



HILLS REIT

March 15, 2012

**FINANCIAL REPORT
FOR THE ELEVENTH FISCAL PERIOD ENDED JANUARY 31, 2012**

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

Representative: Hideyuki Isobe, Executive Director

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

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

Representative: Hideyuki Isobe, President & CEO

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Planned submission of semiannual security report: April 26, 2012

Planned start of dividend payments: April 16, 2012

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 ELEVENTH FISCAL PERIOD ENDED JANUARY 31, 2012**(August 1, 2011 – January 31, 2012)****(1) Business Results**

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

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Eleventh Fiscal Period	¥4,765	(9.4%)	¥3,108	1.6%	¥1,997	2.5%	¥1,996	3.2%
Tenth Fiscal Period	¥5,257	(4.1%)	¥3,059	3.5%	¥1,947	5.8%	¥1,933	5.1%

	Net Income per Unit	Net Income to Total Net Assets	Ordinary Income to Total Assets	Ordinary Income to Operating Revenue
Eleventh Fiscal Period	¥8,622	1.9%	0.9%	41.9%
Tenth Fiscal Period	¥8,352	1.9%	0.9%	37.0%

(Note) Net income per unit is calculated by dividing net income by the following daily weighted average number of units and is rounded to the nearest yen.

Eleventh fiscal period: 231,520 units

Tenth fiscal period: 231,520 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
Eleventh Fiscal Period	¥8,622	¥1,996 million	¥0	–	100.0%	1.9%
Tenth Fiscal Period	¥8,352	¥1,933 million	¥0	–	99.9%	1.9%

(Note) The dividend payout ratio is calculated by using the formula below and is rounded down to the first decimal place.

Dividend Payout Ratio = [Total Dividends ÷ Net Income] × 100

(3) Financial Position

	Total Assets	Net Assets	Total Net Assets to Total Assets	Net Assets per Unit
Eleventh Fiscal Period	¥219,119 million	¥104,007 million	47.5%	¥449,236
Tenth Fiscal Period	¥218,950 million	¥103,944 million	47.5%	¥448,966

(4) Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Period
Eleventh Fiscal Period	¥38,142 million	(¥35,856 million)	(¥2,044 million)	¥9,291 million
Tenth Fiscal Period	¥18,532 million	(¥16,864 million)	(¥3,488 million)	¥9,050 million

2. FORECAST OF RESULTS FOR THE TWELFTH FISCAL PERIOD ENDING JULY 31, 2012
(February 1, 2012 – July 31, 2012)

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

	Operating Revenue	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change	Net Income	Percentage Change
Twelfth Fiscal Period	¥4,814	1.0%	¥3,164	1.8%	¥2,072	3.8%	¥2,071	3.8%

	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Twelfth Fiscal Period	¥8,700	¥0

(Reference) Estimated net income per unit for the twelfth fiscal period: ¥8,946

(Note) Dividend per unit is calculated based on the assumption that distributions will be made in the amount remaining after the amount of provision of reserve for reduction entry expected in the twelfth fiscal period (¥57 million) is deducted from net income.

3. OTHER

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

- (a) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (b) Changes in accounting policies other than (a): None
- (c) Changes in accounting estimates: None
- (d) Corrections of errors: None

(2) Number of Units Outstanding

- (a) Number of units outstanding at end of period (including own units)
Eleventh fiscal period: 231,520 units Tenth fiscal period: 231,520 units
- (b) Number of own units at end of period
Eleventh fiscal period: 0 units Tenth fiscal period: 0 units

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

The forecast of results and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by Mori Hills REIT Investment Corporation (MHR). Accordingly, actual results, etc. may differ materially due to a variety of factors. Furthermore, these forecasts shall not be construed as a guarantee of dividend amounts. For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Twelfth Fiscal Period Ending July 31, 2012 (February 1, 2012 – July 31, 2012)” presented on pages 16 to 17.

