



Business Report
(4th period ended July 31, 2008)

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Investment in the city

Two properties—Akasaka Tameike Tower and ARK Mori Building—were acquired for 42,700 million yen.

(September 30, 2008)

Akasaka Tameike Tower

We acquired the office floors^(Note) of Akasaka Tameike Tower for 37,200 million yen.

The Akasaka area where this property is located has long been a favorite site for foreign institutions. Recently, the area is witnessing new large-scale developments, including offices, luxury residential apartments and fashionable restaurants and shops, and it is receiving attention as an area full of vitality. Akasaka Tameike Tower provides a quiet environment rich with greenery that boasts a well-established presence in the surrounding area as a skyscraper and mix-use complex consisting of offices and residences.

Note: MHR is to purchase office floors (8 out of a total of 13 floors), shops, storage area and parking lots (common areas).



ARK Mori Building

In addition to the acquisition of space equivalent to 1.5 floors (16,500 million yen) during the fourth fiscal period (March 28, 2008), we acquired additional space equivalent to 0.5 floors for 5,500 million yen. ARK Mori Building is a flagship office building of the Mori Building Group and has received acclaim as a landmark symbolizing “urban growth and maturity.”



Going forward, we will continue to promote “Investment in the city.”

Forward-looking statements

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

Financial Highlights

To Our Unitholders

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

MHR was able to achieve its results for the fourth fiscal period (ended July 31, 2008) primarily due to the support of our unitholders, and for this we would like to express our sincere gratitude.

On September 30, 2008, MHR acquired the office floors of Akasaka Tameike Tower (at an acquisition price of 37,200 million yen) and space equivalent to 0.5 floors of ARK Mori Building (acquisition price of 5,500 million yen) as a result of support from Mori Building Co., Ltd.

MHR continues to confront the difficult circumstances surrounding the REIT industry, such as the real estate acquisition environment and the climate of the financial markets, but we will aim to maximize unitholder value by achieving steady growth of our portfolio and stable profits over the medium to long term.

MHR and Mori Building Investment Management Co., Ltd., with whom we have entrusted our asset management, would like to ask all of our unitholders for your continued support and advice going forward.

October 31, 2008



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

Shown on the right is our dividend per unit for the fourth fiscal period (ended July 31, 2008).

14,117 yen

Operating results

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

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

Dividend

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

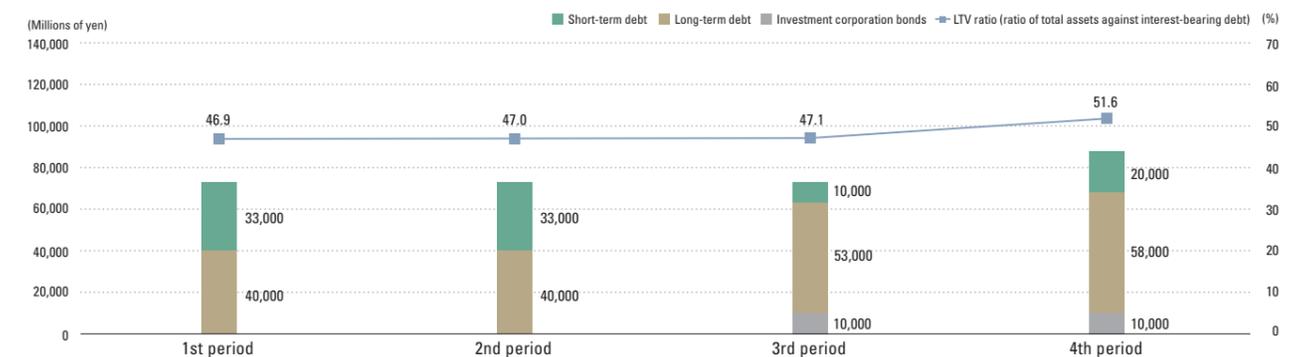
Expected dividend

Shown on the right is the announcement for the expected dividend per unit for the fifth fiscal period (ending January 31, 2009) that we made on September 16, 2008 when we announced the financial results for the fourth fiscal period.

13,500 yen

Financial conditions

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



Ratings

MHR has acquired the following ratings as of July 31, 2008.

Moody's Investors Service
A3 issuer rating

Japan Credit Rating Ltd. (JCR)
AA- long-term senior debt rating

Investment Highlights

Overview of the Fourth Fiscal Period (ended July 31, 2008)

The results of operations for the fourth fiscal period amounted to 4,823 million yen in operating revenues, 2,442 million yen in operating profit, 1,837 million yen in ordinary profit and 1,832 million yen in net profit. Our dividend was 14,117 yen per investment unit.

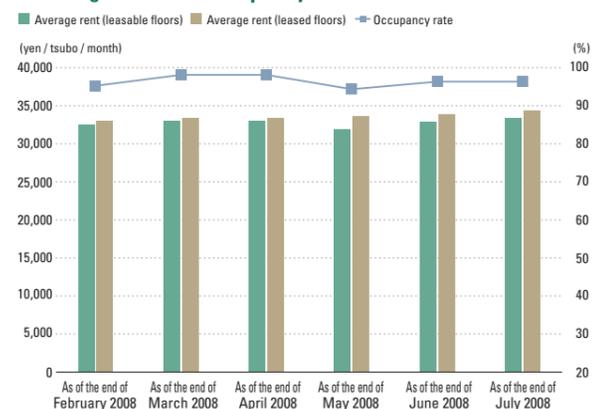
Furthermore, as of the end of the current fiscal period, our real estate portfolio consisted of nine properties on an ownership basis, 159,220 million yen in existing investment amount (based on acquisition price), 91,548.83m² (27,693.5 tsubos) in total leasable floor area and an occupancy rate of 95.4% as of the end of the fiscal period.

Internal Growth

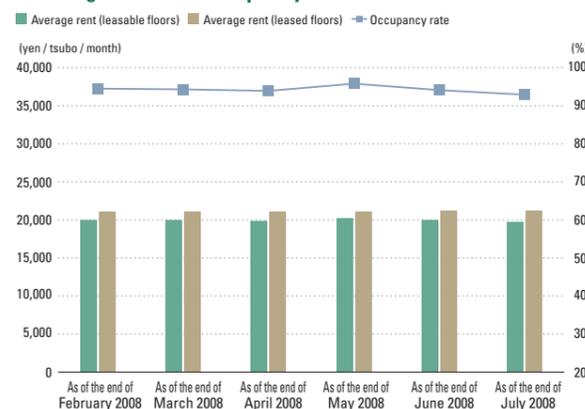
We were able to achieve positive results as we strove to improve the level of customer satisfaction through meticulous operation and management along with well-planned repairs while focusing our efforts on negotiating rent increases with our existing tenants.

Regarding the market for highly competitive large-scale buildings located in central Tokyo and the luxury residence rental market, both the levels of rent and the occupancy rates remained stable. For properties that MHR owns, we were able to maintain high occupancy rates with the occupancy rate for offices at 96.9% and the occupancy rate for residences at 92.9% as of the end of July 2008.

• Average rent and occupancy rate of office tenants



• Average rent and occupancy rate of residential tenants



(Note) The definitions of "office" and "residence" as indicated in this document differ from the definitions of "office buildings" and "housing" indicated in MHR's website regarding information on occupancy rates (<http://www.mori-hills-reit.co.jp/cms/operate.html>). "Office" and "residence" referred to in this document have been aggregated based only on office use and residential use, respectively, for all of MHR's investment properties. On the other hand, the aggregations in our website are based on the separate uses as shown in the portfolio list (page 12).

External Growth

MHR acquired space in the ARK Mori Building (equivalent to 1.5 floors) from its sponsor, Mori Building Co., Ltd. This asset falls under the definition of "Premium Property," which is the core of our policy on portfolio building. The additional acquisition equals 75% of the quasi co-ownership interest in the trust beneficiary right of a trust that holds title to sectional ownership for the 12th and 22nd floors of ARK Mori Building, with the acquisition price at 16,500 million yen.

This property was constructed more than 20 years ago, but underwent large-scale renovations in 2005 and is a landmark with great visibility in an area that is undergoing large-scale development.

Financial Strategy

During the current fiscal period, MHR borrowed a total of 15 billion yen (5 billion yen in long-term debt and 10 billion in short-term debt).

As a result, outstanding debt as of the end of the current fiscal period totaled 78 billion yen (43 billion yen in long-term debt, 15 billion yen in current installments of long-term debt and 20 billion yen in short-term debt) and outstanding investment corporation bonds amounted to 10 billion yen, resulting in outstanding interest-bearing debt of 88 billion yen.

Among this debt, the floating interest rates of 43 billion yen in long-term debt and 15 billion yen in current installments of long-term debt have essentially been converted into fixed interest rates through interest rate swaps to control the risk of interest rate increases.

Furthermore, as for future borrowings, MHR will aim to decrease refinancing risk by diversifying repayment dates of debt and will strive to prolong the average remaining duration for borrowings by increasing the ratio of long-term fund acquisitions.

Outlook for the Fifth Fiscal Period (ending January 31, 2009)

On September 30, 2008, MHR acquired parts of the office portion of Akasaka Tameike Tower and parts of ARK Mori Building (pass-through master lease) from Mori Building Co., Ltd. Following these acquisitions, the asset scale has reached 200 billion yen (based on acquisition price).

Under the present harsh financial environment as seen in the downturn of the J-REIT market and the stance of banks that are tightening their lending policies, MHR obtained financing for the abovementioned two properties by executing both a third party allotment with Mori Building Co., Ltd. as allottee (14.7 billion yen) and bank loans (26 billion yen). Furthermore, MHR is planning to transfer one residential unit of Moto-Azabu Hills to Mori Building Co., Ltd. during the current fiscal period (until the end of January 2009).

Based on the support of its sponsors, both in terms of property sourcing and financing, MHR was able to accomplish the growth of its portfolio of premium properties as well as minimize dividend reduction. By proactively utilizing the added-value of Mori Building Co., Ltd. based on its high expertise and quality services, MHR will aim to further increase the quality and expand the scale of its portfolio while realizing effective internal growth.

Investment Policy



Investment in the city

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

Many of the high-profile properties in the Mori Hills REIT investment portfolio, as well as the REIT itself, carry the name “Hills” – ARK Hills, Atago Green Hills, Motoazabu Hills, Roppongi Hills, Holland Hills and Omotesando Hills. This reflects a conceptual vision of urban development created by the Mori Building Group.

The common characteristic of these projects is that they were cooperative urban redevelopment efforts involving a large number of property owners. The Mori Building Group transformed the urban landscape by incorporating all of the elements of urban life – work, residence, recreation, relaxation and education – into a revitalized neighborhood with attractive green space and advanced earthquake and disaster-resistant facilities. As the ARK Hills neighborhood demonstrates, these neighborhoods are able to maintain high real estate value over the years, and to serve as the nucleus for new businesses and new lifestyles.

Based on these characteristics, Mori Hills REIT believes that its properties will retain their high value, well into the future. Leveraging the comprehensive capabilities of the Mori Building Group, the Company will continue to invest selectively, in prime locations that match its “Hills” concept. “Investment in the city” will continue to provide a solid foundation for portfolio growth, and allow investors to maximize the value of their investments.

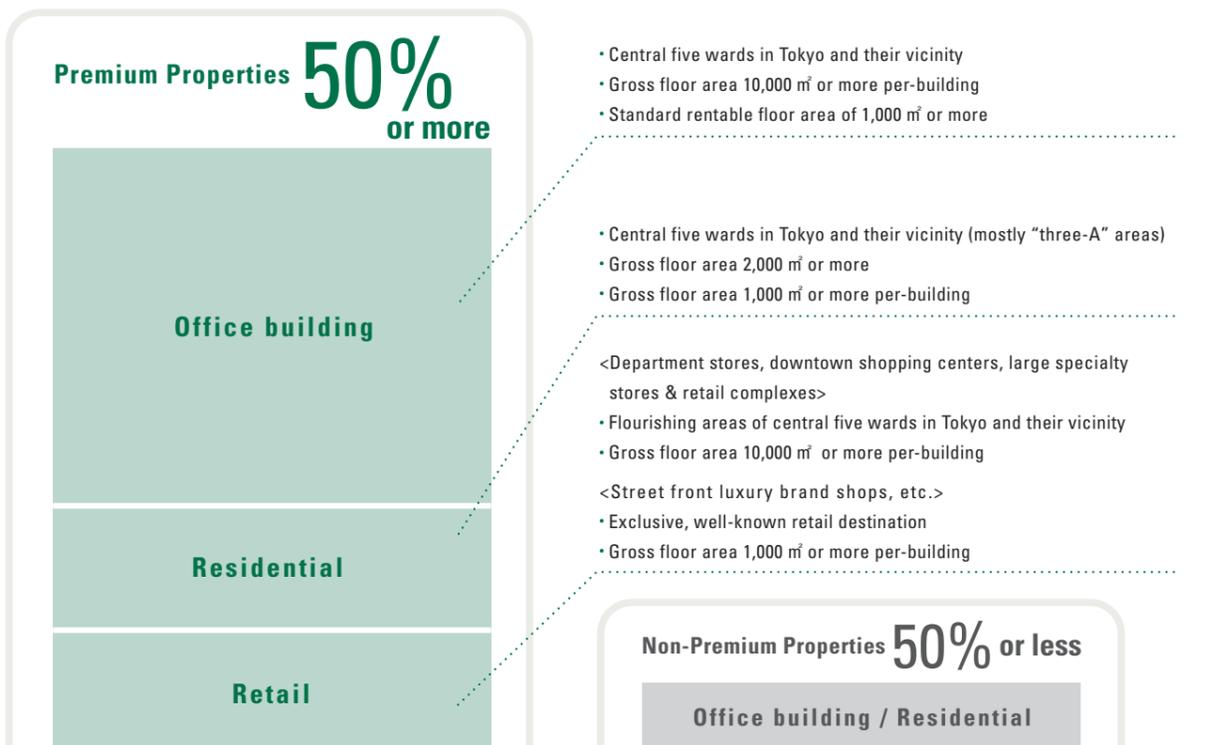


Note: LTV (loan-to-value ratio) = interest-bearing liabilities / total assets x 100

Portfolio Strategy

Investment focused on premium properties

Properties located in the Premium Area (central five wards in Tokyo and their vicinity) where Mori Building Group's brand power, marketing capabilities and facility management capabilities, etc. can be fully exercised. Properties that can maintain competitiveness far into the future in terms of quality, scale, specifications, etc. MHR will primarily invest in these "Premium Properties."



Office building focus

Property type	Composition(Note)
Office building	50% or more
Residential and retail	50% or less

Tokyo central five wards focus

Target area	Composition(Note)
Tokyo area	50% or more
Tokyo / Kanagawa / Chiba / Saitama	80% or more
Other major cities	20% or less

Note: Ratios are based on the acquisition price.

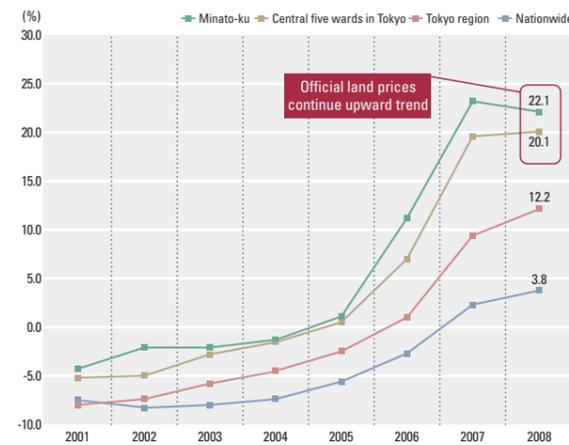
Earthquake-resistance

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

Overview of target areas for focused investment – Central five wards in Tokyo

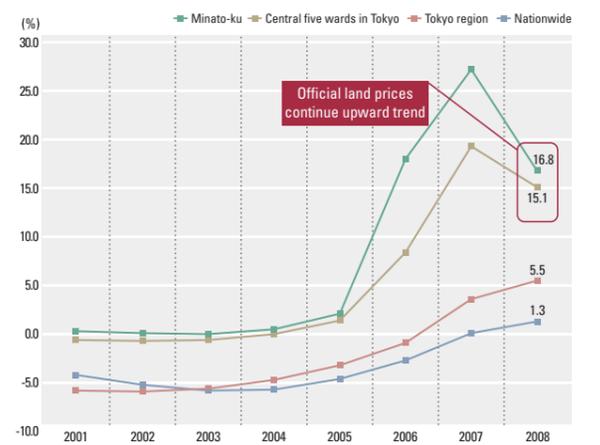
Comparison of land price trends: Rapid recovery in official land prices

Changes in official land price of commercial land (year-on-year comparison)



Source: "Official Land Prices" from 2000 to 2008 published by the Land Appraisal Committee of the Ministry of Land, Infrastructure, Transport and Tourism

Changes in official land price of residential land (year-on-year comparison)



Source: "Official Land Prices" from 2000 to 2008 published by the Land Appraisal Committee of the Ministry of Land, Infrastructure, Transport and Tourism

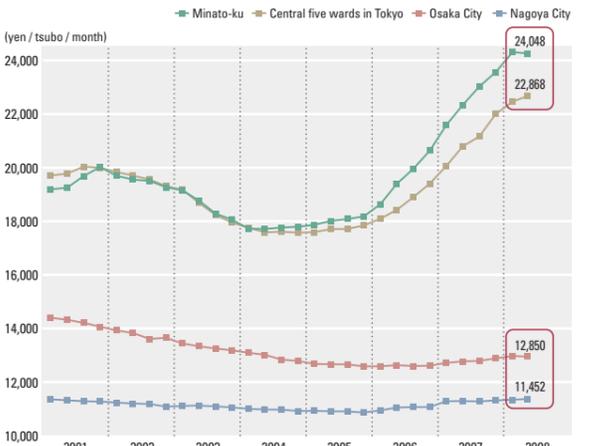
Comparison of office demand: Strong office demand and high stability

Changes in average vacancy rate of rental office buildings in large cities



Source: "Office Market Report" by CB Richard Ellis

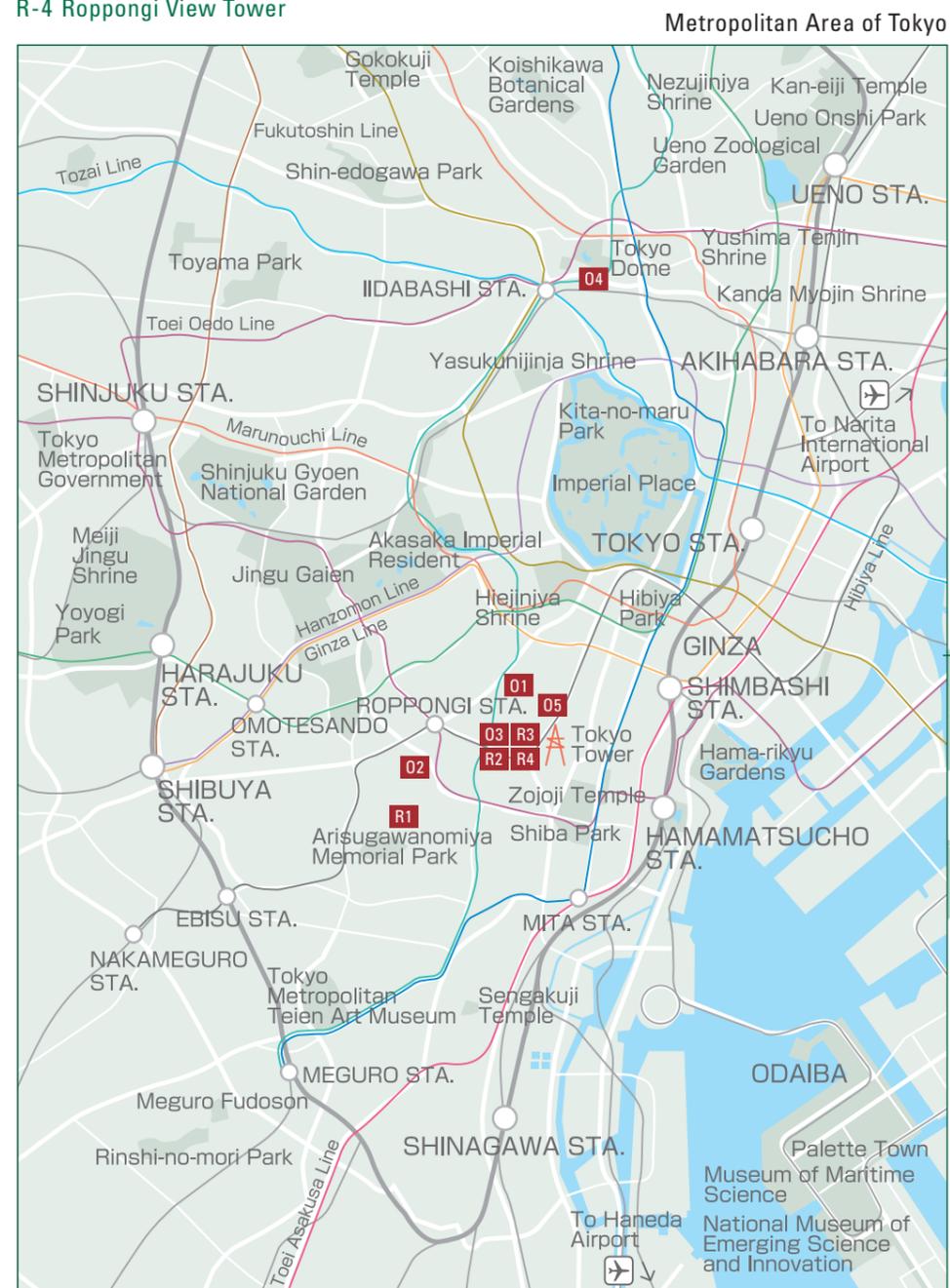
Changes in average rent of rental office buildings in large cities



