

September 14, 2010

**FINANCIAL REPORT  
FOR THE EIGHTH FISCAL PERIOD ENDED JULY 31, 2010**

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

Representative: Hiroshi Mori, Executive Director

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

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Planned submission of semiannual security report: October 29, 2010

Planned start of dividend payments: October 20, 2010

This financial report has been prepared in accordance with Japanese accounting standards, Japanese laws and other relevant regulations in Japan.

Figures are rounded down to the nearest one million yen.

**1. PERFORMANCE FOR THE EIGHTH FISCAL PERIOD ENDED JULY 31, 2010**

(February 1, 2010 – July 31, 2010)

**(1) Business Results**

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

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
<b>Eighth Fiscal Period</b>	¥5,388	(2.4%)	¥2,679	(5.0%)	¥1,523	(11.9%)	¥1,522	(11.9%)
<b>Seventh Fiscal Period</b>	¥5,520	(4.6%)	¥2,821	(6.1%)	¥1,729	(14.7%)	¥1,728	(14.7%)

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
<b>Eighth Fiscal Period</b>	¥7,229 (Note)	1.6%	0.7%	28.3%
<b>Seventh Fiscal Period</b>	¥10,857	1.9%	0.8%	31.3%

(Note) Net income per unit is calculated by dividing the net income by the daily weighted average number of investment units (8<sup>th</sup> period: 210,631 units). Figures of less than one unit are each rounded off.

**(2) Dividend**

	Dividend per Unit (excluding dividend in excess of earnings)	Total Dividends	Dividend in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividend Payout Ratio	Dividend Ratio to Net Assets
<b>Eighth Fiscal Period</b>	¥6,577	¥1,522 million	¥0	–	99.9%	1.3%
<b>Seventh Fiscal Period</b>	¥10,857	¥1,728 million	¥0	–	99.9%	1.9%

(Note) The dividend payout ratio is calculated by using the formula below and is rounded down to the first decimal place.  
 Dividend Payout Ratio = [Total Dividends ÷ Net Income] × 100

**(3) Financial Position**

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
<b>Eighth Fiscal Period</b>	¥221,366 million	¥103,520 million	46.8%	¥447,135
<b>Seventh Fiscal Period</b>	¥208,893 million	¥89,081 million	42.6%	¥559,560

**(4) Cash Flows**

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
<b>Eighth Fiscal Period</b>	¥2,421 million	(¥10,137 million)	¥10,626 million	¥11,581 million
<b>Seventh Fiscal Period</b>	¥2,107 million	(¥206 million)	(¥5,013 million)	¥8,670 million

**2. FORECAST OF RESULTS FOR THE NINTH FISCAL PERIOD ENDING JANUARY 31, 2011**  
**(August 1, 2010 – January 31, 2011)**

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

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
<b>Ninth Fiscal Period</b>	¥5,490	1.9%	¥2,952	10.2%	¥1,830	20.1%	¥1,829	20.1%

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
<b>Ninth Fiscal Period</b>	¥7,900	¥0

(Reference) Estimated net income per unit for the ninth fiscal period: ¥7,900

**3. OTHER**

**(1) Changes in Accounting Policies**

- (a) Changes accompanying amendments to accounting standards, etc.: None
- (b) Changes other than (a): None

**(2) Number of Units Outstanding**

- (a) Number of units outstanding at end of period (including own units)
  - Eighth fiscal period: 231,520 units      Seventh fiscal period: 159,200 units
- (b) Number of own units at end of period
  - Eighth fiscal period: 0 units      Seventh fiscal period: 0 units

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

The forecast of results for the ninth fiscal period ending January 31, 2011 are calculated as of today based on the assumptions presented on pages 13 to 14. Forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit may differ from actual results due to changes in operating conditions and a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts.

#### **4. BUSINESS RESULTS**

##### **(1) Overview of the Eighth Fiscal Period**

###### **(a) Brief Background of MHR**

Mori Hills REIT Investment Corporation (MHR) was incorporated by Mori Building Investment Management Co., Ltd. (MHR's Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and was registered by the Prime Minister based on Article 187 of the Law Concerning Investment Trusts and Investment Corporations on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). MHR later issued new investment units through third-party allotment (29,400 units) on September 29, 2008, issued new investment units through public offering (67,000 units) on March 23, 2010, and issued new investment units through third-party allotment (over-allotment) (5,320 units) on April 23, 2010. As of the end of MHR's fiscal period under review (eighth fiscal period: February 1, 2010 to July 31, 2010), the total number of investment units outstanding was 231,520 units. Recently, MHR closed its eighth fiscal period.

###### **(b) Investment Environment and Business Performance**

###### **i) Investment Environment**

In the eighth fiscal period, exports to Asia and other regions increased, the fall in consumer prices narrowed, and other signs of moderate recovery were seen in the Japanese economy. While there were expectations of ongoing economic turnaround, backed by the economic recovery in China and the U.S., the real GDP growth rate for April to June 2010 dropped due to a decline in exports. This export decline was caused by a sharp appreciation of the yen and selected policy adjustments. There is thus recognized to be a need to continue carefully observing Japanese economic trends.

In such an economic environment, the rental office building market saw signs of vacancy rates improving, particularly in central Tokyo, but downward trend continued for rent levels. Moreover, the luxury rental housing market saw continued correction for rent levels and vacancy rates improve due to demand from Japanese residents (in addition to the demand from foreign expats). The real estate trading market saw signs of improvement with the volume of real estate transactions increasing in general, but there were only limited cases of transactions of blue-chip properties.

###### **ii) Business Performance**

MHR acquired Roppongi Hills Mori Tower (50% co-ownership interest corresponding to sectional ownership of one floor) and ARK Mori Building (Fixed II) (50% co-ownership interest corresponding to sectional ownership of one floor) from sponsor Mori Building Co., Ltd. These assets are "Premium Properties," which MHR sets at the core of its portfolio development strategy. MHR also strove to enhance tenant satisfaction through such measures as meticulous operational management and systematic maintenance and repair of properties in its portfolio. Moreover, MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy while taking into account the quality of tenants.

