



HILLS REIT

MORI HILLS REIT INVESTMENT CORPORATION (CODE:3234)

Results of 10th Fiscal Period (Ended July 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/>

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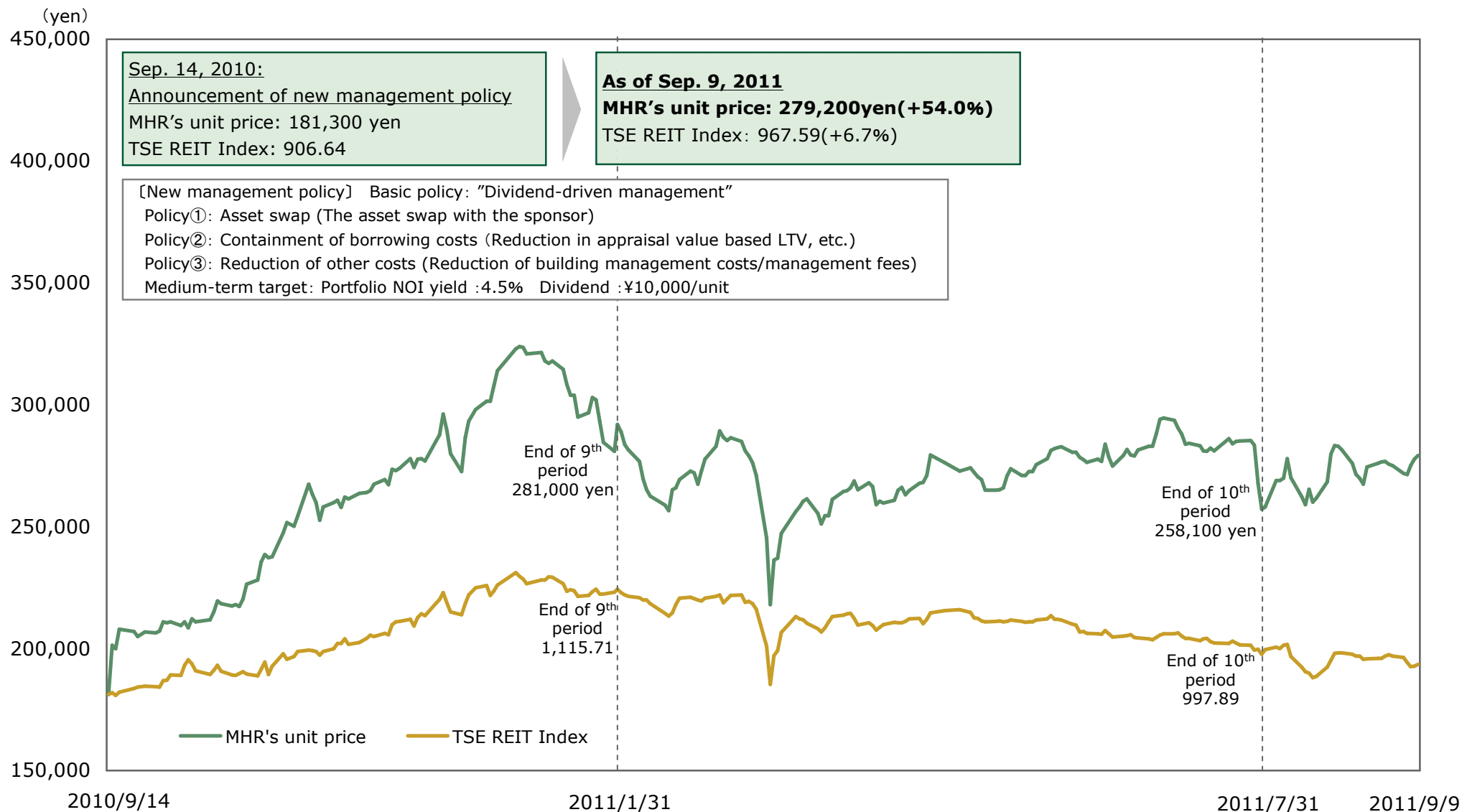
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1-1 Investment highlights Unit price performance

Unit price performance

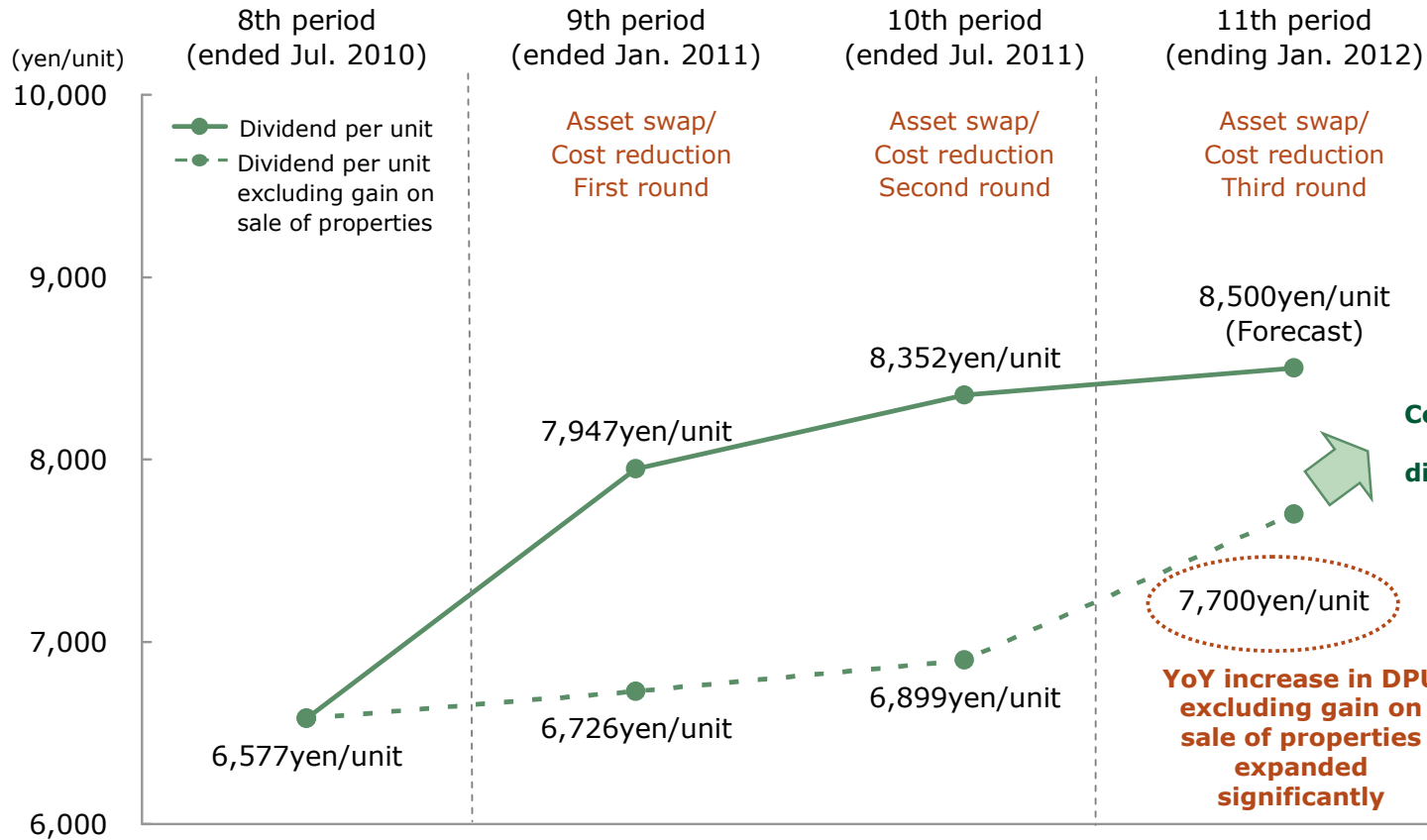


(Note 1) Unless otherwise stated in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below decimal point

(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 Change and forecast in dividend

Change in dividend per unit



[Key measures in the 11th Period]

Asset swap (P4)

■ Property exchange with sponsor (acquire Roppongi Hills Mori Tower/ARK Mori Bldg., sell Roppongi Hills Gate Tower)

Rent Stabilization with fixed leases (P4)

■ Change the rent system of Akasaka Tameike Tower (Office) from pass-through to fixed

Continued effort to realize dividend growth

Policy on contract type for property lease

Increase the ratio of "fixed rent type" until rental market recovers, and then acquire "pass-through" property again after market strengthens

Sep. 2010
Announcement of new management policy

Environment in which implementing new measures unlikely to increase dividends

- ⇒ Rents decreased at lease renewal
- ⇒ Occupancy rates dropped
- ⇒ Financial costs rose at time of refinancing




Environment under which implementing measures is likely to increase dividends (forecast)

- ⇒ The first round of rent revisions after the financial crisis in 2008 will be completed
- ⇒ Increase in the ratio of fixed-rent properties (7.7% ⇒ 70.7%)
- ⇒ Improvement of occupancy rate
- ⇒ Financial costs at time of refinancing has been peaking out

1-3 Investment highlights

Policy①: Asset swap and other measures

The asset swap

Sold	Acquired	Effect														
<p>Roppongi Hills Gate Tower</p>  <table border="1"> <tr><td>Transfer price</td><td>35,920mn yen</td></tr> <tr><td>Appraisal value</td><td>31,900mn yen</td></tr> <tr><td>Book value</td><td>35,681mn yen</td></tr> <tr><td>NOI yield (Note 1)</td><td>3.2%</td></tr> </table>	Transfer price	35,920mn yen	Appraisal value	31,900mn yen	Book value	35,681mn yen	NOI yield (Note 1)	3.2%	<p>Roppongi Hills Mori Tower (1.5 floors: 23F, 24F 50%)</p>  <table border="1"> <tr><td>Acquisition price</td><td>18,680mn yen</td></tr> <tr><td>Appraisal value</td><td>22,200mn yen</td></tr> <tr><td>Estimated NOI yield (Note 2)</td><td>4.5%</td></tr> </table>	Acquisition price	18,680mn yen	Appraisal value	22,200mn yen	Estimated NOI yield (Note 2)	4.5%	<p>■ Effect on dividends (Note 1) +¥1,059/unit +¥245mn</p> <p>■ Improvement of unrealized gains/losses +¥9,901mn Roppongi Hills Gate Tower unrealized loss (Note 2) Δ¥3,781mn Roppongi Hills Mori Tower/ARK Mori Bldg unrealized gain (Note 3) +¥6,120mn</p> <p>■ Gains on sale (after deduction of transfer expenses) +¥185mn</p> <p>(11th period: full-period basis)</p>
Transfer price	35,920mn yen															
Appraisal value	31,900mn yen															
Book value	35,681mn yen															
NOI yield (Note 1)	3.2%															
Acquisition price	18,680mn yen															
Appraisal value	22,200mn yen															
Estimated NOI yield (Note 2)	4.5%															
<p>ARK Mori Building (3 floors: 4, 15, 24F)</p>  <table border="1"> <tr><td>Acquisition price</td><td>17,200mn yen</td></tr> <tr><td>Appraisal value</td><td>19,800mn yen</td></tr> <tr><td>Estimated NOI yield (Note 2)</td><td>4.5%</td></tr> </table>	Acquisition price	17,200mn yen	Appraisal value	19,800mn yen	Estimated NOI yield (Note 2)	4.5%										
Acquisition price	17,200mn yen															
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Estimated NOI yield (Note 2)	4.5%															

(Note 1) NOI = Rent revenue (real estate) + Other lease business revenue - Expenses related to rent business + Depreciation, while NOI yield is based on annualized estimated income in the 11th Period

(Note 2) Estimated NOI yield doesn't reflect special factors in the year in which the properties were acquired

(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 acquisition price of properties acquired calculated

• **Sold low-yielding property (Roppongi Hills Gate Tower) at higher price than the Book Value/ Appraisal value, while acquiring relatively high-yielding premium properties (Roppongi Hills Mori Tower, ARK Mori Bldg.) for lower price than appraisal value**

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

Change of contract type for Akasaka Tameike Tower (office)

- **Contract type has been changed from "pass-through master lease contract" to "fixed master lease contract"**
- ⇒ **Achieve: Immediate improvement of NOI yield + Stabilize income during period of possible declining rent levels**

■ Effect on dividends
+¥258/unit (11th period: full-period basis)
+¥59mn (11th period: full-period basis)

(Note) Expense classification has been changed for Akasaka Tameike Tower (residential area), but the impact of this change on MHR's earnings was insignificant.

1-4 Investment highlights

Policy①: Asset swap and other measures



(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



Roppongi Hills Mori Tower

Location	6-10-1, Roppongi, Minato-ku, Tokyo	
Completion	April 2003	
Number of stories	54 floors above ground, 6 floors below	
Land area	57,177.66㎡	
Gross floor area	442,150.70㎡	

	New portion acquired <small>(1.5 floors: 23F, 24F 50%)</small>	Resulting ownership <small>(2 floors)</small>
Land area	1,564.84㎡ (c.2.7%)	2,087.99㎡ (c.3.7%)
Occupancy area	6,666.30㎡ (c.2.1%)	8,888.39㎡ (c.2.8%)

- **Iconic Tokyo landmark building**
- **Attracts top level tenants such as Goldman Sachs and Google**



ARK Mori Building

Location	1-12-32, Akasaka, Minato-ku, Tokyo	
Completion	March 1986 (large-scale renovation in 2005)	
Number of stories	37 floors above ground, 4 floors below	
Land area	39,602.42㎡	
Gross floor area	177,486.95㎡	

	New portion acquired <small>(3 floors: 4F, 15F, 24F)</small>	Resulting ownership <small>(8 floors)</small>
Land area	1,617.15㎡ (c.4.1%)	4,325.52㎡ (c.10.9%)
Occupancy area	8,013.26㎡ (c.5.8%)	21,638.48㎡ (c.15.6%)

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

Refinancing of long-term loans in Aug 2011

L-T loans to be refinanced		Aozora Bank	Resona Bank
Borrowing amount	17,000 mn yen	2,000 mn yen	2,500 mn yen
Interest rate (Note 1)	1.50% (fixed rate)	1.38% (floating rate)	1.38% (floating rate)
Borrowing period	2 years 11 months	3 years	3 years
Date of borrowing	Sep. 30, 2008	Aug. 31, 2011	Aug. 31, 2011
Maturity of principal	Aug. 31, 2011	Aug. 31, 2014	Aug. 31, 2014

5 main banks (Note 2)	
Borrowing amount	12,500 mn yen
Interest rate	1.18% (floating rate)
Borrowing period	3 months
Date of borrowing	Aug. 31, 2011
Maturity of principal	Nov. 30, 2011

To be refinanced with long-term loans payable on maturity

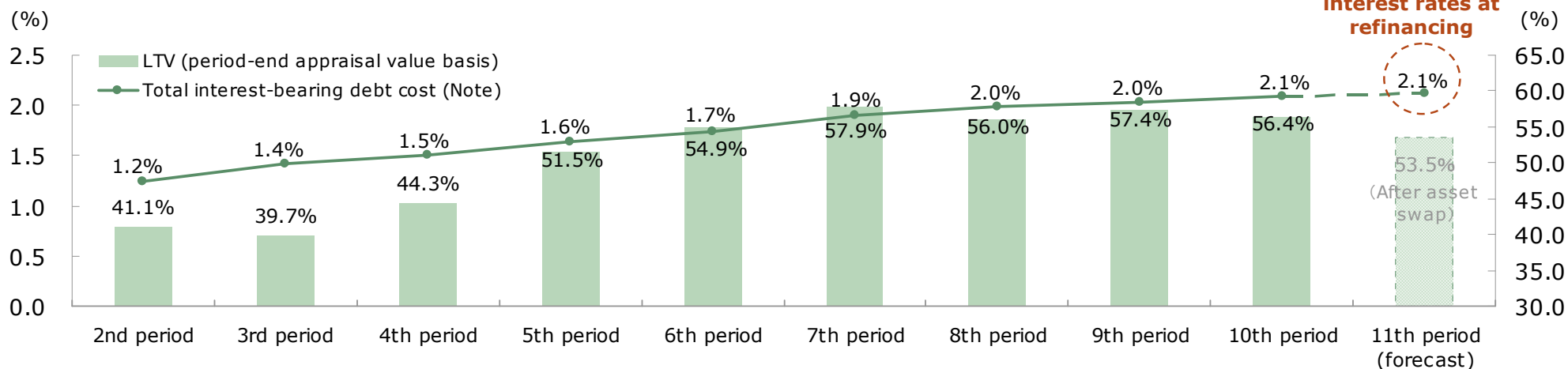
- (Note 1) Interest rate for the loan to be refinanced is set at refinancing, and interest rate for the new loan is set at execution of borrowing
 Figures are rounded up to two digits below decimal points
- (Note 2) Mizuho Corporate Bank, Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking, Sumitomo Mitsui Banking Corporation, and Sumitomo Trust and Banking

Key financials

	End of 9th period Jan. 31, 2011	End of 10th period Jul. 31, 2011	After the asset swap Aug. 1, 2011
Debt balance	108,735 mn yen	107,112 mn yen	107,112 mn yen
Short-term debt	8,510 mn yen	17,000 mn yen	17,000 mn yen
Long-term debt	80,225 mn yen	65,112 mn yen	65,112 mn yen
Investment corporation bonds	20,000 mn yen	25,000 mn yen	25,000 mn yen
LTV (total asset basis) (Note 1)	49.3%	48.9%	48.9% (Note 4)
LTV (appraisal value basis) (Note 2)	57.4%	56.4%	53.5% (Note 4)
DSCR (Note 3)	3.9x	4.0x	—
Avg. remaining duration	1.52yr	1.29yr	—
Weighted avg. interest rate	1.62%	1.58%	—

- (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 11th period

Change in LTV (appraisal value basis) and total interest-bearing debt cost



(Note) "Total interest-bearing debt cost" is calculated as sum of interest expenses, interest expenses on investment corporation bonds, borrowing expenses, and amortization of investment corporation bond issuance costs, annualized and divided by average interest-bearing debt balance during each period.

1-6 Investment highlights

Medium-term goals and DPU simulations

Present forecast

DPU (Period ending Jan 2012: forecast) 8,500 yen/unit
(excluding gain on sale of properties: forecast) 7,700 yen/unit

Medium-term goals

Dividend: 10,000 yen/unit

DPU simulations

(1) Asset swap (Increase NOI by asset swap with sponsors) (Note 1)

		The amount of asset swap							
		¥20,000mn		¥30,000mn		¥40,000mn		¥50,000mn	
		Distributable profit/period	DPU	Distributable profit/period	DPU	Distributable profit/period	DPU	Distributable profit/period	DPU
Difference in NOI yield between assets to be acquired and assets to be transferred	+2.5%	+¥250mn	+¥1,079	+¥375mn	+¥1,619	+¥500mn	+¥2,159	+¥625mn	+¥2,699
	+2.0%	+¥200mn	+¥863	+¥300mn	+¥1,295	+¥400mn	+¥1,727	+¥500mn	+¥2,159
	+1.5%	+¥150mn	+¥647	+¥225mn	+¥971	+¥300mn	+¥1,295	+¥375mn	+¥1,619

Target for asset swaps is to achieve a "2.0% or more difference in NOI yield between assets to be acquired and transferred" by acquiring a combination of relatively higher yielding Class A or S office building along with even higher yielding residential properties.