4. BUSINESS RESULTS

(1) Overview of the Eleventh Fiscal Period

(a) Brief Background of MHR

Mori Hills REIT Investment Corporation (MHR) was incorporated by Mori Building Investment Management Co., Ltd. (MHR's Asset Manager) on February 2, 2006 with 100 million yen in capital (200 units), and was registered by the Prime Minister based on Article 187 of the Law Concerning Investment Trusts and Investment Corporations on March 6, 2006 (Registration No. 51 filed with the Director-General of the Kanto Local Finance Bureau). Subsequently, MHR was listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on November 30, 2006 (Securities Code: 3234). MHR later issued new investment units through third-party allotment (29,400 units) on September 29, 2008, issued new investment units through public offering (67,000 units) on March 23, 2010, and issued new investment units through third-party allotment (over-allotment) (5,320 units) on April 23, 2010. As of the end of MHR's fiscal period under review (eleventh fiscal period: August 1, 2011 to January 31, 2012), the total number of investment units outstanding was 231,520 units. Recently, MHR closed its eleventh fiscal period.

(b) Investment Environment and Business Performance

i) Investment Environment

In the eleventh fiscal period, Japanese economic growth remained brisk as recovery from the Great East Japan Earthquake continued, despite being hit by such factors as Europe's debt crisis and the historically high level of yen appreciation.

In such an economic environment, the rental office building market is seeing growing demand for large blue-chip properties that possess high earthquake resistance and disaster prevention features, buoyed by the sense that rent is currently under-market. On the other hand, vacancy rates are currently declining due to large supply of newly-constructed buildings. The luxury rental housing market did see a downturn in demand from non-Japanese tenants, but this downturn was largely offset by demand from Japanese tenants. In the real estate trading market, although a sense of stagnation spread in the wake of the Earthquake, the market has headed towards recovery and, recently, transactions of large properties in central Tokyo have occurred as J-REITs raised capital through public offerings.

ii) Business Performance

In the eleventh fiscal period, MHR acquired Roppongi Hills Mori Tower (23rd floor, and 50% co-ownership interest in compartmentalized ownership for the 24th floor) and ARK Mori Building (4th, 15th and 24th floors) from sponsor Mori Building Co., Ltd. These assets are "Premium Properties" (Note 1), which MHR positions at the core of its portfolio development strategy. In conjunction with this acquisition, MHR sold Roppongi Hills Gate Tower to Mori Building Co., Ltd. with the objective of enhancing the portfolio's cap rate. MHR also strove to enhance tenant satisfaction through such measures as meticulous operational management and systematic maintenance and repair of properties in its portfolio. Moreover, MHR maintained and enhanced occupancy rates by proactively launching marketing activities targeting new and existing tenants based on a flexible price policy while taking into account the quality of tenants.

MHR's real estate portfolio as of the end of the eleventh fiscal period was comprised of 10 properties (Note 2) under management with a total leasable floor area of 96,223.52m². MHR has already invested 211,516 million yen (based on acquisition price) into this portfolio. The occupancy rate at the end of the eleventh fiscal period (Note 3) was 95.5%.

(Notes)

1. Premium Properties refer to properties that are situated in "Premium Areas" (central five wards of Tokyo (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward and Shibuya Ward) and their vicinity; the same hereinafter), where the Mori Building Group (Mori Building Co., Ltd., Mori Building Co., Ltd.'s consolidated subsidiaries and, of affiliated companies accounted for by the equity method, companies that are engaged in business in Japan; the same hereinafter) can fully demonstrate its brand/marketing strength and facilities management capabilities, and that are capable of maintaining competitiveness in the future due to attributes such as quality, size and specifications. The same shall apply hereinafter.
2. For Roppongi First Building and Roppongi View Tower, MHR purchased the trust beneficiary rights pertaining to 6% co-ownership interest on March 22, 2006 and the trust beneficiary rights pertaining to 40% co-ownership interest on April 13, 2006. However, MHR treats each of these properties as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

Regarding ARK Mori Building, MHR made acquisitions as follows to date. However, MHR treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

