



HILLS REIT

# MORI HILLS REIT INVESTMENT CORPORATION (CODE:3234)

Results of 9th Fiscal Period (Ended January 31, 2011)



MORI HILLS REIT INVESTMENT CORPORATION

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

Mori Building Investment Management Co., Ltd.

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

<b>1. Investment highlights</b>	<b>2</b>
<b>2. 9th period financial highlights</b>	<b>11</b>
<b>3. Operation highlights</b>	<b>14</b>
<b>4. Financial overview</b>	<b>19</b>
<b>5. Unitholders breakdown</b>	<b>20</b>
<b>6. Tokyo market environment</b>	<b>21</b>
<b>7. Appendix</b>	<b>28</b>

This document has been prepared by MORI HILLS REIT INVESTMENT CORPORATION (“MHR”) for informational purposes only and should not be construed as an offer of any transactions or the solicitation of an offer of any transactions. Please inquire with the various securities companies concerning the purchase of MHR investment units. This document’s content includes forward-looking statements about business performance; however, no guarantees are implied concerning future business performance.

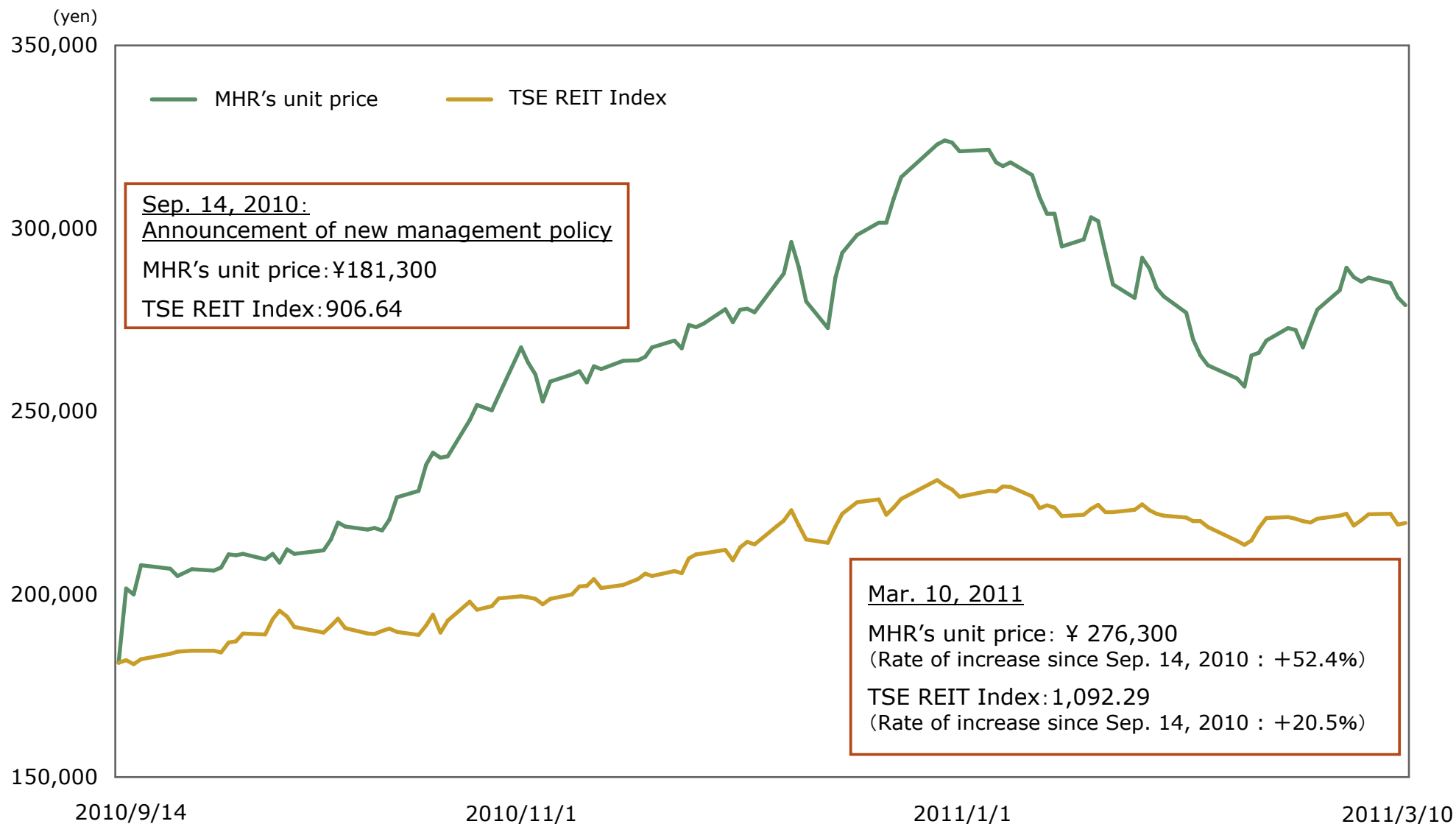
Although the data and opinions contained in this document are derived from what we believe are reliable and accurate sources, we do not guarantee their accuracy or completeness. The contents contained herein may change without prior notice. Regardless of the purpose, any reproduction and/or use of this document in any shape or form without the prior written consent from MHR is prohibited.

We will send invitations to future financial results briefings to those who participated in the financial results briefing for the ninth period based on the personal information they have shared with us; we guarantee that we make every effort to adequately manage and/or use and protect the information in accordance with the private policy posted on the official website of Mori Building Investment Management Co., Ltd.

This document contains charts, data, etc. that were prepared by Mori Building Investment Management Co., Ltd. (hereafter, the “asset manager”) based on charts, data, indicators, etc. released by third parties. Furthermore, this document includes statements based on analyses, judgments, and other observations concerning such matters by the asset manager as of the date of preparation.

# 1-1 Investment highlights Unit price performance

## Unit price performance (since previous results announcement)



(Note 1) Unless otherwise stated, in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below decimal point

(Note 2) TSE REIT Index is rebased to the announcement date of the 8th period results (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance

# 1-2 Investment highlights

Summary of the previously announced policies and measures



## Basic policy: "Dividend-driven management"



[Medium-term target]

Portfolio NOI yield :4.5% Dividend :¥10,000/unit

### Policy ①: Asset swap

- Sell low yield properties and acquire high-yield properties to improve NOI yield (main counterparty in the transactions is our sponsor, Mori Building.)

#### [Transfer]

- Properties for potential sale are those with NOI yield of less than 4.0% (does not mean that all properties of less than 4.0% will be sold)
- In principle, sale price has to exceed book value to avoid recording loss on sale (Property may be low-yielding at present, but in many cases, sponsor places higher value over the medium to long-term due to potential as a component of large scale redevelopment)

#### [Acquisition]

- Acquisition is focused on "higher-yielding premium properties versus before" and on "non-premium but high-yield properties"
- Future portfolio will be composed of mainly premium properties based on our current focus and vision

### Policy ②: Containment of borrowing costs

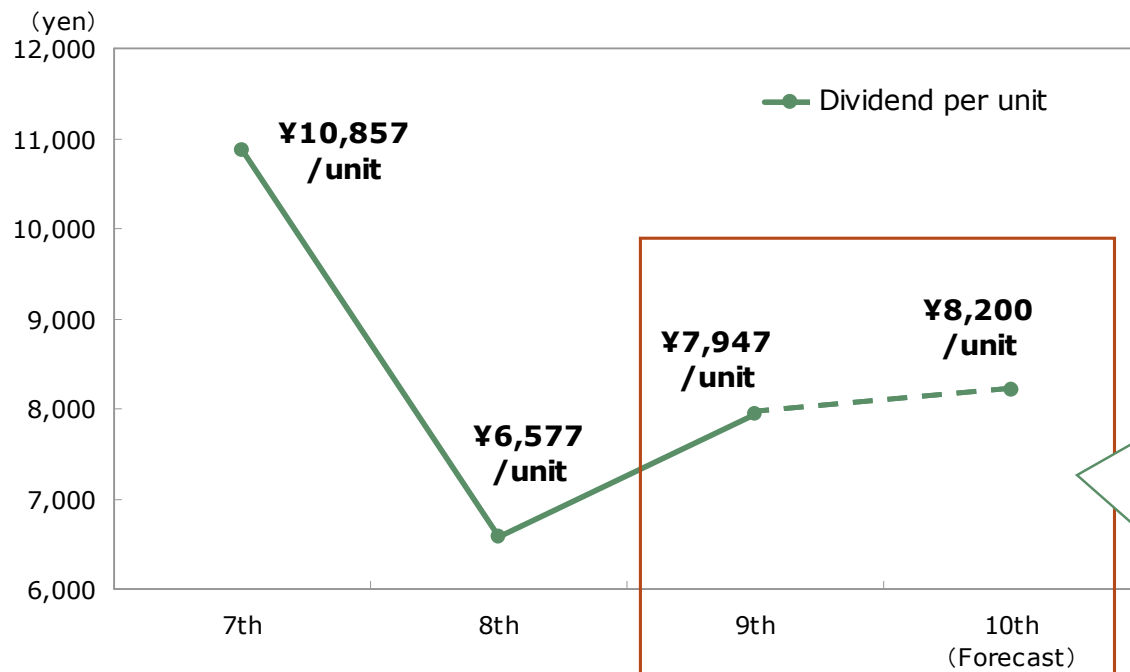
- Reducing finance costs by refinancing with investment corporation bonds and increasing the number of bank relationship

### Policy ③: Reduction of other costs

- Reduce management fees (change management fee formula from current total asset based to appraisal price + distributable earnings based structure in April)
- Also, reduce building management costs, and other miscellaneous management costs

# 1-3 Investment highlights Change and forecast in dividend

## Change in dividend per unit



### Basic policy: Dividend-driven management

#### [Key measures implemented in the 10th Period]

##### Policy ①: Asset swap (Pg 5)

- The asset swap with the sponsor (buy ARK Mori Bldg, Akasaka Tameike Tower, sell Moto-Azabu Hills)

##### Policy ②: Containment of borrowing costs (Pg 7)

- Issuance of investment corporation bonds

##### Policy ③: Reduction of other costs and other measures (Pg 8)

- Reduction of building management costs (Koraku Mori Bldg. )
- Further reduction of management fees
- Change the rent system of ARK Mori Bldg. (portion owned) from pass-through to fixed

## Operating results and projections

	Actual	Forecast	
	9th period (Aug. 1, 2010 - Jan. 31, 2011)	10th period (Feb. 1, 2011 - Jul. 31, 2011)	10th - 9th period
Days of operation	184 days	181 days	
Operating revenue	5,483 mn yen	5,251 mn yen	△ 232 mn yen
Gain on sales of real estate properties	282 mn yen	335 mn yen	52 mn yen
Operating income	2,957 mn yen	3,024 mn yen	67 mn yen
Ordinary income	1,840 mn yen	1,899 mn yen	58 mn yen
Net income	1,839 mn yen	1,898 mn yen	58 mn yen
Dividend per unit	7,947 yen/unit	8,200 yen/unit	253 yen/unit

# 1-4 Investment highlights Policy①: Asset swap

## Sold

### Moto-Azabu Hills (86 units) (Note 1)



Transfer price	16,240 mn yen
Appraisal value	12,200 mn yen
Book value	15,876 mn yen
Estimated NOI yield (Note 2)	2.5%

## Acquired

### ARK Mori Building (1.5 floors: 23F 50%, 25F)



Acquisition price	9,770 mn yen
Appraisal value	11,300 mn yen
Estimated NOI yield (Note 3)	4.5%

### Akasaka Tameike Tower (residential bldg: incl. 88 residential units and a carpark etc.)



Acquisition price	6,730 mn yen
Appraisal value	6,870 mn yen
Estimated NOI yield (Note 3)	5.4%

## Effect

- Effect on dividends
  - +¥662/unit(10<sup>th</sup> Period)
  - +¥881/unit(full-period basis) (Note 1)
  - +¥153mn(10<sup>th</sup> Period)
  - +¥203mn(full-period basis) (Note 1)
- Contribution to improvement of unrealized gains/losses
  - +¥5,346mn
- Moto-Azabu Hills unrealized loss(Note 2)  $\Delta$ ¥3,676mn
- ARK Mori Bldg, Akasaka Tameike Tower unrealized gains(Note 3) ¥1,670mn
- Gains on sale(after deduction of transfer expenses)
  - +¥335mn

- (Note 1) Calculation does not reflect special factors in the year in which the properties were acquired  
 (Note 2) Difference between appraisal value and book value of property sold calculated  
 (Note 3) Difference between appraisal value and book value of properties acquired calculated

• Sold a low-yielding property (Moto-Azabu Hills) at a higher price than the Book Value/Appraisal value, while acquiring high-yielding premium properties (ARK Mori Bldg., Akasaka Tameike Tower) for a lower price than appraisal value

• Realized improvement of NOI yield and containment of borrowing cost through reduction in appraisal value based LTV

(Note 1) In the transfer of Moto-Azabu Hills which MHR owns as of the end of January 2011, the trust beneficiary rights corresponding to the sectional ownership for 86 sections are to be transferred by the trust fiduciary according to the instructions of MHR. The breakdown of the number of sections by use is as follows: Residents: 63; storage areas: 14; management offices: 2; clerical office: 1, nursery: 1; meeting place: 1; resting space: 1; machine room: 1; parking: 1; and bicycle parking: 1. Units sold are mainly vacant units.

(Note 2) Calculated as (NOI=Rent revenue (real estate)+Other lease business revenue-Expenses related to rent business+Depreciation and amortization), while calculation of NOI yield is based on annualized estimated income in the 10<sup>th</sup> Period

(Note 3) Projected NOI yield doesn't reflect special factors in the year in which the properties were acquired



# 1-5 Investment highlights Policy①: Asset swap



(Note 1) Some portion of the building or a stake in it acquired by MHR  
 (Note 2) As of date of this document, we have no plans to acquire it in whole or in part

## Overview of properties acquired



### ARK Mori Building

<b>Location</b>	1-12-32, Akasaka, Minato-ku, Tokyo	
<b>Completion</b>	March 1986 (large-scale renovation in 2005)	
<b>Number of stories</b>	37 floors above ground, 4 floors below	
<b>Land area</b>	39,602.42㎡	
<b>Gross floor area</b>	177,486.95㎡	
	<b>New portion acquired</b> <small>(1.5 floors: 23F 50%, 25F)</small>	<b>Resulting ownership</b> <small>(5 floors)</small>
<b>Land area</b>	851.42㎡ (2.1%)	2,708.37㎡ (6.8%)
<b>Occupancy area</b>	4,285.65㎡ (3.1%)	13,625.22㎡ (9.8%)

- Large, well known landmark complex
- High-quality facilities that satisfies high environmental standards



### Akasaka Tameike Tower

<b>Location</b>	2-17-1, Akasaka, Minato-ku, Tokyo	
<b>Completion</b>	August 2000	
<b>Number of stories</b>	25 floors above ground, 2 floors below	
<b>Land area</b>	5,694.16㎡	
<b>Gross floor area</b>	46,971.43㎡	
	<b>New portion acquired</b> <small>(88 residential units and a carpark)</small>	<b>Resulting ownership</b> <small>(Office, Residence, carpark)</small>
<b>Land area</b>	1,200.64㎡ (21.1%)	3,211.94㎡ (56.4%)
<b>Occupancy area</b>	9,580.88㎡ (30.0%)	20,919.00㎡ (65.5%)

- Premium rental housings that provides high quality services
- Excellent residential environment with green space and a roof garden

# 1-6 Investment highlights

## Policy ②: Containment of borrowing costs

### Issue of investment corporation bonds in Feb, 2011

Unsecured investment corporation bond	
5th Series	
Issue amount	5,000 mn yen
Interest rate	1.29%
Maturity	3 yr
Issue date	Feb. 25, 2011
Maturity date	Feb. 25, 2014

**More favorable conditions  
than long-term loans**

### Effect

■ Effect on Dividends

- +¥28/unit (10<sup>th</sup> period)
- +¥34/unit (full-period basis)
- +¥6mn (10<sup>th</sup> Period)
- +¥7mn (full-period basis)

(Note) Comparison assumes bond vs. cost of borrowing utilizing bank loans  
(see (Reference) below)

### (Reference)

(Long-term loan implemented in the 9th period)	
(Bank loan in Nov. 2010)	
Loan amount (Note 1)	13,000 mn yen
Interest rate (Note 2)	1.61%
Loan period	3 yr
Borrowing date	Nov. 30, 2010
Maturity date	Nov. 30, 2013

(Note 1) Total of 3 borrowings implemented in Nov, 2010

(Note 2) Average interest rate as of borrowing date. Figure is rounded up to 2 digits below decimal point

### Key financials

	End of 8th period Jul. 31, 2010	End of 9th period Jan. 31, 2011	After the asset swap Mar. 18, 2011
Debt balance	108,847 mn yen	108,735 mn yen	108,735 mn yen
Short-term debt	8,510 mn yen	8,510 mn yen	8,510 mn yen
Long-term debt	80,337 mn yen	80,225 mn yen	75,225 mn yen
Investment corporation bonds	20,000 mn yen	20,000 mn yen	25,000 mn yen
LTV (total asset basis) (Note 1)	49.2%	49.3%	49.2% (Note 4)
LTV (appraisal value basis) (Note 2)	56.0%	57.4%	55.7% (Note 4)
DSCR (Note 3)	3.6x	3.9x	—
Avg. remaining duration	1.61yr	1.52yr	—
Weighted avg. interest rate	1.60%	1.62%	—

(Note 1) LTV (book value basis) is calculated as [Interest bearing debt/Total assets]

(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt/Appraisal value based total assets (Total assets+Total appraisal value–Total book value)]

(Note 3) DSCR is calculated as [Net income before interest expenses/Interest expenses]

(Note 4) Estimated value after the asset swap with the sponsor in the 10<sup>th</sup> period



# 1-7 Investment highlights

## Policy ③: Reduction of other costs+other measures

### 1. Reduction of building management fees (Koraku Mori Bldg.)

- Reduction of building management fees by 17.9%  
(from Feb. 1, 2011)
- Reduction of fees by increasing operational efficiency and changes to the specifications of the properties without losing quality

### Effect

- Effect on dividends  
+¥37/unit(10<sup>th</sup> period:full-period basis)  
+¥8 mn(10<sup>th</sup> period:full-period basis )

### 2. Further reduction of asset management fees

- Create further room for reduction of asset management fees through diversified cost reduction measures including moving AM company's head office to a lower-cost building
- Aim to continue to focus on further cost reduction

- Effect on dividends  
+¥363/unit(10<sup>th</sup> period:full-period basis )  
+¥84 mn(10<sup>th</sup> period:full-period basis )

### 3. ARK Mori Bldg.'s change to fixed master lease contract

- Rental agreement for floors 12 and 22 changed from "pass-through type master lease agreement" to "fixed-type master lease agreement" (from Feb. 1, 2011)
- Successful stabilization of our profitability

- Effect on dividends  
+¥183/unit (10<sup>th</sup> period:full-period basis )  
+¥42 mn(10<sup>th</sup> period:full-period basis )

# 1-8 Investment highlights Appraisal value

(million yen)													
Type	Property name	Property No.	Acquisition price	Book value	As of end of 8th period (Jul. 31, 2010)		As of end of 9th period (Jan. 31, 2011)				Difference (B)-(A)	Difference (B)/(A)-1	Unrealized capital gain (B)-book value
					(A) Appraisal Value	Yield (direct capitalization method)	(B) Appraisal Value	Yield (direct capitalization method)	Discount (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	6,810	6,852	7,410	3.8%	7,420	3.8%	3.5%	4.0%	10	0.1%	568
	ARK Mori Building (Note 2)	O-1	32,000	31,829	23,850	3.8%	24,200	3.8%	3.5%	4.0%	350	1.5%	△ 7,629
	Roppongi Hills Gate Tower	O-2	36,500	35,789	33,500	3.9%	32,000	3.9%	3.7%	4.2%	△ 1,500	△ 4.5%	△ 3,789
	Roppongi First Building	O-3	21,000	20,337	21,200	4.3%	20,400	4.3%	4.0%	4.5%	△ 800	△ 3.8%	63
	Koraku Mori Building (Note 3)	O-4	27,200	26,285	27,600	4.7%	23,280	4.7%	4.3%	5.0%	△ 4,320	△ 15.7%	△ 3,005
	Toranomon 35 Mori Building (Note 4)	O-5	12,720	-	11,000	4.5%	-	-	-	-	△ 11,000	-	-
	Akasaka Tameike Tower	O-6	37,200	36,809	26,600	3.9%	23,700	4.0%	3.7%	4.2%	△ 2,900	△ 10.9%	△ 13,109
	Sub total (Note 4)		160,710	157,904	151,160	-	131,000	-	-	-	△ 20,160	△ 13.3%	△ 26,904
Residential	Moto-Azabu Hills (Note 5)	R-1	17,969	17,581	22,000	4.7%	14,000	4.7%	4.3%	4.9%	△ 8,000	-	△ 3,581
	ARK Forest Terrace	R-2	5,300	5,171	3,830	4.9%	3,560	4.9%	4.7%	5.1%	△ 270	△ 7.0%	△ 1,611
	Roppongi First Plaza	R-3	2,100	2,200	1,880	5.2%	1,720	5.2%	5.0%	5.4%	△ 160	△ 8.5%	△ 480
	Roppongi View Tower	R-4	4,000	3,953	3,180	5.3%	3,180	5.3%	5.1%	5.5%	0	0.0%	△ 773
	Sub total (Note 5)		29,369	28,907	30,890	-	22,460	-	-	-	△ 8,430	-	△ 6,447
Retail	Laforet Harajuku (land)	S-1	21,820	22,074	-	-	24,200	-	5.2%	-	24,200	-	2,126
	Sub total		21,820	22,074	-	-	24,200	-	-	-	24,200	-	2,126
Total			211,899	208,885	182,050	-	177,660	-	-	-	△ 4,390	△ 2.4%	△ 31,225

(Note 1) "Appraisal values" as of end of each period are based on the REIT's calculation rules, asset valuation methods & standards defined by the Business Regulation (Kiyaku), rules defined by the Investment Trust Association (Toshin Kyokai), and the property appraisal reports created by Japan Real Estate Institute (Fudoken).