(2) Containment of borrowing costs (Decrease interest rate by improving LTV (MV basis) with asset swap : assuming interest-bearing debt of 107.1 billion yen) (Note 1)

Decrease in interest rate									
△0.1%		△0.2%		△0.3%		△0.4%		△0.5%	
Distributable profit/period	DPU	Distributable profit/period	DPU	Distributable profit/period	DPU	Distributable profit/period	DPU	Distributable profit/period	DPU
+¥53mn	+¥231	+¥107mn	+¥462	+¥160mn	+¥693	+¥214mn	+¥925	+¥267mn	+¥1,156

Properties for potential sale (NOI yield less than 4.0%)(Note2)

	Book value	NOI yield
Koraku Mori Building	¥26,241mn	2.9%
Roppongi First Building	¥20,277mn	2.7%
ARK Forest Terrace	¥5,150mn	2.2%
Roppongi First Plaza	¥2,209mn	3.5%
Total	¥53,879mn	2.8%

Long-term vision

MHR seeks to grow asset base and continue to improve investors' value, and eventually anticipates shift from current "asset swap" approach to "equity finance/acquisition of properties." Management will maintain its unrelenting focus on increasing dividends through accretive acquisitions, reducing financial costs and maintaining efficient operations.



- Provide various support to achieve the original ideal for "Mori Building Co., Ltd., an unlisted company, and MHR to form good partnership and grow together" (the advantage of an unlisted sponsor company is flexible support such as asset swaps, while enabling Mori Building to pursue long-term, strategic vision).
- Mori Building Co., Ltd. has extensive property pipeline (total assets of 1.1 trillion yen as of March 2011 and 113 properties as of April 2011), and MHR is able to acquire properties based on preferential negotiation rights without going through a competitive bidding process.

(Note 1) This simulation shows the impact of asset swaps or change in financial costs on MHR's earnings with a simplified calculation assuming the other conditions remained constant. The actual results may differ from this simulation. The simulation is based on the number of units outstanding of 231,520 units as of September 15, 2011.

(Note 2) NOI yield is projected NOI yield for the 11th period based on the acquisition price.

1-7 Investment highlights

Impact of the Great East Japan Earthquake and MHR's earthquake-resistance features



Impact of the Great East Japan Earthquake

Required restoration	(1) Restoration needed for operation 10 mn yen (fallen ceiling board, roll-up of ELV ropes, partially fallen outside wall of air-conditioning machine room, etc.)
	(2) Work needed for aesthetic purposes such as repair of minor cracks 2 mn yen
	Total 13 mn yen

Tenant trends after the earthquake (at Aug. 26, 2011)	[New contract] Office: 4 (6,338.31㎡) / Residence: 15 (1,414.05㎡)
	[Cancellation] Office: 1 (1,775.74㎡) / Residence: 19 (2,053.29㎡)
	⇒Cancellation due to the earthquake: Residence: 5 (533.93㎡)

Lowest portfolio PML of all J-REITs

0.71%

- ⇒ Earthquake restoration expenses very minor (ratio to total acquisition price of properties: 0.006%)
- ⇒ Potential to accommodate tenants' need to move to buildings with better earthquake-resistance

(Note) Area is based on the contract area presented in the lease contract with each end-tenant.

MHR properties' PML and earthquake-resistant features (as of September 15, 2011)

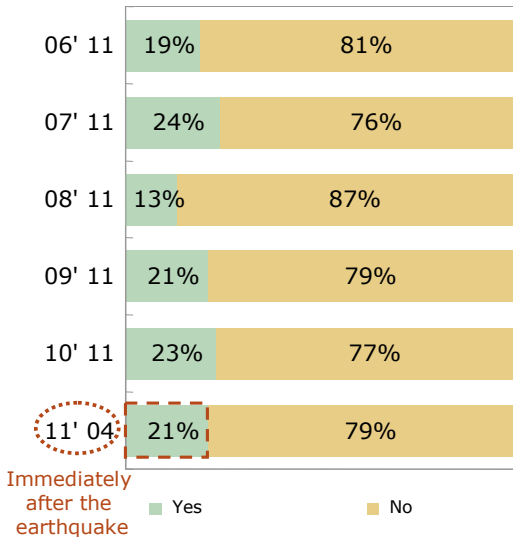
Type	Office building					Residential				Retail	
	Property Name	Property Name	Property Name	Property Name	Property Name	Property Name	Property Name	Property Name	Property Name	Property Name	
	Roppongi Hills Mori Tower	ARK Mori Building	Roppongi First Building	Koraku Mori Building	Akasaka Tameike Tower	Moto-Azabu Hills Forest Tower	Moto-Azabu Hills Forest Terrace East	ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (land)
	O-0	O-1	O-3	O-4	O-6	R-1		R-2	R-3	R-4	S-1
Photo											
PML	0.29%	0.38%	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 Isolators	Seismic Isolators	Seismic Isolators	—	—	—

1-8 Investment highlights

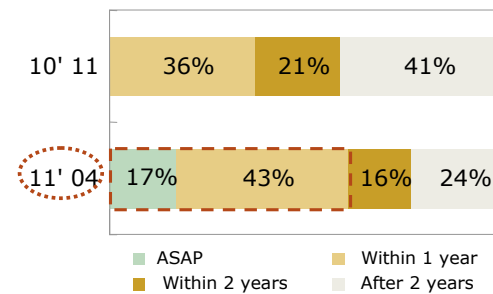
Survey on the needs for office space after the Great East Japan Earthquake

Survey on office space requirements in Tokyo's 23 wards

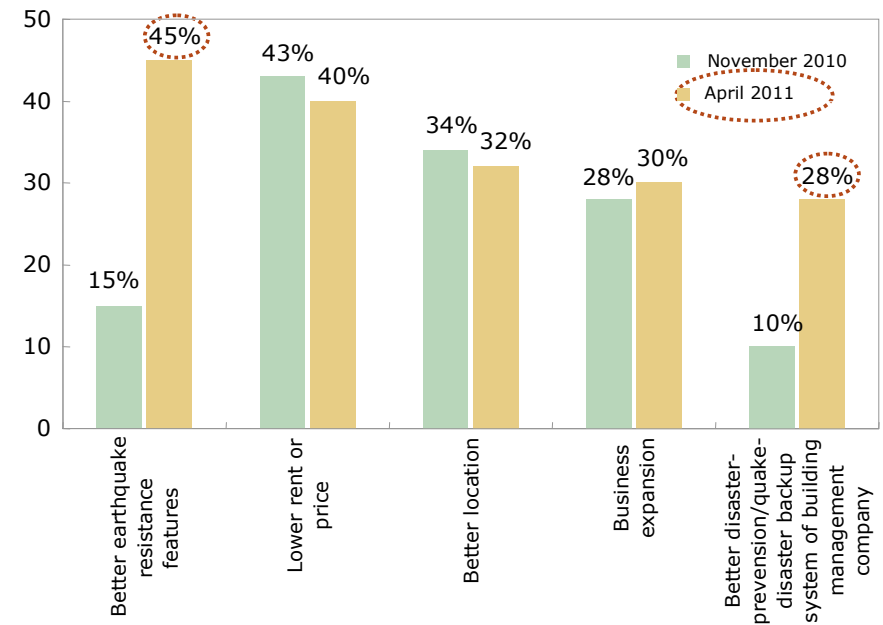
Interested in expanding/relocating to a new office



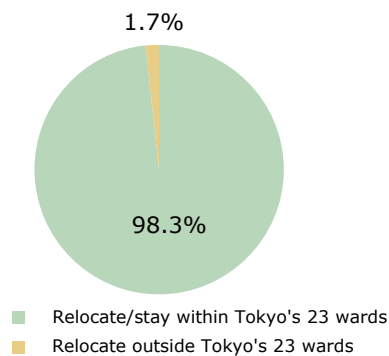
Timing to expand/relocate



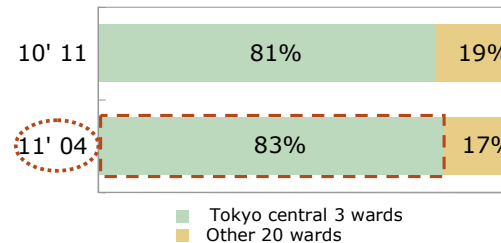
Reason for expanding/relocating to a new office



Companies seeking to relocate within Tokyo's 23 wards



Location of new office

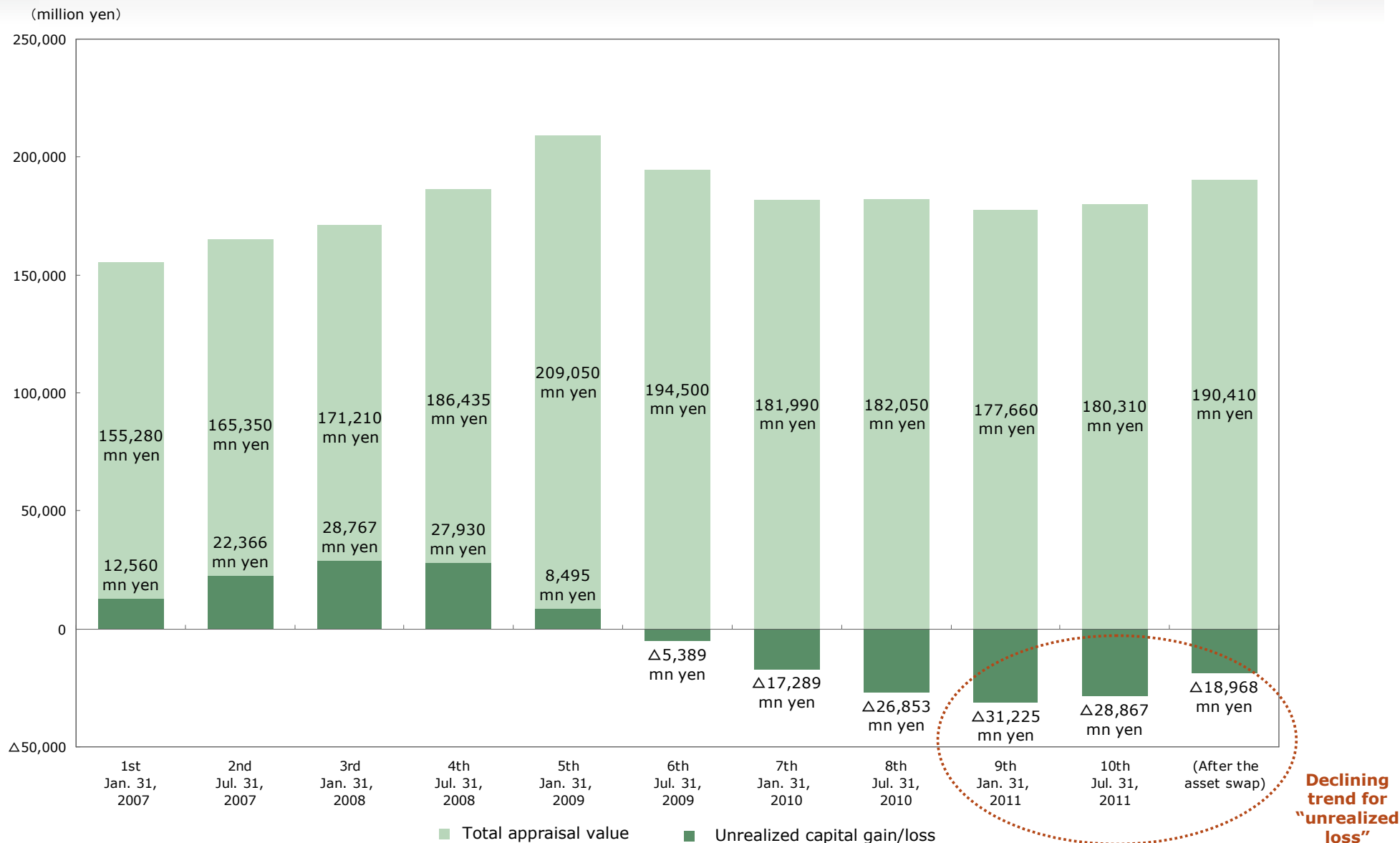


- Continued interest in expansion and relocation within Tokyo**
 - Companies planning to expand/relocate remains above 20%
 - Companies wanting to expand/relocate "within 1 year (including "ASAP")" increased substantially to 60% from 36%
- Demand focused on Tokyo's central 3 wards**
 - more than 80% of companies planning to lease new space prefer locations in Tokyo's central 3 wards
- Huge jump in desire for buildings with earthquake resistance**
 - "want to relocate into an earthquake resistant building" increased dramatically from 15% to 45%

(Source) Mori Building "Survey on the needs for office space in Tokyo's 23 wards, 2011 [interim report]"

(Note) Survey conducted from the end of April to mid May 2011; survey covered top 3,400 companies by capital with headquarters in Tokyo 23 wards. 1,101 companies responded (e.g. response rate was 30.9%)

1-9 Investment highlights Change in total appraisal value



(Note1) Asset swap during the 10th Period, under which MHR sold Moto-Azabu Hills (86 residential units) and acquired 1.5 floors of ARK Mori Building(50% of 23rd floor and 25th floor), and Akasaka Tameike Tower (residence)

(Note2) Asset swap during the 11th Period, under which MHR sold Roppongi Hills Gate Tower and acquired 1.5 floors of Roppongi Hills Mori Tower (23rd floor and 50% of 24th floor) and 3 floors of ARK Mori Building (4th floor, 15th floor and 24th floor)

1-10 Investment highlights Appraisal value

(million yen)

Type	Property name	Property No.	Acquisition price	Book value	As of end of 9th period (Jan. 31, 2011)		As of end of 10th period (Jul. 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	6,825	7,420	3.8%	7,370	3.8%	3.5%	4.0%	△ 50	△ 0.7%	544
	ARK Mori Building (Note 2)	O-1	41,770	41,570	24,200	3.8%	35,500	3.8%	3.5%	4.0%	11,300	46.7%	△ 6,070
	Roppongi Hills Gate Tower	O-2	36,500	35,678	32,000	3.9%	31,900	3.9%	3.7%	4.2%	△ 100	△ 0.3%	△ 3,778
	Roppongi First Building	O-3	21,000	20,277	20,400	4.3%	19,400	4.3%	4.0%	4.5%	△ 1,000	△ 4.9%	△ 877
	Koraku Mori Building (Note 3)	O-4	27,200	26,241	23,280	4.7%	22,080	4.7%	4.3%	5.0%	△ 1,200	△ 5.2%	△ 4,161
	Akasaka Tameike Tower (Note 4)	O-6	43,930	43,534	23,700	4.0%	30,000	4.0%	3.7%	4.2%	6,300	26.6%	△ 13,534
	Sub total			177,210	174,128	131,000	-	146,250	-	-	-	15,250	-
Residential	Moto-Azabu Hills (Note 5)	R-1	1,706	1,673	14,000	4.7%	1,700	4.7%	4.3%	4.9%	△ 12,300	△ 87.9%	26
	ARK Forest Terrace	R-2	5,300	5,150	3,560	4.9%	3,040	5.0%	4.8%	5.2%	△ 520	△ 14.6%	△ 2,110
	Roppongi First Plaza	R-3	2,100	2,209	1,720	5.2%	1,650	5.2%	5.0%	5.4%	△ 70	△ 4.1%	△ 559
	Roppongi View Tower	R-4	4,000	3,940	3,180	5.3%	3,170	5.3%	5.1%	5.5%	△ 10	△ 0.3%	△ 770
	Sub total			13,106	12,974	22,460	-	9,560	-	-	-	△ 12,900	-
Retail	Laforet Harajuku (land) (Note 6)	S-1	21,820	22,074	24,200	5.2%	24,500	-	5.1%	-	300	1.2%	2,425
	Sub total			21,820	22,074	24,200	-	24,500	-	-	-	300	-
Total			212,136	209,177	177,660	-	180,310	-	-	-	2,650	1.5%	△ 28,867

(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, and the property appraisal reports created by Japan Real Estate Institute.

