



Business Report

(5th period ended January 31, 2009)



HILLS REIT

Investment in the city

Mori Hills REIT invests largely in properties that reflect the Company's "Hills" concept—areas that typify the lifestyles and work-styles of the 21st century.

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Forward-looking statements

This Business Report includes forward-looking statements about business performance; however, no guarantees are implied concerning future business performance. Although the data and opinions contained in this Business Report are derived from what we believe are reliable and accurate sources, we do not guarantee their accuracy or completeness.



Financial Highlights

To Our Unitholders

We at Mori Hills REIT Investment Corporation ("MHR") wish to extend our deep appreciation to our unitholders for your support of MHR.

We were able to achieve our results for the fifth fiscal period (ended January 31, 2009) primarily due to the support of our unitholders, and for this we would like to express our sincere gratitude.

On September 30, 2008, we acquired additional space at ARK Mori Building (space equivalent to 0.5 floors) and Akasaka Tameike Tower (the office section) from our sponsor Mori Building Co., Ltd. On October 31, 2008, we transferred one residential unit of Moto-Azabu Hills to Mori Building Co., Ltd.

Turmoil in the global financial markets and domestic economic slowdown, have led to the real estate financing situation undergoing drastic changes, and the environment surrounding J-REITs continues to face difficult circumstances. Even under such circumstances, we will aim to maximize unitholder value by achieving stable revenue over the medium to long term.

We, along with Mori Building Investment Management Co., Ltd., to which we entrust our asset management, kindly ask for the continued support and encouragement of our unitholders.

May 2009



Hiroshi Mori
Executive Director
Mori Hills REIT Investment Corporation
President
Mori Building Investment Management Co., Ltd.

Shown on the right is our dividend per unit for the fifth fiscal period (ended January 31, 2009).

13,688 yen

Operating results

	1st period	2nd period	3rd period	4th period	5th period
Operating revenues (millions of yen)	7,012	4,553	4,628	4,823	5,701
Operating income (millions of yen)	3,862	2,381	2,349	2,442	3,062
Ordinary income (millions of yen)	2,664	1,936	1,843	1,837	2,179
Net income (millions of yen)	2,662	1,935	1,842	1,832	2,179
Days of operation for the current fiscal period (days)	316 (Note)	181	184	182	184

(Note) The first fiscal period was from February 2, 2006 to January 31, 2007.

Dividend

	1st period	2nd period	3rd period	4th period	5th period
Total dividends (millions of yen)	2,662	1,935	1,842	1,832	2,179
Dividend per unit (yen)	20,511	14,912	14,197	14,117	13,688

Expected dividend

Shown on the right is the announcement for the expected dividend per unit for the sixth fiscal period (ending July 31, 2009) that we made on March 17, 2009 when we announced the financial results for the fifth fiscal period.

12,400 yen

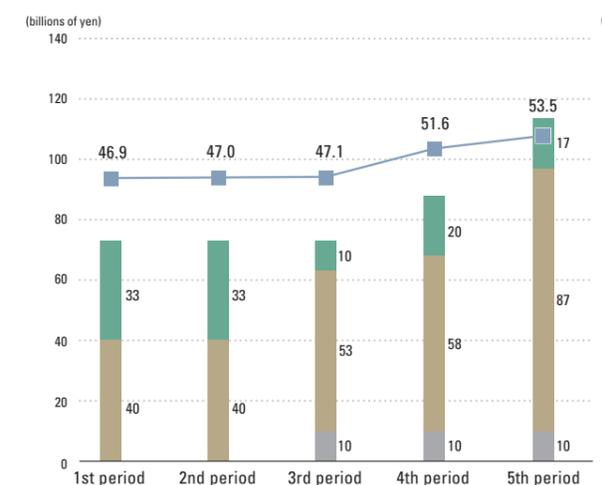
(Note) The forecasted figures above are the current figures calculated based on certain assumptions. Accordingly, the figures may differ from actual results. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts.

Financial conditions

	End of 1st period	End of 2nd period	End of 3rd period	End of 4th period	End of 5th period
Total assets (millions of yen)	155,689	155,165	154,891	170,626	212,964
Net assets (millions of yen)	75,333	74,607	74,514	74,503	89,541
Net assets per unit (yen)	580,383	574,784	574,069	573,989	562,449
LTV ratio (ratio of total assets against interest-bearing debt) (%)	46.9	47.0	47.1	51.6	53.5
Fixed rate ratio (%)	54.8	54.8	86.3	77.3	71.9

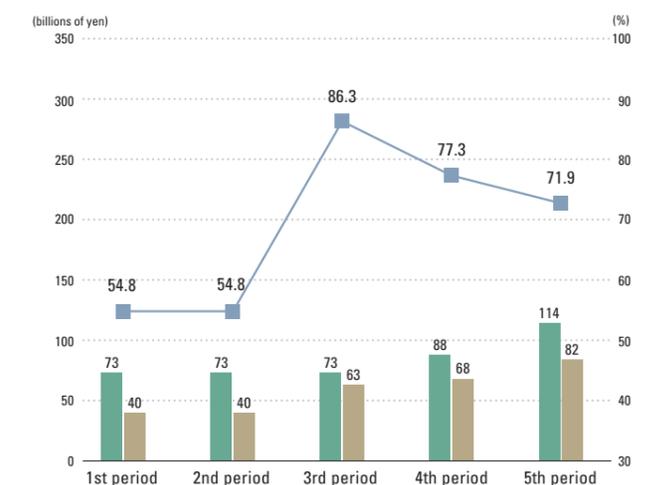
Change in LTV ratio

■ Short-term debt ■ Long-term debt ■ Investment corporation bonds
— LTV ratio (ratio of total assets against interest-bearing debt)



Change in fixed rate ratio

■ Total interest-bearing debt ■ Debt with fixed interest rates
— Fixed rate ratio (ratio of debt with fixed interest rates against total interest-bearing debt)



Investment Highlights

Overview of the Fifth Fiscal Period (ended January 31, 2009)

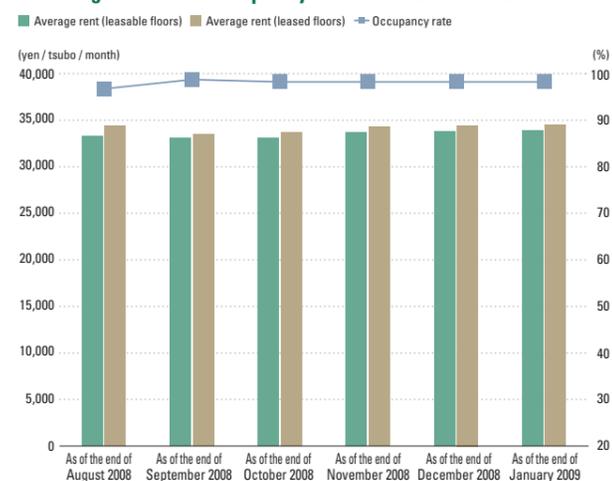
MHR's results of operations for the fifth fiscal period amounted to 5,701 million yen in operating revenue, 3,062 million yen in operating income, 2,179 million yen in ordinary income and 2,179 million yen in net income. Dividend was 13,688 yen per investment unit.

As of the end of the fifth fiscal period, MHR's real estate portfolio was comprised of ten properties on an ownership basis, with a total leasable floor area of 103,169.40㎡. MHR has already invested 201.6 billion yen (based on acquisition value) into this portfolio. The occupancy rate at the end of the fifth fiscal period was 96.5%.

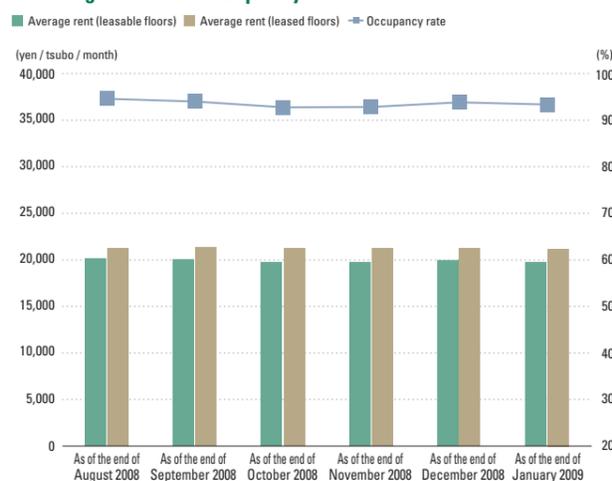
Internal Growth

The shrinking global financial markets and the deteriorating real economy have caused vacancy rates in the rental office market and luxury rental housing market on the whole to be on the rise. MHR has managed to maintain high occupancy rates founded on strong relationships with tenants, strong relationships that were achieved through meticulous operational management, well-planned repairs and striving to enhance tenant satisfaction in numerous ways. The occupancy rate for MHR's office properties was 98.2% and for residences 93.3% as of the end of January 2009.

• Average rent and occupancy rate of office tenants



• Average rent and occupancy rate of residential tenants



(Note) The definitions of "office" and "residence" as indicated in this document differ from the definitions of "office buildings" and "housing" indicated in MHR's website regarding information on occupancy rates (<http://www.mori-hills-reit.co.jp/cms/operate.html>). "Office" and "residence" referred to in this document have been aggregated based only on office use and residential use, respectively, for all of MHR's investment properties. On the other hand, the aggregations in our website are based on the separate uses as shown in the portfolio list (page 14).

External Growth

MHR acquired additional space at ARK Mori Building (space equivalent to 0.5 floors) for 5,500 million yen, and acquired the office component of Akasaka Tameike Tower (including parts of shops, storage areas, parking lots, etc.) for 37,200 million yen on September 30, 2008 from MHR's sponsor Mori Building Co., Ltd. These assets meet the definition of "Premium Property," which MHR places at the core of its portfolio development policy. In addition, one residential unit of Moto-Azabu Hills was transferred to Mori Building Co., Ltd. at 423 million yen on October 31, 2008.

ARK Mori Building

ARK Mori Building was completed in 1986 and underwent major renewal in 2005. It continues to be one of the most competitive office properties in Central Tokyo thanks to its ideal location, strong brand image, variety of shops and services, and its world class facilities. 23 years after completion, ARK Mori Building is well established as a visible landmark of the ever-evolving Akasaka and Roppongi area.



Akasaka Tameike Tower

Akasaka Tameike Tower provides a uniquely calm environment rich with greenery amidst bustling central Tokyo. The building is becoming widely recognized as an office and residential skyscraper complex that is representative of the upscale Akasaka area.



Financial Strategy

During the fifth fiscal period, MHR procured 40.7 billion yen in funds for the acquisition of properties that took place in September 2008. The financing was accomplished by implementing a 14.7 billion yen increase in capital through third-party allotment and borrowing 26.0 billion yen. In addition, MHR took out 25.0 billion yen in loans payable in November 2008. As a result, as of the end of the fifth fiscal period, the balance of loans payable stands at 104.0 billion yen (long-term loans payable: 62.0 billion yen; current portion of long-term loans payable: 25.0 billion yen; and short-term loans payable: 17.0 billion yen), the balance of investment corporation bonds stands at 10.0 billion yen and the balance of interest-bearing debt stands at 114.0 billion yen.

Of the loans payable, for 72.0 billion yen worth of the long-term loans payable with variable interest rates (63.0% of the balance of interest-bearing debt), MHR utilizes interest rate swaps and takes other measures that in effect convert variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. The fixed interest portion of interest-bearing debt, including investment corporation bonds, is now 71.9%.

Concerning future loans payable, MHR will strive to minimize refinancing risks by diversifying repayment dates for loans payable and extend the average remaining duration of loans payable by increasing the percentage of fund procurement through long-term loans payable.

Outlook for the Sixth Fiscal Period (ending July 31, 2009)

MHR has established the "enhancement of portfolio value driven by urban growth and maturity" as its basic principle. Based on this principle, MHR adopts the policy of acquiring and managing properties over the medium and long term, with a focus on blue-chip properties situated in central Tokyo.

However, the current financing environment is harsh. MHR recognizes that in the immediate future, external growth (property acquisitions) will be difficult and that MHR will need to focus on ensuring that loans payable are steadily refinanced and focus on defensive, stable asset management that maintains occupancy rates and NOI levels.

To that end, MHR is committed to forming good relations with tenants and strengthening the foundation for stable earnings while simultaneously achieving the "provision of high-quality administration and services" and "reasonable cost reductions" by capitalizing on the collective strength of the Mori Building Group.

An aerial night view of the Tokyo skyline, featuring numerous illuminated skyscrapers and buildings. The scene is dominated by blue and white lights, with a prominent tower in the distance. The city lights create a vibrant, futuristic atmosphere.

The Day Tokyo (Roppongi and Akasaka) Outshines New York

What makes a city attractive? That depends on how cities are viewed. For example, cities loved by scholars of literature and cities loved by economists will naturally differ. Well then, what kind of city is ideal for investment corporations? That would definitely be a city that keeps growing in economic value. According to the materials of the "International Financial Center Forum" held in July 2008, a comparison of competitiveness as an international financial center found London in the lead and New York in second, while Tokyo was ranked ninth. Respondents from the banking industry rated New York more highly than London in the overall rating, showing that New York still brilliantly outshines other global cities. This being just the rating of the financial aspect, will the day then come when Tokyo will outshine New York from an overall perspective? The answer is YES. Six reasons supporting the view that the day will come when Tokyo (particularly, Roppongi and Akasaka) will outshine New York were examined.



Reason 1

Roppongi and Akasaka as International Financial Cities

Amid fierce competition among the cities of booming Asia, one of the key challenges facing Tokyo is to function as a global economic hub that outperforms Hong Kong, Shanghai and Singapore. Tokyo in itself is vast. Of particular focus by the Cabinet Office are the Roppongi, Akasaka, Loop Road No. 2 Shimbashi area and its vicinity, as well as the Tokyo Station/Yurakucho Station area and its vicinity. These two locations have been set as “areas to lead the strengthening of the financial center function.” According to an “assessment of the Tokyo market as an international financial center by foreign financial institutions operating in Japan,” compared with New York and London, Tokyo is perceived to be more advantageous in terms of “high level of security and safety concerning public and social order,” “presence of abundant personal financial assets,” “stable economic environment,” “political stability” and “advanced communications systems and information networks.” Underlying Tokyo’s high level of security are the level of homicide and other heinous crimes being about one-seventh of New York’s, and burglary being about one-thirtieth that of New York*. On the other hand, Tokyo was perceived to be disadvantageous in the “presence of high firewalls in banking, securities and insurance” and “employment and securing of personnel competent in international financing.” To address the issue of high firewalls, the prompt submission of relevant bills and other moves for further deregulation are anticipated.

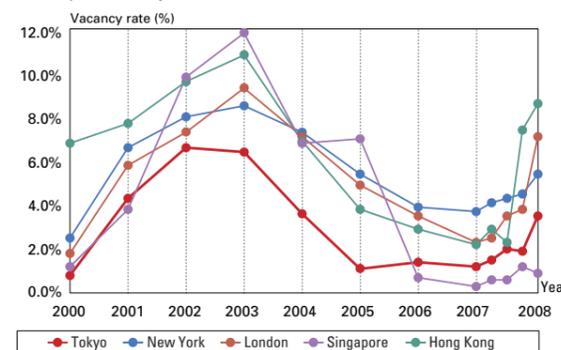
Now, let’s compare major cities of the world and Tokyo by analyzing data on Tokyo’s rental real estate market. Graph A’s “Vacancy rates in major cities around the world” shows the past vacancy rates since year 2000. Compared with other major cities, Tokyo’s vacancy rates see little variance and hovers at the relatively low vacancy rate of 3.5%. Graph B’s “Index of rent in major cities around the world” is a comparison of the rent as an index, where the rent in year 2000 is set at 100 for each city. The analysis is in the form of an index comparison because rent varies in type from one city to another, such as whether or not rent includes common area charges. Rent levels in Tokyo, like vacancy rates, also fluctuate upward/downward less than other cities. While further development and growth can be expected of Tokyo with its functions and characteristics commensurate of an international financial center, it is arguably extremely stable as a rental real estate market compared to major overseas cities.

As described, central Tokyo possesses great potential as a medium- and long-term investment area.

Mori Building’s urban development is based on the basic concept of sketching a grand design of cities from a long-term perspective. What must be done to form towns that attract a great many people from across national boundaries? The establishment of urban infrastructure is of course required. Also it is required environmental consciousness and the ability to facilitate sustainable growth while being prepared for disasters. Gathering a great many people also creates new business opportunities along with further personnel exchange, breathing life into cities.

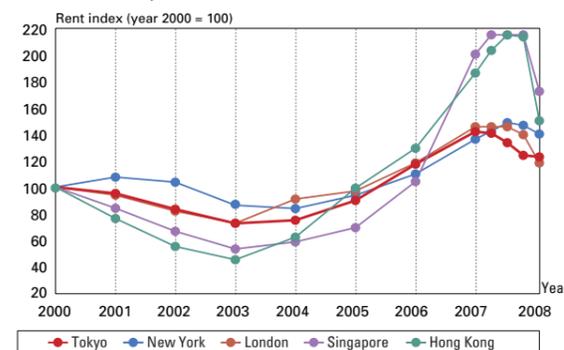
*According to a report of the Overseas Safety Measures Coordination Conference held in November 2008

Graph A
Vacancy rates in major cities around the world



Source: Prepared by the Asset Manager based on CB Richard Ellis K.K.’s materials
(Note 1) Rent for office buildings of a Class A or equivalent grade in the respective city.
(Note 2) Employs quarterly figures to calculate annual figures.

Graph B
Index of rent in major cities around the world



Source: Prepared by the Asset Manager based on CB Richard Ellis K.K.’s materials
(Note 1) Rent for office buildings of a Class A or equivalent grade in the respective city.
(Note 2) Employs quarterly figures to calculate annual figures.



ARK Hills, which has realized a vertical garden city, offers a sense of mature, rich nature despite being in the city.

Reason 2

Creating a New Ideal Urban Image Based on Symbiosis with Nature

In the Cabinet Office’s “Plan to Enhance Japan’s Role as an International Financial Center,” urban greenery is being promoted in the Roppongi, Akasaka and Shimbashi area and its vicinity and the other areas that are to lead the strengthening of the financial center function. This, simultaneously with securing a CO₂ sink, is regarded as an effective countermeasure against the heat island effect, and is designed to promote the expansion of parks and green spaces as well as greenery on the rooftop and walls of buildings. Notably, ARK Hills, which has turned the rooftop of Suntoy Hall into a garden, can be said to be truly ahead in such initiatives. At Roppongi Hills, rice planting and harvesting using a rooftop rice paddy and other greenery-based events are being held that contribute to the festivity of the area, and other initiatives are being implemented to provide a place for the community where local residents can get in touch with nature.



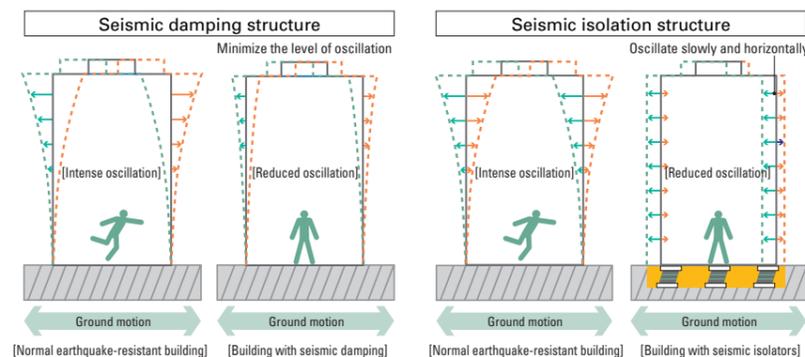
ARK Garden blooms in an array of flowers. Events such as tours for groups of children and walking tours guided by ARK Garden’s exclusive gardener are also held.

Reason 3

Sense of Security Generated by Safe Towns

No matter how economically affluent a town is, residents will not be able to live there with a sense of security unless it is safe. Earthquakes pose one element of geological uncertainty in Japan. As such, in terms of the special consideration paid to safety at the properties it develops, manages and operates, Mori Building Co., Ltd. is pursuing high earthquake-resistance features that can withstand large earthquakes and thorough safety measures for earthquake disasters under the concept of transforming cities from “places to flee from” to “places to take refuge in.” In this manner, Mori Building Co., Ltd. contributes to the creation of towns that are comfortable to live in. Moreover, with the view to protect the safety of the entire region, undertakings that simulate activities in the event of an emergency are carried out in preparation for worst case scenarios. Such undertakings include installing water wells for disasters (13 locations) and storing emergency food and other supplies (about 200,000 meals), as well as establishing a structure for employee volunteerism and carrying out various drills and training.

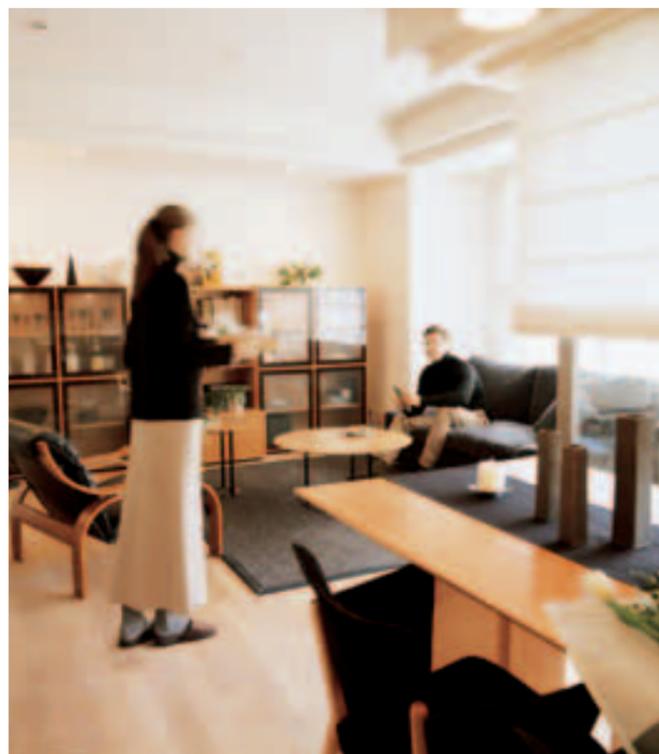
Mori Building Co., Ltd. is promoting the construction of buildings that have strong resistance to earthquakes by proactively implementing the latest technology in anti-earthquake measures. These measures take into consideration the most appropriate form for each property, such as seismic damping and seismic isolators. Incidentally, buildings with seismic damping have a device that dampens oscillation energy installed at the building to reduce the magnitude of oscillation caused by an earthquake or strong wind (by approximately 20%). Buildings with seismic isolation reduce the seismic force by installing a device between the building and its foundation. Particularly in the case of large earthquakes, the magnitude of oscillation is reduced to 30-50%.