- 1) Trust beneficiary rights pertaining to compartmentalized ownership for the 13th floor portion on March 22, 2006
- 2) 75% quasi co-ownership interest of the trust beneficiary rights pertaining to compartmentalized ownership for the 12th and 22nd floor portions on March 28, 2008
- 3) The remaining 25% quasi co-ownership interest of the trust beneficiary rights pertaining to compartmentalized ownership for the 12th and 22nd floor portions on September 30, 2008
- 4) 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion on March 23, 2010 MHR holds trust beneficiary rights from adding this co-ownership interest as a trust asset of 5) on March 18, 2011.
- 5) Trust beneficiary rights pertaining to the remaining 50% co-ownership interest in compartmentalized ownership for the 23rd floor portion and trust beneficiary rights pertaining to compartmentalized ownership for the 25th floor portion on March 18, 2011
- 6) Trust beneficiary rights pertaining to compartmentalized ownership for the 4th, 15th and 24th floor portions on August 1, 2011

Regarding Akasaka Tameike Tower, MHR made acquisitions as follows to date. However, MHR treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

- 1) Trust beneficiary rights pertaining to compartmentalized ownership for the office portion (including parts of shops, storage areas, parking lots, etc.) (about 35.4% of total private-use floor area) on September 30, 2008
- 2) Trust beneficiary rights pertaining to compartmentalized ownership for 87 residential units and trust beneficiary rights pertaining to 84.8% co-ownership interest in compartmentalized ownership for 1 residential unit out of a total of 130 residential units, and trust beneficiary rights pertaining to approximately 31.2% co-ownership interest in compartmentalized ownership for a parking lot and bicycle parking lot on March 18, 2011

Regarding Roppongi Hills Mori Tower, MHR made acquisitions as follows to date. However, MHR treats these as one property for purposes of calculating the number of properties in the portfolio. The same shall apply hereinafter.

- 1) 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on March 23, 2010 MHR holds trust beneficiary rights from adding this co-ownership interest as a trust asset of 2) on August 1, 2011.
 - 2) Trust beneficiary rights pertaining to compartmentalized ownership for the 23rd floor portion and trust beneficiary rights pertaining to the remaining 50% co-ownership interest in compartmentalized ownership for the 24th floor portion on August 1, 2011
3. The occupancy rate at the end of the fiscal period expresses the sum total of the total leased floor area at the end of the fiscal period as a percentage of the sum total of the total leasable floor area at the end of the fiscal period, rounded to one decimal place.

(c) Overview of Fund Procurement

During the eleventh fiscal period, MHR took out a short-term loan payable in the amount of 5,500 million yen and long-term loans payable (Note 1) in the amount of 22,000 million yen (concerning 12,500 million yen of the long-term loans payable, MHR took out a short-term loan payable in that amount separate to the abovementioned 5,500 million yen short-term loan payable and then refinanced it into a long-term loan payable during the eleventh fiscal period). Proceeds from these loans were used for the refinancing of an existing short-term loan payable in the amount of 5,500 million yen and existing long-term loans payable in the amount of 22,000 million yen. MHR also made previously agreed repayments in the amount of 112 million yen on existing long-term loans payable during the eleventh fiscal period.

As a result, as of the end of the eleventh fiscal period, the balance of loans payable stands at 82,000 million yen (long-term loans payable: 65,000 million yen (of which, current portion of long-term loans payable: 27,875 million yen); and short-term loans payable: 17,000 million yen), the balance of investment corporation bonds stands at 25,000 million yen (of which, current portion of investment corporation bonds: 7,000 million yen) and the balance of interest-bearing debt stands at 107,000 million yen.

Of the loans payable, in addition to the 25,000 million yen in investment corporation bonds and 7,900 million yen in long-term loans payable that have fixed interest rates, MHR utilizes interest rate swaps to in effect convert the interest rates for loans payable that have variable interest rates into fixed interest rates in order to hedge against the risk of upward fluctuations in interest rates. Such measures have been taken for 16,500 million yen of the 57,100 million yen in long-term loans payable. Concerning future loans payable, MHR will strive to minimize refinancing risks by diversifying repayment dates for loans payable.