Source: "Latest Office Building Market Conditions" by Miki Shoji

Portfolio Data

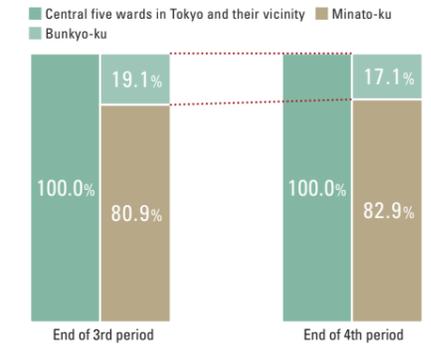
- 0-1 Ark Mori Building
- 0-2 Roppongi Hills Gate Tower
- 0-3 Roppongi First Building
- 0-4 Koraku Mori Building
- 0-5 Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)
- R-1 Moto-Azabu Hills
- R-2 Ark Forest Terrace
- R-3 Roppongi First Plaza
- R-4 Roppongi View Tower



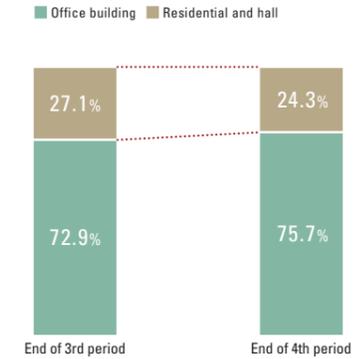
Quality



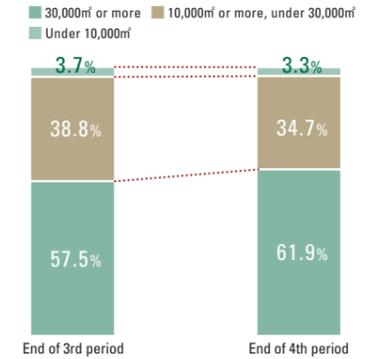
Location



Type



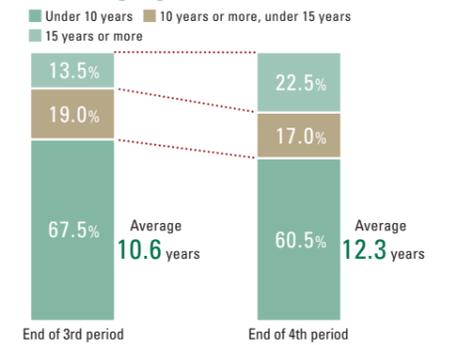
Scale



Portfolio PML



Building age



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

Portfolio List (as of July 31, 2008)

Use	Office building		Office building	Office building	Office building	Office building	Residential			Residential	Residential	Residential
Property number	Premium 0-1-1	Premium 0-1-2	Premium 0-2	Premium 0-3	Premium 0-4	0-5	Premium R-1			Premium R-2	Premium R-3	R-4
Property name	ARK Mori Building (Fixed master lease)	ARK Mori Building (Path-through master lease)	Roppongi Hills Gate Tower	Roppongi First Building	Kouraku Mori Building	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Forest Tower	Forest Terrace East	Forest Terrace West	ARK Forest Terrace	Roppongi First Plaza	Roppongi View Tower
Photo												
Address	Akasaka, Minato-ku, Tokyo		Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Moto-Azabu, Minato-ku, Tokyo			Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	
Completion	March 1986 (Large-scale renovation in 2005)		October 2001	October 1993	March 2000	August 1981 (Large-scale renovation in 2001)	May 2002		September 2002	January 2001	October 1993	
Number of floors	37 floors above ground and 4 underground levels		15 floors above ground and 2 underground levels	20 floors above ground and 4 underground levels	19 floors above ground and 6 underground levels	9 floors above ground and 1 underground level	29 floors above ground and 3 underground levels	6 floors above ground and 1 underground level	5 floors above ground and 1 underground level	11 floors above ground and 2 underground levels	20 floors above ground and 2 underground levels	
Gross floor area	Approx. 177,486 m ²		Approx. 29,111 m ²	Approx. 45,753 m ²	Approx. 46,154 m ²	Approx. 10,299 m ²	Approx. 54,006 m ²			Approx. 9,125 m ²	Approx. 22,906 m ²	
Total rentable floor area	Approx. 2,728 m ²	Approx. 3,971 m ²	Approx. 16,657 m ²	Approx. 11,525 m ²	Approx. 16,199 m ²	Approx. 6,720 m ²	Approx. 19,251 m ²			Approx. 5,246 m ²	Approx. 2,956 m ²	Approx. 6,344 m ²
MHR-owned residential units / Total residential units	—		44 units / 44 units	—	—	—	110 units / 222 units			39 units / 39 units	42 units / 90 units	202 units / 202 units
Ownership	Land	Ownership (Equity in rights to site: about 1.3%)	Ownership (Equity in rights to site: about 1.9%)	Ownership (Equity in rights to site: 100%)	Ownership (Co-ownership: 46%)	Leased land	Ownership (Equity in rights to site: about 56%)			Ownership (Equity in rights to site: 100%)	Ownership (Co-ownership)	Ownership (Co-ownership)
	Building	Sectional ownership	Sectional ownership	Sectional ownership (Equity: 100%)	Ownership (Co-ownership: 46%)	Sectional ownership	Sectional ownership			Sectional ownership (Equity: 100%)	Sectional ownership	Co-ownership of compartmentalized title (46%)
PML value	0.38%		1.29%	2.07%	0.42%	6.90%	1.16%	1.72%	5.78%	1.60%	3.53%	
Seismic isolation / Seismic damping	—		Seismic damping structure	—	Seismic damping structure	—	Seismic isolation structure	Seismic isolation structure	—	Seismic isolation structure	—	
Disaster control-related facilities	Emergency generator, Disaster control well, Disaster supplies		Emergency generator, Disaster supplies	Emergency generator	Emergency generator, Disaster control well, Disaster supplies	Emergency generator	Emergency generator, Disaster control well, Disaster supplies			Emergency generator, Disaster control well	Emergency generator	
Office building												
Leasable floor area of standard floor	Approx. 3,072 m ²		Approx. 1,496 m ²	Approx. 1,129 m ²	Approx. 1,157 m ²	Approx. 861 m ²						
Height to ceiling of standard floor / OA floor	2,590 mm / 50 mm		2,800 mm / 100 mm	2,630 mm / 70 mm	(High-rise) 2,690 mm (Medium-rise) 2,680 mm / 100 mm	2,450 mm / 50 mm						
Air conditioner	Independent air conditioner per floor		Independent air conditioner per floor	Independent air conditioner per floor	Independent air conditioner per floor	Independent gas heat pump air conditioner						
OA power source capacity	40 VA/m ² (Max. 90 VA/m ²)		40 VA/m ² (Max. 90 VA/m ²)	60 VA/m ²	40 VA/m ² (Max. 90 VA/m ²)	—						
Security system	Security gate, 24-hour manned supervision, Non-contact card key		24-hour manned supervision, Non-contact card key	24-hour manned supervision	24-hour manned supervision	24-hour manned supervision						
Office support	Café; Restaurant; Post office; Bookstore, stationery store; ATM; Clinic; Pharmacy; Photo studio; etc.		Supermarket (Open 24 hours), Café, Restaurant, Bookstore	Convenience store, Restaurant	Café, Restaurant, Clinic	—						
Residential (MORI LIVING)												
Front desk services			○				○			○	—	
Hills Spa			○				◎ Installed inside building			○	○	
Health consultation service			Health consultation (Available 24 hours) Consultation for foreigners (24-hour phone consultation)				Consultation for foreigners (24-hour phone consultation)			Consultation for foreigners (24-hour phone consultation)	Consultation for foreigners (24-hour phone consultation)	
Collabollation with designers			Conran & Partners				Uchii Architects Conran & Partners			—	—	
Security system			Double auto lock system, 24-hour manned supervision, Front desk				Double auto lock system, 24-hour manned supervision, Front desk			Double auto lock system, 24-hour manned supervision, Front desk	Auto lock system, 24-hour manned supervision	
Facilities			—				Clinic, Sky deck, Sky lounge, Wine cellar			Roof garden	—	
Occupancy rate	100.0%	94.3%	99.0%	96.7%	94.3%	100.0%	91.5%			89.2%	90.4%	100.0%
Acquisition price	6,600 million yen	16,500 million yen	36,500 million yen	21,000 million yen	27,200 million yen	12,720 million yen	27,300 million yen			5,300 million yen	2,100 million yen	4,000 million yen
Portfolio	PML value		1.23%									
	Occupancy rate		95.4%									
	Total acquisition price		159,220 million yen									

* The blank space in indicates N/A.
 * "Gross floor area" refers to the area of the entire building and is not limited to the portion owned by MHR.
 * For ARK Mori Building, MHR differentiates property names according to differences in rental schemes. Property adopting the fixed master lease scheme is called "ARK Mori Building (fixed master lease)" and property adopting the pass-through master lease scheme is called "ARK Mori Building (pass-through master lease)."

* The property photos posted on the portfolio list above are photos of real estate concerning the trust beneficiary rights owned by MHR. The trust beneficiary rights pertaining to the assets in trust owned by MHR may be sectional ownership or co-ownership concerning a portion of the real estate. Therefore, the overall real estate in the above property photos does not necessarily constitute the trust beneficiary rights pertaining to the assets in trust owned by MHR. The same applies to other property photos in this document.
 * The conclusion of a sale and purchase agreement for additional acquisition and delivery of the real estate beneficiary rights of ARK Mori Building were done on September 30, 2008. MHR acquired the real estate trust beneficiary right corresponding to sectional ownership of the office section (about 35.4% of total private-use floor area) of Akasaka Tameike Tower that is owned by Mori Building Co., Ltd. for 37,200 million yen and the remaining 25% of the 75% quasi co-ownership interest of real estate trust beneficiary right corresponding to sectional ownership of the 12th and 22nd floor portions (about 3.6% of total private-use floor area) of ARK Mori Building that was acquired on March 28, 2008 for 5,500 million yen. After the acquisition and transfer, MHR's portfolio value (acquisition price basis) will total 201,654 million yen. In addition, MHR plans to conclude a trust contract concerning sectional-ownership to one room in Moto-Azabu Hills (about 0.5% of total private-use floor area) and transfer such in the 5th fiscal period. The transfer price is 423,000 million yen.



01 ARK MORI BUILDING
Premium

Landmark in Akasaka area

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

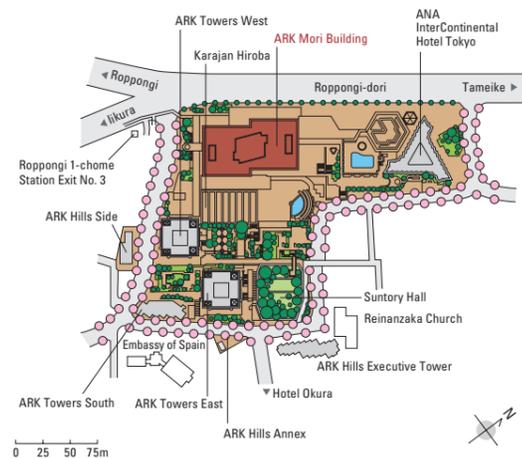
■ High competitiveness

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

■ Mori Building's highly rated, environmentally friendly initiatives

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

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



02 ROPPONGI HILLS GATE TOWER
Premium

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

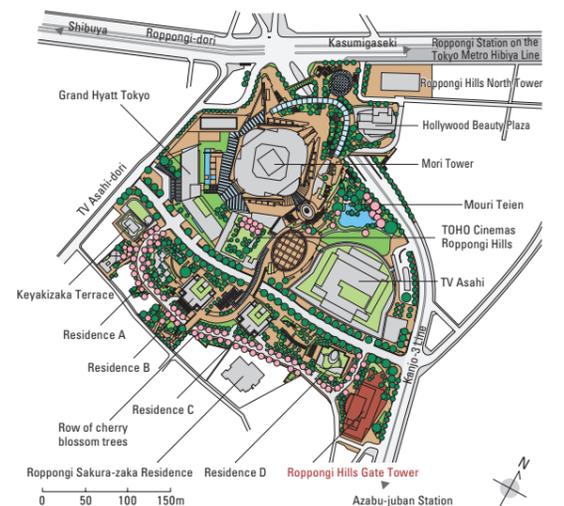
Located at the Azabu-juban side gateway of Roppongi Hills, Japan's largest multi-functional redevelopment project

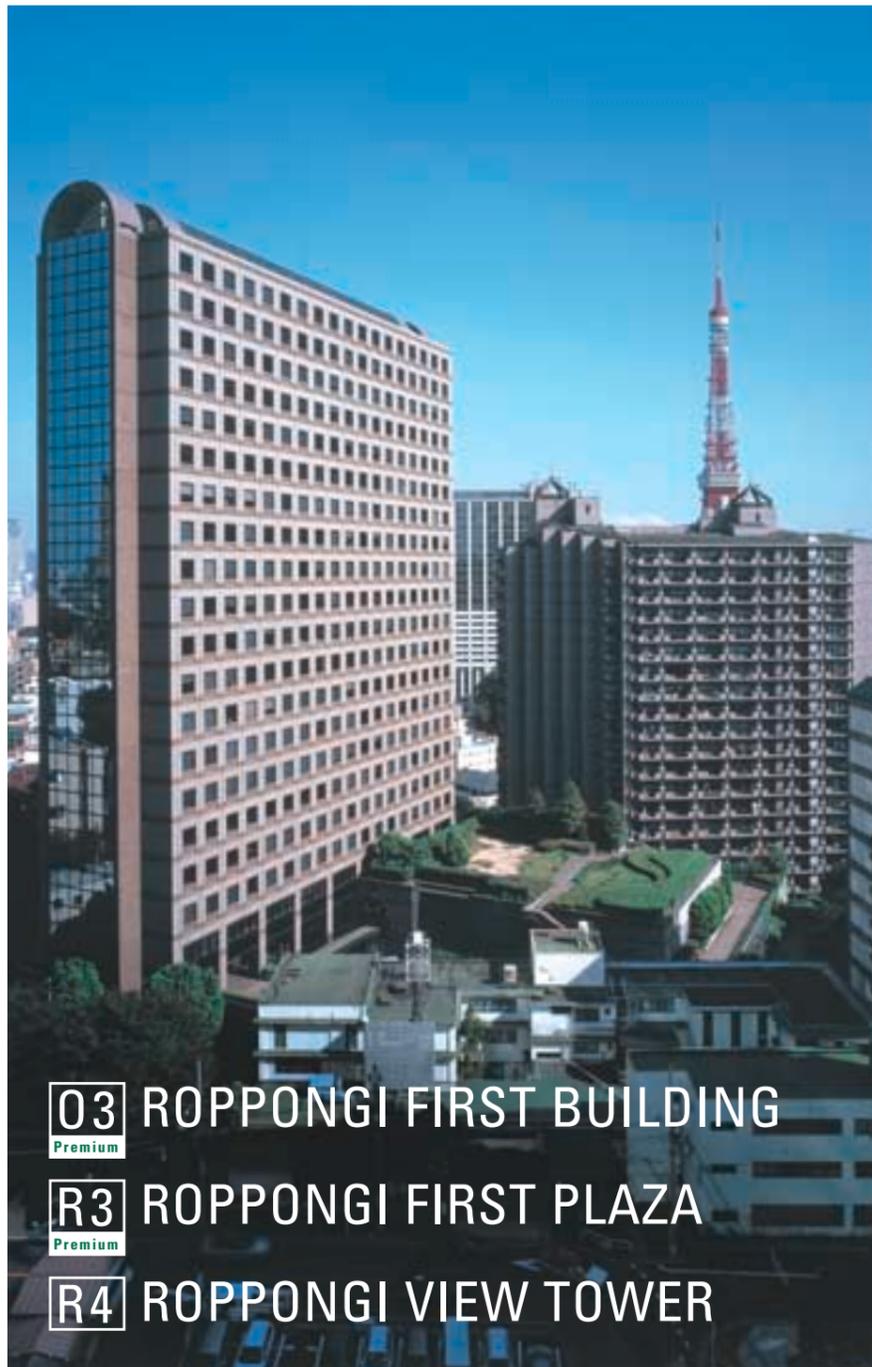
■ Office, retail and residential multi-functional complex

- Levels 1-3: retail
TSUTAYA with Starbucks, an upscale supermarket and restaurants
- Levels 3-9: office
Standard rentable floor area is approx. 1,496m²
- Levels 10-15: residential
Bilingual concierge services, Hills Spa and other MORI LIVING's services

■ Superior earthquake resistance

- Seismic damping walls and concrete-filled tubular steel (CFT) columns





03 ROPPONGI FIRST BUILDING
Premium

R3 ROPPONGI FIRST PLAZA
Premium

R4 ROPPONGI VIEW TOWER

Large-scale multi-functional complex with office and residence

Large-scale multi-functional complex with expansive exterior garden combining office and residence

■ Roppongi First Building

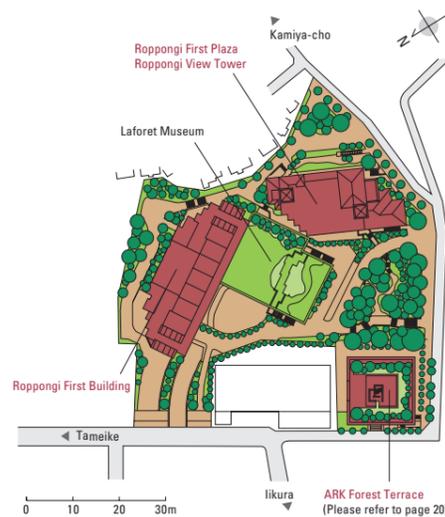
- Standard rentable floor area is approx. 1,129㎡
- Many foreign affiliated companies amongst the tenants
- Multi-purpose hall (Laforet Museum Roppongi)