Reason 4

Producing Comfortable Urban Lifestyles

The undertakings of the “Plan to Enhance Japan’s Role as an International Financial Center” contains items for “enriching the business environment” and “enhancing the structure for accepting non-Japanese people and the lifestyle and education environment for non-Japanese people to come to Japan to work and live with peace of mind.” Promoting the supply of office buildings and apartments for non-Japanese people is also one of those undertakings. For example, Moto-Azabu Hills, ARK Forest Terrace and other luxury rental housing owned by MHR are situated in quiet residential environments lined with the embassies of different countries, and non-Japanese people can immediately lead comfortable lifestyles by enjoying such benefits as bilingual concierge services as well as an array of health promotion services. (Pages 14 and 15)



Enjoy comfortable urban lifestyles taking full advantage of urban functions.



Reason 5

Source for Transmitting Art and Culture

As you know, with the Museum of Modern Art, the Metropolitan Museum of Art, Guggenheim Museum and other facilities, New York has become a mecca for contemporary art. Roppongi’s National Art Center, Tokyo and Mori Art Museum have launched activities to emulate the artistic energy of New York. The National Art Center, Tokyo boasts one the largest exhibition spaces in Japan, and Mori Art Museum offers avant-garde art by collaborating with museums worldwide. There is also a full range of art venues including the Suntory Museum of Art, which has “Art in Life” as its basic concept, and 21_21 DESIGN SIGHT, which has drawn attention for its design by Tadao Ando. The energy of art that carves out a path to a new era will become the driving force for making the city fresh.



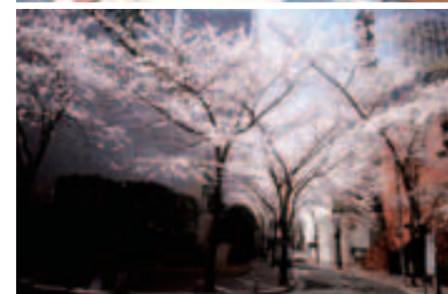
(Provided by Suntory Hall)

The National Art Center, Tokyo (upper right picture) with its signature glass curtain wall is designed by Kisho Kurokawa. Mori Art Museum (upper left and upper center pictures) is an urban art museum situated on the highest floor of Mori Tower, which forms the core of Roppongi Hills. ARK Hills’ Suntory Hall (lower picture) serves as the venue for various events.

Reason 6

Citizen Participating Community

Another critical component of a highly-attractive and world-leading city is the capability of citizens to take a relaxing break away from work and enjoy their days off—such as by spending quality time with their family. In the Roppongi and Akasaka areas of Tokyo, the old citizen spirit continues to live on in traditional local events, such as seasonal festivals and the carrying of miniature shrines. Meanwhile, in the new towns of Roppongi Hills and ARK Hills, numerous events of various sorts rich in nature, such as flowers and greenery, and international fair are held that attract not only local citizens but also a wide range of visitors. In this manner, the cities we envisage are not only venues for business and commercial activities but also a community environment open to citizen participation.

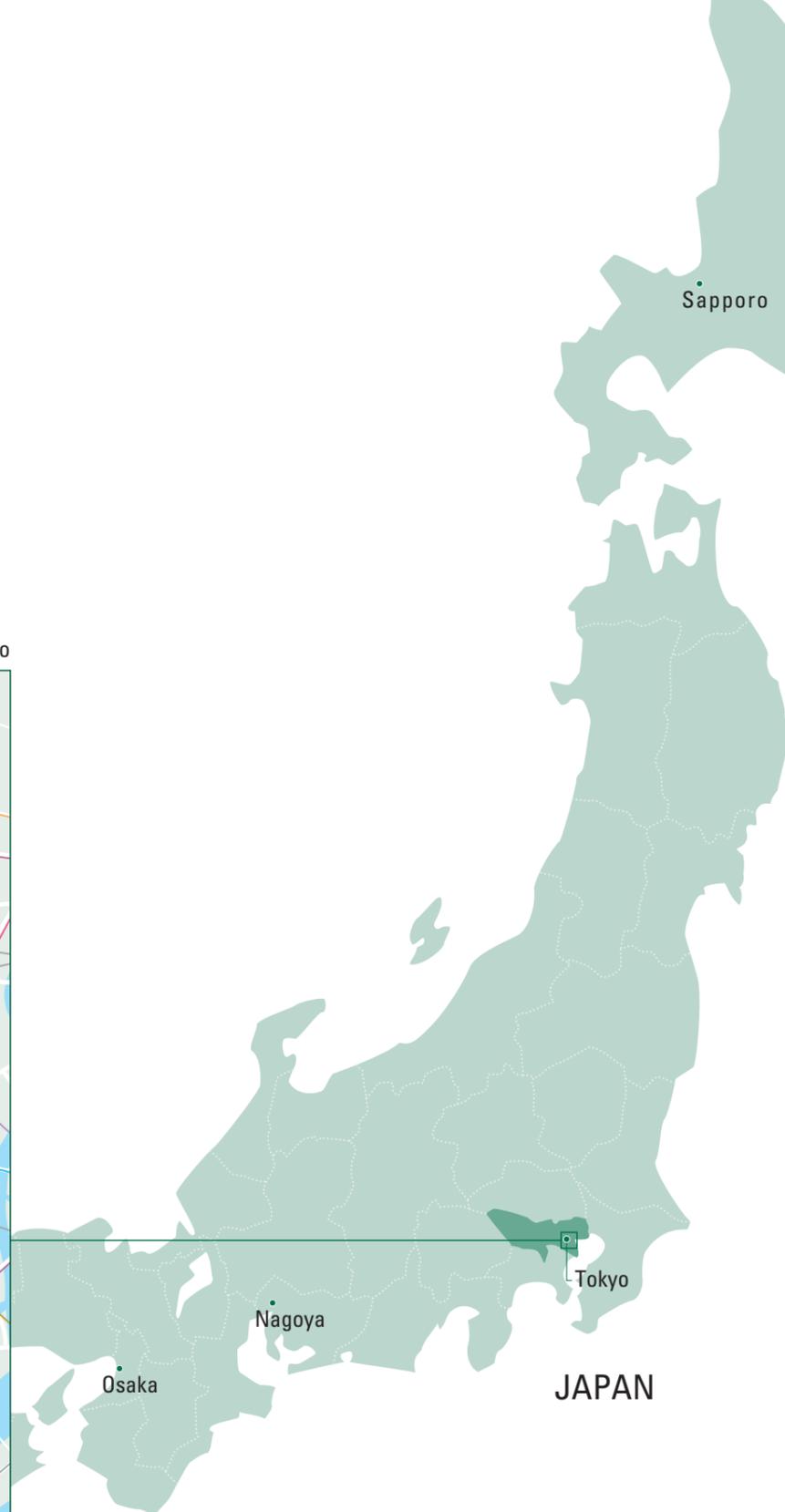
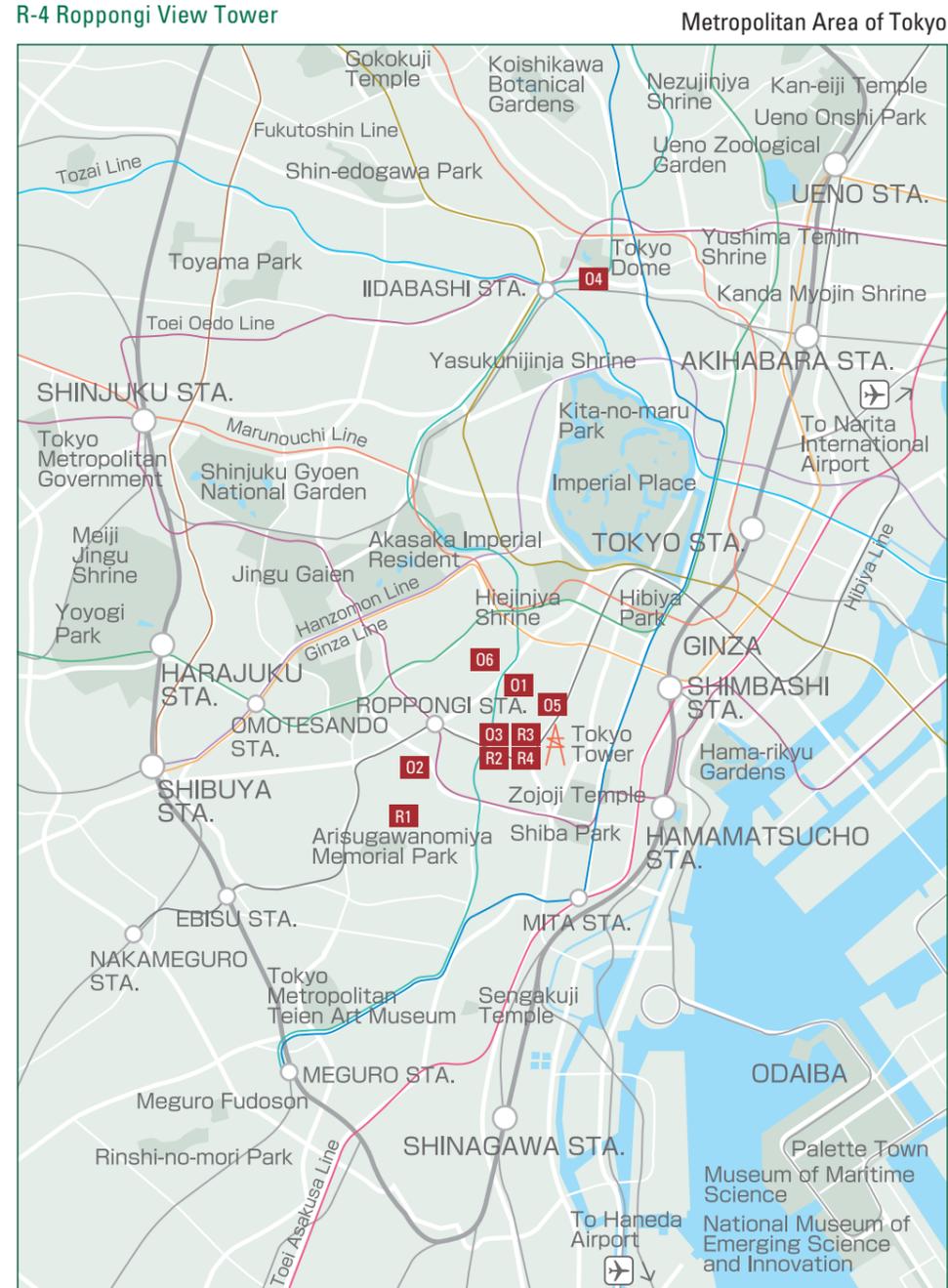


Mori Building Co., Ltd. organizes performances by street performers, cherry blossom festivals, illuminations at ARK Hills and an extensive line-up of other programs for people to enjoy.

Portfolio Data

MHR invests mainly in office buildings—primarily competitive “Premium Properties”—in central Tokyo, particularly in Minato Ward.

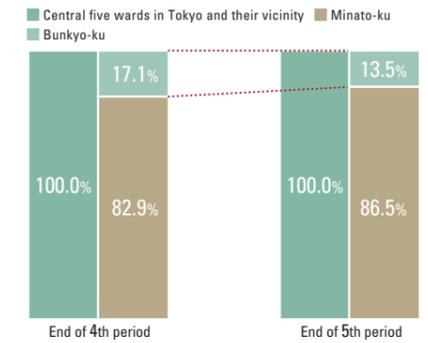
- O-1 Ark Mori Building
- O-2 Roppongi Hills Gate Tower
- O-3 Roppongi First Building
- O-4 Koraku Mori Building
- O-5 Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)
- O-6 Akasaka Tameike Tower
- R-1 Moto-Azabu Hills
- R-2 Ark Forest Terrace
- R-3 Roppongi First Plaza
- R-4 Roppongi View Tower



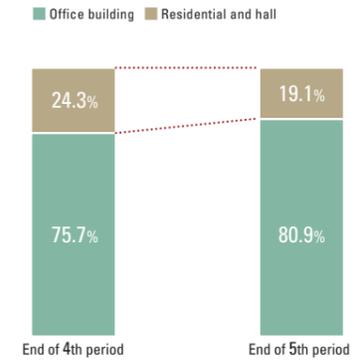
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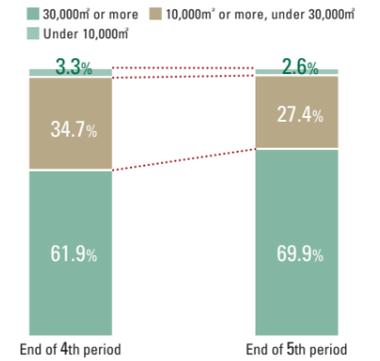
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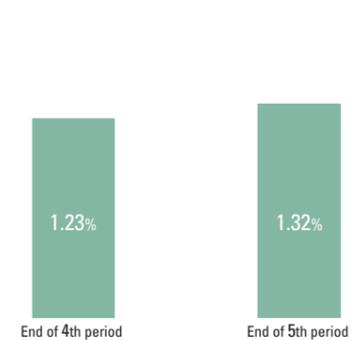
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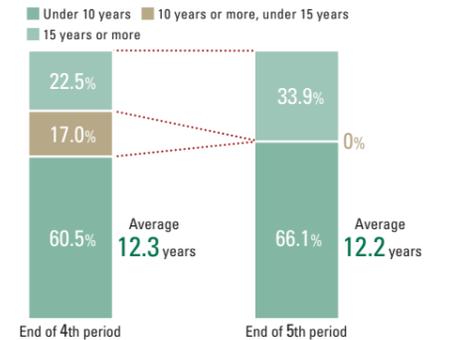
Scale



Portfolio PML



Building age



(Note) The ratio refers to the ratio of total acquisition price per classification against aggregate acquisition price, excluding the portfolio PML. Second decimal points are rounded off. PML refers to the estimated maximum loss ratio due to an earthquake.

Portfolio List (as of January 31, 2009)

Use	Office building		Office building	Office building	Office building		Office building	Office building	Residential			Residential	Residential	Residential
Property number	Premium O-1-1	Premium O-1-2	Premium O-2	Premium O-3	Premium O-4		O-5	Premium O-6	Premium R-1			Premium R-2	Premium R-3	R-4
Property name	ARK Mori Building (Fixed master lease)	ARK Mori Building (Pass-through master lease)	Roppongi Hills Gate Tower	Roppongi First Building	Kouraku Mori Building		Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Akasaka Tameike Tower	Forest Tower	Forest Terrace East	Forest Terrace West	ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower
Photo														
Address	Akasaka, Minato-ku, Tokyo		Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Moto-Azabu, Minato-ku, Tokyo			Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	
Completion	March 1986 (Large-scale renovation in 2005)		October 2001	October 1993	March 2000		August 1981 (Large-scale renovation in 2001)	August 2000	May 2002		September 2002	January 2001	October 1993	
Number of floors	37 floors above ground and 4 underground levels		15 floors above ground and 2 underground levels	20 floors above ground and 4 underground levels	19 floors above ground and 6 underground levels		9 floors above ground and 1 underground level	25 floors above ground and 2 underground levels	29 floors above ground and 3 underground levels	6 floors above ground and 1 underground level	5 floors above ground and 1 underground level	11 floors above ground and 2 underground levels	20 floors above ground and 1 underground level	
Gross floor area	Approx. 177,486 m ²		Approx. 29,111 m ²	Approx. 45,753 m ²	Approx. 46,154 m ²		Approx. 10,299 m ²	Approx. 46,971 m ²	Approx. 54,006 m ²			Approx. 9,125 m ²	Approx. 22,906 m ²	
Total rentable floor area	Approx. 2,728 m ²	Approx. 5,223 m ²	Approx. 16,657 m ²	Approx. 11,525 m ²	Approx. 16,199 m ²		Approx. 6,720 m ²	Approx. 10,523 m ²	Approx. 19,042 m ²			Approx. 5,246 m ²	Approx. 2,956 m ²	Approx. 6,344 m ²
MHR-owned residential units / Total residential units			44 units / 44 units	—	—		—	—	109 units / 222 units			39 units / 39 units	42 units / 90 units	202 units / 202 units
Ownership	Land	Ownership (Equity in rights to site: about 1.3%)	Ownership (Equity in rights to site: about 2.5%)	Ownership (Equity in rights to site: 100%)	Ownership (Co-ownership: 46%)		Co-ownership of sectional ownership to leased land	Co-ownership of sectional ownership to leased land	Ownership (Equity in rights to site: about 56%)			Ownership (Equity in rights to site: 100%)	Ownership (Co-ownership)	Ownership (Co-ownership)
	Building	Sectional ownership	Sectional ownership	Sectional ownership (Equity: 100%)	Ownership (Co-ownership: 46%)		Sectional ownership	Sectional ownership	Sectional ownership			Sectional ownership (Equity: 100%)	Sectional ownership	Co-ownership of compartmentalized title (46%)
PML value	0.38%		1.29%	2.07%	0.42%		6.90%	2.15%	1.16%	1.72%	5.78%	1.60%	3.53%	
Seismic isolation / Seismic damping	—		Seismic damping structure	—	Seismic damping structure		—	Seismic damping structure	Seismic isolation structure	Seismic isolation structure	—	Seismic isolation structure	—	
Disaster control-related facilities	Emergency generator, Disaster control well, Disaster supplies		Emergency generator, Disaster supplies	Emergency generator	Emergency generator, Disaster control well, Disaster supplies		Emergency generator	Emergency generator, Disaster control well and toilet, Storage for stocking	Emergency generator, Disaster control well, Disaster supplies			Emergency generator, Disaster control well	Emergency generator	
Office building														
Leasable floor area of standard floor	Approx. 3,072 m ²		Approx. 1,496 m ²	Approx. 1,129 m ²	Approx. 1,157 m ²		Approx. 861 m ²	Approx. 1,337 m ²						
Height to ceiling of standard floor / OA floor	2,590 mm / 50 mm		2,800 mm / 100 mm	2,630 mm / 70 mm	(High-rise) 2,690 mm (Medium-rise) 2,680 mm / 100 mm		2,450 mm / 50 mm	2,800 mm						
Air conditioner	Independent air conditioner per floor		Independent air conditioner per floor	Independent air conditioner per floor	Independent air conditioner per floor		Independent gas heat pump air conditioner	Independent air conditioner per floor						
OA power source capacity	40 VA/m ² (Max. 90 VA/m ²)		40 VA/m ² (Max. 90 VA/m ²)	60 VA/m ²	40 VA/m ² (Max. 90 VA/m ²)		—	40 VA/m ²						
Security system	Security gate, 24-hour manned supervision, Non-contact card key		24-hour manned supervision, Non-contact card key	24-hour manned supervision	24-hour manned supervision		24-hour manned supervision	Non-contact card reader, ITV (Surveillance camera), Keyhole box						
Office support	Café; Restaurant; Post office; Bookstore, stationery store; ATM; Clinic; Pharmacy; Photo studio; etc.		Supermarket (Open 24 hours), Café, Restaurant, Bookstore	Convenience store, Restaurant	Café, Restaurant, Clinic		—	Café, Restaurant						
Residential (MORI LIVING)														
Front desk services			○						○			○	—	
Hills Spa			○						◎ Installed inside building			○	○	
Health consultation service			Health consultation (Available 24 hours) Consultation for foreigners (24-hour phone consultation)						Consultation for foreigners (24-hour phone consultation)			Consultation for foreigners (24-hour phone consultation)	Consultation for foreigners (24-hour phone consultation)	
Collaboration with designers			Conran & Partners						Uchii Architects Conran & Partners			—	—	
Security system			Double auto lock system, 24-hour manned supervision, Front desk						Double auto lock system, 24-hour manned supervision, Front desk			Double auto lock system, 24-hour manned supervision, Front desk	Auto lock system, 24-hour manned supervision	
Facilities			—						Clinic, Sky deck, Sky lounge, Wine cellar			Roof garden	—	
Occupancy rate	100.0%	94.3%	98.1%	94.2%	99.3%		100.0%	100.0%	92.8%			93.9%	83.1%	100.0%
Acquisition price	6,600 million yen	22,000 million yen	36,500 million yen	21,000 million yen	27,200 million yen		12,720 million yen	37,200 million yen	27,034 million yen			5,300 million yen	2,100 million yen	4,000 million yen
Portfolio	PML value		1.32%	* The blank space in <input type="checkbox"/> indicates N/A.										
	Occupancy rate		96.5%	* "Gross floor area" refers to the area of the entire building and is not limited to the portion owned by MHR.										
	Total acquisition price		201,654 million yen	* For ARK Mori Building, MHR differentiates property names according to differences in rental schemes. Property adopting the fixed master lease scheme is called "ARK Mori Building (fixed master lease)" and property adopting the pass-through master lease scheme is called "ARK Mori Building (pass-through master lease)."										
* The property photos posted on the portfolio list above are photos of real estate concerning the trust beneficiary rights owned by MHR. The trust beneficiary rights pertaining to the assets in trust owned by MHR may be sectional ownership or co-ownership concerning a portion of the real estate. Therefore, the overall real estate in the above property photos does not necessarily constitute the trust beneficiary rights pertaining to the assets in trust owned by MHR. The same applies to other property photos in this document.														
* "Acquisition price" is the price MHR pays for the acquisition (excluding the amount equivalent to the consumption tax and local consumption tax). The amount is rounded to the nearest million yen.														



01 ARK MORI BUILDING
Premium

Landmark in Akasaka area

ARK Hills consists of office, residences, retail facilities, Suntory Hall, ANA InterContinental Tokyo, etc. It is an iconic presence in the Akasaka area.

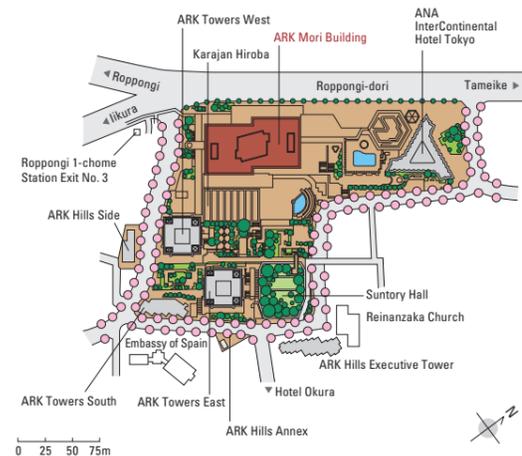
■ **High competitiveness**

- The office portion has a vast space with about 3,072m² in rentable floor area per standard floor.
- Maintains high competitiveness through large-scale renovation in 2005.