(Note 2) Additional portion of ARK Mori Building (50% of the 23th floor and the 25th floor) was acquired during the 10th Period

(Note 3) Koraku Mori Building'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) Additional portion of Akasaka Tameike Tower (residence) was acquired during the 10th Period

(Note 5) Part of the residential units of Moto-Azabu Hills (86 units) were sold during the 10th Period. "Acquisition price" and "Book Value" show the amounts after sale of the lots

(Note 6) For Laforet Harajuku (Land), value in the "Yield (direct capitalization method)" column for the 9th period shows the discount rate used in the DCF analysis

2-1 10th period financial highlights Financial summary



	(million yen)				
	Actual		Difference		
	9th period	10th period	10th - 9th period		
Operating days	184 days	181 days			
Operating revenue	5,483	5,257	△ 225	△ 4.1%	ARK Mori Building (acquisition and change to fixed master lease contract) +186
Rent revenue-real estate	4,755	4,586	△ 168	△ 3.5%	Toranomon 35 Mori Building sold in 9th period (difference of operating days) △103
Rents incl. CAM fees	4,702	4,541	△ 160	△ 3.4%	Roppongi First Building △22
Office	3,082	2,932	△ 150	△ 4.9%	Roppongi Hills Gate Tower △23
Residential	959	804	△ 154	△ 16.1%	Akasaka Tameike Tower △35
Retail	171	157	△ 13	△ 8.1%	Koraku Mori Building △151
Land	488	646	158	32.4%	Acquisition of Akasaka Tameike Tower (residence) +201
Other rent revenue	52	45	△ 7	△ 14.6%	Partial sale of Moto-Azabu Hills △352
Other lease business revenue	445	334	△ 111	△ 24.9%	Laforet Harajuku (land) sold in 9th period (difference of operating days) +158
Gain on sales of real estate properties	282	336	53	19.0%	ARK Mori Building (change to fixed master lease contract) △15
Operating expenses	2,526	2,197	△ 328	△ 13.0%	Partial sale of Moto-Azabu Hills △34
Expenses related to rent business	2,114	1,878	△ 236	△ 11.2%	Revenue from parking lot △6
Profit on real estate rental	3,086	3,043	△ 43	△ 1.4%	Heating/cooling usage, etc. △55
Depreciation and amortization	699	670	△ 28	△ 4.1%	Acquisition of Akasaka Tameike Tower (residence) +76
NOI	3,785	3,713	△ 72	△ 1.9%	Partial sale of Moto-Azabu Hills △221
NOI yield	3.5%	3.5%	△ 0.0PT	△ 0.4%	ARK Mori Building (change to fixed master lease contract) △84
SG&A	412	319	△ 92	△ 22.4%	Leasing fee +31
Operating income	2,957	3,059	102	3.5%	Property taxes, etc +34
Non-operating income	5	3	△ 1	△ 33.6%	Utilities △36
Non-operating expenses	1,121	1,115	△ 6	△ 0.6%	Asset management fee △78
Interest expenses	878	861	△ 17	△ 2.0%	Consumption taxes △8
Other non-operating expenses	242	254	11	4.6%	Outsourcing fees △4
Non-operating income/expenses	△ 1,116	△ 1,111	4	0.4%	Interest expenses △45
Ordinary income	1,840	1,947	106	5.8%	Interest on investment company bonds +27
Extraordinary loss	—	13	△ 13	—	Borrowing expenses +11
Income before income taxes	1,840	1,934	93	5.1%	
Total income taxes	0	1	0	0.9%	
Net income	1,839	1,933	93	5.1%	
Dividend/unit (yen)	7,947	8,352	405	5.1%	
Total acquisition price	211,899	212,136	236	0.1%	

2-2 10th period financial highlights

Comparison between forecast and results

(million yen)

	10th period			
	Forecast	Actual	Actual – Forecast	
	181 days	181 days		
Operating revenue	5,251	5,257	6	0.1%
Rent revenue-real estate	4,563	4,586	23	0.5%
Rents incl. CAM fees	4,520	4,541	21	0.5%
Office	2,913	2,932	19	0.7%
Residential	801	804	2	0.3%
Retail	158	157	△ 0	△ 0.4%
Land	646	646	—	0.0%
Other rent revenue	43	45	2	4.7%
Other lease business revenue	352	334	△ 17	△ 5.0%
Gain on sales of real estate properties	335	336	0	0.3%
Operating expenses	2,226	2,197	△ 28	△ 1.3%
Expenses related to rent business	1,909	1,878	△ 30	△ 1.6%
Profit on real estate rental	3,006	3,043	36	1.2%
Depreciation and amortization	674	670	△ 4	△ 0.6%
NOI	3,681	3,713	32	0.9%
NOI yield	3.5%	3.5%	0.0PT	0.8%
SG&A	317	319	2	0.8%
Operating income	3,024	3,059	34	1.2%
Non-operating income	3	3	0	11.8%
Non-operating expenses	1,128	1,115	△ 12	△ 1.1%
Interest expenses	866	861	△ 4	△ 0.6%
other non-operating expenses	262	254	△ 7	△ 3.0%
Non-operating income/expenses	△ 1,125	△ 1,111	13	1.2%
Ordinary income	1,899	1,947	48	2.5%
Extraordinary loss	—	13	13	—
Income before income taxes	1,899	1,934	34	1.8%
Total income taxes	1	1	△ 0	△ 8.6%
Net income	1,898	1,933	35	1.8%
Dividend/unit (yen)	8,200	8,352	152	1.9%
Total acquisition price	212,136	212,136	0	0.0%

Roppongi First Building	+9
Koraku Mori Building	+4
Akasaka Tameike Tower	+4

Revenue from parking lot	△8
Heating/cooling usage, etc.	△14

Leasing fee	+20
Building management fee	△9
Repair expenses	△19
Utilities	△11

2-3 10th period financial highlights Projection



(million yen)

	Actual	Forecast	Difference	
	10th period	11th period	11th - 10th period	
	181 days	184 days		
Operating days				
Operating revenue	5,257	4,761	△ 495	△ 9.4%
Rent revenue-real estate	4,586	4,407	△ 179	△ 3.9%
Rents incl. CAM fees	4,541	4,372	△ 169	△ 3.7%
Office	2,932	3,148	215	7.3%
Residential	804	566	△ 238	△ 29.6%
Retail	157	11	△ 146	△ 92.6%
Land	646	646	—	0.0%
Other rent revenue	45	34	△ 10	△ 23.1%
Other lease business revenue	334	169	△ 165	△ 49.4%
Gain on sales of real estate properties	336	185	△ 150	△ 44.9%
Operating expenses	2,197	1,652	△ 545	△ 24.8%
Expenses related to rent business	1,878	1,362	△ 515	△ 27.5%
Profit on real estate rental	3,043	3,214	170	5.6%
Depreciation and amortization	670	636	△ 33	△ 5.0%
NOI	3,713	3,850	137	3.7%
NOI yield	3.5%	3.6%	0.1PT	2.3%
SG&A	319	290	△ 29	△ 9.2%
Operating income	3,059	3,109	49	1.6%
Non-operating income	3	2	△ 0	△ 19.6%
Non-operating expenses	1,115	1,142	27	2.5%
Interest expenses	861	852	△ 8	△ 1.0%
Other non-operating expenses	254	290	36	14.2%
Non-operating income/expenses	△ 1,111	△ 1,140	△ 28	△ 2.5%
Ordinary income	1,947	1,969	21	1.1%
Extraordinary loss	13	—	△ 13	—
Income before income taxes	1,934	1,969	34	1.8%
Total income taxes	1	1	0	9.4%
Net income	1,933	1,967	34	1.8%
Dividend/unit (yen)	8,352	8,500	148	1.8%
Total acquisition price	212,136	211,516	△ 620	△ 0.3%

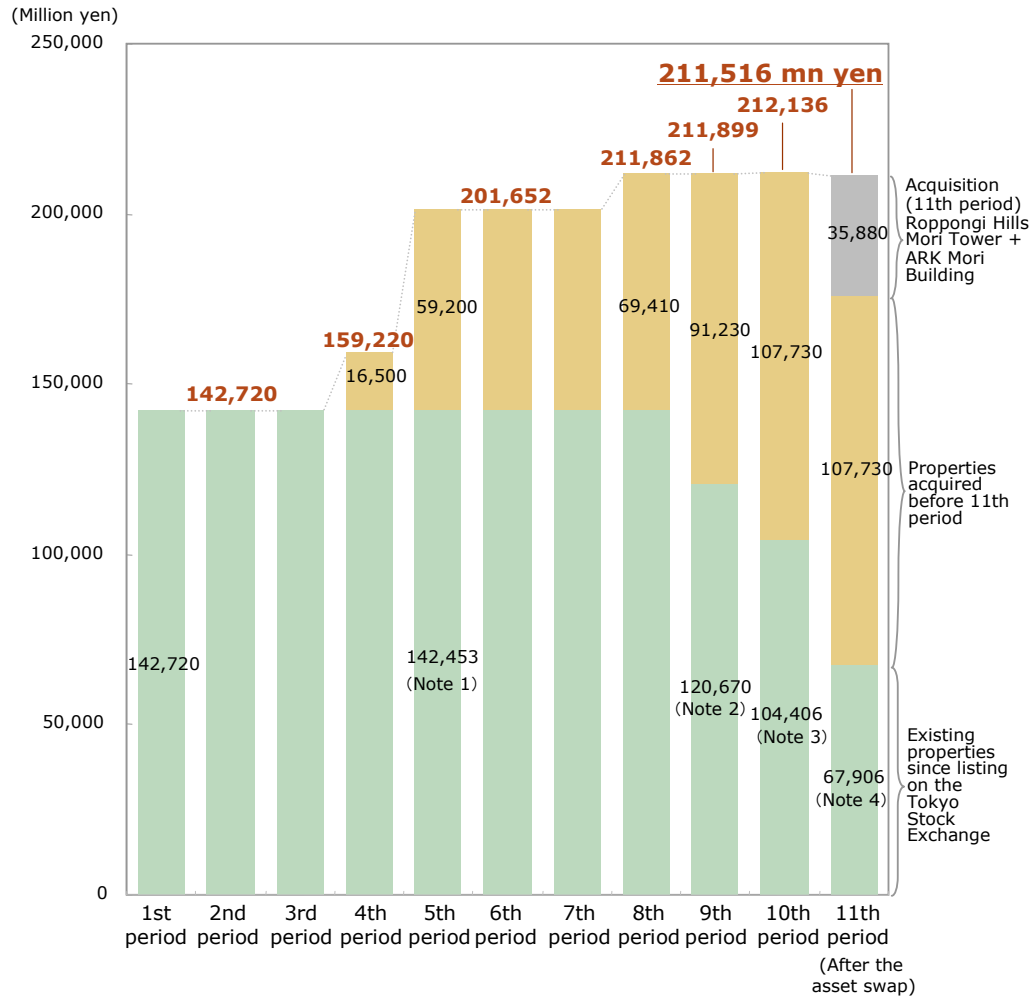
Additional acquisition of ARK Mori Building	+418
Acquisition of Roppongi Hills Mori Tower	+452
Sale of Roppongi Hills Gate Tower	△654
ARK Mori Building acquired in 10 th period (difference of operating days)	+61
AKasaka Tameike Tower (office) change to fixed master lease contract	+18
Roppongi First Building	△29
Koraku Mori Building	△50
Sale of Roppongi Hills Gate Tower	△121
Moto-Azabu Hills sold in 10 th period (difference of operating days)	△103
Sale of Roppongi Hills Gate Tower	△139
Sale of Roppongi Hills Gate Tower	△92
AKasaka Tameike Tower (office) change to fixed master lease contract	△67
Acquisition of Roppongi Hills Mori Tower	+68
Additional acquisition of ARK Mori Building	+48
Sale of Roppongi Hills Gate Tower	△437
AKasaka Tameike Tower (office) change to fixed master lease contract	△121
Moto-Azabu Hills sold in 10 th period (difference of operating days)	△77
Asset management fee	△18
Consumption taxes	△5
Outsourcing fee	△2
Borrowing expenses	+36

- (Note 1) Property taxes for properties acquired during the 9th, 10th and 11th periods have not been charged in respective years but included in acquisition costs. Property taxes for properties acquired during the 10th period are also included in acquisition cost in the 11th period, but those for properties acquired during the 9th period are charged in the 10th period for three months.
- (Note 2) Income and expenditure for additional portion of ARK Mori Building and Akasaka Tameike Tower, both acquired during the 10th period, were calculated from March 18, 2011 (136 days).
- (Note 3) Income and expenditure for the portion of Moto-Azabu Hills (86 residential units) sold during the 10th period were calculated up to March 17, 2011 (45 days).

3-1 Operation highlights Portfolio overview

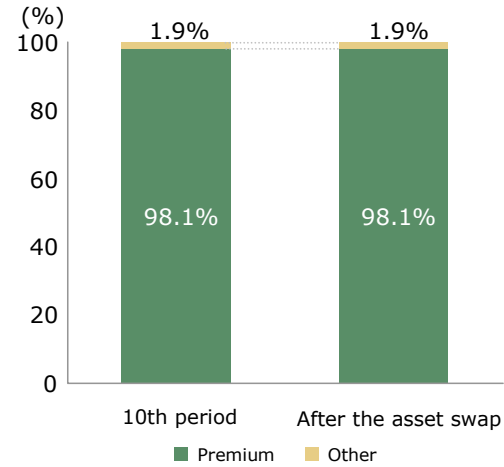


Change in assets under management

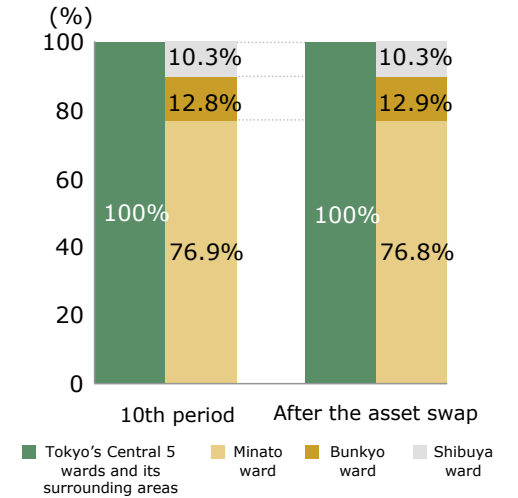


- (Note 1) MHR sold Moto-Azabu Hills (one residential unit) in the 5th period.
- (Note 2) MHR sold Toranomon 35 Mori Building and Moto-Azabu Hills (42 residential units) in the 9th period.
- (Note 3) MHR sold Moto-Azabu Hills (86 residential units) in the 10th period.
- (Note 4) MHR sold Roppongi Hills Gate Tower in the 11th period.

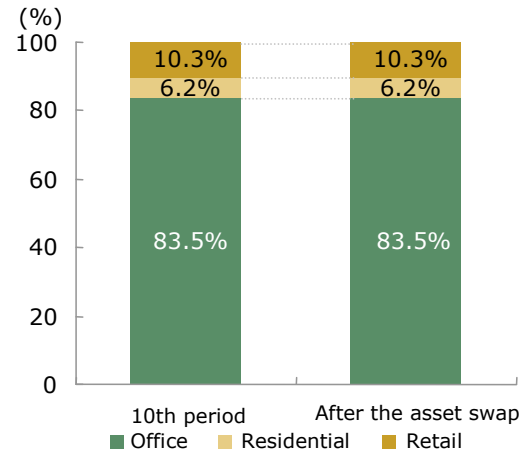
Quality (Note 2)



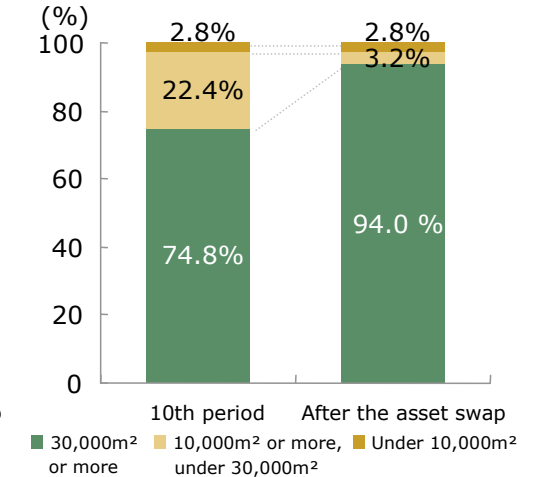
Area



Type



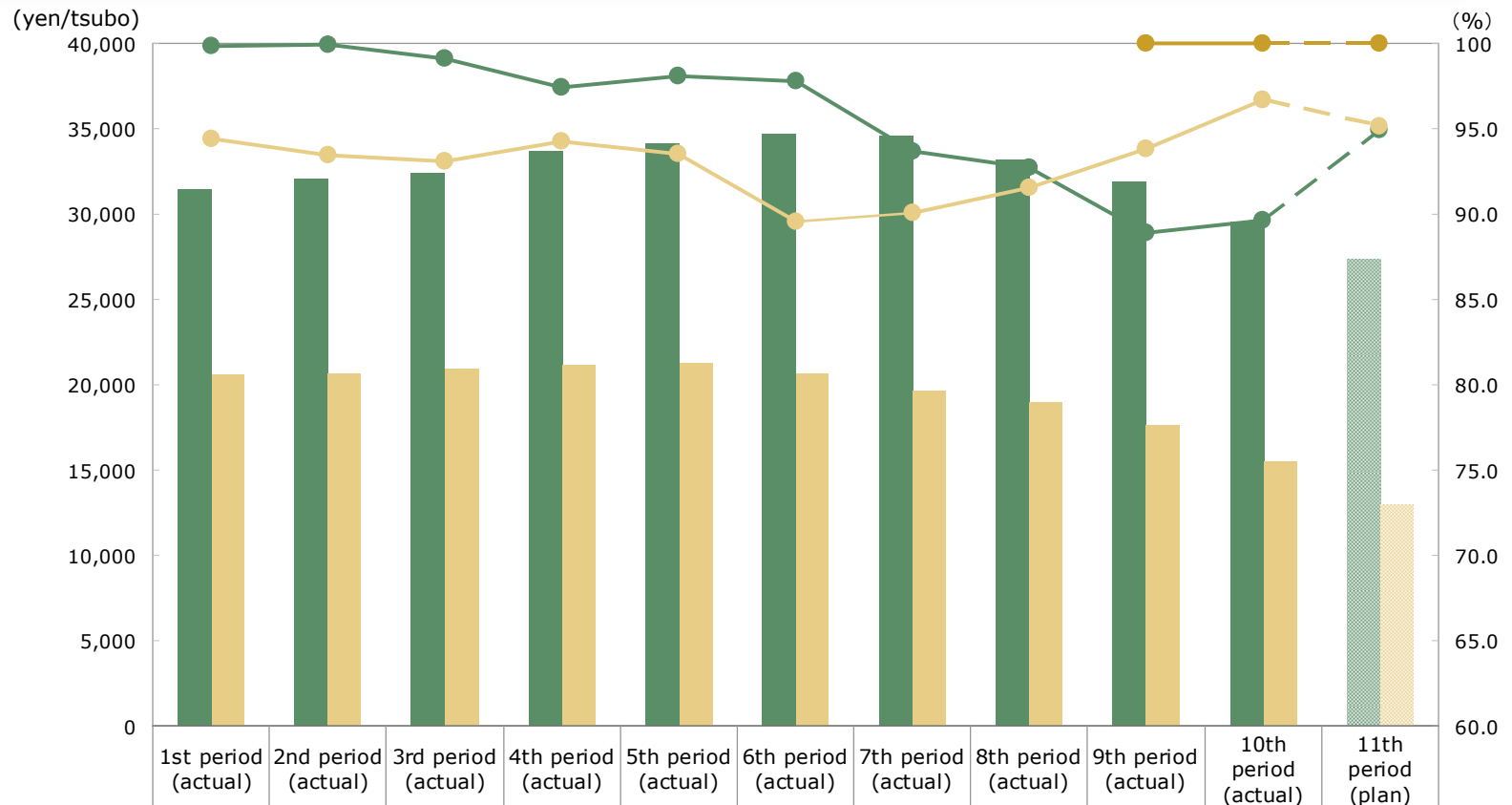
Size (Note 3)



- (Note 1) The ratios represent proportions of acquisition price to total acquisition price. Figures are rounded up to one digit below decimal point.
- (Note 2) Premium Properties are defined as properties located in prime areas (Tokyo's Central 5 wards 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 Premium properties, land shall also be positioned as Premium Properties. Chart showing "Size" does not include Laforet Harajuku (land).
- (Note 3)

3-2 Operation highlights

Changes in the rent and occupancy rates

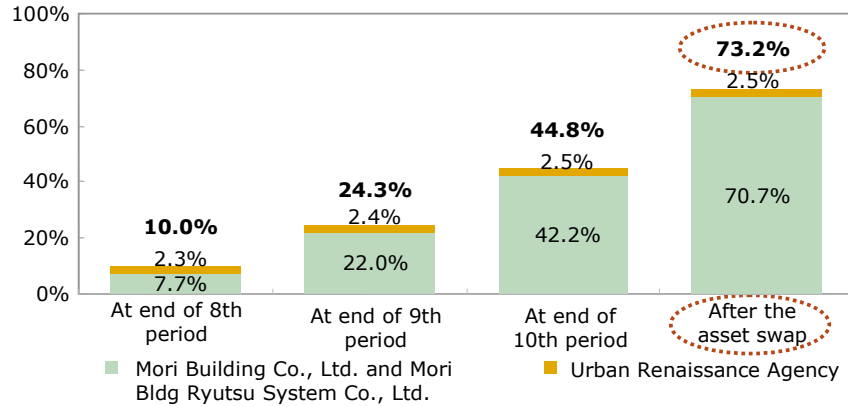


	1st period (actual)	2nd period (actual)	3rd period (actual)	4th period (actual)	5th period (actual)	6th period (actual)	7th period (actual)	8th period (actual)	9th period (actual)	10th period (actual)	11th period (plan)
Office unit rent (yen/tsubo)	31,450	32,068	32,462	33,648	34,118	34,725	34,554	33,187	31,901	29,555	27,340
Residential unit rent (yen/tsubo)	20,625	20,674	20,964	21,157	21,234	20,664	19,658	18,959	17,648	15,492	12,987
Office occupancy (%)	99.9%	100.0%	99.1%	97.4%	98.1%	97.8%	93.7%	92.7%	88.9%	89.6%	95.0%
Residential occupancy (%)	94.4%	93.4%	93.1%	94.2%	93.5%	89.6%	90.1%	91.5%	93.8%	96.7%	95.1%
Retail occupancy (%)	-	-	-	-	-	-	-	-	100%	100%	100%

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

- Due to change in composition of properties and lease methods starting in the 9th period, the rent data is less comparable – particularly, a substantial decline in residential per/unit rent after the 9th period resulted from the sale of numerous, luxury Moto-Azabu Hills units.
- Although rent is still on a downward trend, the decrease in range of decline seems to indicate bottoming out.