MHR's real estate portfolio as of the end of the eighth fiscal period was comprised of 11 properties (Note 1) under management with a total leasable floor area of 106,791.40m<sup>2</sup>. MHR has already invested 211,864 million yen (based on acquisition price) into this portfolio. The occupancy rate

(Note 2) at the end of the eighth fiscal period was 92.8%.

(Notes)

1. For Roppongi First Building and Roppongi View Tower, MHR purchased 6% of the trust beneficiary rights pertaining to the co-ownership portion on March 22, 2006 and 40% of the trust beneficiary rights pertaining to the co-ownership portion on April 13, 2006. However, MHR treats each of these properties as one property for purposes of calculating the number of properties in the portfolio (the same hereinafter). Furthermore, regarding ARK Mori Building, the property name is differentiated according to leasing scheme. MHR acquired the trust beneficiary rights pertaining to sectional ownership for the 13th floor portion on March 22, 2006 as property that adopts a fixed master lease scheme (hereinafter referred to as "ARK Mori Building (Fixed I)"); acquired 75% of the quasi co-ownership interest of the trust beneficiary rights pertaining to sectional ownership for the 12th and 22nd floor portions on March 28, 2008 and additionally acquired the remaining 25% of the quasi co-ownership interest on September 30, 2008 as property that adopts a pass-through master lease scheme (hereinafter referred to as "ARK Mori Building (Pass-through)"); and acquired the real estate pertaining to sectional ownership on March 23, 2010 as property that adopts a scheme of granting lease rights (hereinafter referred to as "ARK Mori Building (Fixed II)"). However, MHR treats each of these properties as one property with respect to the number of properties in the portfolio (the same hereinafter).
2. The occupancy rate expresses the sum total of the total leased floor area as a percentage of the sum total of the total leasable floor area, rounded to one decimal place.

### **(c) Overview of Fund Procurement**

During the eighth fiscal period, MHR issued investment units totaling 14,639 million yen (amount to be paid in) and applied the funds to new property acquisitions. MHR applied a portion of the funds procured from the issuance of investment units to repayment of an existing 5,060 million yen short-term loan payable in tandem with refinancing of said existing loan payable, and simultaneously took out a short-term loan payable in the amount of 3,010 million yen for this refinancing. MHR also issued investment corporation bonds totaling 10,000 million yen and applied the funds to repayment of an existing 10,000 million yen long-term loan payable (Note). MHR also made a previously agreed repayment of 112 million yen of an existing long-term loan payable during the eighth fiscal period.

As a result, as of the end of the eighth fiscal period, the balance of loans payable stands at 88,847 million yen (long-term loans payable: 52,112 million yen; current portion of long-term loans payable: 28,225 million yen; and short-term loans payable: 8,510 million yen), the balance of investment corporation bonds stands at 20,000 million yen and the balance of interest-bearing debt stands at 108,847 million yen.

Of the loans payable, in addition to the 4,112 million yen in long-term loans payable and 225 million yen in current portion of long-term loans payable that have fixed interest rates, MHR utilizes interest rate swaps to in effect convert the interest rates for loans payable that have variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 33,500 million yen of the 48,000 million yen in long-term loans payable and 23,000 million yen of the 28,000 million yen in current portion of long-term loans payable. 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 eighth fiscal period, MHR has obtained a Baa1 issuer credit rating and unsecured long-term debt rating (rating outlook: negative) from Moody's Investors Service, Inc. and AA-long-term senior debt rating (rating outlook: negative) from Japan Credit Rating Agency, Ltd.

(Note) 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).

**(d) Overview of Business Results and Distributions**

The asset management activities described above resulted in MHR recording 5,388 million yen in operating revenue, 2,679 million yen in operating income, 1,523 million yen in ordinary income and 1,522 million yen in net income in the eighth 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), 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 6,577 yen.

**(2) Outlook for the Ninth Fiscal Period**

**(a) Future Management Policy**

Pursuant to MHR's investment policy, MHR seeks to 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 centered on 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 due to attributes such as quality, size and specifications ("Premium Properties"). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner perfected over the years by the Mori Building Group.

With respect to the management of properties in the portfolio, 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.

In addition, MHR will adopt a new management policy of conducting dividend-oriented management. Specifically, MHR will seek to maximize investor returns by striving to enhance the portfolio NOI cap rate through property replacements, keeping borrowing costs down and minimizing other operating expenses.

With respect to property replacements, MHR will aim to improve the NOI cap rate by engaging in property transactions primarily with the company sponsor to sell properties that have low cap rates and to acquire Premium Properties that have higher cap rates or properties other than Premium Properties that have high cap rates.

With respect to financing, while monitoring the trends of the financial and capital markets, MHR will aim to strengthen its financial standing by keeping borrowing costs down, along with promoting diversification of financing means, such as issuing investment corporation bonds, and extending the duration of loans payable.

In order to minimize other operating expenses, MHR will strive to reduce costs to a level that will

allow it to maintain the presence of its assets under management by proactively leveraging Mori Building Co., Ltd.'s high value-added know-how and services in the operation of assets under management.

**(b) Significant Subsequent Events**

Not applicable.

**(Reference Information)**

**i) Borrowing of Funds**

MHR borrowed funds as follows on August 31, 2010 to fund the refinancing of a 5,500 million yen short-term loan payable, which is due for repayment on August 31, 2010.

**Short-Term Loan Payable**

Lenders	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust & Banking Co., Ltd.
Borrowing amount	5,500 million yen
Interest rate	1.20154% per annum (variable interest rate) (The interest rate shown to the left is the interest rate that is applicable until September 30, 2010.)
Drawdown date	August 31, 2010
Principal repayment date	August 31, 2011 (However, if such date is not a business day, the next business day shall be the payment date. If this next business day falls into the following month, the business day immediately prior shall be the payment date.)
Method of repayment	To be repaid in full on the principal repayment date
Collateral	Unsecured/Unguaranteed

**ii) Acquisition of Assets**

MHR adopted a resolution at a meeting of its board of directors held on September 14, 2010 to acquire Laforet Harajuku (Land).