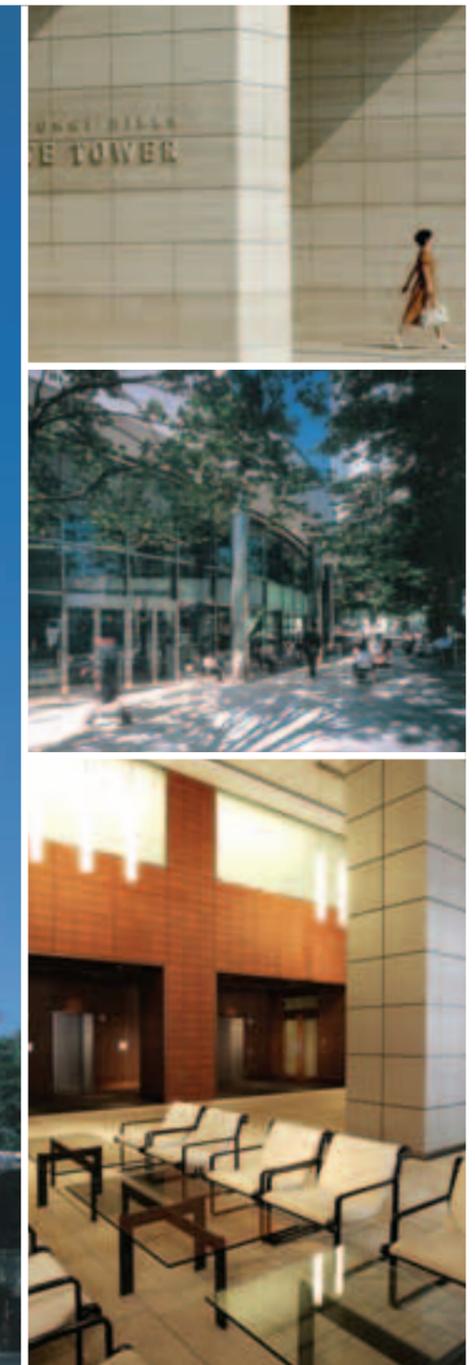
■ **Mori Building's highly rated, environmentally friendly initiatives**

- Mori Building Co., Ltd. was awarded the "Land, Infrastructure, Transport and Tourism Minister's Award" at the 17th "Global Environment Awards" (note). Mori Building was highly rated for its efforts to improve the urban environment over the years under the "Vertical Garden City" concept, with ARK Hills at its roots.

(Note) The "Global Environment Awards" is a special award for the industrial world, established with support from WWF Japan and aiming to achieve the "co-existence of industrial development and the global environment."



02 ROPPONGI HILLS GATE TOWER
Premium



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

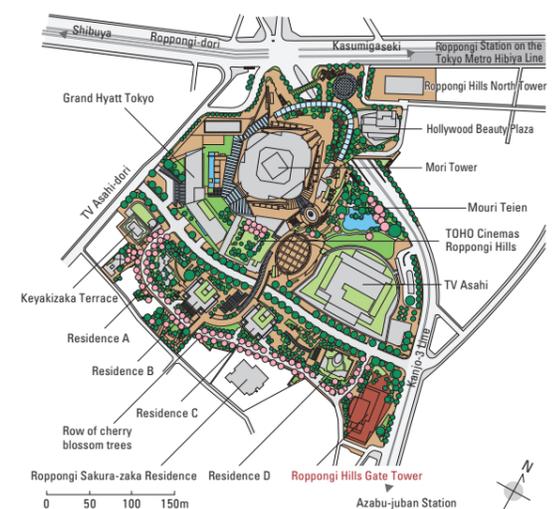
Located at the Azabu-juban side gateway of Roppongi Hills, Japan's largest multi-functional redevelopment project

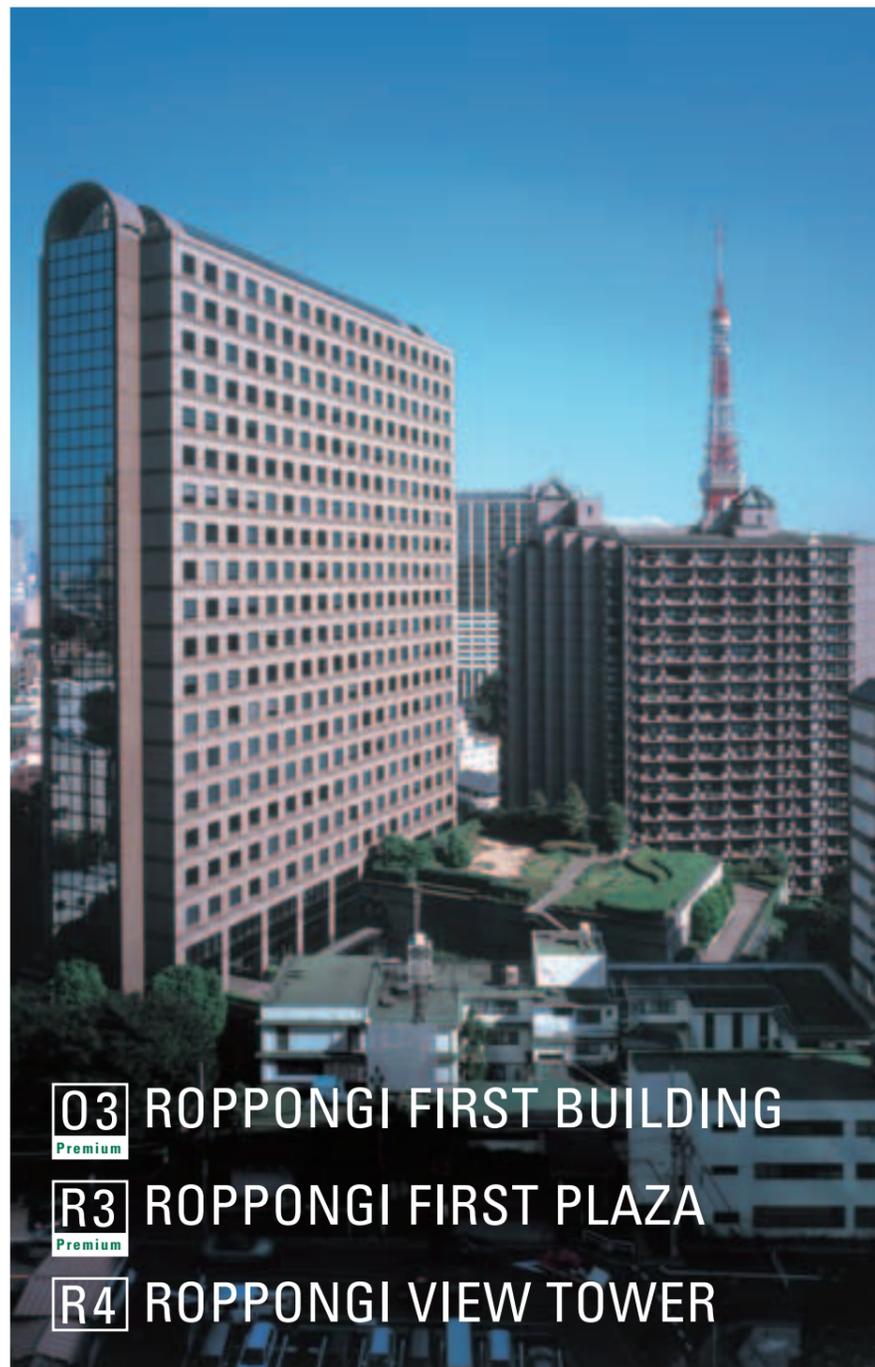
■ **Office, retail and residential multi-functional complex**

- Levels 1-3: retail
TSUTAYA with Starbucks, an upscale supermarket and restaurants
- Levels 3-9: office
Standard rentable floor area is approx. 1,496m²
- 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





03 ROPPONGI FIRST BUILDING
Premium

R3 ROPPONGI FIRST PLAZA
Premium

R4 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

■ Roppongi First Building

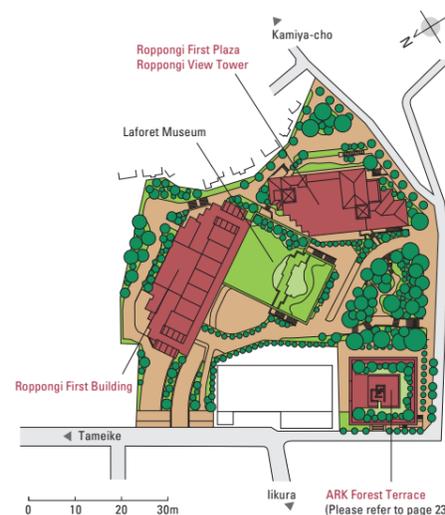
- Standard rentable floor area is approx. 1,129㎡
- Many foreign affiliated companies amongst the tenants
- Multi-purpose hall (Laforet Museum Roppongi)

■ Roppongi First Plaza

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

■ Roppongi View Tower

- Master-leased to Urban Renaissance Agency



04 KORAKU MORI BUILDING
Premium

Location with excellent environment and high visibility

- High level of visibility from Sotobori-dori
- Standard rentable floor area is approx. 1,157㎡
- 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

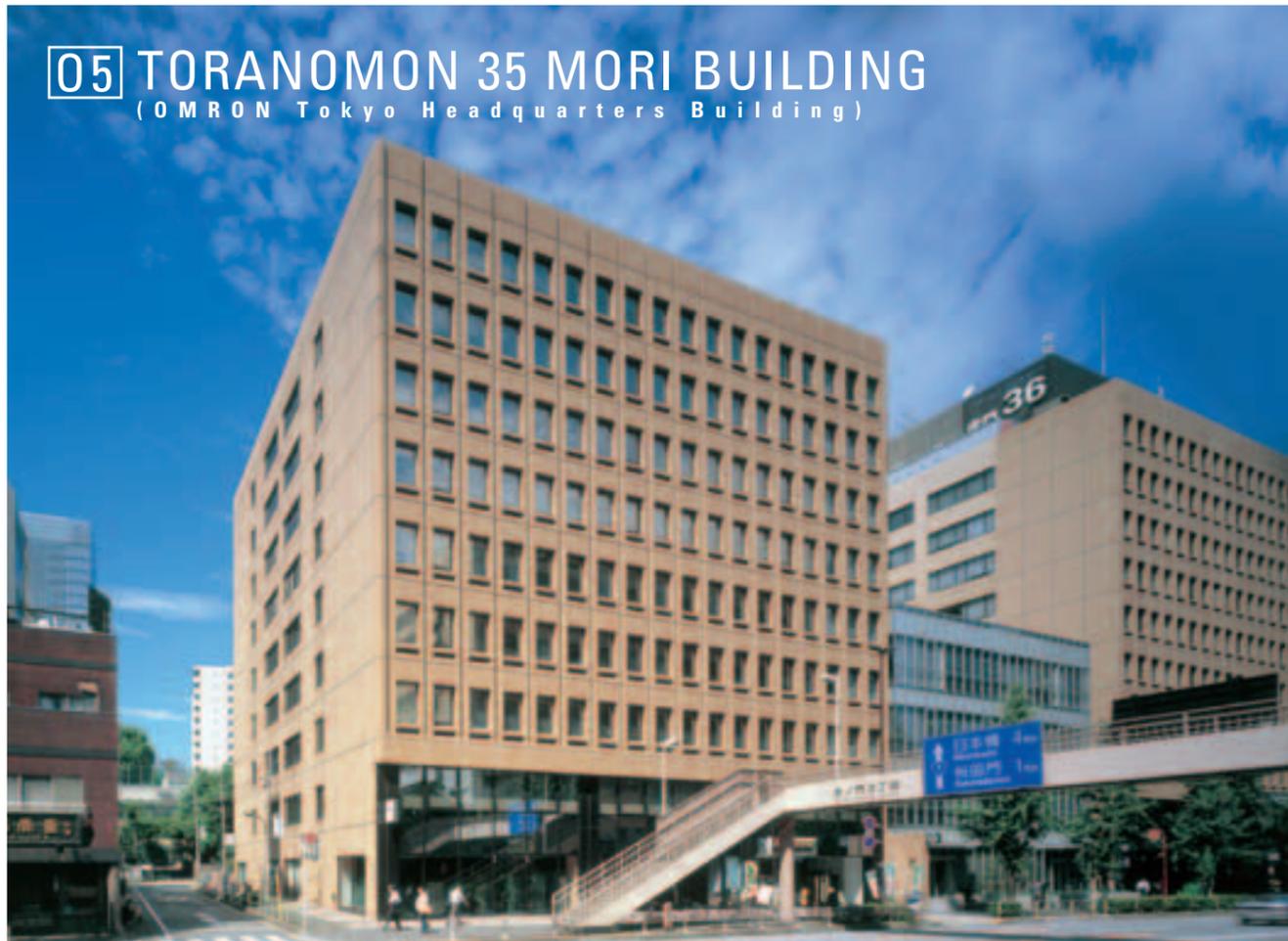
■ Superior earthquake resistance

- Seismic damping walls



05 TORANOMON 35 MORI BUILDING

(OMRON Tokyo Headquarters Building)



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. 861m²
- Large-scale renovation of the building and facilities carried out in 2001
- Leased to OMRON Corporation as its Tokyo Headquarters



06 AKASAKA TAMEIKE TOWER

Premium

A high-rise building complex located in the internationally-flavored Akasaka area

- The Akasaka area and vicinity has traditionally been popular among foreign enterprises. Recently, this area is receiving attention as a vibrant location in which new large-scale development projects, etc. are being undertaken, including those for new offices, premium residential apartments, retail facilities, etc.
- Akasaka Tameike Tower boasts a well-established status in the neighboring area as a high-rise building complex comprised of offices and residences that also provides a calm environment rich with greenery.

■ Excellent office environment

- The office environment responds to the needs of today's tenants with class A standard rentable floor space of about 1,300m² and with facilities and equipment that are on par in terms of quality with those of the newest large-scale buildings.
- Furthermore, the building has various unique amenities, such as a Sky Garden on the rooftop, which can be used by office-workers as a space for rest.
- "Chemins," a French restaurant located in the premises of the building, is a renowned restaurant that has been awarded one star in the Michelin Guide Tokyo 2009 and its sophisticated atmosphere coupled with a quiet environment rich with greenery makes the property even more attractive.

■ Excellent earthquake resistance

- The building has an earthquake-resistant structure based on the combination of "Visco-elastic Brace Damper Walls" and "Unbond Brace Dampers." Therefore not only is the building itself safe, but the impact of oscillations on room equipment, etc. is also significantly reduced by controlling and minimizing oscillation.





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

Comprised of Forest Tower, Forest Terrace East and Forest Terrace West. Located on the top of a hill in one of Minato-ku’s “three-A” areas; a quiet, relaxed, and exclusive neighborhood.

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

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

■ High competitiveness

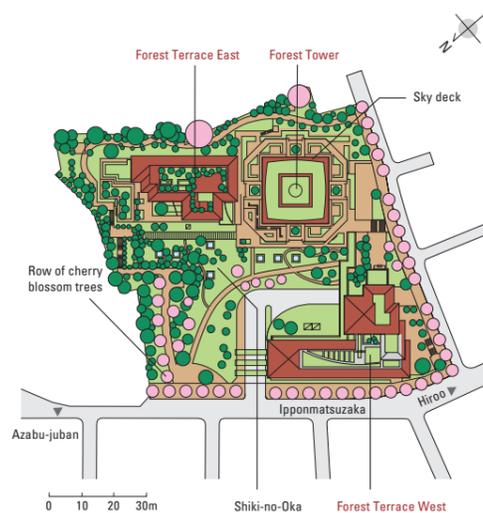
- Well recognized, iconic design, excellent views, etc., make this one of the city’s highest ranked buildings.

■ 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 structure (Forest Tower and Forest Terrace East)



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

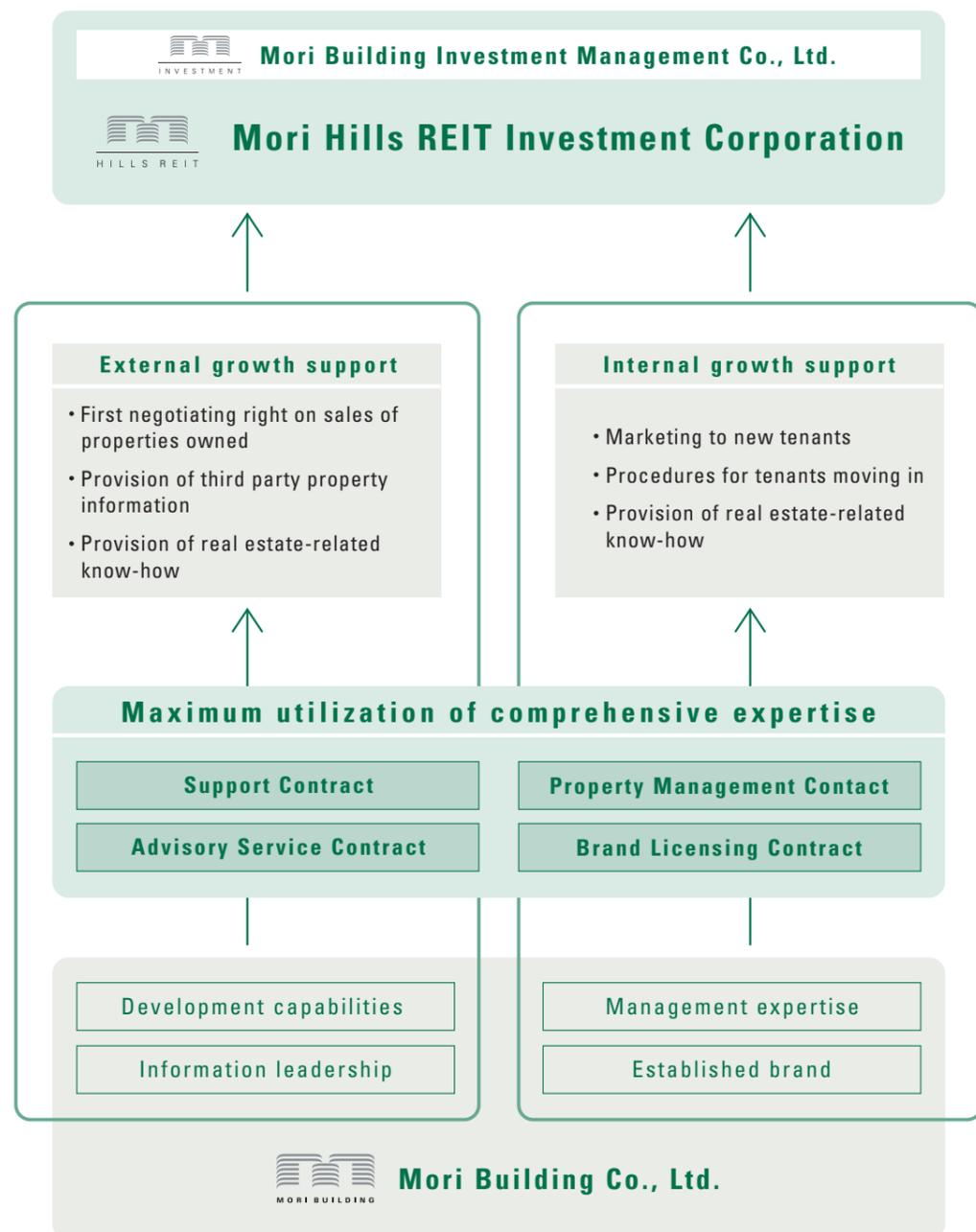
Maximum Utilization of the Mori Building Group's Comprehensive Expertise

Promoting "Investment in the city" and enhancing corporate value.

MHR places at the center of its growth strategy the proactive and maximum utilization of the real estate-related expertise the Mori Building Group has nurtured over the years through property development/large-scale redevelopment and property management operations.

Support by Mori Building Co., Ltd.

MHR is actively using the support function of the Mori Building Group by concluding a support contract, advisory service contract, PM (property management) consignment contract and brand licensing contract made either between itself and Mori Building Co., Ltd. or between its asset management company and Mori Building Co., Ltd.



<http://www.mori.co.jp/en/>

Mori Building Co., Ltd.

Mori Building Co., Ltd. is a developer that undertakes large-scale development projects based on its accumulated expertise in the redevelopment business in central Tokyo, particularly in Minato Ward. MHR will focus on and proactively utilize the real estate-related expertise of the Mori Building Group's development capabilities, PM abilities, etc. to achieve external and internal growth.

Urban Design Mission of Mori Building Co., Ltd.

Mori Building Co., Ltd.'s basic mission for creating cities is based on its three missions of "Safety and Security," "Environment and Greenery" and "Culture and Art." Based on these missions, it has accumulated experience, technology and expertise in urban redevelopment through performing many redevelopment business projects in the central Tokyo area with a special focus on Minato Ward, among many other areas. Furthermore, the Company has been successful with its town management which it created to augment the value of these redevelopment areas as a whole and its management of property (PM) in a wide variety of uses.

Mori Building's Three Missions of Urban Design

<p>Safety and Security Cities that withstand earthquakes.</p> <p>The creation of cities that withstand earthquakes and natural disasters through earthquake-resistant features and other measures. Transforming cities from "places to flee from" to "places to take refuge in."</p>	<p>Environment and Greenery Where city and nature flourish together.</p> <p>Restore a sense of changing seasons to the city.</p>	<p>Culture and Art Where creativity and new possibilities are born.</p> <p>Creating compact, multi-use neighborhoods with more open space and more time to enjoy—places in which culture is enjoyed, fostered and transmitted.</p>
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Projects <http://www.mori.co.jp/en/projects/>



Hirakawacho Mori Tower

This area is very close to Japan's core central government departments and headquarters. Offices will occupy the lower floors and residences on the higher floors. A rooftop garden with a wonderful view will be established on the rooftop.

- a) Approx. 5,600㎡
- b) Approx. 51,800㎡
- c) Offices, Residences, Shops
- d) December 2009 (planned)



Roppongi 1-chome North Plan

In addition to rooftop gardening, a wall garden with a height of about 60m will be established along the wall of the building in a way that the landscaping of an adjacent open spaces will connect to the walls and rooftop to form a belt of greenery and thereby create an environment rich with a forested, urban spirit.