■ Roppongi First Plaza

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

■ Roppongi View Tower

- Master-leased to Urban Renaissance Agency



04 KORAKU MORI BUILDING
Premium

Location with excellent environment and high visibility

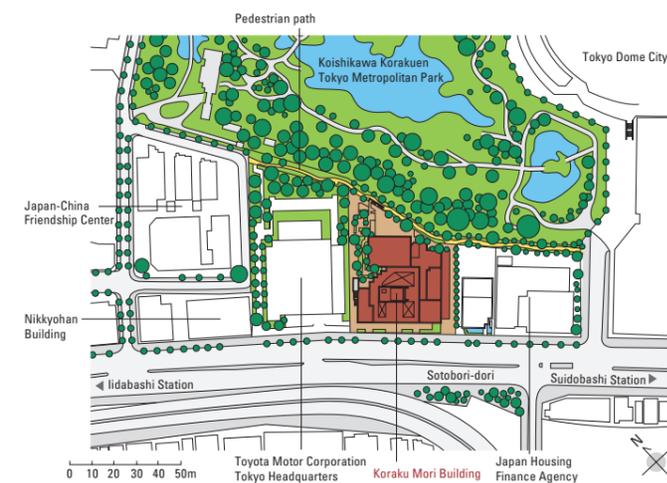
- High level of visibility from Sotobori-dori
- Standard rentable floor area is approx. 1,157㎡
- One of the office buildings representative of the Koraku area

■ Excellent office environment

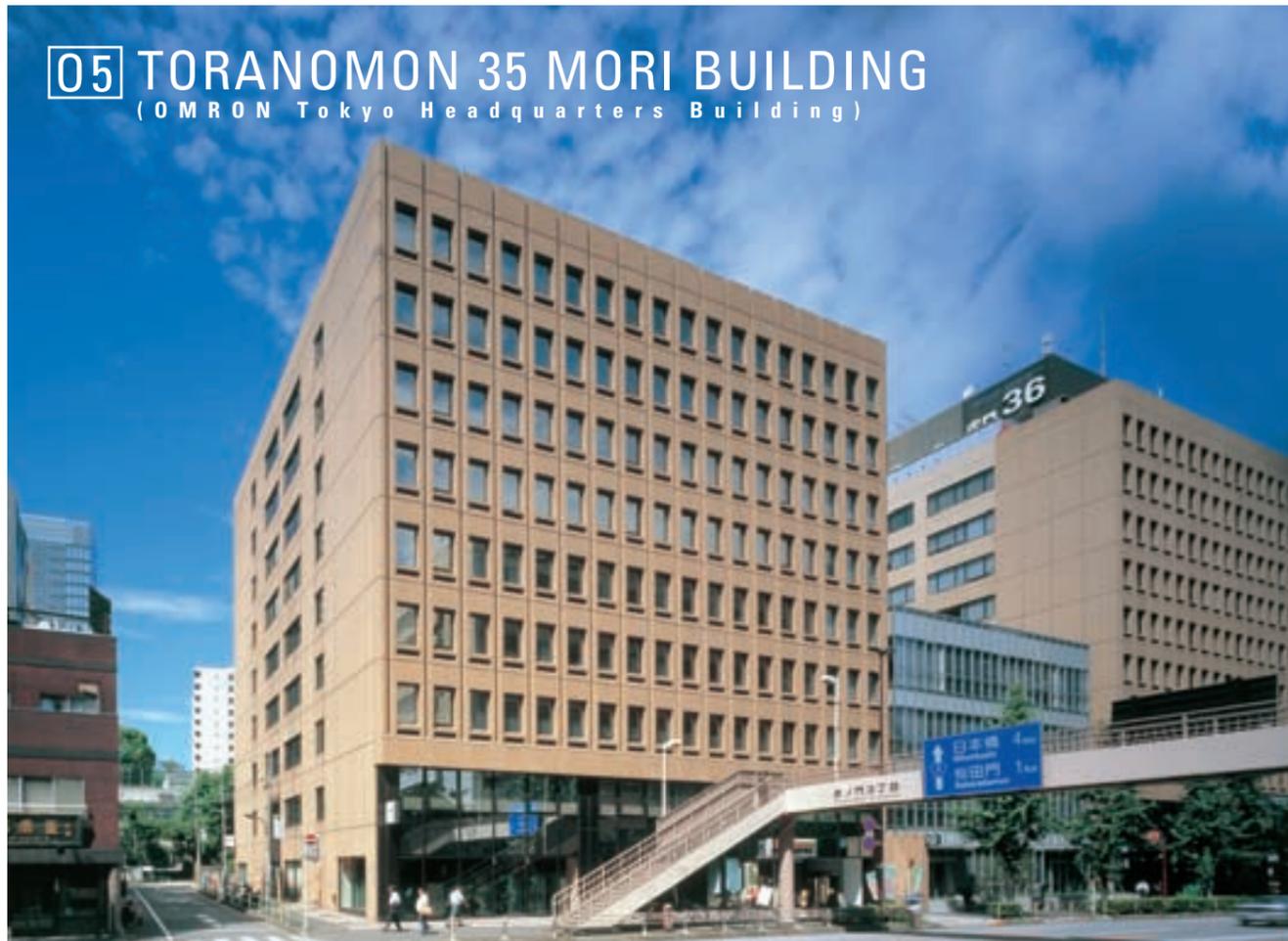
- Level 1: Starbucks
- Level 2: Clinics and restaurant
- Level 3: Rooftop garden

■ Superior earthquake resistance

- Seismic damping walls



05 TORANOMON 35 MORI BUILDING (OMRON Tokyo Headquarters Building)



Located in Toranomom, a major business district

Located in an excellent, highly visible location facing Sakurada-dori Avenue

■ Maintaining the level of quality to meet tenant needs

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



R1 MOTO-AZABU HILLS Premium



Excellent environment ideally located in the "three-A" area

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

■ "Forest in the City" where city and nature harmonize

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

■ High competitiveness

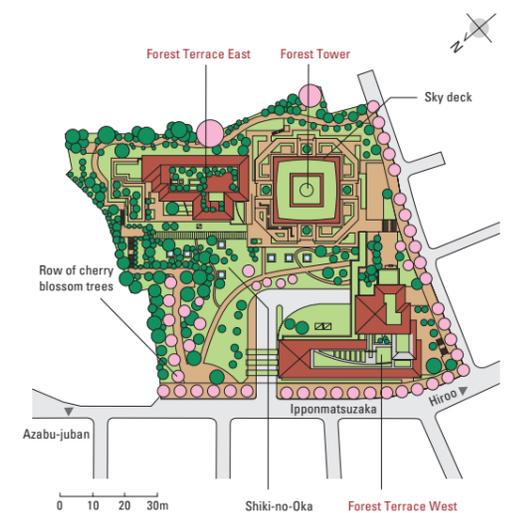
- Well recognized, iconic design, excellent view, etc., make this one of the city's highest ranked buildings.

■ Benefits of MORI LIVING's diverse services

- Hills Spa • Sky lounge • Wine cellar
- Twenty-four hour bilingual concierge service, etc.

■ Superior earthquake resistance

- Seismic isolation structure (Forest Tower and Forest Terrace East)



R2 ARK FOREST TERRACE
Premium



Luxurious rental apartment in excellent environment

Facing the greenery of the Roppongi First, this luxurious rental apartment with large units is located in a quiet neighborhood nearby Hotel Okura and various foreign embassies

■ **Benefits of MORI LIVING's diverse services**

- Rooftop garden
- Bilingual concierge services
- Hills Spa
- Health promotion service, etc.

■ **Superior earthquake resistance**

- Uses seismic isolation structure incorporating laminated rubber

Property Acquisitions during the Fifth Fiscal Period



06 AKASAKA TAMEIKE TOWER
Premium

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

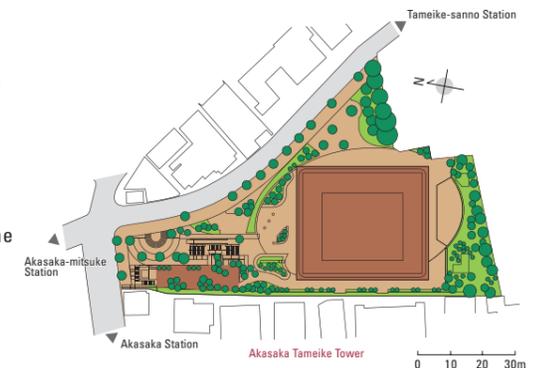
- The Akasaka area and vicinity has traditionally been popular among foreign enterprises. Recently, this area is receiving attention as a vibrant location in which new large-scale development projects, etc. are being undertaken, including those for new offices, premium residential apartments, retail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

■ **Excellent Office Environment**

- The office environment responds to the needs of today's tenants with class A standard rentable floor space of about 1,300m² and with facilities and equipment that are on par in terms of quality with those of the newest large-scale buildings.
- Furthermore, the building has various unique amenities, such as a Sky Garden on the rooftop, which can be used by office-workers as a space for rest.
- "Chemins," a French restaurant located in the premises of the building, is a renowned restaurant that has been awarded one star in the Michelin Guide Tokyo 2008 and its sophisticated atmosphere coupled with a quiet environment rich with greenery makes the property even more attractive.

■ **Excellent Earthquake Resistance**

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



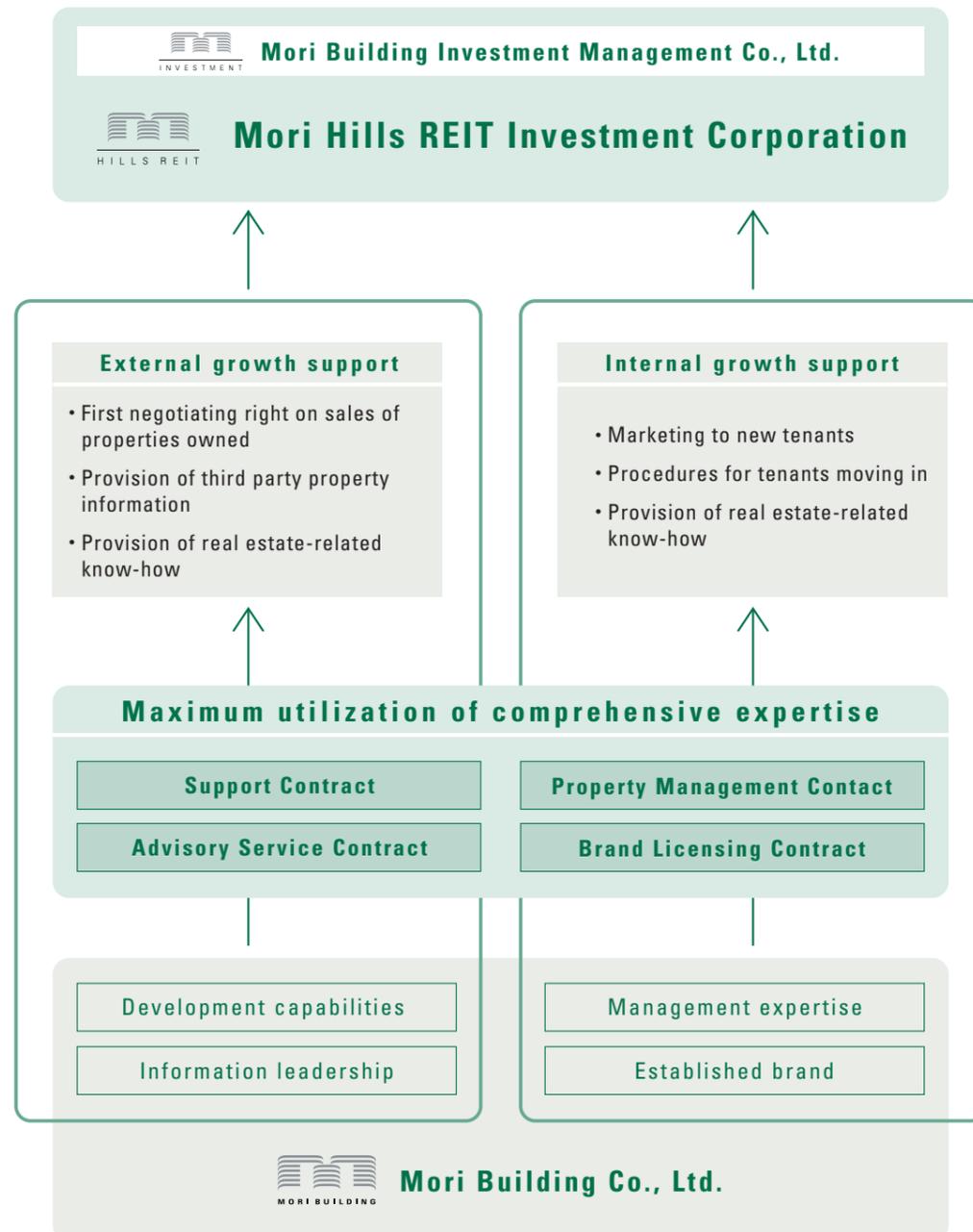
Maximum Utilization of the Mori Building Group's Comprehensive Expertise

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

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

Support by Mori Building Co., Ltd.

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



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

Mori Building Co., Ltd.

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

Urban Design Mission of Mori Building Co., Ltd.

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

Mori Building's Three Missions of Urban Design



Safety and Security: Cities that withstand earthquakes.

The creation of cities that withstand earthquakes and natural disasters through earthquake-resistant features and other measures. Transforming cities from "places to flee from" to "places to take refuge in."

Roppongi Hills Arena



Environment and Greenery: Where city and nature flourish together.

Restore a sense of changing seasons to the city.

ARK Garden (ARK Hills)



Culture and Art: Where creativity and new possibilities are born.

Creating compact, multi-use neighborhoods with more open space and more time to enjoy—places in which culture is enjoyed, fostered and transmitted.

Suntory Hall (ARK Hills)

Diagram of Mori Building Co., Ltd.'s Urban Design Mission

VERTICAL GARDEN CITY



Mori Building Co., Ltd.

Results of Large-scale Redevelopment Projects by Mori Building Co., Ltd.

The following are the results of major, large-scale redevelopment projects undertaken by Mori Building Co., Ltd., which represent realizations of its mission.

While having acquired sections of these properties, MHR does not have specific plans to acquire other properties as of the date this document was written.



	ARK Hills	Atago Green Hills	Moto-Azabu Hills	Roppongi Hills	Holland Hills	Omotesando Hills
Location	Minato-ku, Tokyo	Minato-ku, Tokyo	Minato-ku, Tokyo	Minato-ku, Tokyo	Minato-ku, Tokyo	Shibuya-ku, Tokyo
Main Uses	Offices Cooperative dwellings Hotels Shops Concert halls	Offices Cooperative dwellings Shops Buddhist temples	Cooperative dwellings Shops Child daycare	Offices Cooperative dwellings Hotels Shops Art museums Movie theaters TV studios Schools Buddhist temples	Offices Cooperative dwellings Shops	Shops Cooperative dwellings
Lot size (10,000 m ²)	Approx. 4.1 ^(Note)	Approx. 3.8	Approx. 1.2	Approx. 8.9	Approx. 0.3	Approx. 0.6
Gross floor area (10,000 m ²)	Approx. 36.0	Approx. 16.7	Approx. 5.6	Approx. 76.0	Approx. 3.5	Approx. 3.4
Of which, office portion	Approx. 18.1	Approx. 8.6	—	Approx. 37.9	Approx. 2.2	—
Total residential units	Approx. 480	Approx. 350	Approx. 220	Approx. 840	Approx. 70	Approx. 40

Note: The lot size is for the total development plan, which includes an enclave, and differs from the lot size of the block where ARK Mori Building is located (39,602.42 m²).

Shanghai World Financial Center

– Shanghai's New Hub of Finance and Information and the Birth of a Global Magnet –

The Shanghai World Financial Center (SWFC), the world's tallest mix-use complex (101 floors, 492 m) located in the Lujiazui Finance and Trade Zone Center, Pudong District, Shanghai, has begun formal operations.



August 30: Opening of the SWFC Observatory

The observation deck of the SWFC, which is 474 meters above ground and located on the 100th floor, opened for business on August 30, 2008. The genesis of the highest area in the SWFC marks the birth of the highest observation deck in the world. The observation bridge on the 97th floor makes you feel as if you were flying in the air, and various recreational events are held in the communication space on the 94th floor against the backdrop of a panoramic landscape.



September 1: Opening of the Park Hyatt Shanghai Hotel

On September 1, 2008, the Park Hyatt Shanghai Hotel opened its doors in the SWFC. This hotel is located on floors 79 to 93 and the space of a standard room is about 60m², equivalent to the space of a suite. You can enjoy the dynamic landscape of Huang Pu River and Pudong from any room, and the hotel provides scrupulous and tailor-made services to each of its guests that measure up to the company's global standard.



Official Website of the SWFC <http://swfc-shanghai.com/#/>

Environmental Initiatives

Mori Building Co., Ltd. advocates "Environment and Greenery" as one of the missions for the creation of cities. As such, it has worked to create a green environment to help solve urban environmental problems by alleviating the heat-island phenomenon and beautifying the landscape. It is also committed to an urban design in which cities and nature flourish by proactively landscaping building rooftops and open areas that are created after effectively and skillfully using urban land in horizontally congested city centers.

"ARK Hills," the Realization of a Vertical Garden City

Mori Building Co., Ltd. has developed a mature green environment through its consistent maintenance and management operations. The ARK Garden has been planted with fruit trees and set up with birdhouses to create an environment where wild birds can flourish.



Residents' Community "Hills Gardening Club"

Mori Building Co., Ltd. is also contributing to building communities in city centers by promoting urban forestation. The Club is contributing to the vitalization of the area through events using greenery and providing a place for the local community to get back in touch with and enjoy green life.



Addressing Safety

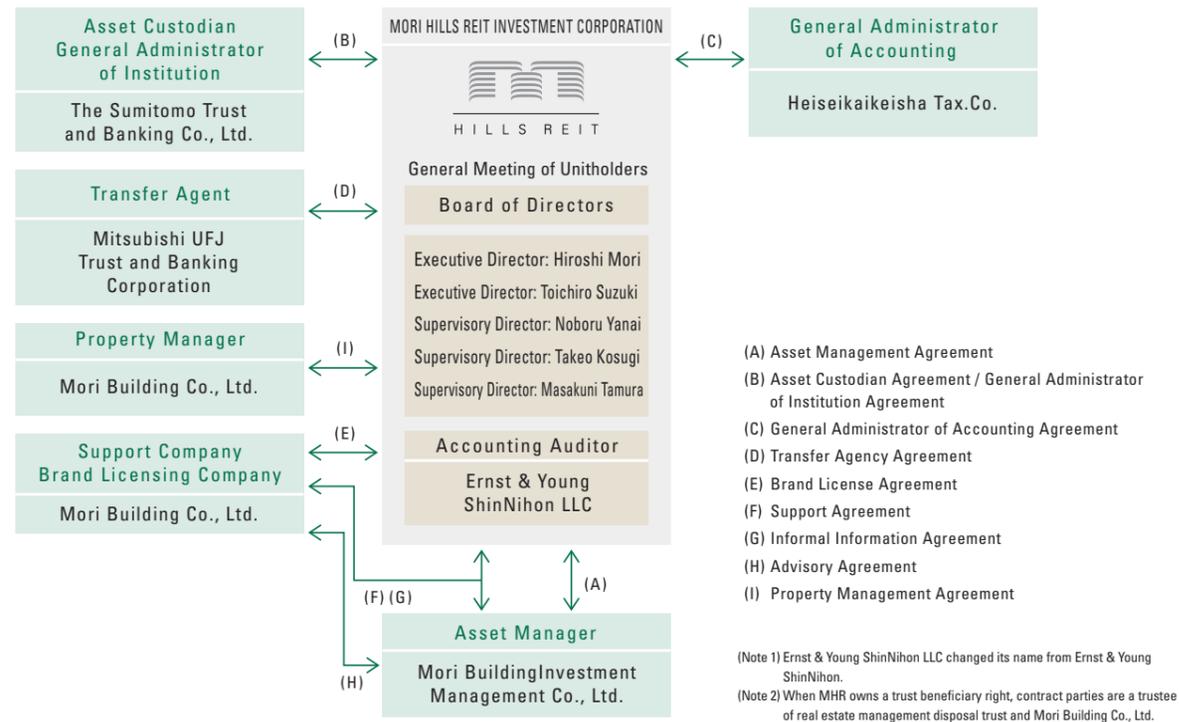
When undertaking the development and management of its properties, Mori Building Co., Ltd. is taking safety into special consideration. As such, it is pursuing earthquake-resistance features that can withstand large earthquakes and thorough safety measures for other natural disasters under the concept of transforming cities from "places to flee from" to "places to take refuge in."