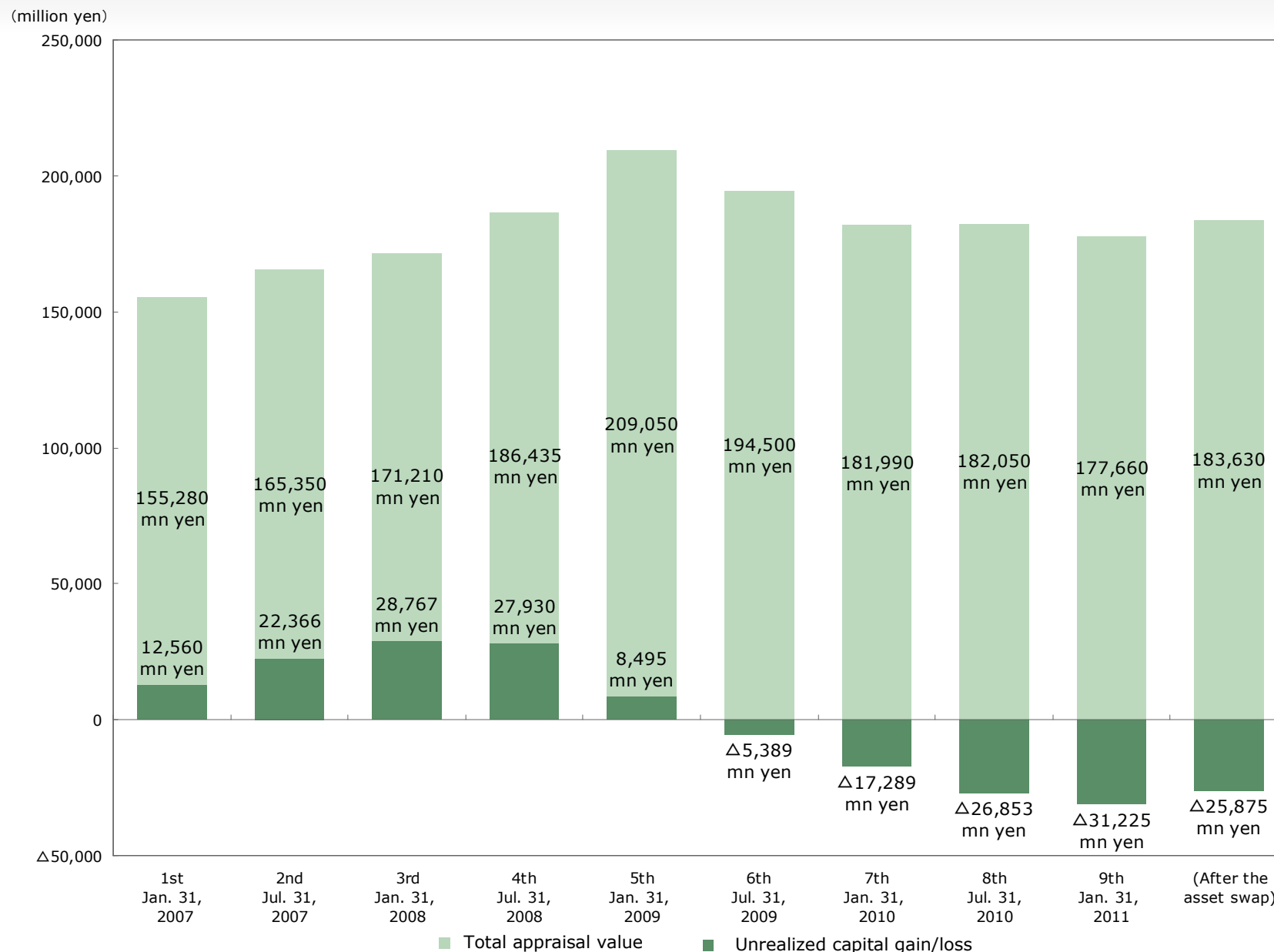
(Note 2) Contract types in ARK Mori Building (Fixed I, Fixed II and Pass-through) have been unified, so that they have shared the same property appraisal report

(Note 3) Koraku Mori Bldg's acquisition price and book value are based on the appraisal value stated in the research report multiplied by the REIT's portion of Joint ownership in the quasi-undivided interests of the Trust beneficiary interests (80%).

(Note 4) Toranomon 35 Mori Bldg sold in the 9th period is not reflected in the sub-total and total acquisition price & book value; the values of differences not listed above for this property

(Note 5) 42 units in the Moto-Azabu Hills were sold in the 9th period, and thus, its acquisition price and book value do not reflect these 42 units; the values of differences not listed above for this property

# 1-9 Investment highlights Change in total appraisal value



(Note 1) MHR sold Toranomon 35 Mori Building and Moto-Azabu Hills (42 units) and acquired Laforet Harajuku (land) during the 9th period

(Note 2) MHR sold part of Moto-Azabu Hills (86 units) and 1.5 floors of ARK Mori Building (50% of 23rd floor and 100% of 25th floor) and acquired Akasaka Tameike Tower (residence)

# 2-1 9th period financial highlights

## Financial summary

(Amount : mn yen)

	Actual		Difference		
	8th period	9th period	9th - 8th period		
	Operating days 181 days	184 days			
Operating revenue	5,388	5,483	95	1.8%	
Rent revenue-real estate	4,922	4,755	△ 167	△ 3.4%	Sale of Toranomom 35 Mori Building △318
Rents incl. CAM fees	4,868	4,702	△ 165	△ 3.4%	Roppongi Hills Mori Tower and ARK Mori Building (FixedII) full period operation +64
Office	3,546	3,082	△ 463	△ 13.1%	Koraku Mori Building △13
Residential	1,144	959	△ 185	△ 16.2%	ARK Mori Building (pass-through) △23
Retail	177	171	△ 5	△ 3.3%	Roppongi First Building △53
Land	—	488	488	—	Akasaka Tameike Tower △118
Other rent revenue	54	52	△ 1	△ 3.4%	Sale of Moto-Azabu Hills △177
Other lease business revenue	465	445	△ 19	△ 4.2%	Ark Forest Terrace +7
Gain on sales of real estate properties	—	282	282	—	Roppongi Hills Gate Tower △15
Operating expenses	2,708	2,526	△ 181	△ 6.7%	Acquisition of Laforet Harajuku (land) +488
Expenses related to rent business	2,299	2,114	△ 185	△ 8.1%	Sale of Toranomom 35 Mori Building and Moto-Azabu Hills △23
Profit on real estate rental	3,088	3,086	△ 1	0.0%	Revenue from after-hours heating/cooling usage, etc. +21
Depreciation and amortization	747	699	△ 48	△ 6.4%	Cancellation penalty △11
NOI	3,835	3,785	△ 49	△ 1.3%	Sale of Toranomom 35 Mori Building and Moto-Azabu Hills △216
NOI yield	3.7%	3.5%	△ 0.2PT	△ 4.3%	(Major factors)
SG&A	408	412	3	0.9%	Property taxes △36
Operating income	2,679	2,957	277	10.4%	Depreciation and amortization △50
Non-operating income	5	5	0	1.6%	Maintenance expenses △107
Non-operating expenses	1,161	1,121	△ 39	△ 3.4%	Utilities +21
Interest expenses	868	878	9	1.1%	Asset management fee △15
Other non-operating expenses	292	242	△ 49	△ 16.9%	Consumption taxes +6
Non-operating income/expenses	△ 1,156	△ 1,116	39	3.4%	Management fees +9
Ordinary income	1,523	1,840	317	20.8%	Investors' expenses +4
Income before income taxes	1,523	1,840	317	20.8%	IR expenses △1
Total income taxes	1	0	0	△ 1.6%	Interest expenses △43
Net income	1,522	1,839	317	20.8%	Interest expenses on bonds +53
Dividend/unit(yen)	6,577	7,947	1,370	20.8%	Borrowing expenses +18
Total acquisition price	211,862	211,899	36	0.0%	Investment unit issuance expenses △70

# 2-2 9th period financial highlights

## Comparison between projections and results

	(Amount : mn yen)			
	Operating days	9th period		
		Forecast 184 days	Actual 184 days	Actual - Forecast
Operating revenue	5,490	5,483	△ 6	△ 0.1%
Rent revenue-real estate	4,747	4,755	7	0.2%
Rents incl. CAM fees	4,696	4,702	6	0.1%
Office	3,079	3,082	2	0.1%
Residential	957	959	1	0.2%
Retail	171	171	0	0.0%
Land	487	488	1	0.3%
Other rent revenue	51	52	1	2.4%
Other lease business revenue	448	445	△ 2	△ 0.6%
Gain on sales of real estate properties	294	282	△ 11	△ 3.9%
Operating expenses	2,538	2,526	△ 11	△ 0.5%
Expenses related to rent business	2,134	2,114	△ 19	△ 0.9%
Profit on real estate rental	3,062	3,086	24	0.8%
Depreciation and amortization	701	699	△ 2	△ 0.4%
NOI	3,763	3,785	22	0.6%
NOI yield	3.5%	3.5%	0.0PT	0.6%
SG&A	404	412	7	1.9%
Operating income	2,952	2,957	5	0.2%
Non-operating income	4	5	0	10.9%
Non-operating expenses	1,126	1,121	△ 4	△ 0.4%
Interest expenses	882	878	△ 3	△ 0.4%
Other non-operating expenses	244	242	△ 1	△ 0.6%
Non-operating income/expenses	△ 1,121	△ 1,116	5	0.5%
Ordinary income	1,830	1,840	10	0.6%
Income before income taxes	1,830	1,840	10	0.6%
Total income taxes	1	0	0	△ 9.4%
Net income	1,829	1,839	10	0.6%
Dividend/unit(yen)	7,900	7,947	47	0.6%
Total acquisition price	211,899	211,899	0	0.0%

Repair charges	△13
Consumption taxes	+7
Management fees	+3
IR expenses	△3



# 9th period financial highlights

## Projection

(Amount: mn yen)

	Actual	Forecast	Difference		
	9th period	10th period	10th - 9th period		
	184 days	181 days			
<b>Operating days</b>					
Operating revenue	5,483	5,251	△ 232	△ 4.2%	Acquisition of ARK Mori Building (FixedIII) +174
Rent revenue-real estate	4,755	4,563	△ 191	△ 4.0%	ARK Mori Building. (pass-through)'s change to fixed master lease contract +11
Rents incl. CAM fees	4,702	4,520	△ 181	△ 3.9%	Toranomom 35 Mori Building (difference of operating days) △103
Office	3,082	2,913	△ 169	△ 5.5%	Roppongi Hills Gate Tower △24
Residential	959	801	△ 157	△ 16.4%	Roppongi First Building △32
Retail	171	158	△ 13	△ 7.7%	Akasaka Tameike Tower △40
Land	488	646	158	32.4%	Koraku Mori Building △155
Other rent revenue	52	43	△ 9	△ 18.5%	Acquisition of Akasaka Tameike Tower (residence) +201
Other lease business revenue	445	352	△ 93	△ 21.0%	Sale of Moto-Azabu Hills in 10th period △256
Gain on sales of real estate properties	282	335	52	18.7%	A portion of Moto-Azabu Hills sold in 9th period (difference of operating days) △95
Operating expenses	2,526	2,226	△ 300	△ 11.9%	Laforet Harajuku (land) (difference of operating days) +158
Expenses related to rent business	2,114	1,909	△ 205	△ 9.7%	Sale of Moto-Azabu Hills in 10th period △31
Profit on real estate rental	3,086	3,006	△ 80	△ 2.6%	ARK Mori Building (pass-through)'s change to fixed master lease contract △16
Depreciation and amortization	699	674	△ 24	△ 3.5%	Utilities △40
NOI	3,785	3,681	△ 104	△ 2.8%	Acquisition of Akasaka Tameike Tower (residence) +79
NOI yield	3.5%	3.5%	△ 0.0PT	△ 1.1%	Acquisition of ARK Mori Building (FixedIII) +23
SG&A	412	317	△ 94	△ 23.0%	Transfer of Moto-Azabu Hills in 10th period △203
Operating income	2,957	3,024	67	2.3%	ARK Mori Building. (pass-through)'s change to fixed master lease contract △74
Non-operating income	5	3	△ 2	△ 40.6%	Utilities △25
Non-operating expenses	1,121	1,128	6	0.6%	Asset management fee △88
Interest expenses	878	866	△ 12	△ 1.4%	Consumption taxes △3
Other non-operating expenses	242	262	19	7.9%	Management fees △7
Non-operating income/expenses	△ 1,116	△ 1,125	△ 8	△ 0.8%	Unitholders' meeting expenses +4
Ordinary income	1,840	1,899	58	3.2%	Borrowing expenses +19
Income before income taxes	1,840	1,899	58	3.2%	
Total income taxes	0	1	0	10.4%	
Net income	1,839	1,898	58	3.2%	
Dividend/unit(yen)	7,947	8,200	253	3.2%	
Total acquisition price	211,899	212,136	236	0.1%	

(Note 1) Property taxes for properties acquired during the 8th and 9th periods have not been charged in the 9th period, and Property taxes for properties acquired during the 10th period are not charged but included in acquisition costs.

(Note 2) Income and expenditure for Laforet Harajuku (land), which was acquired in the 9th period, were calculated from September 15, 2010 (139 days).

(Note 3) Income and expenditure for Toranomom 35 Mori Building and Moto-Azabu Hills (42 residential units), which were transferred in the 9th period, were calculated up until September 14, 2010 (45 days).

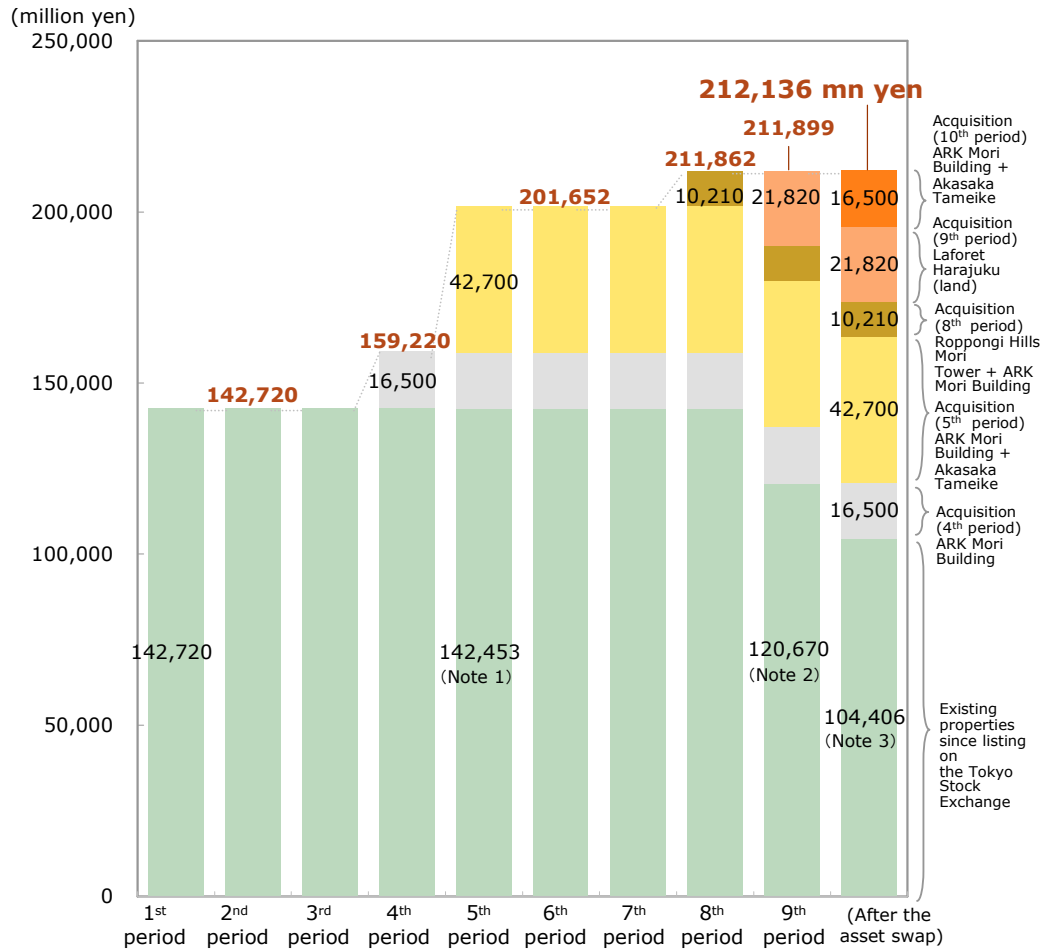
(Note 4) Income and expenditure for ARK Mori Building (Fixed III) / Akasaka Tameike Tower (residence), which were acquired in the 10th period, were calculated from March 18, 2011 (136 days).

(Note 5) Income and expenditure for Moto-Azabu Hills (86 residential units), which were transferred in the 10th period, were calculated up until March 17, 2011 (45 days).

# 3-1 Operation highlights Portfolio overview

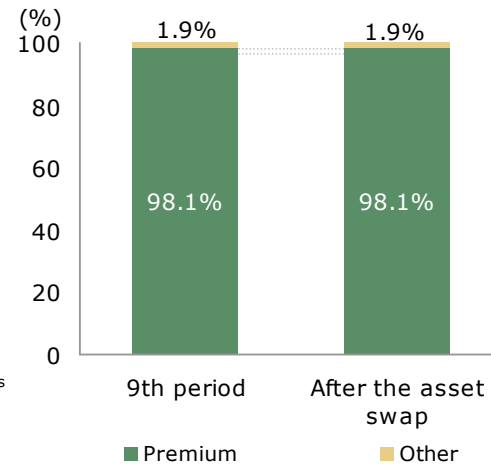


## Change in assets under management

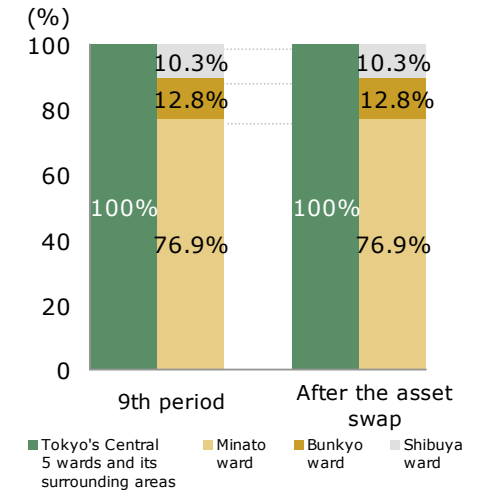


- (Note 1) MHR sold Moto-Azabu Hills (one residential unit) in the 5th period.
- (Note 2) MHR sold Toranomom 35 Mori Building and Moto-Azabu Hills (42 residential units) in the 9th period.
- (Note 3) MHR sold Moto-Azabu Hills (86 residential units) in the 10th period.