- a) Approx. 2,500㎡
- b) Approx. 18,400㎡
- c) Offices, Residences
- d) July 2010 (planned)



Akasaka 2-chome Plan (Fukuyoshicho)

Situated opposite ARK Hills. Through the creation of open spaces, rooftop gardening and other measures, a favorable urban lifestyle environment will be established.

- a) Approx. 2,000㎡
- b) Approx. 24,900㎡
- c) Offices, Residences, Shops
- d) January 2011 (planned)



Toranomon-Roppongi Area Redevelopment

Mori Building and local residents are working in concert towards realizing this redevelopment project that aims to turn this area around into a safer and more comfortable place to live.

- a) C-1 Area: 15,370㎡
- C-2 Area: 510㎡
- b) Approx. 143,360㎡
- c) Offices, Residences, Shops
- d) 2012 (planned)

a) Lot size b) Gross floor area c) Type d) Completion

Grand Opening of Shanghai World Financial Center

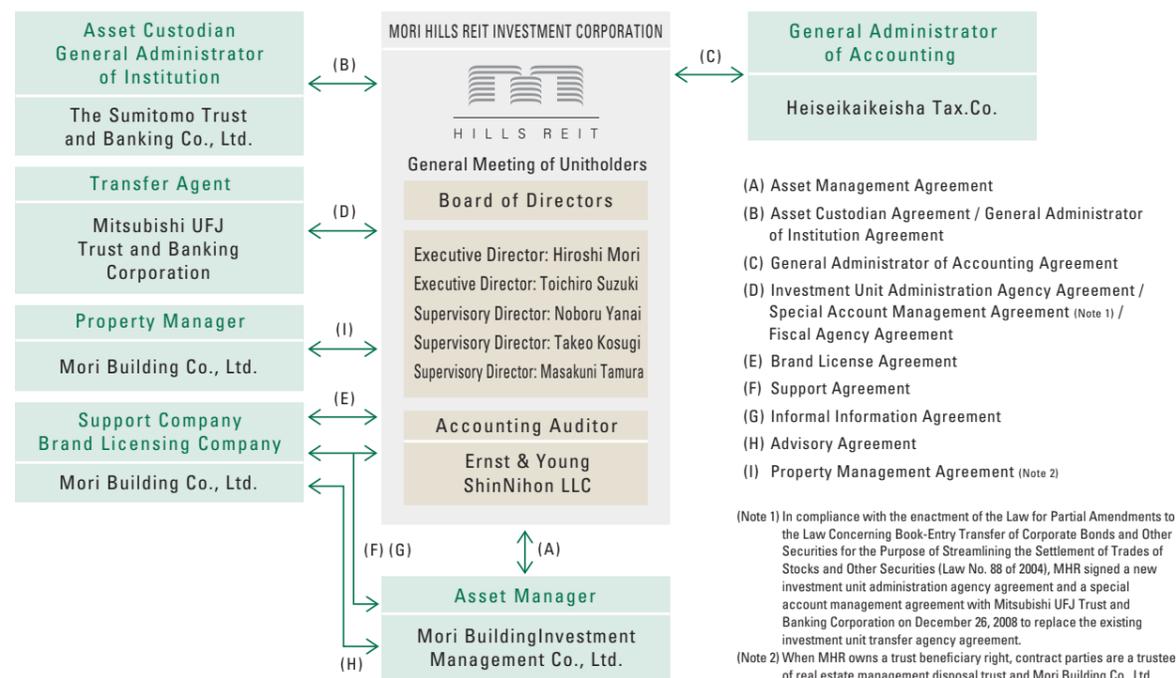
Official Website of the Shanghai World Financial Center: <http://swfc-shanghai.com/>

The Shanghai World Financial Center (SWFC), a project to construct a super high-rise mixed-use building with the world's tallest height (101 floors; height of 492m) situated in the Lujiazui Finance and Trade Zone Center, Pudong District, Shanghai, China, made its grand opening on October 25, 2008.

Under the concept of the "global magnet," the SWFC will continue to attract information and people from across the world, giving birth to trends and exerting global influence. The complex is not only equipped to be a vibrant and attractive business hub, but will serve as a cultural and tourism hub as well. Please continue to look forward to the further development of the SWFC—a new symbol of Shanghai.



Organizational Structure (As of January 31, 2009)

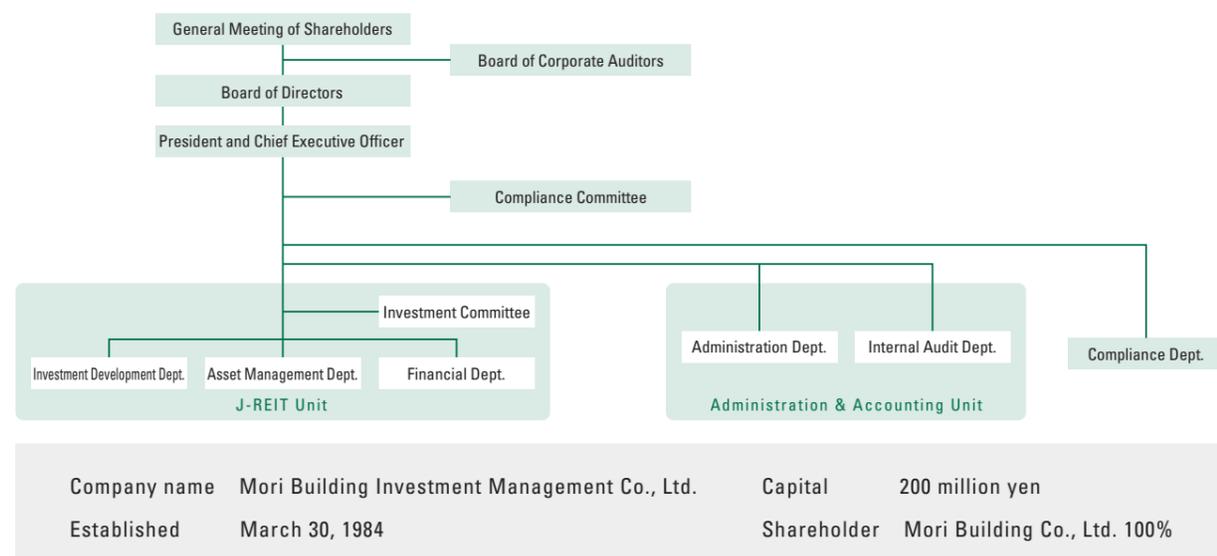


Ratings

MHR has acquired the following ratings as of April 21, 2009.



Overview of Asset Manager (As of January 31, 2009)



Governance Structure

Corporate governance

Mori Hills REIT Investment Corporation ("MHR") stipulates in its investment corporation bylaws its basic policy of ensuring stable profits over the medium to long term as well as posting solid asset growth. Based on asset management agreements, MHR consigns asset management-related operations, etc. to Mori Building Investment Management Co., Ltd. ("MIM").

MIM operates on the basic policy of fulfilling honest and fair corporate activities with full awareness of social rules in addition to strict compliance with relevant laws and regulations, and various rules including in-house and market rules.

Compliance structure

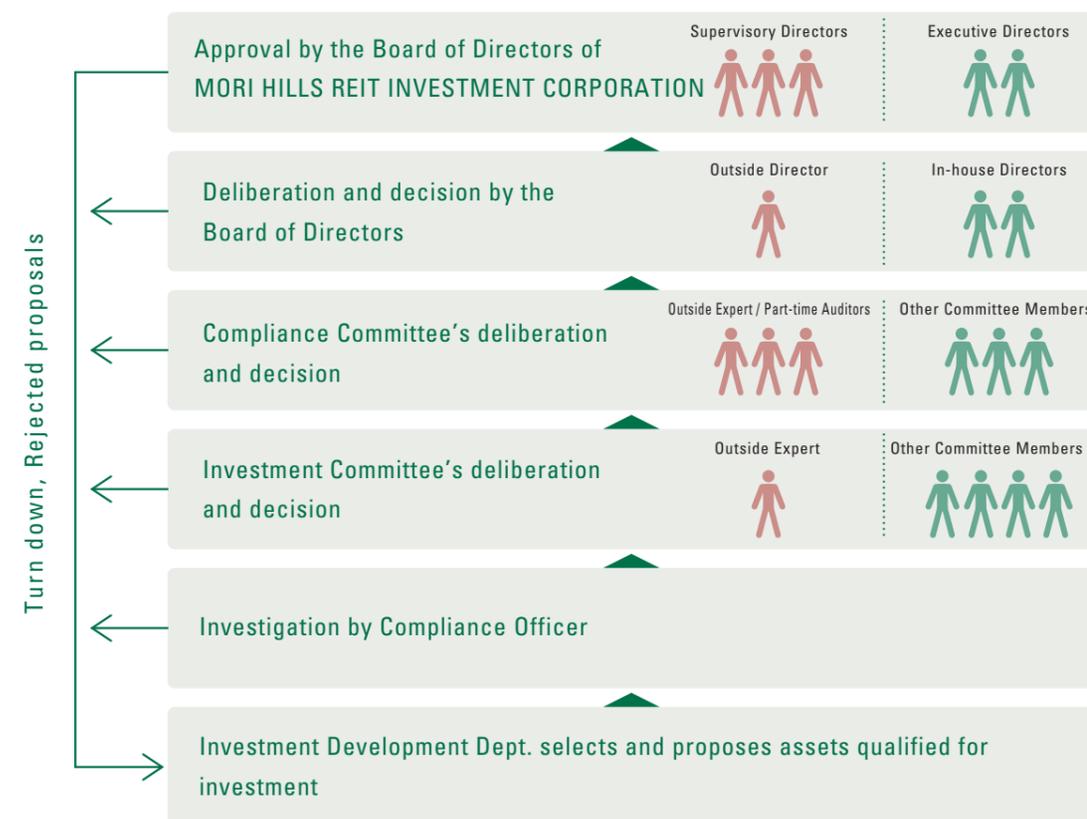
MIM regards thorough implementation of compliance as a fundamental principle of management, based on the awareness that the failure to conduct compliance may damage investor confidence as well as the management bases of the Investment Corporation and the Asset Management Company.

MIM, led by the Board of Directors, the President and CEO, Compliance Officer, Compliance Committee and Compliance Office will make decisions on various items concerning compliance and manage compliance to the extent of their respective authorities and responsibilities.

With regard to transactions with interested parties, MIM strictly manages terms and conditions of transactions and the like in accordance with its Related Parties Transaction Guidelines to prevent the interests of MHR from being undermined.

Acquisition of assets from interested parties

Strict process requiring deliberation and resolution by MIM's Investment Committee, Compliance Committee and Board of Directors as well as deliberation and approval by MHR's Board of Directors



I Performance Information Report

Overview of Asset Management

1. MHR's Business Results and Other Financial Highlights (Note 1) (Note 2)

	Unit	First Fiscal Period From: February 2, 2006 To: January 31, 2007 (364 days)	Second Fiscal Period From: February 1, 2007 To: July 31, 2007 (181 days)	Third Fiscal Period From: August 1, 2007 To: January 31, 2008 (184 days)	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008 (182 days)	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009 (184 days)
Operating revenue	millions of yen	7,012	4,553	4,628	4,823	5,701
(of which, revenue related to rent business)	(Note 3) millions of yen	7,012	4,553	4,628	4,823	5,549
Operating expenses	millions of yen	3,150	2,171	2,279	2,380	2,638
(of which, expenses related to rent business)	millions of yen	2,654	1,809	1,929	2,044	2,251
Operating income	millions of yen	3,862	2,381	2,349	2,442	3,062
Ordinary income	millions of yen	2,664	1,936	1,843	1,837	2,179
Net income	(a) millions of yen	2,662	1,935	1,842	1,832	2,179
Total assets	(b) millions of yen	155,689	155,165	154,891	170,626	212,964
(period-on-period comparison)	%	—	down 0.3	down 0.2	up 10.2	up 24.8
Net assets	(c) millions of yen	75,333	74,607	74,514	74,503	89,541
(period-on-period comparison)	%	—	down 1.0	down 0.1	down 0.0	up 20.2
Unitholders' capital	millions of yen	72,671	72,671	72,671	72,671	87,371
Number of units issued and outstanding	(d) units	129,800	129,800	129,800	129,800	159,200
Net assets per unit	(c) ÷ (d) yen	580,383	574,784	574,069	573,989	562,449
Total dividends	(e) millions of yen	2,662	1,935	1,842	1,832	2,179
Net income per unit	(Note 4) yen	32,403 [28,185]	14,912	14,197	14,117	14,550
Dividend per unit	(e) ÷ (d) yen	20,511	14,912	14,197	14,117	13,688
(of which, dividend of earnings per unit)	yen	20,511	14,912	14,197	14,117	13,688
(of which, dividend in excess of earnings per unit)	yen	—	—	—	—	—
Ordinary income to total assets	(Note 5) %	2.73	1.25	1.19	1.13	1.14
(annualized)	(Note 5) %	3.16	2.51	2.36	2.26	2.25
Net income to total net assets	(Note 5) %	6.07	2.58	2.47	2.46	2.66
(annualized)	(Note 5) %	7.02	5.21	4.90	4.93	5.27
Total net assets to total assets	(c) ÷ (b) %	48.39	48.08	48.11	43.66	42.05
(period-on-period comparison)	points	—	down 0.30	up 0.03	down 4.44	down 1.62
Dividend payout ratio	(e) ÷ (a)(Note 6) %	99.9	99.9	100.0	99.9	99.9
[Other reference information]						
Number of investment properties at end of period	(Note 7) properties	9	9	9	9	10
Number of tenants at end of period	(Note 8) tenants	254	257	254	264	277
Total leasable floor area at end of period	(Note 9) m ²	87,592.60	87,631.12	87,631.12	91,548.83	103,169.40
Total leased floor area at end of period	(Note 9) m ²	84,226.33	84,742.95	84,377.96	87,364.06	99,581.20
Occupancy rate at end of period	(Note 10) %	96.2	96.7	96.3	95.4	96.5
Depreciation and amortization	millions of yen	949	570	572	602	706
Capital expenditures	millions of yen	19	33	31	42	61
NOI	(Note 5) millions of yen	5,307	3,314	3,270	3,380	4,004
FFO per unit	(Note 5) yen	27,823	19,308	18,603	18,757	18,127
FFO multiple	(Note 5) multiples	34.2	27.7	19.4	12.4	7.4
Debt service coverage ratio	(Note 5) multiples	7.5	7.0	6.1	5.3	4.8
EBIDA	millions of yen	4,165	2,920	2,888	2,998	3,636
Interest expenses	millions of yen	554	414	473	564	750
Interest-bearing debt	millions of yen	73,000	73,000	73,000	88,000	114,000
Interest-bearing debt to total assets at end of period	%	46.89	47.05	47.13	51.57	53.53
Days of operations	days	316	181	184	182	184

(Note 1) "Operating revenue," etc. do not include consumption taxes.

(Note 2) Unless otherwise stated, this document rounds down figures for monetary amounts and rounds off percentage figures hereinafter each to the nearest specified unit.

(Note 3) "Revenue related to rent business" is revenue related to rent business in the broad sense of the term. The sum total of rent revenue – real estate and other lease business revenue indicated in III. Statements of Income on page 44 is shown.

(Note 4) "Net income per unit" is calculated by dividing the net income by the daily weighted average number of investment units given below.

First fiscal period: 82,164 units

Second fiscal period: 129,800 units

Third fiscal period: 129,800 units

Fourth fiscal period: 129,800 units

Fifth fiscal period: 149,773 units

For the first fiscal period, the net profit per unit calculated by using the daily weighted average number of investment units when March 22, 2006, the first date of actual asset management following completion of registration with the Kanto Local Finance Bureau, is deemed as the first date of the period (94,458 units) is also shown in parentheses []. Figures of less than one unit are each rounded off.

(Note 5) The indices shown are calculated by using the formulas given below. In light of asset management actually commencing on March 22, 2006, the annualized figures based on the actual number of asset management days (316 days) are shown for the annualized figures for the first fiscal period.

* Ordinary income to total assets = Ordinary income ÷ Average amount of total assets*

* Net income to total net assets = Net income ÷ Average amount of net assets*

* NOI = Property income (= Revenue related to rent business – Expenses related to rent business) ÷ Depreciation and amortization

* FFO (Funds from Operations) per unit = (Net income ÷ Depreciation and amortization + Other property related depreciation and amortization) ÷ Number of units issued and outstanding

* FFO multiple

First fiscal period = Investment unit price at January 31, 2007 (1,100,000 yen) ÷ Annualized FFO per unit

Second fiscal period = Investment unit price at July 31, 2007 (1,080,000 yen) ÷ Annualized FFO per unit

Third fiscal period = Investment unit price at January 31, 2008 (716,000 yen) ÷ Annualized FFO per unit

Fourth fiscal period = Investment unit price at July 31, 2008 (465,000 yen) ÷ Annualized FFO per unit

Fifth fiscal period = Investment unit price at January 31, 2009 (265,000 yen) ÷ Annualized FFO per unit

* Debt service coverage ratio = EBIDA (Net income before interest, depreciation and amortization) ÷ Interest expenses

* Average amount of total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2

* Average amount of net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2

The calculation of the total assets at beginning of period and net assets at beginning of period for the first fiscal period is based on the total assets and net assets at the date MHR commenced actual asset management (March 22, 2006).

(Note 6) Dividend payout ratio is rounded down to the first decimal place.

(Note 7) For Roppongi First Building and Roppongi View Tower, MHR purchased 6% of the trust beneficiary right pertaining to the joint ownership portion on March 22, 2006 and 40% of the trust beneficiary right 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. In addition, for ARK Mori Building, MHR makes a distinction of the property name according to the difference in leasing schemes. MHR purchased the trust beneficiary right pertaining to the sectional ownership corresponding to the 13F portion of ARK Mori Building on March 22, 2006 as property adopting the fixed master lease scheme ("ARK Mori Building (fixed master lease)"; the same hereinafter), and purchased 75% of the quasi co-ownership interest in the trust beneficiary right pertaining to the sectional ownership corresponding to the 12F and 22F portions of ARK Mori Building on March 28, 2008 and purchased the remaining 25% of the quasi co-ownership interest on September 30, 2008 as property adopting the pass-through master lease scheme ("ARK Mori Building (pass-through master lease)"; the same hereinafter). However, MHR treats each of these properties as one property in the number of properties in the portfolio. (The same hereinafter)

(Note 8) "Number of tenants at end of period" is counted as 1 tenant when a single tenant leases multiple rental units in the case of tenants of office buildings and retail properties and is counted as 1 tenant per residential unit in the case of tenants of residential properties. (The same hereinafter) For Akasaka Tameike Tower, of the entire building including that in trust, the number of tenants of the portions other than those used as residential and community meeting areas that are (i) private-use areas independently owned by each of the trust fiduciary and The Asahi Shimbun Company; (ii) private-use areas jointly owned by the trust fiduciary, Mori Building Co., Ltd. and The Asahi Shimbun Company; (iii) private-use areas jointly owned by Mori Building Co., Ltd. and The Asahi Shimbun Company; and (iv) common areas indicated in the agreement (hereinafter, the "rent-generating portions") is shown. (The same hereinafter)

(Note 9) "Total leasable floor area at end of period" for real estate in trust is the floor area deemed leasable to end tenants. "Total leased floor area at end of period" for real estate in trust is the sum total of the contract floor area indicated on lease agreements with end tenants. However, for real estate in trust co-owned by the trust fiduciary, these are shown as the floor area arrived at when the total leasable floor area and total leased floor area of the concerned real estate in trust is multiplied by the quasi co-ownership interest and each rounded to two decimal places. Similarly, for Koraku Mori Building, these are shown as the floor area arrived at when the total leasable floor area and total leased floor area of the concerned real estate is multiplied by MHR's stake in the asset in trust of the trust beneficiary right (80%) and, for Akasaka Tameike Tower, these are shown as the floor area arrived at when the total leasable floor area and total leased floor area of the "rent-generating portions" is multiplied by MHR's distribution ratio (refers to the ratio set forth in the building lease agreement entered into with the trust fiduciary and Mori Building Co., Ltd. on September 30, 2008, the same hereinafter) (65.9%) and each rounded to two decimal places. Total leasable floor area at end of period and total leased floor area at end of period do not include the floor area of storage, parking lot, mechanical room, etc. with the exception of master-leased properties based on a fixed master lease. (The same hereinafter)

(Note 10) "Occupancy rate at end of period" is the sum total of the total leased floor area at end of period expressed as a percentage of the sum total of the total leasable floor area at end of period and rounded to one decimal place. (The same hereinafter)

2. Asset Management Developments in the Fifth Fiscal Period

(1) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated under the Law Concerning Investment Trusts and Investment Corporations (Law No. 198 of 1951; including amendments thereto) (hereinafter, the "Investment Trust Law") by Mori Building Investment Management Co., Ltd. (hereinafter, "MHR's Asset Manager") on February 2, 2006 with 100 million yen in capital (200 investment units), and was registered by the Prime Minister based on Article 187 of the Investment Trust Law 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 ended January 31, 2009 (hereinafter, the "fifth fiscal period" or "fiscal period under review"), the total number of investment units issued and outstanding was 159,200 investment units. Recently, MHR closed its fifth fiscal period.

(2) Investment Environment and Business Performance

a. Investment Environment

In the Japanese economy during the fifth fiscal period, turmoil in the global financial and capital markets, which stemmed from the subprime mortgage crisis in the U.S., spread to the real economy and impacted corporate earnings, capital investment and the employment environment. Personal domestic spending also gradually decreased due to consumer confidence declining in parallel with growing employment uncertainty. These, among other factors, reflect the increasingly severe economic recession.

Concerning the rental office building market, while the market had hitherto managed to remain solid amid relatively little supply of new properties, occupancy rates are now on a downward trend due to rental office demand falling in correlation with deteriorating corporate performance. With respect to the luxury rental housing market, demand from foreign staff working at non-Japanese firms and domestic high net-worth households, which had been on an upward trend, weakened and vacancy was on the rise at some luxury rental properties reflecting the uncertain outlook for the future economy.

In the real estate trading market, there was a marked drop in sale and purchase transactions in concert with changes in the financing environment. Even the office market in central Tokyo has begun to see a surge in cap rates centering on properties with relatively low competitiveness and has seen a downward trend in real estate prices.

b. Business Performance

MHR acquired an additional 0.5 floors of ARK Mori Building from its sponsor, Mori Building Co., Ltd. ARK Mori Building is an asset that falls under the definition of "Premium Properties," properties that constitute the core of MHR's criteria for portfolio expansion. MHR also acquired Akasaka Tameike Tower (the office section which includes retail, storage areas, parking lots, etc.). In addition, one residential unit of Moto-Azabu Hills was transferred to Mori Building Co., Ltd. MHR achieved positive operating 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 fifth fiscal period was comprised of ten properties under management with a total leasable floor area of 103,169.40m². MHR has already invested 201.6 billion yen (based on acquisition value) into this portfolio. The occupancy rate at the end of the fifth fiscal period was 96.5%.