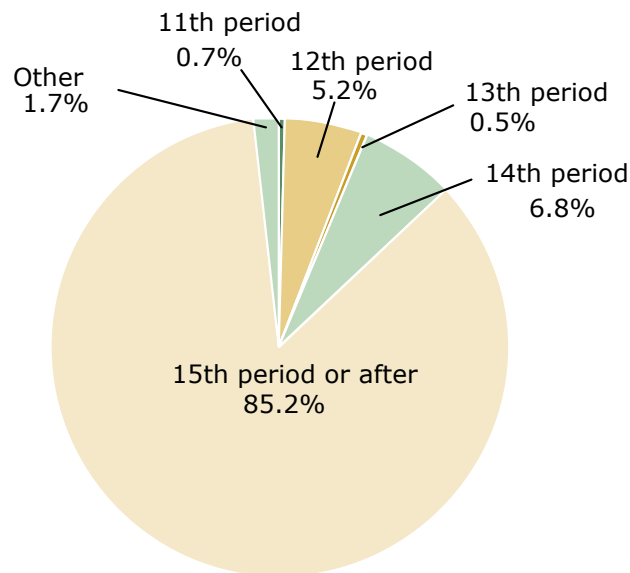
Ratio of fixed rent property



(Note 1) Laforet Harajuku (land) is leased to Mori Bldg Ryutsu System Co., Ltd. and Roppongi View Tower is leased to Urban Renaissance Agency.

(Note 2) Figures in the charts represent the ratio of rent revenue from fixed rent property based on monthly rents at the last month of the 8th period, 9th period, 10th period and after the asset swap, which reflect the situation of tenants as of August 26, 2011 including move in/out and rent revision, to the rent revenue from all property (excluding revenue from parking lot and other income). The figures are rounded up to one digit below decimal point.

Rent revenue breakdown by timing of renewal-Office



Difference in current office rent and market rent

		Comparison to market rents (million yen)					Total
		Higher	Equivalent	Lower			
		Over 10%	10%~0%	0%	0%~ Δ 10%	Δ 10%~ Δ 20%	Under Δ 20%
11th period	Limited term	-	-	-	-	-	-
	Traditional	1.5	-	-	-	-	1.5
12th period	Limited term	-	-	-	-	-	-
	Traditional	5.1	13.2	-	14.2	-	32.7
13th period	Limited term	-	-	-	-	-	-
	Traditional	-	-	-	1.3	-	1.3
14th period	Limited term	16.8	-	-	24.8	-	41.6
	Traditional	-	-	-	3.9	3.6	7.5
After 15th period	Limited term	-	12.9	-	13.4	-	26.8
	Traditional	-	-	371.1	12.6	-	383.8
Total		23.5	26.2	371.1	70.5	30.4	521.9
Average of the difference		19.0%	3.8%	0.0%	Δ 4.8%	-	Δ 32.8%
Ratio		4.5%	5.0%	71.1%	13.5%	0.0%	5.8%
		9.5%		71.1%		19.3%	

Tenants who have agreed to rent revision (JPY39.0mn in total after the revision) are classified in the 15th period and thereafter

(Note 1) Figures in the charts show monthly rent by period/contract, which reflects the situation of tenants as of August 26, 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 10th period as reported in the research report.

3-4 Operation highlights

Breakdown of rent income and office leasing overview②



Result of rent revision - Office

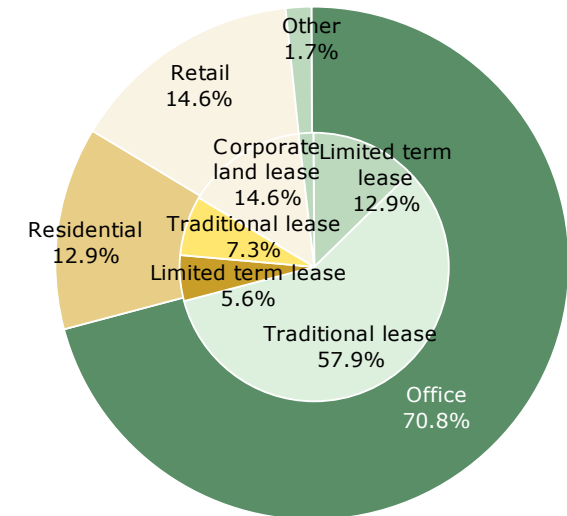
		No. of tenants	Monthly rent prior to rent change	Monthly rent after rent change	Increase/decrease in monthly rent	Rate of revision
Already agreed	6th period	14	162.4 mn yen	170.1 mn yen	7.7 mn yen	4.7%
	7th period	9	103.0 mn yen	90.5 mn yen	△ 12.5 mn yen	△ 12.1%
	8th period	12	134.6 mn yen	114.5 mn yen	△ 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	4	154.8 mn yen	115.7 mn yen	△ 39.1 mn yen	△ 25.3%
	11th period	4	48.7 mn yen	39.0 mn yen	△ 9.7 mn yen	△ 20.0%
Currently negotiating	11th period	1	1.5 mn yen			
	12th period	4	32.7 mn yen			

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				
				11th period	12th period	13th period	14th period	15th period-
Office tenant	Limited term	94.9	12.9%	-	-	-	41.6	53.2
	Traditional	427.0	57.9%	1.5	32.7	1.3	7.5	383.8
	Total	521.9	70.8%	1.5	32.7	1.3	49.2	437.0
Residential tenant	Limited term	41.3	5.6%	2.5	5.6	1.7	1.0	30.2
	Traditional	53.9	7.3%	0.7	0.0	0.3	0.0	52.8
	Total	95.2	12.9%	3.2	5.6	2.1	1.0	83.0
Retail tenant	Corporate land	107.8	14.6%	-	-	-	-	107.8
	Total	107.8	14.6%	-	-	-	-	107.8
Sub total		725.0	98.3%	4.8	38.4	3.5	50.2	627.9
Others	Retail	1.8	0.3%					
	Parking	4.4	0.6%					
	Others	5.8	0.8%					
Sub total		12.2	1.7%					
Total		737.2	100%					

Rent revenue breakdown by types of lease contract



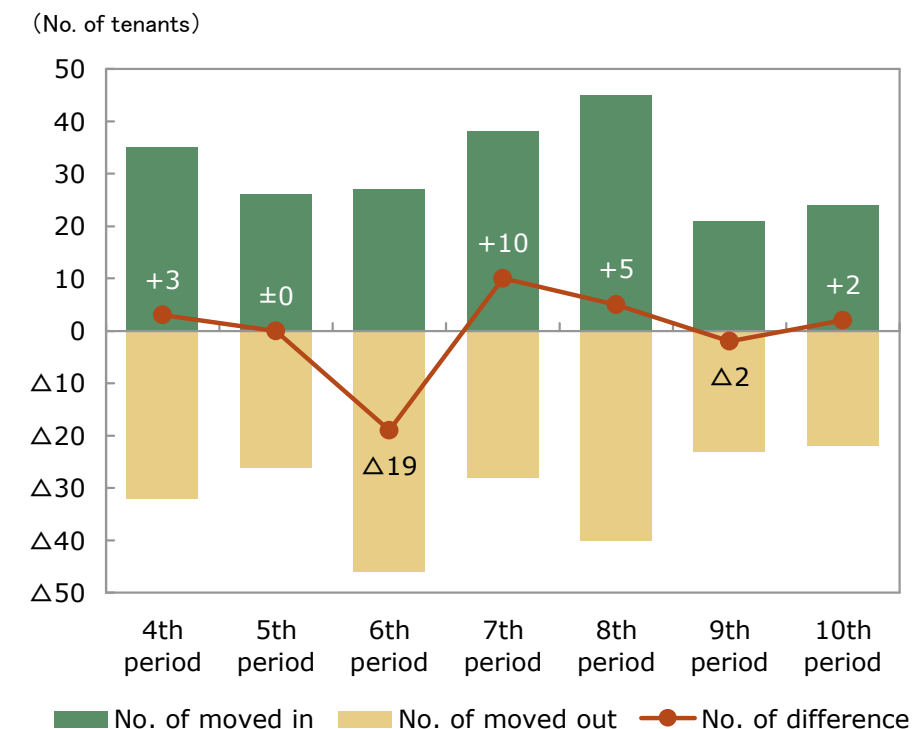
(Note) Situation of tenants reflects actual move in/out and revised rents as of Aug. 26, 2011.

3-5 Operation highlights Residential leasing overview

Adjustments-residential

	Moved in	Moved out	Difference
4th period	35	32	+3
	24,885	23,648	1,237
5th period	26	26	±0
	24,607	25,466	△ 859
6th period	27	46	△ 19
	20,183	23,223	△ 3,040
7th period	38	28	+10
	18,045	23,702	△ 5,657
8th period	45	40	+5
	18,456	22,450	△ 3,994
9th period	21	23	△ 2
	14,292	22,281	△ 7,989
10th period	24	22	+2
	16,989	19,878	△ 2,889

Change in moved in and moved out



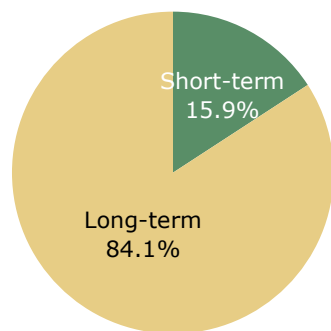
(Note) Upper line: No. of moved in/moved out. Lower line: Average rent (yen/tsubo per month).

4 Financial overview Stable funding

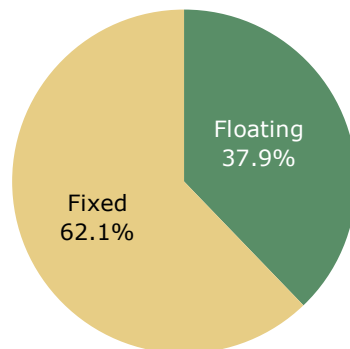
Long and short-term debt ratio/Fixed rate ratio

Outstanding balances

Long and short-term debt ratio (End of 10th period)



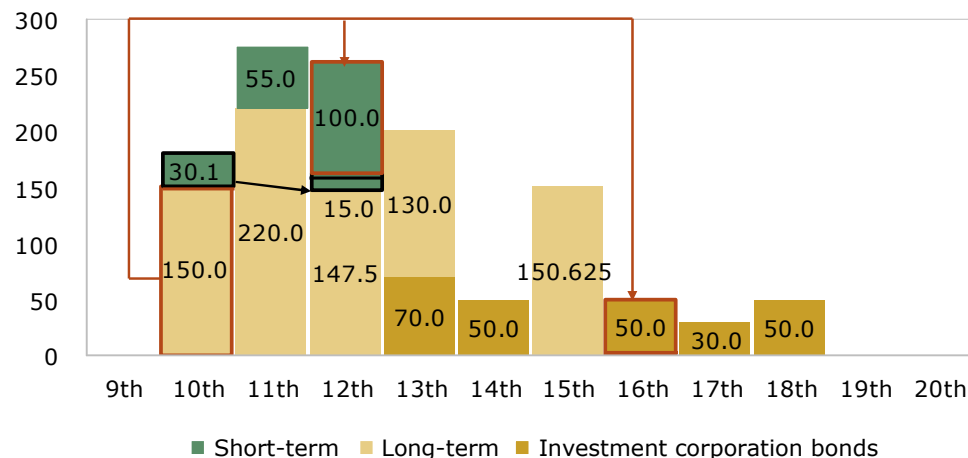
Fixed rate ratio (End of 10th period)



Lenders	Balance	Ratio
Mizuho Corporate Bank, Ltd.	12,055mn yen	14.7%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,055mn yen	14.7%
Mitsubishi UFJ Trust and Banking Corporation	12,055mn yen	14.7%
Sumitomo Mitsui Banking Corporation	11,279mn yen	13.7%
The Sumitomo Trust and Banking Co., Ltd.	10,456mn yen	12.7%
The Norinchukin Bank	4,200mn yen	5.1%
Development Bank of Japan Inc.	4,112mn yen	5.0%
Aozora Bank, Ltd.	4,000mn yen	4.9%
The Bank of Fukuoka, Ltd.	4,000mn yen	4.9%
Resona Bank, Ltd.	2,500mn yen	3.0%
Shinsei Bank, Limited	2,400mn yen	2.9%
The Oita Bank, Ltd.	1,000mn yen	1.2%
ShinGinko Tokyo, Limited	1,000mn yen	1.2%
The Hiroshima Bank, Ltd.	1,000mn yen	1.2%
Total borrowings	82,112mn yen	100%
Investment corporation bonds	25,000mn yen	
Total interest-bearing debt	107,112mn yen	

Overview of maturity

(100mn yen)



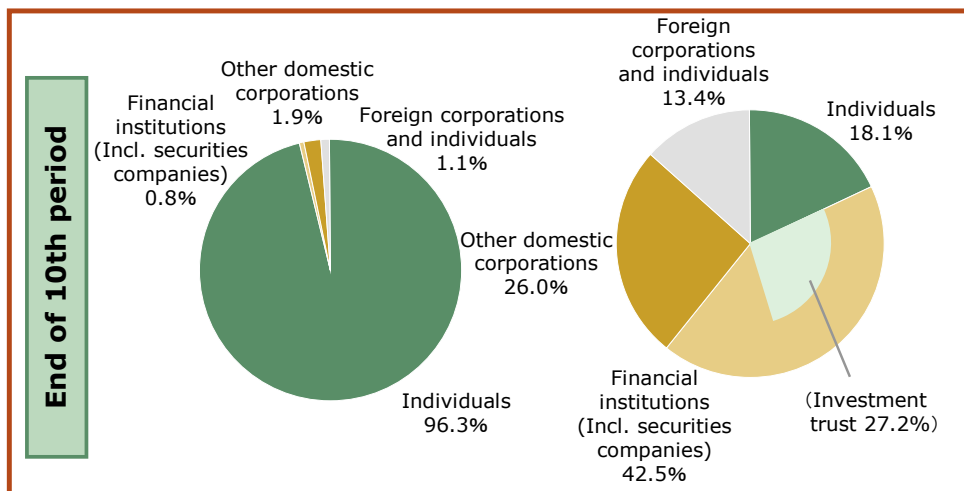
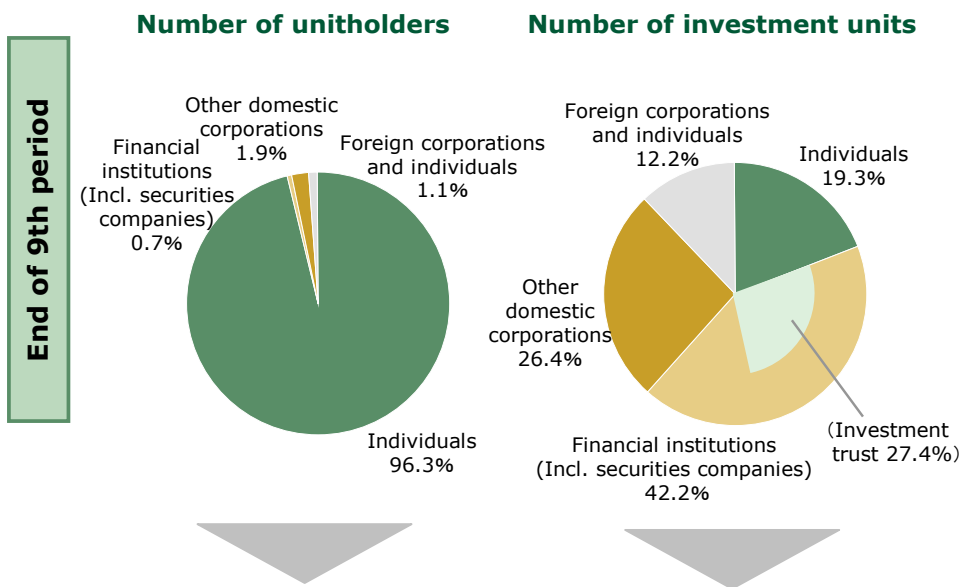
Ratings

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

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

5 Unitholders breakdown (As of July 31, 2011)

Unitholders breakdown



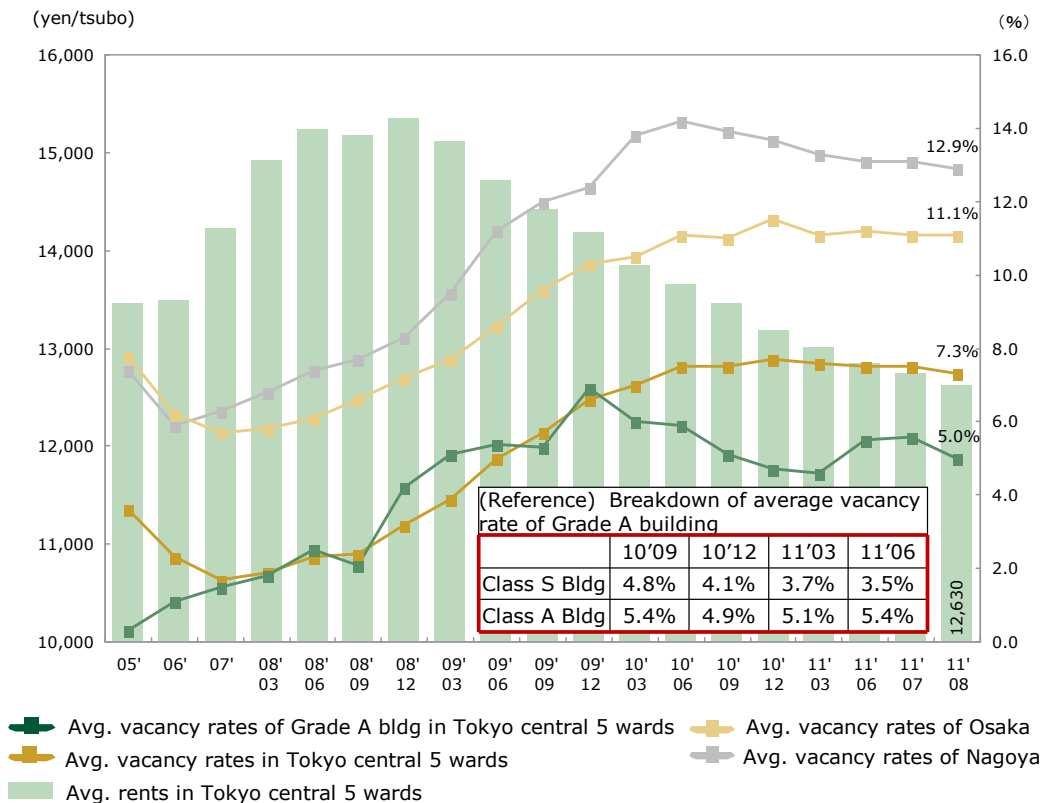
Top 10 unitholders

Rank	Name	No. of units held	Ratio
1	Mori Building Co., Ltd.	48,918	21.1%
2	Japan Trustee Service Bank (Trust account)	32,753	14.1%
3	The Nomura Trust & Banking (Trust account)	17,839	7.7%
4	Trust & Custody Service Bank of Japan, Ltd. (Securities Investment Trust account)	9,944	4.3%
5	The Fuji Fire and Marine Insurance Co., Ltd.	9,075	3.9%
6	The Master Trust Bank of Japan, Ltd. (Trust account)	6,767	2.9%
7	Nomura Bank (Luxembourg) S.A.	5,867	2.5%
8	State Street Bank and Trust Company	5,000	2.2%
9	JP Morgan Chase Bank 385174	4,983	2.2%
10	Shikoku Railway Company	3,324	1.4%
Top 10 unitholders total		144,470	62.4%