Earthquake Resistance of Buildings

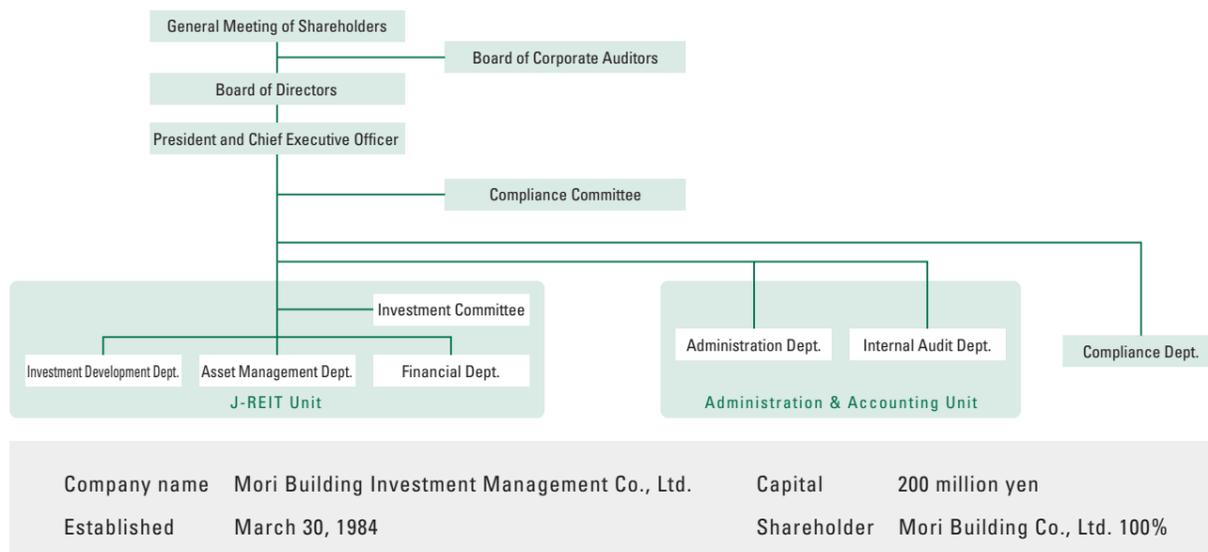
Mori Building Co., Ltd. is promoting the construction of buildings that have strong resistance to earthquakes by proactively implementing the latest technology in anti-earthquake measures that takes into consideration the most appropriate form for each of its properties, such as seismic damping and seismic isolators.

Seismic damping structure		Seismic isolation structure	
 [Normal earthquake resistant building]	 [Building with seismic damping]	 [Normal earthquake resistant building]	 [Building with Seismic Isolators]
Seismic damping, which involves installing a device that dampens oscillation energy, reduces the magnitude of earthquake oscillation by approx. 20%.		Seismic Isolators, which reduce earthquake power by installing a device between the building and its foundation, reduce the magnitude of oscillation by approx. one-third to one-half, particularly in cases of large earthquakes.	
MHR properties using this feature Roppongi Hills Gate Tower, Koraku Mori Building Akasaka Tameike Tower Viscous seismic damping wall		MHR properties using this feature Moto-Azabu Hills (Forest Tower, Forest Terrace East, Forest Terrace West) Seismic isolators	

Organizational Structure (As of July 31, 2008)



Overview of Asset Manager (As of July 31, 2008)



Governance Structure

Corporate governance

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

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

Compliance structure

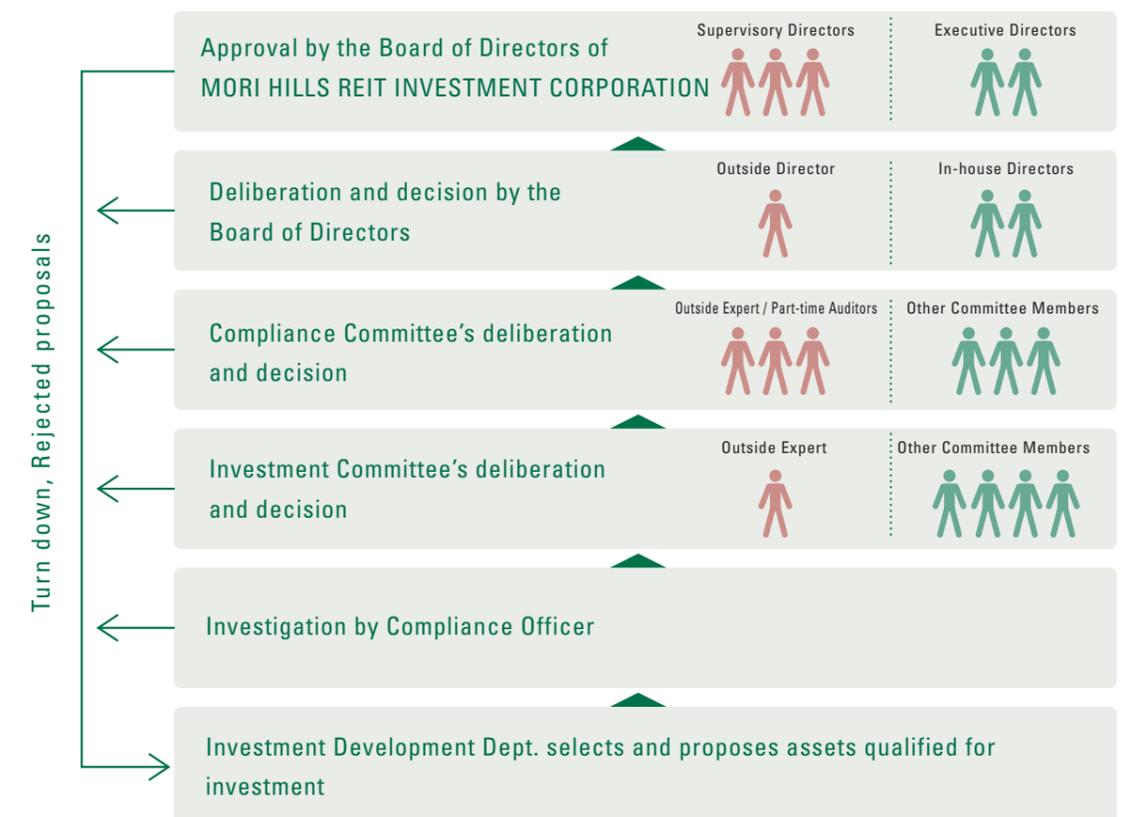
MIM regards thorough implementation of compliance as a fundamental principle of management, based on the awareness that the failure to conduct compliance may damage investor confidence as well as the management bases of the Investment Corporation and the Asset Management Company.

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

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

Acquisition of assets from interested parties

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



I Performance Information Report

Overview of Asset Management

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

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

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

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

(Note 3) "Property revenues" are property revenues in the broad sense of the term. The sum total of property revenues and other property revenues indicated in III. Statements of Income on page 46 is shown.

(Note 4) "Net profit per unit" is calculated by dividing the net income by the daily weighted average number of investment units (129,800 units). For the first fiscal period, the net profit per unit calculated by using the daily weighted average number of investment units when March 22, 2006, the first date of actual asset management following completion of registration with the Kanto Local Finance Bureau, is deemed as the first date of the period (94,458 units) is also shown in parentheses []. Figures of less than one unit are each rounded off.

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

- Ordinary profit to total assets = Ordinary profit ÷ Average amount of total assets*
- Net profit to total net assets = Net profit ÷ Average amount of net assets*
- NOI = Property income (= Property revenues - Property expenses) ÷ Depreciation and amortization
- FFO (Funds from Operations) per unit = (Net income + Depreciation and amortization + Other property related depreciation and amortization) ÷ Number of units issued and outstanding
- FFO multiple
- First fiscal period = Investment unit price at January 31, 2007 (1,100,000 yen) ÷ Annualized FFO per unit
- Second fiscal period = Investment unit price at July 31, 2007 (1,080,000 yen) ÷ Annualized FFO per unit
- Third fiscal period = Investment unit price at January 31, 2008 (716,000 yen) ÷ Annualized FFO per unit
- Fourth fiscal period = Investment unit price at July 31, 2008 (465,000 yen) ÷ Annualized FFO per unit
- Debt service coverage ratio = EBIDA (Net income before interest, depreciation and amortization) ÷ Interest expense
- Average amount of total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
- Average amount of net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2

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

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

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

(Note 8) "Number of tenants at end of period" is counted as 1 tenant when a single tenant leases multiple rental units in the case of tenants of office buildings and retail properties and is counted as 1 tenant per residential unit in the case of tenants of residential properties (the same hereinafter).

(Note 9) "Total leasable floor area at end of period" for real estate in trust is the floor area deemed leasable to end tenants. "Total leased floor area at end of period" for real estate in trust is the sum total of the contract floor area indicated on lease agreements with end tenants. However, for real estate in trust co-owned by the trust fiduciary, these are shown as the floor area arrived at when the total leasable floor area and total leased area of the concerned real estate in trust is multiplied by the quasi co-ownership interest and each rounded to two decimal places. Similarly, for ARK Mori Building (pass-through master lease) and Koraku Mori Building, these are shown as the floor area arrived at when the total leasable floor area and total leased area of the concerned real estate is multiplied by MHR's stake in the asset in trust of the trust beneficiary right (75% in the case of ARK Mori Building (pass-through master lease) and 80% in the case of Koraku Mori Building) and rounded to two decimal places. Total leasable floor area at end of period and total leased floor area at end of period do not include the floor area of storage, parking lot, mechanical room, etc. with the exception of master-leased properties based on a fixed master lease. (The same hereinafter.)

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

2. Asset Management Developments in the Fourth Fiscal Period

(1) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated under the Law Concerning Investment Trusts and Investment Corporations (Law No. 198 of 1951; including amendments thereto) (hereinafter, the "Investment Trust Law") by Mori Building Investment Management Co., Ltd. (hereinafter, "MHR's Asset Manager") on February 2, 2006 with 100 million yen in capital (200 investment units), and was registered by the Prime Minister based on Article 187 of the Investment Trust Law on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). As of the end of MHR's fiscal period ended July 31, 2008 (hereinafter, the "fourth fiscal period" or "fiscal period under review"), the total number of investment units issued and outstanding was 129,800 investment units.

Recently, MHR closed its fourth fiscal period.

(2) Investment Environment and Business Performance

a. Investment Environment

During the fourth fiscal period, economic slowdown in Japan came to the fore as a result of the turmoil in the financial markets worldwide caused by the subprime loan crisis in the U.S., and the surge in resource prices, among other factors. Exports, though experiencing a downturn in growth, continued to be on the rise. However, with declining corporate earnings as a result of the recent deteriorating terms of trade and such, a prudent stance was also found in capital and other investment. Personal spending also continued to see slightly sluggish growth amidst ongoing price increases in crude oil, food and other commodities. As for land price trends, the upward trend that has been seen in central Tokyo slightly stagnated. There has been no large volume of supply of new properties for some time, and the rental office building market remained strong as evident by vacancy rates continuing at low levels. The luxury rental housing market saw occupancy rates hover at high levels along with a trend of increasing new rent, owing to the increase in demand for luxury rental housing in correlation with the increasing number of expatriate staff working at foreign firms and high net worth Japanese households. Consequently, despite concerns of the impact of the subprime loan crisis, the luxury rental housing market remained buoyant. In the real estate trading market, the demand from Japanese and overseas investors for highly-competitive large buildings in central Tokyo remained robust and the environment surrounding the acquisition of blue-chip real estate from which modest returns on investment can be secured remains difficult.

b. Business Performance

MHR acquired additional interest in ARK Mori Building (equivalent to 1.5 floors) from its sponsor Mori Building Co., Ltd. as an asset that classifies as a "Premium Property," which MHR places at the core of its portfolio development policy. Regarding properties in the portfolio, MHR achieved positive results by enhancing tenant satisfaction through meticulous operational management, systematic maintenance and repairs and other efforts, as well as by negotiating upward rent revisions with existing tenants.

MHR's real estate portfolio as of the end of the fourth fiscal period was comprised of nine properties on an ownership base with a total leasable floor area of 91,548.83m². MHR has already invested 159.2 billion yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the fourth fiscal period was 95.4%.

(3) Overview of Fund Procurement

During the fourth fiscal period, MHR borrowed a total of 15 billion yen (long-term debt: 5 billion yen; short-term debt: 10 billion yen (Note)).

As a result, as of the end of the fourth fiscal period, the balance of debt stands at 78 billion yen (long-term debt: 43 billion yen; current portion of long-term debt: 15 billion yen; short-term debt: 20 billion yen), the balance of investment corporation bonds stands at 10 billion yen and the balance of interest-bearing debt stands at 88 billion yen.

Of this debt, for the 43 billion yen in long-term debt and 15 billion yen in current portion of long-term debt with variable interest rates, MHR takes measures that in effect convert variable interest rates into fixed interest rates. Such measures include utilizing interest rate swaps to hedge against the risk of fluctuations in interest rates. Concerning future debt, MHR will strive to minimize refinancing risks by diversifying debt repayment dates and by extending the average remaining duration of debt by increasing the percentage of fund procurement through long-term debt.

As of the end of the fourth fiscal period, MHR has obtained an A3 issuer credit rating (rating outlook: stable) from Moody's Investors Service, Inc. and AA- long-term senior debt rating (rating outlook: stable) from Japan Credit Rating Agency, Ltd.

(Note) Long-term debt is debt with a period of over one year until the repayment date at the time of drawdown, and short-term debt is debt with a period of one year or less until the repayment date at the time of drawdown (the same hereinafter).

(4) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 4,823 million yen in operating revenues, 2,442 million yen in operating profit, 1,837 million yen in ordinary profit and 1,832 million yen in net profit in the fourth fiscal period.

In regards to dividends, to ensure that profit distributions would be deductible for tax purposes based on application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957; including amendments thereto) (this Article hereinafter referred to as the "Special Tax Treatment for Investment Corporations), MHR decided to pay out the entire amount of unappropriated retained earnings, excluding fractions of the dividend per unit that are less than 1 yen. Consequently, MHR declared a dividend per unit of 14,117 yen.

I Performance Information Report

3. Status of Increases or Other Changes in Capital

During the fourth fiscal period, MHR did not increase or make other changes to its capital. Consequently, there is no change in the number of investment units issued and outstanding and unitholders' capital. The following is a summary of the increases and other changes in capital made during the third fiscal period and prior fiscal periods.

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

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

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

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

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

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

【Changes in Price of Investment Certificates on the Tokyo Stock Exchange】

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

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

4. Distribution Performance

MHR declared 14,117 yen in dividend per unit for the fourth fiscal period. To ensure the Special Tax Treatment for Investment Corporations applies, MHR adopts the policy of paying out almost the entire amount of unappropriated retained earnings.

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

5. Future Management Policy and Issues to Address

(1) Investment Environment

Corporate earnings are expected to be back as the rapid surge in energy, raw materials and other resource prices subsides after a period of being fueled by expanding overseas economies. However growth is likely to be at a slower rate given the challenging environment for exports that have driven growth in recent years. In light of such, the future Japanese economy is expected to see stagnation continue for some time, but then eventually return to a gradual growth path. Of course MHR believes there is the need to closely monitor the impact of the turmoil in the financial markets worldwide caused by the subprime loan crisis in the U.S., and the surge in crude oil prices, among other factors, on the Japanese economy.

As for the rental office building market, though there are signs of new rents leveling off, the vacancy rates of highly-competitive large buildings situated in central Tokyo maintains ongoing low levels and latent demand for more floor area or to integrate offices can be anticipated. Based on such factors, while the level of rent of new tenants continues to be generally flat, MHR believes that it will be able to increase rent of existing tenants.

As for the luxury rental housing market, MHR believes both rent and occupancy rates will hover at stable levels in a similar manner to office buildings.

In the real estate trading market, MHR anticipates Japanese and overseas investors will have an extremely strong motivation to invest in blue-chip properties in central Tokyo (MHR's presumed investment target) and the current market trading price will continue to hover at substantially high levels. Meanwhile, concerning properties of slightly inferior quality, there is projected to be relatively more favorable terms to buyers.

(2) Investment Policy and Issues to Address

Pursuant to MHR's investment policy, MHR seeks to grow as well as increasingly enhance the profitability of assets under management and the value of assets by focusing on the competitiveness and the ability to create value attributable to "urban" areas (central Tokyo being the core areas) and concentrating investment into "urban" areas. Specifically, MHR seeks to develop an urban portfolio with office buildings and residential and retail properties situated in "Premium Areas" (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward, Shibuya Ward and their vicinity) and capable of maintaining competitiveness in the future from such perspectives as quality, size and specifications ("Premium Properties"). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner perfected and developed over the years by MHR's sponsor, the Mori Building Group.

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

However, given the price at which transactions are being made in the general trading market hovering at high levels, MHR will keep a close eye on the conditions of a potential increase in liquidity due to several factors, including the subprime loan crisis, and exercise constructive and careful judgment regarding investment opportunities in properties in the general trading market that comply with MHR's management policy.

In the management of properties in the portfolio, MHR seeks to ensure stable revenue over the medium and long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of conducting rational, efficient and systematic asset and operational management that enhances satisfaction and captures the extensive trust of tenants. Furthermore, in the operation of individual assets under management, MHR strives to raise the presence of its assets under management by proactively leveraging Mori Building Co., Ltd.'s high added-value know-how and services. In addition, MHR will aim to achieve effective internal growth by focusing on maintaining the level of rent of new tenants and raising the rent of existing tenants based on the low level of vacancy rates of office buildings.

(3) Financial Strategy

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

(4) Information Disclosure

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

6. Significant Subsequent Events

Not applicable.

(Reference Information)

(1) Issuance of New Investment Units through Third Party Allotment

MHR issued new investment units through third party allotment based on a resolution adopted at a meeting of MHR's Board of Directors held on September 16, 2008. The funds will be appropriated to acquisition of the real estate trust beneficiary right in a trust that holds title to portions of each of ARK Mori Building and Akasaka Tameike Tower. The details of the issuance are outlined as follows:

(Conditions for Issuance, etc. of New Investment Units through Third-Party Allotment)

Number of units to be issued:	29,400 units
Underwriting price:	500,000 yen per unit
Total underwriting price:	14,700,000,000 yen
Allottee:	Mori Building Co., Ltd.
Payment date:	September 29, 2008
Investment securities delivery date:	Non-issuance
Starting date for computation of dividends:	August 1, 2008

(2) Debt Financing

On September 30, 2008, MHR took out 7 billion yen in short-term borrowings (repayment date August 31, 2009), 17 billion yen in long-term borrowings (repayment date: August 31, 2011) and 2 billion yen in long-term borrowings (repayment date: August 31, 2012). The funds will be appropriated to acquisition of the real estate trust beneficiary right in a trust that holds title to portions of each of ARK Mori Building and Akasaka Tameike Tower. The details of the borrowings are outlined as follows:

a. Short-term Borrowings

Borrowing amount	7 billion yen
Method of repayment	Bullet repayment upon maturity
Drawdown date	September 30, 2008
Repayment date	August 31, 2009
Collateral	Unsecured / Unguaranteed

b. Long-term Borrowings

Borrowing amount	17 billion yen
Method of repayment	Bullet repayment upon maturity
Drawdown date	September 30, 2008
Repayment date	August 31, 2011
Collateral	Unsecured / Unguaranteed

(Note) The interest rate payable has been set at a fixed interest rate for the entire (long-term) borrowings through interest rate swap and other agreements.

c. Long-term Borrowings

Borrowing amount	2 billion yen
Method of repayment	Bullet repayment upon maturity
Drawdown date	September 30, 2008
Repayment date	August 31, 2012
Collateral	Unsecured / Unguaranteed

(Note) The interest rate payable has been set at a fixed interest rate for the entire (long-term) borrowings through interest rate swap and other agreements.

