



September 16, 2008

**FINANCIAL REPORT
FOR THE FOURTH FISCAL PERIOD ENDED JULY 31, 2008**

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

Representative: Hiroshi Mori, Executive Director

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

Asset Manager: Mori Building Investment Management Co., Ltd.

Representative: Hiroshi Mori, President

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Planned submission of semiannual security report: October 27, 2008

Planned start of dividend payments: October 17, 2008

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

Figures are rounded down to the nearest one million yen.

1. PERFORMANCE FOR THE FOURTH FISCAL PERIOD ENDED JULY 31, 2008

(February 1, 2008 – July 31, 2008)

(1) Business Results

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

	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Fourth Fiscal Period	¥4,823	4.2%	¥2,442	4.0%	¥1,837	(0.4%)	¥1,832	(0.6%)
Third Fiscal Period	¥4,628	1.7%	¥2,349	(1.4%)	¥1,843	(4.8%)	¥1,842	(4.8%)

	Net Profit per Unit	Net Profit to Total Net Assets	Ordinary Profit to Total Assets	Ordinary Profit to Operating Revenues
Fourth Fiscal Period	¥14,117	2.5%	1.1%	38.1%
Third Fiscal Period	¥14,197	2.5%	1.2%	39.8%

(Notes)

- The fourth fiscal period was from February 1, 2008 to July 31, 2008, a period of 182 days. The third fiscal period was from August 1, 2007 to January 31, 2008, a period of 184 days.
- Net profit per unit is calculated by using the average number of investment units for the period as follows.
 Fourth fiscal period: 129,800 units
 Third fiscal period: 129,800 units

(2) Dividend

	Dividend per Unit (excluding dividend in excess of earnings)	Total Dividends	Dividend in Excess of Earnings per Unit	Total Dividends in Excess of Earnings	Dividend Payout Ratio	Dividend Ratio to Net Assets
Fourth Fiscal Period	¥14,117	¥1,832 million	¥0	–	99.9%	2.5%
Third Fiscal Period	¥14,197	¥1,842 million	¥0	–	100.0%	2.5%

(Note) The dividend payout ratio is rounded down to the first decimal place.

(3) Financial Position

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
Fourth Fiscal Period	¥170,626 million	¥74,503 million	43.7%	¥573,989
Third Fiscal Period	¥154,891 million	¥74,514 million	48.1%	¥574,069

(Reference) Total net assets

Fourth fiscal period: ¥74,503 million Third fiscal period: ¥74,514 million

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Fourth Fiscal Period	¥2,503 million	(¥16,050 million)	¥13,162 million	¥11,702 million
Third Fiscal Period	¥2,221 million	(¥47 million)	(¥1,991 million)	¥12,085 million

2. FORECAST OF RESULTS FOR THE FIFTH FISCAL PERIOD ENDING JANUARY 31, 2009

(August 1, 2008 – January 31, 2009)

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

	Operating Revenues	Percentage Change	Operating Profit	Percentage Change	Ordinary Profit	Percentage Change	Net Profit	Percentage Change
Fifth Fiscal Period	¥5,715	18.5%	¥3,020	23.7%	¥2,150	17.0%	¥2,149	17.3%

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Fifth Fiscal Period	¥13,500	¥0

(Reference) Estimated net profit per unit for the fourth fiscal period: ¥14,350

3. OTHER

(1) Changes in Accounting Policies

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

(2) Number of Units Outstanding

- (a) Number of units outstanding at end of period (including treasury units)
 - Fourth fiscal period: 129,800 units Third fiscal period: 129,800 units
- (b) Number of treasury units at end of period
 - Fourth fiscal period: 0 units Third fiscal period: 0 units

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

(Note) The forecast of results for the fifth fiscal period ending January 31, 2009 are calculated as of today based on the assumptions presented on pages 9 and 10. Forecasts for operating revenues, operating profit, ordinary profit, net profit and dividend per unit may differ from actual results due to changes in operating conditions and a variety of factors. Accordingly, Mori Hills REIT Investment Corporation does not guarantee any forecasted dividend amount.

4. BUSINESS RESULTS

(1) Overview of the Fourth Fiscal Period

(a) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated by Mori Building Investment Management Co., Ltd. (MHR's Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and was registered by the Prime Minister based on Article 187 of the Law Concerning Investment Trusts and Investment Corporations on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). As of the end of MHR's fiscal period under review (fourth fiscal period ended July 31, 2008; February 1, 2008 to July 31, 2008), the total number of investment units outstanding was 129,800 units. Recently, MHR closed its fourth fiscal period.