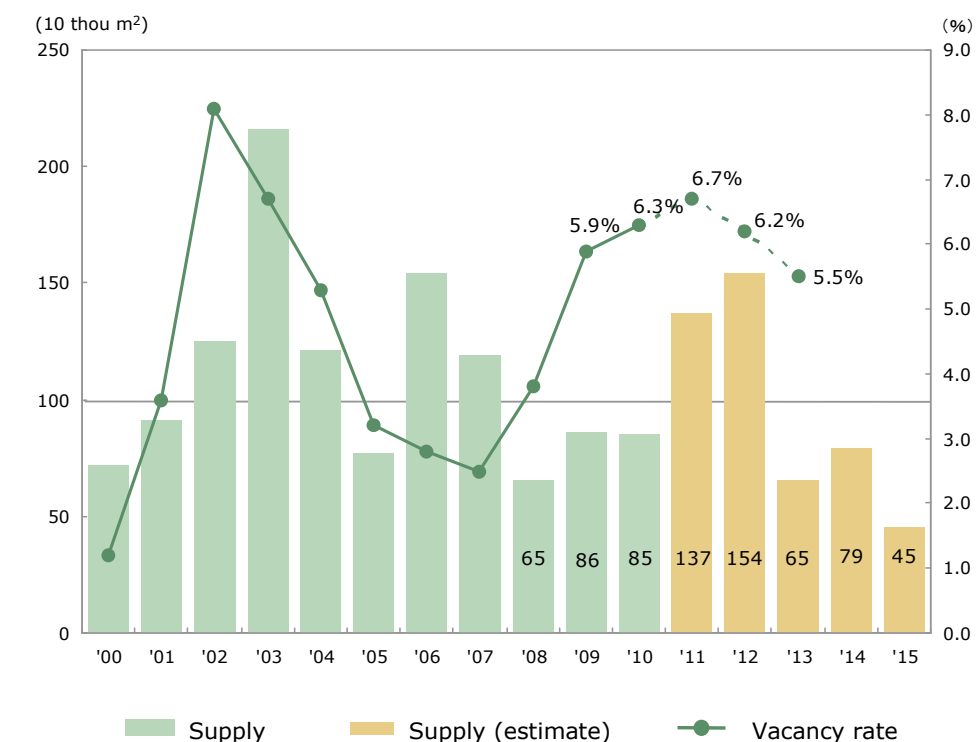
6-1 Tokyo market environment Rental office market trends



Change in rents and vacancy rates



Supply volumes and vacancy rates of large-scale office



(Source) Created by the asset manager based on the "OFFICE MARKET REPORT" of CB Richard Ellis.
 (Note 1) Annual rent covers rents from Jan. to Dec., and quarterly rent covers rents from Jan. to Mar., from April to June, from July to Sep. and from Oct. to Dec. Offered rents do not include common area service fees.
 (Note 2) Vacancy rate is as of the end of each period.

(Source) Prepared by the asset manager based on Mori Building Co., Ltd.'s "Survey on large-scale office building market trends in Tokyo's 23 wards" (September 2011 Issue)
 (Note) Estimated vacancy rate is based on figures published by Mori Building Co., Ltd.

- Among newly introduced "Grade A building" (aggregate of former Class S and A building), Class S buildings show steady decline in vacancy rates.
- Rents are still in an adjustment period, but they are expected to recover gradually for Class S and A properties as vacancy rates are decreasing.

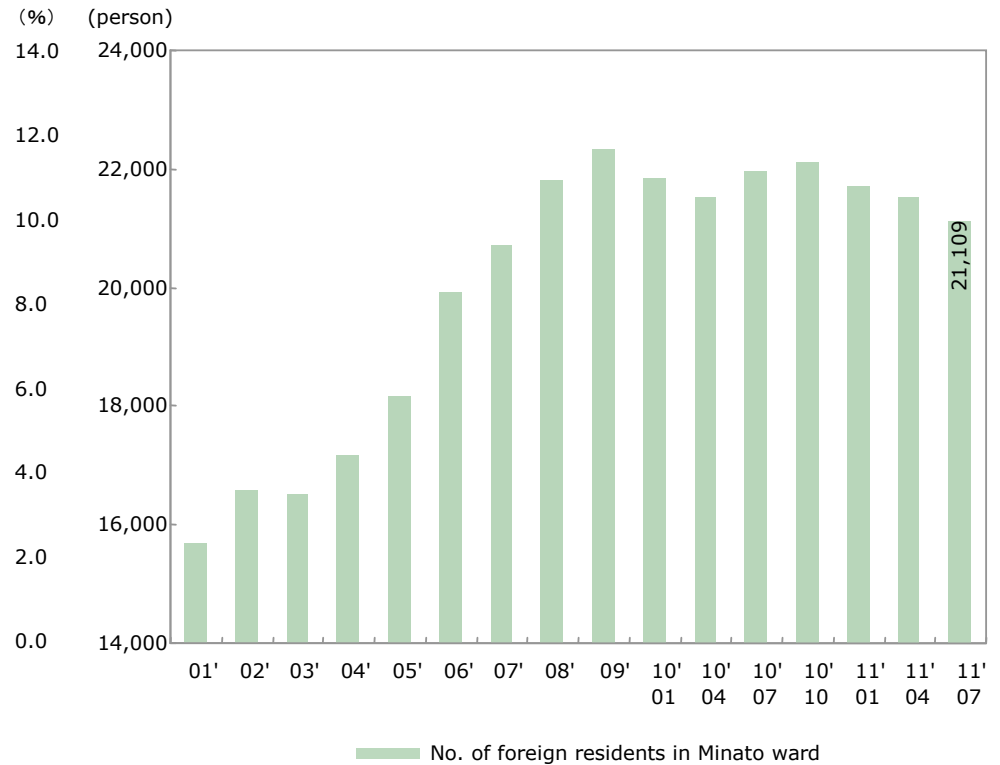
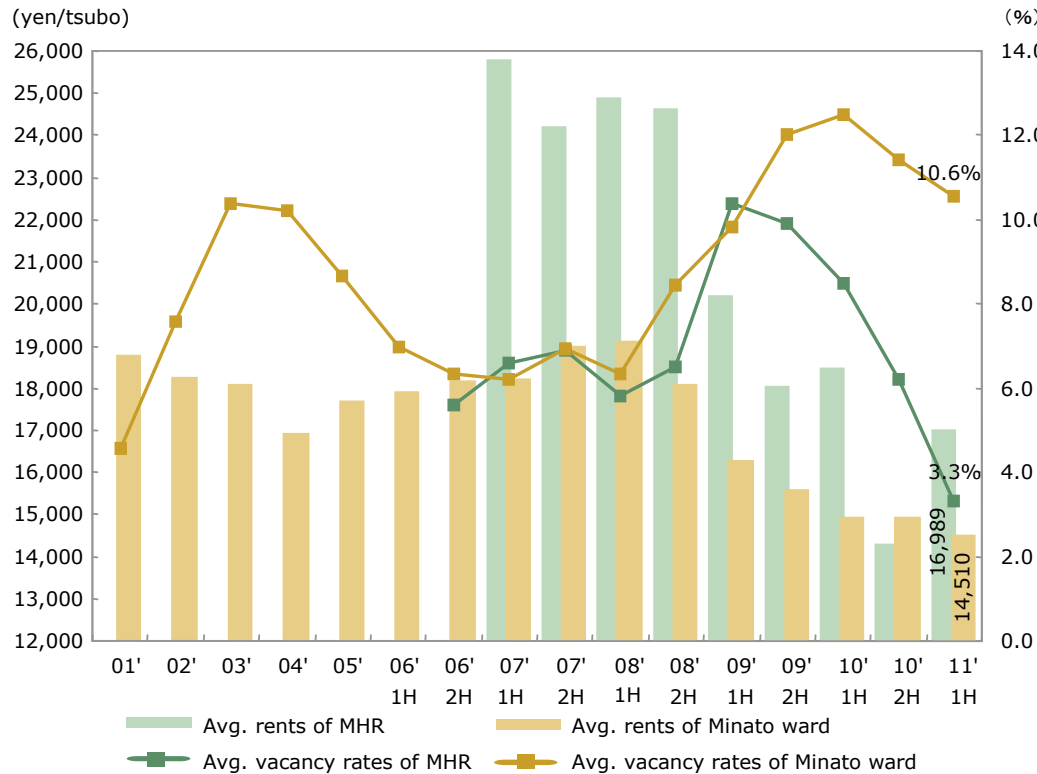
- Supply in 2011 and 2012 is expected to exceed historical average but fall below this from 2013 to 2015. Also, supply in Tokyo's central 3 wards over the next 5 years (580,000m² / year) is expected to be lower than the average for 2001-2005 (970,000m²/year) and for 2006-2010 (680,000m² / year).
- Vacancy rate is expected to decline gradually backed by the anticipated rebound in real GDP from 2012 onward (vacancy rate in Tokyo's central 3 wards is already declining ahead of this trend).

6-2 Tokyo market environment Luxury residential market



Change in rents and vacancy rates of luxury housing

Change in number of foreign residents in Minato ward



(Source) Created by the asset manager based on Ken Real Estate Investment Advisors' "Ken Data Press" included in real estate appraisal reports by Japan Real Estate Institute regarding properties held by MHR.
 (Note 1) Includes data on rental housing with monthly rent of more than JPY 300,000 or exclusively owned area of more than 30 tsubo.
 (Note 2) Annual rent covers rents from Jan. to Dec. and vacancy rate is annual average.
 (Note 3) For MHR, average of even periods is indicated as 1H, and average of odd periods is indicated as 2H.
 (Note 4) Vacancy rates of MHR show the average during the relevant 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.

(Source) Created by the asset manager based on "Number of registered foreign residents" prepared by Statistics Division Bureau of General Affairs of Tokyo.
 (Note) Figures indicate the number of registered foreign residents as of January 1 in each year.

•Vacancy rates in overall luxury housing market is decreasing and rents seem to be bottoming out.

•The number of registered foreign residents remains steady since 2008 with no drastic decrease due to the earthquakes etc.

6-3 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 "C" 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	B. Roppongi Hills Crosspoint	C. Plan to rebuild 21 & 25 Mori Buildings
		
a) Approx. 2,006m ²	a) Approx. 1,003m ²	a) Approx. 5,843m ²
b) Approx. 24,858m ²	b) Approx. 7,578m ²	b) Approx. 55,052m ²
c) Office/residential/retail	c) Office/retail/residential	c) Office/retail
d) Mori Building Co., Ltd.	d) Mori Building Co., Ltd.	d) Mori Building Co., Ltd.
e) Jan. 2011	e) Mar. 2011	e) Jun. 2013 (planned)

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 ² C-2 Area: 510m ²
b) Approx. 143,550m ²
c) Office/retail/residential
d) Redevelopment association (Note2)
e) Aug. 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

A redevelopment project expected to function as the main connection between Bay Area and central Tokyo, along with being a new business center.



a) Approx. 17,069m ²
b) Approx. 244,305m ²
c) Office/residential/hotel/retail/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.

6-4 Tokyo market environment

Movements concerning urban revitalization under the government's growth strategy



HILLS REIT

Revision of the Urban Renaissance Special Measures Law

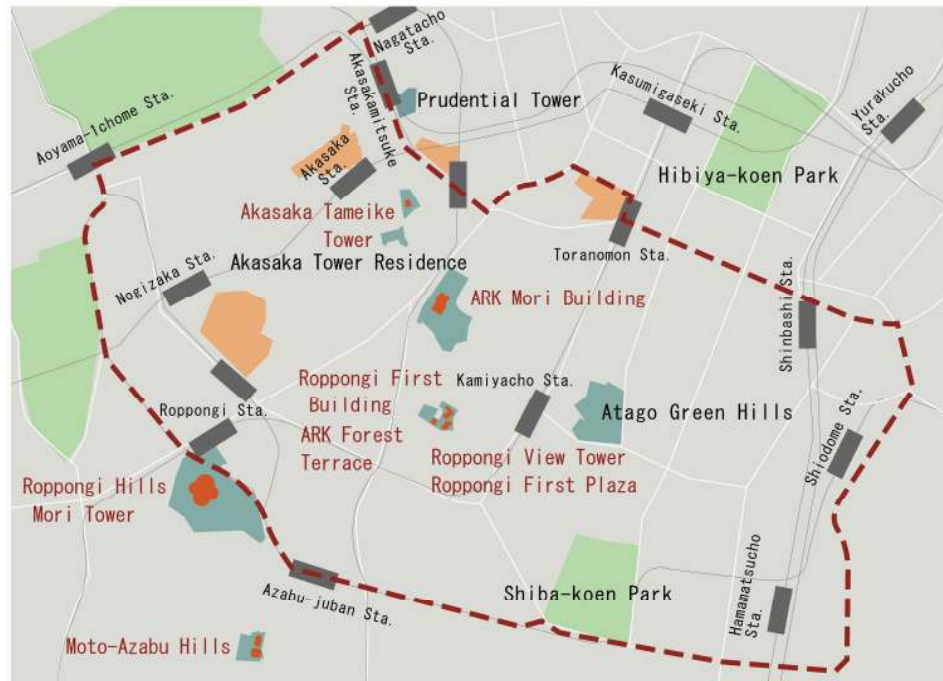
The Urban Renaissance Special Measures Law was revised on April 20, 2011 based on the growth strategy of the Japanese government and the Ministry of Land, Infrastructure and Transport (MLIT), and implemented on July 25.

To reinforce international competitiveness of cities, priority development areas for the Urban renaissance project will be designated by government decree.

【Revision Summary】

- Designation of priority urban redevelopment areas
- Special road occupancy permission to create traffic and intercommunication in the city
- Introduction of private pact system to create traffic and intercommunication in the city
- Improvement of the corporate system for promotion of urban redevelopment and development
- Extension of the filing due for obtaining the Minister's approval for private urban development projects
- Financial support for private urban development projects

[MLIT report:Feb 2011]



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

Creation of Integrated Special Zone Scheme

For resolution of the policy agenda in the government's new growth strategy, the Law on Integrated Special Zone was promulgated on June 29, 2011 and implemented on Aug 1, 2011.

2 types of integrated special zones, the Special International Strategic Zones and the Special Local Revitalization Zones, were established. With the first special zone to be designated by the end of this year based on the recommendations submitted by local governments by Sep 30, 2011.

【Preferential measures and Support measures for Integrated Special Zones】

- Preferential regulatory measures
- Tax support measures
- Fiscal support measures
- Financial support measures

[regional revitalization headquarters report :Feb 2011]

6-5 Tokyo market environment

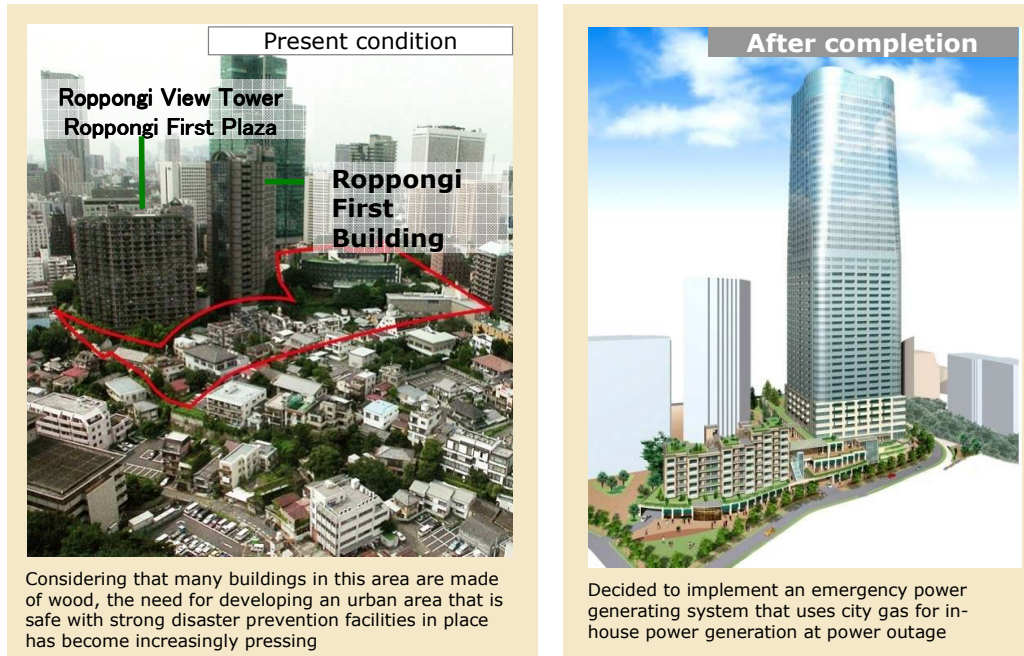
Mori Building Group's Urban development in Akasaka/Roppongi area