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(3) Property Acquisition and Transfer

MHR completed the acquisition of ARK Mori Building and Akasaka Tameike Tower and is scheduled to transfer Moto-Azabu Hills

Concerning ARK Mori Building, which MHR concluded a sale and purchase agreement for and completed the delivery of on September 30, 2008, the acquisition is of the remaining 25% of the quasi co-ownership interest of the 75% quasi co-ownership interest in the real estate trust beneficiary right pertaining to the sectional ownership corresponding to the 12F and 22F portions of ARK Mori Building that was acquired during the fourth fiscal period. Concerning Akasaka Tameike Tower, the acquisition is of the real estate trust beneficiary right pertaining to the sectional ownership corresponding to the office portion (including parts of shops, storage, parking lot, etc.) owned by Mori Building Co., Ltd.

In addition, during the fifth fiscal period (ending in January 2009), MHR plans to sell its sectional ownership interest in one residential unit of Moto-Azabu Hills, which is an asset in MHR's portfolio, to Mori Building Co., Ltd. upon termination of the trust agreement.

Transactions with Mori Building Co., Ltd., fall under the definition of transactions with an interested party, etc. of MHR's Asset Manager. Accordingly, to comply with applicable laws and regulations and with the asset management agreement as well as to prevent the interests of MHR from being undermined in relation to the acquisition price, transfer price and other terms and conditions, MHR's Asset Manager has taken steps pursuant to its Related Parties Transaction Guidelines. Such steps were then followed by these acquisitions and transfer being resolved at a meeting of MHR's Board of Directors held on September 16, 2008.

[ARK Mori Building]

a. Overview of Acquisition

Asset acquired	Trust beneficiary right in a trust that holds title to real estate ^(Note)
Acquisition price	5,500,000,000 yen (excluding acquisition costs, property taxes, city planning taxes and consumption taxes, etc.)
Sale and purchase agreement date	September 30, 2008
Acquisition date	September 30, 2008
Seller	Mori Building Co., Ltd.
Acquisition financing	Cash on hand, debt financing and capital acquired through third party allotment
Payment method	Lump sum payment upon delivery

(Note) On March 28, 2008, MHR purchased 75% of the quasi co-ownership interest in the real estate trust beneficiary right pertaining to the sectional ownership corresponding to the 12F and 22F portions (about 3.6% of the total private-use floor area) of ARK Mori Building. In the acquisition outlined above, MHR acquired the remaining 25% of the quasi co-ownership interest. Through this acquisition, MHR now owns the entire real estate trust beneficiary right pertaining to the sectional ownership corresponding to the 12F and 22F portions.

b. Details of the Real Estate Trust Beneficiary Right Acquired

Property name	ARK Mori Building (12F and 22F portions)
Trust fiduciary	Mizuho Trust & Banking Co., Ltd.
Trust beneficiary	MHR (quasi co-ownership interest: 25%) (Following the acquisition, MHR's interest in the 12F and 22F portions will increase to 100%.)
Trust establishment date	March 28, 2008
Trust maturity date	March 31, 2018

c. Details of the Real Estate that is the Asset in Trust

Location	Lot number	1-1 Akasaka, Minato-ku, Tokyo, and 1-1 Roppongi, Minato-ku, Tokyo
	Residential indication	1-12-32 Akasaka, Minato-ku, Tokyo
	Lot size ^(Note 1)	39,602.42m ²
	Gross floor area ^(Note 1)	177,486.95m ²
	Structure	Reinforced concrete, steel-framed reinforced concrete and steel-framed structure with flat roof; 37 floors above ground and 4 underground levels
	Use	Office and shops
	Construction completion	March 1986
	Designers	Mori Building Co., Ltd. First Class Architect Office, and Irie Miyake Architects & Engineers
	Contractors	A consortium comprised of Kajima Corporation, Toda Corporation and Fujita Engineering Co. Ltd.
	Building verification agency	Tokyo Metropolitan Government
Form of ownership	Land	Ownership ^(Note 2)
	Building	Sectional ownership ^(Note 3)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	5,025,000,000 yen ^(Note 4)
	Appraisal date	July 31, 2008
	PML ^(Note 5)	0.38%
	Collateral	None
	Leasing scheme	Pass-through master lease
	Master lessee	Mori Building Co., Ltd.
	Property manager	Mori Building Co., Ltd.
Special consideration		Wet-spray rockwool containing asbestos is used on the columns, beams, etc. of the ceiling, party wall, etc. The places where the wet-spray rockwool containing asbestos is used are in stable condition with no scattering found, and appropriate removal and other action are scheduled to be taken at the expense of the seller. A master lease agreement with the trust fiduciary as the lessor and Mori Building Co., Ltd. as the lessee has been executed for the Property on March 28, 2008 and a property management agreement has been executed between the trust fiduciary and Mori Building Co., Ltd.

(Note 1) "Lot size" is the area of the entire parcel and "gross floor area" is the total floor area of the entire building, both as indicated on the real estate registry.

(Note 2) Concerning "land," land use rights for the Property are in place. The lot size as indicated on the real estate registry pertaining to the quasi co-ownership interest in the trust beneficiary right that MHR acquired is 262.10m², or about 0.6% of the area of the entire parcel.

(Note 3) The private-use floor area as indicated on the real estate registry and registration application form pertaining to the quasi co-ownership interest in the trust beneficiary right that MHR acquired is 1,318.73m², or about 0.9% of the total private-use floor area.

(Note 4) This is applicable to the 25% quasi co-ownership interest in the trust beneficiary right that MHR acquired.

(Note 5) "PML" refers to the probability of the maximum loss expected to result from an earthquake. There is no standardized precise definition. Rather, definitions vary depending on the intended purpose and use. Herein, however, PML is defined as "the loss that may result from an earthquake of the maximum size that has a 10% or greater probability of occurring within the average useful life of a building of 50 years (corresponding to a 475-year return period) expressed as a percentage (%) of the replacement cost." The value as indicated on the earthquake PML assessment report dated July 2008 by Sampo Japan Risk Management, Inc. is shown.

[Akasaka Tameike Tower]

a. Overview of Acquisition

Asset acquired	Trust beneficiary right in a trust that holds title to real estate ^(Note)
Acquisition price	37,200,000,000 yen (excluding acquisition costs, property taxes, city planning taxes and consumption taxes, etc.)
Sale and purchase agreement date	September 30, 2008
Acquisition date	September 30, 2008
Seller	Mori Building Co., Ltd.
Acquisition financing	Cash on hand, debt financing and capital acquired through third party allotment
Payment method	Lump sum payment upon delivery

(Note) In the acquisition outlined above, MHR acquired the real estate trust beneficiary right pertaining to the sectional ownership corresponding to the office portion (including parts of shops, storage area, parking lot, etc.) (about 35.4% of the total private-use floor area) of Akasaka Tameike Tower owned by Mori Building Co., Ltd.

b. Details of the Real Estate Trust Beneficiary Right Acquired

Property name	Akasaka Tameike Tower
Trust fiduciary	The Sumitomo Trust & Banking Co., Ltd.
Trust beneficiary	MHR
Trust establishment date	September 30, 2008
Trust maturity date	March 31, 2026

c. Details of the Real Estate that is the Asset in Trust

Location	Lot number	2-1701-1 and 2-1705-1 Akasaka, Minato-ku, Tokyo
	Residential indication	2-17-7 Akasaka, Minato-ku, Tokyo
	Lot size ^(Note 1)	5,694.16m ²
	Gross floor area ^(Note 1)	46,971.43m ²
	Structure	Reinforced concrete, steel-framed reinforced concrete (parts of the property) and steel-framed structure with flat roof; 25 floors above ground and 2 underground levels
	Use	Office, residences and shops
	Construction completion	August 2000
	Designers	Shimizu Corporation First Class Architect Office
	Contractors	A consortium comprised of Shimizu Corporation and Takenaka Corporation
	Building verification agency	Tokyo Metropolitan Government
Form of ownership	Land	Ownership (co-ownership) ^(Note 2)
	Building	Sectional ownership ^(Note 3)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	35,600,000,000 yen
	Appraisal date	July 31, 2008
	PML ^(Note 4)	2.15%
	Collateral	None
	Leasing scheme	Pass-through master lease
	Master lessee	Mori Building Co., Ltd.
	Property manager	Mori Building Co., Ltd.
Special consideration		A fixed mortgage has been established for the interest for other co-owners of the land to the Property. A part of the eastern side of the land has been subdivided and transferred to Minato Ward of Tokyo metropolitan government since the eastern road is to be widened. The borderline between the eastern road (1701-3, 1702-2, 1703-2, 1704-3, 1704-4 and 1705-2) and the borderline between the road and Property's land has not been confirmed following the division and transfer. It is assumed that the seller will confirm the borderline prior to December 31, 2008 at its own responsibility. As stated below ^(Note 5) , the income and expenses in relation to the Property will be distributed according to the distribution ratio. Therefore, MHR's profit obtained from the Property will not only be affected by conditions of the rent income from tenants and other income and expenses corresponding to the private-use areas of sectional ownership of the assets in trust, but will also be affected by conditions of the rent income from tenants corresponding to the private-use areas and common areas indicated in the agreement of the sectional ownership owned by Mori Building Co., Ltd. and The Asahi Shimbun Company does not fall under said trust other than residential and community meeting areas. Moreover, a master lease agreement and property management agreement between the trust fiduciary and Mori Building Co., Ltd. will be executed for the Property. Furthermore, a building maintenance and management agreement will be executed between the trust fiduciary and Akasaka Tameike Tower Management Co., Ltd.

(Note 1) "Lot size" is the area of the entire parcel and "gross floor area" is the total floor area of the entire building, both as indicated on the real estate registry.

(Note 2) Ownership for the land where the property is located is subdivided into the addresses of 1701-1 and 1705 and MHR has acquired the trust beneficiary right in a trust that holds title to the co-ownership interest of 1701-1. The lot size, as recorded in the real estate registry corresponding to the co-ownership interest of the trust beneficiary right that MHR has acquired, is 2,011.30m² and the co-ownership interest ratio is about 61.7%.

(Note 3) The private-use floor area as indicated on the real estate registry pertaining to the sectional co-ownership interest in the trust beneficiary right that MHR acquired is 11,338.12m², or about 35.4% of the total private-use floor area.

(Note 4) "PML" refers to the probability of the maximum loss expected to result from an earthquake. There is no standardized precise definition. Rather, definitions vary depending on the intended purpose and use. Herein, however, PML is defined as "the loss that may result from an earthquake of the maximum size that has a 10% or greater probability of occurring within the average useful life of a building of 50 years (corresponding to a 475-year return period) expressed as a percentage (%) of the replacement cost."

The value as indicated on the earthquake PML assessment report dated July 2008 by Sampo Japan Risk Management, Inc. is shown.

(Note 5) Mori Building Co., Ltd. and The Asahi Shimbun Company, who both possess sectional ownership of the Property's building, are to jointly conduct the rental business for the Property. Total rent income collected from all tenants and other total revenue corresponding to private-use areas and common areas indicated in the agreement owned by both parties possessing sectional ownership of the Property's building will be distributed according to the respective percentage of revenues and responsibilities in said business ("business ratio") stipulated in the agreement made between both parties. Both parties are also to bear a certain costs according to the business ratio. After acquisition of the asset, the trust fiduciary will inherit the position held by Mori Building Co., Ltd. based on the agreement made between both parties possessing sectional ownership in regards to the acquired portion. However, apart from the business ratio, the trust fiduciary has executed an agreement with Mori Building Co., Ltd. that says the trust fiduciary will receive distributions of an amount that equals — the total rent income collected from all tenants and other total revenue corresponding to private-use areas and common areas indicated in the agreement (other than residential and community meeting areas) that are owned under sectional ownership by the trust fiduciary, Mori Building Co., Ltd. and The Asahi Shimbun Company — multiplied by the percentage of revenues and expenses borne by the trust fiduciary (hereafter "distribution ratio"); the trust fiduciary is to be allocated a distribution ratio of 65.9%. The agreement also states that the trust fiduciary will also bear a certain amount of costs according to the distribution ratio.

I Performance Information Report

【Moto-Azabu Hills】

a. Overview of Transfer

Asset-to-be-transferred	Real estate (Note)
Scheduled transfer price	423,000,000 yen (excluding acquisition costs, property taxes, city planning taxes and consumption taxes, etc.)
Scheduled sale and purchase agreement date	During the fifth fiscal period (ending in January 2009)
Scheduled transfer date	During the fifth fiscal period (ending in January 2009)
Buyer	Mori Building Co., Ltd.
Payment method	Lump sum payment upon delivery

(Note) MHR plans to transfer said real estate upon termination of the trust agreement for the sectional ownership to one residential unit (about 0.5% of total private-use floor area) of Moto-Azabu Hills that it acquired on March 22, 2006.

b. Details of the Entire Real Estate

Location	Lot number	1-30-7 Moto-Azabu, Minato-ku, Tokyo
	Residential indication	1-3-1, 1-3-2 and 1-3-3 Moto-Azabu, Minato-ku, Tokyo
Lot size (Note 1)		12,199.65m ²
Gross floor area (Note 1)		54,006.76m ²
Structure (Note 2)		Steel-framed, steel-framed reinforced concrete and reinforced concrete structure with flat roof; 29 floors above ground and 4 underground levels
Use (Note 2)		Residences, Storage Areas, etc.
Construction completion (Note 2)		May 2002 and September 2002
Designers		Takenaka Corporation *Design supervisors: S.Uchii Architect & Associates and Conran & Partners
Contractors		Takenaka Corporation
Building verification agency		Tokyo Metropolitan Government
Form of ownership	Land	Ownership (Note 3)
	Building	Sectional ownership (Note 3)
Acquisition timing		March 22, 2006
Acquisition price (Note 4)		27,300,000,000 yen

(Note 1) "Lot size" is the area of the entire parcel and "gross floor area" is the total floor area of the entire building, both as indicated on the real estate registry.

(Note 2) The property is a single establishment on the registry, but according to the Building Standards Law, it consists of 3 establishments, that are: Forest Tower (SRC B3F / 29F), Forest Terrace East (RC B1F / 6F) and Forest Terrace West (RC B1F / 5F). The month construction started for the respective buildings was May 2002 for Forest Tower and Forest Terrace East and September 2002 for Forest Terrace West.

(Note 3) Lot size owned by MHR before the transfer, based on the record on the real estate registry, is 6,937.35m², or about 56.8% of the area of the entire parcel. The private-use floor area indicated on the real estate registry for the trust beneficiary right is 24,962.63 m², or about 64.5% of the total private-use floor area. Moreover, the leasable floor area that can be rented to end tenants is 19,251.84 m².

(Note 4) Said acquisition price is the acquisition price of the trust beneficiary right of assets that holds title to said real estate.

c. Details of the Section to be Transferred (one residential unit)

Lot size (Note 1)		75.00m ²
Private-use floor area (Note 1)		192.11m ²
Leasable floor area (Note 1)		209.11m ²
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	400,000,000 yen (Note 2) (Note 3)
	Appraisal date	July 31, 2008
Book value (Note 2)		264,400,000 yen (Note 4)
Transfer price (Note 2)		423,000,000 yen
Profit / Loss from the transfer (Note 2)		154,600,000 yen (Note 5)
Date of transfer (planned)		During the fifth fiscal period (ending in January 2009)

(Note 1) Lot size owned by MHR after the transfer, based on the record on the real estate registry, is 6,862.35m², or about 56.2% of the area of the entire parcel. The private-use floor area indicated on the real estate registry corresponding to the trust beneficiary right is 24,770.52m², or about 64.0% of the total private-use floor area. Moreover, the leasable floor area that can be rented to end tenants is 19,042.73m².

(Note 2) This is the price and profit / loss for the said transfer.

(Note 3) This is the valuation for the price and rent in the appraisal (the value that reflects market value, the estimated amount for which a property should exchange in properly functioning market on the date of valuation between a willing buyer and a willing seller in an arms-length transaction) and not a specific value or fair value (a price that reflects investor break-even price and is dependent on parties involved). For reference, the income price based on the capitalization method of the Property to be transferred indicated in the appraisal is 260,000,000 yen.

(Note 4) The book value in this table is the trial balance value as of the end of July 2008. The amount will be finalized upon taking into account depreciation and amortization until the selling date.

(Note 5) The amount of profit / loss from the transfer in the table is the transfer price minus the sum total of the book value of 264,400,000 yen and estimated cost of transfer of 4,000,000 yen indicated in the table.

(4) Revision of Management Guidelines of MHR's Asset Manager

MHR's Asset Manager made the following changes to its Management Guidelines, which are part of its internal rules, on September 16, 2008.

a. Overview of the Change to the Management Guidelines

A new regulation regarding sales policy was added to the article of the Management Guidelines on "Holding Period" (Article 8) and the title was changed to "Holding Period and Sales Policy."

b. Place of Change in the Management Guidelines

Before Change	After Change
<p>Article 8 (Holding Period)</p> <p>1. With respect to managing the assets of MHR, MIM will in principle acquire assets related to real estate for mid- to long-term holding purposes and not for short-term sales.</p> <p>2. MIM will periodically conduct reviews on its portfolio. It may consider selling individual assets related to real estate upon giving consideration to the competitive superiority of such assets, such as the mid- to long-term real estate market conditions, revenue forecast, increase or decrease of asset value forecast, future prospects for the area where the property lies, capital expenditure forecast directed at asset deterioration, etc.</p> <p>3. MIM will consider selling acquired assets related to real estate in the event that they do not fulfill investment policies and based on the effect of the sales to the portfolio.</p>	<p>Article 8 (Holding Period and Sales Policy)</p> <p>1. With respect to managing the assets of MHR, MIM will in principle acquire assets related to real estate for mid- to long-term holding purposes and not for short-term sales.</p> <p>2. MIM will periodically conduct reviews on its portfolio. It may consider selling individual assets related to real estate upon giving consideration to the competitive superiority of such assets, such as the mid- to long-term real estate market conditions, revenue forecast, increase or decrease of asset value forecast, future prospects for the area where the property lies, capital expenditure forecast directed at asset deterioration, etc.</p> <p>3. MIM will consider selling acquired assets related to real estate in the event that they do not fulfill investment policies and based on the effect of the sales to the portfolio.</p> <p>4. MIM may give consideration to selling assets if a gain on sales can be realized upon selling all or part of individual assets related to real estate, and based upon consideration of factors such as timing (for which such gain on sales can contribute to cash distributions paid to investors), the degree of contribution to investors' profit, effects on the portfolio, etc.</p>

(Note) MIM refers to MHR's Asset Manager, Mori Building Investment Management Co., Ltd.

c. Reason for the Change to the Management Guidelines

The aim is to be able to make flexible return of profits to investors by selling properties that are actually able to produce gain on sales based upon consideration of the effects on the portfolio, etc.

I Performance Information Report

Overview of MHR

1. Status of Capital

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

2. Matters related to Investment Units

The following are the principal unitholders as of July 31, 2008.

Name of Company or Person	Number of Units Held (units)	Number of Units Held as a Percentage of the Total Number of Units Issued and Outstanding (%) (Note)
Mori Building Co., Ltd.	19,518	15.0
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	10,129	7.8
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	8,175	6.3
The Fuji Fire and Marine Insurance Co., Ltd.	7,882	6.1
Japan Trustee Services Bank, Ltd. (Investment Trust Account)	7,064	5.4
The Master Trust Bank of Japan, Ltd. (Investment Trust Account)	6,543	5.0
The Bank of New York Treaty JASDEC Account	3,562	2.7
The Norinchukin Bank	3,000	2.3
UBS AG London A/C IPB Segregated Client Account	2,549	2.0
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,438	1.9
Total	70,860	54.6

(Note) Rounded to one decimal place.

3. Matters related to Directors

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

Title	Name of Director or Name of Company	Primary Concurrent Post	Total Compensation of Each Director for the Fiscal Period Under Review (thousands of yen)
Executive Director	Hiroshi Mori	President and Representative Director, Mori Building Investment Management Co., Ltd. (Note 1)	1,800
	Toichiro Suzuki	Chairman, Mori Building Investment Management Co., Ltd. (Note 1)	900
Supervisory Director (Note 2)	Noboru Yanai	President, Arrow Consulting Director, Resona Holdings, Inc.	1,800
	Takeo Kosugi	Partner, Matsuo & Kosugi	1,800
	Masakuni Tamura	President, ARC Brain	1,800
Accounting Auditor	Ernst & Young ShinNihon LLC (Note 3)	—	10,030

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

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

(Note 3) Ernst & Young ShinNihon LLC changed its name from Ernst & Young ShinNihon as of July 1, 2008 in tandem with it changing its auditing firm type.