As of the end of the eleventh fiscal period, MHR has obtained a Baa1 (Note 2) issuer credit rating and unsecured long-term debt rating from Moody's Japan K.K. and AA- long-term senior debt rating (rating outlook: negative) from Japan Credit Rating Agency, Ltd.

(Notes)

1. Long-term loans payable are loans payable with a period of over one year until the repayment date at the time of drawdown, and short-term loans payable are loans payable with a period of one year or less until the repayment date at the time of drawdown (the same hereinafter).
2. On December 20, 2011, Moody's Japan K.K. issued an announcement stating that the issuer credit rating and unsecured long-term debt rating of 5 real estate investment corporations, including MHR, will be placed under review for possible downgrade.

(d) Overview of Business Results and Distributions

The asset management activities described above resulted in MHR recording 4,765 million yen in operating revenue, 3,108 million yen in operating income, 1,997 million yen in ordinary income and 1,996 million yen in net income in the eleventh fiscal period.

In regards to dividends, to ensure that income distributions would be deductible for tax purposes based on application of Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957; including amendments thereto), MHR decided to pay out the entire amount of unappropriated retained earnings, excluding fractions of the dividend per unit that are less than 1 yen. Consequently, MHR declared a dividend per unit of 8,622 yen.

(2) Outlook for the Twelfth Fiscal Period

(a) Future Management Policy

Pursuant to MHR's investment policy, MHR seeks to grow and increasingly enhance the profitability and asset value of assets under management by focusing on the competitiveness and the ability to create value attributable to "urban" areas (central Tokyo being the core area) and concentrating investment into "urban" areas. Specifically, MHR seeks to develop an urban portfolio centered on office buildings and residential and retail properties that are situated in "Premium Areas" and that are capable of maintaining competitiveness in the future due to attributes such as quality, size and specifications ("Premium Properties"). The quintessential example is the "Hills" brand of large redevelopment properties exhibiting high creativity and added-value in a manner perfected over the years by the Mori Building Group.

With respect to the management of properties in the portfolio, MHR seeks to ensure stable revenue over the medium and long term and maintain and enhance the asset value of its portfolio by adopting the basic policy of conducting rational, efficient and systematic asset management and administration that enhances satisfaction and captures the trust of tenants.

In addition, MHR will seek to maximize investor returns through conducting dividend-oriented management, such as by striving to enhance the portfolio NOI cap rate through asset exchanges, keeping borrowing costs down and minimizing other operating expenses.

With respect to asset exchanges, MHR will aim to improve the NOI cap rate by continuing to engage in property transactions primarily with the company sponsor in which MHR sells properties that have low cap rates and then acquires Premium Properties that have higher cap rates or properties other than Premium Properties that have high cap rates.

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

In order to minimize other operating expenses, MHR will strive to reduce costs to a level that will allow it to maintain the quality of its assets under management by proactively leveraging Mori Building Co., Ltd.'s high value-added know-how and services in the operation of assets under management.

(b) Significant Subsequent Events

Not applicable.

(Reference Information)

i) Acquisition of Asset

MHR adopted a resolution at a meeting of its board of directors held on March 15, 2012 to acquire Atago Green Hills.

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

i. Overview of Acquisition

- | | |
|---------------------------|--|
| 1) Asset-to-be-acquired: | Trust beneficiary right (Note 1) |
| 2) Property name: | Atago Green Hills |
| 3) Acquisition price: | 25,600 million yen (Note 2) |
| 4) Appraisal value: | 27,600 million yen |
| 5) Agreement date: | May 1, 2012 (planned) |
| 6) Acquisition date: | May 1, 2012 (planned) |
| 7) Seller: | Mori Building Co., Ltd. |
| 8) Acquisition financing: | Cash on hand (plan to use capital acquired through sale of assets) |

(Notes)