The seller Mori Building Co., Ltd. constitutes an interested party, etc. of MHR's Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Law Concerning Investment Trusts and Investment Corporations. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of MHR from being negatively impacted with respect to the acquisition price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

**i. Overview of Acquisition**

- |                                |                              |
|--------------------------------|------------------------------|
| 1) Asset-to-be-acquired:       | Real estate (Land ownership) |
| 2) Property name:              | Laforet Harajuku (Land)      |
| 3) Acquisition price:          | 21,820 million yen (Note)    |
| 4) Appraisal value:            | 24,200 million yen           |
| 5) Agreement date:             | September 15, 2010           |
| 6) Scheduled acquisition date: | September 15, 2010           |

- 7) Seller: Mori Building Co., Ltd.  
 8) Acquisition financing: Cash on hand (plan to use capital acquired through the transfer of properties announced today)  
 (Note) Acquisition price excludes acquisition costs, property taxes, city planning taxes and consumption taxes. The same shall apply hereinafter.

#### ii. Details of the Asset-to-be-Acquired

Property name	Laforet Harajuku (Land)	
Location	1-11-6 Jingumae, Shibuya-ku, Tokyo (Residential indication)	
Area	2,565.06m <sup>2</sup> (Based on registry)	
Form of ownership	Ownership	
Acquisition price	21,820 million yen	
Appraisal	Appraisal value	24,200 million yen
	Appraisal date	July 31, 2010
	Appraiser	Japan Real Estate Institute
Acquisition date	September 15, 2010 (Plan)	
Collateral	None	
Details of tenants		
Total number of tenants	1	
Gross rent income (annual rent)	1,293,600,000 yen	
Deposits/Guarantees	None	
Total leasable floor area	2,565.06m <sup>2</sup>	
Total leased floor area	2,565.06m <sup>2</sup>	
Agreement purpose	Ownership of building solely for use as retail property and other business use	
Agreement period	From September 15, 2010 to September 14, 2030 (20 years)	
Agreement type	Business-use fixed-term land lease agreement	
Rent revision	Negotiable every 3 years upon consultation between both parties, taking into account the economic situation, land price trends and other factors at that time.	
Early agreement cancellation	Not allowed	
Special considerations	The Property's tenant Mori Building Ryutsu System Co., Ltd. has been granted a right of first offer in the event that MHR is to sell the Property.	

For details, please refer to the "MHR Announces Asset Acquisition; Laforet Harajuku (Land): New Acquisition" news release dated September 14, 2010.

#### iii) Transfer of Assets

MHR adopted a resolution at a meeting of its board of directors held on September 14, 2010 to transfer Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building) and a portion of Moto-Azabu Hills.

The buyer Mori Building Co., Ltd. constitutes an interested party, etc. of MHR's Asset Manager, and the transaction constitutes a transaction with an interested party, etc. as defined in the Law Concerning Investment Trusts and Investment Corporations. Accordingly, to comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of MHR from being negatively impacted with respect to the transfer price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties

## Transaction Guidelines.

**i. Overview of Transfer****(1) Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)**

1) Asset-to-be-transferred:	Trust beneficiary right
2) Property name:	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)
3) Book value:	12,540 million yen (Note 1)
4) Transfer price:	12,680 million yen (Note 2)
5) Gain (loss) on transfer:	112 million yen (Note 3)
6) Agreement date:	September 15, 2010
7) Scheduled transfer date:	September 15, 2010
8) Buyer:	Mori Building Co., Ltd.

**(2) Moto-Azabu Hills**

1) Asset-to-be-transferred:	Real estate (Note 4)
2) Property name:	Moto-Azabu Hills
3) Book value:	8,890 million yen (Note 1)
4) Transfer price:	9,110 million yen (Note 2)
5) Gain (loss) on transfer:	181 million yen (Note 3)
6) Agreement date:	September 15, 2010
7) Scheduled transfer date:	September 15, 2010
8) Buyer:	Mori Building Co., Ltd.

## (Notes)

- Book value is an estimate of the asset-to-be-transferred's book value at the transfer date based on the book value as of the end of July 2010. The amount will be finalized after taking into account depreciation and amortization until the transfer date. The same shall apply hereinafter.
- Transfer price excludes transfer costs, property taxes, city planning taxes and consumption taxes. The same shall apply hereinafter.
- Gain (loss) on transfer is the amount arrived at when the book value shown and approximate transfer costs are deducted from the transfer price. The same shall apply hereinafter.
- Of the real estate that is the trust asset of Moto-Azabu Hills which MHR owns as of the end of July 2010, the sectional ownership for 42 units (about 33.3% of the total private-use floor area) are to be transferred by the trust fiduciary according to the instructions of MHR. The capital acquired through the transfer will become a trust asset, before it is issued to MHR in accordance with the trust agreement.

**ii. Details of the Assets-to-be-Transferred****(1) Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)**

Property name		Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)
Location		3-4-10 Toranomon, Minato-ku, Tokyo (Residential indication)
Use		Office
Area (Note 1)	Land	1,433.14m <sup>2</sup> (Note 2)
	Building	10,299.72m <sup>2</sup> (Note 3)
Construction completion		August 1981
Structure		Steel-framed reinforced concrete structure; 9 floors above ground and 1 floor below ground
Form of ownership	Land	Ownership (subdivided) (Note 2)
	Building	Sectional ownership (Note 3)
Book value		12,540 million yen