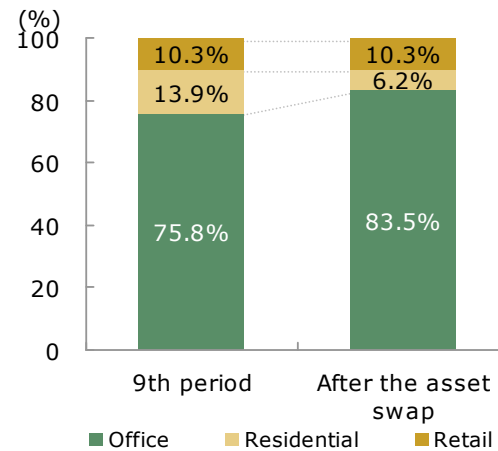
## Quality (Note 1)



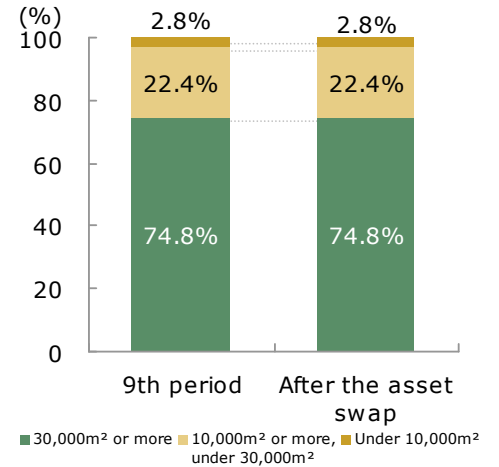
## Area



## Type



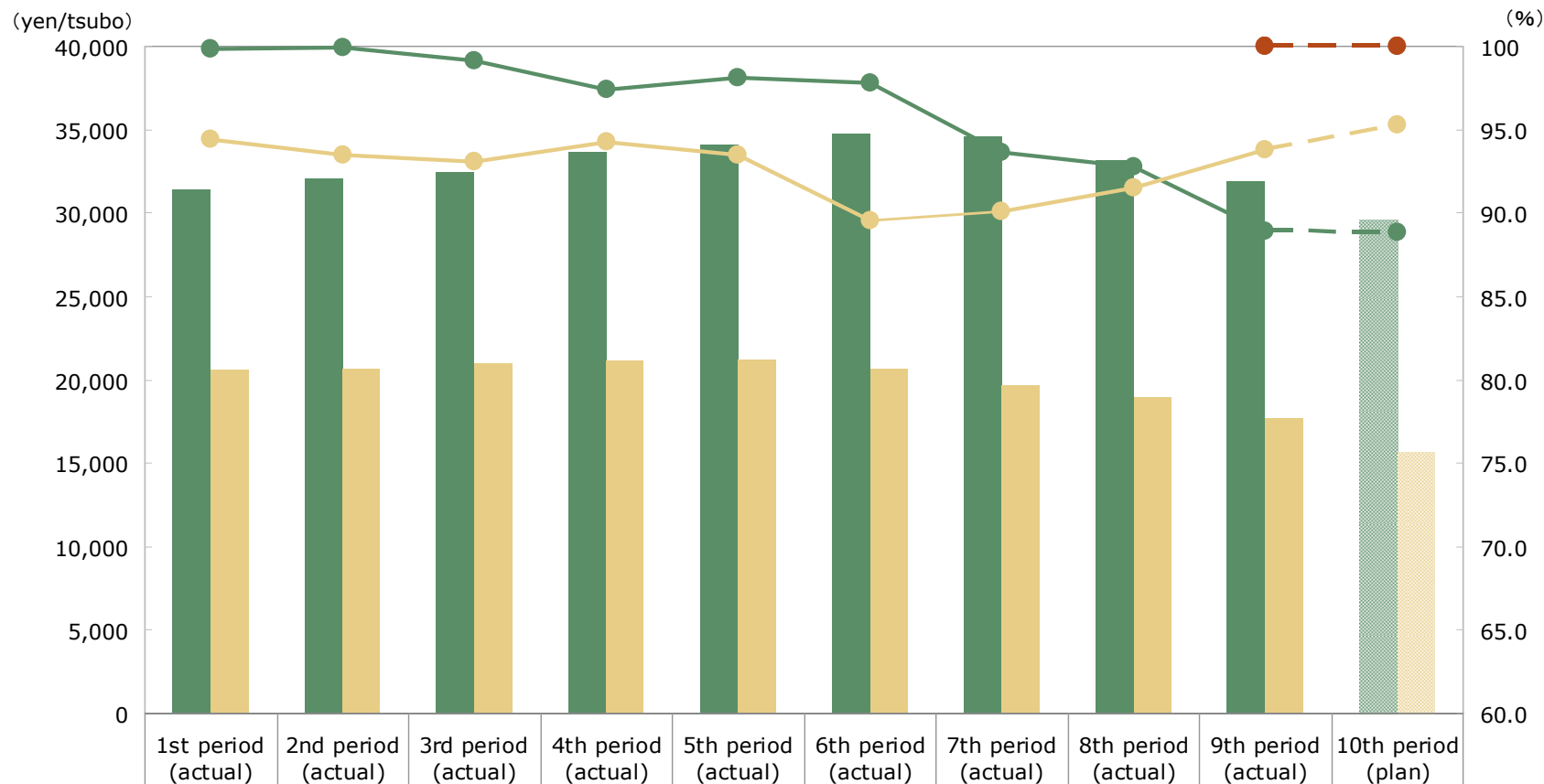
## Size (Note 2)



- (Note) The ratios represent proportions of acquisition price to total acquisition price. Figures are rounded up to one digit below decimal point.
- (Note 1) Premium properties are defined as properties located in prime areas (Tokyo's Central 5wards and its surrounding areas) that enable Mori Building Group to demonstrate its brand/marketing strength and facilities management capabilities based on the outstanding quality, size, and specification which are expected to maintain their competitive strength over a long time. In case building on land with leasehold satisfies criteria for prime core property, land shall also be positioned as prime core property.
- (Note 2) Chart by size does not include Laforet Harajuku (land).

# 3-2 Operation highlights

## Changes in the rent and occupancy rates



	1st period (actual)	2nd period (actual)	3rd period (actual)	4th period (actual)	5th period (actual)	6th period (actual)	7th period (actual)	8th period (actual)	9th period (actual)	10th period (plan)
Office unit rent (yen/tsubo)	31,450	32,068	32,462	33,648	34,118	34,725	34,554	33,187	31,901	29,617
Residential unit rent (yen/tsubo)	20,625	20,674	20,964	21,157	21,234	20,664	19,658	18,959	17,648	15,664
Office occupancy(%)	99.9	100.0	99.1	97.4	98.1	97.8	93.7	92.7	88.9	88.8
Residential occupancy(%)	94.4	93.4	93.1	94.2	93.5	89.6	90.1	91.5	93.8	95.3
Retail occupancy(%)	-	-	-	-	-	-	-	-	100	100

(Note 1) The definitions of the Office and Residential categories used in these materials differ from the definitions on MHR's website. In these materials, Office and Residential figures are compiled using individual figures for all office and residential properties in which MHR has invested. Figures on MHR's website are defined as per Portfolio Overview (page 45).

(Note 2) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant periods.

Decreased substantially from the previous period primarily due to the sale of part of Moto-Azabu Hills in the 9th and 10th periods

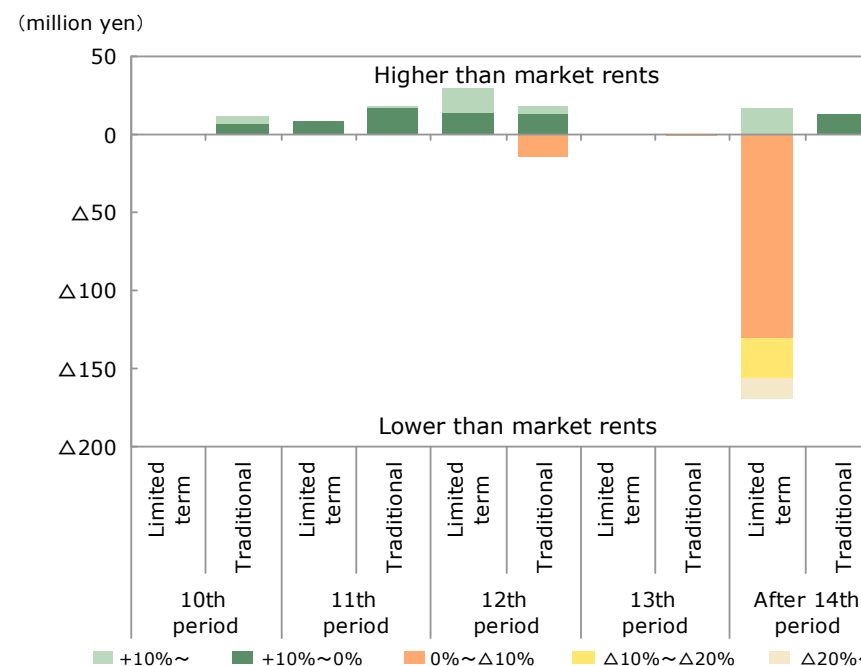
# 3-3 Operation highlights Office leasing overview

## Result of rent revision

		No. of tenants	Monthly rent prior to rent change	Monthly rent after rent change	Increase/decrease in monthly rent	Rate of revision
Already agreed	6th period	14	162.4 mn yen	170.1 mn yen	7.7 mn yen	4.7%
	7th period	9	103.0 mn yen	90.5 mn yen	△ 12.5 mn yen	△ 12.1%
	8th period	12	134.6 mn yen	114.5 mn yen	△ 20.1 mn yen	△ 15.0%
	9th period	3	5.7 mn yen	4.3 mn yen	△ 1.4 mn yen	△ 24.7%
	10th period	3	150.0 mn yen	111.8 mn yen	△ 38.2 mn yen	△ 25.5%
	11th period	2	25.9 mn yen	19.6 mn yen	△ 6.3 mn yen	△ 24.3%
Currently negotiating	10th period	2	12.3 mn yen			
	11th period	3	26.1 mn yen			

## Difference in current office rent and market rent

		Comparison to market rents (million yen)						Total
		Higher		Equivalent	Lower			
		Over 10%	10%~0%	0%	0%~ △10%	△10%~ △20%	Under △ 20%	
10th period	Limited term	-	-	-	-	-	-	-
	Traditional	4.8	7.4	-	-	-	-	12.3
11th period	Limited term	-	8.1	-	-	-	-	8.1
	Traditional	1.5	16.3	-	-	-	-	17.9
12th period	Limited term	14.8	14.4	-	-	-	-	29.2
	Traditional	5.1	13.2	3.9	14.2	-	-	36.6
13th period	Limited term	-	-	-	-	-	-	-
	Traditional	-	-	-	1.3	-	-	1.3
After 14th period	Limited term	16.8	-	7.9	130.9	24.8	13.6	194.1
	Traditional	-	12.7	149.4	-	-	-	162.2
Total		43.3	72.4	161.3	146.6	24.8	13.6	462.2
Average of the difference		17.8%	5.4%	0.6%	△ 7.3%	△ 10.9%	△ 39.5%	
Ratio		9.4%	15.7%	34.9%	31.7%	5.4%	2.9%	
		<b>25.0%</b>		<b>34.9%</b>	<b>40.0%</b>			



(Note 1) Figures in the charts are based on data that show rent by Month/Period which reflects the situation of tenants on February 25, 2011 including move in/out and rent revision that are classified by % divergence from market rent levels.

(Note 2) Market rents are determined by the asset manager based on the capitalized value used for appraisal of properties at the end of the 9th period as appears in the research report.

(Note 1) Figures at the same level as market rents are omitted from the charts.

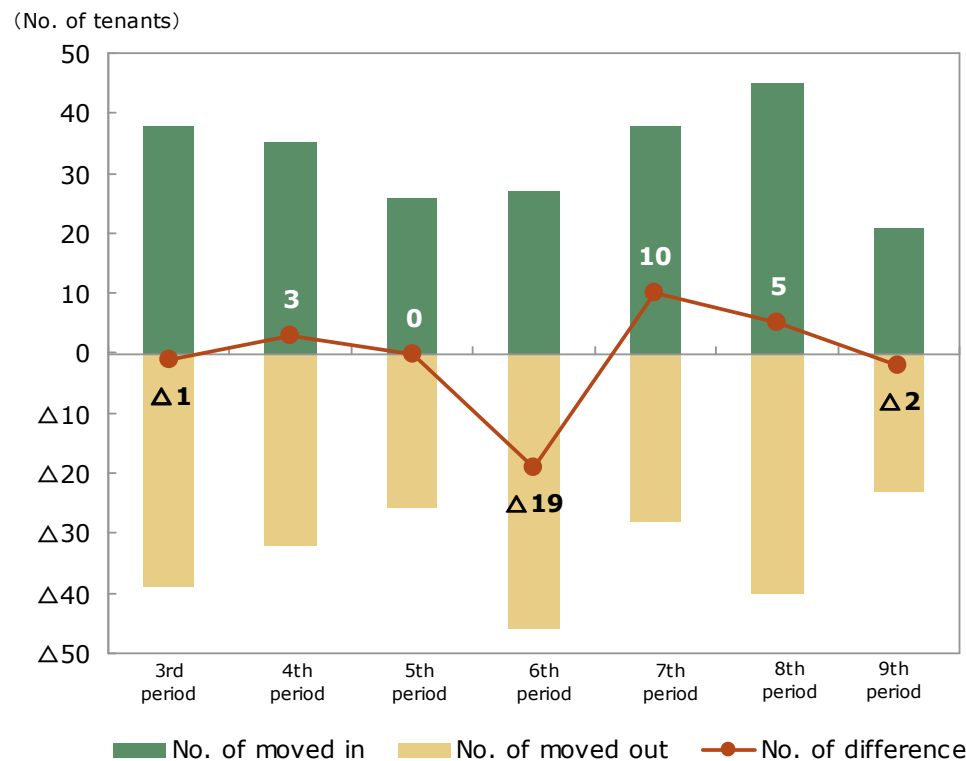
# 3-4 Operation highlights Residential leasing overview



## Rent revision - residential

	Moved in	Moved out	Difference
3rd period	38	39	$\Delta$ 1
	24,210	23,639	<b>571</b>
4th period	35	32	<b>3</b>
	24,885	23,648	<b>1,237</b>
5th period	26	26	<b>0</b>
	24,607	25,466	$\Delta$ 859
6th period	27	46	$\Delta$ 19
	20,183	23,223	$\Delta$ 3,040
7th period	38	28	<b>10</b>
	18,045	23,702	$\Delta$ 5,657
8th period	45	40	<b>5</b>
	18,456	22,450	$\Delta$ 3,994
9th period	21	23	$\Delta$ 2
	14,292	22,281	$\Delta$ 7,989

## Change in moved in and moved out



(Note 1) Upper line: No. of moved in/moved out. Lower line: Average rent (yen/tsubo per month).

Upon partial sale of Moto-Azabu Hills (the portfolio's highest rent property) on Sep. 30, 2010, the property's occupancy rate temporarily reached 100%. Subsequently 4 tenants moved out and the units had not yet been refilled contributing to the significant difference between the average unit rents for moved out and moved in tenants.



# 3-5 Operation highlights

## Breakdown of rental income and future contract renewals

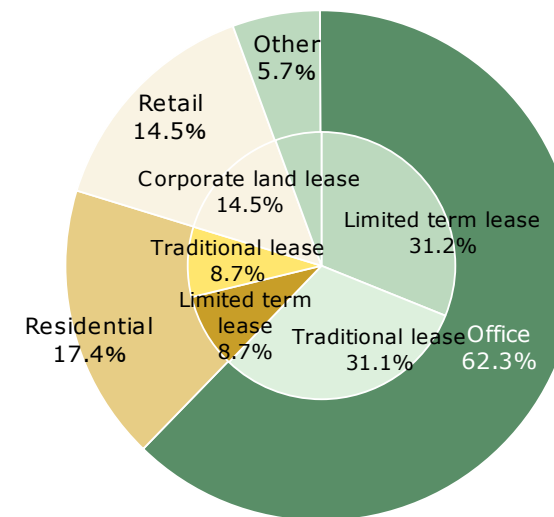


### Breakdown of monthly rent revenue and agreement renewal timing

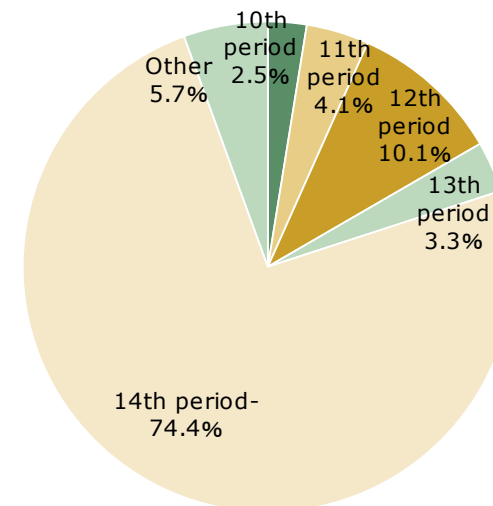
(million yen)

Tenant type	Type of lease contract	Total rent per month	Ratio	Agreement renewal timing				
				10th period	11th period	12th period	13th period	14th period-
Office tenant	Limited term	231.5	31.2%	-	8.1	29.2	-	194.1
	Traditional	230.6	31.1%	12.3	17.9	36.6	1.3	162.2
	Total	462.2	62.3%	12.3	26.1	65.9	1.3	356.4
Residential tenant	Limited term	64.6	8.7%	6.2	3.1	8.8	4.4	41.9
	Traditional	64.7	8.7%	-	0.7	-	18.6	45.3
	Total	129.3	17.4%	6.2	3.9	8.8	23.0	87.2
Retail tenant	Corporate land	107.8	14.5%	-	-	-	-	107.8
	Total	107.8	14.5%	-	-	-	-	107.8
Sub total		699.3	94.3%	18.5	30.0	74.7	24.4	551.5
Others	Retail	26.0	3.5%					
	Parking	8.6	1.2%					
	Others	7.5	1.0%					
Sub total		42.1	5.7%					
Total		741.5	100%					

Rent revenue breakdown by types of lease contract



Rent revenue breakdown by timing of renewal

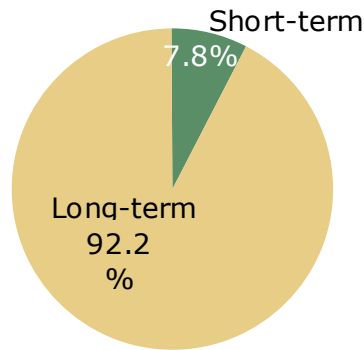


(Note 1) Situation of tenants reflects actual move in/out and revised rents as of Feb. 25, 2011.

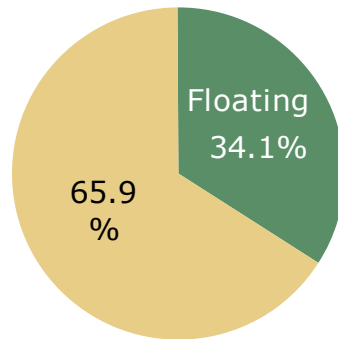
(Note 2) Following the asset swap with the sponsor on Mar. 18th, 2011, Moto-Azabu Hills(86 units) are excluded and ARK Mori Building (Fixed III) / Akasaka Tameike Tower Residence included in the figures.