(3) Overview of Fund Procurement

During the fifth fiscal period, MHR procured 40.7 billion yen in funds by implementing a 14.7 billion yen increase in capital through third-party allotment and borrowing 26.0 billion yen (short-term loans payable: 7.0 billion yen; long-term loans payable: 19.0 billion yen (Note 1)). In addition, MHR took out 25.0 billion yen in long-term loans payable to refinance 10.0 billion yen in existing short-term loans payable and 15.0 billion yen in existing long-term loans payable.

As a result, as of the end of the fifth fiscal period, the balance of loans payable stands at 104.0 billion yen (long-term loans payable: 62.0 billion yen; current portion of long-term loans payable: 25.0 billion yen; and short-term loans payable: 17.0 billion yen), the balance of investment corporation bonds stands at 10.0 billion yen and the balance of interest-bearing debt stands at 114.0 billion yen.

Of the loans payable, for 47.0 billion yen of the 62.0 billion yen in long-term loans payable and the 25.0 billion yen in current portion of long-term loans payable, which have variable interest rates, MHR utilizes interest rate swaps that in effect convert variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Concerning future loans payable, MHR will strive to minimize refinancing risks by diversifying repayment dates for loans payable and extend the average remaining duration of loans payable by increasing the percentage of fund procurement through long-term loans payable.

As of the end of the fifth fiscal period, MHR has obtained an A3 (Note 2) issuer credit rating from Moody's Investors Service, Inc. and AA– long-term senior debt

rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Note 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)

(Note 2) Moody's Investors Service, Inc. issued an announcement on January 15, 2009 stating that the issuer credit ratings for twelve real estate investment corporations, including MHR, are under review for possible downgrade.

(4) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 5,701 million yen in operating revenue, 3,062 million yen in operating income, 2,179 million yen in ordinary income and 2,179 million yen in net income in the fifth fiscal period.

In regards to dividends, to ensure that income distributions would be deductible for tax purposes based on application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957; including amendments thereto) (this Article hereinafter referred to as the "Special Tax Treatment for Investment Corporations"), 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 13,688 yen.

I Performance Information Report

3. Status of Increases or Other Changes in Capital

The following is a summary of the changes in the number of investment units issued and outstanding and unitholders' capital during the fifth fiscal period and prior fiscal periods.

Date	Description	Number of Units Issued and Outstanding (units)		Unitholders' Capital (millions of yen)		Notes
		Increase / (Decrease)	Balance	Increase / (Decrease)	Balance	
February 2, 2006	Incorporation through private placement	200	200	100	100	(Note 1)
March 20, 2006	Capital increase through private placement	24,770	24,970	12,385	12,485	(Note 2)
April 13, 2006	Capital increase through private placement	61,882	86,852	30,941	43,426	(Note 3)
July 31, 2006	Capital increase through private placement	8,398	95,250	4,239	47,665	(Note 4)
November 29, 2006	Capital increase through public offering	34,550	129,800	25,005	72,671	(Note 5)
September 29, 2008	Capital increase through private placement	29,400	159,200	14,700	87,371	(Note 6)

(Note 1) MHR was incorporated at an issue price of 500,000 yen per unit.

(Note 2) MHR issued additional investment units through a private placement at an issue price of 500,000 yen per unit to procure funds for acquiring new properties and other purposes.

(Note 3) MHR issued additional investment units through a private placement at an issue price of 500,000 yen per unit to procure funds for acquiring new properties and other purposes.

(Note 4) MHR issued additional investment units through a private placement at an issue price of 504,865 yen per unit to procure funds for acquiring new properties and other purposes.

(Note 5) MHR issued additional investment units through a public offering at an underwriting price of 723,750 yen per unit to repay short-term loans payable.

(Note 6) MHR issued additional investment units through a private placement at an underwriting price of 500,000 yen per unit to procure funds for acquiring new properties and other purposes.

[Changes in Price of Investment Certificates on the Tokyo Stock Exchange]

The following are the highest and lowest prices (based on the closing price) of MHR's investment certificates listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange for each period.

Highest and Lowest Investment Unit Prices for Each Calendar Period (yen)	Fiscal Period	First Fiscal Period	Second Fiscal Period	Third Fiscal Period	Fourth Fiscal Period	Fifth Fiscal Period
	Calendar Period	From: February 2, 2006 To: January 31, 2007	From: February 1, 2007 To: July 31, 2007	From: August 1, 2007 To: January 31, 2008	From: February 1, 2008 To: July 31, 2008	From: August 1, 2008 To: January 31, 2009
	Highest	1,210,000	1,450,000	1,060,000	740,000	473,000
	Lowest	878,000	997,000	623,000	465,000	240,000

4. Distribution Performance

MHR declared 13,688 yen in dividend per unit for the fifth fiscal period. To ensure the Special Tax Treatment for Investment Corporations applies, MHR adopts the policy of paying out almost the entire amount of unappropriated retained earnings.

	Unit	First Fiscal Period	Second Fiscal Period	Third Fiscal Period	Fourth Fiscal Period	Fifth Fiscal Period
		From: February 2, 2006 To: January 31, 2007	From: February 1, 2007 To: July 31, 2007	From: August 1, 2007 To: January 31, 2008	From: February 1, 2008 To: July 31, 2008	From: August 1, 2008 To: January 31, 2009
Net income	(thousands of yen)	2,662,335	1,935,601	1,842,740	1,832,395	2,179,145
Accumulated earnings	(thousands of yen)	7	31	1	10	26
Total cash dividends	(thousands of yen)	2,662,327	1,935,577	1,842,770	1,832,386	2,179,129
[Dividend per unit]	(yen)	[20,511]	[14,912]	[14,197]	[14,117]	[13,688]
Of which, total dividend of earnings	(thousands of yen)	2,662,327	1,935,577	1,842,770	1,832,386	2,179,129
[Dividend of earnings per unit]	(yen)	[20,511]	[14,912]	[14,197]	[14,117]	[13,688]
Of which, total capital reimbursement	(thousands of yen)	—	—	—	—	—
[Capital reimbursement per unit]	(yen)	[—]	[—]	[—]	[—]	[—]

5. Future Management Policy and Issues to Address

(1) Investment Environment

The shrinking global financial markets and the vicious cycle of the deteriorating real economy is likely to increasingly accelerate the economic slowdown. With declining exports and production as well as decreasing corporate earnings, the Japanese economy is forecasted to see stagnation continue into the immediate future, and diligent observation of ongoing trends will be necessary.

Amid a growing sense of uncertainty over the future of the Japanese economy, the rental office building market shows signs of a decline in new tenant rent levels reflecting moves by tenants to consolidate their office space requirements and lower demand to relocate offices. As vacancy rates of large buildings situated in central Tokyo are on the rise, demand and supply is expected to show signs of easing. As for the luxury rental housing market, if vacancy rates continue to rise, subsequent moves to adjust rent are anticipated.

In the real estate trading market, there is projected to be more transactions in the future at favorable terms to buyers, centering on sales and purchases of properties exhibiting inferior competitiveness.

(2) Management Policy and Issues to Address

Pursuant to MHR's investment policy, MHR seeks to grow as well as increasingly enhance the profitability and asset value of assets under management by focusing on the competitiveness and the ability to create value attributable to "urban" areas (central Tokyo being the core area) and concentrating investment into "urban" areas. Specifically, MHR seeks to develop an urban portfolio with office buildings and residential and retail properties that are situated in "Premium Areas" (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward, Shibuya Ward and their vicinity) and that are capable of maintaining competitiveness in the future from such perspectives 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.

Concerning the acquisition of new properties, MHR will aim to enhance the quality of its portfolio by acquiring blue-chip assets proactively utilizing information independently gathered by MHR's Asset Manager based on a pipeline support agreement entered into with Mori Building Co., Ltd.

As for opportunities to acquire additional properties in the sixth fiscal period during which the harsh financing environment is expected to continue, MHR will exercise careful judgment based on taking into account the characteristics of individual properties and closely monitoring the trends in the financing environment.

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 management and administration 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 Mori Building Co., Ltd.'s high value-added know-how and high-level services.

In particular, recognizing that the current rental market is susceptible to fluctuations, MHR will aim to conduct stable and steady management by striving to maintain and enhance occupancy rates through the launch of marketing activities targeting new and existing tenants as well as by focusing on raising the rents of existing tenants as much as possible.

With respect to financing, MHR recognizes the financing environment surrounding J-REITs is especially severe owing to the deteriorating global financial situation since last year. Under such an environment, MHR will respond appropriately in pursuit of achieving stable financing while working more closely with its financial institution relationships – primarily major domestic financial institutions – and promoting diversification of lenders at the same time.

(3) Financial Strategy

MHR will procure funds, primarily unsecured and unguaranteed bank borrowings, pursuant to the basic policy of efficiently combining long-term fund procurement that are stable and short-term fund procurement focused on flexibility. Moreover, while closely monitoring the trends of the bond market, MHR will continue to be committed to diversifying the means of procuring capital and spreading out repayment dates by issuing investment corporation bonds and taking other measures in the future financial strategy.

With respect to the circumstances surrounding J-REITs, MHR recognizes that the financing environment is especially severe owing to the deteriorating global financial situation since last year. Under such an environment, MHR will respond appropriately in pursuit of achieving stable financing while working more closely with its financial institution relationships – primarily major domestic financial institutions – and promoting diversification of lenders at the same time.

(4) Information Disclosure

Raising the promotion of proactive voluntary disclosure is one of MHR's operational policies. MHR voluntarily discloses information which it deems useful in making investment decisions in relation to MHR, in addition to timely disclosure on the Tokyo Stock Exchange. As a key tool for such voluntary disclosure, efforts are dedicated to the utilization of the internet homepage (<http://www.mori-hills-reit.co.jp/>) on which information on performance is promptly disclosed. Going forward, MHR will continue to be dedicated to increasingly enhance its information disclosure.

6. Significant Subsequent Events

Not applicable.

I Performance Information Report

Overview of MHR

1. Status of Capital

Fiscal Period (Settlement of Accounts)	First Fiscal Period (As of January 31, 2007)	Second Fiscal Period (As of July 31, 2007)	Third Fiscal Period (As of January 31, 2008)	Fourth Fiscal Period (As of July 31, 2008)	Fifth Fiscal Period (As of January 31, 2009)
Total number of units authorized (units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of units issued and outstanding (units)	129,800	129,800	129,800	129,800	159,200
Unitholders' capital (millions of yen)	72,671	72,671	72,671	72,671	87,371
Number of unitholders	5,537	4,194	4,507	5,191	6,828

2. Matters related to Investment Units

The following are the principal unitholders as of January 31, 2009.

Name of Company or Person	Number of Units Held (units)	Number of Units Held as a Percentage of the Total Number of Units Issued and Outstanding (%) (Note)
Mori Building Co., Ltd.	48,918	30.7
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	13,223	8.3
The Fuji Fire and Marine Insurance Co., Ltd.	10,450	6.6
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	8,654	5.4
Japan Trustee Services Bank, Ltd. (Trust Account)	6,943	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,941	4.4
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	3,172	2.0
The Norinchukin Bank	3,000	1.9
National Mutual Insurance Federation of Agricultural Cooperatives	2,748	1.7
The Hiroshima Bank, Ltd.	2,228	1.4
Total	106,277	66.8

(Note) Rounded to one decimal place.

3. Matters related to Directors

(1) The following are the executive directors, supervisory directors and accounting auditor during the fiscal period under review.

Title	Name of Director or Name of Company	Primary Concurrent Post	Total Compensation of Each Director for the Fiscal Period Under Review (thousands of yen)
Executive Director (Note 1)	Hiroshi Mori	President and Representative Director, Mori Building Investment Management Co., Ltd.	1,800
	Toichiro Suzuki	Chairman, Mori Building Investment Management Co., Ltd.	900
Supervisory Director (Note 2)	Noboru Yanai	President, Arrow Consulting Director, Resona Holdings, Inc.	1,800
	Takeo Kosugi	Partner, Matsuo & Kosugi	1,800
	Masakuni Tamura	President, ARC Brain	1,800
Accounting Auditor	Ernst & Young ShinNihon LLC	—	12,300

(Note 1) In addition to being the Executive Directors of MHR, concurrent posts are held at MHR's Asset Manager Mori Building Investment Management Co., Ltd. by Hiroshi Mori as the President and Representative Director and Toichiro Suzuki as the Chairman. The approval of the Commissioner of the Financial Services Agency for these concurrent posts was obtained on September 28, 2007 for Hiroshi Mori and on February 3, 2006 for Toichiro Suzuki pursuant to Article 13 of the Investment Trust Law prior to the amendments of the Law for Partial Revision of the Securities and Exchange Law (Law No. 65 of 2006).

(Note 2) The supervisory directors may also be directors of corporations other than those listed above, but none of these corporations or those listed above have a vested interest in MHR.

(2) Policy on Decisions to Dismiss or Not Reappoint the Accounting Auditor

MHR adopts the policy that decisions on dismissing the accounting auditor shall be made in accordance with the provisions of the Investment Trust Law and decisions on not reappointing the accounting auditor shall be made based on a comprehensive view of the quality of audits, amount of audit fee and other various factors. In both cases, the decisions shall be subject to approval by the general meeting of unitholders.

(3) Accounting Auditor's Liability to MHR

MHR has, in accordance with the provisions of the Investment Trust Law, entered into an agreement with the accounting auditor that limits the accounting auditor's liability for damages in the event that the accounting auditor fails to perform its duties. However, the maximum amount of the liability based on that agreement has been set at the amount stipulated by laws and regulations.

4. Asset Manager, Asset Custodian and General Administrators

The following are the parties to which MHR outsources matters as of January 31, 2009.

Outsourced Matters	Name of Person or Company
Asset manager	Mori Building Investment Management Co., Ltd.
Asset custodian	The Sumitomo Trust & Banking Co., Ltd.
General administrator (unitholder registrar)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (special account manager)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (of accounting)	Heiseikaikisha Tax Co.
General administrator (of institution)	The Sumitomo Trust & Banking Co., Ltd.
General administrator (of administrative matters relating to investment corporation bonds)	Mitsubishi UFJ Trust and Banking Corporation

Status of MHR's Portfolio Assets

1. Composition of MHR's Assets

Asset Category	Type	Region	Fourth Fiscal Period (As of July 31, 2008)		Fifth Fiscal Period (As of January 31, 2009)	
			Total Amount Owned (millions of yen) (Note 1)	As a Percentage of Total Assets (%) (Note 2)	Total Amount Owned (millions of yen) (Note 1)	As a Percentage of Total Assets (%) (Note 2)
Real estate in trust	Office building	Central five wards in Tokyo and their vicinity	119,735	70.2	162,180	76.2
		Tokyo area	119,735	70.2	162,180	76.2
		Other major cities	—	—	—	—
	Residential	Central five wards in Tokyo and their vicinity	38,770	22.7	38,375	18.0
		Tokyo area	38,770	22.7	38,375	18.0
		Other major cities	—	—	—	—
	Retail	Central five wards in Tokyo and their vicinity	—	—	—	—
		Tokyo area	—	—	—	—
		Other major cities	—	—	—	—
Subtotal			158,505	92.9	200,555	94.2
Deposits and other assets			12,120	7.1	12,408	5.8
Total assets			170,626	100.0	212,964	100.0

(Note 1) "Total Amount Owned" is the amount recorded on the balance sheets as of July 31, 2008 in the case of the fourth fiscal period and as of January 31, 2009 in the case of the fifth fiscal period (the book value after depreciation and amortization). The amount is rounded down to the nearest million yen.

(Note 2) Rounded to one decimal place.

2. Core Portfolio Assets

The following is a summary of the core assets in MHR's portfolio as of January 31, 2009.

Property No.	Name of Real Estate, etc.	Book Value (millions of yen)	Leasable Floor Area (m ²)	Leased Floor Area (m ²)	Occupancy Rate (%)	As a Percentage of Property Operating Revenue (%) (Note 1)	Primary Use
O-6 Premium	Akasaka Tameike Tower	37,340	10,523.78	10,523.78	100.0	9.0	Office
O-2 Premium	Roppongi Hills Gate Tower	36,227	16,657.52	16,340.29	98.1	20.2	Office and residential
R-1 Premium	Moto-Azabu Hills	26,926	19,042.73	17,671.12	92.8	15.9	Residential
O-4 Premium	Koraku Mori Building	26,710	16,199.26	16,090.42	99.3	18.8	Office
O-1-2 Premium	ARK Mori Building (pass-through master lease) (Note 2)	22,084	5,223.61	4,927.06	94.3	6.3	Office
O-3 Premium	Roppongi First Building (Note 3)	20,608	11,525.55	10,852.94	94.2	12.6	Office
O-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	12,658	6,720.34	6,720.34	100.0	7.8	Office
O-1-1 Premium	ARK Mori Building (fixed master lease)	6,549	2,728.96	2,728.96	100.0	2.7	Office
R-2 Premium	ARK Forest Terrace	5,279	5,246.04	4,923.56	93.9	3.4	Residential
R-4	Roppongi View Tower (Note 4)	4,008	6,344.84	6,344.84	100.0	2.0	Residential
R-3 Premium	Roppongi First Plaza	2,161	2,956.77	2,457.89	83.1	1.4	Residential
Total		200,555	103,169.40	99,581.20	96.5	100.0	—

(Note 1) "As a Percentage of Property Operating Revenue" is the property operating revenue of the applicable asset expressed as a percentage of the property operating revenue of the entire portfolio and rounded to one decimal place. (The same hereinafter)

(Note 2) The sum total of the quasi co-ownership interest in the trust beneficiary right – the 75% of the quasi co-ownership interest in the trust beneficiary right pertaining to ARK Mori Building (pass-through master lease) acquired on March 28, 2008 and the 25% of the quasi co-ownership interest in the trust beneficiary right pertaining to ARK Mori Building (pass-through master lease) acquired on September 30, 2008. (The same hereinafter)

(Note 3) The sum total of the joint ownership interest in the real estate – the 6% of the trust beneficiary right pertaining to the joint ownership portion of Roppongi First Building acquired on March 22, 2006 and the 40% of the trust beneficiary right pertaining to the joint ownership portion of Roppongi First Building acquired on April 13, 2006. (The same hereinafter)

(Note 4) The sum total of the joint ownership interest in the real estate – the 6% of the trust beneficiary right pertaining to the joint ownership portion of Roppongi View Tower acquired on March 22, 2006 and the 40% of the trust beneficiary right pertaining to the joint ownership portion of Roppongi View Tower acquired on April 13, 2006. (The same hereinafter)

3. Itemization of Assets Comprising MHR's Portfolio

(1) Itemization of Real Estate, etc. Assets Comprising MHR's Portfolio

The following is an itemization of the assets (real estate, trust beneficiary right in a trust that holds title to primarily real estate, etc.) owned by MHR as of January 31, 2009.

Type	Region	Property No.	Name of Real Estate, etc.	Location	Form of Ownership	Total Leasable Floor Area (m ²)	Appraisal Value at End of Period (Note 1) (millions of yen)	Book Value (millions of yen)
Office building	Central five wards in Tokyo and their vicinity	0-1-1 Premium	ARK Mori Building (fixed master lease)	1-12-32 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	2,728.96	8,470	6,549
		0-1-2 Premium	ARK Mori Building (pass-through master lease)	1-12-32 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	5,223.61	17,100	22,084
		0-2 Premium	Roppongi Hills Gate Tower	6-11-1 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	16,657.52	39,900	36,227
		0-3 Premium	Roppongi First Building	1-9-9 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	11,525.55	25,700	20,608
		0-4 Premium	Koraku Mori Building	1-4-14 Koraku, Bunkyo-ku, Tokyo	Real estate trust beneficiary right	16,199.26	34,160 (Note 2)	26,710
		0-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	3-4-10 Toranomon, Minato-ku, Tokyo	Real estate trust beneficiary right	6,720.34	13,800	12,658
		0-6 Premium	Akasaka Tameike Tower	2-17-7 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	10,523.78	33,500	37,340
		Subtotal for office building						69,579.02
Residential	Central five wards in Tokyo and their vicinity	R-1 Premium	Moto-Azabu Hills	1-3-1 to 1-3-3 Moto-Azabu, Minato-ku, Tokyo	Real estate trust beneficiary right	19,042.73	26,100	26,926
		R-2 Premium	ARK Forest Terrace	1-9-1 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	5,246.04	4,640	5,279
		R-3 Premium	Roppongi First Plaza	1-9-39 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	2,956.77	2,070	2,161
		R-4	Roppongi View Tower	1-9-35 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	6,344.84	3,610	4,008
		Subtotal for residential						33,590.38
Total						103,169.40	209,050	200,555

(Note 1) "Appraisal Value at End of Period" is based on the appraisal report prepared by Japan Real Estate Institute with January 31, 2009 as the appraisal date.

(Note 2) The amount arrived at when the appraisal value at the end of the fiscal period based on the appraisal report for Koraku Mori Building is multiplied by MHR's stake in the asset in trust of the trust beneficiary right (80%) and rounded to the nearest million yen is shown.

The following are the changes in the leasing business of each property invested by MHR.