(b) Investment Environment and Business Performance

i) Investment Environment

During the fourth fiscal period, an economic slowdown emerged due to the turmoil in the financial markets worldwide triggered by the subprime loan crisis in the U.S. and the surge in resource prices, among other factors. Exports are basically on an increasing trend, though the rate of increase is slowing down. However, corporations are taking cautious stances on making capital investment, etc. due to deteriorating corporate earnings because of the worsening of terms of trade and other factors. In addition, growth in personal spending is slightly lagging amidst continuous price rises of oil products, food products, etc. As for land price trends, prices in central Tokyo that had hitherto been on an upward trend are slightly slowing down. However, the rental office building market remains solid due to factors such as the continuation of low levels of vacancy rates amidst the absence of large supply for new property in the near term. Furthermore, the luxury rental housing market saw occupancy rates hovering at high levels and a trend of increasing new rents due to the rise in demand for luxury rental housing that accompanied the increases of expatriates working at foreign firms and the growing number of domestic high net worth individuals. The favorable phenomena in the luxury housing market are occurring despite concerns regarding the impact of the subprime loan crisis. Regarding the real estate trading market, demand remains high from domestic and foreign investors for highly competitive large buildings in central Tokyo. Therefore the environment surrounding the acquisition of blue-chip real estate from which modest returns on investment can be secured remained difficult.

ii) Business Performance

MHR additionally acquired ARK Mori Building (equivalent to 1.5 floors) from its sponsor, Mori Building Co., Ltd., an asset that falls under the definition of "Premium Properties" as set out in its criteria for portfolio expansion. On the other hand, 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 under management with a total leasable floor area of 91,548.83m². MHR has already invested 159.2 billion yen (based on acquisition value) into this portfolio. The occupancy rate at

the end of the fourth fiscal period was 95.4%.

(Notes)

- i. For Roppongi First Building and Roppongi View Tower, MHR purchased 6% of the trust beneficiary rights pertaining to the joint ownership portion on March 22, 2006 and 40% of the trust beneficiary rights 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). Furthermore, regarding ARK Mori Building, the property name is differentiated according to leasing scheme. MHR acquired the trust beneficiary rights pertaining to sectional ownership for the 13th floor portion on March 22, 2006 as property that adopts a fixed master lease scheme (hereinafter referred to as “ARK Mori Building (fixed)”) and 75% of the quasi co-ownership interest of the trust beneficiary rights pertaining to sectional ownership for the 12th and 22nd floor portions on March 28, 2008 as property that adopts a pass-through master lease scheme (hereinafter referred to as “ARK Mori Building (pass-through)”). However, MHR treats each of these properties as one property in the number of properties in the portfolio (the same hereinafter).
- ii. The occupancy rate expresses the sum total of the total leased floor area as a percentage of the sum total of the total leasable floor area, rounded to one decimal place.

(c) Overview of Fund Procurement

During the 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; and 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 with variable interest rates and 15 billion yen in current portion of long-term debt, MHR utilizes interest rate swaps that in effect convert variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Concerning future 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).

(d) 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), 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.

(2) Outlook of the Fifth Fiscal Period

(a) Future Management Policy

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 area) 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 hold assets that are capable of maintaining competitiveness in the future from such perspectives as quality, size and specifications ("Premium Properties"). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner perfected over the years by 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 current highly competitive nature of the market in acquiring blue-chip properties in Japan, 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 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 value-added know-how and high-level 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 rents of existing tenants based on the low level of office vacancy rates.

(b) Significant Subsequent Events

Significant subsequent events occurring at MHR after the end of the fourth fiscal period (July 31, 2008) are described below.

i) New Issuance of Investment Units through Third-party Allotment

A resolution was made at the board of directors meeting held on September 16, 2008 to issue new investment units through third-party allotment whose funds will be used to acquire real estate trust beneficiary rights in a trust that holds real estate titles to portions of both the ARK Mori Building and the Akasaka Tameike Tower. Details are as follows:

(Terms and conditions, etc. of issuance for new investment units through third-party allotment)

Number of new investment units 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 due date:	September 29, 2008
Delivery date:	Non-issuance
Dividend calculation date:	August 1, 2008

ii) Debt Financing

A resolution concerning the borrowing on September 30, 2008 of 7 billion yen in short-term debt (repayment deadline: August 31, 2009), 17 billion yen in long-term debt (repayment deadline: August 31, 2011) and 2 billion yen in long-term debt (repayment deadline: August 31, 2012) was adopted by MHR's board of directors at a meeting held on September 16, 2008. The funds will be used to acquire the real estate trust beneficiary rights in a trust that holds real estate titles to portions of the ARK Mori Building and the Akasaka Tameike Tower.

iii) Acquisition and Transfer of Property

MHR is planning to acquire portions of ARK Mori Building and Akasaka Tameike Tower and to transfer assets at Moto-Azabu Hills.