1. Of Atago Green Hills' 3 buildings (MORI Tower, Forest Tower and Plaza), trust beneficiary right in a trust that holds title to 46.5% co-ownership interest in compartmentalized ownership of buildings, as well as co-ownership interest in ownership and quasi co-ownership interest in leasehold right and easement of the sites, owned by the seller Mori Building Co., Ltd. (hereafter, the "Co-Ownership Interest"). MHR is planning to acquire 45% quasi co-ownership interest of the trust beneficiary right (hereafter, the "Quasi Co-Ownership Interest"). The remaining 55% quasi co-ownership interest of the trust beneficiary right is to be held by Mori Building Co., Ltd.
2. The indicated acquisition price does not include acquisition-related costs, consumption taxes and other expenses. The same shall apply hereinafter.

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

Property name		Atago Green Hills
Type of specified asset		Trust beneficiary right (quasi co-ownership: 45%)
Trust fiduciary		Mitsubishi UFJ Trust and Banking Corporation
Trust beneficiary		MHR and Mori Building Co., Ltd.
Trust establishment		May 1, 2012 (planned)
Trust maturity date		April 30, 2027 (planned)
Location	Lot number	1-10-2 Atago, Minato-ku, Tokyo, etc. (total: 70 lots)
	Residential indication	MORI Tower: 2-5-1 Atago, Minato-ku, Tokyo Forest Tower: 2-3-1 Atago, Minato-ku, Tokyo Plaza: 3-21-5 Toranomom, Minato-ku, Tokyo
Use		Offices, Residences, Shops
Area (Note 1)	Land	13,014.36m ²
	Building	MORI Tower: 85,266.30m ² Forest Tower: 60,815.71m ² Plaza: 2,083.60m ²
Structure		MORI Tower: Steel-framed and steel-framed reinforced concrete structure; 42 floors above ground and 2 floors below ground Forest Tower: Steel-framed and steel-framed reinforced concrete structure; 43 floors above ground and 4 floors below ground Plaza: Reinforced concrete structure; 2 floors above ground and 1 floor below ground
Construction completion		MORI Tower and Plaza: July 2001 Forest Tower: October 2001
Designers		Mori Building Co., Ltd., first class architect office, and Irie Miyake Architects & Engineers
Contractors		MORI Tower and Plaza: a consortium of Takenaka Corporation and Kumagai Gumi Co., Ltd. Forest Tower: Toda Corporation
Building verification agency		Tokyo Metropolitan Government
Form of ownership	Land (Note 2)	Ownership (co-ownership: approx. 46.1%) Leasehold right (quasi co-ownership: approx. 46.5%) Easement (quasi co-ownership: approx. 46.1%)
	Building (Note 3)	Compartmentalized ownership (co-ownership: 46.5%)
Former owner		Mori Building Co., Ltd.
Acquisition price		25,600 million yen
Acquisition date		May 1, 2012 (planned)
Appraisal	Appraisal value	27,600 million yen
	Appraisal date	January 31, 2012
	Appraiser	Japan Real Estate Institute
PML (Note 4)		MORI Tower: 1.66% Forest Tower: 0.99% Plaza: 9.84%
Collateral		None
Property manager		Mori Building Co., Ltd.
Details of tenants (as of May 1, 2012)		
Total number of end tenants		1 (Note 5)
Gross rent income (annual rent)		1,352,146,986 yen (Note 6)
Deposits/Guarantees		901,431,324 yen (Note 7)
Total leasable floor area		21,010.33m ² (Note 8)
Total leased floor area		21,010.33m ² (Note 9)