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Transfer price		12,680 million yen				
Gain (loss) on transfer		112 million yen				
Appraisal	Appraisal value	11,000 million yen (Note 4)				
	Appraisal date	July 31, 2010				
	Appraiser	Japan Real Estate Institute				
Transfer date		September 15, 2010 (Plan)				
Details of end tenants (as of July 31, 2010)						
Total number of end tenants		1				
Gross rent income (annual rent) (Note 5)		743,626,464 yen (Note 6) (Note 7)				
Deposits/Guarantees		371,813,232 yen				
Total leasable floor area (Note 8)		6,720.34m <sup>2</sup>				
Total leased floor area		6,720.34m <sup>2</sup>				
Occupancy rate (with past data) (Note 9)		End of July 2008	End of Jan. 2009	End of July 2009	End of Jan. 2010	End of July 2010
		100%	100%	100%	100%	100%
Special considerations		None				

(Notes)

- Area of the land is the area of the entire parcel, and the area of the building is the total floor area of the entire building, both based on the record in the real estate registry. The same shall apply hereinafter.
- Ownership is subdivided between other owners and the trust fiduciary, where the area of the land, based on the record in the real estate registry, for that owned by the trust fiduciary is 1,282.77m<sup>2</sup>.
- The private-use floor area, based on the record in the real estate registry, for the trust beneficiary rights owned by MHR is 7,554.61m<sup>2</sup>.
- The type of price in the appraisal is a specific price (price that reflects investor break-even price to show to investors) and not an ordinary price (fair value that reflects market value, thought to be formed in the market upon fulfilling conditions that are deemed logical under current social conditions), but in this case there is no difference between these prices.
- Gross rent income is the amount arrived at when the sum total of the monthly rent and monthly common area charges as indicated on lease agreements with end tenants (excluding parking lot income, utilities income and other income) is multiplied by 12. The amount is rounded to the nearest yen. The same shall apply hereinafter.
- Including amount equivalent to parking lot fee income (annual amount of 18,480,000 yen (excluding consumption tax)).
- Aside from the above, an annual amount of 117,696,000 yen (excluding consumption tax) is separately received as a fixed-amount management fee.
- Total leasable floor area is the floor area deemed leasable to end tenants. The parking lot section is not subject to this calculation. The same shall apply hereinafter.
- Occupancy rate is the total leased floor area expressed as a percentage of total leasable floor area. The occupancy rate is rounded to the first decimal place. The same shall apply hereinafter.

## (2) Moto-Azabu Hills

### Details of the Entire Real Estate

Property name		Moto-Azabu Hills
Location		1-3-1, -2, -3 Moto-Azabu, Minato-ku, Tokyo (Residential indication)
Use		Residential and storage area, etc.
Area	Land	12,199.65m <sup>2</sup> (Note 3)
	Building	54,006.76m <sup>2</sup> (Note 4)
Construction completion (Note 1)		May 2002 and September 2002
Structure (Note 2)		Steel-framed, steel-framed reinforced concrete and reinforced concrete structure; 29 floors above ground and 4 floors below ground

Form of ownership	Land	Ownership (Note 3)
	Building	Sectional ownership (Note 4)

(Notes)

- The month of construction completion for the respective buildings was May 2002 for Forest Tower and Forest Terrace East and September 2002 for Forest Terrace West.
- The property is a single establishment in the registry, but according to the Building Standards Law, it consists of three establishments, which are: Forest Tower (SRC B3F/29F), Forest Terrace East (RC B1F/6F) and Forest Terrace West (RC B1F/5F).
- Lot size owned by MHR before the transfer, based on the record in the real estate registry, is 6,862.35m<sup>2</sup>, and the land use right interest ratio is about 56.3%.
- The private-use floor area owned by MHR before the transfer, based on the record in the real estate registry, 24,770.52m<sup>2</sup>, and the private-use floor area interest ratio is about 64.0%. Moreover, the leasable floor area that can be rented to end tenants is 19,042.73 m<sup>2</sup>.

**Details of Portion-to-be-Transferred (42 Sections)**

Lot size (Note 1)		2,307.71m <sup>2</sup>				
Private-use floor area (Note 2)		8,256.69m <sup>2</sup>				
Use (Note 3)		Residential, shop, clinic and parking				
Book value		8,890 million yen				
Transfer price		9,110 million yen				
Gain (loss) on transfer		181 million yen				
Appraisal	Appraisal value	7,450 million yen (Note 4)				
	Appraisal date	July 31, 2010				
	Appraiser	Japan Real Estate Institute				
Transfer date		September 15, 2010 (Plan)				
Details of end tenants (as of July 31, 2010)						
Total number of end tenants		66 (Note 5)				
Gross rent income (annual rent)		446,861,580 yen				
Deposits/Guarantees		2,462,898,336 yen				
Total leasable floor area (Note 6)		6,402.22m <sup>2</sup>				
Total leased floor area (Note 6)		5,273.82m <sup>2</sup>				
Occupancy rate (with past data) (Note 6)		End of July 2008	End of Jan. 2009	End of July 2009	End of Jan. 2010	End of July 2010
		94.5%	95.1%	88.7%	95.2%	82.4%
Special considerations		None				

(Notes)

- Lot size owned by MHR after the transfer, based on the record in the real estate registry, is 4,554.64m<sup>2</sup>, and the land use right interest ratio is about 37.3%.
- The private-use floor area owned by MHR after the transfer, based on the record in the real estate registry, is 16,513.83m<sup>2</sup>, and the private-use floor area interest ratio is about 42.6%. Moreover, the leasable floor area that can be rented to end tenants is 12,640.51m<sup>2</sup>.
- The breakdown of the number of sections by use is as follows:  
residential: 39; shop: 1; clinic: 1; parking lot: 1 (capacity: 39 vehicles).
- The type of price in the appraisal is an ordinary price (fair value that reflects market value, thought to be formed in the market upon fulfilling conditions that are deemed logical under current social conditions) and not a specific price (price that reflects investor break-even price to show to investors). The same shall apply hereinafter.
- Of the total number of end tenants, the number of tenants of the parking lot section is 35.
- Of the sections to be transferred, the parking lot section is not subject to the calculation.

For details, please refer to the "MHR Announces Transfers of Real Estate and Trust Beneficiary

Right; Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building): Transfer; Moto-Azabu Hills: Partial Transfer” news release dated September 14, 2010.