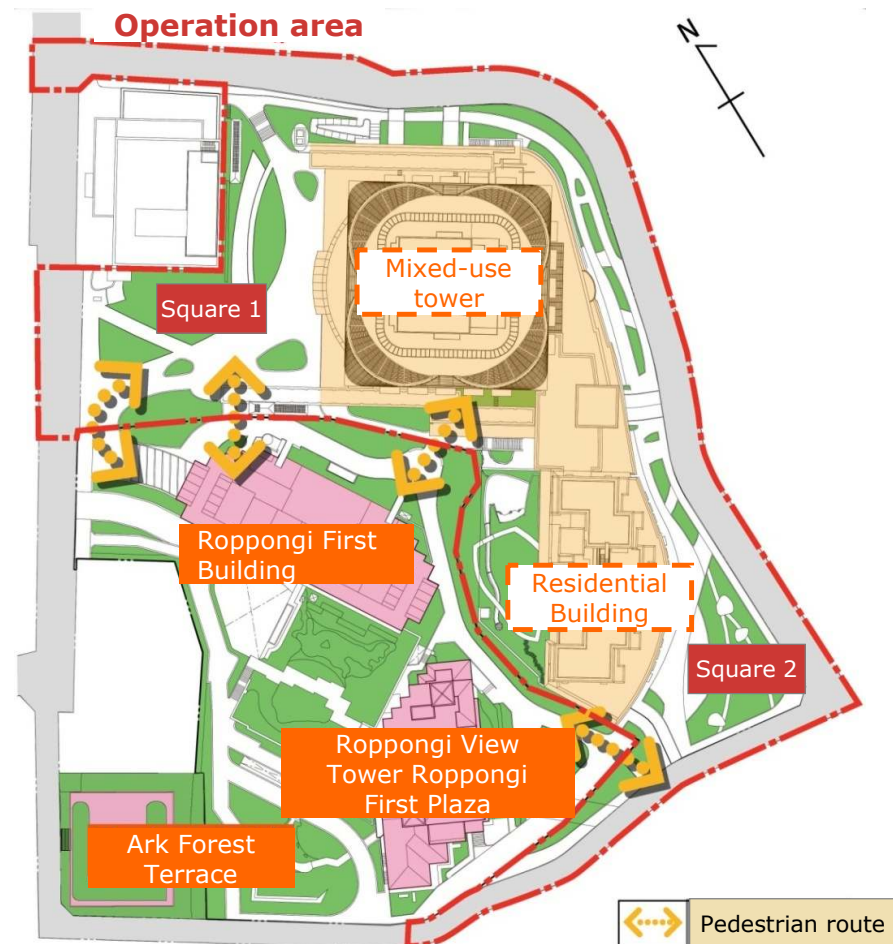
Commencement of work for the category 1 urban redevelopment project in Toranomon and Roppongi area

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 ²
Floors	(Mixed-use tower) 47 floors above the ground and 4 underground floors *Residence: 3-24 floors, Office: 25-47 floors (Residential building) 6 floors above the ground and 2 underground floors
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	Aug. 2012 (Planned)

6-6 Tokyo market environment

Mori Building Group's Urban development in Toranomom area

Commencement of work for Shinbashi & Toranomom Areas along Ring Road No. 2 Category-2 Urban Redevelopment Project III urban area

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

The Construction for Shinbashi & Toranomom Areas along Ring Road No. 2 Category-2 Urban Redevelopment Project III urban area which Tokyo Municipal City, as a project owner, and Mori Building, as a distinct developer (Note 1), engage in was commenced in April 2011. Toranomom area is expected to become more attractive than ever upon completion of the project



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 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 CO2 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	Approx. 17,069㎡
Total floor area	Approx. 244,305㎡
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	April 2011
Completion date	2014 (planned)

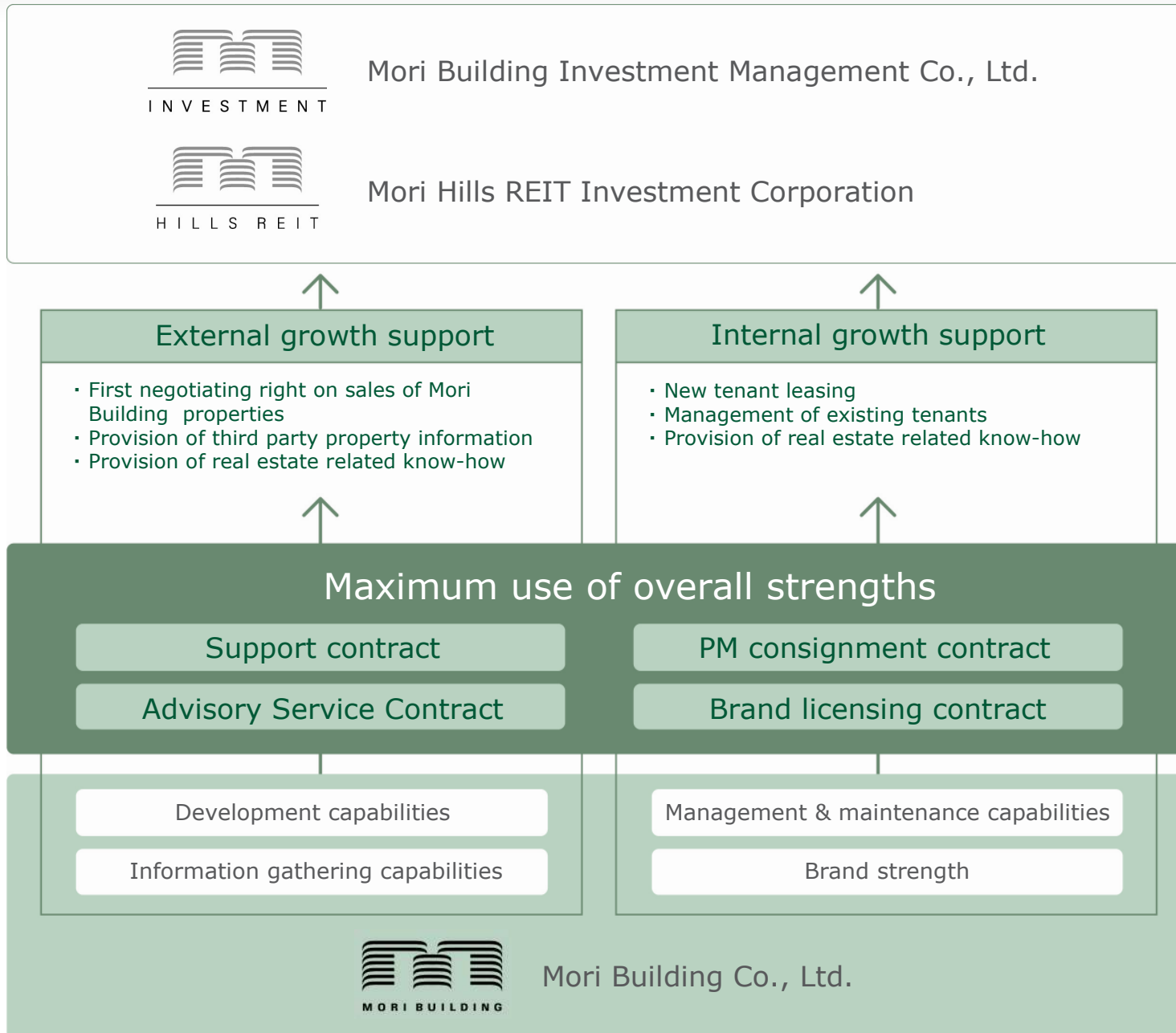
(Note 1) "Distinct developers" are a method for utilizing private sector companies as defined under the "Urban Development Law". After Mori Building's appointment to distinct developer, they will develop the plan and undertake the construction of the "Specified building facility" based on our business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

Activities to promote energy conservation

We strive to promote energy conservation by creating environmental posters.

"A city that is comfortable to live in is also an eco-city" urban development for a richer life

Lights Down Campaign 2011

To express support for the "Lights Down (energy-saving) Campaign" hosted by the Ministry of Environment, Mori Buildings implemented lights down at 62 facilities from Jun 22, 2011 to Aug 31, 2011. On June 22 ("Midsummer Lights Down") and July 7 ("Tanabata (Star Festival) Lights Down"), all lights in the office areas of tenants were either turned off or reduced, and lights in the shop areas were either turned off or replaced by candles. Energy saved during the campaign period was approx. 3.80 million kWh, equivalent to reduction of CO2 emission by approx. 1,430 tons.



Roppongi Hills, ARK Mori Bldg., and Omotesando Hills were awarded certification as "Specified prime facilities providing countermeasures against global warming" in recognition of environmental protection efforts

These 3 buildings were recognized for outstanding efforts fighting global warming by the Tokyo Metropolitan Government

Participating MHR properties

Roppongi Hills Mori Tower
ARK Mori Building
Roppongi First Building
Koraku Mori Building
Akasaka Tameike Tower
Moto-Azabu Hills
Ark Forest Terrace



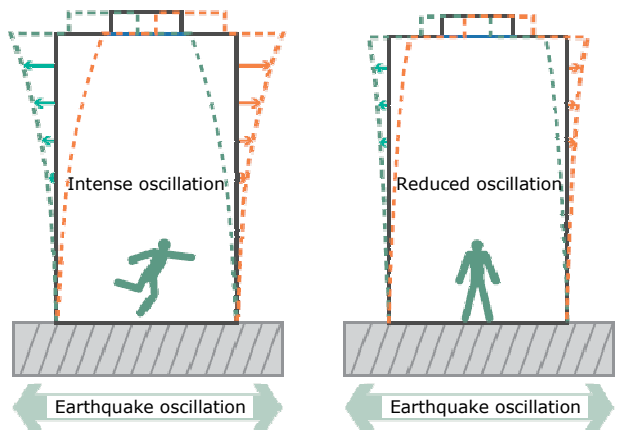
Roppongi Hills, ARK Hills and Atago Green Hills ranked in the "top 100 biodiversity focused properties"

The 3 properties of Mori Building were recognized for their efforts for maintenance, creation and usage of familiar plants for greening by the Organization for Landscape and Urban Green Infrastructure

Earthquake-resistant features

Seismic damping

Minimize the level of oscillation



Viscous seismic damping wall

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

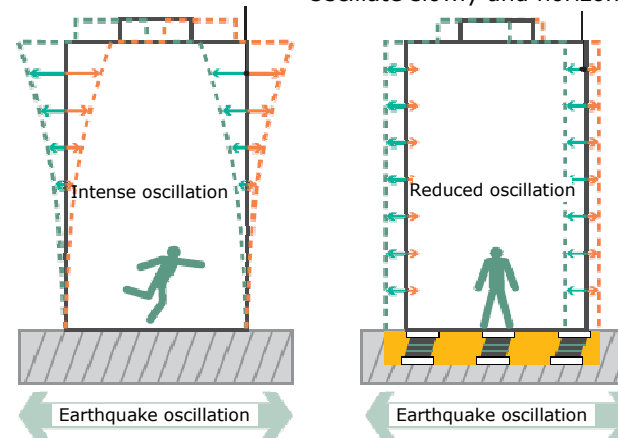
Seismic damping reduces earthquake magnitude of oscillation by approx. 20%

MHR properties using this feature

- Roppongi Hills Mori Tower
- 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

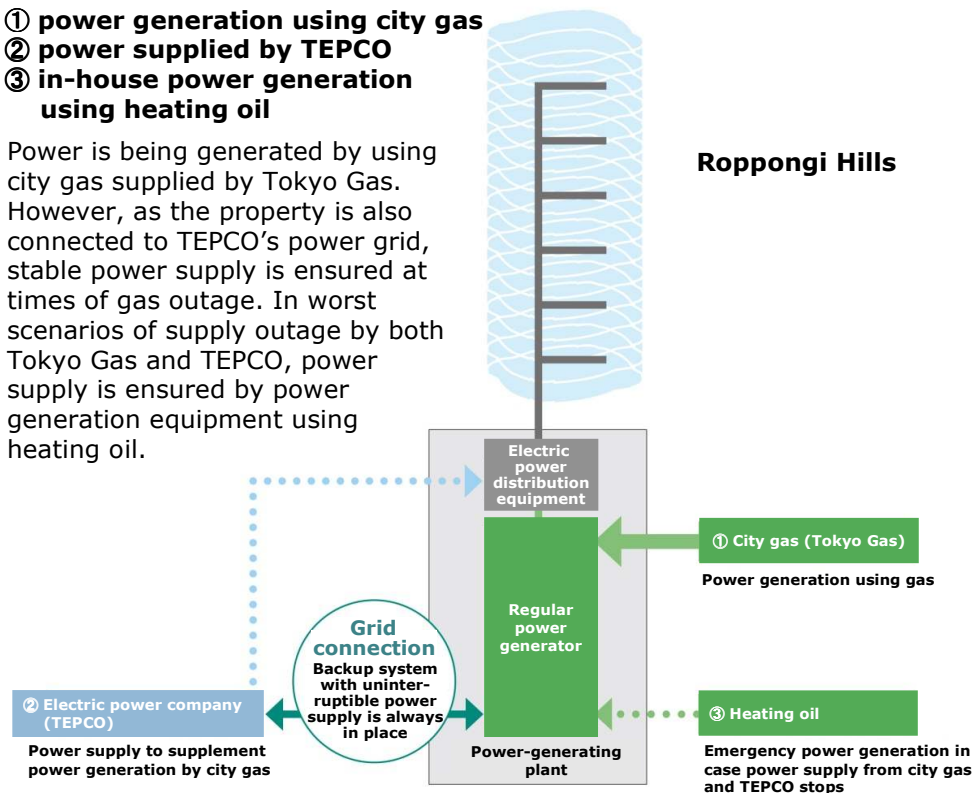
Electric power facility at Roppongi Hills

A proprietary city gas fueled energy plant (specified electricity business facility) is used for generation and power supply to the area. In addition, a "large-size co-generation system" that uses by-product heat emitted when generating power with a gas turbine is used for cooling and heating.

3 types of highly reliable power sources to secure power supply through back up power system

- ① power generation using city gas
- ② power supplied by TEPCO
- ③ in-house power generation using heating oil

Power is being generated by using city gas supplied by Tokyo Gas. However, as the property is also connected to TEPCO's power grid, stable power supply is ensured at times of gas outage. In worst scenarios of supply outage by both Tokyo Gas and TEPCO, power supply is ensured by power generation equipment using heating oil.



Supply of power generated at Roppongi Hills to TEPCO

Mori Building has supplied power generated at Roppongi Hills to TEPCO to mitigate power constraint as announced by the Japanese government resulting from the Great East Japan Earthquake.

	1st	2nd
Period	From Mar. 18, 2011 to Apr. 30, 2011	From July 1, 2011 to September 22, 2011
Time	24 hours	24 hours
Power supply	From 8:00 to 22:00:4,000kW From 22:00 to 8:00:3,000kW	From 8:00 to 22:00:5,000kW From 22:00 to 8:00:4,000kW

※No power supply in May and June due to lower power demand
 ※4,000kW = Equivalent to power for 1,100 standard households

In-house power generation facilities using city gas were selected as the emergency power generation system in the redevelopment project in the Toranomon and Roppongi area(see page 26).

7-5 Financial highlights

Indices	Previous period (9th period) From August 1, 2010 to January 31, 2011	Current period (10th period) From February 1, 2011 to July 31, 2011	
Net income	1,839mn yen	1,933mn yen	
Depreciation and amortization	699mn yen	670mn yen	
CAPEX	39mn yen	126mn yen	
Total assets	220,630mn yen	218,950mn yen	
Total net assets	103,843mn yen	103,944mn yen	
Total net assets/unit (BPS)	448,530yen	448,966yen	Total net assets/Total units outstanding
Unit price (as of end of period)	281,000yen	258,100yen	
Total units outstanding	231,520units	231,520units	
Total dividends	1,839mn yen	1,933mn yen	
Dividend/unit	7,947yen	8,352yen	
Dividend yield	5.6%	6.5%	Dividend per unit (annualized)/Unit price as of end of period
FFO	2,539mn yen	2,604mn yen	Net income + Depreciation and amortization
FFO/unit	10,968yen	11,249yen	(Net income + Depreciation and amortization)/Total units outstanding
Annualized	21,757yen	22,684yen	
FFO multiple	12.9x	11.4x	
PER	17.8x	15.3x	Unit price as of end of period/Net income per unit (annualized)
PBR	0.6x	0.6x	Unit price as of end of period/Net assets per unit
ROA	0.8%	0.9%	Ordinary income/Average of total assets during the period
Annualized	1.7%	1.8%	
ROE	1.8%	1.9%	Net income/Average of total net assets during the period
Annualized	3.5%	3.8%	
NAV	72,617mn yen	75,077mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	313,657yen	324,280yen	
NAV multiple	0.90x	0.80x	Unit price as of end of period/NAV per unit
Interest-bearing debt	108,735mn yen	107,112mn yen	
LTV (book value basis)	49.3%	48.9%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	57.4%	56.4%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	184days	181days	

7-6 Balance sheet

	Previous period (9th period) As of Jan. 31, 2011	Current period (10th period) As of July 31, 2011
Assets		
Current assets	11,362,849	9,499,894
Cash and deposits	3,644,923	1,470,106
Cash and deposits in trust	7,225,291	7,580,028
Other	492,634	449,760
Noncurrent assets	209,200,460	209,373,339
Property, plant and equipment	190,472,863	190,765,064
Intangible assets	18,416,695	18,415,665
Investments and other assets	310,901	192,609
Deferred assets	66,727	77,569
Total assets	220,630,037	218,950,803

	Previous period (9th period) As of Jan. 31, 2011	Current period (10th period) As of July 31, 2011
Liabilities		
Current liabilities	47,152,512	55,216,019
Short-term loans payable	8,510,000	17,000,000
Current portion of long-term loans payable	37,225,000	36,925,000
Derivatives liabilities	11,715	—
Other	1,405,796	1,291,019
Noncurrent liabilities	69,633,682	59,790,053
Investment corporation bond	20,000,000	25,000,000
Long-term loans payable	43,000,000	28,187,500
Tenant leasehold and security deposits	454,440	302,040
Tenant leasehold and security deposits in trust	6,179,242	6,300,513
Total liabilities	116,786,194	115,006,073
Net assets		
Unitholders' equity	103,850,950	103,944,730
Unitholders' capital	102,010,939	102,010,939
Surplus	1,840,011	1,933,790
Unappropriated retained earnings (undisposed loss)	1,840,011	1,933,790
Valuation and translation adjustments	△ 7,107	—
Deferred gains/losses on hedges	△ 7,107	—
Total net assets	103,843,842	103,944,730
Total liabilities and net assets	220,630,037	218,950,803

7-7 Income statement

(thousand yen)

	Previous period (9th period) From August 1, 2010 to January 31, 2011	Current period (10th period) From February 1, 2011 to July 31, 2011		
Operating revenue	5,483,681	5,257,791		
Rent revenue-real estate	4,755,213	4,586,939		
Other lease business revenue	445,878	334,661	Parking revenue	108,682
Gain on sales of real estate properties	282,589	336,190	Utilities and other revenue	224,017
Operating expenses	2,526,338	2,197,968	Cancellation penalty	1,960
Expenses related to rent business	2,114,307	1,878,299		
Asset management fee	299,040	220,665	Property management fees	552,872
Directors' compensations	7,200	6,300	Utilities	170,439
Asset custody fee	5,526	5,497	Property taxes	287,005
Administrative service fees	15,514	15,574	Lease fees	75,673
Other operating expenses	84,748	71,631	Custodian fees	9,378
Operating income	2,957,343	3,059,822	Repair charges	44,438
Non-operating income	5,220	3,465	Insurance premium	11,740
Interest income	3,442	1,149	Depreciation and amortization	670,287
Reversal of distribution payable	1,128	2,032	Other property expenses	56,462
Interest on refund	633	—		
Other	16	283		
Non-operating expenses	1,121,676	1,115,427		
Interest expenses	714,388	669,327		
Interest expenses on investment corporation bonds	164,400	191,967		
Amortization of investment corporation bond issuance costs	11,888	16,287		
Amortization of deferred organization expenses	5,111	—		
Borrowing expenses	224,135	236,080		
Other	1,753	1,765		
Ordinary income	1,840,886	1,947,860		
Extraordinary loss	—	13,186		
Loss on disaster	—	4,767		
Provision for allowance for loss on disaster	—	8,418		
Income before income taxes	1,840,886	1,934,674		
Net income	1,839,890	1,933,668		
Unappropriated retained earnings (undisposed loss)	1,840,011	1,933,790		
Dividend/unit (yen)	7,947	8,352		