The conclusion of a sale and purchase agreement for additional acquisition and delivery of the real estate beneficiary rights of ARK Mori Building is scheduled for September 30, 2008. This refers to the remaining 25% of the quasi co-ownership interest of the 75% quasi co-ownership interest of real estate trust beneficiary rights pertaining to sectional ownership of the 12th and 22nd floor portions of ARK Mori Building, which was acquired during the fourth fiscal period. Acquisition of Akasaka Tameike Tower is also scheduled for September 30, 2008. This also refers to the real estate trust beneficiary rights pertaining to the office section (including parts of shops, storage areas, parking lots, etc.) of sectional ownership of that is owned by Mori Building Co., Ltd.

Furthermore, during the fifth fiscal period ending January 31, 2009, MHR plans to sell part of its owned assets, or the sectional ownership to 1 residential unit of Moto-Azabu Hills to Mori Building Co., Ltd. upon termination of a trust contract.

The above acquisition and delivery would generate a transaction with Mori Building Co., Ltd., which falls under the criteria for an interested party to MHR's Asset Manager. A resolution was made concerning said acquisition and delivery at MHR's board of directors meeting held on September 16, 2008, after the Asset Manager performed procedures based on its Related Parties Transaction Guidelines. Such steps were taken in order 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, the delivery price and other terms and conditions.

【ARK Mori Building】

Overview of Acquisition

Asset-to-be-acquired	Trust beneficiary right in a trust that holds title to real estate (Note)
Acquisition price	5,500,000,000 yen
Scheduled sale and purchase agreement date	September 30, 2008
Scheduled 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) MHR will acquire 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. Through this acquisition, MHR will come to own the entire real estate trust beneficiary right corresponding to sectional ownership of the 12th and 22nd floor portions

Details of the Real Estate Trust Beneficiary Right

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

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 floors below ground
Use		Offices and Shops
Construction completion		March 1986
Designers		Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers
Contractors		Kajima Corporation, Toda Corporation and Fujita Engineering Co. Ltd., a consortium

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		<p>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.</p> <p>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.</p>

(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) Land use rights for the Property are in place. The lot size as indicated in the real estate registry corresponding to the quasi co-ownership interest in the trust beneficiary right that MHR is to acquire is 262.10m². The land use right interest ratio is about 0.6%.

(Note 3) The private-use floor area as indicated on the real estate registry corresponding to the quasi co-ownership interest in the trust beneficiary right that MHR is to acquire is 1,318.73m². The private-use floor area interest ratio is about 0.9%.

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

(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 Sompo Japan Risk Management, Inc. is shown.

【Akasaka Tameike Tower】

Overview of Acquisition

Asset-to-be-acquired	Trust beneficiary right in a trust that holds title to real estate (Note)
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Acquisition price	37,200,000,000 yen
Scheduled sale and purchase agreement date	September 30, 2008
Scheduled 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) MHR will acquire 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. Through this acquisition, MHR will come to own the entire real estate trust beneficiary right corresponding to sectional ownership of the 12th and 22nd floor portions

Details of the Real Estate Trust Beneficiary Right

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

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 floors below ground
Use		Offices, Residents and Shops
Construction completion		August 2000
Designers		Shimizu Corporation, first class architect office
Contractors		Shimizu Corporation and Takenaka Corporation, a consortium
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	<p>A fixed mortgage has been established for the interest for other co-owners of the land to the Property.</p> <p>A part of the eastern side of the land has been subdivided and transferred to Minato Ward of Tokyo Prefecture 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.</p> <p>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.</p> <p>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.</p>

(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 plans to acquire 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 is planning to acquire, 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 corresponding to the sectional ownership in the trust beneficiary right that MHR is to acquire is 11,338.12m² and the private-use floor area interest ratio is 35.4%.

(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-to-be-acquired, 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 plans to execute 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 scheduled to be allocated a distribution ratio of 65.9%). The agreement will also state that the trust fiduciary will also bear a certain amount of costs according to the distribution ratio.

【Moto-Azabu Hills】

Overview of Transfer

Asset-to-be-Transferred	Real estate (Note)
Transfer price	423,000,000 yen
Scheduled sales and purchase agreement date	During the 5 th fiscal period (ending January 31, 2009)
Scheduled transfer date	During the 5 th fiscal period (ending January, 2009)
Buyer	Mori Building Co., Ltd.
Payment method	Lump sum payment upon delivery

(Note 3) MHR plans to transfer said real estate upon termination of a trust contract for the sectional ownership to 1 residential unit (about 0.5% of total private-use floor area) of Moto-Azabu Hills that it acquired on March 22, 2006.