Type	Region	Property No.	Name of Real Estate, etc.	Fourth Fiscal Period (February 1, 2008 ~ July 31, 2008)				Fifth Fiscal Period (August 1, 2008 ~ January 31, 2009)			
				Total No. of Tenants (as at end of period) (tenants)	Occupancy Rate (as at end of period) (%)	Property Operating Revenue (during period) (millions of yen)	As a Percentage of Property Operating Revenue (%)	Total No. of Tenants (as at end of period) (tenants)	Occupancy Rate (as at end of period) (%)	Property Operating Revenue (during period) (millions of yen)	As a Percentage of Property Operating Revenue (%)
Office building	Central five wards in Tokyo and their vicinity	0-1-1 Premium	ARK Mori Building (fixed master lease)	1	100.0	148	3.1	1	100.0	148	2.7
		0-1-2 Premium	ARK Mori Building (pass-through master lease)	11	94.3	198	4.1	11	94.3	351	6.3
		0-2 Premium	Roppongi Hills Gate Tower	46	99.0	1,121	23.3	44	98.1	1,123	20.2
		0-3 Premium	Roppongi First Building	15	96.7	686	14.2	14	94.2	696	12.6
		0-4 Premium	Koraku Mori Building	13	94.3	990	20.5	14	99.3	1,043	18.8
		0-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	1	100.0	413	8.6	1	100.0	430	7.8
		0-6 Premium	Akasaka Tameike Tower	—	—	—	—	13	100.0	499	9.0
Subtotal for office building				87	97.1	3,558	73.8	98	98.0	4,293	77.4
Residential	Central five wards in Tokyo and their vicinity	R-1 Premium	Moto-Azabu Hills	104	91.5	887	18.4	107	92.8	880	15.9
		R-2 Premium	ARK Forest Terrace	34	89.2	189	3.9	35	93.9	187	3.4
		R-3 Premium	Roppongi First Plaza	38	90.4	78	1.6	36	83.1	78	1.4
		R-4	Roppongi View Tower	1	100.0	109	2.3	1	100.0	109	2.0
Subtotal for residential				177	92.6	1,264	26.2	179	93.5	1,256	22.6
Total				264	95.4	4,823	100.0	277	96.5	5,549	100.0

(2) Itemization of Securities Assets Comprising MHR's Portfolio

Not applicable.

4. Table of Contract Amount, etc. and Status of Market Prices of Specified Transactions

The following is the contract amount, etc. and the status of market prices of MHR's specified transactions as of January 31, 2009.

Account	Type	Contract Amount, etc. (millions of yen) (Note 1)		Market Price (millions of yen) (Note 2)
			Of which, exceeds 1 year	
Transaction other than market transaction	Interest rate swap transaction (variable interest receivable and fixed interest payable)	25,000	—	—
		8,000	8,000	—
		5,000	5,000	—
		5,000	5,000	—
		17,000	17,000	—
		2,000	2,000	—
		5,000	5,000	(14)
		5,000	5,000	—
Total		72,000	47,000	(14)

(Note 1) The contract amount, etc. of the interest rate swap transaction shown is based on notional principal.

(Note 2) The market price is not shown as the concerned transaction fulfills the requirements of special treatment under the Accounting Standards for Financial Instruments.

5. Status of Other Assets

As of January 31, 2009, there are no core specified assets that are MHR's primary investment targets other than those listed under 3. Itemization of Assets Comprising MHR's Portfolio above.

I Performance Information Report

Capital Expenditures for Portfolio Real Estate

1. Scheduled Capital Expenditures

The following are the capital expenditures expected to arise in correlation with major renovation construction, etc. planned for July 2009 or later for assets (real estate, trust beneficiary right in a trust that holds title to primarily real estate, etc.) owned by MHR as of January 31, 2009. Of the expected capital expenditures, there may be cases where capital expenditures arise that will result in it being accounted for in expenses depending on the content of construction and other factors.

Name of Real Estate, etc. (Location)	Purpose	Scheduled Period	Expected Capital Expenditures (millions of yen)		
			Total Amount	Amount Paid During Period	Total Amount Already Paid
Roppongi Hills Gate Tower (Minato-ku, Tokyo)	Construction to take long-period ground motion countermeasures for elevators	From: February 2009 To: May 2009	19	—	—
	Construction to take energy-saving countermeasures for heat source equipment	From: May 2009 To: May 2009	8	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	Construction to take long-period ground motion countermeasures for elevators	From: February 2009 To: March 2009	8	—	—
	Construction to operate, build and repair office compartment	From: February 2009 To: July 2009	63	—	—
Roppongi First Plaza (Minato-ku, Tokyo)	Construction to renew and renovate residential units	From: February 2009 To: July 2009	34	—	—

(Note) The projects shown are those for which the capital expenditures expected to arise exceed 5 million yen per project.

2. Capital Expenditures During the Fifth Fiscal Period

The following is a summary of the core properties where construction considered to be capital expenditures was conducted during the fifth fiscal period. Capital expenditures during the fifth fiscal period amounted to 61 million yen for the entire portfolio. This, combined with the 104 million yen in maintenance and repairs and 2 million yen in construction management fees accounted for as expenses for the fifth fiscal period, totals 168 million yen in construction conducted.

Name of Real Estate, etc. (Location)	Purpose	Period	Capital Expenditures (millions of yen)
Roppongi Hills Gate Tower (Minato-ku, Tokyo)	Construction to renovate loading berth of mechanical parking lot	From: January 2009 To: January 2009	2
Roppongi First Building (Minato-ku, Tokyo)	Construction to replace cold- and hot-water coil in air-conditioning equipment	From: August 2008 To: September 2008	1
Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building) (Minato-ku, Tokyo)	Construction to fix problems with connecting water pipe	From: December 2008 To: January 2009	1
Akasaka Tameike Tower (Minato-ku, Tokyo)	Christmas ornaments and fixtures for office building	From: November 2008 To: December 2008	1
Moto-Azabu Hills (Minato-ku, Tokyo)	Construction to renew and renovate residential units	From: September 2008 To: January 2009	16
	Construction to install extra air-conditioning equipment in control room for mechanical parking lot	From: December 2008 To: January 2009	2
	Construction to add door mirror sensors, etc. for mechanical parking lot	From: January 2009 To: January 2009	3
ARK Forest Terrace (Minato-ku, Tokyo)	Replacement of storage battery for emergency lighting	From: October 2008 To: November 2008	1
Roppongi First Plaza (Minato-ku, Tokyo)	Construction to renew and renovate residential units	From: July 2008 To: January 2009	13
	Construction to renew common-use portion on each floor	From: November 2008 To: January 2009	9
Other			7
Entire Portfolio			61

(Note) The projects shown are those for which the capital expenditures exceed 1 million yen per project.

3. Reserves for Long-Term Maintenance and Repair Plans

MHR sets aside the following reserves for maintenance and repairs from cash flows during the fiscal period for the purpose of funding future major medium- to long-term maintenance and repairs based on long-term maintenance and repair plans developed for every property.

(Unit: millions of yen)

Fiscal Period	First Fiscal Period From: February 2006 To: January 2007	Second Fiscal Period From: February 2007 To: July 2007	Third Fiscal Period From: August 2007 To: January 2008	Fourth Fiscal Period From: February 2008 To: July 2008	Fifth Fiscal Period From: August 2008 To: January 2009
Balance of reserves at end of previous fiscal period	—	132	198	264	332
Reserves in fiscal period under review	132	65	66	68	77
Reversal of reserves in fiscal period under review	—	—	—	—	—
Amount carried forward to next fiscal period	132	198	264	332	410

Status of Expenses and Liabilities

1. Itemization of Expenses for Asset Management, etc.

(Unit: thousands of yen)

Item	Fourth Fiscal Period	Fifth Fiscal Period
(a) Asset management fee	249,075	280,925
(b) Asset custody fee	4,198	5,142
(c) Administrative service fees	11,336	13,811
(d) Directors' compensation	8,100	8,100
(e) Other operating expenses	62,883	78,849
Total	335,593	386,829

2. Status of Debt Financing

The following is the status of loans payable categorized by financial institution as of January 31, 2009.

	Account	Drawdown Date	Balance at End of Fourth Fiscal Period (millions of yen)	Amount of Increase in Fifth Fiscal Period (millions of yen)	Amount of Decrease in Fifth Fiscal Period (millions of yen)	Balance at End of Fifth Fiscal Period (millions of yen)	Average Interest Rate (%) (Note 1)	Repayment Date	Method of Repayment	Use of Funds	Remarks
Short-term loans payable	Mizuho Corporate Bank, Ltd.	Nov. 30, 2007	1,620	—	1,620	—	1.0497	Nov. 30, 2008	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Mar. 28, 2008	1,920	—	—	1,920	1.0221	Mar. 27, 2009			
		Sept. 30, 2008	—	1,500	—	1,500	1.0987	Aug. 31, 2009			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Nov. 30, 2007	1,620	—	1,620	—	1.0497	Nov. 30, 2008			
		Mar. 28, 2008	1,920	—	—	1,920	1.0221	Mar. 27, 2009			
		Sept. 30, 2008	—	1,500	—	1,500	1.0987	Aug. 31, 2009			
	Mitsubishi UFJ Trust and Banking Corporation	Nov. 30, 2007	1,620	—	1,620	—	1.0497	Nov. 30, 2008			
		Mar. 28, 2008	1,920	—	—	1,920	1.0221	Mar. 27, 2009			
		Sept. 30, 2008	—	1,500	—	1,500	1.0987	Aug. 31, 2009			
	Sumitomo Mitsui Banking Corporation	Nov. 30, 2007	2,320	—	2,320	—	1.0497	Nov. 30, 2008			
		Mar. 28, 2008	1,300	—	—	1,300	1.0221	Mar. 27, 2009			
		Sept. 30, 2008	—	1,500	—	1,500	1.0987	Aug. 31, 2009			
	The Sumitomo Trust & Banking Co., Ltd.	Nov. 30, 2007	1,480	—	1,480	—	1.0497	Nov. 30, 2008			
		Mar. 28, 2008	1,640	—	—	1,640	1.0221	Mar. 27, 2009			
Sept. 30, 2008		—	1,000	—	1,000	1.0987	Aug. 31, 2009				
Shinsei Bank, Ltd.	Nov. 30, 2007	1,340	—	1,340	—	1.0497	Nov. 30, 2008				
	Mar. 28, 2008	1,300	—	—	1,300	1.0221	Mar. 27, 2009				
	Subtotal		20,000	7,000	10,000	17,000					
Current Portion of long-term loans payable	The Norinchukin Bank	Dec. 4, 2006	—	6,000	—	6,000	1.4985	Nov. 30, 2009	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Dec. 4, 2006	3,300	—	3,300	—	1.2850	Nov. 30, 2008			
	Mizuho Corporate Bank, Ltd.	Dec. 4, 2006	—	3,200	—	3,200	1.4985	Nov. 30, 2009			
		Dec. 4, 2006	3,300	—	3,300	—	1.2850	Nov. 30, 2008			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 4, 2006	—	3,200	—	3,200	1.4985	Nov. 30, 2009			
		Dec. 4, 2006	3,300	—	3,300	—	1.2850	Nov. 30, 2008			
	Mitsubishi UFJ Trust and Banking Corporation	Dec. 4, 2006	3,300	—	3,300	—	1.2850	Nov. 30, 2008			
		Dec. 4, 2006	—	3,200	—	3,200	1.4985	Nov. 30, 2009			
	Sumitomo Mitsui Banking Corporation	Dec. 4, 2006	—	3,200	—	3,200	1.4985	Nov. 30, 2009			
		Dec. 4, 2006	2,800	—	2,800	—	1.2850	Nov. 30, 2008			
	The Sumitomo Trust & Banking Co., Ltd.	Dec. 4, 2006	—	3,200	—	3,200	1.4985	Nov. 30, 2009			
		Dec. 4, 2006	2,300	—	2,300	—	1.2850	Nov. 30, 2008			
	Shinsei Bank, Ltd.	Dec. 4, 2006	2,300	—	2,300	—	1.2850	Nov. 30, 2008			
		Dec. 4, 2006	—	3,000	—	3,000	1.4985	Nov. 30, 2009			
	Subtotal		15,000	25,000	15,000	25,000					
Long-term loans payable	Mizuho Corporate Bank, Ltd.	Dec. 4, 2006	3,200	—	3,200	—	1.4985	Nov. 30, 2009	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Nov. 30, 2007	1,780	—	—	1,780	1.3750	Nov. 30, 2010			
		Mar. 28, 2008	940	—	—	940	1.2260	Feb. 28, 2011			
		Sept. 30, 2008	—	2,500	—	2,500	1.4950	Aug. 31, 2011			
		Nov. 28, 2008	—	2,276	—	2,276	1.8575	May 31, 2010			
		Nov. 28, 2008	—	2,276	—	2,276	1.9585	May 31, 2011			
		Nov. 28, 2008	—	1,138	—	1,138	2.1555	May 31, 2012			
		Dec. 4, 2006	3,200	—	3,200	—	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	970	—	—	970	1.3750	Nov. 30, 2010			
		Nov. 30, 2007	810	—	—	810	1.3547	Nov. 30, 2010			
		Mar. 28, 2008	940	—	—	940	1.2260	Feb. 28, 2011			
		Sept. 30, 2008	—	2,500	—	2,500	1.4950	Aug. 31, 2011			
		Nov. 28, 2008	—	2,276	—	2,276	1.8575	May 31, 2010			
		Nov. 28, 2008	—	2,276	—	2,276	1.9585	May 31, 2011			
Nov. 28, 2008	—	1,138	—	1,138	2.1555	May 31, 2012					

Sales and Purchases During the Fifth Fiscal Period

1. Status, etc. of Sales and Purchases of Real Estate, etc. and Asset Backed Securities, etc.

Account	Lender	Drawdown Date	Balance at End of Fourth Fiscal Period (millions of yen)	Amount of Increase in Fifth Fiscal Period (millions of yen)	Amount of Decrease in Fifth Fiscal Period (millions of yen)	Balance at End of Fifth Fiscal Period (millions of yen)	Average Interest Rate (%) (Note 1)	Repayment Date	Method of Repayment	Use of Funds	Remarks
Long-term loans payable	Mitsubishi UFJ Trust and Banking Corporation	Dec. 4, 2006	3,200	—	3,200	—	1.4985	Nov. 30, 2009	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Nov. 30, 2007	1,780	—	—	1,780	1.3750	Nov. 30, 2010			
		Mar. 28, 2008	940	—	—	940	1.2260	Feb. 28, 2011			
		Sept. 30, 2008	—	2,500	—	2,500	1.4950	Aug. 31, 2011			
		Nov. 28, 2008	—	2,276	—	2,276	1.8575	May 31, 2010			
		Nov. 28, 2008	—	2,276	—	2,276	1.9585	May 31, 2011			
		Nov. 28, 2008	—	1,138	—	1,138	2.1555	May 31, 2012			
	The Sumitomo Trust & Banking Co., Ltd.	Dec. 4, 2006	3,200	—	3,200	—	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	1,630	—	—	1,630	1.3547	Nov. 30, 2010			
		Mar. 28, 2008	820	—	—	820	1.2260	Feb. 28, 2011			
		Sept. 30, 2008	—	2,000	—	2,000	1.4950	Aug. 31, 2011			
		Nov. 28, 2008	—	1,978	—	1,978	1.8575	May 31, 2010			
		Nov. 28, 2008	—	1,978	—	1,978	1.9585	May 31, 2011			
		Nov. 28, 2008	—	989	—	989	2.1555	May 31, 2012			
	Sumitomo Mitsui Banking Corporation	Dec. 4, 2006	3,200	—	3,200	—	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	2,560	—	—	2,560	1.3547	Nov. 30, 2010			
		Mar. 28, 2008	680	—	—	680	1.2260	Feb. 28, 2011			
		Sept. 30, 2008	—	3,000	—	3,000	1.4950	Aug. 31, 2011			
		Nov. 28, 2008	—	1,194	—	1,194	1.8575	May 31, 2010			
		Nov. 28, 2008	—	1,194	—	1,194	1.9585	May 31, 2011			
	Aozora Bank, Ltd.	Sept. 30, 2008	—	2,000	—	2,000	1.4950	Aug. 31, 2011			
		Sept. 30, 2008	—	2,000	—	2,000	1.6170	Aug. 31, 2012			
	Resona Bank, Ltd.	Sept. 30, 2008	—	2,500	—	2,500	1.4950	Aug. 31, 2011			
	Shinsei Bank, Ltd.	Dec. 4, 2006	3,000	—	3,000	—	1.4985	Nov. 30, 2009			
Nov. 30, 2007		1,470	—	—	1,470	1.3750	Nov. 30, 2010				
Mar. 28, 2008		680	—	—	680	1.2260	Feb. 28, 2011				
The Norinchukin Bank	Dec. 4, 2006	6,000	—	6,000	—	1.4985	Nov. 30, 2009				
	Nov. 30, 2007	2,000	—	—	2,000	1.3750	Nov. 30, 2010				
Subtotal			43,000	44,000	25,000	62,000					
Total			78,000	76,000	50,000	104,000					

(Note 1) "Average Interest Rate" indicates the borrowing interest rate for the respective lending financial institutions rounded to four decimal places. In addition, concerning the loans payable for which an interest rate swap transaction has been entered into for the purpose of avoiding the risk of fluctuations in interest rates, the interest rate shown is the interest rate after taking into account the effect of the interest rate swap transaction.

(Note 2) The use of funds includes allocation to the acquisition of trust beneficiary rights and refinancing of loans payable, as well as to the payment of the various expenses associated with such.

3. Investment Corporation Bonds

The following is the status of investment corporation bonds issued and outstanding as of January 31, 2009.

Bond	Issue Date	Balance at End of Fourth Fiscal Period (millions of yen)	Balance at End of Fifth Fiscal Period (millions of yen)	Interest Rate (%)	Maturity Date	Redemption Method	Use of Funds	Remarks
First Series Unsecured Investment Corporation Bond	Nov. 29, 2007	7,000	7,000	1.56	Nov. 29, 2012	Bullet repayment upon maturity	(Note)	
Second Series Unsecured Investment Corporation Bond	Nov. 29, 2007	3,000	3,000	1.77	Nov. 28, 2014	Bullet repayment upon maturity	(Note)	
Total		10,000	10,000					

(Note) The use of funds is the repayment of loans payable.

Name of Real Estate, etc.	Acquisition		Sale			
	Acquisition Date	Acquisition Price (thousands of yen) (Note 1)	Sale Date	Sales Price (thousands of yen) (Note 2)	Book Value (thousands of yen) (Note 2)	Gain / Loss on Sales (thousands of yen) (Note 2)
ARK Mori Building (pass-through master lease)	Sept. 30, 2008	5,500,000	—	—	—	—
Akasaka Tameike Tower	Sept. 30, 2008	37,200,000	—	—	—	—
Moto-Azabu Hills	—	—	Oct. 31, 2008	423,000	265,756 (Note 3)	151,692 (Note 4)
Total	—	42,700,000	—	423,000	265,756	151,692

(Note 1) The amount excluding acquisition costs, property taxes, city planning taxes and consumption taxes is shown.

(Note 2) The sales price, book value and gain / loss applicable to the sale are shown.

(Note 3) The book value shown in the table is the value at the sale date.

(Note 4) The gain / loss on sales shown in the table is the amount arrived at when the 265,756 thousand yen in book value shown in the table and 5,651 thousand yen in approximate cost on sales are subtracted from the sale price, and when the 101 thousand yen in amount of property taxes and city planning taxes due for the property is added to that amount.

2. Status, etc. of Sales and Purchases of Other Assets

The other core assets other than the real estate, etc. and asset backed securities, etc. above are generally bank deposits and bank deposits held in trust within assets in trust.

3. Appraisal of Price, etc. of Specified Assets

(1) Real Estate, etc.

Region	Property No.	Name of Real Estate, etc.	Acquisition or Sale	Asset Category	Transaction Date	Transaction Price (millions of yen) (Note 1)	Appraisal Price of Specified Asset (millions of yen) (Note 2)
Central five wards in Tokyo and their vicinity	0-1-2 Premium	ARK Mori Building (pass-through master lease)	Acquisition	Real estate trust beneficiary right	Sept. 30, 2008	5,500	5,025
	0-6 Premium	Akasaka Tameike Tower	Acquisition	Real estate trust beneficiary right	Sept. 30, 2008	37,200	35,600
	R-1 Premium	Moto-Azabu Hills	Sale	Real estate (Note 3)	Oct. 31, 2008	423	400

(Note 1) The transaction price excluding the various costs required in the transaction of the applicable real estate, etc. (brokerage fees, property taxes, etc.) is shown (the sale/purchase price indicated on the trust beneficiary right sale and purchase contract, etc.).

(Note 2) Appraisal of the price, etc. of the specified asset above is conducted by Ernst & Young ShinNihon LLC pursuant to The Japanese Institute of Certified Public Accountants' Industry Audit Practice Committee Statement No. 23 "Appraisal of Price, etc. of Specified Assets by Investment Corporations and Investment Trusts" at the time of transaction of the asset. In addition to the appraisal price above, MHR has also received an appraisal report concerning the location and lot number of the real estate and other matters necessary to identify the applicable real estate.

(Note 3) MHR sold the applicable real estate upon termination of a trust contract for the sectional ownership to one residential unit (about 0.5% of total private-use floor area for the entire property) of Moto-Azabu Hills that it acquired on March 22, 2006.

(2) Other

For transactions conducted by MHR that require an appraisal of the price, etc. in accordance with the provisions of Article 201 of the Investment Trust Law, MHR asks Ernst & Young ShinNihon LLC for such appraisals.

There were four interest rate swap transactions that were transactions requiring an appraisal during the subject period between August 1, 2008 and January 31, 2009. MHR has received an appraisal report from Ernst & Young ShinNihon LLC for these transactions. Upon said appraisal, MHR has also asked for a survey of the name of the counterparty to the transaction, issue, contracted figures, type of financial instrument or financially indicator, put or call classification, exercise price, exercise period, transaction period and other over-the-counter derivative transaction details concerning the specified transactions.

4. Status of Transactions with Interested Parties and Principal Unitholders

(1) Status of Transactions

Account	Sale / Purchase Price, etc.	
	Buying Price, etc.	Selling Price, etc.
Total amount	42,700,000 thousand yen	423,000 thousand yen
	Of which, buying price from interested parties	Of which, selling price to interested parties
	42,700,000 thousand yen (100.0%)	423,000 thousand yen (100.0%)
Breakdown of status of transactions with interested parties		
Mori Building Co., Ltd.	42,700,000 thousand yen (100.0%)	423,000 thousand yen (100.0%)
Total	42,700,000 thousand yen (100.0%)	423,000 thousand yen (100.0%)

(2) Amount of Fees Payable, etc.

Account	Total Amount of Fees Payable, etc. (A) (thousands of yen)	Breakdown of Transaction with Interested Parties		As a Percentage of Total Amount (B ÷ A) (%)
		Payee	Amount Payable (B) (thousands of yen)	
Property management fees (Note 2)	628,098	Mori Building Co., Ltd.	574,293	91.4
		Roppongi First Building Co., Ltd.	43,658	7.0
		Akasaka Tameike Tower Management Co., Ltd.	9,970	1.6
		La Forêt Engineering Co., Ltd.	175	0.0
IR related fees	569	Mori Building Co., Ltd.	569	100.0

(Note 1) Principal unitholders refer to principal unitholders of MHR's Asset Manager as defined in Article 29-4-2 of the Financial Instruments and Exchange Law, and interested parties refer to interested parties of MHR's Asset Manager with which MHR has entered into an asset management agreement as designated in Article 123 of the Enforcement Order of the Law Concerning Investment Trusts and Investment Corporations and interested parties as defined in Article 26 (27) of The Investment Trusts Association, Japan's Regulations on Asset Management Reports, etc. of Investment Trusts and Investment Corporations. The principal unitholders and interested parties with which MHR transacted with or paid fees payable, etc. during the fifth fiscal period are Mori Building Co., Ltd., Roppongi First Building Co., Ltd., Akasaka Tameike Tower Management Co., Ltd. and La Forêt Engineering Co., Ltd. as outlined above.