### Long and short-term debt ratio/Fixed rate ratio

**Long and short-term debt ratio (End of 9th period)**



**Fixed rate ratio (End of 9th period)**

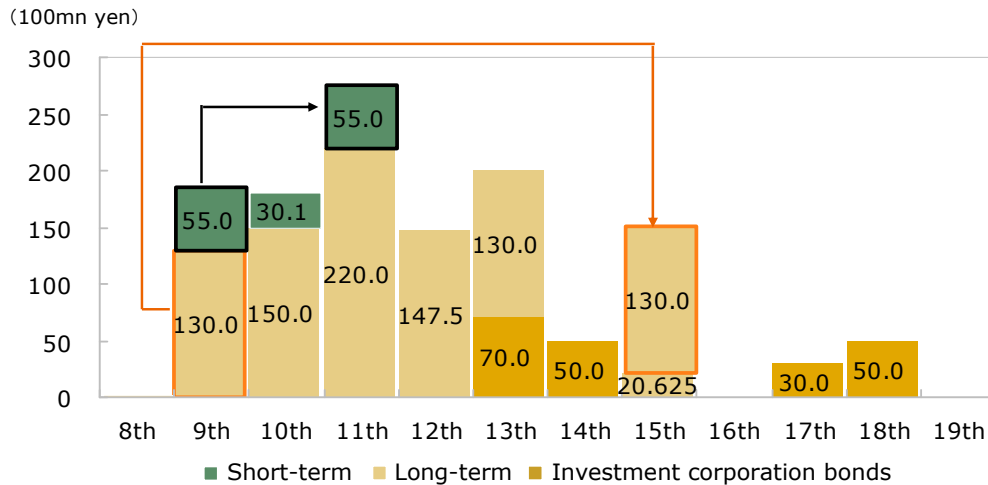


### Outstanding balances

Lenders	Balance	Ratio
Mizuho Corporate Bank, Ltd.	13,338mn yen	15.0%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,338mn yen	15.0%
Mitsubishi UFJ Trust and Banking Corporation	13,338mn yen	15.0%
Sumitomo Mitsui Banking Corporation	12,149mn yen	13.7%
The Sumitomo Trust and Banking Co., Ltd.	11,567mn yen	13.0%
Development Bank of Japan Inc.	4,225mn yen	4.8%
The Norinchukin Bank	4,200mn yen	4.7%
Aozora Bank, Ltd.	4,000mn yen	4.5%
The Bank of Fukuoka, Ltd.	4,000mn yen	4.5%
Shinsei Bank, Limited	3,080mn yen	3.5%
Resona Bank, Ltd.	2,500mn yen	2.8%
The Oita Bank, Ltd.	1,000mn yen	1.1%
ShinGinko Tokyo, Limited	1,000mn yen	1.1%
The Hiroshima Bank, Ltd.	1,000mn yen	1.1%
<b>Total</b>	<b>88,735mn yen</b>	<b>100%</b>

**New lenders in the 9th period**

### Overview of maturity



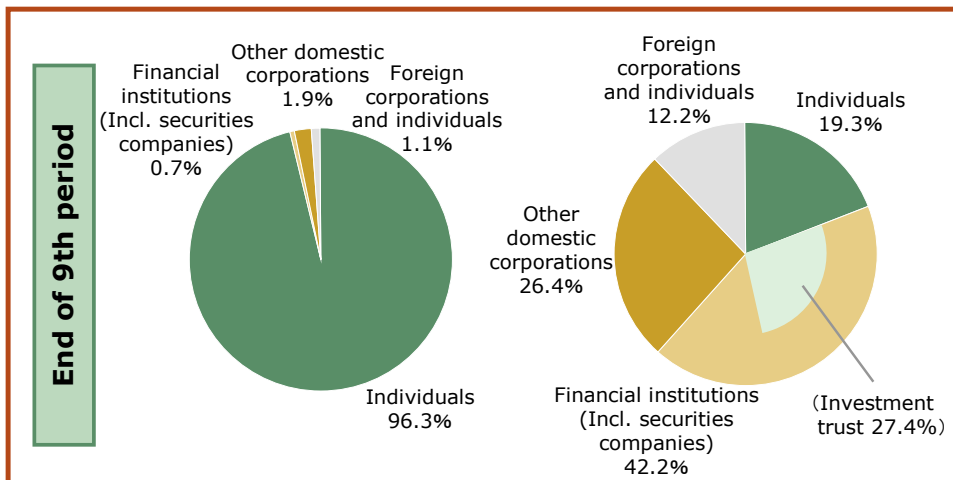
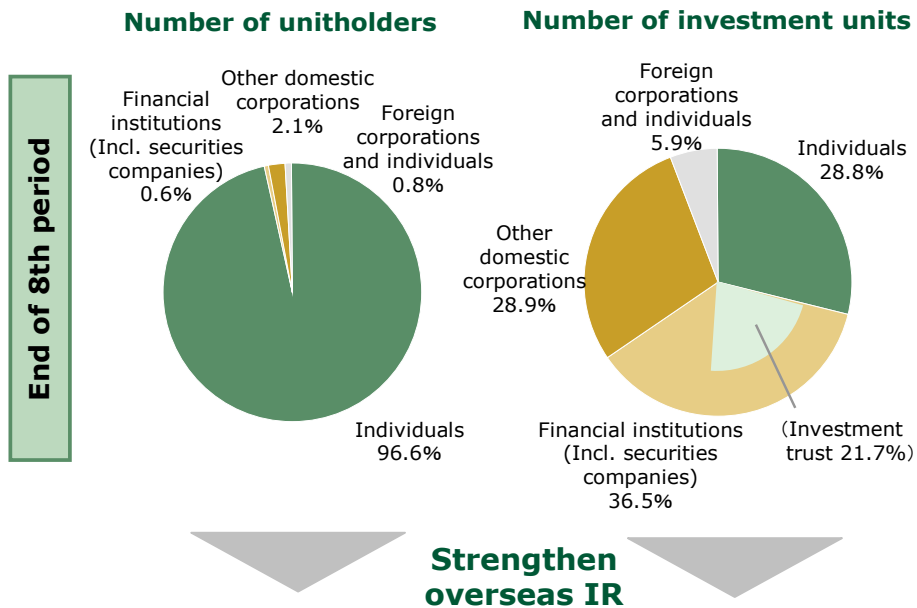
### Ratings

Moody's Japan K.K.  
Issuer rating Baa1 (Negative)

Japan Credit Rating Agency, Ltd. (JCR)  
Senior long-term credit rating AA- (Negative)

# Unitholders breakdown (As of January 31, 2011)

## Unitholder breakdown



## Top 10 unitholders

Rank	Name	No. of units held	Ratio
1	Mori Building Co., Ltd.	48,918	21.1 %
2	Japan Trustee Service Bank (Trust account)	32,050	13.8 %
3	The Nomura Trust & Banking (Trust account)	19,394	8.4 %
4	The Fuji Fire and Marine Insurance Co., Ltd.	9,075	3.9 %
5	The Master Trust Bank of Japan, Ltd. (Trust account)	8,039	3.5 %
6	Trust & Custody Service Bank of Japan, Ltd. (Securities Investment Trust unit)	7,490	3.2 %
7	Nomura Bank (Luxembourg) S.A.	5,091	2.2 %
8	State Street Bank and Trust Company	5,000	2.2 %
9	Shikoku Railway Company	3,324	1.4 %
10	Asahi Fire & Marine Insurance Co., Ltd.	3,000	1.3 %
10	The Norinchukin Bank	3,000	1.3 %
Top 10 unitholders total		144,381	62.4 %

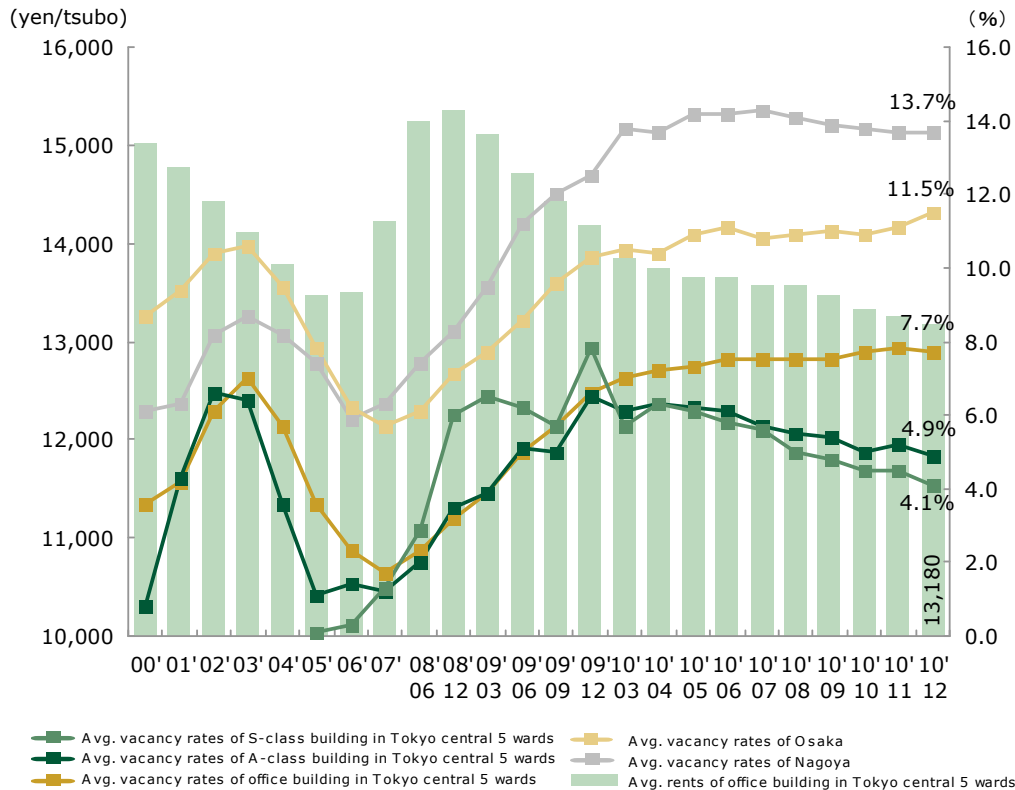
(Note) A total of 11 unitholders are listed above with their names, the numbers and shares of the units held by them and the totals of these numbers, given that two investors hold the same number of units and thus are ranked the same at 10th place. The total number of investment units held by top 10 investors is 141,381, which accounts for 61.1% of the total investment units issued

# 6-1 Tokyo market environment

## Rental office market trends and office needs for Tokyo's 23 wards



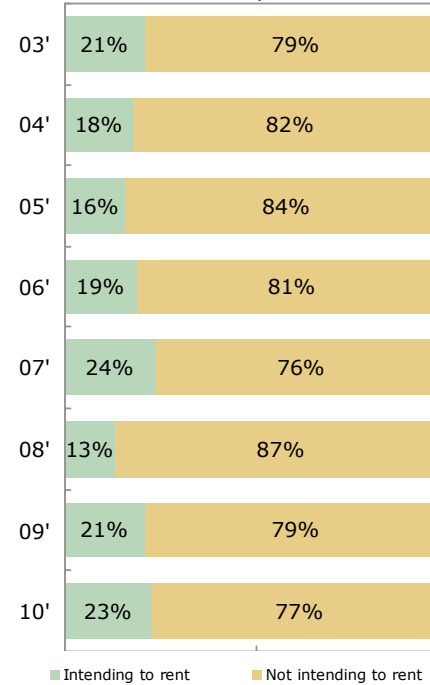
### Change in the rents and vacancy rates



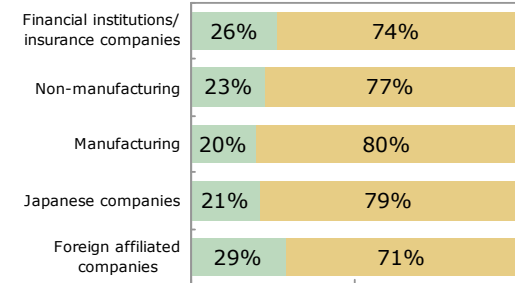
(Source) Created by the asset manager based on the "OFFICE MARKET REPORT" of CB Richard Ellis  
 (Note 1) Offered rents do not include common area service fees.  
 (Note 2) Annual rent covers rents from Jan.-Dec., and Occupancy rate is as of end of Dec in each year.

### Office Needs Survey for the 23 wards of Tokyo

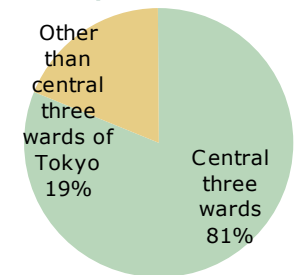
#### Plans to rent new space



#### Breakdown by industry (Responses for 2010)



#### Target areas for renting new space (Responses for 2010)



(Source) Mori Building Co., Ltd.'s "2010 Office Needs Survey for the 23 Wards of Tokyo" released on December 2010  
 (Note) Survey period was from the middle of November to the middle of December in 2010 and the main target of the survey was the top 10,000 companies in terms of capital whose headquarters are located in Tokyo's 23 wards. Furthermore, 1,976 companies returned the questionnaires (ratio of return of 19.8%).

- Average vacancy rates of Class S and A properties in the central five wards of Tokyo have been on the decline since Apr. 2010, and there appears to be a bottoming out for the premium properties in which MHR principally invests
- Rents are expected to continue a period of adjustment, but recovery is expected, led by Class S and A properties, as vacancies bottom out

- Office demand is recovering centering on the central three wards of Tokyo
- Office space requirement from foreign affiliated companies, financial institutions and insurance companies are strong

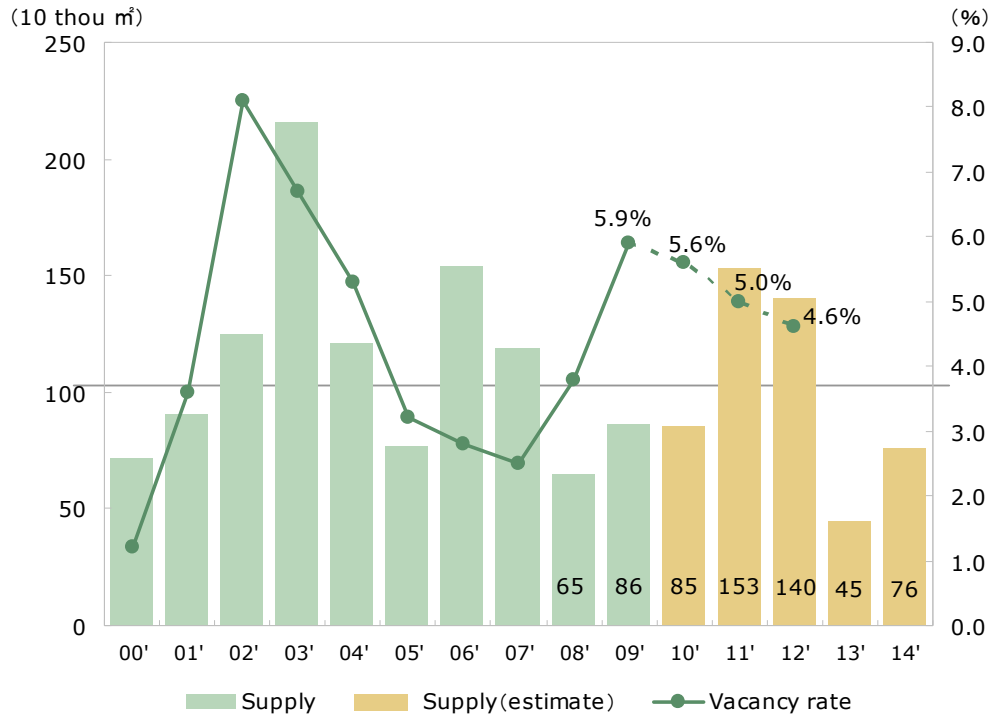
Based on "2010 Office Needs Survey for the 23 wards of Tokyo"

# 6-2 Tokyo market environment

## Large-scale office building market trends in Tokyo's 23 wards



### Supply volumes and vacancy rates of large-scale office buildings



(Source) Prepared by the asset management company based on Mori Building Co., Ltd's "Survey on large-scale office building market trends in Tokyo's 23 wards" (August 2010 Issue)

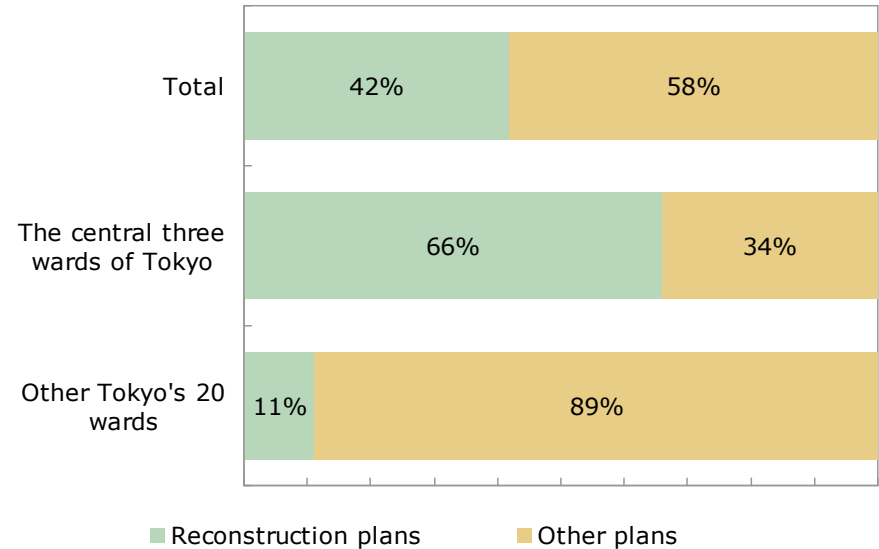
(Note) "Supply (estimate)" is based on figures published by Mori Building Co., Ltd.