7-8 Statement of cash flows/Retained earnings

Statement of cash flows

Account	(thousand yen)	
	Previous period (9th period) From August 1, 2010 to January 31, 2011	Current period (10th period) From February 1, 2011 to July 31, 2011
I Net cash provided by (used in) operating activities	23,872,457	18,532,882
Income before income taxes	1,840,886	1,934,674
Depreciation and amortization	699,502	670,782
Amortization of deferred organization expenses	5,111	-
Amortization of investment corporation bond issuance costs	11,888	16,287
Increase (Decrease) in allowance for loss on disaster	-	8,418
Interest income	△ 3,442	△ 1,149
Reversal of distribution payable	△ 1,128	△ 2,032
Interest expenses	878,788	861,294
(Increase) decrease in operating accounts receivable	5,726	△ 1,542
(Increase) decrease in consumption taxes refund receivable	67,217	-
Increase (decrease) in operating accounts payable	677	30,716
Increase (decrease) in accounts payable-other	2,690	1,876
(Decrease) increase in accrued expenses	△ 285	3,041
Increase (decrease) in consumption taxes payable	324,600	△ 233,691
(Decrease) increase in advance received	△ 174,673	△ 153,959
(Decrease) increase in deposits received	△ 256,402	234,071
(Increase) decrease in prepaid expenses	△ 17,290	40,543
(Increase) decrease in long-term prepaid expenses	△ 69,225	118,291
Decrease in carrying amounts of property, plant and equipment in trust due to sale	21,451,382	15,877,281
Decrease in carrying amounts of intangible assets in trust due to sale	128	210
Other, net	515	185
Subtotal	24,766,668	19,405,299
Interest income received	3,442	1,149
Interest expenses paid	△ 896,654	△ 872,683
Income taxes paid	△ 997	△ 883

Account	(thousand yen)	
	Previous period (9th period) From August 1, 2010 to January 31, 2011	Current period (10th period) From February 1, 2011 to July 31, 2011
II Net cash provided by (used in) investing activities	△ 22,954,194	△ 16,864,289
Purchase of property, plant and equipment	△ 22,095,341	△ 323
Purchase of intangible assets	△ 375	△ 287
Purchase of property, plant and equipment in trust	△ 48,206	△ 16,832,549
Purchase of intangible assets in trust	△ 1,565,923	△ 1,390,190
Proceeds from tenant leasehold and security deposits in trust	755,652	1,359,062
III Net cash provided by (used in) financing activities	△ 1,629,494	△ 3,488,674
Proceeds from short-term loans payable	5,500,000	11,500,000
Repayment of short-term loans payable	△ 5,500,000	△ 3,010,000
Proceeds from long-term loans payable	13,000,000	-
Repayment of long-term loans payable	△ 13,112,500	△ 15,112,500
Proceeds from issuance of investment corporation bonds	-	4,972,870
Dividends paid	△ 1,516,994	△ 1,839,044
IV Net (decrease) increase in cash and cash equivalents	△ 711,231	△ 1,820,080
V Cash and cash equivalents at beginning of period	11,581,446	10,870,215
VI Cash and cash equivalents at end of period	10,870,215	9,050,134

Retained earnings

	(yen)	
	Previous period (9th period) From August 1, 2010 to January 31, 2011	Current period (10th period) From February 1, 2011 to July 31, 2011
I Unappropriated retained earnings	1,840,011,405	1,933,790,907
II Amount of dividends	1,839,889,440	1,933,655,040
Amount of dividend per unit	7,947	8,352
III Retained earnings carried forward	121,965	135,867

7-9 10th period results breakdown by property^①

(thousand yen)

Property number	O-0			O-1			O-2			O-3		
Property name	Roppongi Hills Mori Tower			ARK Mori Building (Note 3)			Roppongi Hills Gate Tower			Roppongi First Building		
Period	9th period	10th period	Difference	9th period	10th period	Difference	9th period	10th period	Difference	9th period	10th period	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	96.8%	100%	3.2PT	97.1%	95.7%	△ 1.4PT	74.7%	81.4%	6.7PT
Avg Occupancy rate (during period)	100%	100%	0.0PT	94.7%	100%	5.3PT	97.3%	97.6%	0.3PT	79.8%	80.3%	0.5PT
Number of tenants	1	1	0	13	1	△ 12	43	41	△ 2	12	14	2
Acquisition price	6,810,000			41,770,000 (Before asset swap: 32,000,000)			36,500,000			21,000,000		
Rent revenue -real estate	151,020	151,020	-	497,985	684,686	186,700	953,924	920,143	△ 33,781	438,415	415,767	△ 22,647
Other lease business revenue	-	-	-	18,572	2,641	△ 15,930	127,039	105,305	△ 21,733	57,889	48,208	△ 9,681
Operating Income	151,020	151,020	-	516,558	687,327	170,769	1,080,964	1,025,449	△ 55,514	496,305	463,976	△ 32,329
Maintenance expenses	1,200	1,200	-	69,713	1,956	△ 67,757	158,421	158,161	△ 260	62,274	71,640	9,366
Utilities	-	-	-	6,570	1,160	△ 5,410	56,530	43,706	△ 12,824	28,643	23,271	△ 5,372
Property taxes (Note 1)	-	5,130	5,130	25,425	28,521	3,095	71,864	73,278	1,414	44,611	45,127	516
Maintenance and repairs	-	-	-	2,439	-	△ 2,439	12,538	16,318	3,779	-	-	-
Insurance premium	158	235	77	730	1,110	379	2,141	2,218	76	1,780	1,857	77
Depreciation ①	27,189	27,206	17	67,207	81,544	14,336	118,380	118,811	431	60,395	60,471	75
Other property expense (Note 2)	-	-	-	2,824	2,609	△ 214	34,543	34,764	221	1,209	1,180	△ 28
Property expense	28,548	33,773	5,224	174,912	116,901	△ 58,010	454,421	447,259	△ 7,162	198,914	203,549	4,634
Operating profit ②	122,471	117,247	△ 5,224	341,645	570,425	228,780	626,542	578,190	△ 48,352	297,390	260,427	△ 36,963
NOI ③ (①+②)	149,661	144,453	△ 5,207	408,853	651,970	243,118	744,922	697,001	△ 47,921	357,786	320,898	△ 36,888
Annualized NOI	296,882	291,301	△ 5,581	811,040	1,395,921	584,881	1,477,700	1,405,555	△ 72,144	709,740	647,115	△ 62,625
Annualized NOI/Acquisition price	4.4%	4.3%	△ 0.1PT	2.5%	3.3%	0.8PT	4.0%	3.9%	△ 0.1PT	3.4%	3.1%	△ 0.3PT
Capex ④	-	323	323	928	-	△ 928	3,442	8,516	5,074	4,945	-	△ 4,945
NCF ③-④	149,661	144,130	△ 5,531	407,924	651,970	244,045	741,480	688,485	△ 52,995	352,841	320,898	△ 31,943

(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 9th and 10th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period. (For Roppongi Hills Mori Tower and additional portion of ARK Mori Building (50% of 23rd floor) acquired in the 8th period, taxes attributable to the 9th period and three months in the 10th period were paid to the seller as the settlement payment, thus they are not charged as expenses but included in acquisition cost, and taxes for three months in the 10th period were charged as expenses. Taxes for additional portion of ARK Mori Building acquired in the 10th period (50% of 23rd floor and 25th floor) were paid to the seller as the settlement payment, thus they are not charged as expenses but included in acquisition cost.)

(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) Additional portion of ARK Mori Building was acquired in the 10th period. Annualized NOI/Acquisition price was calculated taking into consideration the changes in acquisition price during the period and annualized NOI was based on acquisition price at the end of the period.

7-10 10th period results breakdown by property②

(thousand yen)

Property number	O-4			O-5			O-6		
Property name	Koraku Mori Building			Toranomom 35 Mori Building			Akasaka Tameike Tower (Note 3)		
Period	9th period	10th period	Difference	9th period	10th period	Difference	9th period	10th period	Difference
Operation days	184 days	181 days	△ 3 days	45 days	-	△ 45 days	184 days	181 days	△ 3 days
Occupancy rate	80.2%	100.0%	19.8PT	-	-	-	81.3%	92.3%	11.0PT
Avg Occupancy rate (during period)	88.7%	86.4%	△ 2.3PT	100%	-	△ 100.0PT	82.1%	89.7%	7.6PT
Number of tenants	13	15	2	-	-	-	10	12	2
Acquisition price	27,200,000			12,720,000			43,930,000 (Before asset swap: 37,200,000)		
Rent revenue -real estate	780,396	629,774	△ 150,622	103,014	-	△ 103,014	486,916	651,026	164,110
Other lease business revenue	104,988	83,862	△ 21,125	2,258	-	△ 2,258	80,240	73,299	△ 6,940
Operating Income	885,385	713,636	△ 171,748	105,272	-	△ 105,272	567,156	724,326	157,169
Maintenance expenses	78,084	83,913	5,829	15,998	-	△ 15,998	93,201	144,047	50,846
Utilities	77,836	67,023	△ 10,813	-	-	-	26,570	24,216	△ 2,354
Property taxes (Note 1)	34,444	34,398	△ 46	490	-	△ 490	31,671	31,390	△ 281
Maintenance and repairs	16,254	1,323	△ 14,930	-	-	-	8,855	2,206	△ 6,649
Insurance premium	2,007	2,080	73	506	-	△ 506	1,519	2,251	732
Depreciation ①	126,087	127,620	1,533	11,576	-	△ 11,576	135,423	166,058	30,634
Other property expense (Note 2)	77,158	76,552	△ 606	189	-	△ 189	1,431	2,790	1,359
Property expense	411,872	392,912	△ 18,960	28,761	-	△ 28,761	298,672	372,961	74,288
Operating profit ②	473,512	320,724	△ 152,787	76,511	-	△ 76,511	268,483	351,365	82,881
NOI ③ (①+②)	599,599	448,345	△ 151,254	88,087	-	△ 88,087	403,907	517,423	113,516
Annualized NOI	1,189,423	904,121	△ 285,301	714,488	-	△ 714,488	801,228	1,084,738	283,509
Annualized NOI/Acquisition price	4.4%	3.3%	△ 1.1PT	5.6%	-	△ 5.6PT	2.2%	2.5%	0.3PT
Capex ④	4,780	83,435	78,655	-	-	-	3,448	-	△ 3,448
NCF ③-④	594,819	364,910	△ 229,909	88,087	-	△ 88,087	400,458	517,423	116,965

(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 9th and 10th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period. (Taxes for additional portion of Akasaka Tameike Tower (residence) acquired in the 10th period were paid to the seller as the settlement payment, thus they are not charged as expenses but included in acquisition cost.)

(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) Additional portion of Akasaka Tameike Tower was acquired in the 10th period. Annualized NOI/Acquisition price was calculated taking into consideration the changes in acquisition price during the period and annualized NOI was based on acquisition price at the end of the period.

7-11 10th period results breakdown by property^③



(thousand yen)

Property number	R-1			R-2			R-3		
Property name	Moto-Azabu Hills (Note 3)			Ark Forest Terrace			Roppongi First Plaza		
Period	9th period	10th period	Difference	9th period	10th period	Difference	9th period	10th period	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	95.0%	100.0%	5.0PT	95.3%	91.5%	△ 3.8PT	86.9%	92.3%	5.4PT
Avg Occupancy rate (during period)	96.1%	98.0%	1.9PT	90.8%	96.0%	5.2PT	83.9%	89.6%	5.7PT
Number of tenants	68	7	△ 61	36	37	1	37	39	2
Acquisition price	1,706,440 (Before asset swap: 17,969,518)			5,300,000			2,100,000		
Rent revenue -real estate	541,702	171,316	△ 370,385	137,639	139,671	2,032	66,077	67,305	1,227
Other lease business revenue	46,738	12,124	△ 34,614	8,151	8,629	478	-	590	590
Operating Income	588,441	183,440	△ 405,000	145,790	148,301	2,510	66,077	67,895	1,817
Maintenance expenses	122,934	36,703	△ 86,230	40,267	38,948	△ 1,318	13,263	12,561	△ 701
Utilities	4,861	1,374	△ 3,486	10,703	9,544	△ 1,158	250	144	△ 106
Property taxes (Note 1)	28,806	16,664	△ 12,142	9,430	9,465	34	6,952	7,079	126
Maintenance and repairs	42,081	10,198	△ 31,883	22,334	12,760	△ 9,573	1,138	1,631	492
Insurance premium	2,748	548	△ 2,199	650	671	21	294	307	12
Depreciation ①	96,645	31,830	△ 64,815	33,353	33,673	320	9,734	10,016	281
Other property expense (Note 2)	31,396	10,740	△ 20,655	7,688	8,128	439	3,779	3,843	63
Property expense	329,474	108,060	△ 221,414	124,427	113,192	△ 11,235	35,414	35,583	168
Operating profit ②	258,967	75,380	△ 183,586	21,363	35,108	13,745	30,663	32,312	1,649
NOI ③ (①+②)	355,612	107,210	△ 248,401	54,716	68,782	14,065	40,397	42,328	1,930
Annualized NOI	627,967	64,164	△ 563,802	108,540	138,704	30,164	80,136	85,358	5,221
Annualized NOI/Acquisition price	3.5%	3.8%	0.3PT	2.0%	2.6%	0.6PT	3.8%	4.1%	0.3PT
Capex ④	3,612	1,319	△ 2,293	4,501	13,510	9,009	14,228	19,257	5,029
NCF ③-④	352,000	105,891	△ 246,108	50,214	55,271	5,056	26,169	23,070	△ 3,098

(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 9th and 10th 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) Part of the residential units of Moto-Azabu Hills were transferred during the 10th period. Annualized NOI/Acquisition price was calculated taking into consideration the changes in acquisition price during the period and annualized NOI was based on acquisition price at the end of the period.

7-12 10th period results breakdown by property④

(thousand yen)

Property number	R-4			S-1			Total (Note 3)		
Property name	Roppongi View Tower			Laforet Harajuku (land)					
Period	9th period	10th period	Difference	9th period	10th period	Difference	9th period	10th period	Difference
Operation days	184 days	181 days	△ 3 days	139 days	181 days	△ 42 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	100.0PT	89.5%	94.9%	5.4PT
Avg Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	100.0PT	91.2%	92.5%	1.3PT
Number of tenants	1	1	0	1	1	0	235	169	△ 66
Acquisition price	4,000,000			21,820,000			212,136,440 (Before asset swap: 211,899,518)		
Rent revenue -real estate	109,426	109,426	-	488,693	646,800	158,107	4,755,213	4,586,939	△ 168,273
Other lease business revenue	-	-	-	-	-	-	445,878	334,661	△ 111,217
Operating Income	109,426	109,426	-	488,693	646,800	158,106	5,201,091	4,921,600	△ 279,491
Maintenance expenses	3,738	3,738	-	-	-	-	659,096	552,872	△ 106,223
Utilities	-	-	-	-	-	-	211,966	170,439	△ 41,527
Property taxes (Note 1)	10,739	10,967	228	-	24,982	24,982	264,437	287,005	22,568
Maintenance and repairs	-	-	-	-	-	-	105,642	44,438	△ 61,203
Insurance premium	444	457	13	-	-	-	12,983	11,740	△ 1,243
Depreciation ①	13,055	13,055	△0	-	-	-	699,049	670,287	△ 28,762
Other property expense (Note 2)	905	905	-	4	-	△ 4	161,131	141,514	△ 19,616
Property expense	28,882	29,124	241	4	24,982	24,978	2,114,307	1,878,299	△ 236,008
Operating profit ②	80,543	80,302	△ 241	488,688	621,817	133,128	3,086,784	3,043,301	△ 43,482
NOI ③ (①+②)	93,598	93,357	△ 241	488,688	621,817	133,128	3,785,833	3,713,588	△ 72,244
Annualized NOI	185,671	188,262	2,590	1,283,247	1,253,941	△ 29,306	7,510,260	7,490,808	△ 19,451
Annualized NOI/Acquisition price	4.6%	4.7%	0.1PT	5.9%	5.7%	△ 0.2PT	3.5%	3.5%	0.0PT
Capex ④	-	-	-	-	-	-	39,887	126,362	86,475
NCF ③-④	93,598	93,357	△ 241	488,688	621,817	133,128	3,745,946	3,587,226	△ 158,719

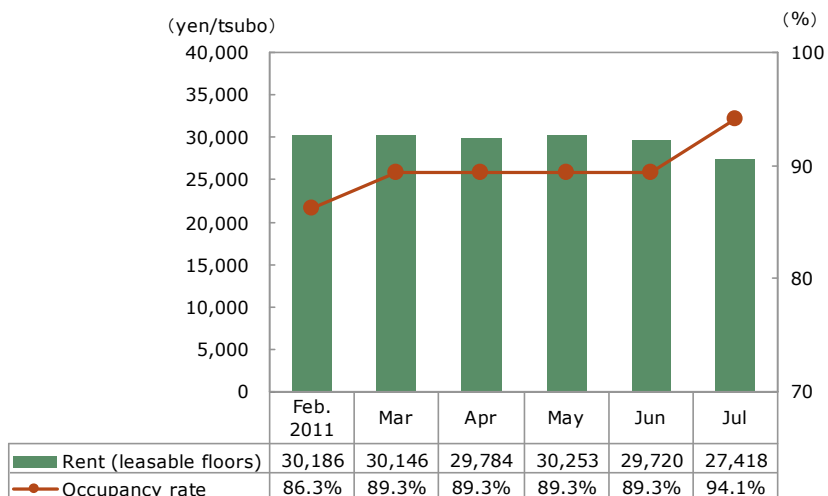
(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 9th and 10th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period. (For Laforet Harajuku (land) acquired in the 9th period, taxes attributable to the 9th period and three months in the 10th period were paid to the seller as the settlement payment, thus they are not charged as expenses but included in acquisition cost, and taxes for three months in the 10th period were charged as expenses.)