Details of the Entire Real Estate

Location	Lot number	1-30-7, Moto-Azabu, Minato-ku, Tokyo
	Residential indication	1-3-1, -2, -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)		Reinforced concrete, steel-framed reinforced concrete and steel-framed structure with flat roof;

		29 floors above ground and 4 floors below ground
Use (Note 2)		Residents and 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 in 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 in the real estate registry, is 6,937.35m² and the land use right interest ratio is about 56.8%. The private-use floor area indicated in the real estate registry for the trust beneficiary right is 24,962.63m² and the private-use floor area interest ratio is about 64.5%. 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.

Details of Section to be Transferred (1 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 (profit) (Note 5)
Date of transfer (planned)		During the 5 th fiscal period (ending January 2009)

(Note 1) Lot size owned by MHR after the transfer, based on the record in the real estate registry, is 6,862.35m² and the land use right interest ratio is about 56.2%. The private-use floor area indicated in the real estate registry corresponding to the trust beneficiary right is 24,770.52m² and the private-use floor area interest ratio is about 64.0%. Moreover, the

leasable floor area that can be rented to end tenants is 19,042.73 m².

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

(Note 3) This is an ordinary price for the price and rent in the appraisal (sought as the fair value that reflects market value, thought to be formed in the market upon fulfilling conditions that are deemed logical under current social conditions) and not a specific value (sought as a price that reflects investor break-even price that is shown to investors). 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 chart is the trial balance value as of the end of July 2008. The amount will be finalized upon taking into account depreciation and amortization expenses until the selling date.

(Note 5) The amount of profit/loss from the transfer in the chart 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 chart.

(Reference Information)

i) Revisions to the Management Guidelines of MHR's Asset Manager

On September 16, 2008, MHR's Asset Manager resolved to make the following changes to its Management Guidelines that are part of its internal rules.

i. Brief Overview of the Change to the Management Guidelines

A new regulation was added to the article of the Management Guidelines on holding period (Article 8), regarding sales policy.

ii. Place of Change in the Management Guidelines

The title of Article 8 was changed and a section regarding a sales policy for all or part of individual assets related to real estate (Section 4) was added. The section goes on to say that the Asset Manager may give consideration to selling such assets if a gain on sales can be realized when considering factors such as timing (for which such sales can contribute to dividends paid to investors), the degree of contribution to investors' profit and effects on the portfolio.

iii. Reason for the Changes 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 a gain on sales based upon consideration of their effects on the portfolio, etc.

(c) Outlook of Business Results

MHR expects the following business results for its next fiscal period (fifth fiscal period starting August 1, 2008 and ending January 31, 2009). For the assumptions underlying the forecast of results, please refer to "Assumptions of Forecast of Results for the Fifth Fiscal Period Ending January 31, 2009 (August 1, 2008 – January 31, 2009)" presented on page 9 and 10.

Operating revenues	¥5,175 million
Operating profit	¥3,020 million
Ordinary profit	¥2,150 Million
Net profit	¥2,149 Million
Dividend per unit	¥13,500
Dividend in excess of earnings per unit	¥0

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

Assumptions of Forecast of Results for the Fifth Fiscal Period Ending January 31, 2009
(August 1, 2008 – January 31, 2009)

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

Item	Assumptions
Investment Portfolio	<ul style="list-style-type: none"> • MHR assumes that its investment portfolio up to September 29, 2008 will comprise the 9 properties in its portfolio as of the end of the fourth fiscal period (July 31, 2008). From September 30, 2008 onwards, MHR assumes that it will additionally acquire 25% of ARK Mori Building (pass-through) and a portion of the office section (including parts of shops, strage units facilities, parking lots, etc.) of Akasaka Tameike Tower to add to the portfolio and transfer a portion of Moto-Azabu Hills from the portfolio. There will be no subsequent change in the investment portfolio (acquisition of new properties, disposition of existing properties, etc.) during the period up to the end of the fifth fiscal period (January 31, 2009). • In actual practice, however, the forecast is subject to change due to changes in the investment portfolio.
Operating Revenues	<ul style="list-style-type: none"> • Operating revenues are calculated based on the above assumptions of the investment portfolio and the estimated gain on sale from the transfer of assets is 154 million yen. • Property revenues are estimated based on the lease contracts effective as of the end of the fourth fiscal period (July 31, 2008), taking into account the market environment, the competitiveness of the individual properties and other factors. • For estimation of operating revenues, MHR assumes that there will be no delinquencies or unpaid rent by tenants.