- Demand is expected to exceed supply from 2010 to 2012, and vacancy rates are expected to fall below 5% in 2012
- Companies' intentions to rent new space is recovering. 3 central wards of Tokyo expected to lead Tokyo's 23 wards overall in an improvement of vacancy rates

Based on "Survey on large-scale office building market trends in Tokyo's 23 wards"

### Supply trends for new and reconstructed buildings

Breakdown of reconstruction plans among supply volume in the next five years



(Source) Prepared by the asset management company based on Mori Building Co., Ltd's "Survey on large-scale office building market trends in Tokyo's 23 wards" (August 2010 Issue)

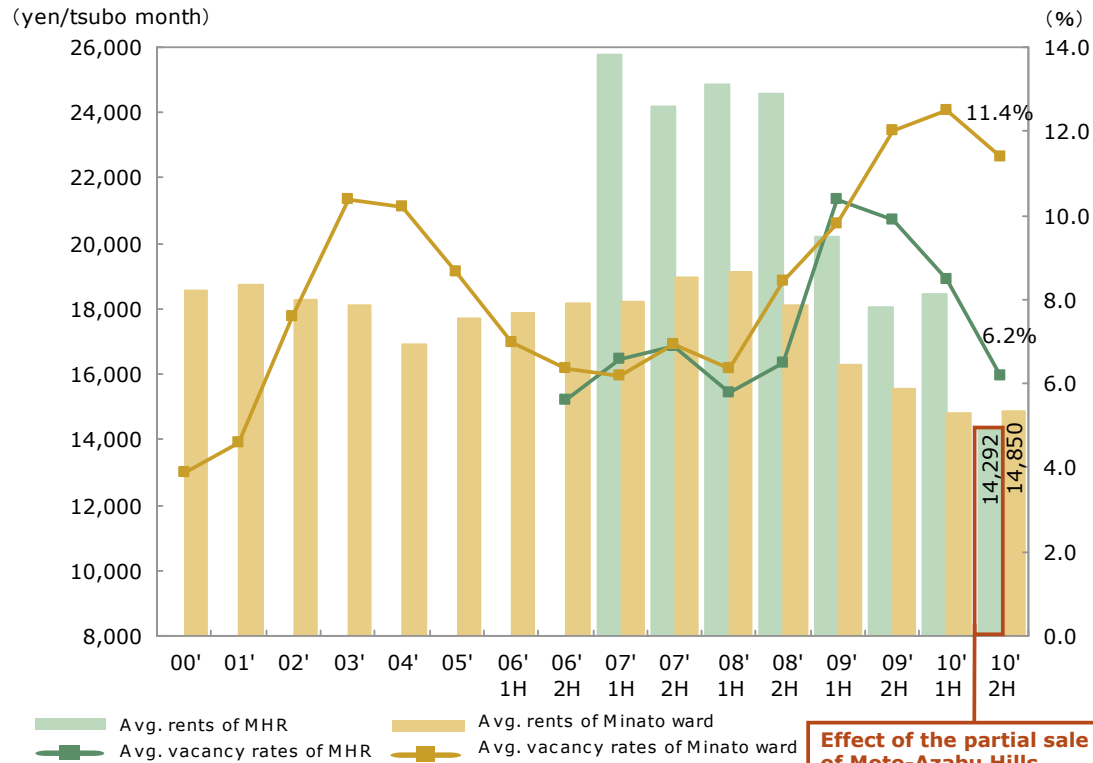
- Approx. 40% of new supply volume over next five years is reconstruction plans
- In the 3 central wards of Tokyo, net increase in stock is only about half of the total new expected supply

Based on "Survey on large-scale office building market trends in Tokyo's 23 wards"



# 6-3 Tokyo market environment Luxury residential market

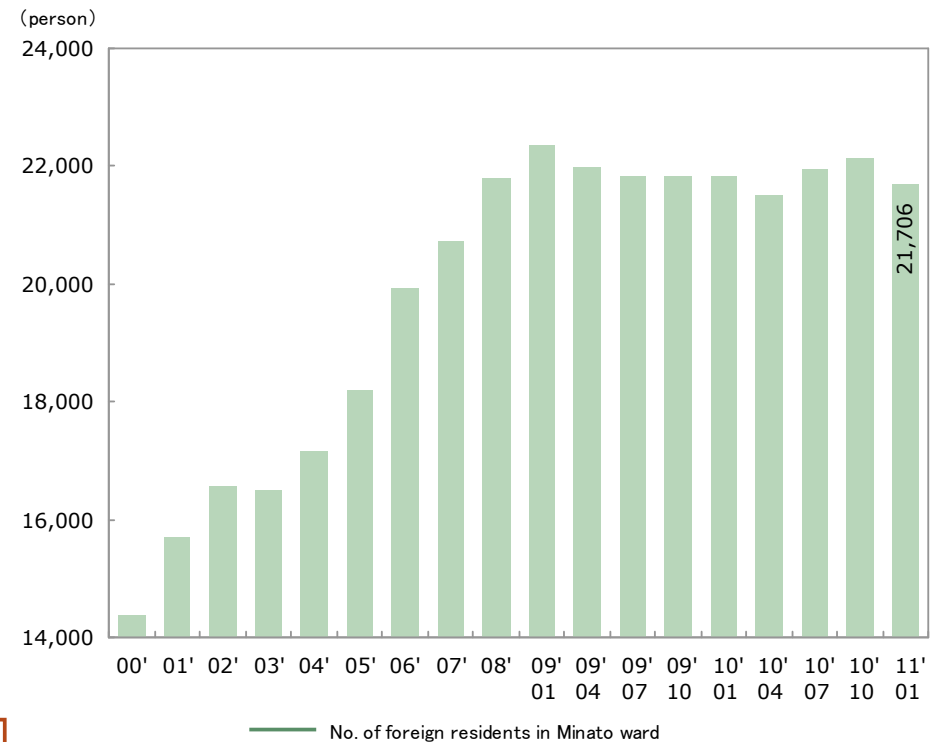
## Change in the rents and vacancy rates of luxury housing



(Source) Created by the asset manager based on Ken Real Estate Investment Advisors' "Ken Data Press"  
 (Note 1) Includes data on rental housing with monthly rent of more than JPY300,000 or with more than 30 tsubo exclusively owned area.  
 (Note 2) Annual rent covers rents from Jan to Dec, and occupancy rate is annual average.  
 (Note 3) For MHR, average of even years are indicated as 1H, and average of odd years indicated as 2H.  
 (Note 4) Occupancy rate of MHR shows its average occupancy rate during the relevant fiscal period.  
 (Note 5) The average rent for '10.2H shows a significant decline from the previous period primarily due to partial sale of Moto-Azabu Hills during the 9th period

• Although vacancy rates continue to increase, and rents continue to decrease in overall luxury residential market, MHR's properties improved vacancy rates significantly.

## Change in number of foreign residents



(Source) Created by asset manager based on the material prepared by Tokyo Municipal Government.  
 (Note) Figures indicate the number of registered foreigners as of Jan 1st in each year.

• The number of foreign residents registered in Minato ward remains steady, and is much higher compared to 2003 when vacancy rates increased.

# 6-4 Tokyo market environment

## Development in Akasaka, Roppongi & Toranomon area



Properties owned by MHR (including assets to be acquired) and Development Projects (including future plans) in the Akasaka/Roppongi and Toranomon Areas



■ MHR (Note 1)
 ■ Mori Building (Note 2)
 ■ Others (Note 2, 3)

(Note 1) Some of the above were partially acquired or are held by MHR.  
 (Note 2) MHR does not have plans to acquire these properties as of the date this document was created.  
 (Note 3) Properties "A" through "E" that are located in redevelopment areas have not yet been completed as of the date this document was created.

### New redevelopment plans promoted by Mori Building Group (Note1)

Synergistic effects and virtuous cycle of various municipal functions generated by Mori Building Group's new development projects

#### A. Ark Hills Front Tower



- a) Approx. 2,006m<sup>2</sup>
- b) Approx. 24,858m<sup>2</sup>
- c) Office/residential/retail
- d) Mori Building Co., Ltd.
- e) Jan. 2011

#### B. Roppongi Hills Crosspoint



- a) Approx. 1,003m<sup>2</sup>
- b) Approx. 7,578m<sup>2</sup>
- c) Office/retail/residential
- d) Mori Building Co., Ltd.
- e) End of Mar. 2011 (planned)

#### C. Plan to rebuild 21 & 25 Mori Buildings



- a) Approx. 5,850m<sup>2</sup>
- b) Approx. 55,000m<sup>2</sup>
- c) Office/retail
- d) Mori Building Co., Ltd.
- e) Apr. 2011 (planned/commencement of work)

#### D. Toranomon Roppongi Category-1 Redevelopment Project

A redevelopment project for which preparations are underway to becoming the new center of the Toranomon/Roppongi area. Properties owned by MHR, such as Roppongi First, are adjacently located.



- a) C-1 Area: 15,370m<sup>2</sup>  
C-2 Area: 510m<sup>2</sup>
- b) Approx. 143,550m<sup>2</sup>
- c) Office/retail/residential
- d) Redevelopment association (Note2)
- e) 2012 (planned)

a) Land area b) Total floor area c) Uses  
d) Operator e) Completion date

#### E. Shinbashi & Toranomon Areas along Ring Road No. 2 Category-2 Urban Redevelopment Project III urban area (Toranomon area)

A redevelopment project expected to function as the main connection between Bay Area and central Tokyo, along with being a new business center. In the vicinity is a property owned by MHR.



- a) Approx. 17,069m<sup>2</sup>
- b) Approx. 244,305m<sup>2</sup>
- c) Office/residential/hotel/conference
- d) Tokyo Metropolitan Government (Note3)
- e) 2014 (planned)

(Note1) MHR does not have plans to acquire these redevelopment properties as of the date this document was created.  
 (Note2) Mori Building serves as the organizer of the association.  
 (Note3) Mori Building was appointed as a distinct developer.

# 6-5 Tokyo market environment

Movements concerning urban revitalization under the government's growth strategy

## Strengthening international competitiveness of large cities

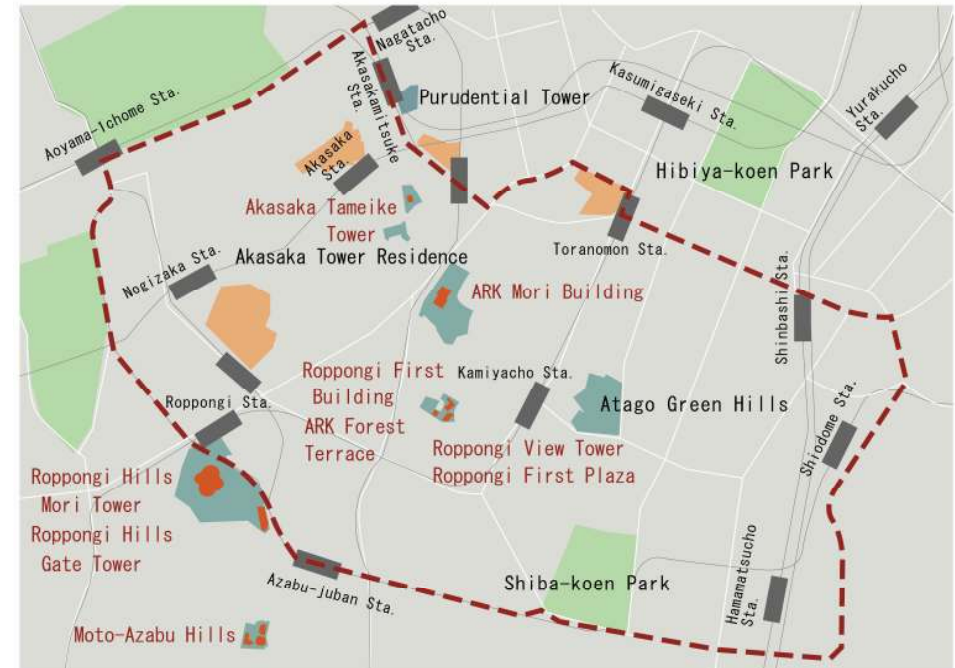
The Ministry of Land, Infrastructure, Transport and Tourism growth strategy was announced on May 17, 2010. "Strengthening international competitiveness of large cities, including international city Tokyo" is a matter of urgency and necessity which should be given high priority to achieve growth for Japan.


Matters to be carried out with priority (residential, urban sectors)

"Strengthening international competitiveness of large cities, including the international city Tokyo"

Establish a strategy concerning large metropolitan areas by 2011, and at the same time extend and expand the Act on Special Measures concerning Urban Revitalization which is not limited to such urban planning restrictions as capacity ratios, but provides for establishment of special zones for international competitiveness which comprehensively establishes various kinds of deregulation, tax and financial measures which are necessary for the development of systems to promote the revitalization and growth of large cities.

[ Ministry of Land, Infrastructure, Transport and Tourism growth strategy: May 2010]



 - One of the urgent urban revitalization areas based on the Act on Special Measures concerning Urban Revitalization: Kanjo No. 2 Line around Shinjuku, Akasaka, Roppongi areas

## Establishment of a comprehensive special zone system

In response to the Cabinet's approval on June 18, 2010, new growth strategies for regeneration of a vibrant Japan were announced. Urban Revitalization was emphasized among seven strategic categories.

**Establish comprehensive global strategic special zones (tentative name) such as large cities that have potential competitive advantages at the global level, and can lead Japan's growth overall, and comprehensively include special regulatory measures and tax, fiscal and financial support measures required to promote industries and attract foreign companies that are the growth engine for Japan's national economy.**

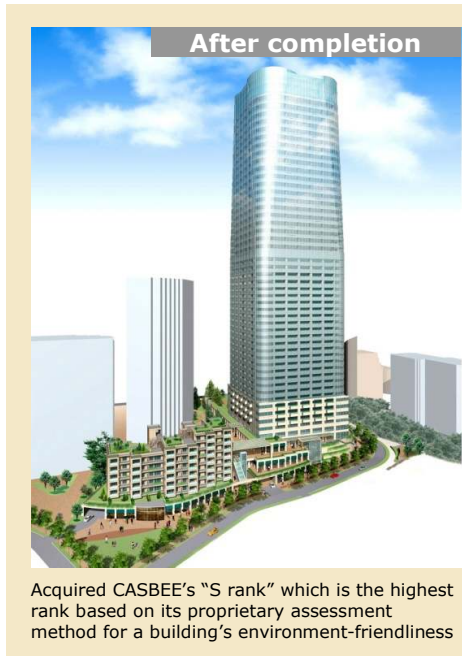
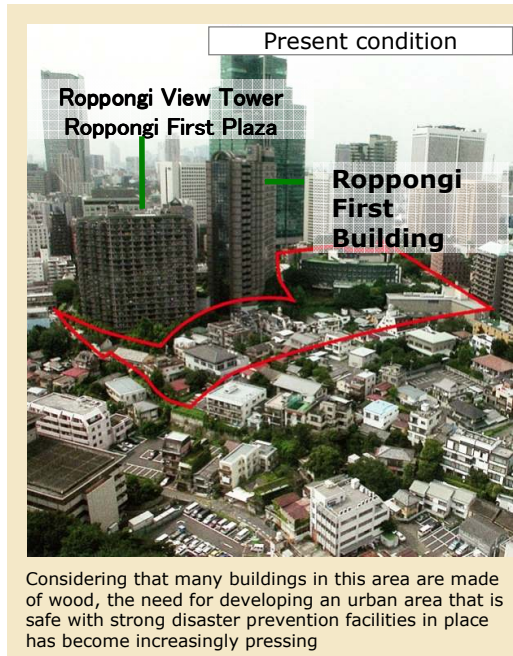
[Government Cabinet Decision, new growth strategies: June 2010]



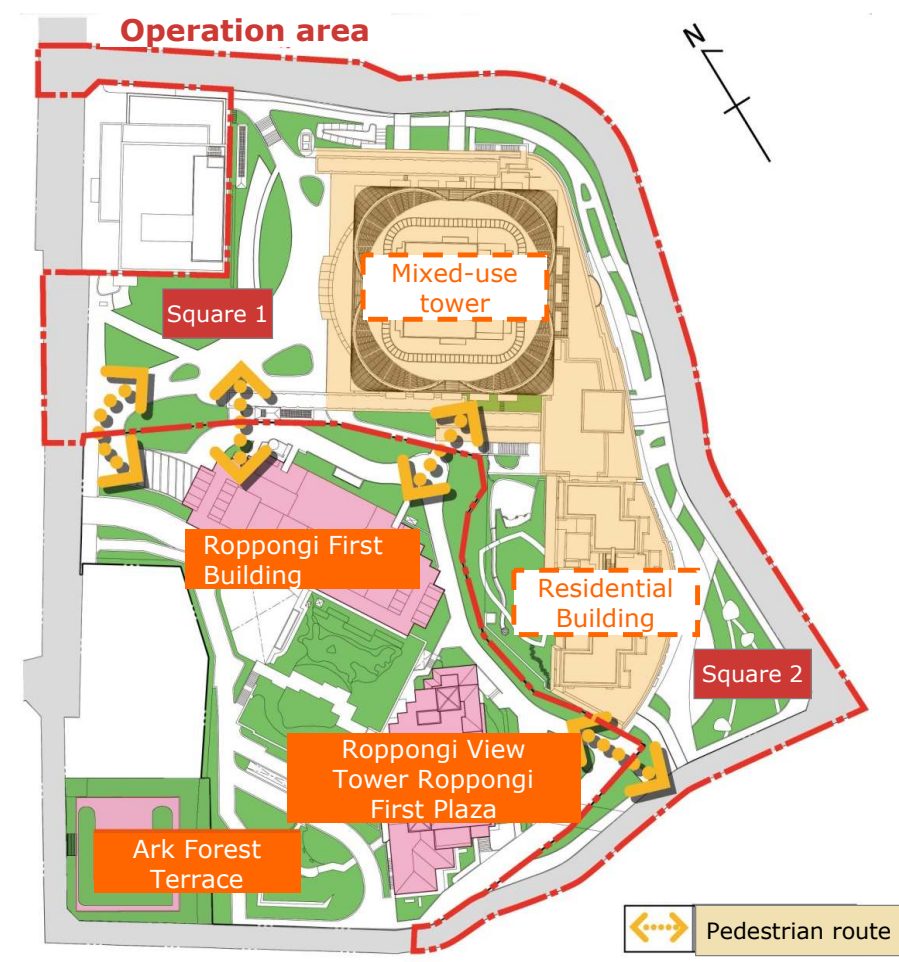
## Start of construction for the category 1 urban redevelopment project in Toranomon and Roppongi area

**The whole block including MHR's Roppongi First & Ark Forest Terrace are scheduled to become a new base in area**

The construction work started in Oct 2009. We expect that the value of our portfolio properties will increase further by becoming an integral part of the new "green city center residential area"



New landscaping, shops and restaurants enhance the vibrancy of the area surrounding MHR properties



### Overview of plan

Operation area	Approx. 2.0ha
Total floor area	Approx. 143,550m <sup>2</sup>
Floors	(Mixed-use tower) Above ground: 47 / Basement levels: 4 (Residential building) Above ground: 6 / Basement levels: 2
Uses	Office/retail/residential
Operator	Toranomon-Roppongi District Urban Redevelopment Association (Mori Building Co. Ltd will organize the redevelopment association and acquire the floor area that are not reserved by land owners and leaseholders of the building rebuilt as its participating member)
Construction to be started	Oct. 2009
Completion date	2012 (Planned)

## Appointed as a distinct developer for Toranomom District Redevelopment Project

### Contribution to improved traffic and logistics functions by providing a main route connecting the Bay Area and central Tokyo

Mori Building was appointed as a "distinct developer" for Block 3 (Toranomom Area) of the Loop Line #2 Shinbashi/Toranomom Class 2 Redevelopment Project by Tokyo Municipal Government. Once realized, the project will further increase the value of MHR properties located in the Toranomom area



High rise building (note 2)



Main entrance (Note 2)

### Key points of the Project

The ultra high-rise building which is to be Japan's second highest building, will have a hotel, offices, conference halls, and a retail facility.

Based on the "multilevel motorway plan", Loop Line #2 will pass through the building. Mori Building as a prospective distinct developer will also construct the underground tunnel based on consignment by Tokyo Construction Bureau.