(Note 2) The property management fees to payee Mori Building Co., Ltd. in the above table includes construction proceeds (483 thousand yen) and construction management fees (1,964 thousand yen) that are capitalized and not accounted for as expenses.

5. Status, etc. of Transactions with the Asset Manager Relating to Concurrent Business Engaged in by the Asset Manager

Not applicable as MHR's Asset Manager does not concurrently engage in any first financial instruments business, second financial instruments business, real estate brokerage or real estate syndication under the Financial Instruments and Exchange Law.

Status of Accounting

1. Status of Assets, Liabilities, Principal, Profits and Losses

For the status of assets, liabilities, principal, profits and losses, please refer to II. Balance Sheets, III. Statements of Income, IV. Statements of Unitholders' Equity, V. Notes to Financial Statements, and VI. Statements of Cash Distributions.

2. Change in Method for Calculating Depreciation and Amortization

Not applicable.

3. Change in Method for Valuation of Real Estate, etc.

Not applicable.

Miscellaneous

1. Announcements

(1) Meetings of MHR's Board of Directors

The following table summarizes the primary contracts entered into, amended, etc. that were approved by MHR's board of directors during the fifth fiscal period.

Date of Approval	Item	Summary
September 16, 2008	Entering into a contract to outsource administrative matters relating to the offering of new investment units	For the issuance of new investment units through third party allotment, general administrative matters relating to the offering of investment units were outsourced to Mizuho Corporate Bank, Ltd.
December 18, 2008	Entering into another contract to outsource administrative and agency matters relating to investment units	With the digitization of investment units, the details of the contract signed with Mitsubishi UFJ Trust and Banking Corporation concerning the outsourcing of administrative and agency matters relating to investment units were amended and the contract newly signed.
December 18, 2008	Entering into a contract relating to the management of special accounts	With the digitization of investment units, general administrative matters relating to the management of special accounts were outsourced to Mitsubishi UFJ Trust and Banking Corporation.

2. Status, etc. of Investment Trust Beneficiary Certificates Arranged by MHR, etc.

Not applicable.

3. Miscellaneous

Unless otherwise stated, this document rounds down figures for monetary amounts and rounds off percentage figures to the nearest specified unit.

II Balance Sheets

	(Unit: thousands of yen)	
	Fourth Fiscal Period (Reference) (As of July 31, 2008)	Fifth Fiscal Period (As of January 31, 2009)
Assets		
Current assets		
Cash and deposits	5,205,753	5,397,284
Cash and deposits in trust	6,496,459	5,980,177
Accounts receivable – trade	97,677	105,028
Prepaid expenses	139,910	255,158
Deferred tax assets	238	210
Consumption taxes receivable	39,956	363,741
Other	749	4,611
Total current assets	11,980,745	12,106,211
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	39,741,996	48,524,014
Accumulated depreciation	(2,488,925)	(3,139,286)
Buildings in trust, net	37,253,071	45,384,727
Structures in trust	605,642	689,082
Accumulated depreciation	(150,687)	(186,257)
Structures in trust, net	454,955	502,825
Machinery and equipment in trust	705,617	883,325
Accumulated depreciation	(50,755)	(63,606)
Machinery and equipment in trust, net	654,862	819,719
Tools, furniture and fixtures in trust	25,442	34,074
Accumulated depreciation	(3,471)	(5,712)
Tools, furniture and fixtures in trust, net	21,970	28,362
Land in trust	101,704,640	135,404,662
Construction in progress in trust	647	1,077
Total property, plant and equipment	140,090,147	182,141,374
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	5,210	4,660
Total intangible assets	18,415,167	18,414,617
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	54,832	222,011
Deferred tax assets	—	5,565
Total investments and other assets	64,832	237,576
Total noncurrent assets	158,570,146	200,793,568
Deferred assets		
Deferred organization expenses	25,556	20,445
Investment corporation bond issuance costs	49,743	44,613
Total deferred assets	75,300	65,059
Total assets	170,626,192	212,964,839

	(Unit: thousands of yen)	
	Fourth Fiscal Period (Reference) (As of July 31, 2008)	Fifth Fiscal Period (As of January 31, 2009)
Liabilities		
Current liabilities		
Accounts payable	262,434	283,711
Short-term loans payable	20,000,000	17,000,000
Current portion of long-term loans payable	15,000,000	25,000,000
Accounts payable – other	12,759	14,599
Accrued expenses	209,150	285,615
Income taxes payable	1,424	631
Accrued consumption taxes	19,538	19,245
Advances received	695,667	696,636
Deposits received	79,808	108,324
Total current liabilities	36,280,784	43,408,764
Noncurrent liabilities		
Investment corporation bond	10,000,000	10,000,000
Long-term loans payable	43,000,000	62,000,000
Tenant leasehold and security deposits in trust	6,841,592	7,999,934
Derivatives liabilities	—	14,150
Total noncurrent liabilities	59,841,592	80,014,085
Total liabilities	96,122,376	123,422,849
Net assets		
Unitholders' equity		
Unitholders' capital	72,671,418	87,371,418
Surplus		
Unappropriated retained earnings (undisposed loss)	1,832,397	2,179,156
Total surplus	1,832,397	2,179,156
Total unitholders' equity	74,503,815	89,550,574
Valuation and translation adjustments		
Deferred gains or losses on hedges	—	(8,585)
Total valuation and translation adjustments	—	(8,585)
Total net assets	*1 74,503,815	89,541,989
Total liabilities and net assets	170,626,192	212,964,839

III Statements of Income

(Unit: thousands of yen)

		Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Operating revenue			
Rent revenue – real estate	*1, 2	4,407,694	5,015,896
Other lease business revenue	*1	415,465	534,027
Gain on sales of real estate properties	*2, 3	—	151,692
Total operating revenue		4,823,159	5,701,616
Operating expenses			
Expenses related to rent business	*1, 2	2,044,806	2,251,869
Asset management fee		249,075	280,925
Directors' compensations		8,100	8,100
Asset custody fee		4,198	5,142
Administrative service fees		11,336	13,811
Other operating expenses	*2	62,883	78,849
Total operating expenses		2,380,399	2,638,699
Operating income		2,442,759	3,062,916
Non-operating income			
Interest income		16,132	15,831
Compensation income		16,033	—
Other		3,333	391
Total non-operating income		35,500	16,223
Non-operating expenses			
Interest expenses		483,361	669,360
Interest expenses on investment corporation bonds		80,705	81,150
Amortization of investment corporation bond issuance costs		5,130	5,130
Amortization of deferred organization expenses		5,111	5,111
Borrowing expenses		59,901	116,182
Investment unit issuance expenses		—	20,297
Other		6,807	1,920
Total non-operating expenses		641,017	899,151
Ordinary income		1,837,242	2,179,989
Income before income taxes		1,837,242	2,179,989
Income taxes – current		5,067	815
Income taxes – deferred		(219)	28
Total income taxes		4,847	843
Net income		1,832,395	2,179,145
Retained earnings brought forward		1	10
Unappropriated retained earnings (undisposed loss)		1,832,397	2,179,156

IV Statements of Unitholders' Equity

(Unit: thousands of yen)

	Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Unitholders' equity		
Unitholders' capital		
Balance at the end of previous period	72,671,418	72,671,418
Changes of items during the period		
Issuance of new investment units	—	14,700,000
Total changes of items during the period	—	14,700,000
Balance at the end of current period	72,671,418	87,371,418
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the end of previous period	1,842,772	1,832,397
Changes of items during the period		
Dividends from surplus	(1,842,770)	(1,832,386)
Net income	1,832,395	2,179,145
Total changes of items during the period	(10,375)	346,758
Balance at the end of current period	1,832,397	2,179,156
Total unitholders' equity	74,514,191	74,503,815
Balance at the end of previous period		
74,514,191		74,503,815
Changes of items during the period		
Issuance of new investment units	—	14,700,000
Dividends from surplus	(1,842,770)	(1,832,386)
Net income	1,832,395	2,179,145
Total changes of items during the period	(10,375)	15,046,758
Balance at the end of current period	74,503,815	89,550,574
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than owners' equity	—	(8,585)
Total changes of items during the period	—	(8,585)
Balance at the end of current period	—	(8,585)
Total valuation and translation adjustments	—	—
Balance at the end of previous period	—	—
Changes of items during the period		
Net changes of items other than owners' equity	—	(8,585)
Total changes of items during the period	—	(8,585)
Balance at the end of current period	—	(8,585)
Total net assets	74,514,191	74,503,815
Balance at the end of previous period		
74,514,191		74,503,815
Changes of items during the period		
Issuance of new investment units	—	14,700,000
Dividends from surplus	(1,842,770)	(1,832,386)
Net income	1,832,395	2,179,145
Net changes of items other than owners' equity	—	(8,585)
Total changes of items during the period	(10,375)	15,038,173
Balance at the end of current period	74,503,815	89,541,989

[Notes on Significant Accounting Policies]

Item	Period	Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
1. Depreciation method for noncurrent assets		(1) Property, plant and equipment (including assets in trust) The straight-line method is adopted. The useful life of core property, plant and equipment are as follows: Buildings in trust 3 – 66 years Structures in trust 3 – 23 years Machinery and equipment in trust 29 – 31 years Tools, furniture and fixtures in trust 3 – 15 years (2) Intangible assets (including assets in trust) The straight-line method is adopted. (3) Long-term prepaid expenses The straight-line method is adopted.	(1) Property, plant and equipment (including assets in trust) The straight-line method is adopted. The useful life of core property, plant and equipment are as follows: Buildings in trust 3 – 66 years Structures in trust 3 – 23 years Machinery and equipment in trust 24 – 31 years Tools, furniture and fixtures in trust 3 – 15 years (2) Intangible assets (including assets in trust) Same as left (3) Long-term prepaid expenses Same as left
2. Accounting for deferred assets		(1) Deferred organization expenses Amortized using the straight-line method over a period of 5 years. (2) Investment corporation bond issuance costs Amortized using the straight-line method over the period up to redemption.	(1) Deferred organization expenses Same as left (2) Investment corporation bond issuance costs Same as left (3) Investment unit issuance expenses The entire amount is charged to expenses when incurred.
3. Standards for recording revenue and expenses		Accounting for property taxes As for property tax, city planning tax, depreciated asset tax, etc. for real estate owned by MHR, of the tax amount that has been broken down into installments, the method of accounting for the amount corresponding to the fiscal period under review as expenses related to rent business is adopted. As for the amount equivalent to the property taxes paid as reimbursement to the seller in the initial fiscal year in correlation with acquisitions of real estate and trust beneficiary right in a trust that holds title to real estate, the amount is not recorded as an expense but is included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to property taxes that was included in the cost of acquisition of real estate, etc. in the fiscal period under review is 18,024 thousand yen.	Accounting for property taxes As for property tax, city planning tax, depreciated asset tax, etc. for real estate owned by MHR, of the tax amount that has been broken down into installments, the method of accounting for the amount corresponding to the fiscal period under review as expenses related to rent business is adopted. As for the amount equivalent to the property taxes paid as reimbursement to the seller in the initial fiscal year in correlation with acquisitions of real estate and trust beneficiary right in a trust that holds title to real estate, the amount is not recorded as an expense but is included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to property taxes that was included in the cost of acquisition of real estate, etc. in the fiscal period under review is 15,020 thousand yen.
4. Hedge accounting approaches		(1) Hedge accounting approach Special treatment is adopted for interest rate swap transactions. (2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transactions Hedged items: Borrowing interest rates (3) Hedging policy MHR conducts derivative transactions to hedge risks as stipulated in MHR's Articles of Incorporation in accordance with MHR's risk management policy. (4) Method for assessing the effectiveness of hedging For interest rate swap transactions, the assessment of the effectiveness at the settlement of accounts is omitted since the requirements for special treatment are fulfilled.	(1) Hedge accounting approach Deferred hedge accounting is adopted for interest rate swap transactions. However, special treatment is adopted for interest rate swap transactions when the requirements for special treatment are fulfilled. (2) Hedging instruments and hedged items Same as left (3) Hedging policy Same as left (4) Method for assessing the effectiveness of hedging MHR evaluates the effectiveness of hedging by comparing the cumulative changes in the market rates of hedged items and hedging instruments and based on the amount of change in both, etc. during the period from the start of hedging to when the effectiveness is being determined. However, the assessment of the effectiveness is omitted for interest rate swap transactions when the requirements for special treatment are fulfilled.
5. Other significant matters serving as the basis for preparing financial statements		(1) Accounting for trust beneficiary rights in a trust that holds title to real estate, etc. For trust beneficiary rights in a trust that holds title to real estate, etc., all accounts of assets and liabilities within assets in trust as well as all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant account item of the balance sheets and statements of income. The following material items of the assets in trust recognized in the relevant account item are separately listed on the balance sheets. (i) Cash and deposits in trust (ii) Buildings in trust; structures in trust; machinery and equipment in trust; tools, furniture and fixtures in trust; land in trust; construction in progress in trust; leasehold rights in trust; and other intangible assets in trust (iii) Tenant leasehold and security deposits in trust (2) Accounting for consumption taxes, etc. For the accounting for consumption tax and local consumption tax, these taxes are excluded from related transaction amounts. The consumption taxes that are not tax-deductible are included in the cost of acquisition of the applicable assets.	(1) Accounting for trust beneficiary rights in a trust that holds title to real estate, etc. Same as left (2) Accounting for consumption taxes, etc. Same as left

[Notes to Balance Sheets]

Fourth Fiscal Period (Reference) (As of July 31, 2008)	Fifth Fiscal Period (As of January 31, 2009)
*1 Minimum net assets as defined in Article 67, Paragraph 4 of the Law Concerning Investment Trusts and Investment Corporations 50,000 thousand yen	*1 Minimum net assets as defined in Article 67, Paragraph 4 of the Law Concerning Investment Trusts and Investment Corporations 50,000 thousand yen

[Notes to Statement of Income]

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
(Unit: thousands of yen)	
*1 Breakdown of property income / loss	*1 Breakdown of property income / loss
A. Revenue from property leasing	A. Revenue from property leasing
Rent revenue – real estate	Rent revenue – real estate
Rent and common area charges income 4,355,698	Rent and common area charges income 4,961,381
Other rent income 51,995	Other rent income 54,514
Total 4,407,694	Total 5,015,896
Other lease business revenue	Other lease business revenue
Parking lot income 160,378	Parking lot income 170,082
Incidental revenues 253,491	Incidental revenues 355,619
Exit penalty 260	Exit penalty 8,259
Key money income 1,335	Key money income 65
Total 415,465	Total 534,027
Total property operating revenue 4,823,159	Total property operating revenue 5,549,923
B. Expenses from property leasing	B. Expenses from property leasing
Expenses related to rent business	Expenses related to rent business
Property management fees 709,005	Property management fees 769,718
Utilities 186,362	Utilities 234,793
Property taxes 242,650	Property taxes 245,088
Rent expense 66,118	Rent expense 66,118
Trust fees 7,746	Trust fees 8,503
Maintenance and repairs 117,934	Maintenance and repairs 104,786
Insurance premium 14,074	Insurance premium 15,748
Depreciation and amortization 602,293	Depreciation and amortization 706,782
Other lease business expenses 98,619	Other lease business expenses 100,330
Total property operating expenses 2,044,806	Total property operating expenses 2,251,869
C. Property income / loss (A – B) 2,778,353	C. Property income / loss (A – B) 3,298,053
*2 Transactions with principal unitholders	*2 Transactions with principal unitholders
From operating transactions	From operating transactions
Rent revenue – real estate 151,144	Rent revenue – real estate 151,175
Expenses related to rent business 567,854	Gain on sales of real estate properties 151,692
	Expenses related to rent business 571,845
	Other operating expenses 569
	*3 Breakdown of gain on sales of real estate properties
	Moto-Azabu Hills
	Proceeds from sales of real estate properties 423,000
	Cost of sales of real estate properties 265,756
	Other expenses from sales 5,550
	Gain on sales of real estate properties 151,692

[Notes to Statements of Unitholders' Equity]

	Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Total number of investment units authorized and total number of investment units issued and outstanding	Total number of investment units authorized 2,000,000 units Total number of investment units issued and outstanding 129,800 units	Total number of investment units authorized 2,000,000 units Total number of investment units issued and outstanding 159,200 units

[Notes on Tax-Effect Accounting]

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
1. Breakdown of principal causes for the occurrence of deferred tax assets and deferred tax liabilities (Unit: thousands of yen)	1. Breakdown of principal causes for the occurrence of deferred tax assets and deferred tax liabilities (Unit: thousands of yen)
(Deferred tax assets)	(Deferred tax assets)
Accrued enterprise taxes excluded from expenses	Current assets
Valuation allowance	Denial of estimated amount of real estate acquisition tax
Total deferred tax assets	Accrued enterprise taxes excluded from expenses
(Net deferred tax assets)	Total deferred tax assets (current)
	Noncurrent assets
	Deferred gains or losses on hedges
	Total deferred tax assets (noncurrent)
	(Net deferred tax assets (current))
	(Net deferred tax assets (noncurrent))
2. Breakdown of major components that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting	2. Breakdown of major components that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting
Japanese statutory tax rate	Japanese statutory tax rate
(Adjustments)	(Adjustments)
Deductible cash distributions	Deductible cash distributions
Other	Other
Effective income tax rate after application of tax-effect accounting	Effective income tax rate after application of tax-effect accounting
	3. Revision of amount of deferred tax assets and deferred tax liabilities due to change in income tax rate
	With the "Law on Temporary Measures Concerning Special Local Corporation Taxes" (Law No. 25 of 2008) being promulgated on April 30, 2008, the Japanese statutory tax rate used in calculating deferred tax assets and deferred tax liabilities changed from 39.39% to 39.33%.
	The effect of this tax rate change is minimal.

[Notes on Noncurrent Assets Used in Lease Transactions]

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Not applicable.	Same as left

[Notes on Transactions with Related Parties]

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
The following are MHR's related-party transactions.	The following are MHR's related-party transactions.
1. (1) Name of the related party Mori Building Co., Ltd.	1. (1) Name of the related party Mori Building Co., Ltd.
(2) Relationship between MHR and the related party A principal unitholder of MHR as stipulated in Article 67-4-6 of the Rules on Accounting of Investment Corporations	(2) Relationship between MHR and the related party An other affiliate of MHR as stipulated in Article 67-4-4 of the Rules on Accounting of Investment Corporations
MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations	A principal unitholder of MHR as stipulated in Article 67-4-6 of the Rules on Accounting of Investment Corporations
(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding The investment unitholding is as follows: February 1, 2008 to July 31, 2008: 15.0%	(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding The investment unitholding is as follows: August 1, 2008 to September 28, 2008: 15.0% September 29, 2008 to January 31, 2009: 30.7%
(Note) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding is rounded to one decimal place.	(Note) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding is rounded to one decimal place.
(4) Description of transaction (i) Acquisition of ARK Mori Building (pass-through master lease) (ii) Leasing of ARK Mori Building (fixed master lease), Koraku Mori Building and Moto-Azabu Hills (a portion of each property) (iii) Payment of property management fees	(4) Description of transaction (i) Issuance of new investment units through third party allotment (ii) Additional acquisition of ARK Mori Building (pass-through master lease) (iii) Acquisition of Akasaka Tameike Tower (iv) Sale of part of Moto-Azabu Hills (v) Leasing of ARK Mori Building (fixed master lease), Koraku Mori Building and Moto-Azabu Hills (a portion of each property) (vi) Payment of property management fees (vii) Payment of other operating expenses (IR related fees)
(5) Amount of transaction categorized by type of transaction (i) 16,500,000 thousand yen (ii) 151,144 thousand yen (iii) 569,293 thousand yen	(5) Amount of transaction categorized by type of transaction (i) 14,700,000 thousand yen (ii) 5,500,000 thousand yen (iii) 37,200,000 thousand yen (iv) 423,000 thousand yen (v) 151,175 thousand yen (vi) 574,293 thousand yen (Note 2) (vii) 569 thousand yen
(Note) The amount of transaction above does not include consumption taxes.	(Note 1) The amount of transaction above does not include consumption taxes. (Note 2) Includes construction proceeds (483 thousand yen) and construction management fees (1,964 thousand yen) that are capitalized and not accounted for as expenses.
(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions (i) Acquisition decisions are made in accordance with the Rules to Prevent Conflicts of Interest stipulated by MHR's Asset Manager. Furthermore, acquisitions are not made at a value that exceeds 110% of the appraisal value appraised by an appraiser (including corporations) that is not an interested party, etc. (ii) MHR engages in transactions by going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations, after having considered the market standards and other factors in a comprehensive manner. (iii) Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.	(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions (i) The issuance of new investment units through third party allotment is of 29,400 investment units at an underwriting price of 500,000 yen. The underwriting price is decided based on the investment unit price one business day prior to the day the resolution was made for the issuance. (ii) Acquisition decisions are made in accordance with the Rules to Prevent Conflicts of Interest stipulated by MHR's Asset Manager. Furthermore, acquisitions are not made at a value that exceeds 110% of the appraisal value appraised by an appraiser (including corporations) that is not an interested party, etc. (iii) Acquisition decisions are made in accordance with the Rules to Prevent Conflicts of Interest stipulated by MHR's Asset Manager. Furthermore, acquisitions are not made at a value that exceeds 110% of the appraisal value appraised by an appraiser (including corporations) that is not an interested party, etc.
(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items (i) — (ii) 297,483 thousand yen in tenant leasehold and security deposits in trust; 26,056 thousand yen in advances received; and 424 thousand yen in accounts receivable – trade (iii) 210 thousand yen in prepaid expenses; and 156,257 thousand yen in accounts payable	