**(c) Outlook of Business Results**

MHR expects the following business results for its next fiscal period (ninth fiscal period: August 1, 2010 to January 31, 2011). For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Ninth Fiscal Period Ending January 31, 2011 (August 1, 2010 – January 31, 2011)” presented below.

Operating revenue	¥5,490 million
Operating income	¥2,952 million
Ordinary income	¥1,830 million
Net income	¥1,829 million
Dividend per unit	¥7,900
Dividend in excess of earnings per unit	¥0

(Note) The forecasted figures above are calculated as of today based on certain assumptions. Forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit may differ from actual results due to changes in operating conditions and a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts.

**Assumptions of Forecast of Results for the Ninth Fiscal Period Ending January 31, 2011**  
**(August 1, 2010 – January 31, 2011)**

The forecasts for operating revenue, operating income, ordinary income, net income, dividend per unit and dividend in excess of earnings per unit for the ninth fiscal period were calculated based on the following assumptions. MHR may revise the forecast if it expects substantial discrepancies in the following assumptions from that of the initial forecast and if, as a result, it anticipates a large variance in the forecasted figures presented in the foregoing “(c) Outlook of Business Results.”

Item	Assumptions
Investment Portfolio	<ul style="list-style-type: none"> <li>• MHR assumes that its investment portfolio up to September 14, 2010 will comprise the 11 properties in its portfolio as of the end of the eighth fiscal period (July 31, 2010). From September 15, 2010 onwards, MHR assumes that it will transfer Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building) and a portion of Moto-Azabu Hills, as well as acquire Laforet Harajuku (Land), and that there will be no subsequent change in the investment portfolio (new acquisition of properties, transfer of existing properties, etc.) during the period up to the end of the ninth fiscal period (January 31, 2010).</li> <li>• In actual practice, however, the forecast is subject to change due to changes in the investment portfolio and other factors.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Rent revenue – real estate is estimated based on the lease contracts effective as of the end of the eighth fiscal period (July 31, 2010), taking into account the market environment, the competitiveness of the individual properties and other factors.</li> <li>• MHR assumes that there will be no delinquencies or unpaid rent by tenants.</li> <li>• Of the operating revenue, the revenue associated with the properties in its portfolio as of the end of the eighth fiscal period (July 31, 2010) is expected to be 4,708 million yen and the revenue associated with the asset to be acquired on September 15, 2010 (Laforet Harajuku (Land)) is expected to be 487 million yen.</li> <li>• In calculating operating revenue, MHR assumes the above investment portfolio and estimates 294 million yen will be generated as a gain on sales from the transfer of assets.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• 2,134 million yen is expected for the expenses related to rent business, which account for the majority of operating expenses. The expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> <li>A) For property taxes, city planning taxes, etc., the amount of taxation during the ninth fiscal period is expected to total 262 million yen (for 6 months). Furthermore, for the property taxes, city planning taxes, etc. associated with the assets acquired on March 23, 2010 (Roppongi Hills Mori Tower and ARK Mori Building (Fixed II)) and the asset to be acquired on September 15, 2010 (Laforet Harajuku (Land)), MHR shall incorporate these amount into the cost of acquisition and, thus, shall not recognize them as operating expenses for the ninth fiscal period.</li> <li>B) For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal period (119 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal period may differ materially from estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next.</li> </ul> </li> </ul>

	<p>C) Depreciation and amortization are calculated using the straight-line method, with future additional capital expenditures taken into account. 701 million yen is expected in the ninth fiscal period.</p> <p>D) 663 million yen is expected for property management fees.</p> <ul style="list-style-type: none"> <li>• 404 million yen is expected for the operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.). Of these, asset management fee rates are expected to be lowered during the ninth fiscal period.</li> </ul>
Non-Operating Expenses	<ul style="list-style-type: none"> <li>• MHR expects to incur 882 million yen in interest expenses and 225 million yen in borrowing expenses.</li> </ul>
Interest-Bearing Debt	<ul style="list-style-type: none"> <li>• The balance of loans payable outstanding as of the end of the eighth fiscal period (July 31, 2010) was 88,847 million yen. MHR assumes that, of that amount, the 5,500 million yen remaining of a short-term loan payable (due for repayment on August 31, 2010) and the 13,000 million yen remaining of a long-term loan payable (due for repayment on November 30, 2010) will be refinanced in the entire amount. MHR also assumes that an agreed repayment of 50 million yen of the 1,900 million yen remaining of a long-term loan payable (due for repayment on March 27, 2012) and an agreed repayment of 62 million yen of the 2,437 million yen remaining of a long-term loan payable (due for repayment on November 30, 2013) will be concluded, resulting in the balance of loans payable outstanding as of the end of the ninth fiscal period (January 31, 2011) being 88,735 million yen.</li> <li>• The balance of investment corporation bonds as of the end of the eighth fiscal period (July 31, 2010) was 20,000 million yen. MHR assumes that there will be no change in the balance of investment corporation bonds from this amount until the end of the ninth fiscal period (January 31, 2011).</li> </ul>
Issuance of Investment Units	<ul style="list-style-type: none"> <li>• The number of investment units outstanding as of the end of the eighth fiscal period (July 31, 2010) was 231,520 units. MHR assumes that there will be no additional issuance of investment units to this number until the end of the ninth fiscal period (January 31, 2011).</li> </ul>
Dividend per Unit (excluding dividend in excess of earnings)	<ul style="list-style-type: none"> <li>• Dividend per unit is calculated based on the assumption that MHR will make distributions in accordance with its cash distribution policy as outlined in its Articles of Incorporation.</li> <li>• Dividend per unit may vary due to numerous factors, including changes in the investment portfolio, changes in rent income caused by the moving-in/out of tenants, unplanned repairs, changes in interest rates, or additional issuance of new investment units.</li> </ul>
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• MHR assumes at present that it will not make any cash distributions in excess of earnings (dividend in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• MHR assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, Investment Trusts Association rules, etc. that would affect the above forecasts.</li> <li>• MHR assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.</li> </ul>