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

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

(3) Accounting Auditor's Liability to MHR

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

4. Asset Manager, Asset Custodian and General Administrators

The following are the parties to which MHR outsources matters as of July 31, 2008.

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

Status of MHR's Portfolio Assets

1. Composition of MHR's Assets

Asset Category	Type	Region	Third Fiscal Period (As of January 31, 2008)		Fourth Fiscal Period (As of July 31, 2008)		
			Total Amount Owned (millions of yen) (Note 1)	As a Percentage of Total Assets (%) (Note 2)	Total Amount Owned (millions of yen) (Note 1)	As a Percentage of Total Assets (%) (Note 2)	
Real estate in trust	Office building	Central five wards in Tokyo and their vicinity	103,517	66.8	119,735	70.2	
		Tokyo area	103,517	66.8	119,735	70.2	
		Other major cities	—	—	—	—	
	Residential	Central five wards in Tokyo and their vicinity	38,925	25.1	38,770	22.7	
		Tokyo area	38,925	25.1	38,770	22.7	
		Other major cities	—	—	—	—	
	Retail	Central five wards in Tokyo and their vicinity	—	—	—	—	
		Tokyo area	—	—	—	—	
		Other major cities	—	—	—	—	
	Sub total			142,443	92.0	158,505	92.9
	Deposits and other assets			12,447	8.0	12,120	7.1
	Total assets			154,891	100.0	170,626	100.0

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

(Note 2) Rounded to one decimal place.

2. Core Portfolio Assets

The following is a summary of the core assets in MHR's portfolio as of July 31, 2008.

Property No.	Name of Real Estate, etc.	Book Value (millions of yen)	Leasable Floor Area (m ²)	Leased Floor Area (m ²)	Occupancy Rate (%)	As a Percentage of Property Revenues (Note 1) (%)	Primary Use
0-2 Premium	Roppongi Hills Gate Tower	36,340	16,657.52	16,491.79	99.0	23.3	Office and residential
R-1 Premium	Moto-Azabu Hills	27,290	19,251.84	17,611.36	91.5	18.4	Residential
0-4 Premium	Koraku Mori Building	26,834	16,199.26	15,273.32	94.3	20.5	Office
0-3 Premium	Roppongi First Building (Note 2)	20,707	11,525.55	11,149.58	96.7	14.2	Office
0-1-2 Premium	ARK Mori Building (pass-through master lease)	16,593	3,917.71	3,695.30	94.3	4.1	Office
0-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	12,692	6,720.34	6,720.34	100.0	8.6	Office
0-1-1 Premium	ARK Mori Building (fixed master lease)	6,567	2,728.96	2,728.96	100.0	3.1	Office
R-2 Premium	ARK Forest Terrace	5,310	5,246.04	4,677.07	89.2	3.9	Residential
R-4	Roppongi View Tower (Note 3)	4,023	6,344.84	6,344.84	100.0	2.3	Residential
R-3 Premium	Roppongi First Plaza	2,145	2,956.77	2,671.50	90.4	1.6	Residential
Total		158,505	91,548.83	87,364.06	95.4	100.0	—

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

(Note 2) The sum total of the joint ownership interest in the real estate – the 6% of the trust beneficiary right pertaining to the joint ownership portion of Roppongi First Building acquired on March 22, 2006 and the 40% of the trust beneficiary right pertaining to the joint ownership portion of Roppongi First Building acquired on April 13, 2006 (the same hereinafter).

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

3. Itemization of Assets Comprising MHR's Portfolio

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

The following is an itemization of the assets (real estate, trust beneficiary right in a trust that holds title to primarily real estate, etc.) owned by MHR as of July 31, 2008.

Type	Region	Property No.	Name of Real Estate, etc.	Location	Form of Ownership	Total Leasable Floor Area (m ²)	Appraisal Value at End of Period (Note 1) (millions of yen)	Book Value (millions of yen)
Office building	Central five wards in Tokyo and their vicinity	0-1-1 Premium	ARK Mori Building (fixed master lease)	1-12-32 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	2,728.96	9,790	6,567
		0-1-2 Premium	ARK Mori Building (pass-through master lease)	1-12-32 Akasaka, Minato-ku, Tokyo	Real estate trust beneficiary right	3,917.71	15,075 (Note 2)	16,593
		0-2 Premium	Roppongi Hills Gate Tower	6-11-1 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	16,657.52	43,500	36,340
		0-3 Premium	Roppongi First Building	1-9-9 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	11,525.55	27,500	20,707
		0-4 Premium	Koraku Mori Building	1-4-14 Koraku, Bunkyo-ku, Tokyo	Real estate trust beneficiary right	16,199.26	34,960 (Note 2)	26,834
		0-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	3-4-10 Toranomon, Minato-ku, Tokyo	Real estate trust beneficiary right	6,720.34	15,300	12,692
Sub total for office building						57,749.34	146,125	119,735
Residential	Central five wards in Tokyo and their vicinity	R-1 Premium	Moto-Azabu Hills	1-3-1 to 1-3-3 Moto-Azabu, Minato-ku, Tokyo	Real estate trust beneficiary right	19,251.84	28,800	27,290
		R-2 Premium	ARK Forest Terrace	1-9-1 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	5,246.04	5,180	5,310
		R-3 Premium	Roppongi First Plaza	1-9-39 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	2,956.77	2,320	2,145
		R-4	Roppongi View Tower	1-9-35 Roppongi, Minato-ku, Tokyo	Real estate trust beneficiary right	6,344.84	4,010	4,023
Sub total for residential						33,799.49	40,310	38,770
Total						91,548.83	186,435	158,505

(Note 1) "Appraisal Value at End of Period" is based on the appraisal report prepared by Japan Real Estate Institute with July 31, 2008 as the appraisal date.

(Note 2) The amount arrived at when the appraisal value at the end of the fiscal period based on the appraisal report for ARK Mori Building (pass-through master lease) and Koraku Mori Building is multiplied by MHR's stake in the asset in trust of the trust beneficiary right (75% in the case of ARK Mori Building (pass-through master lease) and 80% in the case of Koraku Mori Building) and rounded to the nearest million yen is shown.

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

Type	Region	Property No.	Name of Real Estate, etc.	Third Fiscal Period (August 1, 2007 ~ January 31, 2008)				Fourth Fiscal Period (February 1, 2008 ~ July 31, 2008)			
				Total No. of Tenants (as at end of period) (tenants)	Occupancy Rate (as at end of period) (%)	Property Revenues (during period) (millions of yen)	As a Percentage of Property Revenues (%)	Total No. of Tenants (as at end of period) (tenants)	Occupancy Rate (as at end of period) (%)	Property Revenues (during period) (millions of yen)	As a Percentage of Property Revenues (%)
Office building	Central five wards in Tokyo and their vicinity	0-1-1 Premium	ARK Mori Building (fixed master lease)	1	100.0	148	3.2	1	100.0	148	3.1
		0-1-2 Premium	ARK Mori Building (pass-through master lease)	—	—	—	—	11	94.3	198	4.1
		0-2 Premium	Roppongi Hills Gate Tower	42	97.0	1,125	24.3	46	99.0	1,121	23.3
		0-3 Premium	Roppongi First Building	15	94.2	675	14.6	15	96.7	686	14.2
		0-4 Premium	Koraku Mori Building	16	100.0	1,013	21.9	13	94.3	990	20.5
		0-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	1	100.0	409	8.9	1	100.0	413	8.6
Sub total for office building				75	97.8	3,372	72.9	87	97.1	3,558	73.8
Residential	Central five wards in Tokyo and their vicinity	R-1 Premium	Moto-Azabu Hills	106	93.2	885	19.1	104	91.5	887	18.4
		R-2 Premium	ARK Forest Terrace	37	93.8	184	4.0	34	89.2	189	3.9
		R-3 Premium	Roppongi First Plaza	35	84.9	76	1.7	38	90.4	78	1.6
		R-4	Roppongi View Tower	1	100.0	109	2.4	1	100.0	109	2.3
Sub total for residential				179	93.8	1,255	27.1	177	92.6	1,264	26.2
Total				254	96.3	4,628	100.0	264	95.4	4,823	100.0

(2) Itemization of Securities Assets Comprising MHR's Portfolio
Not applicable.

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

The following is the contract amount, etc. and the status of market prices of MHR's specified transactions as of July 31, 2008.

Account	Type	Contract Amount, etc. (millions of yen) (Note 1)		Market Price (millions of yen) (Note 2)
			Of which, exceeds 1 year	
Transaction other than market transaction	Interest rate swap transaction (variable interest receivable and fixed interest payable)	15,000	—	—
		25,000	25,000	—
		8,000	8,000	—
		5,000	5,000	—
		5,000	5,000	—
Total		58,000	43,000	—

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

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

5. Status of Other Assets

As of July 31, 2008, there are no core specified assets that are MHR's primary investment targets other than those listed under 3. Itemization of Assets Comprising MHR's Portfolio above.

Capital Expenditures for Portfolio Real Estate

1. Scheduled Capital Expenditures

The following are the major capital expenditures expected to arise in correlation with renovation construction, etc. planned for January 2009 or later for assets (real estate, trust beneficiary right in a trust that holds title to primarily real estate, etc.) owned by MHR as of July 31, 2008. Of the expected major capital expenditures, there may be cases where capital expenditures arise that will result in it being accounted for in expenses depending on the content of construction and other factors.

Name of Real Estate, etc. (Location)	Purpose	Scheduled Period	Expected Capital Expenditures (millions of yen)		
			Total Amount	Amount Paid During Period	Total Amount Already Paid
Roppongi Hills Gate Tower (Minato-ku, Tokyo)	Construction to take air-conditioning countermeasures for entrance to residential portion	From: October 2008 To: November 2008	8	—	—
	Construction to take long-period ground motion countermeasures for elevators	From: October 2008 To: January 2009	17	—	—
	Construction to take energy-saving countermeasures for heat source equipment	From: November 2008 To: November 2008	10	—	—
	Construction to renovate loading berth of mechanical parking lot	From: November 2008 To: November 2008	5	—	—
	Construction to install standby machine for cooling tower equipment	From: January 2009 To: February 2009	21	—	—
	Introduction of emergency earthquake alarm system	From: February 2009 To: March 2009	9	—	—
Roppongi First Building (Minato-ku, Tokyo)	Renewal of electric water heater	From: April 2009 To: July 2009	5	—	—
Koraku Mori Building (Bunkyo-ku, Tokyo)	Construction to take long-period ground motion countermeasures for elevators	From: October 2008 To: January 2009	6	—	—
	Construction to renew ITV system	From: December 2008 To: February 2009	9	—	—
	Construction to take noise countermeasures for cranes	From: January 2009 To: March 2009	8	—	—
Moto-Azabu Hills (Minato-ku, Tokyo)	Construction to install extra air-conditioning equipment in control room for mechanical parking lot	From: October 2008 To: October 2008	5	—	—
Roppongi First Plaza (Minato-ku, Tokyo)	Construction to renew and renovate residential units	From: August 2008 To: July 2009	34	—	—
	Construction to renew air-conditioners in residential units	From: August 2008 To: July 2009	6	—	—
	Construction to renew common-use portion on each floor	From: October 2008 To: December 2008	9	—	—

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

2. Capital Expenditures During the Fourth Fiscal Period

The following is a summary of the core properties where construction considered to be capital expenditures was conducted during the fourth fiscal period. Capital expenditures amounted to 42 million yen for the entire portfolio. This, combined with the 117 million yen in maintenance and repairs and two million yen in construction management fees accounted for as expenses for the fourth fiscal period, totals 163 million yen in construction conducted.

Name of Real Estate, etc. (Location)	Purpose	Period	Capital Expenditures (millions of yen)
Roppongi Hills Gate Tower (Minato-ku, Tokyo)	Construction to renovate natural smoke extraction window on each floor	From: February 2008 To: February 2008	1
	Construction to renovate waiting room for pay-by-time parking lot	From: June 2008 To: July 2009	5
	Construction to support digital terrestrial broadcasting	From: June 2008 To: July 2008	1
Koraku Mori Building (Bunkyo-ku, Tokyo)	Construction to improve building automation program	From: December 2007 To: May 2008	5
Toranomon 35 Mori Building (Minato-ku, Tokyo)	Construction to change power receiving and transformer equipment	From: November 2007 To: February 2008	1
Moto-Azabu Hills (Minato-ku, Tokyo)	Replacement of Sky Lounge furniture	From: June 2008 To: July 2008	1
ARK Forest Terrace (Minato-ku, Tokyo)	Development of security system	From: April 2008 To: May 2008	1
Roppongi First Plaza (Minato-ku, Tokyo)	Construction to renew auto-lock system	From: February 2008 To: March 2008	1
	Construction to renew and renovate residential units	From: May 2008 To: June 2008	11
Other			10
Entire Portfolio			42

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

3. Reserves for Long-Term Maintenance and Repair Plans

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

(Unit: millions of yen)

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

Status of Expenses and Liabilities

1. Itemization of Expenses for Asset Management, etc.

(Unit: thousands of yen)

Item	Third Fiscal Period	Fourth Fiscal Period
(a) Asset management fees	251,812	249,075
(b) Asset custody fees	3,879	4,198
(c) Administration fees	11,160	11,336
(d) Directors' compensation	7,200	8,100
(e) Other operating expenses	75,220	62,883
Total	349,273	335,593

2. Status of Debt Financing

The following is the status of borrowings categorized by financial institution as of July 31, 2008.

	Account	Drawdown Date	Balance at End of Third Fiscal Period (millions of yen)	Amount of Increase in Fourth Fiscal Period (millions of yen)	Amount of Decrease in Fourth Fiscal Period (millions of yen)	Balance at End of Fourth Fiscal Period (millions of yen)	Average Interest Rate (%) (Note 1)	Repayment Date	Method of Repayment	Use of Funds	Remarks
Short-Term Debt	Sumitomo Mitsui Banking Corporation	Nov. 30, 2007	2,320	—	—	2,320	1.0878	Nov. 30, 2008	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Mar. 28, 2008	—	1,300	—	1,300	1.0551	Mar. 27, 2009			
	Mizuho Corporate Bank, Ltd.	Nov. 30, 2007	1,620	—	—	1,620	1.0878	Nov. 30, 2008			
		Mar. 28, 2008	—	1,920	—	1,920	1.0551	Mar. 27, 2009			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Nov. 30, 2007	1,620	—	—	1,620	1.0878	Nov. 30, 2008			
		Mar. 28, 2008	—	1,920	—	1,920	1.0551	Mar. 27, 2009			
	Mitsubishi UFJ Trust and Banking Corporation	Nov. 30, 2007	1,620	—	—	1,620	1.0878	Nov. 30, 2008			
		Mar. 28, 2008	—	1,920	—	1,920	1.0551	Mar. 27, 2009			
	The Sumitomo Trust & Banking Co., Ltd.	Nov. 30, 2007	1,480	—	—	1,480	1.0878	Nov. 30, 2008			
		Mar. 28, 2008	—	1,640	—	1,640	1.0551	Mar. 27, 2009			
Shinsei Bank, Ltd.	Nov. 30, 2007	1,340	—	—	1,340	1.0878	Nov. 30, 2008				
	Mar. 28, 2008	—	1,300	—	1,300	1.0551	Mar. 27, 2009				
	Sub total		10,000	10,000	—	20,000					
Current Portion of Long-Term Debt	Mizuho Corporate Bank, Ltd.	Dec. 4, 2006	3,300	—	—	3,300	1.2850	Nov. 30, 2008	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Dec. 4, 2006	3,300	—	—	3,300	1.2850	Nov. 30, 2008			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 4, 2006	3,300	—	—	3,300	1.2850	Nov. 30, 2008			
		Dec. 4, 2006	2,800	—	—	2,800	1.2850	Nov. 30, 2008			
	The Sumitomo Trust & Banking Co., Ltd.	Dec. 4, 2006	2,800	—	—	2,800	1.2850	Nov. 30, 2008			
		Dec. 4, 2006	2,300	—	—	2,300	1.2850	Nov. 30, 2008			
	Sub total		15,000	—	—	15,000					
Long-Term Debt	The Norinchukin Bank	Dec. 4, 2006	6,000	—	—	6,000	1.4985	Nov. 30, 2009	Bullet repayment upon maturity	(Note 2)	No collateral and no guarantee
		Nov. 30, 2007	2,000	—	—	2,000	1.3750	Nov. 30, 2010			
	Sumitomo Mitsui Banking Corporation	Dec. 4, 2006	3,200	—	—	3,200	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	2,560	—	—	2,560	1.3547	Nov. 30, 2010			
	Mizuho Corporate Bank, Ltd.	Mar. 28, 2008	—	680	—	680	1.2260	Feb. 28, 2011			
		Dec. 4, 2006	3,200	—	—	3,200	1.4985	Nov. 30, 2009			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Nov. 30, 2007	1,780	—	—	1,780	1.3750	Nov. 30, 2010			
		Mar. 28, 2008	—	940	—	940	1.2260	Feb. 28, 2011			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 4, 2006	3,200	—	—	3,200	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	970	—	—	970	1.3750	Nov. 30, 2010			
	Mitsubishi UFJ Trust and Banking Corporation	Nov. 30, 2007	810	—	—	810	1.3547	Nov. 30, 2010			
		Mar. 28, 2008	—	940	—	940	1.2260	Feb. 28, 2011			
	Mitsubishi UFJ Trust and Banking Corporation	Dec. 4, 2006	3,200	—	—	3,200	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	1,780	—	—	1,780	1.3750	Nov. 30, 2010			
	The Sumitomo Trust & Banking Co., Ltd.	Mar. 28, 2008	—	940	—	940	1.2260	Feb. 28, 2011			
		Dec. 4, 2006	3,200	—	—	3,200	1.4985	Nov. 30, 2009			
	The Sumitomo Trust & Banking Co., Ltd.	Nov. 30, 2007	1,630	—	—	1,630	1.3547	Nov. 30, 2010			
		Mar. 28, 2008	—	820	—	820	1.2260	Feb. 28, 2011			
	Shinsei Bank, Ltd.	Dec. 4, 2006	3,000	—	—	3,000	1.4985	Nov. 30, 2009			
		Nov. 30, 2007	1,470	—	—	1,470	1.3750	Nov. 30, 2010			
	Mar. 28, 2008	—	680	—	680	1.2260	Feb. 28, 2011				
	Sub total		38,000	5,000	—	43,000					
	Total		63,000	15,000	—	78,000					

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

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

3. Investment Corporation Bonds

The following is the status of investment corporation bonds issued and outstanding as of July 31, 2008.

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

(Note) The use of funds is the repayment of borrowings.

I Performance Information Report

Sales and Purchases During the Fourth Fiscal Period

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

Name of Real Estate, etc.	Acquisition		Sale			
	Acquisition Date	Acquisition Price (thousands of yen) (Note)	Sale Date	Sale Price (thousands of yen)	Book Value (thousands of yen)	Gain / Loss on Sale (thousands of yen)
ARK Mori Building (pass-through master lease)	March 28, 2008	16,500,000	—	—	—	—
Total	—	16,500,000	—	—	—	—

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

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

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

3. Appraisal of Price, etc. of Specified Assets

(1) Real Estate, etc.

Type	Region	Property No.	Name of Real Estate, etc.	Acquisition or Sale	Asset Category	Acquisition Date	Acquisition Price (thousands of yen) (Note 1)	Appraisal Price of Specified Asset (thousands of yen) (Note 2)
Office building	Central five wards in Tokyo and their vicinity	0-1-2 Premium	ARK Mori Building (pass-through master lease)	Acquisition	Real estate trust beneficiary right	March 28, 2008	16,500,000	15,075,000

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

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

(2) Other

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

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

4. Status of Transactions with Interested Parties and Principal Unitholders (Note 1)

(1) Status of Transactions

Account	Sale / Purchase Price, etc.	
	Buying Price, etc.	Selling Price, etc.
Total amount	16,500,000 thousand yen Of which, buying price from interested parties 16,500,000 thousand yen (100.0%)	— thousand yen Of which, selling price to interested parties — thousand yen (—%)
Breakdown of status of transactions with interested parties		
Mori Building Co., Ltd.	16,500,000 thousand yen (100.0%)	— thousand yen (—%)
Total	16,500,000 thousand yen (100.0%)	— thousand yen (—%)

(2) Amount of Fees Payable, etc.