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
	<p>(iv) Sale decisions are made in accordance with the Rules to Prevent Conflicts of Interest stipulated by MHR's Asset Manager. Furthermore, sales are not made at a value that falls below the appraisal value appraised by an appraiser (including corporations) that is not an interested party, etc.</p> <p>(v) MHR engages in transactions by going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations, after having considered the market standards and other factors in a comprehensive manner.</p> <p>(vi) Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors, and after going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations.</p> <p>(vii) Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items</p> <p>(i) —</p> <p>(ii) —</p> <p>(iii) —</p> <p>(iv) —</p> <p>(v) 297,483 thousand yen in tenant leasehold and security deposits in trust; 26,056 thousand yen in advances received; and 473 thousand yen in accounts receivable – trade</p> <p>(vi) 154,769 thousand yen in accounts payable</p> <p>(vii) —</p>
<p>2. (1) Name of the related party The Sumitomo Trust & Banking Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Custodian as stipulated in Article 67-4-10 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction</p> <p>(i) Borrowing of funds</p> <p>(ii) Payment of interest, etc.</p> <p>(Note) MHR borrowed 2,460,000 thousand yen on March 28, 2008.</p> <p>(5) Amount of transaction categorized by type of transaction</p> <p>(i) 2,460,000 thousand yen</p> <p>(ii) 60,315 thousand yen</p>	<p>2. (1) Name of the related party The Sumitomo Trust & Banking Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Custodian as stipulated in Article 67-4-10 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction</p> <p>(i) Borrowing of funds (Note 1)</p> <p>(ii) Payment of interest, etc.</p> <p>(iii) Custody of funds (Note 2)</p> <p>(Note 1) MHR borrowed 3,000,000 thousand yen on September 30, 2008, and 4,945,000 thousand yen on November 28, 2008.</p> <p>(Note 2) In correlation with the release of deposits for Koraku Mori Building.</p> <p>(5) Amount of transaction categorized by type of transaction</p> <p>(i) 7,945,000 thousand yen</p> <p>(ii) 85,728 thousand yen</p> <p>(iii) 53,246 thousand yen</p>

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
<p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions</p> <p>(i) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(ii) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items</p> <p>(i) 3,120,000 thousand yen in short-term loans payable; 2,800,000 thousand yen in current portion of long-term loans payable; and 5,650,000 thousand yen in long-term loans payable</p> <p>(ii) 20,390 thousand yen in accrued expenses</p> <p>3. (1) Name of the related party Mori Building Investment Management Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Receipt of compensation</p> <p>(5) Amount of transaction categorized by type of transaction 9,166 thousand yen</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions The amount equivalent to the additional tax payable incurred as a result of a delay in the paying of withholding tax (income tax) in regards to dividends for the fiscal period ended in January 2008 due to the negligence of MHR's Asset Manager.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items Not applicable.</p>	<p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions</p> <p>(i) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(ii) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(iii) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items</p> <p>(i) 2,640,000 thousand yen in short-term loans payable; 3,200,000 thousand yen in current portion of long-term loans payable; and 9,395,000 thousand yen in long-term loans payable</p> <p>(ii) 33,075 thousand yen in accrued expenses</p> <p>(iii) 53,246 thousand yen in deposits received</p> <p>3. (1) Name of the related party Mori Building Investment Management Co., Ltd.</p> <p>(2) Relationship between MHR and the related party Subsidiary of an other affiliate of MHR where that other affiliate is a stock company as stipulated in Article 67-4-4 of the Rules on Accounting of Investment Corporations MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Receipt of portion borne by manager (Note)</p> <p>(Note) The vibration and noise investigation cost for Koraku Mori Building in correlation with the Bureau of Sewerage's crane operation borne by Mori Building Investment Management Co., Ltd. that was paid by MHR.</p> <p>(5) Amount of transaction categorized by type of transaction 1,075 thousand yen</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions The amount paid by MHR in the fiscal period ended in July 2008.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items Not applicable.</p>

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
<p>4. (1) Name of the related party Mori Hospitality Corporation</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Payment of other operating expenses (IR related fees)</p> <p>(5) Amount of transaction categorized by type of transaction 675 thousand yen (Note) The amount of transaction above does not include consumption taxes.</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items Not applicable.</p>	<p>4. (1) Name of the related party Roppongi First Building Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Payment of property management fees</p> <p>(5) Amount of transaction categorized by type of transaction 43,658 thousand yen (Note) The amount of transaction above does not include consumption taxes.</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors, and after going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items 7,640 thousand yen in accounts payable</p>

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
<p>5. (1) Name of the related party Roppongi First Building Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Payment of property management fees</p> <p>(5) Amount of transaction categorized by type of transaction 50,521 thousand yen (Note) The amount of transaction above does not include consumption taxes.</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items 7,640 thousand yen in accounts payable</p>	<p>5. (1) Name of the related party Akasaka Tameike Tower Management Co., Ltd.</p> <p>(2) Relationship between MHR and the related party Subsidiary of an other affiliate of MHR where that other affiliate is a stock company as stipulated in Article 67-4-4 of the Rules on Accounting of Investment Corporations MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Payment of property management fees</p> <p>(5) Amount of transaction categorized by type of transaction 9,970 thousand yen (Note) The amount of transaction above does not include consumption taxes.</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors, and after going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items Not applicable.</p>

V Notes to Financial Statements

[Notes on Per Unit Information]

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008		Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009	
Net assets per unit	573,989 yen	Net assets per unit	562,449 yen
Net income per unit	14,117 yen	Net income per unit	14,550 yen
The net income per unit was calculated by dividing the net income by the daily weighted average number of investment units. The net income per unit after adjustment for residual investment units has not been stated as there are no residual investment units.		The net income per unit was calculated by dividing the net income by the daily weighted average number of investment units. The net income per unit after adjustment for residual investment units has not been stated as there are no residual investment units.	

(Note) The following is the basis for calculating the net income per unit.

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008		Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009	
Net income (thousands of yen)	1,832,395	Net income (thousands of yen)	2,179,145
Amounts not attributable to common unitholders (thousands of yen)	—	Amounts not attributable to common unitholders (thousands of yen)	—
Net income attributable to common investment units (thousands of yen)	1,832,395	Net income attributable to common investment units (thousands of yen)	2,179,145
Average number of investment units during the fiscal period (units)	129,800	Average number of investment units during the fiscal period (units)	149,773

[Notes on Subsequent Significant Events]

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Not applicable.	Same as left

VI Statements of Cash Distributions

(Unit: yen)

Item	Period	Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
I . Unappropriated retained earnings		1,832,397,221	2,179,156,001
II . Amount of dividends [Amount of dividend per unit]		1,832,386,600 [14,117]	2,179,129,600 [13,688]
III . Retained earnings carried forward		10,621	26,401
Method for calculating dividends		Pursuant to the dividend policy set forth in Article 37 (1) of MHR's Articles of Incorporation, MHR shall distribute an amount in excess of 90% of its distributable income as defined in Article 67-15 of the Special Taxation Measures Law, but no more than the amount of earnings. Based on such policy, MHR decided to pay out an earnings dividend in an amount not exceeding the unappropriated retained earnings. MHR has declared the amount to be 1,832,386,600 yen, which is the largest integral multiple of the number of investment units issued and outstanding (129,800 units). MHR shall not distribute cash in excess of earnings as stipulated in Article 37 (2) of MHR's Articles of Incorporation.	Pursuant to the dividend policy set forth in Article 37 (1) of MHR's Articles of Incorporation, MHR shall distribute an amount in excess of 90% of its distributable income as defined in Article 67-15 of the Special Taxation Measures Law, but no more than the amount of earnings. Based on such policy, MHR decided to pay out an earnings dividend in an amount not exceeding the unappropriated retained earnings. MHR has declared the amount to be 2,179,129,600 yen, which is the largest integral multiple of the number of investment units issued and outstanding (159,200 units). MHR shall not distribute cash in excess of earnings as stipulated in Article 37 (2) of MHR's Articles of Incorporation.

VII Statements of Cash Flows (Reference Information)

(Unit: thousands of yen)

Account	Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes	1,837,242	2,179,989
Depreciation and amortization	602,293	706,782
Amortization of deferred organization expenses	5,111	5,111
Amortization of investment corporation bond issuance costs	5,130	5,130
Investment unit issuance expenses	—	20,297
Interest income	(16,132)	(15,831)
Interest expenses	564,066	750,510
Decrease (increase) in accounts receivable – trade	2,771	(7,351)
Decrease (increase) in consumption taxes refund receivable	(39,956)	(323,784)
Increase (decrease) in accounts payable	14,055	(215)
Increase (decrease) in accounts payable – other	(4,138)	2,710
Increase (decrease) in accrued expenses	8,481	(4,944)
Increase (decrease) in accrued consumption taxes	(19,331)	(293)
Increase (decrease) in advances received	86,136	969
Increase (decrease) in deposits received	22,231	28,515
Decrease (increase) in prepaid expenses	(34,016)	(115,247)
Decrease (increase) in long-term prepaid expenses	(661)	(167,178)
Loss (gain) on sales of property, plant and equipment	—	265,756
Other, net	3,102	(2,324)
Subtotal	3,036,386	3,328,601
Interest income received	18,214	14,731
Interest expenses paid	(546,310)	(669,100)
Income taxes paid	(4,294)	(1,608)
Net cash provided by operating activities	2,503,995	2,672,623
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment in trust	(16,663,710)	(43,002,162)
Purchase of intangible assets in trust	(5,500)	—
Proceeds from tenant leasehold and security deposits in trust	1,232,988	1,436,098
Payments of tenant leasehold and security deposits in trust	(614,210)	(277,755)
Net cash used in investment activities	(16,050,432)	(41,843,819)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	10,000,000	7,000,000
Decrease in short-term loans payable	—	(10,000,000)
Proceeds from long-term loans payable	5,000,000	44,000,000
Repayment of long-term loans payable	—	(15,000,000)
Proceeds from issuance of investment units	—	14,700,000
Payments for investment unit issuance expenses	—	(20,297)
Dividends paid	(1,837,184)	(1,833,257)
Net cash used in financing activities	13,162,815	38,846,444
Net increase (decrease) in cash and cash equivalents	(383,621)	(324,751)
Cash and cash equivalents at beginning of period	12,085,834	11,702,213
Cash and cash equivalents at end of period	*1 11,702,213	11,377,462

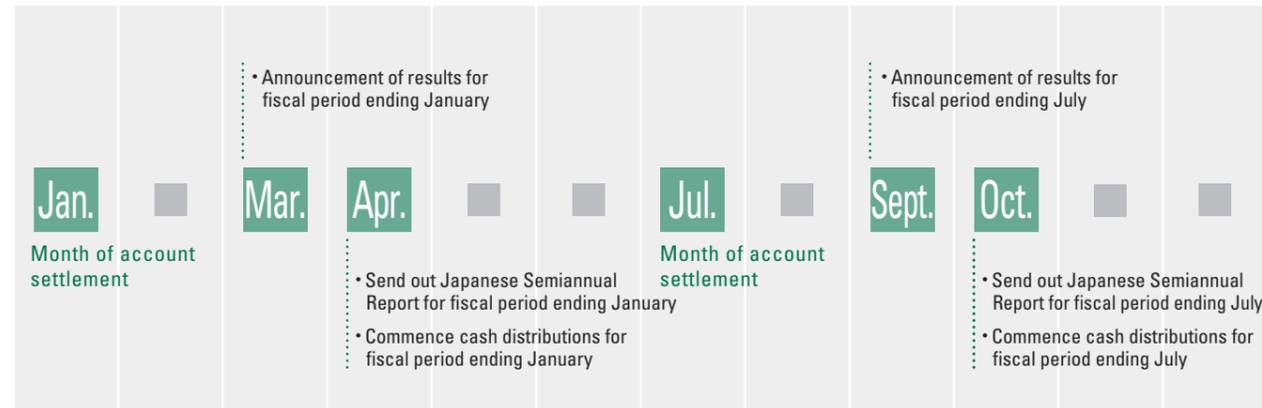
[Notes on Significant Accounting Policies] (Reference Information)

Account	Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
Scope of funds in the statement of cash flows	The funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand and cash in trust; deposits that can be withdrawn at any time and deposits in trust; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.	Same as left

[Notes to Statements of Cash Flows] (Reference Information)

Fourth Fiscal Period (Reference) From: February 1, 2008 To: July 31, 2008	Fifth Fiscal Period From: August 1, 2008 To: January 31, 2009
*1 Relationship between cash and cash equivalents at end of period in the statement of cash flow and the amount stated in the balance sheet (Unit: thousands of yen) (As of July 31, 2008)	*1 Relationship between cash and cash equivalents at end of period in the statement of cash flows and the amount stated in the balance sheet (Unit: thousands of yen) (As of January 31, 2009)
Cash and deposits	5,205,753
Cash and deposits in trust	6,496,459
Cash and cash equivalents	11,702,213
Cash and deposits	5,397,284
Cash and deposits in trust	5,980,177
Cash and cash equivalents	11,377,462

IR Calendar



Unitholder Memo

Record dates	End of January and end of July of each year
General meeting of unitholders	Held at least once every two years
Date of allotment of rights to investors with voting rights	Date announced in advance
Record date for cash distributions	End of January and end of July of each year (cash distributions will be paid within three months of the record date)
Listed stock exchange	Tokyo Stock Exchange (Code: 3234)
Newspaper for posting public announcements	Nikkei
Investor registrar	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Unitholder registrar and special account manager	Mitsubishi UFJ Trust and Banking Corporation, Securities Agent Department 7-10-11 Higashi-suna, Koto-ku, Tokyo 137-8081

About the Website

Mori Hills REIT Investment Corporation website address <http://www.mori-hills-reit.co.jp/eng/>

The Mori Hills REIT Investment Corporation website offers information about its growth policy, management structure, as well as the latest news releases, various disclosure materials such as fiscal results and information on monthly occupancy rates, cash distributions and other matters.

Viewers can also access the portfolio list, conduct detailed searches of properties, peruse property overviews, etc. We will continue striving to further enhance the contents of this website.

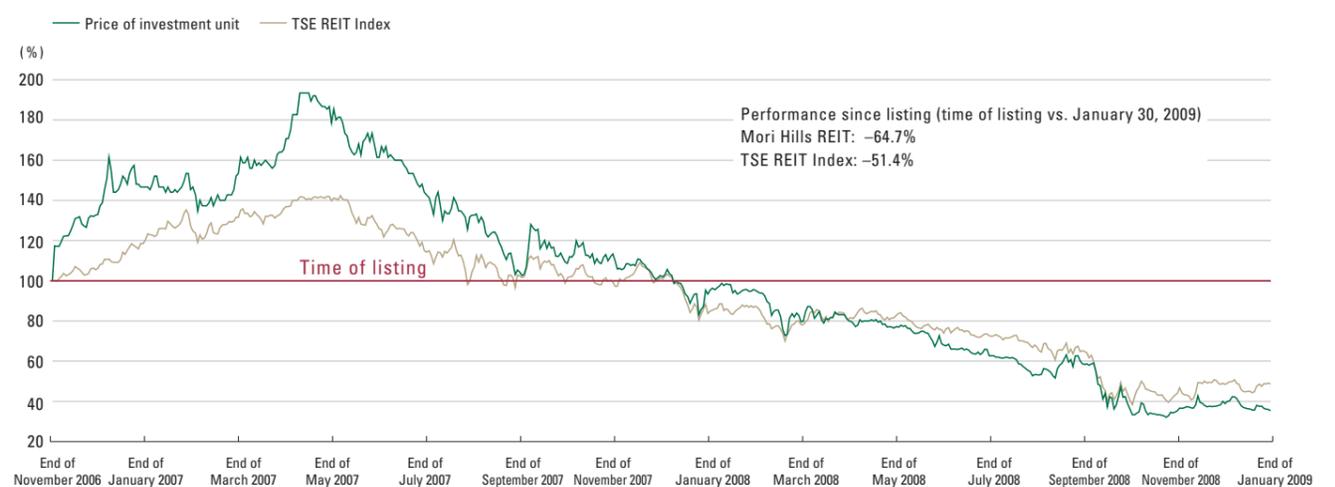


Changes in price of investment unit

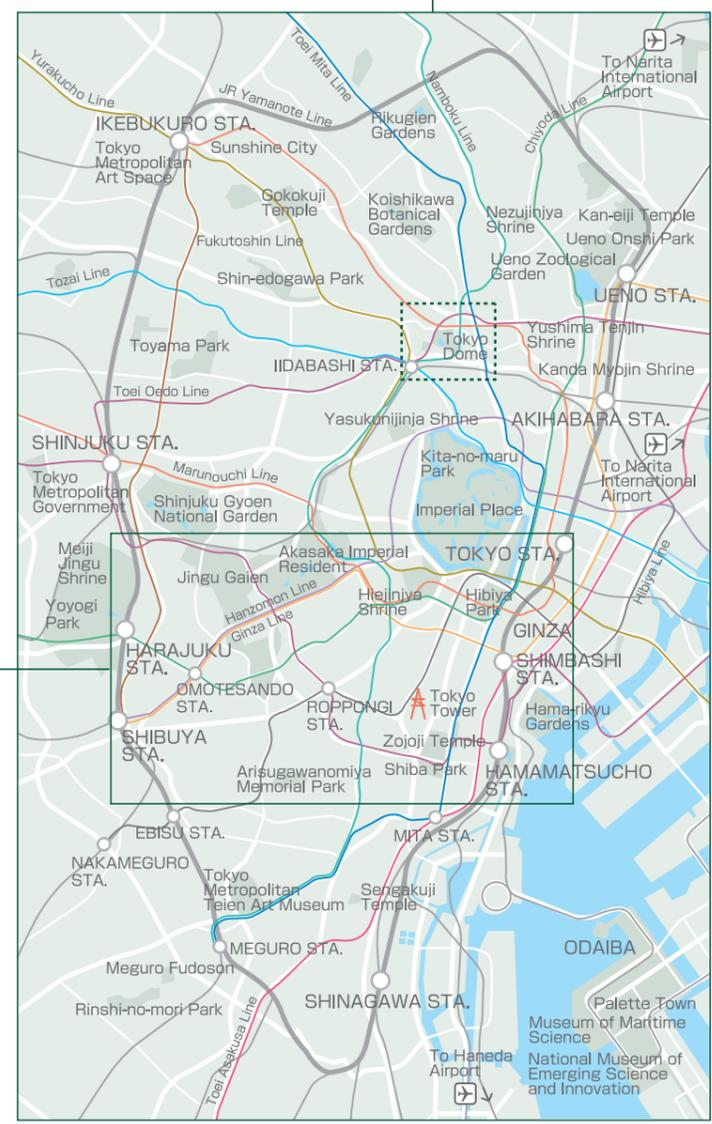
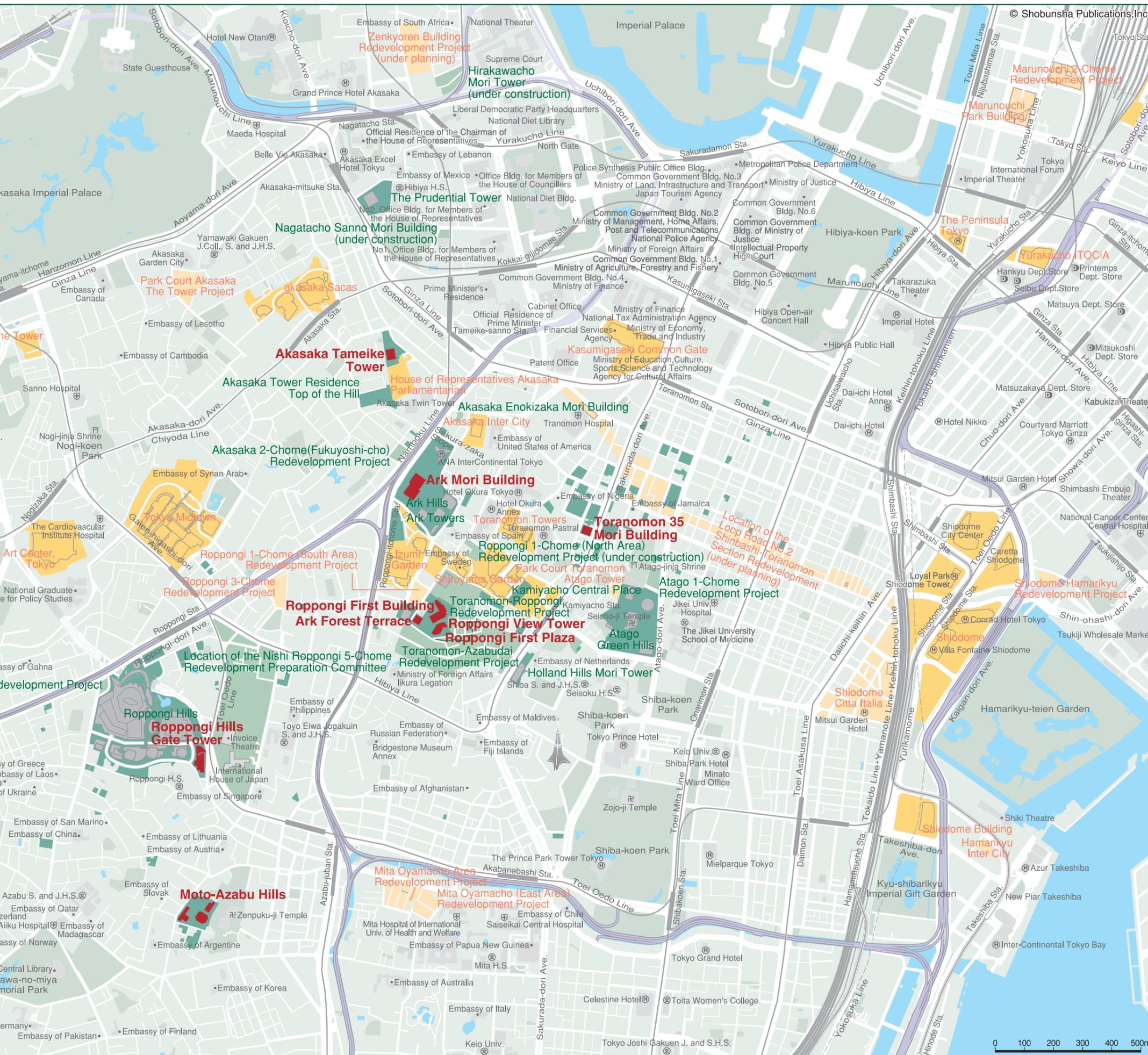


(Note) Indicated prices of investment units are based on closing prices.

Comparison with TSE REIT Index



(Note 1) The TSE REIT Index refers to the free float-adjusted market capitalization-weighted index of all REIT issues listed on the Tokyo Stock Exchange.
(Note 2) The TSE REIT Index as of November 29, 2006 is indicated as 100, and the public offering price of MHR's investment unit at the time of listing is indicated as 100.



Mori Hills REIT
Investment Corporation



Investment in the city