### Concept of the Project

#### ■Environment-friendly

At the crossing of the "East-West environment axis" formed by the trees of the ground part of Loop Line #2 and the "North-South environment axis" connecting Shiba Park, Atagoyama and Hibiya Park, Mori Building will develop an environment with lush greenery, open space and beautiful landscaping which is not only environment-friendly but also provides a place to rest in a natural environment by implementing diversified measures for reducing CO<sub>2</sub> emission

#### ■International Business center "Compound facility"

Creation of an urban space that enables diversified urban activities by providing the multiple functions required by a knowledge-based and information-based society

#### ■Safety & Security -Transformation from "run away from" to "escape into" town

Mori Building is aiming to develop a safe town where safety is not limited to the area to be developed but also helps prevent disaster in the surrounding areas



Redeveloped Loop Line #2 (Note 2)

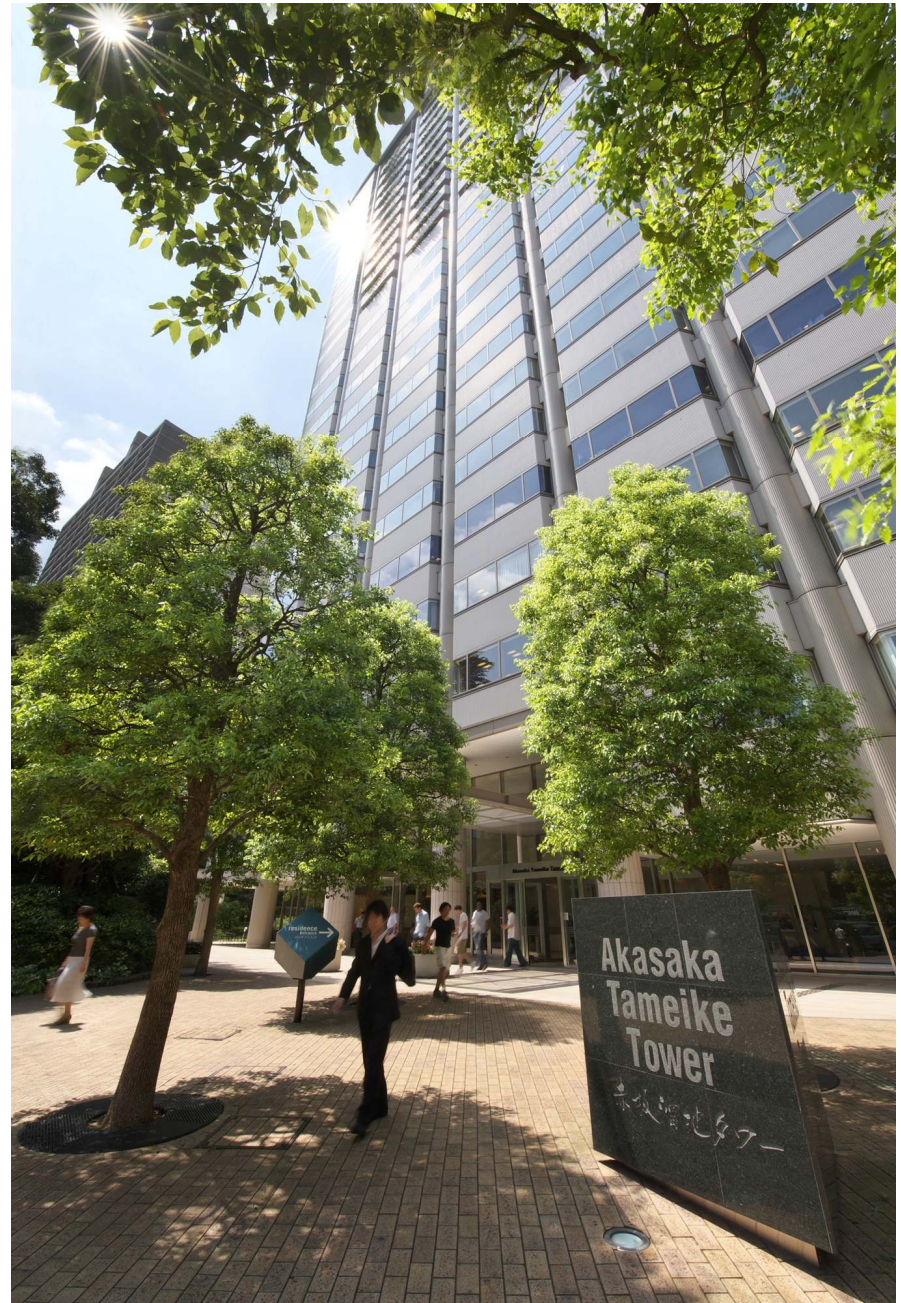
Operation area	17,069m <sup>2</sup>
Total floor area	244,305m <sup>2</sup>
Floors	(Complex wing) 52 floors above the ground and 5 underground floors
Height	247m
Uses	Office, residential, hotel, retail, conference and parking
Client	Tokyo Metropolitan Government (Mori Building was appointed as a "prospective distinct developer")
Construction to be started	Spring 2011 (planned)
Completion date	May 2014 (planned)

(Note 1) "Distinct developers" are a method for utilizing private sector companies as defined under the "Urban Development Law". After Mori Building's appointment to distinct developer, they will develop the plan and undertake the construction of the "Specified building facility" based on our business plan and acquire remaining floor area portions of the facility.

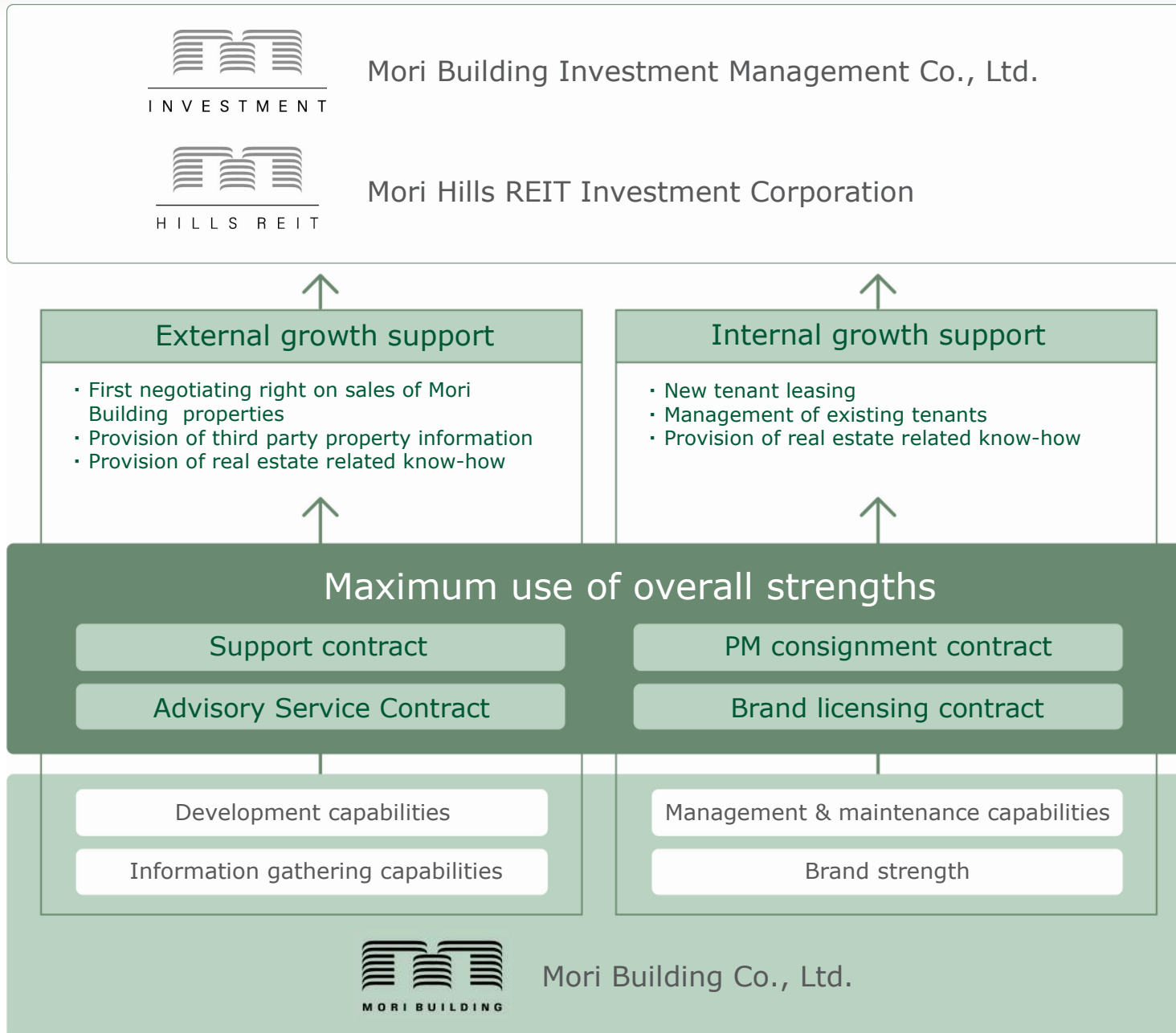
(Note 2) Illustrations are those included in the proposal material created by Mori Building.



## Appendix



# 7-1 Collaborative relationship with Mori Building





## Environmental initiatives – trend towards strict regulations

Initiatives to address urban environmental issues have become regulated due to the partial amendment of the Amended Act on Energy Conservation and implementation of Tokyo Metropolitan Ordinance on Environmental Preservation, and the Mori Building Group is quick to undertake measures to address environmental issues, and is further strengthening systems to cooperate with tenants.

## Strengthening systems to cooperate with tenants

### Conserving electricity, air conditioning and water

Promote saving electricity, reviewing air conditioning settings, saving water and awareness of energy saving.

### Environmental Measures Council

Established environmental measures councils at each facility, and have started initiatives together with tenants.

### Activities to promote energy conservation

We strive to promote energy conservation by creating environmental posters.

## Creating abundant communities: Resident-friendly cities = Eco-friendly cities

### CO<sub>2</sub> Reduction/Light-down Campaign 2010

Continuing on from last year, MHR participated in the "CO<sub>2</sub> reduction/Light-down Campaign", a movement aimed at preventing global warming. MHR turned lights off or down in office areas, and turned lights down or lit candles in certain authorized shop areas for the "Midsummer Light-down" on June 21, 2010 (Mon) and the "Tanabata Star Festival Light-down" on July 7, 2010 (Wed). The amount of energy saved the light-down periods was approx. 28,000Kwh, leading to a reduction of approx. 11 tons of CO<sub>2</sub> emissions.



**Roppongi Hills and ARK Hills recognized as one of "Select Green 100 companies that contribute to biological diversity"**

Roppongi Hills and ARK Hills were recognized by The Urban Green Space Development Foundation as a good example that takes initiatives to preserve, create and utilize nearby surrounding greenery.

Participating MHR properties
Roppongi Hills Mori Tower
ARK Mori Building
Roppongi Hills Gate Tower
Roppongi First Building
Koraku Mori Building
Moto-Azabu Hills
Ark Forest Terrace



Tokyo Tower



### Emergence of a Farm in ARK Hills in Autumn 2010

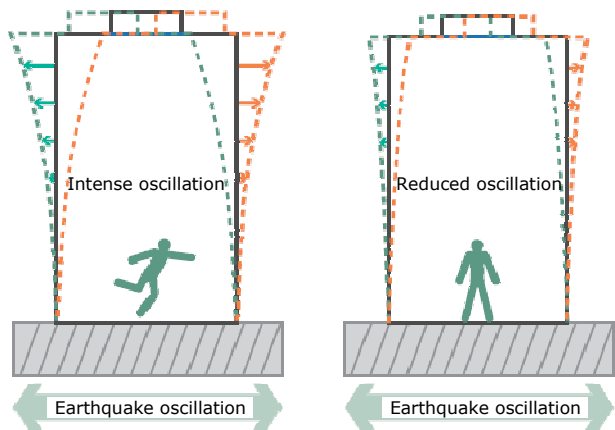
In ARK Karajan Place, "Marche Farm" was set up and opened for a limited time. Multiple events, including classes where you could learn about farming and experience it in the city center in an easy to access way were offered during that time.

# 7-3 Addressing safety (Countermeasures against earthquake disaster)

## Earthquake-resistant features

### Seismic damping

Minimize the level of oscillation



Viscous seismic damping wall

<Normal earthquake resistant building> <Building with seismic damping>

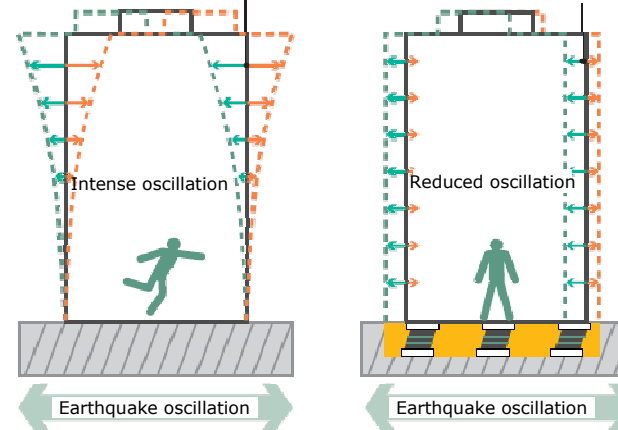
Seismic damping reduces earthquake magnitude of oscillation by approx. 20%

#### MHR properties using this feature

- Roppongi Hills Mori Tower
- Roppongi Hills Gate Tower
- Koraku Mori Building
- Akasaka Tameike Tower

### Seismic isolators

Oscillate slowly and horizontally



Seismic isolators

<Normal earthquake resistant building> <Building with Seismic Isolators>

Seismic Isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of large earthquakes

#### MHR properties using this feature

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

## Support originated with building automation

Preventive maintenance and emergency care utilizing Building Automation system (BA system)

### Control of BA system

- Central supervisory control system
- Emergency broadcasting system
- ELV
- Distributed electricity supervisory system
- Mechanical parking
- ITV
- Engine/Lighting control system
- Automated control
- Security equipment
- Disaster prevention equipment

# 7-4 Financial highlights

Indices	Previous period (8th period: Feb. 1, 2010–Jul. 31, 2010)	Current period (9th period: Aug. 1, 2010–Jan. 31, 2011)	
Net income	1,522 mn yen	1,839 mn yen	
Depreciation and amortization	747 mn yen	699 mn yen	
CAPEX	44 mn yen	39 mn yen	
Total assets	221,366 mn yen	220,630 mn yen	
Total net assets	103,520 mn yen	103,843 mn yen	
Total net assets/unit (BPS)	447,135 yen	448,530 yen	Total net assets/Total units outstanding
Unit price (as of the end of fiscal period)	177,300 yen	281,000 yen	
Total units outstanding	231,520 units	231,520 units	
Total dividends	1,522 mn yen	1,839 mn yen	
Dividend/unit	6,577 yen	7,947 yen	
Dividend yield(annualized)	7.5%	5.6%	Dividend per unit/Unit price as of the end of fiscal period
FFO	2,270 mn yen	2,539 mn yen	Net income+Depreciation and amortization
FFO/unit	9,805 yen	10,968 yen	(Net income+Depreciation and amortization)/Total units outstanding
Annualized	19,773 yen	21,757 yen	
FFO multiple	9.0x	12.9x	
PER(annualized)	12.2x	17.8x	Unit price as of the end of fiscal period/Net income per unit
PBR	0.4x	0.6x	Unit price as of the end of fiscal period/Total net assets per unit
ROA	0.7%	0.8%	Ordinary income/Average of total assets during the period
Annualized	1.4%	1.7%	
ROE	1.6%	1.8%	Net income/Average of total net assets during the period
Annualized	3.2%	3.5%	
NAV	76,667 mn yen	72,617 mn yen	Total net assets+Total appraisal value-Total book value-Total liabilities
NAV/unit	331,146 yen	313,657 yen	
NAV multiple	0.5x	0.9x	Unit price as of the end of fiscal period/NAV per unit
Interest-bearing debt	108,847 mn yen	108,735 mn yen	
LTV(book value basis)	49.2%	49.3%	Interest-bearing debt/Total assets
LTV(appraisal value basis)	56.0%	57.4%	Interest-bearing debt/(Total assets+Total appraisal value-Total book value)
Operating days	181 days	184 days	

# 7-5 Balance sheet

	(thousand yen)	
	Previous period (8th period) Jul. 31, 2010	Current period (9th period) Jan. 31, 2011
<b>Assets</b>		
Current assets	12,133,402	11,362,849
Cash and deposits	6,093,351	3,644,923
Cash and deposits in trust	5,488,095	7,225,291
Other	551,955	492,634
Noncurrent assets	209,149,052	209,200,460
Property, plant and equipment	190,489,838	190,472,863
Intangible assets	18,417,538	18,416,695
Investments and other assets	241,675	310,901
Deferred assets	83,726	66,727
<b>Total assets</b>	<b>221,366,182</b>	<b>220,630,037</b>

	(thousand yen)	
	Previous period (8th period) Jul. 31, 2010	Current period (9th period) Jan. 31, 2011
<b>Liabilities</b>		
Current liabilities	38,289,000	47,152,512
Short-term loans payable	8,510,000	8,510,000
Current portion of long-term loans payable	28,225,000	37,225,000
Derivatives liabilities	21,491	11,715
Other	1,532,508	1,405,796
Noncurrent liabilities	79,556,453	69,633,682
Investment corporation bond	20,000,000	20,000,000
Long-term loans payable	52,112,500	43,000,000
Tenant leasehold and security deposits	454,440	454,440
Tenant leasehold and security deposits in trust	6,989,513	6,179,242
<b>Total liabilities</b>	<b>117,845,453</b>	<b>116,786,194</b>
<b>Net assets</b>		
Unitholders' capital	102,010,939	102,010,939
Unappropriated retained earnings (undisposed loss)	1,522,828	1,840,011
Deferred gains or losses on hedges	△ 13,038	△ 7,107
<b>Total net assets</b>	<b>103,520,729</b>	<b>103,843,842</b>
<b>Total liabilities and net assets</b>	<b>221,366,182</b>	<b>220,630,037</b>

# 7-6 Income statement

(thousand yen)		
	Previous period (8th period: Feb. 1, 2010–Jul. 31, 2010)	Current period (9th period: Aug. 1, 2010–Jan. 31, 2011)
Operating revenue	5,388,209	5,483,681
Rent revenue-real estate	4,922,890	4,755,213
Other lease business revenue	465,319	445,878
Gain on sales of real estate properties	-	282,589
Operating expenses	2,708,275	2,526,338
Expenses related to rent business	2,299,970	2,114,307
Asset management fee	314,994	299,040
Directors' compensations	7,200	7,200
Asset custody fee	5,483	5,526
Administrative service fees	14,543	15,514
Other operating expenses	66,083	84,748
Operating income	2,679,933	2,957,343
Non-operating income	5,136	5,220
Interest income	2,291	3,442
Reversal of distribution payable	2,430	1,128
Interest on refund	26	633
Other	388	16
Non-operating expenses	1,161,325	1,121,676
Interest expenses	758,091	714,388
Interest expenses on investment corporation bonds	110,800	164,400
Amortization of investment corporation bond issuance costs	8,515	11,888
Amortization of deferred organization expenses	5,111	5,111
Borrowing expenses	206,114	224,135
Investment unit issuance expenses	70,736	-
Other	1,955	1,753
Ordinary income	1,523,745	1,840,886
Income before income taxes	1,523,745	1,840,886
Net income	1,522,732	1,839,890
Unappropriated retained earnings (undisposed loss)	1,522,828	1,840,011
Dividend/unit(yen)	6,577	7,947

Parking revenue	145,734
Utilities and other revenue	298,678
Cancellation penalty	1,195
Security deposit income	270

Property management fees	659,096
Utilities	211,966
Property taxes	264,437
Lease fees	75,673
Custodian fees	9,104
Repair charges	105,642
Insurance premium	12,983
Depreciation and amortization	699,049
Other property expenses	75,659

# 7-7 Statement of cash flow/Retained earnings

## Statement of cash flow

(thousand yen)

	Previous period (8th period: Feb. 1, 2010–Jul. 31, 2010)	Current period (9th period: Aug. 1, 2010–Jan. 31, 2011)
<b>I Net cash provided by (used in) operating activities</b>	<b>2,421,842</b>	<b>23,872,457</b>
Income before income taxes	1,523,745	1,840,886
Depreciation and amortization	747,463	699,502
Amortization of deferred organization expenses	5,111	5,111
Amortization of investment corporation bond issuance costs	8,515	11,888
Investment unit issuance expenses	70,736	-
Interest income	△ 2,291	△ 3,442
Reversal of distribution payable	△ 2,430	△ 1,128
Interest expenses	868,892	878,788
Decrease (increase) in operating accounts receivable	△ 4,296	5,726
Decrease (increase) in consumption taxes refund receivable	△ 63,630	67,217
Increase (decrease) in operating accounts payable	△ 14,705	677
Increase (decrease) in accounts payable-other	△ 2,539	2,690
Increase (decrease) in accrued expenses	1,027	△ 285
Increase (decrease) in accrued consumption taxes	△ 33,118	324,600
Increase (decrease) in advances received	△ 957	△ 174,673
Increase (decrease) in deposits received	22,818	△ 256,402
Decrease (increase) in prepaid expenses	22,620	△ 17,290
Decrease (increase) in long-term prepaid expenses	144,499	△ 69,225
Decrease in carrying amounts of property, plant and equipment in trust due to sale	-	21,451,382
Decrease in carrying amounts of intangible assets in trust due to sale	-	128
Other, net	966	515
Subtotal	3,292,427	24,766,668
Interest income received	2,291	3,442
Interest expenses paid	△ 871,860	△ 896,654
Income taxes paid	△ 1,014	△ 997
<b>II Net cash provided by (used in) investing activities</b>	<b>△ 10,137,792</b>	<b>△ 22,954,194</b>
Purchase of property, plant and equipment	△ 10,325,382	△ 22,095,341
Purchase of intangible assets	△ 2,522	△ 375
Purchase of property, plant and equipment in trust	△ 46,306	△ 48,206
Purchase of intangible assets in trust	△ 445	-
Proceeds from tenant leasehold and security deposits	454,440	-
Repayments of tenant leasehold and security deposits in trust	△ 787,420	△ 1,565,923
Proceeds from tenant leasehold and security deposits in trust	569,844	755,652