Account	Total Amount of Fees Payable, etc. (A) (thousands of yen)	Breakdown of Transaction with Interested Parties		As a Percentage of Total Amount (B ÷ A) (%)
		Payee	Amount Payable (B) (thousands of yen)	
Property management fees (Note 2)	619,814	Mori Building Co., Ltd.	569,293	91.8
		Roppongi First Building Co., Ltd.	50,521	8.2
IR related fees	675	Mori Hospitality Corporation	675	100.0

(Note 1) Principal unitholders refer to principal unitholders of MHR's Asset Manager as defined in Article 29-4-2 of the Financial Instruments and Exchange Law, and interested parties refer to interested parties of MHR's Asset Manager with which MHR has entered into an asset management agreement as designated in Article 123 of the Enforcement Order of the Law Concerning Investment Trusts and Investment Corporations. The principal unitholders and interested parties with which MHR transacted with or paid fees payable, etc. during the fourth fiscal period are Mori Building Co., Ltd., Roppongi First Building Co., Ltd. and Mori Hospitality Corporation as outlined above.

(Note 2) The property management fees to payee Mori Building Co., Ltd. in the above table includes construction management fees that are capitalized and not accounted for as expenses (1,438 thousand yen).

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

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

Status of Accounting

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

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

2. Change in Method for Calculating Depreciation and Amortization

Not applicable.

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

Not applicable.

Miscellaneous

1. Announcements

Not applicable.

2. Miscellaneous

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

II Balance Sheets

Item	Period	Fourth Fiscal Period (As of July 31, 2008)		Third Fiscal Period (Reference) (As of January 31, 2008)	
		Amount (thousands of yen)	Share of Total (%)	Amount (thousands of yen)	Share of Total (%)
Assets					
I Current assets					
Cash and deposits		5,205,753		6,013,529	
Entrusted cash and deposits		6,496,459		6,072,304	
Accounts receivable – trade		97,677		100,449	
Prepaid expenses		139,910		105,894	
Deferred tax assets		238		18	
Consumption taxes receivable		39,956		—	
Other current assets		749		5,933	
Total current assets		11,980,745	7.0	12,298,130	7.9
II Fixed assets					
1. Property and equipment, at cost					
Entrusted buildings		39,741,996		38,469,182	
Accumulated depreciation		(2,488,925)	37,253,071	(1,931,516)	36,537,666
Entrusted structures		605,642		602,654	
Accumulated depreciation		(150,687)	454,955	(118,720)	483,933
Entrusted machinery and equipment		705,617		705,617	
Accumulated depreciation		(50,755)	654,862	(39,944)	665,673
Entrusted tools, furniture and fixtures		25,442		15,359	
Accumulated depreciation		(3,471)	21,970	(1,656)	13,702
Entrusted land		101,704,640		86,332,510	
Entrusted construction in progress		647		—	
Property and equipment, net		140,090,147	82.2	124,033,486	80.1
2. Intangible assets					
Entrusted leasehold rights		18,409,956		18,409,956	
Entrusted other intangible assets		5,210		—	
Total intangible assets		18,415,167	10.8	18,409,956	11.9
3. Investments and other assets					
Security deposits		10,000		10,000	
Long-term prepaid expenses		54,832		54,170	
Total investments and other assets		64,832	0.0	64,170	0.0
Total fixed assets		158,570,146	93.0	142,507,614	92.0
III Deferred assets					
Initial expenses		25,556		30,668	
Issue costs of investment corporation bonds		49,743		54,874	
Total deferred assets		75,300	0.0	85,542	0.1
Total assets		170,626,192	100.0	154,891,286	100.0

Item	Period	Fourth Fiscal Period (As of July 31, 2008)		Third Fiscal Period (Reference) (As of January 31, 2008)	
		Amount (thousands of yen)	Share of Total (%)	Amount (thousands of yen)	Share of Total (%)
Liabilities					
I Current liabilities					
Accounts payable – trade		262,434		253,426	
Short-term debt		20,000,000		10,000,000	
Current portion of long-term debt		15,000,000		15,000,000	
Accounts payable – other		12,759		11,311	
Accrued expenses		209,150		182,913	
Accrued income taxes		1,424		652	
Accrued consumption taxes		19,538		38,870	
Rent received in advance		695,667		609,531	
Deposits received		79,808		57,576	
Total current liabilities		36,280,784	21.3	26,154,281	16.9
II Long-term liabilities					
Investment corporation bonds		10,000,000		10,000,000	
Long-term debt		43,000,000		38,000,000	
Tenant leasehold and security deposits received		6,841,592		6,222,814	
Total long-term liabilities		59,841,592	35.0	54,222,814	35.0
Total liabilities		96,122,376	56.3	80,377,095	51.9
Net Assets					
I Unitholders' equity					
1. Unitholders' capital					
Unitholders' capital		72,671,418	42.6	72,671,418	46.9
2. Retained earnings					
Unappropriated retained earnings		1,832,397		1,842,772	
Total retained earnings		1,832,397	1.1	1,842,772	1.2
Total unitholders' equity		74,503,815	43.7	74,514,191	48.1
Total net assets		74,503,815	43.7	74,514,191	48.1
Total liabilities and net assets		170,626,192	100.0	154,891,286	100.0

III Statements of Income

Item	Period	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008		Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008	
		Amount (thousands of yen)	Percentage (%)	Amount (thousands of yen)	Percentage (%)
1. Operating revenues					
Property revenues	*1, 2	4,407,694		4,176,880	
Other property revenues	*1	415,465	4,823,159	451,525	4,628,405
2. Operating expenses					
Property expenses	*1, 2	2,044,806		1,929,934	
Asset management fees		249,075		251,812	
Directors' compensation		8,100		7,200	
Asset custody fees		4,198		3,879	
Administration fees		11,336		11,160	
Other operating expenses	*2	62,883	2,380,399	75,220	2,279,207
Operating profit			2,442,759		2,349,198
3. Non-operating revenues					
Interest income		16,132		19,975	
Compensation income		16,033		—	
Other non-operating revenues		3,333	35,500	1,660	21,636
4. Non-operating expenses					
Interest expense		483,361		445,265	
Investment corporation bond interest expense		80,705		28,458	
Amortization of issue costs of investment corporation bonds		5,130		2,812	
Amortization of initial expenses		5,111		5,111	
Loan related expenses		59,901		43,923	
Other non-operating expenses		6,807	641,017	1,545	527,115
Ordinary profit			1,837,242		1,843,719
Profit before tax			1,837,242		1,843,719
Current income taxes		5,067		977	
Deferred income taxes		(219)	4,847	0	978
Net profit			1,832,395		1,842,740
Retained earnings brought forward			1		31
Unappropriated retained earnings			1,832,397		1,842,772

IV Statements of Changes in Unitholders' Equity

Fourth Fiscal Period (February 1, 2008 – July 31, 2008)

	Unitholders' equity			Total net assets
	Unitholders' capital	Retained earnings		
		Unappropriated retained earnings	Total unitholders' equity	
Balance at end of previous period	72,671,418	1,842,772	74,514,191	74,514,191
Changes during period				
Distribution of retained earnings	—	(1,842,770)	(1,842,770)	(1,842,770)
Net profit	—	1,832,395	1,832,395	1,832,395
Net change during period	—	(10,375)	(10,375)	(10,375)
Balance at end of period	72,671,418	1,832,397	74,503,815	74,503,815

Third Fiscal Period (Reference) (August 1, 2007 – January 31, 2008)

	Unitholders' equity			Total net assets
	Unitholders' capital	Retained earnings		
		Unappropriated retained earnings	Total unitholders' equity	
Balance at end of previous period	72,671,418	1,935,609	74,607,028	74,607,028
Changes during period				
Distribution of retained earnings	—	(1,935,577)	(1,935,577)	(1,935,577)
Net profit	—	1,842,740	1,842,740	1,842,740
Net change during period	—	(92,836)	(92,836)	(92,836)
Balance at end of period	72,671,418	1,842,772	74,514,191	74,514,191

[Notes on Significant Accounting Policies]

Item	Period	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
1. Depreciation method for fixed assets		(1) Property and equipment (including assets in trust) The straight-line method is adopted. The useful life of core property and equipment are as follows: Entrusted buildings 3 – 66 years Entrusted structures 3 – 23 years Entrusted machinery and equipment 29 – 31 years Entrusted tools, furniture and fixtures 3 – 15 years (2) Intangible assets (including assets in trust) The straight-line method is adopted. (3) Long-term prepaid expenses The straight-line method is adopted.	(1) Property and equipment (including assets in trust) Same as left (2) Long-term prepaid expenses Same as left
2. Accounting for deferred assets		(1) Initial expenses Amortized using the straight-line method over a period of 5 years. (2) Issue costs of investment corporation bonds Amortized using the straight-line method over the period up to redemption.	(1) Initial expenses Same as left (2) Issue costs of investment corporation bonds Same as left
3. Standards for recording revenues and expenses		Accounting for property taxes As for property tax, city planning tax, depreciated asset tax, etc. for real estate owned by MHR, of the tax amount that has been broken down into installments, the method of accounting for the amount corresponding to the fiscal period under review as property expenses is adopted. As for the amount equivalent to the property taxes paid as reimbursement to the seller in the initial fiscal year in correlation with acquisitions of real estate and trust beneficiary right in a trust that holds title to real estate, the amount is not recorded as an expense but is included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to property taxes that was included in the cost of acquisition of real estate, etc. in the fiscal period under review is 18,024 thousand yen.	Accounting for property taxes As for property tax, city planning tax, depreciated asset tax, etc. for real estate owned by MHR, of the tax amount that has been broken down into installments, the method of accounting for the amount corresponding to the fiscal period under review as property expenses is adopted. As for the amount equivalent to the property taxes paid as reimbursement to the seller in the initial fiscal year in correlation with acquisitions of real estate and trust beneficiary right in a trust that holds title to real estate, the amount is not recorded as an expense but is included in the cost of acquisition of the concerned real estate, etc. The amount equivalent to property taxes that was included in the cost of acquisition of real estate, etc. in the fiscal period under review is 0 yen.
4. Hedge accounting approaches		(1) Hedge accounting approach Special treatment is adopted for interest rate swap transactions. (2) Hedging instruments and hedged items (i) Hedging instruments: Interest rate swap transactions (ii) Hedged items: Borrowing interest rates (3) Hedging policy MHR conducts derivative transactions to hedge risks as stipulated in MHR's Articles of Incorporation in accordance with MHR's risk management policy. (4) Method for assessing the effectiveness of hedging For interest rate swap transactions, the assessment of the effectiveness at the settlement of accounts is omitted since the requirements for special treatment are fulfilled.	(1) Hedge accounting approach Same as left (2) Hedging instruments and hedged items Same as left (3) Hedging policy Same as left (4) Method for assessing the effectiveness of hedging Same as left
5. Other significant matters serving as the basis for preparing financial statements		(1) Accounting for trust beneficiary rights in a trust that holds title to real estate, etc. For trust beneficiary rights in a trust that holds title to real estate, etc. owned by MHR, all accounts of assets and liabilities within assets in trust as well as all accounts of revenues generated and expenses incurred from the assets in trust are recognized in the relevant account item of the balance sheets and statements of income. The following material items of the assets in trust recognized in the relevant account item are separately listed on the balance sheets. (i) Entrusted cash and deposits (ii) Entrusted buildings, entrusted structures, entrusted machinery and equipment, entrusted tools, furniture and fixtures, entrusted land, entrusted construction in progress, entrusted leasehold rights, and entrusted other intangible assets (iii) Tenant leasehold and security deposits received (2) Accounting for consumption taxes, etc. For the accounting for consumption tax and local consumption tax, these taxes are excluded from related transaction amounts. The consumption taxes that are not tax-deductible are included in the cost of acquisition of the applicable asset.	(1) Accounting for trust beneficiary rights in a trust that holds title to real estate, etc. For trust beneficiary rights in a trust that holds title to real estate, etc. owned by MHR, all accounts of assets and liabilities within assets in trust as well as all accounts of revenues generated and expenses incurred from the assets in trust are recognized in the relevant account item of the balance sheets and statements of income. The following material items of the assets in trust recognized in the relevant account item are separately listed on the balance sheets. (i) Entrusted cash and deposits (ii) Entrusted buildings, entrusted structures, entrusted machinery and equipment, entrusted tools, furniture and fixtures, entrusted land, and entrusted leasehold rights (iii) Tenant leasehold and security deposits received (2) Accounting for consumption taxes Same as left

[Notes to Balance Sheets]

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

[Notes to Statements of Income]

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008		Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008	
		(thousands of yen)	
*1 Breakdown of property income / loss		*1 Breakdown of property income / loss	
A. Revenues from property leasing		A. Revenues from property leasing	
Property revenues		Property revenues	
Rent and common area charges income	4,355,698	Rent and common area charges income	4,130,835
Other rent income	51,995	Other rent income	46,045
Total	4,407,694	Total	4,176,880
Other property revenues		Other property revenues	
Parking lot income	160,378	Parking lot income	163,871
Incidental revenues	253,491	Incidental revenues	280,118
Exit penalty	260	Exit penalty	7,535
Key money income	1,335	Total	451,525
Total	415,465	Total property revenues	4,628,405
Total property revenues	4,823,159		
B. Expenses from property leasing		B. Expenses from property leasing	
Property expenses		Property expenses	
Property management fees	709,005	Property management fees	644,795
Utilities	186,362	Utilities	200,376
Property taxes	242,650	Property taxes	240,220
Rent expense	66,118	Rent expense	65,668
Trust fees	7,746	Trust fees	6,970
Maintenance and repairs	117,934	Maintenance and repairs	85,329
Insurance premium	14,074	Insurance premium	13,971
Depreciation and amortization	602,293	Depreciation and amortization	572,007
Other property expenses	98,619	Other property expenses	100,594
Total property expenses	2,044,806	Total property expenses	1,929,934
C. Property income / loss (A – B)	2,778,353	C. Property income / loss (A – B)	2,698,471
*2 Transactions with principal unitholders		*2 Transactions with principal unitholders	
From operating transactions		From operating transactions	
Property revenues	151,144	Property revenues	151,149
Property expenses	567,854	Property expenses	536,939
		Other operating expenses	2,564

[Notes to Statements of Changes in Unitholders' Equity]

	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
Total number of investment units authorized and total number of investment units issued and outstanding	Total number of investment units authorized 2,000,000 units Total number of investment units issued and outstanding 129,800 units	Total number of investment units authorized 2,000,000 units Total number of investment units issued and outstanding 129,800 units

[Notes on Tax-Effect Accounting]

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
(thousands of yen)	(thousands of yen)
1. Breakdown of principal causes for the occurrence of deferred tax assets and deferred tax liabilities (Deferred tax assets)	1. Breakdown of principal causes for the occurrence of deferred tax assets and deferred tax liabilities (Deferred tax assets)
Accrued enterprise taxes excluded from expenses	Accrued enterprise taxes excluded from expenses
338	18
Valuation allowance	Total deferred tax assets
(99)	18
Total deferred tax assets	(Net deferred tax assets)
238	18
(Net deferred tax assets)	
238	
2. Breakdown of major components that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting	2. Breakdown of major components that caused significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting
Japanese statutory tax rate	Japanese statutory tax rate
39.39%	39.39%
(Adjustments)	(Adjustments)
Deductible cash distributions	Deductible cash distributions
(39.29%)	(39.37%)
Other	Other
0.16%	0.03%
Effective income tax rate after application of tax-effect accounting	Effective income tax rate after application of tax-effect accounting
0.26%	0.05%

[Notes on Fixed Assets Used in Lease Transactions]

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
Not applicable.	Same as left

[Notes on Transactions with Related Parties]

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
The following are MHR's related-party transactions.	The following are MHR's related-party transactions.
1 (1) Name of the related party Mori Building Co., Ltd.	1 (1) Name of the related party Mori Building Co., Ltd.
(2) Relationship between MHR and the related party A principal unitholder of MHR as stipulated in Article 67-4-6 of the Rules on Accounting of Investment Corporations MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations	(2) Relationship between MHR and the related party A principal unitholder of MHR as stipulated in Article 67-4-6 of the Rules on Accounting of Investment Corporations MHR's Asset Manager to which MHR entrusts the management of its assets or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations
(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding The investment unitholding is as follows: February 1, 2008 to July 31, 2008 15.0% (Note) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding is rounded to one decimal place.	(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding The investment unitholding is as follows: August 1, 2007 to January 31, 2008 15.0% (Note) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding is rounded to one decimal place.
(4) Description of transaction (i) Acquisition of ARK Mori Building (pass-through master lease) (ii) Leasing of ARK Mori Building (fixed master lease), Koraku Mori Building and Moto-Azabu Hills (a portion of each property) (iii) Payment of property management fees	(4) Description of transaction (i) Leasing of ARK Mori Building (fixed master lease), Koraku Mori Building and Moto-Azabu Hills (a portion of each property) (ii) Payment of property management fees (iii) Payment of other operating expenses (IR related fees)
(5) Amount of transaction categorized by type of transaction (i) 16,500,000 thousand yen (ii) 151,144 thousand yen (iii) 569,293 thousand yen (Note) The amount of transaction above does not include consumption taxes.	(5) Amount of transaction categorized by type of transaction (i) 151,149 thousand yen (ii) 538,686 thousand yen (iii) 2,564 thousand yen (Note) The amount of transaction above does not include consumption taxes.
(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions (i) Acquisition decisions are made in accordance with the Rules to Prevent Conflicts of Interest stipulated by MHR's Asset Manager. Furthermore, acquisitions are not made at a value that exceeds 110% of the appraisal value appraised by an appraiser (including corporations) that is not an interested party, etc. (ii) MHR engages in transactions by going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations, after having considered the market standards and other factors in a comprehensive manner. (iii) Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.	(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions (i) MHR engages in transactions by going through adequate procedures pursuant to the Related Parties Transaction Guidelines stipulated by MHR's Asset Manager and various compliance regulations, after having considered the market standards and other factors in a comprehensive manner. (ii) Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors. (iii) Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.
(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items (i) — (ii) 297,483 thousand yen in tenant leasehold and security deposits received; 26,056 thousand yen in rent received in advance; and 424 thousand yen in accounts receivable – trade (iii) 210 thousand yen in prepaid expenses; and 156,257 thousand yen in accounts payable – trade	(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items (i) 297,483 thousand yen in tenant leasehold and security deposits received; 26,056 thousand yen in rent received in advance; and 438 thousand yen in accounts receivable – trade (ii) 210 thousand yen in prepaid expenses; and 146,672 thousand yen in accounts payable – trade (iii) —

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
<p>2 (1) Name of the related party The Sumitomo Trust & Banking Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Custodian as stipulated in Article 67-4-10 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction (i) Borrowing of funds (ii) Payment of interest, etc. <small>(Note) MHR borrowed 2,460,000 thousand yen on March 28, 2008.</small></p> <p>(5) Amount of transaction categorized by type of transaction (i) 2,460,000 thousand yen (ii) 60,315 thousand yen</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions (i) Decided by taking into account the status of transaction, etc. at other banks. (ii) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items (i) Short-term debt: 3,120,000 thousand yen Current portion of long-term debt: 2,800,000 thousand yen Long-term debt: 5,650,000 thousand yen (ii) 20,390 thousand yen in accrued expenses</p>	<p>2 (1) Name of the related party The Sumitomo Trust & Banking Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Custodian as stipulated in Article 67-4-10 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction (i) Borrowing of funds (ii) Payment of interest, etc. <small>(Note) MHR borrowed 3,110,000 thousand yen on November 30, 2007.</small></p> <p>(5) Amount of transaction categorized by type of transaction (i) 3,110,000 thousand yen (ii) 55,246 thousand yen</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions (i) Decided by taking into account the status of transaction, etc. at other banks. (ii) Decided by taking into account the status of transaction, etc. at other banks.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items (i) Short-term debt: 1,480,000 thousand yen Current portion of long-term debt: 2,800,000 thousand yen Long-term debt: 4,830,000 thousand yen (ii) 17,675 thousand yen in accrued expenses</p>
<p>3 (1) Name of the related party Mori Building Investment Management Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Receipt of compensation</p> <p>(5) Amount of transaction categorized by type of transaction 9,166 thousand yen</p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions The amount equivalent to the additional tax payable incurred as a result of a delay in the paying of withholding tax (income tax) in regards to dividends for the fiscal period ended in January 2008 due to the negligence of MHR's Asset Manager.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items Not applicable.</p>	