**5. FINANCIAL STATEMENTS****(1) Balance Sheets**

(Unit: thousands of yen)

	Seventh Fiscal Period (as of January 31, 2010)	Eighth Fiscal Period (as of July 31, 2010)
Assets		
Current assets		
Cash and deposits	2,028,490	6,093,351
Cash and deposits in trust	6,642,068	5,488,095
Operating accounts receivable	94,087	98,383
Prepaid expenses	400,334	377,714
Deferred tax assets	21	8,472
Consumption taxes receivable	3,587	67,217
Other	1,075	168
Total current assets	9,169,664	12,133,402
Noncurrent assets		
Property, plant and equipment		
Buildings	-	2,013,883
Accumulated depreciation	-	(29,058)
Buildings, net	-	1,984,824
Structures	-	12,804
Accumulated depreciation	-	(652)
Structures, net	-	12,152
Machinery and equipment	-	20,407
Accumulated depreciation	-	(290)
Machinery and equipment, net	-	20,117
Land	-	8,278,386
Buildings in trust	48,672,057	48,702,240
Accumulated depreciation	(4,495,059)	(5,162,728)
Buildings in trust, net	44,176,998	43,539,512
Structures in trust	695,404	695,404
Accumulated depreciation	(250,581)	(279,738)
Structures in trust, net	444,822	415,666
Machinery and equipment in trust	883,503	885,015
Accumulated depreciation	(91,924)	(106,171)
Machinery and equipment in trust, net	791,578	778,843
Tools, furniture and fixtures in trust	58,720	70,825
Accumulated depreciation	(11,797)	(17,088)
Tools, furniture and fixtures in trust, net	46,922	53,737
Land in trust	135,404,662	135,404,662
Construction in progress in trust	449	1,935
Total property, plant and equipment	180,865,434	190,489,838
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	4,002	3,800
Other	2,060	3,780
Total intangible assets	18,416,019	18,417,538
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	376,174	231,675
Deferred tax assets	11,651	-
Total investments and other assets	397,825	241,675
Total noncurrent assets	199,679,279	209,149,052
Deferred assets		
Deferred organization expenses	10,222	5,111
Investment corporation bond issuance costs	34,353	78,615
Total deferred assets	44,575	83,726
Total assets	208,893,519	221,366,182

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	Seventh Fiscal Period (as of January 31, 2010)	Eighth Fiscal Period (as of July 31, 2010)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	228,509	212,897
Short-term loans payable	10,560,000	8,510,000
Current portion of long-term loans payable	23,225,000	28,225,000
Accounts payable – other	23,069	19,561
Accrued expenses	265,113	263,173
Income taxes payable	658	655
Accrued consumption taxes	55,749	22,631
Advances received	712,720	711,762
Deposits received	279,008	301,827
Derivatives liabilities	–	21,491
<b>Total current liabilities</b>	<b>35,349,830</b>	<b>38,289,000</b>
<b>Noncurrent liabilities</b>		
Investment corporation bond	10,000,000	20,000,000
Long-term loans payable	67,225,000	52,112,500
Tenant leasehold and security deposits	–	454,440
Tenant leasehold and security deposits in trust	7,207,088	6,989,513
Derivatives liabilities	29,624	–
<b>Total noncurrent liabilities</b>	<b>84,461,713</b>	<b>79,556,453</b>
<b>Total liabilities</b>	<b>119,811,543</b>	<b>117,845,453</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	87,371,418	102,010,939
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	1,728,530	1,522,828
<b>Total surplus</b>	<b>1,728,530</b>	<b>1,522,828</b>
<b>Total unitholders' equity</b>	<b>89,099,949</b>	<b>103,533,767</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(17,973)	(13,038)
<b>Total valuation and translation adjustments</b>	<b>(17,973)</b>	<b>(13,038)</b>
<b>Total net assets</b>	<b>89,081,975</b>	<b>103,520,729</b>
<b>Total liabilities and net assets</b>	<b>208,893,519</b>	<b>221,366,182</b>

**(2) Statements of Income**

(Unit: thousands of yen)

	Seventh Fiscal Period (August 1, 2009 to January 31, 2010)	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)
Operating revenue		
Rent revenue – real estate	4,983,676	4,922,890
Other lease business revenue	537,178	465,319
Total operating revenue	5,520,854	5,388,209
Operating expenses		
Expenses related to rent business	2,277,513	2,299,970
Asset management fee	320,215	314,994
Directors' compensations	7,200	7,200
Asset custody fee	5,296	5,483
Administrative service fees	13,356	14,543
Other operating expenses	75,867	66,083
Total operating expenses	2,699,449	2,708,275
Operating income	2,821,404	2,679,933
Non-operating income		
Interest income	5,709	2,291
Exclusion gain of unpaid dividend	–	2,430
Interest on refund	8	26
Other	68	388
Total non-operating income	5,786	5,136
Non-operating expenses		
Interest expenses	809,674	758,091
Interest expenses on investment corporation bonds	81,150	110,800
Amortization of investment corporation bond issuance costs	5,130	8,515
Amortization of deferred organization expenses	5,111	5,111
Borrowing expenses	194,673	206,114
Investment unit issuance expenses	–	70,736
Other	1,943	1,955
Total non-operating expenses	1,097,682	1,161,325
Ordinary income	1,729,508	1,523,745
Income before income taxes	1,729,508	1,523,745
Income taxes – current	1,038	1,011
Income taxes – deferred	(11)	1
Total income taxes	1,027	1,012
Net income	1,728,481	1,522,732
Retained earnings brought forward	48	95
Unappropriated retained earnings (undisposed loss)	1,728,530	1,522,828

**(3) Statements of Unitholders' Equity**

(Unit: thousands of yen)