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

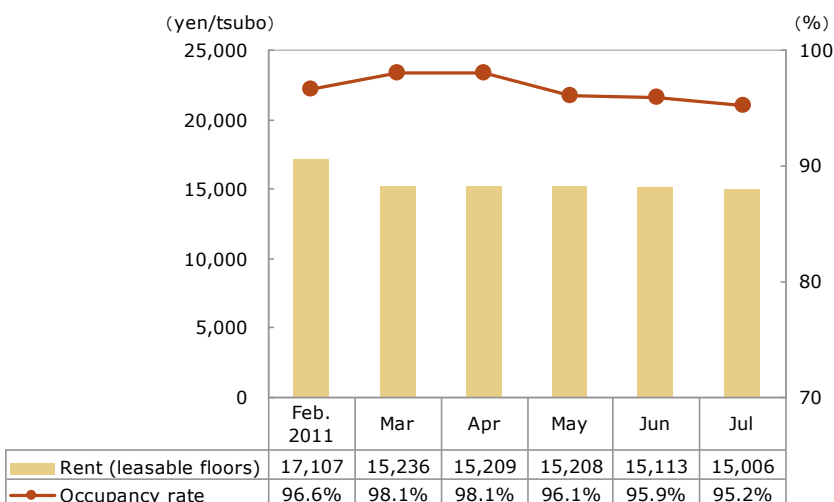
(Note 3) Annualized NOI/Acquisition price was calculated taking into consideration the changes in acquisition price during the period and annualized NOI was based on acquisition price at the end of the period.

7-13 Tenant status during the 10th period

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



Top 10 tenants (as of August 26, 2011)

Tenant	Property name	Leased space	Ratio
Mori Building Co., Ltd	Roppongi Hills Mori-Tower, Koraku Mori Building, ARK Mori Building, Akasaka Tameike Tower	50,360.23 m ²	54.0%
Urban Renaissance Agency (Note 1)	Roppong View Tower	6,344.84 m ²	6.8%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land) Roppongi First Building	3,637.32 m ²	3.9%
Showa Leasing Co., Ltd.	Koraku Mori Building	2,544.34 m ²	2.7%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m ²	2.3%
Nippon Ericsson K.K. (Note 2)	Koraku Mori Building	1,851.87 m ²	2.0%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m ²	2.0%
McKinsey & Company, Inc Japan	Roppongi First Building	1,815.99 m ²	1.9%
Cybozu, Inc.	Koraku Mori Building	1,712.30 m ²	1.8%
Mercedes-Benz Japan Co., Ltd.	Roppongi First Building	1,698.67 m ²	1.8%
Total of top 10 tenants		73,934.31 m ²	79.3%

(Note 1) Total leased area is calculated by multiplying the lease area stated in the lease contract with the end tenant with the relevant percentage of co-ownership interest

(Note 2) Agreement is expected to be terminated on October 28, 2013

(Note 3) Agreement is expected to be terminated on October 31, 2011

7-14 Debt status (as of July 31, 2011)

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date	Remarks					
Short-term	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.	5,500	1.18%	31-Aug-10	31-Aug-11	Unsecured, non-guaranteed					
	Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd.										
	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.	1,500	1.18%	29-Mar-11	29-Mar-12	Unsecured, non-guaranteed					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd.										
	Mizuho Corporate Bank, Ltd.	10,000	1.18%	31-May-11	31-May-12	Unsecured, non-guaranteed					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation The Sumitomo Trust and Banking Co., Ltd.										
	Sub total						17,000	-	-	-	-
	Long-term	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.	17,000	1.50% (Note 1)	30-Sep-08	31-Aug-11	Unsecured, non-guaranteed				
		The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd.									
Aozora Bank, Ltd. Resona Bank, Ltd.											
Aozora Bank, Ltd.											
Mizuho Corporate Bank, Ltd.		5,000	2.16% (Note 1)	28-Nov-08	31-May-12	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											
Development Bank of Japan Inc.		1,800 (Note 2)	2.04%	27-Mar-09	27-Mar-12	Unsecured, non-guaranteed					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,500	1.58%	31-Aug-09	31-Aug-12	Unsecured, non-guaranteed					
The Bank of Fukuoka, Ltd.		2,000	1.38%	30-Nov-09	30-Nov-11	Unsecured, non-guaranteed					
The Norinchukin Bank		3,000	1.38%	30-Nov-09	30-Nov-11	Unsecured, non-guaranteed					
Mizuho Corporate Bank, Ltd.		8,000	1.48%	30-Nov-09	31-May-12	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											

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date	Remarks
Long-term	Shinsei Bank, Limited Mizuho Corporate Bank, Ltd.	9,500	2.02% (Note 1)	30-Nov-09	30-Nov-12	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					
	Development Bank of Japan Inc.					
	The Bank of Fukuoka, Ltd.	2,000	1.58%	30-Nov-10	30-Nov-13	Unsecured, non-guaranteed
	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.	7,100	1.58%	30-Nov-10	30-Nov-13	Unsecured, non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd.					
	The Norinchukin Bank Shinsei Bank, Limited					
	The Oita Bank, Ltd. ShinGinko Tokyo, Limited The Hiroshima Bank, Ltd.					
Sub total	65,112.5	-	-	-	-	
Total	82,112.5	-	-	-	-	

(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

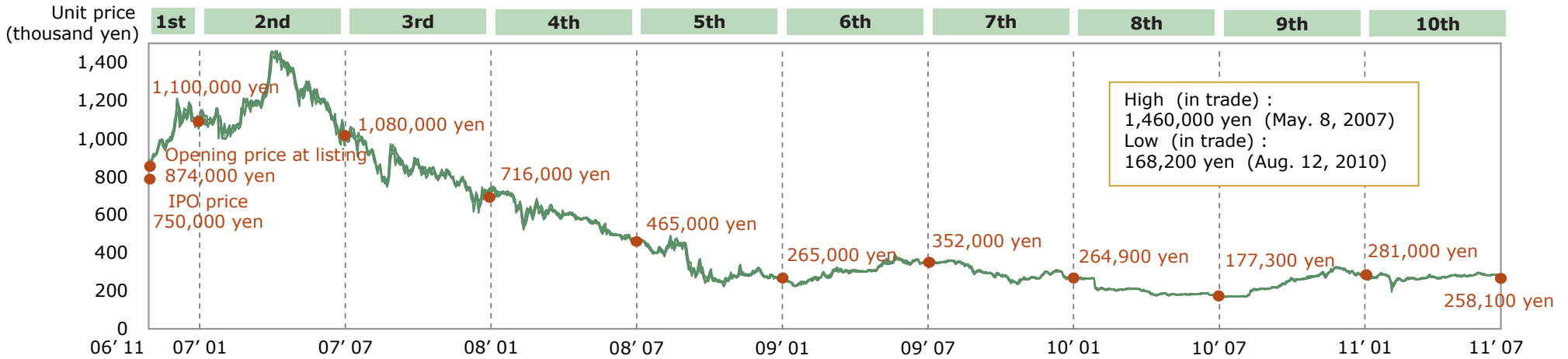
(Note 3) Planning to repay JPY62.5mn every 6 months up to repayment deadline, and JPY2,062.5mn at the repayment deadline

Investment corporation bonds

	Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
Investment corporation bonds	1st Series(Unsecured)	7,000	1.56%	29-Nov-07	29-Nov-12
	2nd Series(Unsecured)	3,000	1.77%	29-Nov-07	28-Nov-14
	3rd Series(Unsecured)	5,000	1.38%	27-May-10	27-May-13
	4th Series(Unsecured)	5,000	1.95%	27-May-10	27-May-15
	5th Series(Unsecured)	5,000	1.29%	25-Feb-11	25-Feb-14
Total		25,000	-	-	-

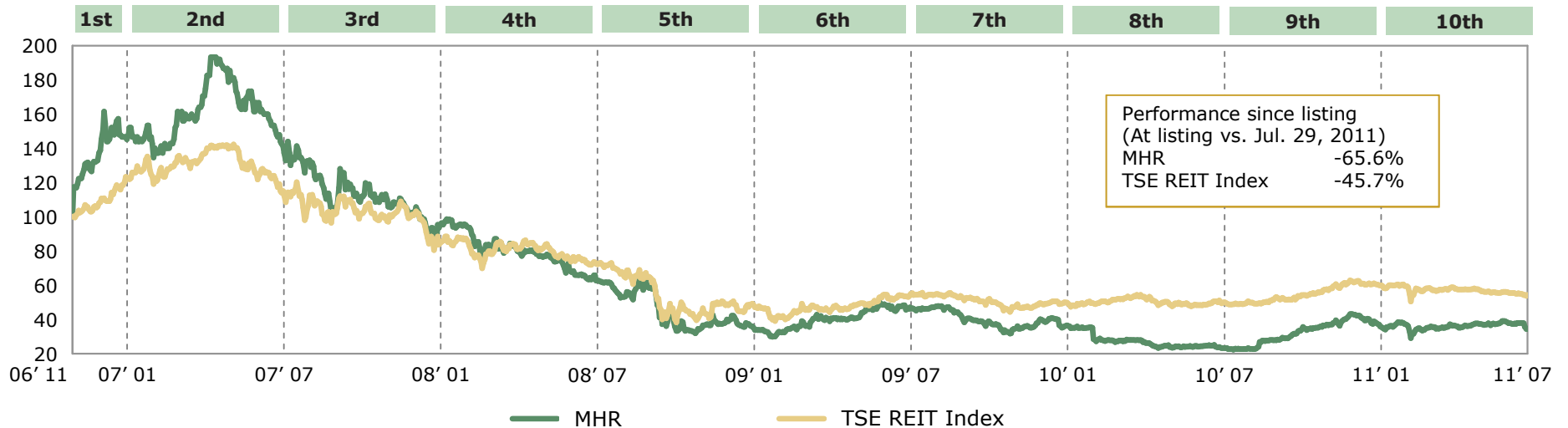
7-15 Unit price performance

Since IPO ~ End of the 10th period (Jul. 29, 2011)



(Source) Bloomberg

Relative price performance (Since IPO~Jul. 29, 2011)



(Source) Bloomberg

(Note) Rebased to 100 as per IPO price

7-16 Investment criteria

Investments focusing on Premium Properties for development of a urban-type portfolio

Investments focusing on Premium Properties

Out of the properties that are located in Tokyo's central 5 wards and in surrounding areas, our investments mainly focus on "Premium Properties" that are able to maintain their competitiveness going forward based on their quality, size and specification

Focus on Premium Properties

Premium properties
50% or more

〈Office buildings〉
 〈Residential〉
 〈Retail〉

Non-Premium Properties 50% or less
 〈Office building/Residential〉

	Location	Scale
Office building	Central five wards in Tokyo and their vicinity	Gross floor area of 10,000㎡ or more per-building Standard rentable floor area of 1,000㎡ or more
Residential	Central five wards in Tokyo and their vicinity (Primarily in the "three-A" area)	Gross floor area of 2,000㎡ 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 10,000㎡ or more per-building
	〈Street front luxury brand shops, etc.〉	
	Exclusive, well-known retail destinations	Gross floor area of 1,000㎡ or more per-building

(Note 1) Tokyo's central 5 wards: Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku and Shibuya-ku
 (Note 2) Three-A areas: Akasaka/Roppongi area, Aoyama/Harajuku area and Azabu/Hiroo area
 (Note 3) Portfolio weighting is based on acquisition price
 (Note 4) Tokyo Metropolitan Area: Tokyo, Kanagawa, Chiba and Saitama
 (Note 5) Major local cities: major local cities designated by government ordinance in non-Tokyo Metropolitan areas and other major local cities in Japan

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.

7-17 Overview of New Management Policy (announced in September 2010)

Basic policy:

“Dividend-driven management”

[Medium term target]

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

Policy①: Asset swap with the sponsor

- Increase NOI yield by selling low-yield properties and acquiring high-yield properties simultaneously.
- Properties for potential sale are those with NOI yield of less than 4.0%. In principle, sale price must exceed book value to avoid recording loss on sale. (Current yield may be low, but, in many cases, sponsors tend to place higher value over the mid- to long-term yield taking into consideration potential redevelopment projects).
- Properties to be acquired are “Premium properties with higher yield” and “High-yield non-premium properties” in order to maintain current portfolio composition consisting primarily of premium properties.

Policy②: Containment of financial costs

- Reduce borrowing costs by decreasing MV basis LTV (appraisal value basis LTV) which can be achieved through “sales for price exceeding appraisal value” and “acquisition for price less than appraisal value” at asset swap.
- Reduce financial costs by refinancing with investment corporation bonds and extending relationships with various financial institutions.

Policy③: Reduction of other costs

- Reduce management fees (change the calculation base of management fee from “total assets” to “appraisal value + distributable earnings”)
- Reduce building management costs and other miscellaneous management costs.

Policy④: Cooperation with the sponsor

- Seek cooperation in implementing new management policy in such forms as “asset swaps” and “master lease to stabilize revenues from property”.

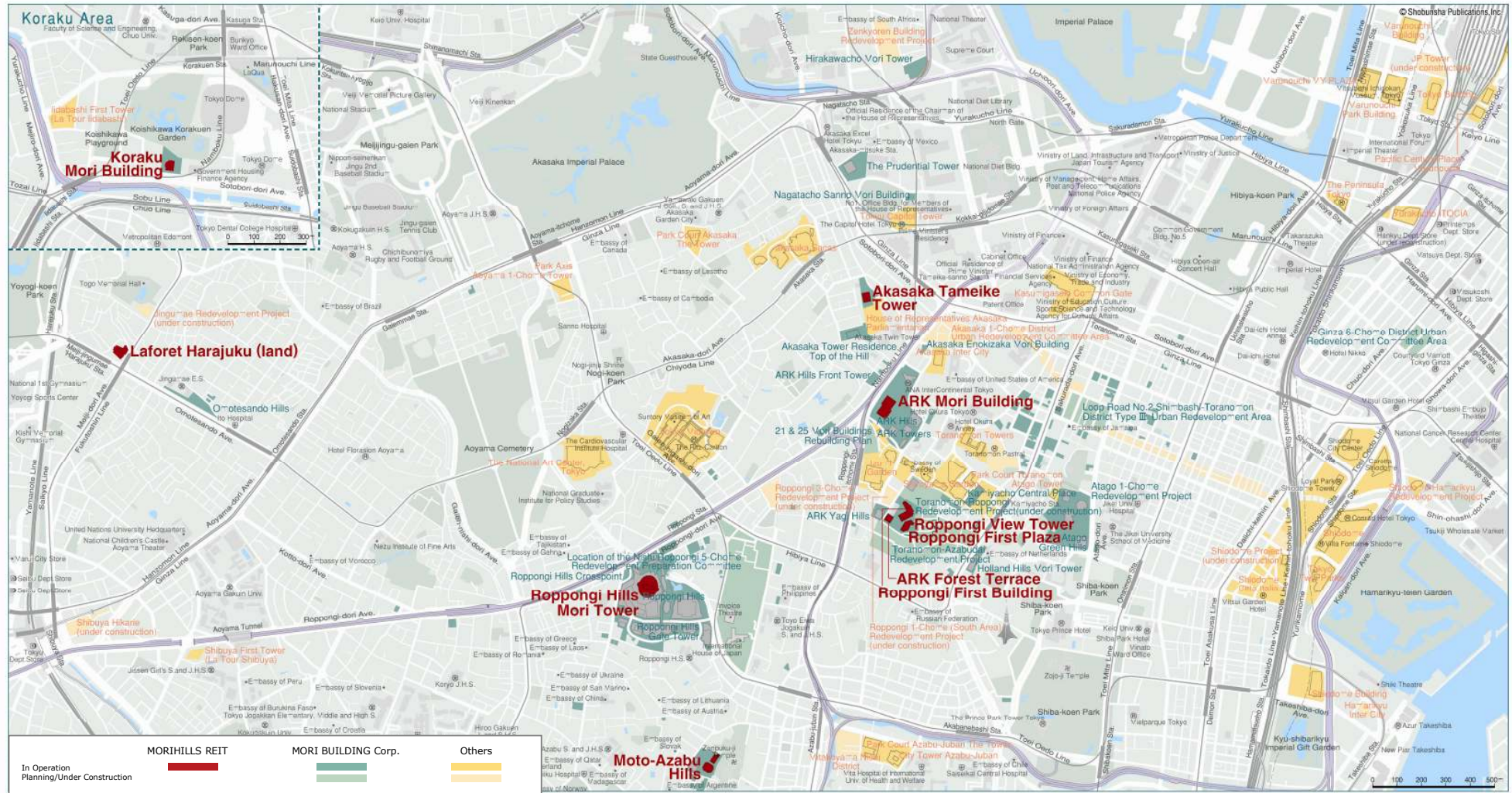
**Correlation between
“Target of portfolio NOI
yield” and “Dividend
Target”**

Note that the portfolio NOI yield and Dividend Target may not reconcile under simple calculations – specifically using 11th period’s projection, when NOI yield reaches 4.2%, dividends (excluding gain on sale of properties) exceed 10,000 yen/unit. MHR maintains both targets, though initial target is 10,000 yen/unit.

7-18 Portfolio Map



HILLS REIT



7-19 Portfolio overview (As of September 15, 2011)

Type	Office building					Residential				Retail	
Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	-	Premium	
Property name	Roppongi Hills Mori Tower	ARK Mori Building	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-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	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Jingumae, Sibuya-ku, Tokyo	
Completion	Apr. 2003	Mar. 1986 (large-scale renovation in 2005)	Oct. 1993	Mar. 2000	Sep. 2000	May. 2002	Jan. 2001	Oct. 1993		—	
Building age	8 years and 5 months	25 years and 5 months	17 years and 10 months	11 years and 5 months	11 years	9 years and 4 months	10 years and 7 months	17 years and 10 months		—	
Number of stories	54 above ground, 6 below	37 above ground, 4 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	c.442,150m ²	c.177,486m ²	c.45,753m ²	c.46,154m ²	c.46,971m ²	c.54,006m ²		c.9,125m ²	c.22,906m ²		—
Owner-ship (Note 1)	Land	Co-ownership (c.3.7%)	Co-ownership (c.10.9%)	Co-ownership (c.46%)	Leased land	Co-ownership (c.56.4%)	Co-ownership (c.3.9%)	Ownership (100%)	Co-ownership (c.47%)	Co-ownership (c.46%)	Ownership (100%)
	Building	Compartmentalized ownership (c.2.8%)	Compartmentalized ownership (c.15.6%)	Co-ownership (c.46%)	Compartmentalized ownership (c.57.9%)	Compartmentalized ownership (c.65.5%)	Compartmentalized ownership (c.3.2%)	Compartmentalized ownership (100%)	Compartmentalized ownership (c.46.4%)	Co-ownership (c.46%)	—
PML	0.29%	0.38%	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 Isolators	Seismic Isolators	Seismic Isolators	—		—
Acquisition price (Note 2) (mn yen)	25,490	58,970	21,000	27,200	43,930	1,706		5,300	2,100	4,000	21,820
Occupancy rate (Note 2) (End of the 10th period)	100%	100%	81.4%	100%	100%	100%		91.5%	92.3%	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 and "Leased" indicates leasehold rights.

(Note 2) Figures in "Acquisition price" and "Occupancy rate" of O-0, O-1 and O-6 are as of Aug. 1, 2011

Average building age
16.2yr

Portfolio PML
0.71%

Total acquisition price
211,516mn yen