Operating Expenses	<ul style="list-style-type: none"> • Of the property expenses, which accounts for the majority of operating expenses, the expenses other than depreciation and amortization are calculated by referring to historical figures and adjusted to reflect variable factors. • For property taxes, city planning taxes, etc., the amount of taxation during the fifth fiscal period is expected to total 245 million yen (for 6 months). Furthermore, the portion of property taxes, city planning taxes, etc. that is to be reimbursed to the seller in correlation with the acquisition of 75% of ARK Mori Building (pass-through) on March 28, 2008, additional acquisition of 25% of ARK Mori Building (pass-through), scheduled for September 30, 2008 and acquisition of a portion of the office section (including parts of shops, storage units facilities, parking lots, etc.) of Akasaka Tameike Tower shall be incorporated into the acquisition costs and, thus, shall not be recognized as operating expenses for the fifth fiscal period. About 21 million yen (for 3 months) in property taxes, city planning taxes, etc. is expected to be recorded as expenses during the sixth fiscal period. • For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal period (149 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal period may differ significantly from estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next. • Depreciation and amortization are calculated using the straight-line method, with future additional capital expenditures taken into account (701 million yen).
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 754 million yen in debt related expenses, such as interest expense, and investment corporation bond interest expense.
Debt and Investment Corporation Bonds	<ul style="list-style-type: none"> • Concerning debt, MHR assumes that debt outstanding until September 29, 2008 will be the 78,000 million yen outstanding as of the end of the fourth fiscal period (July 31, 2008), and that debt outstanding from September 30, 2008 onwards will be 104,000 million yen. • Concerning investment corporation bonds, the balance as of the end of the fourth fiscal period (July 31, 2008) was 10,000 million yen. MHR assumes that there will be no change in the balance of investment corporation bonds and the interest rate will not change until the end of the fifth fiscal period (January 31, 2009).
Investment Units	<ul style="list-style-type: none"> • MHR assumes investment units of 159,200 units after 29,400 units to be allotted to third parties is added to the 129,800 units as of July 31, 2008.
Dividend per Unit	<ul style="list-style-type: none"> • Dividend per unit is calculated based on the assumption that MHR will distribute all profits in accordance with its cash distribution policy as outlined in its Articles of Incorporation. • Dividend per unit may vary due to numerous factors, including changes in the investment portfolio, changes in rent income caused by the moving-in/out of tenants, unplanned repairs, changes in interest rates, or additional issue of new investment units.
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> • MHR assumes at present that it will not make any cash distributions in excess of earnings (dividend in excess of earnings per unit).
Other	<ul style="list-style-type: none"> • MHR assumes that there will be no amendments to legislation, taxation, accounting standards, listing regulations, Investment Trusts Association rules, etc. that would affect the above forecasts. • MHR assumes that there will be no unforeseen material changes in general economic conditions, the real estate market, etc.

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

Item	Third Fiscal Period (as of January 31, 2008)		Fourth Fiscal Period (as of July 31, 2008)		Period-on-Period Comparison		
	Amount (thousands of yen)	Share of Total (%)	Amount (thousands of yen)	Share of Total (%)	Amount (thousands of yen)	Percentage Change (%)	
Assets							
I. Current assets							
Cash and deposits	6,013,529		5,205,753		(807,776)		
Entrusted cash and deposits	6,072,304		6,496,459		424,155		
Accounts receivable – trade	100,449		97,677		(2,771)		
Prepaid expenses	105,894		139,910		34,016		
Deferred tax assets	18		238		219		
Consumption taxes receivable	–		39,956		39,956		
Other current assets	5,933		749		(5,184)		
Total current assets	12,298,130	7.9	11,980,745	7.0	(317,384)	(2.6)	
II. Fixed assets							
1. Property and equipment, at cost							
Entrusted buildings	38,469,182		39,741,996				
Accumulated depreciation	(1,931,516)	36,537,666	(2,488,925)	37,253,071	715,404		
Entrusted structures	602,654		605,642				
Accumulated depreciation	(118,720)	483,933	(150,687)	454,955	(28,978)		
Entrusted machinery and equipment	705,617		705,617				
Accumulated depreciation	(39,944)	665,673	(50,755)	654,862	(10,811)		
Entrusted tools, furniture and fixtures	15,359		25,442				
Accumulated depreciation	(1,656)	13,702	(3,471)	21,970	8,267		
Entrusted land	–	86,332,510	–	101,704,640	15,372,130		
Entrusted construction in progress	–	–	–	647	647		
Property and equipment, net	124,033,486	80.1	140,090,147	82.2	16,056,660	12.9	
2. Intangible assets							
Entrusted leasehold rights	18,409,956		18,409,956		–		
Other entrusted intangible assets	–		5,210		5,210		
Total intangible assets	18,409,956	11.9	18,415,167	10.8	5,210	0.0	
3. Investments and other assets							
Security deposits	10,000		10,000		–		
Long-term prepaid expenses	54,170		54,832		661		
Total investments and other assets	64,170	0.0	64,832	0.0	661	1.0	
Total fixed assets	142,507,614	92.0	158,570,146	93.0	16,062,532	11.3	
III. Deferred assets							
Initial expenses	30,668		25,556		(5,111)		
Issue costs of investment corporation bonds	54,874		49,743		(5,130)		
Total deferred assets	85,542	0.1	75,300	0.0	(10,241)	(12.0)	
Total assets	154,891,286	100.0	170,626,192	100.0	15,734,906	10.2	

