415,731)
Repayments of lease and guarantee deposited in trust	(2,076,289)	(2,022,994)
Proceeds from lease and guarantee deposited in trust	2,294,056	2,181,982
Net cash provided by (used in) investing activities	(35,856,777)	(25,782,014)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	18,000,000	3,478,000
Decrease in short-term loans payable	(18,000,000)	(11,500,000)
Proceeds from long-term loans payable	22,000,000	22,722,000
Repayment of long-term loans payable	(22,112,500)	(14,812,500)
Cash dividends paid	(1,931,716)	(1,994,379)
Net cash provided by (used in) financing activities	(2,044,216)	(2,106,879)
Net increase (decrease) in cash and cash equivalents	241,296	360,047
Cash and cash equivalents at beginning of period	9,050,134	9,291,430
Cash and cash equivalents at end of period	9,291,430	9,651,478

6. OVERVIEW OF LEASE CONDITIONS (as of July 31, 2012)

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	Fixed master lease	8,993.45	8,993.45	100.0	1	1,207	1,006
O-1	ARK Mori Building	Fixed master lease	21,376.02	21,376.02	100.0	1	2,327	1,996
O-4	Koraku Mori Building	Pass-through master lease	16,197.45	14,738.77	91.0	15	1,163	1,161
O-6	Akasaka Tameike Tower	Fixed master lease	19,698.54	19,698.54	100.0	1	1,333	946
O-7	Atago Green Hills	Fixed master lease	18,041.10	18,041.10	100.0	1	1,352	901
R-1	Moto-Azabu Hills	Pass-through master lease	1,325.30	1,325.30	100.0	7	126	51
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,594.38	87.7	37	133	42
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	218	-
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,293	-
Total portfolio			97,498.53	95,677.46	98.1	65	9,156	6,106

7. STATUS OF INCOME AND EXPENDITURES (February 1, 2012 – July 31, 2012)

(Unit: thousands of yen)

Property no.	O-0		O-1		O-3	
	Premium		Premium		Premium	
Property name	Roppongi Hills Mori Tower		ARK Mori Building		Roppongi First Building (Note 2)	
Fiscal period (Note 1)	Eleventh	Twelfth	Eleventh	Twelfth	Eleventh	Twelfth
Days of operations	184	182	184	182	184	90
Rent revenue of real estate	603,955	603,955	1,163,923	1,163,923	391,601	183,966
Other rent revenue of real estate	-	-	-	-	47,401	24,563
Total property operating revenue	603,955	603,955	1,163,923	1,163,923	439,003	208,530
Property management fees	1,200	1,200	4,800	4,800	67,825	35,404
Utilities	-	-	-	-	27,890	15,136
Property taxes	10,253	25,295	31,534	51,129	45,691	23,752
Maintenance and repairs	-	-	-	-	538	-
Insurance premium	1,142	1,104	2,045	1,998	1,942	1,104
Depreciation and amortization	98,808	98,872	123,509	120,233	60,646	30,471
Other lease business expenses	166	27	3,387	2,673	2,923	2,257
Total property operating expenses	111,570	126,499	165,276	180,835	207,457	108,127
NOI	591,192	576,328	1,122,156	1,103,322	292,192	130,875

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(Unit: thousands of yen)

Property no.	O-4 Premium		O-6 Premium		O-7 Premium	
	Koraku Mori Building		Akasaka Tameike Tower		Atago Green Hills (Note 3)	
Fiscal period (Note 1)	Eleventh	Twelfth	Eleventh	Twelfth	Eleventh	Twelfth
Days of operations	184	182	184	182	-	92
Rent revenue of real estate	578,308	562,774	666,446	666,446	-	338,036
Other rent revenue of real estate	93,721	96,290	6,524	289	-	-
Total property operating revenue	672,029	659,065	672,971	666,735	-	338,036
Property management fees	61,808	63,642	5,899	3,000	-	810
Utilities	75,493	76,182	5,308	-	-	-
Property taxes	34,353	32,959	31,124	37,283	-	-
Maintenance and repairs	7,403	8,572	46	-	-	-
Insurance premium	2,165	2,173	2,576	2,563	-	1,386
Depreciation and amortization	128,746	128,913	172,193	172,758	-	59,820
Other lease business expenses	76,186	76,150	924	905	-	12,257
Total property operating expenses	386,158	388,595	218,072	216,511	-	74,273
NOI	414,617	399,383	627,092	622,983	-	323,583

(Unit: thousands of yen)

Property no.	R-1 Premium		R-2 Premium		R-3 Premium		R-4		S-1 Premium	
	Moto-Azabu Hills		ARK Forest Terrace (Note 2)		Roppongi First Plaza		Roppongi View Tower		Laforet Harajuku (Land)	
Fiscal period (Note 1)	Eleventh	Twelfth	Eleventh	Twelfth	Eleventh	Twelfth	Eleventh	Twelfth	Eleventh	Twelfth
Days of operations	184	182	184	90	184	182	184	182	184	182
Rent revenue of real estate	55,989	57,631	130,121	63,055	71,256	71,807	109,426	109,426	646,800	646,800
Other rent revenue of real estate	2,237	803	10,420	6,100	-	550	-	-	-	-
Total property operating revenue	58,227	58,435	140,542	69,155	71,256	72,357	109,426	109,426	646,800	646,800
Property management fees	12,739	11,428	36,605	17,472	12,217	12,682	3,738	3,738	-	-
Utilities	97	49	9,255	5,537	105	119	-	-	-	-
Property taxes	4,544	3,306	9,502	5,298	7,228	7,091	11,192	10,975	49,962	52,462
Maintenance and repairs	7,824	4,224	10,824	2,479	3,052	2,568	-	-	-	-
Insurance premium	157	157	697	458	321	319	474	436	-	-
Depreciation and amortization	6,325	6,395	34,177	17,281	10,096	10,210	13,055	13,055	-	-
Other lease business expenses	3,760	3,661	7,506	3,752	3,799	4,242	455	455	-	-
Total property operating expenses	35,449	29,223	108,570	52,281	36,821	37,233	28,916	28,660	49,962	52,462
NOI	29,103	35,606	66,150	34,155	44,531	45,334	93,565	93,821	596,838	594,337

(Notes)

1. The eleventh fiscal period was from August 1, 2011 to January 31, 2012.
The twelfth fiscal period was from February 1, 2012 to July 31, 2012.
2. Sold on May 1, 2012.
3. Acquired on May 1, 2012.

Disclaimer:

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated September 13, 2012 prepared under the timely-disclosure requirements of the Tokyo Stock Exchange, and portions of the Financial Statements and the Performance Information Report for the twelfth fiscal period from February 1, 2012 to July 31, 2012, of Mori Hills REIT Investment Corporation (“the Company”), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concepts of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English statements contained herein, the original Japanese documents will always govern the meaning and interpretation.

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The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Law of Japan and the Financial Instruments and Exchange Law and related regulations, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau of the Ministry of Finance. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

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

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

The forward-looking statements contained in this document express information only as of the date of release, September 13, 2012, and the Company does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.

The version posted on the website is the latest version. Accordingly, the content may vary depending on the timing of release.