(thousand yen)

	Previous period (8th period: Feb. 1, 2010–Jul. 31, 2010)	Current period (9th period: Aug. 1, 2010–Jan. 31, 2011)
<b>III Net cash provided by (used in) financing activities</b>	<b>10,626,838</b>	<b>△ 1,629,494</b>
Increase in short-term loans payable	3,010,000	5,500,000
Decrease in short-term loans payable	△ 5,060,000	△ 5,500,000
Proceeds from long-term loans payable	-	13,000,000
Repayment of long-term loans payable	△ 10,112,500	△ 13,112,500
Proceeds from issuance of investment corporation bonds	9,947,228	-
Proceeds from issuance of investment units	14,568,784	-
Dividends paid	△ 1,726,674	△ 1,516,994
<b>IV Net increase (decrease) in cash and cash equivalents</b>	<b>2,910,888</b>	<b>△ 711,231</b>
<b>V Cash and cash equivalents at beginning of period</b>	<b>8,670,558</b>	<b>11,581,446</b>
<b>VI Cash and cash equivalents at end of period</b>	<b>11,581,446</b>	<b>10,870,215</b>

## Retained earnings

(thousand yen)

	Previous period (8th period: Feb. 1, 2010–Jul. 31, 2010)	Current period (9th period: Aug. 1, 2010–Jan. 31, 2011)
<b>I Unappropriated retained earnings</b>	<b>1,522,828,374</b>	<b>1,840,011,405</b>
<b>II Amount of dividends</b>	<b>1,522,707,040</b>	<b>1,839,889,440</b>
Amount of dividend per unit	6,577	7,947
<b>III Retained earnings carried forward</b>	<b>121,334</b>	<b>121,965</b>

# 7-8 9th period results breakdown by property①

(Amount: thousand yen)

Property number	O-0			O-1-1			O-1-2			O-1-3		
Property name	Roppongi Hills Mori Tower			ARK Mori Building (fixed I)			ARK Mori Building (pass-through)			ARK Mori Building (fixed II)		
Period	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference
Operation days	131 days	184 days	53 days	181 days	184 days	3 days	181 days	184 days	3 days	131 days	184 days	53 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	81.6%	94.3%	12.7PT	100%	100%	0.0PT
Avg Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	85.1%	90.5%	5.4PT	100%	100%	0.0PT
Number of tenants	1	1	0	1	1	0	9	11	2	1	1	0
Acquisition price	6,810,000			6,600,000			22,000,000			3,400,000		
Rent revenue -real estate	107,987	151,020	43,032	148,591	148,591	-	296,492	273,193	△ 23,298	54,487	76,200	21,712
Other lease business revenue	-	-	-	-	-	-	17,954	18,572	617	-	-	-
Operating Income	107,987	151,020	43,032	148,591	148,591	-	314,446	291,766	△ 22,680	54,487	76,200	21,712
Maintenance expenses	858	1,200	341	1,200	1,200	-	59,726	68,213	8,486	214	300	85
Utilities	-	-	-	-	-	-	6,460	6,570	110	-	-	-
Property taxes (Note 1)	-	-	-	8,326	8,562	236	16,459	16,863	404	-	-	-
Maintenance and repairs	-	-	-	133	-	△ 133	1,844	2,439	595	-	-	-
Insurance premium	112	158	45	301	235	△ 65	512	413	△ 99	57	81	23
Depreciation ①	22,621	27,189	4,568	12,063	12,076	13	46,203	46,250	46	7,379	8,880	1,500
Other property expense (Note 2)	110	-	△ 110	519	1,019	500	1,302	1,805	502	113	-	△ 113
Property expense	23,702	28,548	4,845	22,543	23,094	551	132,509	142,556	10,046	7,765	9,261	1,496
Operating profit ②	84,285	122,471	38,186	126,048	125,497	△ 551	181,937	149,209	△ 32,727	46,721	66,938	20,216
NOI ③ (①+②)	106,906	149,661	42,755	138,111	137,573	△ 537	228,140	195,460	△ 32,680	54,101	75,818	21,717
Annualized NOI	297,868	296,882	△ 986	278,512	272,904	△ 5,608	460,063	387,734	△ 72,329	150,739	150,401	△ 338
Annualized NOI/Acquisition price	4.4%	4.4%	0.0PT	4.2%	4.1%	△ 0.1PT	2.1%	1.8%	△ 0.3PT	4.4%	4.4%	0.0PT
Capex ④	-	-	-	564	267	△ 297	1,125	532	△ 592	-	128	128
NCF ③-④	106,906	149,661	42,755	137,547	137,306	△ 240	227,015	194,927	△ 32,087	54,101	75,690	21,589

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 8th and 9th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period (However, for Roppongi Hills Mori Tower and Ark Mori Building (fixed type II) during the 9th Period, no expenses were charged since a transaction settlement amount was paid to the assignor, and the expenses were included in the acquisition cost). Furthermore the annualized NOI amount where expenses are charged for fixed property tax, etc. for the 184 days which are the number of days of operation is ¥279,023 thou for Roppongi Hills Mori Tower (same/acquisition cost 4.1%), and ¥141,852 thou for Ark Mori Building (fixed type II) (same/acquisition cost 4.2%).

(Note 2) The other expenses are based on the total amount of rent, custodian fee and other expenses related to rent business (residential operation expense and general expenses related to rent business).



# 7-9 9th period results breakdown by property②

(Amount: thousand yen)

Property number	O-2			O-3			O-4			O-5		
Property name	Roppongi Hills Gate Tower			Roppongi First Building			Koraku Mori Building			Toranomori 35 Mori Building		
Period	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	45 days	△ 136 days
Occupancy rate	98.7%	97.1%	△ 1.6PT	84.0%	74.7%	△ 9.3PT	91.9%	80.2%	△ 11.7PT	100%	100%	0.0PT
Avg Occupancy rate (during period)	99.1%	97.3%	△ 1.8PT	84.0%	79.8%	△ 4.2PT	90.6%	88.7%	△ 1.9PT	100%	100%	0.0PT
Number of tenants	46	43	△ 3	13	12	△ 1	13	13	0	1	1	0
Acquisition price	36,500,000			21,000,000			27,200,000			12,720,000		
Rent revenue -real estate	969,344	953,924	△ 15,420	492,766	438,415	△ 54,351	794,325	780,396	△ 13,928	421,421	103,014	△ 318,407
Other lease business revenue	116,155	127,039	10,884	55,756	57,889	2,133	94,081	104,988	10,906	9,240	2,258	△ 6,981
Operating Income	1,085,500	1,080,964	△ 4,536	548,523	496,305	△ 52,217	888,407	885,385	△ 3,021	430,661	105,272	△ 325,388
Maintenance expenses	160,976	158,421	△ 2,554	72,293	62,274	△ 10,019	88,624	78,084	△ 10,540	65,448	15,998	△ 49,449
Utilities	46,398	56,530	10,131	26,711	28,643	1,932	70,075	77,836	7,760	-	-	-
Property taxes (Note 1)	70,635	71,864	1,229	44,034	44,611	576	34,421	34,444	23	23,690	490	△ 23,199
Maintenance and repairs	11,333	12,538	1,205	-	-	-	7,233	16,254	9,020	-	-	-
Insurance premium	2,344	2,141	△ 202	1,949	1,780	△ 169	2,196	2,007	△ 189	654	506	△ 148
Depreciation ①	118,321	118,380	58	65,026	60,395	△ 4,630	126,001	126,087	85	34,729	11,576	△ 23,152
Other property expense (Note 2)	33,850	34,543	692	1,206	1,209	3	76,483	77,158	675	1,471	189	△ 1,281
Property expense	443,860	454,421	10,561	211,222	198,914	△ 12,307	405,037	411,872	6,835	125,992	28,761	△ 97,231
Operating profit ②	641,640	626,542	△ 15,097	337,300	297,390	△ 39,909	483,369	473,512	△ 9,857	304,668	76,511	△ 228,157
NOI ③ (①+②)	759,961	744,922	△ 15,038	402,327	357,786	△ 44,540	609,371	599,599	△ 9,771	339,397	88,087	△ 251,309
Annualized NOI	1,532,519	1,477,700	△ 54,819	811,323	709,740	△ 101,582	1,228,842	1,189,423	△ 39,419	684,420	714,488	30,068
Annualized NOI/Acquisition price	4.2%	4.0%	△ 0.2PT	3.9%	3.4%	△ 0.5PT	4.5%	4.4%	△ 0.1PT	5.4%	5.6%	0.2PT
Capex ④	798	3,442	2,644	-	4,945	4,945	4,070	4,780	709	-	-	-
NCF ③-④	759,163	741,480	△ 17,683	402,327	352,841	△ 49,485	605,300	594,819	△ 10,481	339,397	88,087	△ 251,309

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 8th and 9th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period.

(Note 2) Other property expenses include sum of rental expenses, trust fees and other leasing expenses (residential property management fee and general leasing expenses).

# 7-10 9th period results breakdown by property③



(Amount: thousand yen)

Property number	O-6			R-1			R-2			R-3		
Property name	Akasaka Tameike Tower			Moto-Azabu Hills (Note 3)			ARK Forest Terrace			Roppongi First Plaza		
Period	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	89.7%	81.3%	△ 8.4PT	94.1%	95.0%	0.9PT	92.9%	95.2%	2.3PT	72.2%	86.9%	14.7PT
Avg Occupancy rate (during period)	95.3%	82.1%	△ 13.2PT	93.1%	96.1%	3.0PT	79.6%	90.8%	11.2PT	78.8%	83.9%	5.1PT
Number of tenants	11	10	△ 1	106	68	△ 38	35	36	1	30	37	7
Acquisition price	37,200,000			17,969,518 (Before the partial sale 27,032,754)			5,300,000			2,100,000		
Rent revenue -real estate	607,289	486,916	△ 120,373	724,230	541,702	△ 182,527	130,243	137,639	7,395	66,283	66,077	△ 205
Other lease business revenue	100,355	80,240	△ 20,114	63,206	46,738	△ 16,467	8,569	8,151	△ 418	-	-	-
Operating Income	707,644	567,156	△ 140,488	787,436	588,441	△ 198,995	138,813	145,790	6,976	66,283	66,077	△ 205
Maintenance expenses	95,643	93,201	△ 2,442	181,339	122,934	△ 58,405	43,524	40,267	△ 3,257	11,277	13,263	1,986
Utilities	25,728	26,570	841	4,484	4,861	377	9,585	10,703	1,117	206	250	43
Property taxes (Note 1)	31,565	31,671	105	41,962	28,806	△ 13,155	9,393	9,430	37	6,762	6,952	190
Maintenance and repairs	3,883	8,855	4,971	52,627	42,081	△ 10,546	14,409	22,334	7,924	4,739	1,138	△ 3,600
Insurance premium	1,709	1,519	△ 189	2,929	2,748	△ 181	710	650	△ 59	322	294	△ 27
Depreciation ①	135,370	135,423	52	123,979	96,645	△ 27,334	32,759	33,353	594	9,424	9,734	309
Other property expense (Note 2)	897	1,431	533	41,732	31,396	△ 10,336	7,739	7,688	△ 50	3,784	3,779	△ 4
Property expense	294,799	298,672	3,873	449,057	329,474	△ 119,582	118,122	124,427	6,305	36,517	35,414	△ 1,102
Operating profit ②	412,845	268,483	△ 144,361	338,379	258,967	△ 79,412	20,691	21,363	671	29,765	30,663	897
NOI ③ (①+②)	548,216	403,907	△ 144,308	462,359	355,612	△ 106,746	53,450	54,716	1,265	39,190	40,397	1,207
Annualized NOI	1,105,518	801,228	△ 304,289	932,382	627,967	△ 226,954	107,787	108,540	753	79,030	80,136	1,105
Annualized NOI/Acquisition price	3.0%	2.2%	△ 0.8PT	3.4%	3.5%	0.1PT	2.0%	2.0%	0.0PT	3.8%	3.8%	0.0PT
Capex ④	2,575	3,448	873	8,141	3,612	△ 4,529	5,990	4,501	△ 1,488	21,092	14,228	△ 6,864
NCF ③-④	545,640	400,458	△ 145,182	454,217	352,000	△ 102,217	47,460	50,214	2,754	18,097	26,169	8,071

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 8th and 9th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period.

(Note 2) Other property expenses include sum of rental expenses, trust fees and other leasing expenses (residential property management fee and general leasing expenses).

(Note 3) The substantial difference from the 8th period is attributed to the partial sale of Moto-Azabu Hills during the 9th period. The annualized NOI/acquisition price for this property reflects the difference in its acquisition price; the annualized NOI is based on the acquisition price as at the end of the period

# 7-11 9th period results breakdown by property④

(Amount: thousand yen)

Property number	R-4			S-1			Total (Note 3)		
Property name	Roppongi View Tower			Laforet Harajuku (land)					
Period	8th period	9th period	Difference	8th period	9th period	Difference	8th period	9th period	Difference
Operation days	181 days	184 days	3 days	-	139 days	139 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	-	100%	100.0PT	92.8%	89.5%	△ 3.3PT
Avg Occupancy rate (during period)	100%	100%	0.0PT	-	100%	100.0PT	92.7%	91.2%	△ 1.5PT
Number of tenants	1	1	0	-	1	1	268	235	△ 33
Acquisition price	4,000,000			21,820,000			211,899,518 (Before cross-sell 211,862,754)		
Rent revenue -real estate	109,426	109,426	-	-	488,693	488,693	4,922,890	4,755,213	△ 167,677
Other lease business revenue	-	-	-	-	-	-	465,319	445,878	△ 19,440
Operating Income	109,426	109,426	-	-	488,693	488,693	5,388,209	5,201,091	△ 187,117
Maintenance expenses	3,738	3,738	-	-	-	-	784,866	659,096	△ 125,769
Utilities	-	-	-	-	-	-	189,650	211,966	22,316
Property taxes (Note 1)	10,528	10,739	211	-	-	-	297,778	264,437	△ 33,341
Maintenance and repairs	-	-	-	-	-	-	96,204	105,642	9,437
Insurance premium	485	444	△ 40	-	-	-	14,286	12,983	△ 1,303
Depreciation ①	13,183	13,055	△ 128	-	-	-	747,065	699,049	△ 48,015
Other property expense (Note 2)	905	905	-	-	4	4	169,897	161,131	△ 8,766
Property expense	28,840	28,882	42	-	4	4	2,299,970	2,114,307	△ 185,662
Operating profit ②	80,586	80,543	△ 42	-	488,688	488,688	3,088,239	3,086,784	△ 1,455
NOI ③ (①+②)	93,769	93,598	△ 170	-	488,688	488,688	3,835,304	3,785,833	△ 49,471
Annualized NOI	189,093	185,671	△ 3,421	-	1,283,247	1,283,247	7,838,528	7,510,260	△ 328,268
Annualized NOI/Acquisition price	4.7%	4.6%	△ 0.1PT	-	5.9%	5.9PT	3.7%	3.5%	△ 0.2PT
Capex ④	-	-	-	-	-	-	44,358	39,887	△ 4,471
NCF ③-④	93,769	93,598	△ 170	-	488,688	488,688	3,790,946	3,745,946	△ 44,999

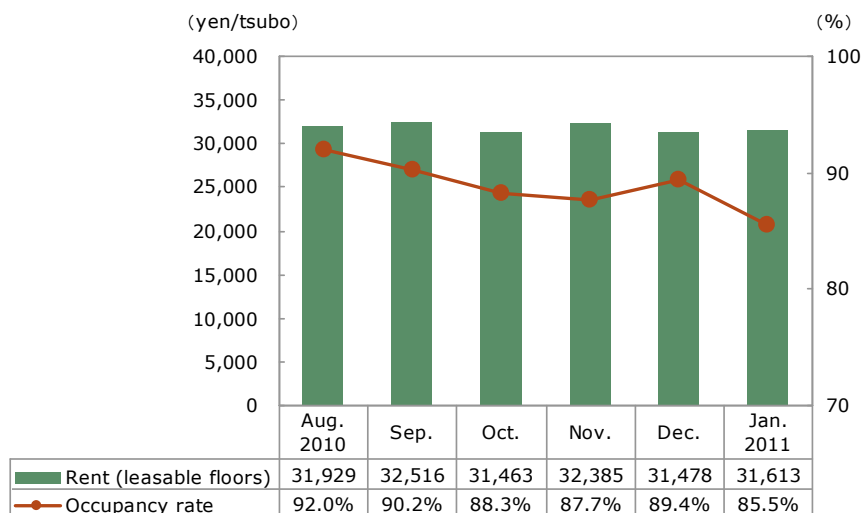
(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 8th and 9th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period. (The amount of taxes on Laforet Harajuku (land), however, is included in the acquisition cost, as the amount was paid to the seller as part of the acquisition price with the purchase price. Also, the amount of annualized NOI, where the amount of taxes for the whole management period of 139 days is posted as expenses, stands at 1,199,420,000 yen (The annualized NOI/acquisition price = 5.5%))

(Note 2) Other property expenses include sum of rental expenses, trust fees and other leasing expenses (residential property management fee and general leasing expenses).

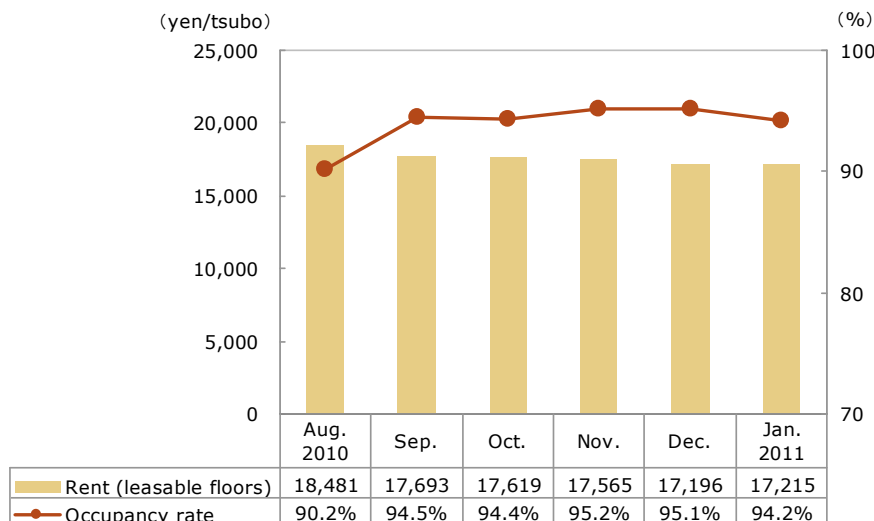
(Note 3) The annualized NOI/acquisition price reflects the turnover and the difference in acquisition price for the property during the period; the annualized NOI is based on the acquisition price as at the end of the period

# 7-12 Tenant status during the 9th period

## Office: Rent and occupancy rate



## Residential: Rent and occupancy rate



## Top 10 tenants (as of January 31, 2011)

Tenant	Property name	Leased space	Ratio
Japan Racing Association	Roppongi Hills Gate Tower	9,821.62 m <sup>2</sup>	11.4%
Mori Building Co., Ltd	Roppongi Hills Mori-Tower ARK Mori Building (fixed I, fixed II), Koraku Mori Building, Moto-Azabu Hills	6,721.16 m <sup>2</sup>	7.8%
Urban Renaissance Agency	Roppong View Tower	6,344.84 m <sup>2</sup>	7.4%
Mori Building Ryutsu System Co., Ltd. (Note 1)	Laforet Harajuku (Land) Roppongi First Building	3,637.32 m <sup>2</sup>	4.2%
Regus Japan	ARK Mori Building (pass-through)	2,673.21 m <sup>2</sup>	3.1%
Alcon Japan Ltd.	Akasaka Tameike Tower	2,635.02 m <sup>2</sup>	3.1%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m <sup>2</sup>	2.5%
Mercedes-Benz Japan Co., Ltd.	Roppongi First Building	1,894.92 m <sup>2</sup>	2.2%
Nippon Ericsson K.K. (Note 2)	Koraku Mori Building	1,851.87 m <sup>2</sup>	2.2%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m <sup>2</sup>	2.2%
<b>Total</b>		<b>39,548.71 m<sup>2</sup></b>	<b>45.9%</b>

(Note 1) Includes 2,565.06m<sup>2</sup> leased floor area of Laforet Harajuku (land)

(Note 2) As of February 2, 2011, a notice of termination of rental agreement received from Nippon Ericsson K.K. (with a planned termination date on August 2, 2011)

(Note 1) The definitions of the Office and Residential categories used in these materials differ from those used in discussions of operating rates on MHR's website. In these materials, Office and Residential figures are compiled using individual figures for all office and residential properties in which MHR has invested. Figures on MHR's website are defined as per Portfolio Overview (page 45)

(Note 2) MHR owns Laforet Harajuku (land) as a retail property, but the occupancy rate for this property is 100% as MHR has leased the whole to Mori Building Ryutsu System Co., Ltd.