Mori Hills REIT Investment Corporation (3234) Fourth Fiscal Period Financial Report

Item	Third Fiscal Period (as of January 31, 2008)		Fourth Fiscal Period (as of July 31, 2007)		Period-on-Period Comparison	
	Amount (thousands of yen)	Share of Total (%)	Amount (thousands of yen)	Share of Total (%)	Amount (thousands of yen)	Percentage Change (%)
Liabilities						
I. Current liabilities						
Accounts payable – trade	253,426		262,434		9,008	
Short-term debt	10,000,000		20,000,000		10,000,000	
Current portion of long-term debt	15,000,000		15,000,000		–	
Accounts payable – other	11,311		12,759		1,447	
Accrued expenses	182,913		209,150		26,237	
Accrued income taxes	652		1,424		772	
Accrued consumption taxes	38,870		19,538		(19,331)	
Rent received in advance	609,531		695,667		86,136	
Deposits received	57,576		79,808		22,231	
Total current liabilities	26,154,281	16.9	36,280,784	21.3	10,126,503	38.7
II. Long-term liabilities						
Investment corporation bonds	10,000,000		10,000,000		–	
Long-term debt	38,000,000		43,000,000		5,000,000	
Tenant leasehold and security deposits received	6,222,814		6,841,592		618,777	
Total long-term liabilities	54,222,814	35.0	59,841,592	35.0	5,618,777	10.4
Total liabilities	80,377,095	51.9	96,122,376	56.3	15,745,281	19.6
Net Assets						
I. Unitholders' equity						
1. Unitholders' capital						
Unitholders' capital	72,671,418	46.9	72,671,418	42.6	–	0.0
2. Retained earnings						
Unappropriated retained earnings	1,842,772		1,832,397		(10,375)	
Total retained earnings	1,842,772	1.2	1,832,397	1.1	(10,375)	(0.6)
Total unitholders' equity	74,514,191	48.1	74,503,815	43.7	(10,375)	(0.0)
Total net assets	74,514,191	48.1	74,503,815	43.7	(10,375)	(0.0)
Total liabilities and net assets	154,891,286	100.0	170,626,192	100.0	15,734,906	10.2

(2) Statements of Income

Item	Third Fiscal Period (August 1, 2007 – January 31, 2008)			Fourth Fiscal Period (February 1, 2008 – July 31, 2008)			Period-on-Period Comparison	
	Amount (thousands of yen)		Percentage (%)	Amount (thousands of yen)		Percentage (%)	Amount (thousands of yen)	Percentage Change (%)
1. Operating revenues								
Property revenues	4,176,880			4,407,694				
Other property revenues	451,525	4,628,405	100.0	415,465	4,823,159	100.0	194,753	4.2
2. Operating expenses								
Property expenses	1,929,934			2,044,806				
Asset management fees	251,812			249,075				
Directors' compensation	7,200			8,100				
Asset custody fees	3,879			4,198				
Administration fees	11,160			11,336				
Other operating expenses	75,220	2,279,207	49.2	62,883	2,380,399	49.4	101,192	4.4
Operating profit		2,349,198	50.8		2,442,759	50.6	93,561	4.0
3. Non-operating revenues								
Interest income	19,975			16,132				
Compensation received	–			16,033				
Other non-operating revenues	1,660	21,636	0.4	3,333	35,500	0.8	13,863	64.1
4. Non-operating expenses								
Interest expense	445,265			483,361				
Investment corporation bond interest expense	28,458			80,705				
Amortization of issue costs of investment corporation bonds	2,812			5,310				
Amortization of initial expenses	5,111			5,111				
Loan related expenses	43,923			59,901				
Other non-operating expenses	1,545	527,115	11.4	6,807	641,017	13.3	113,901	21.6
Ordinary profit		1,843,719	39.8		1,837,242	38.1	(6,476)	(0.4)
Profit before tax		1,843,719	39.8		1,837,242	38.1	(6,476)	(0.4)
Current income taxes	977			5,067				
Deferred income taxes	0	978	0.0	(219)	4,847	0.1	3,868	395.4
Net profit		1,842,740	39.8		1,832,395	38.0	(10,345)	(0.6)
Retained earnings brought forward		31			1		(29)	(94.0)
Unappropriated retained earnings		1,842,772			1,832,397		(10,375)	(0.6)