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
<p>4 (1) Name of the related party Mori Hospitality Corporation</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Payment of other operating expenses (IR related fees)</p> <p>(5) Amount of transaction categorized by type of transaction 675 thousand yen <small>(Note) The amount of transaction above does not include consumption taxes.</small></p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items Not applicable.</p>	
<p>5 (1) Name of the related party Roppongi First Building Co., Ltd.</p> <p>(2) Relationship between MHR and the related party MHR's Asset Manager or interested party, etc. of MHR's Asset Manager as stipulated in Article 67-4-9 of the Rules on Accounting of Investment Corporations</p> <p>(3) MHR investment units held by the related party expressed as a percentage of the total number of MHR investment units issued and outstanding Not applicable.</p> <p>(4) Description of transaction Payment of property management fees</p> <p>(5) Amount of transaction categorized by type of transaction 50,521 thousand yen <small>(Note) The amount of transaction above does not include consumption taxes.</small></p> <p>(6) Transaction terms and conditions, and policy on deciding on transaction terms and conditions Decisions are made in light of market standards, the content of services provided, overall operational capacity and other factors.</p> <p>(7) Balance at end of the fiscal period under review of claims or obligations generating from the transaction categorized by leading items 7,640 thousand yen in accounts payable – trade</p>	

V Notes to Financial Statements

[Notes on Per Unit Information]

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008		Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008	
Net assets per unit	573,989 yen	Net assets per unit	574,069 yen
Net profit per unit	14,117 yen	Net profit per unit	14,197 yen
<p>The net profit per unit was calculated by dividing the net profit by the daily weighted average number of investment units.</p> <p>The net profit per unit after adjustment for residual investment units has not been stated as there are no residual investment units.</p>		<p>The net profit per unit was calculated by dividing the net profit by the daily weighted average number of investment units.</p> <p>The net profit per unit after adjustment for residual investment units has not been stated as there are no residual investment units.</p>	

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

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008		Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008	
Net income (thousands of yen)	1,832,395	Net income (thousands of yen)	1,842,740
Amounts not attributable to common unitholders (thousands of yen)	—	Amounts not attributable to common unitholders (thousands of yen)	—
Net income attributable to common investment units (thousands of yen)	1,832,395	Net income attributable to common investment units (thousands of yen)	1,842,740
Average number of investment units during the fiscal period (units)	129,800	Average number of investment units during the fiscal period (units)	129,800

[Notes on Subsequent Significant Events]

Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
Not applicable.	Same as left

VI Statements of Cash Distributions

(Unit: yen)

Item	Period	Fourth Fiscal Period (From: February 1, 2008 To: July 31, 2008)	Third Fiscal Period (Reference) (From: August 1, 2007 To: January 31, 2008)
I Unappropriated retained earnings		1,832,397,221	1,842,772,497
II Amount of dividends [Amount of dividends]		1,832,386,600 [14,117]	1,842,770,600 [14,197]
III Retained earnings carried forward		10,621	1,897
Method for calculating dividends		Pursuant to the dividend policy set forth in Article 37 (1) of MHR's Articles of Incorporation, MHR shall distribute an amount in excess of 90% of its distributable income as defined in Article 67-15 of the Special Taxation Measures Law, but no more than the amount of earnings. Based on such policy, MHR decided to pay out an earnings dividend in an amount not exceeding the unappropriated retained earnings. MHR has declared the amount to be 1,832,386,600 yen, which is the largest integral multiple of the number of investment units issued and outstanding (129,800 units). MHR shall not distribute cash in excess of earnings as stipulated in Article 37 (2) of MHR's Articles of Incorporation.	Pursuant to the dividend policy set forth in Article 37 (1) of MHR's Articles of Incorporation, MHR shall distribute an amount in excess of 90% of its distributable income as defined in Article 67-15 of the Special Taxation Measures Law, but no more than the amount of earnings. Based on such policy, MHR decided to pay out an earnings dividend in an amount not exceeding the unappropriated retained earnings. MHR has declared the amount to be 1,842,770,600 yen, which is the largest integral multiple of the number of investment units issued and outstanding (129,800 units). MHR shall not distribute cash in excess of earnings as stipulated in Article 37 (2) of MHR's Articles of Incorporation.

VII Statements of Cash Flows (Reference Information)

Item	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference Information) From: August 1, 2007 To: January 31, 2008
	Amount (thousands of yen)	Amount (thousands of yen)
I Cash flows from operating activities		
Profit before tax	1,837,242	1,843,719
Depreciation and amortization	602,293	572,007
Amortization of initial expenses	5,111	5,111
Issue costs of investment corporation bonds	5,130	2,812
Interest income	(16,132)	(19,975)
Interest expense	564,066	473,723
Decrease (Increase) in accounts receivable – trade	2,771	(12,927)
Decrease (Increase) in consumption taxes receivable	(39,956)	—
Increase (Decrease) in accounts payable – trade	14,055	(26,113)
Increase (Decrease) in accounts payable – other	(4,138)	(1,714)
Increase (Decrease) in accrued expenses	8,481	(26)
Increase (Decrease) in accrued consumption taxes	(19,331)	(78,671)
Increase (Decrease) in rent received in advance	86,136	(7,923)
Increase (Decrease) in deposits received	22,231	(85,540)
Decrease (Increase) in prepaid expenses	(34,016)	(4,016)
Decrease (Increase) in long-term prepaid expenses	(661)	(12,813)
Other	3,102	(848)
Sub total	3,036,761	2,646,802
Interest received	18,214	17,144
Interest paid	(546,310)	(441,427)
Income taxes paid	(4,294)	(979)
Net cash provided by operating activities	2,503,995	2,221,540
II Cash flows from investing activities		
Payments for purchase of entrusted property and equipment	(16,663,710)	(23,640)
Payments for purchase of entrusted intangible assets	(5,500)	—
Proceeds from tenant leasehold and security deposits received	1,232,988	374,857
Payments for tenant leasehold and security deposits received	(614,210)	(398,613)
Net cash provided by (used in) investing activities	(16,050,432)	(47,396)
III Cash flows from financing activities		
Proceeds from short-term debt	10,000,000	10,000,000
Repayment of short-term debt	—	(33,000,000)
Proceeds from long-term debt	5,000,000	13,000,000
Proceeds from issue of investment corporation bonds	—	10,000,000
Payments for issue costs of investment corporation bonds	—	(56,349)
Dividends paid	(1,837,184)	(1,934,973)
Net cash provided by (used in) financing activities	13,162,815	(1,991,323)
IV Net increase (decrease) in cash and cash equivalents	(383,621)	182,820
V Cash and cash equivalents at beginning of period	12,085,834	11,903,014
VI Cash and cash equivalents at end of period *1	11,702,213	12,085,834

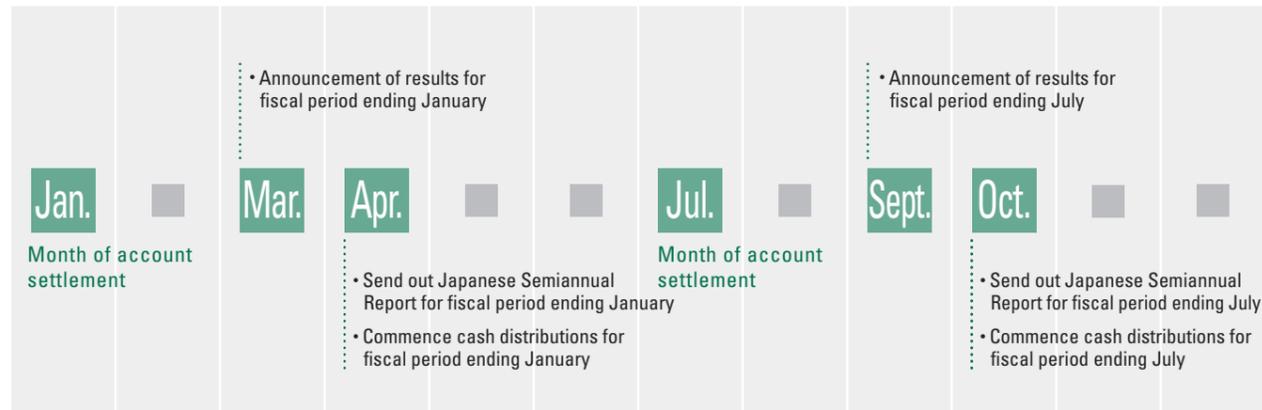
[Notes on Significant Accounting Policies] (Reference Information)

Item	Period	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
Scope of funds in the statement of cash flows		The funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand and entrusted cash; deposits that can be withdrawn at any time and entrusted deposits; and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of price fluctuation.	Same as left

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

	Fourth Fiscal Period From: February 1, 2008 To: July 31, 2008	Third Fiscal Period (Reference) From: August 1, 2007 To: January 31, 2008
*1 Relationship between cash and cash equivalents at end of period in the statement of cash flows and the amount stated in the balance sheets		
	(thousands of yen)	(thousands of yen)
	(As of July 31, 2008)	(As of January 31, 2008)
Cash and deposits	5,205,753	6,013,529
Entrusted cash and deposits	6,496,459	6,072,304
Cash and cash equivalents	11,702,213	12,085,834

IR Calendar



Unitholder Memo

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

About the Website

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

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

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



Changes in price of investment unit

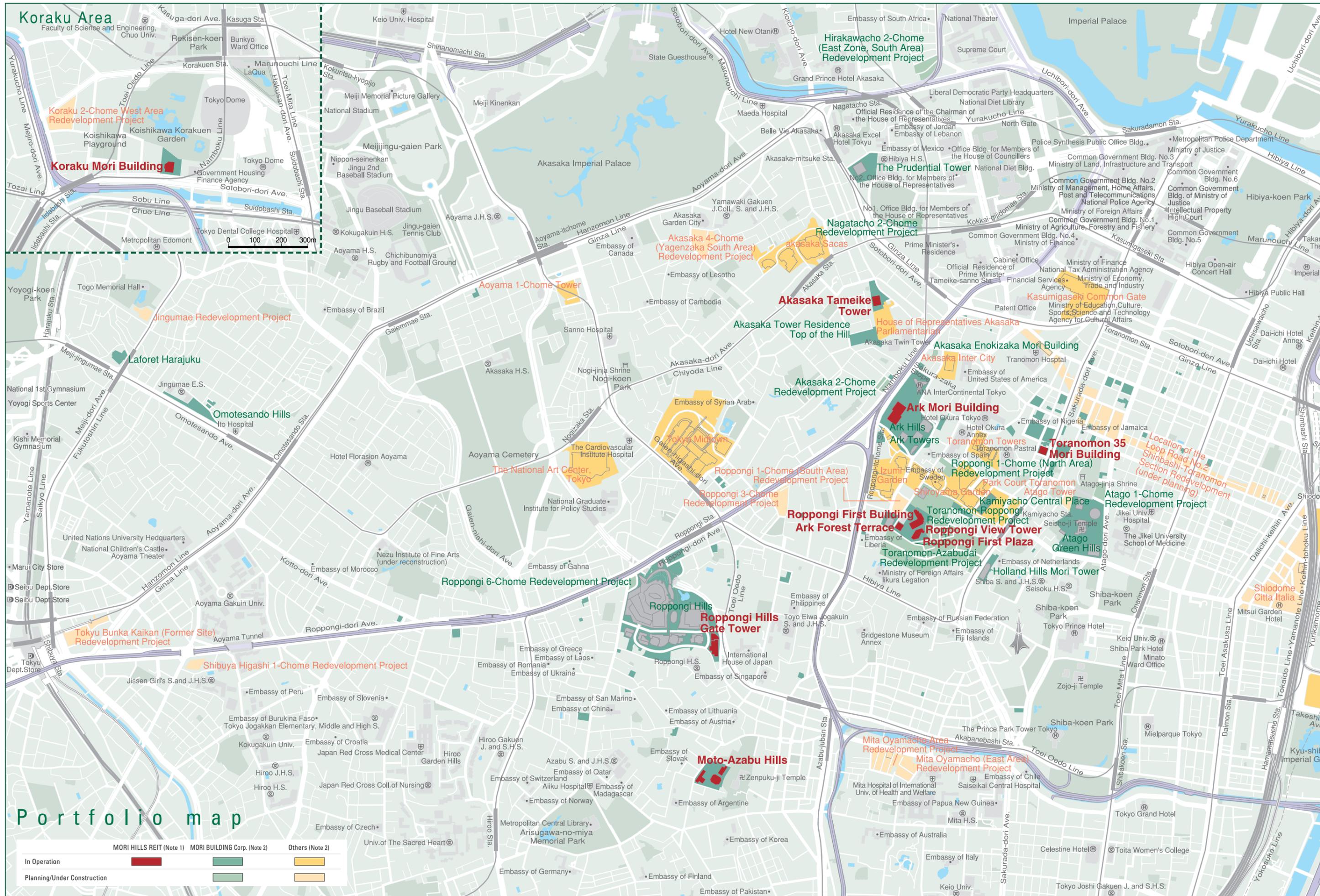


(Note) Indicated prices of investment units are based on closing prices.

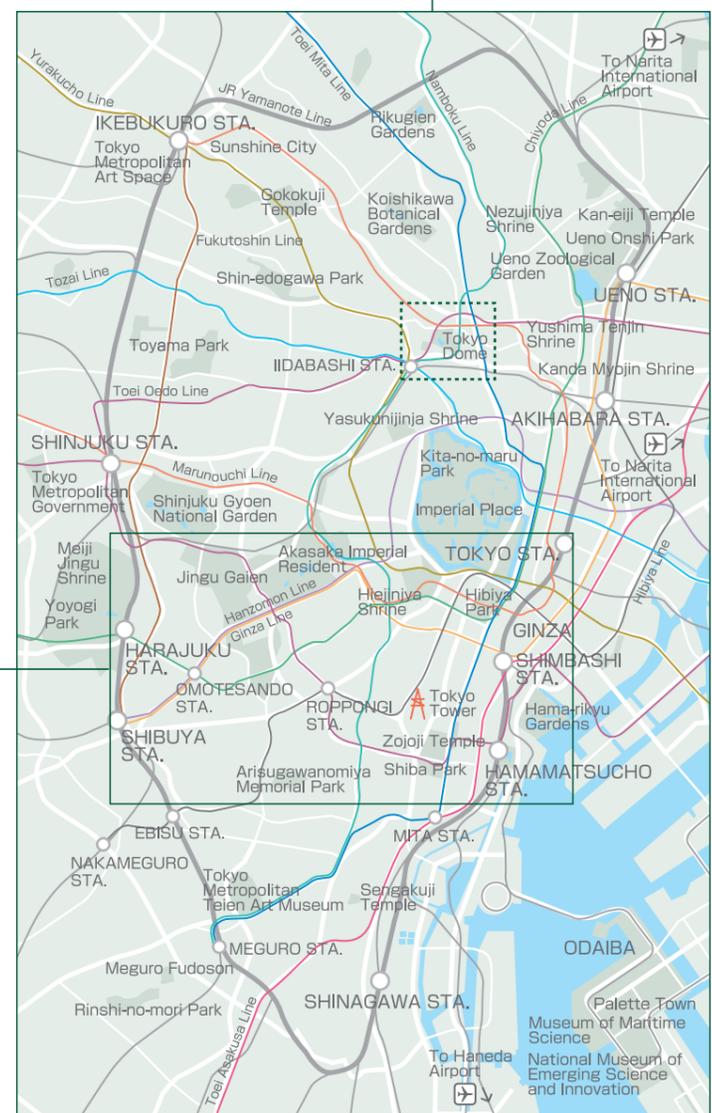
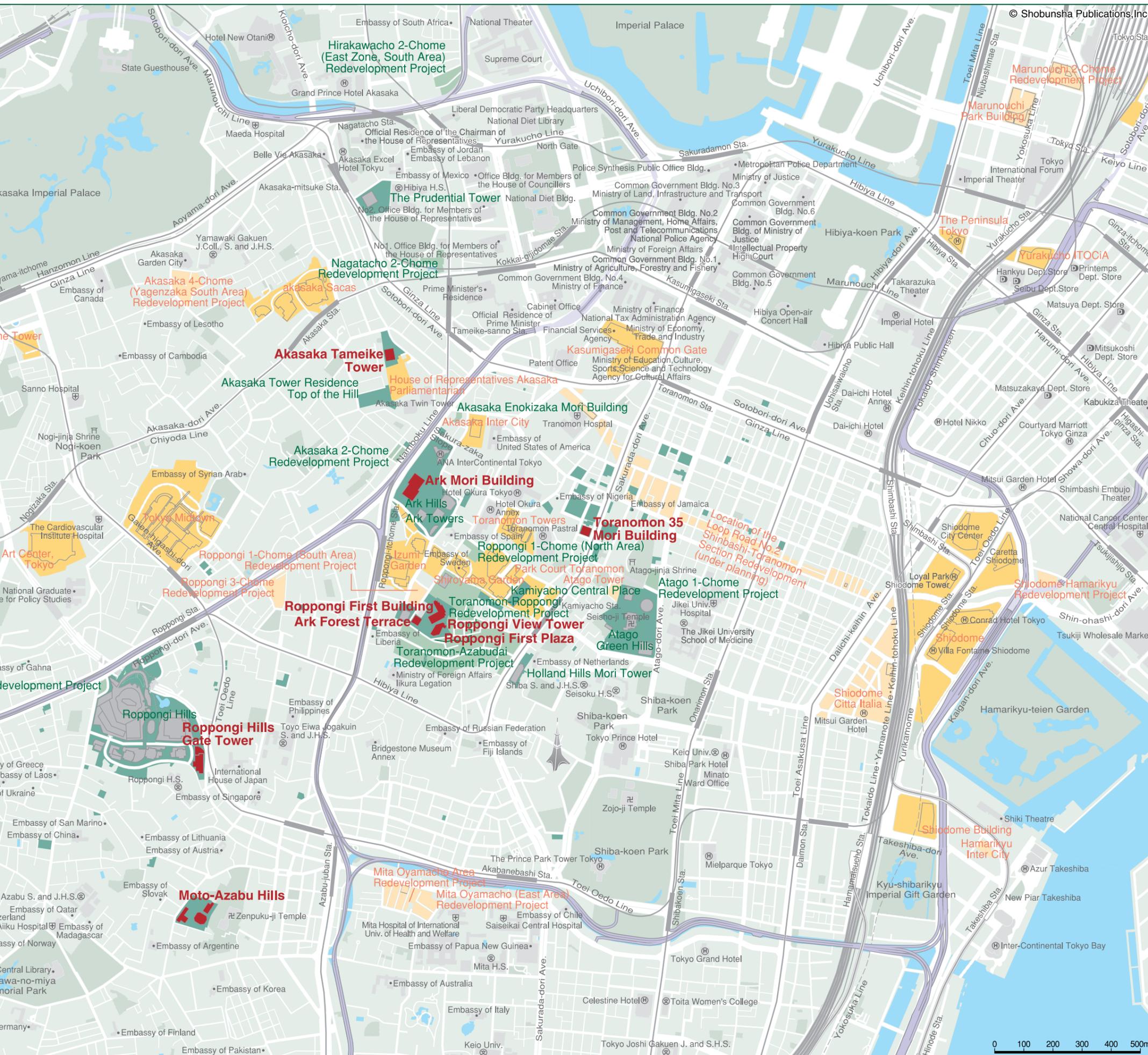
Comparison with TSE REIT Index



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



(Note 1) The properties include properties in which MHR's ownership is partial. (Note 2) As of the date this document is issued, we have no plans to acquire these properties. The same applies hereafter.



Mori Hills REIT
Investment Corporation



Investment in the city