# 7-13 Debt status (as of January 31, 2011)

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date	Remarks	
Short-term	Mizuho Corporate Bank, Ltd.	3,010	1.18%	Mar. 29, 2010	Mar. 29, 2011	Unsecured, non-guaranteed	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.						
	Mitsubishi UFJ Trust and Banking Corporation						
	The Sumitomo Trust and Banking Co., Ltd.						
	Sumitomo Mitsui Banking Corporation						
	Mizuho Corporate Bank, Ltd.	5,500	1.18%	Aug. 31, 2010	Aug. 31, 2011	Unsecured, non-guaranteed	
	Mitsubishi UFJ Trust and Banking Corporation						
	The Sumitomo Trust and Banking Co., Ltd.						
		Sub-total	8,510	-	-	-	-
	Long-term	Mitsubishi UFJ Trust and Banking Corporation	5,000	1.23% (Note 1)	Mar. 28, 2008	Feb. 28, 2011	Unsecured, non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.							
Mizuho Corporate Bank, Ltd.							
The Sumitomo Trust and Banking Co., Ltd.							
Shinsei Bank, Limited							
Sumitomo Mitsui Banking Corporation		17,000	1.50% (Note 1)	Sep. 30, 2008	Aug. 31, 2011	Unsecured, non-guaranteed	
Sumitomo Mitsui Banking Corporation							
Mizuho Corporate Bank, Ltd.							
The Bank of Tokyo-Mitsubishi UFJ, Ltd.							
Mitsubishi UFJ Trust and Banking Corporation							
The Sumitomo Trust and Banking Co., Ltd.							
Aozora Bank, Ltd.		2,000	1.62% (Note 1)	Sep. 30, 2008	Aug. 31, 2012	Unsecured, non-guaranteed	
Resona Bank, Ltd.							
		Mizuho Corporate Bank, Ltd.	5,000	1.44%	Nov. 28, 2008	May. 31, 2011	Unsecured, non-guaranteed
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
		Mitsubishi UFJ Trust and Banking Corporation	10,000	1.96% (Note 1)	Nov. 28, 2008	May. 31, 2011	Unsecured, non-guaranteed
		The Sumitomo Trust and Banking Co., Ltd.					
		Sumitomo Mitsui Banking Corporation	5,000	2.16% (Note 1)	Nov. 28, 2008	May. 31, 2012	Unsecured, non-guaranteed
		Mizuho Corporate Bank, Ltd.					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation						
	The Sumitomo Trust and Banking Co., Ltd.						
	Sumitomo Mitsui Banking Corporation	1,850 (Note 2)	2.04%	Mar. 27, 2009	Mar. 27, 2012	Unsecured, non-guaranteed	
	Development Bank of Japan Inc.						
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500	1.58%	Aug. 31, 2009	Aug. 31, 2012	Unsecured, non-guaranteed	
	The Bank of Fukuoka, Ltd.	2,000	1.38%	Nov. 30, 2009	Nov. 30, 2011	Unsecured, non-guaranteed	
	The Norinchukin Bank	3,000	1.38%	Nov. 30, 2009	Nov. 30, 2011	Unsecured, non-guaranteed	

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date	Remarks
Long-term	Mizuho Corporate Bank, Ltd.	8,000	1.48%	Nov. 30, 2009	May. 31, 2012	Unsecured, non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	The Sumitomo Trust and Banking Co., Ltd.					
	Sumitomo Mitsui Banking Corporation					
	Shinsei Bank, Limited	9,500	2.02% (Note 1)	Nov. 30, 2009	Nov. 30, 2012	Unsecured, non-guaranteed
	Mizuho Corporate Bank, Ltd.					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	The Sumitomo Trust and Banking Co., Ltd.					
Sumitomo Mitsui Banking Corporation	2,375 (Note 3)	2.34%	Nov. 30, 2009	Nov. 30, 2013	Unsecured, non-guaranteed	
	The Bank of Fukuoka, Ltd.	2,000	1.58%	Nov. 30, 2010	Nov. 30, 2013	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation	7,100	1.58%	Nov. 30, 2010	Nov. 30, 2013	Unsecured, non-guaranteed
	Mizuho Corporate Bank, Ltd.					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	The Sumitomo Trust and Banking Co., Ltd.					
	The Norinchukin Bank	3,900	1.68%	Nov. 30, 2010	Nov. 30, 2013	Unsecured, non-guaranteed
	Shinsei Bank, Limited					
	The Oita Bank, Ltd.					
	ShinGinko Tokyo, Limited	3,900	1.68%	Nov. 30, 2010	Nov. 30, 2013	Unsecured, non-guaranteed
	The Hiroshima Bank, Ltd.					
	Sub-total	80,225	-	-	-	-
	Total	88,735	-	-	-	-

(Note 1) MHR has entered an interest swap agreement with a floating rate for a notional principal. The interest rates above are the actual fixed interest rates that will be paid.

(Note 2) Planning to repay JPY50mn every 6 months up to repayment deadline, and JPY1,750mn at the repayment deadline

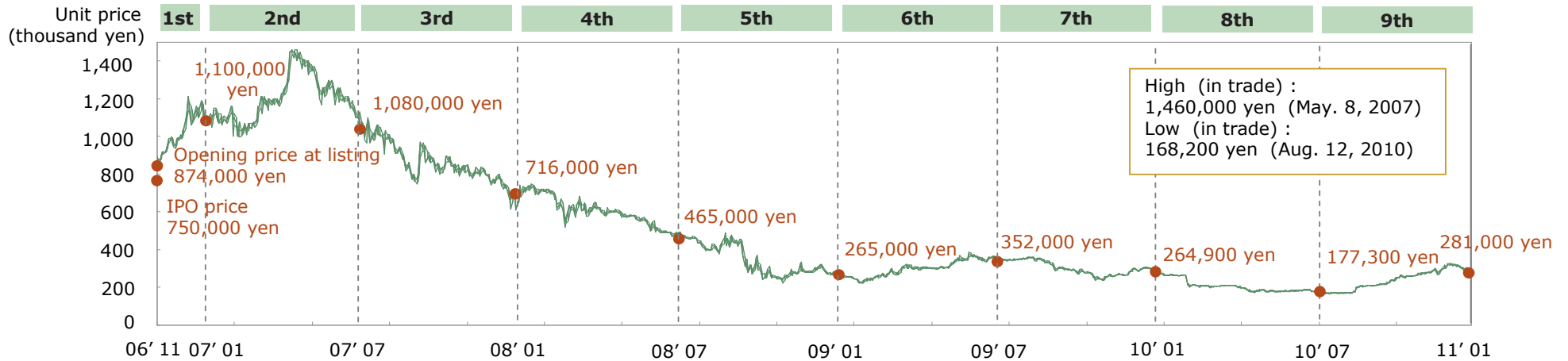
(Note 3) Planning to repay JPY62.5mn every 6 months up to repayment deadline, and JPY2,062.5mn at the repayment deadline

## Investment corporation bonds

	Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
Investment corporation bonds	1st Series(Unsecured)	7,000	1.56%	Nov. 29, '07	Nov. 29, '12
	2nd Series(Unsecured)	3,000	1.77%	Nov. 29, '07	Nov. 28, '14
	3rd Series(Unsecured)	5,000	1.38%	May. 27, '10	May. 27, '13
	4th Series(Unsecured)	5,000	1.95%	May. 27, '10	May. 27, '15
	Total	20,000	-	-	-

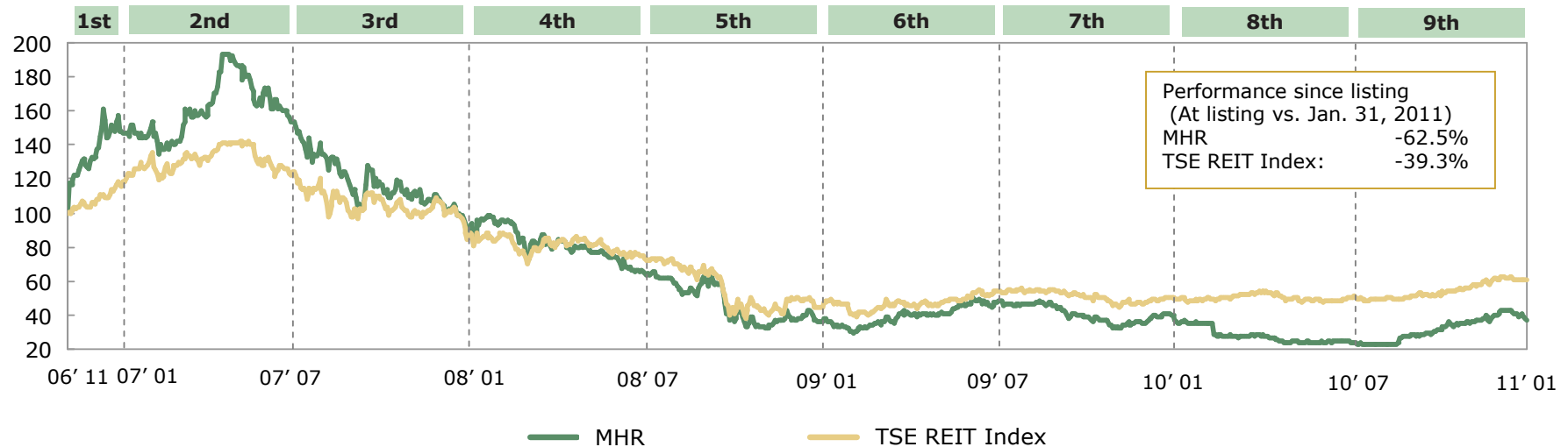
# 7-14 Unit price performance

## Since IPO ~ End of the 9th period (Jan. 31, 2011)



(Source) Bloomberg

## Relative price performance (Since IPO~Jan. 31, 2011)



(Source) Bloomberg

(Note) Rebased to 100 as per IPO price

# 7-15 Investment criteria

## Focus on Premium Properties

MHR seeks to maintain the exceptional level of quality of its portfolio while aggressively expanding. To that end, MHR has established a high standard for "Premium Properties" which are to comprise at least 50% of the portfolio.

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

**Focus on Premium Properties**

**Premium properties**  
**50% or more**

<Office buildings>  
 <Residential>  
 <Retail>

	Location	Scale
Office building	Central five wards in Tokyo and their vicinity	Gross floor area of 10,000m <sup>2</sup> or more per-building Standard rentable floor area of 1,000m <sup>2</sup> or more
Residential	Central five wards in Tokyo and their vicinity (Primarily in the "three-A" area)	Gross floor area of 2,000m <sup>2</sup> or more
Retail	<Department stores, downtown shopping centers, large specialty stores & retail complexes>	
	Flourishing areas of central five wards in Tokyo and their vicinity	Gross floor area of 10,000m <sup>2</sup> or more per-building
	<Street front luxury brand shops, etc.>	
	Exclusive, well-known retail destinations	Gross floor area of 1,000m <sup>2</sup> or more per-building

**Office building focus**

Office building  
**50% or more**

Residential and retail 50% or less

**Tokyo central five wards focus**

Central five wards in Tokyo and their vicinity  
**50% or more**

Tokyo Area (Tokyo/Kanagawa/Chiba/Saitama)  
80% or more  
Other major cities  
(Major cities in areas other than Tokyo area)  
20% or less

**Earthquake-resistance**

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

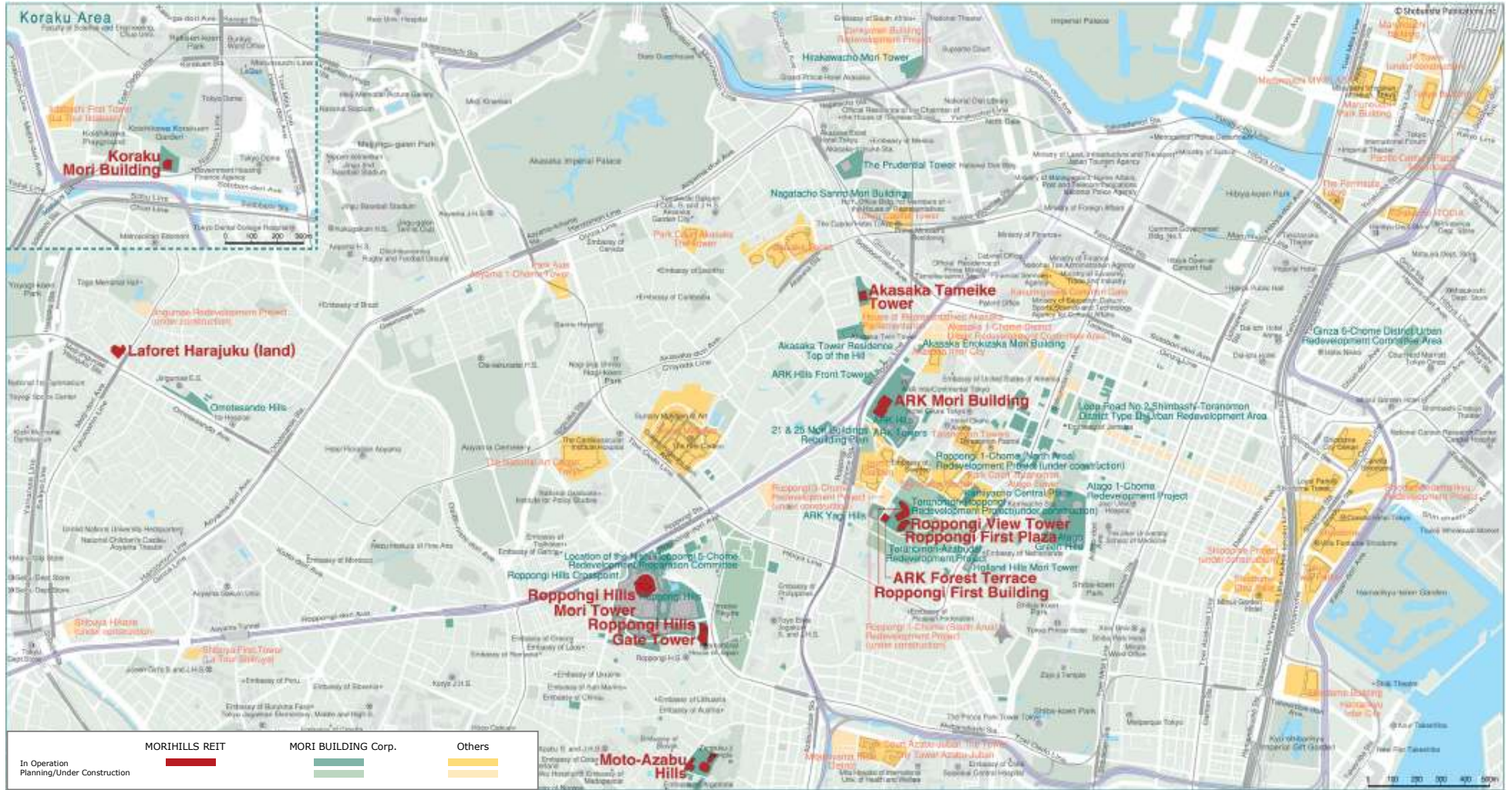
\* "Tokyo central five wards" include: Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku and Shibuya-ku

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












\* Ratios are based on the acquisition price.



# 7-16 Portfolio Map



# 7-17 Portfolio overview (As of March 18, 2011)

Type	Office building						Residential				Retail	
Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	-	Premium	
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Roppongi Hills Gate Tower	Roppongi First Building	Koraku Mori Building	Akasaka Tameike Tower	Moto-Azabu Hills Forest Tower   Forest Terrace East		ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (land)
	O-0	O-1	O-2	O-3	O-4	O-6	R-1		R-2	R-3	R-4	S-1
Photo												
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo		Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Jingumae, Shibuya-ku, Tokyo	
Completion	Apr. 2003	Mar. 1986 (large-scale renovation in 2005)	Oct. 2001	Oct. 1993	Mar. 2000	Aug. 2000	May. 2002		Jan. 2001	Oct. 1993	—	
Building age	7 years and 11 months	24 years and 11 months	9 years and 4 months	17 years and 4 months	10 years and 11 months	10 years and 6 months	8 years and 10 months		10 years and 1 months	17 years and 4 months	—	
Number of stories	54 above ground, 6 below	37 above ground, 4 below	15 above ground, 2 below	20 above ground, 4 below	19 above ground, 6 below	25 above ground, 2 below	29 above ground, 3 below	6 above ground, 1 below	11 above ground, 2 below	20 above ground, 1 below	—	
Gross floor area	442,150m <sup>2</sup>	177,486m <sup>2</sup>	29,111m <sup>2</sup>	45,753m <sup>2</sup>	46,154m <sup>2</sup>	46,971m <sup>2</sup>	54,006m <sup>2</sup>		9,125m <sup>2</sup>	22,906m <sup>2</sup>	—	
Owner-ship (Note 1)	Land	Co-ownership (0.9%)	Co-ownership (6.8%)	Ownership (100%)	Co-ownership (46%)	Leased land	Co-ownership (56.4%)	Co-ownership (3.9%)	Ownership (100%)	Co-ownership (47%)	Co-ownership (46%)	Ownership (100%)
	Building	Co-ownership (0.7%)	Compartmentalized ownership (9.8%)	Compartmentalized ownership (100%)	Co-ownership (46%)	Compartmentalized ownership (57.9%)	Compartmentalized ownership (65.5%)	Compartmentalized ownership (3.2%)	Compartmentalized ownership (100%)	Compartmentalized ownership (46.4%)	Co-ownership (46%)	—
PML	0.29%	0.38%	1.29%	2.07%	0.42%	2.15%	1.16%	1.72%	1.60%	3.53%	3.53%	—
Earthquake-resistant feature	Seismic Damping	—	Seismic Damping	—	Seismic Damping	Seismic Damping	Seismic Isolators	Seismic Isolators	Seismic Isolators	—	—	
Acquisition price (Note 2) (mn yen)	6,810	41,770	36,500	21,000	27,200	43,930	1,706		5,300	2,100	4,000	21,820
Occupancy rate (Note 2) (the 9th period)	100%	100%	97.1%	74.7%	80.2%	90.1%	100%		95.2%	86.9%	100%	100%

(Note 1) "Ownership" indicates the type of rights owned by MHR or the trust fiduciary. Moreover, "Ownership" indicates ownership, "Co-ownership" indicates co-ownership, "Compartmentalized ownership" indicates ownership of exclusive use areas of compartmentalized ownership buildings (i.e. compartmentalized ownership) and "Leased" indicates leasehold rights.

(Note 2) Figures in "Acquisition price" and "Occupancy rate" of O-1, O-6 and R-1 reflect the asset swap with the sponsor

(Note 3) "Gross floor area" and "Owner-ship" percentage figures are rounded.

**Average building age**  
14.4yr

**Portfolio PML**  
0.74%

**Total acquisition price**  
212,136mn yen