(3) Statements of Changes in Unitholders' Equity

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

(Unit: thousands of yen)

	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

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

(Unit: thousands of yen)

	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

(4) Statements of Cash Distributions

(Unit: yen)

Item	Period	Third Fiscal Period (August 1, 2007 – January 31, 2008)	Fourth Fiscal Period (February 1, 2008 – July 31, 2008)
	I. Unappropriated retained earnings		1,842,772,497
II. Amount of dividends		1,842,770,600	1,832,386,600
[Amount of dividend per unit]		[14,197]	[14,117]
III. Retained earnings carried forward		1,897	10,621

(5) Statements of Cash Flows

Item	Third Fiscal Period	Fourth Fiscal Period	Period-on-Period
	(August 1, 2007 – January 31, 2008)	(February 1, 2008 – July 31, 2008)	Comparison
	Amount	Amount	Amount
	(thousands of yen)	(thousands of yen)	(thousands of yen)
I. Cash flows from operating activities			
Profit before tax	1,843,719	1,837,242	(6,476)
Depreciation and amortization	572,007	602,293	30,285
Amortization of initial expenses	5,111	5,111	–
Issue costs of investment corporation bonds	2,812	5,130	2,317
Interest income	(19,975)	(16,132)	3,843
Interest expense	473,723	564,066	90,343
Decrease (Increase) in accounts receivable – trade	(12,927)	2,771	15,699
Decrease (Increase) in consumption taxes receivable	–	(39,956)	(39,956)
Increase (Decrease) in accounts payable – trade	(26,113)	14,055	40,169
Increase (Decrease) in accounts payable – other	(1,714)	(4,138)	(2,424)
Increase (Decrease) in accrued expenses	(26)	8,481	8,507
Increase (Decrease) in accrued consumption taxes	(78,671)	(19,331)	59,339
Increase (Decrease) in rent received in advance	(7,923)	86,136	94,059
Increase (Decrease) in deposits received	(85,540)	22,231	107,772
Decrease (Increase) in prepaid expenses	(4,016)	(34,016)	(29,999)
Decrease (Increase) in long-term prepaid expenses	(12,813)	(661)	12,152
Other	(848)	3,102	3,950
Sub total	2,646,802	3,036,386	389,583
Interest received	17,144	18,214	1,069
Interest paid	(441,427)	(546,310)	(104,882)
Income taxes paid	(979)	(4,294)	(3,314)
Net cash provided by operating activities	2,221,540	2,503,995	282,455
II. Cash flows from investing activities			
Payments for purchase of entrusted property and equipment	(23,640)	(16,663,710)	(16,640,070)
Payments for purchase of entrusted intangible assets	–	(5,500)	(5,500)
Proceeds from tenant leasehold and security deposits received	374,857	1,232,988	858,130
Payments for tenant leasehold and security deposits received	(398,613)	(614,210)	(215,597)
Net cash provided by (used in) investing activities	(47,396)	(16,050,432)	(16,003,036)
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)	–	33,000,000
Proceeds from long-term debt	13,000,000	5,000,000	(8,000,000)
Proceeds from issue of investment corporation bonds	10,000,000	–	(10,000,000)
Payments for issue costs of investment corporation bonds	(56,349)	–	56,349
Dividends paid	(1,934,973)	(1,837,184)	97,789
Net cash provided by (used in) financing activities	(1,991,323)	13,162,815	15,154,139
IV. Net increase (decrease) in cash and cash equivalents	182,820	(383,621)	(566,441)
V. Cash and cash equivalents at beginning of period	11,903,014	12,085,834	182,820
VI. Cash and cash equivalents at end of period	12,085,834	11,702,213	(383,621)

6. OVERVIEW OF LEASE CONDITIONS (as of July 31, 2008)

Property no.	Property name	Leasing scheme	Total leasable floor area (m ²)	Total leased floor area (m ²)	Occupancy rate (%)	Total no. of end tenants	Gross rent income (annual rent) (millions of yen)	Deposits / Guarantees (millions of yen)
O-1-1	ARK Mori Building (fixed)	Fixed master lease	2,728.96	2,728.96	100.0	1	297	297
O-1-2	ARK Mori Building (pass-through)	Pass-through master lease	3,917.71	3,695.30	94.3	11	539	437
O-2	Roppongi Hills Gate Tower	Pass-through master lease	16,657.52	16,491.79	99.0	46	1,976	1,728
O-3	Roppongi First Building	—	11,525.55	11,149.58	96.7	15	1,246	1,223
O-4	Koraku Mori Building	Pass-through master lease	16,199.26	15,273.32	94.3	13	1,772	1,714
O-5	Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building)	Pass-through master lease	6,720.34	6,720.34	100.0	1	843	372
R-1	Moto-Azabu Hills	Pass-through master lease	19,251.84	17,611.36	91.5	104	1,592	674
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,677.07	89.2	34	341	146
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,671.50	90.4	38	161	69
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	219	0
Total portfolio			91,548.83	87,364.06	95.4	264	8,986	6,660