	Seventh Fiscal Period (August 1, 2009 to January 31, 2010)	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)
Unitholders' equity		
Unitholders' capital		
Balance at the end of previous period	87,371,418	87,371,418
Changes of items during the period		
Issuance of new investment units	–	14,639,520
Total changes of items during the period	–	14,639,520
Balance at the end of current period	87,371,418	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the end of previous period	2,026,027	1,728,530
Changes of items during the period		
Dividends from surplus	(2,025,979)	(1,728,434)
Net income	1,728,481	1,522,732
Total changes of items during the period	(297,497)	(205,701)
Balance at the end of current period	1,728,530	1,522,828
Total unitholders' equity		
Balance at the end of previous period	89,397,446	89,099,949
Changes of items during the period		
Issuance of new investment units	–	14,639,520
Dividends from surplus	(2,025,979)	(1,728,434)
Net income	1,728,481	1,522,732
Total changes of items during the period	(297,497)	14,433,818
Balance at the end of current period	89,099,949	103,533,767
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the end of previous period	(14,320)	(17,973)
Changes of items during the period		
Net changes of items other than unitholders' equity	(3,652)	4,934
Total changes of items during the period	(3,652)	4,934
Balance at the end of current period	(17,973)	(13,038)
Total valuation and translation adjustments		
Balance at the end of previous period	(14,320)	(17,973)
Changes of items during the period		
Net changes of items other than unitholders' equity	(3,652)	4,934
Total changes of items during the period	(3,652)	4,934
Balance at the end of current period	(17,973)	(13,038)
Total net assets		
Balance at the end of previous period	89,383,126	89,081,975
Changes of items during the period		
Issuance of new investment units	–	14,639,520
Dividends from surplus	(2,025,979)	(1,728,434)
Net income	1,728,481	1,522,732
Net changes of items other than unitholders' equity	(3,652)	4,934
Total changes of items during the period	(301,150)	14,438,753
Balance at the end of current period	89,081,975	103,520,729

**(4) Statements of Cash Distributions**

(Unit: yen)

Item \ Period	Seventh Fiscal Period (August 1, 2009 to January 31, 2010)	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)
I. Unappropriated retained earnings	1,728,530,369	1,522,828,374
II. Amount of dividends	1,728,434,400	1,522,707,040
[Amount of dividend per unit]	[10,857]	[6,577]
III. Retained earnings carried forward	95,969	121,334

**(5) Statements of Cash Flows**

(Unit: thousands of yen)

Account	Seventh Fiscal Period (August 1, 2009 to January 31, 2010)	Eighth Fiscal Period (February 1, 2010 to July 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	1,729,508	1,523,745
Depreciation and amortization	716,821	747,463
Amortization of deferred organization expenses	5,111	5,111
Amortization of investment corporation bond issuance costs	5,130	8,515
Investment unit issuance expenses	-	70,736
Interest income	(5,709)	(2,291)
Gain on exclusion of distribution payable	-	(2,430)
Interest expenses	890,824	868,892
Decrease (increase) in operating accounts receivable	13,590	(4,296)
Decrease (increase) in consumption taxes refund receivable	(3,587)	(63,630)
Increase (decrease) in operating accounts payable	(38,016)	(14,705)
Increase (decrease) in accounts payable – other	1,472	(2,539)
Increase (decrease) in accrued expenses	(343)	1,027
Increase (decrease) in accrued consumption taxes	(111,499)	(33,118)
Increase (decrease) in advances received	(30,255)	(957)
Increase (decrease) in deposits received	216,157	22,818
Decrease (increase) in prepaid expenses	(150,560)	22,620
Decrease (increase) in long-term prepaid expenses	(224,245)	144,499
Other, net	1,760	966
Subtotal	<u>3,016,158</u>	<u>3,292,427</u>
Interest income received	7,274	2,291
Interest expenses paid	(915,315)	(871,860)
Income taxes paid	(1,009)	(1,014)
Net cash provided by (used in) operating activities	<u>2,107,108</u>	<u>2,421,842</u>
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	600,000	-
Purchase of property, plant and equipment	-	(10,325,382)
Purchase of intangible assets	(1,814)	(2,522)
Purchase of property, plant and equipment in trust	(111,128)	(46,306)
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	(1,089,193)	(787,420)
Proceeds from tenant leasehold and security deposits in trust	395,873	569,844
Net cash provided by (used in) investing activities	<u>(206,262)</u>	<u>(10,137,792)</u>
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	8,440,000	3,010,000
Decrease in short-term loans payable	(12,880,000)	(5,060,000)
Proceeds from long-term loans payable	26,500,000	-
Repayment of long-term loans payable	(25,050,000)	(10,112,500)
Proceeds from issuance of investment corporation bonds	-	9,947,228
Proceeds from issuance of investment units	-	14,568,784
Dividends paid	(2,023,685)	(1,726,674)
Net cash provided by (used in) financing activities	<u>(5,013,685)</u>	<u>10,626,838</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,112,839)</u>	<u>2,910,888</u>
Cash and cash equivalents at beginning of period	<u>11,783,398</u>	<u>8,670,558</u>
Cash and cash equivalents at end of period	<u>8,670,558</u>	<u>11,581,446</u>

**6. OVERVIEW OF LEASE CONDITIONS (as of July 31, 2010)**

Property no.	Property name	Leasing scheme	Total leasable floor area (m <sup>2</sup> )	Total leased floor area (m <sup>2</sup> )	Occupancy rate (%)	Total no. of end-tenants	Gross rent income (annual rent) (millions of yen)	Deposits / Guarantees (millions of yen)
O-0	Roppongi Hills Mori Tower	–	2,249.04	2,249.04	100.0	1	302	302
O-1-1	ARK Mori Building (Fixed I)	Fixed master lease	2,728.96	2,728.96	100.0	1	297	297
O-1-2	ARK Mori Building (Pass-through)	Pass-through master lease	5,223.61	4,263.35	81.6	9	549	399
O-1-3	ARK Mori Building (Fixed II)	–	1,399.60	1,399.60	100.0	1	152	152
O-2	Roppongi Hills Gate Tower	Pass-through master lease	16,657.52	16,443.55	98.7	46	1,926	1,705
O-3	Roppongi First Building	–	11,525.55	9,678.50	84.0	13	939	769
O-4	Koraku Mori Building	Pass-through master lease	16,197.46	14,887.26	91.9	13	1,606	1,601
O-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Pass-through master lease	6,720.34	6,720.34	100.0	1	843	372
O-6	Akasaka Tameike Tower	Pass-through master lease	10,498.94	9,421.33	89.7	11	1,134	922
R-1	Moto-Azabu Hills	Pass-through master lease	19,042.73	17,914.33	94.1	106	1,411	587
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,875.79	92.9	35	295	127
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,134.36	72.2	30	119	40
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	219	–
Total portfolio			106,791.40	99,061.25	92.8	268	9,793	7,274