7. STATUS OF INCOME AND EXPENDITURES (February 1, 2008 – July 31, 2008)

(Unit: thousands of yen)

Property no.	O-1-1 Premium		O-1-2 Premium		O-2 Premium		O-3 Premium		O-4 Premium	
	ARK Mori Building (fixed)		ARK Mori Building (pass-through)		Roppongi Hills Gate Tower		Roppongi First Building		Koraku Mori Building	
Fiscal period (Note)	Third	Fourth	Third	Fourth	Third	Fourth	Third	Fourth	Third	Fourth
Days of operations	184	182	–	126	184	182	184	182	184	182
Property revenues	148,591	148,591	–	188,802	982,094	989,549	590,246	610,678	885,055	881,082
Other property revenues	–	–	–	9,421	142,956	131,926	85,735	75,569	128,133	109,766
Total real estate property revenues	148,591	148,591	–	198,224	1,125,051	1,121,476	675,982	686,248	1,013,189	990,849
Property management fees	1,200	1,200	–	34,610	164,092	165,702	82,340	86,410	88,884	112,793
Utilities	–	–	–	2,791	62,439	55,554	34,998	35,513	88,356	77,108
Property taxes	8,316	8,285	–	–	66,214	67,129	43,368	43,291	35,303	35,244
Maintenance and repairs	208	–	–	759	16,635	17,788	3,329	–	6,893	22,870
Non-life insurance premium	427	424	–	331	1,960	2,399	1,750	2,043	1,831	2,246
Depreciation and amortization	17,768	17,768	–	28,589	116,508	116,916	99,604	99,677	123,401	123,686
Other property expenses	518	516	–	982	38,379	36,653	1,208	1,203	66,326	66,300
Total real estate property expenses	28,438	28,194	–	68,064	466,230	462,143	266,599	268,139	410,997	440,250
NOI	137,921	138,165	–	158,749	775,329	776,249	508,986	517,787	725,592	674,284

Property no.	O-5		R-1 Premium		R-2 Premium		R-3 Premium		R-4	
	Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building)		Moto-Azabu Hills		ARK Forest Terrace		Roppongi First Plaza		Roppongi View Tower	
Fiscal period (Note)	Third	Fourth	Third	Fourth	Third	Fourth	Third	Fourth	Third	Fourth
Days of operations	184	182	184	182	184	182	184	182	184	182
Property revenues	400,375	403,882	813,218	819,143	171,717	178,426	76,154	78,108	109,426	109,426
Other property revenues	9,240	9,240	72,378	68,308	12,595	10,982	485	250	–	–
Total real estate property revenues	409,615	413,122	885,597	887,452	184,313	189,408	76,639	78,358	109,426	109,426
Property management fees	65,448	65,448	184,403	183,672	38,689	38,194	13,262	14,499	6,474	6,474
Utilities	–	–	3,856	4,017	10,533	11,190	192	186	–	–
Property taxes	22,108	21,932	39,742	41,401	9,233	9,249	6,130	6,238	9,802	9,878
Maintenance and repairs	–	870	47,392	56,550	5,612	8,264	5,257	10,830	–	–
Non-life insurance premium	616	606	4,889	3,985	1,164	951	539	437	791	647
Depreciation and amortization	35,606	35,725	122,414	122,726	31,888	31,941	9,310	9,756	15,504	15,504
Other property expenses	767	769	50,896	50,996	9,707	9,766	4,523	4,389	905	905
Total real estate property expenses	124,546	125,352	453,595	463,350	106,829	109,559	39,216	46,339	33,478	33,411
NOI	320,674	323,496	554,416	546,827	109,371	111,791	46,733	41,776	91,453	91,519

(Notes)

- The third fiscal period was from August 1, 2007 to January 31, 2008. The fourth fiscal period was from February 1, 2008 to July 31, 2008.
- The amounts are rounded down to the nearest thousand yen. Accordingly, the amounts shown do not necessarily add up to the total figures.

Disclaimer:

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated September 16, 2008, and portions of the Financial Statements and the Performance Information Report for the fourth fiscal period from February 1, 2008 to July 31, 2008, of Mori Hills REIT Investment Corporation (MHR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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

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The financial statements are a translation of the audited financial statements of MHR, that were prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP) which may materially differ in certain respects from generally accepted accounting principles and practices in other jurisdictions. In preparing the financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

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

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

The forward-looking statements contained in this document speak only as of the date of release, March 18, 2008, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.