**7. STATUS OF INCOME AND EXPENDITURES (February 1, 2010 – July 31, 2010)**

(Unit: thousands of yen)

Property no.	O-0 Premium		O-1-1 Premium		O-1-2 Premium		O-1-3 Premium	
	Roppongi Hills Mori Tower (Note 2)		ARK Mori Building (Fixed I)		ARK Mori Building (Pass-through)		ARK Mori Building (Fixed II) (Note 2)	
Fiscal period (Note 1)	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth
Days of operations	–	131	184	181	184	181	–	131
Rent revenue – real estate	–	107,987	148,591	148,591	338,190	296,492	–	54,487
Other lease business revenue	–	–	–	–	22,460	17,954	–	–
Total property operating revenue	–	107,987	148,591	148,591	360,651	314,446	–	54,487
Property management fees	–	858	1,200	1,200	63,587	59,726	–	214
Utilities	–	–	–	–	8,053	6,460	–	–
Property taxes	–	–	8,089	8,326	16,054	16,459	–	–
Maintenance and repairs	–	–	174	133	2,245	1,844	–	–
Insurance premium	–	112	426	301	645	512	–	57
Depreciation and amortization	–	22,621	12,024	12,063	46,073	46,203	–	7,379
Other lease business expenses	–	110	517	519	1,302	1,302	–	113
Total property operating expenses	–	23,702	22,433	22,543	137,961	132,509	–	7,765
NOI	–	106,906	138,182	138,111	268,764	228,140	–	54,101

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Property no.	O-2 <u>Premium</u>		O-3 <u>Premium</u>		O-4 <u>Premium</u>		O-5		O-6 <u>Premium</u>	
	Roppongi Hills Gate Tower		Roppongi First Building		Koraku Mori Building		Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)		Akasaka Tameike Tower	
Fiscal period (Note 1)	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth
Days of operations	184	181	184	181	184	181	184	181	184	181
Rent revenue – real estate	950,505	969,344	540,387	492,766	862,226	794,325	421,421	421,421	652,721	607,289
Other lease business revenue	127,268	116,155	61,502	55,756	109,311	94,081	9,240	9,240	134,855	100,355
Total property operating revenue	1,077,773	1,085,500	601,889	548,523	971,538	888,407	430,661	430,661	787,577	707,644
Property management fees	161,649	160,976	65,494	72,293	79,467	88,624	65,448	65,448	98,808	95,643
Utilities	50,685	46,398	26,577	26,711	75,838	70,075	–	–	35,283	25,728
Property taxes	69,385	70,635	43,510	44,034	34,455	34,421	22,868	23,690	31,496	31,565
Maintenance and repairs	9,864	11,333	27	–	14,789	7,233	–	–	3,430	3,883
Insurance premium	2,718	2,344	2,261	1,949	2,547	2,196	638	654	2,079	1,709
Depreciation and amortization	117,955	118,321	66,530	65,026	125,469	126,001	35,059	34,729	135,244	135,370
Other lease business expenses	35,724	33,850	1,213	1,206	75,387	76,483	919	1,471	738	897
Total property operating expenses	447,982	443,860	205,615	211,222	407,955	405,037	124,934	125,992	307,081	294,799
NOI	747,747	759,961	462,804	402,327	689,052	609,371	340,786	339,397	615,739	548,216

Property no.	R-1 <u>Premium</u>		R-2 <u>Premium</u>		R-3 <u>Premium</u>		R-4	
	Moto-Azabu Hills		ARK Forest Terrace		Roppongi First Plaza		Roppongi View Tower	
Fiscal period (Note 1)	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth	Seventh	Eighth
Days of operations	184	181	184	181	184	181	184	181
Rent revenue – real estate	743,155	724,230	144,581	130,243	72,466	66,283	109,426	109,426
Other lease business revenue	62,578	63,206	9,960	8,569	–	–	–	–
Total property operating revenue	805,734	787,436	154,542	138,813	72,466	66,283	109,426	109,426
Property management fees	181,554	181,339	37,131	43,524	12,294	11,277	3,738	3,738
Utilities	5,270	4,484	8,957	9,585	190	206	–	–
Property taxes	42,023	41,962	9,358	9,393	6,613	6,762	10,313	10,528
Maintenance and repairs	56,364	52,627	7,364	14,409	3,653	4,739	–	–
Insurance premium	3,398	2,929	820	710	374	322	559	485
Depreciation and amortization	123,406	123,979	32,482	32,759	9,191	9,424	13,225	13,183
Other lease business expenses	42,679	41,732	7,892	7,739	3,782	3,784	905	905
Total property operating expenses	454,698	449,057	104,007	118,122	36,100	36,517	28,742	28,840
NOI	474,442	462,359	83,016	53,450	45,557	39,190	93,909	93,769

(Notes)

1. The seventh fiscal period was from August 1, 2009 to January 31, 2010.  
The eighth fiscal period was from February 1, 2010 to July 31, 2010.
2. Acquired on March 23, 2010. Accordingly, the income and expenditures are for the period from March 23, 2010 to July 31, 2010.

**Disclaimer:**

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated September 14, 2010, and portions of the Financial Statements and the Performance Information Report for the eighth fiscal period from February 1, 2010 to July 31, 2010, of Mori Hills REIT Investment Corporation (MHR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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

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

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

The forward-looking statements contained in this document express information only as of the date of release, September 14, 2010, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.