< Other special consideration >

- (1) Sale of the Quasi Co-Ownership Interest or the Co-Ownership Interest to a third party by MHR or the trust fiduciary (with the exception of sale of the Quasi Co-Ownership Interest to Mori Building Co., Ltd. and sale of the Co-Ownership Interest to MHR or Mori Building Co., Ltd. upon maturity of the trust agreement) requires the approval of the owners of adjacent land. In addition, sale of the Co-Ownership Interest requires the approval of the land owners that are the lessors of the leased land outlined in (3) below.
- (2) Ownership of the land of Atago Green Hills is subdivided among the owners of the private-use portion of each building (9 owners, excluding the trust fiduciary). The “Atago Green Hills Operational Council Bylaws” dated June 29, 2004 (hereafter, the “Council Bylaws”) stipulates mutual use of the Property’s site for the buildings on the site at no charge. In addition, the Council Bylaws also stipulates the maximum floor area ratio volume that can be used for each building and that the owners of each building may not exceed that volume in renovation, rebuilding, etc. of the buildings, among other provisions.
- (3) The trust fiduciary has placed land use rights on land owned by other compartmentalized owners, but the land use rights are not registered. The land use rights held by the trust fiduciary are co-ownership interest in ownership of land held by the trust fiduciary, and quasi co-ownership interest in leasehold right based on the leasehold rights agreement established for the land owned by other land owners and leaseholders. The following is an overview of the leasehold rights that the trust fiduciary has under quasi co-ownership with Mori Building Co., Ltd.

- Land lease agreement ①, land lease agreement ② and land lease agreement ③

Purpose:	① and ②	To own part of 2 well-built high-rise buildings
	③	To own well-built MORI Tower and Plaza
Agreement period:	①	From April 22, 1999 to April 20, 2030
	②	From August 6, 1999 to April 20, 2030
	③	From July 31, 2001 to July 30, 2031
Rent payable:	①~③	– (Note)
Other:	①~③	The rent payable is revised annually for the amount equivalent to the increase/decrease in the case of increase/decrease in the amount of taxes and public dues and revised every 3 years for net rent.

(Note) Not disclosed as the consent of the land owners that are the lessors has not been obtained.

- (4) Concerning the Property’s site, there is an easement in place that makes the Property’s site the dominant land and adjacent land the servient land. Registration of the easement is reserved based on the easement agreement, etc. to the effect that, when an easement holder makes a request to the party setting the easement, registration shall be made upon consultation between the easement holder and party setting the easement. The following outlines the easement.

- Easement agreement (A), easement agreement (B), easement agreement (C), easement agreement (D), easement agreement (E), easement agreement (F), easement agreement (G-a) and easement agreement (G-b)

Purpose:	(A) and (B)	To secure the building site based on the floor area ratio set forth in the Building Standards Act for high-rise buildings that are to be constructed through redevelopment, making servient land not a site under the Building Standards Act other than for the high-rise buildings.
	(C)	As it is dominant land, which is the site of high-rise buildings that are to be constructed through redevelopment, servient land will be provided for an agreed park.
	(D)	To secure the building site based on the floor area ratio set forth in the Building Standards Act for MORI Tower and Plaza that are to be constructed through redevelopment, not constructing buildings subject to the floor area ratio beyond a certain floor area on the servient land.

	(E)	Of the volume of servient land, to use the volume remaining, after exclusion of the volume that can be used by owners of adjacent land, for high-rise buildings that are to be constructed through redevelopment.
	(F)	As it is dominant land, which is the site of high-rise buildings that are to be constructed through redevelopment, servient land will be provided for an agreed park.
	(G-a)	To secure the building site based on the floor area ratio set forth in the Building Standards Act for Forest Tower that is to be constructed through redevelopment, making servient land not a site under the Building Standards Act other than for Forest Tower. (Note)
	(G-b)	To secure the building site based on the floor area ratio set forth in the Building Standards Act for MORI Tower that is to be constructed through redevelopment, making servient land not a site under the Building Standards Act other than for MORI Tower. (Note)
Agreement period:	(A)~(E)	From July 31, 2001 to October 30, 2061
	(F)	From August 10, 2001 to October 30, 2061
	(G-a)	From August 2, 2002 to October 30, 2061
	(G-b)	From August 2, 2002 to July 30, 2061
		(Note) The necessary procedures associated with setting the easement are currently being conducted. Plans are to acquire the Property after completion of these procedures.
Other:	(A)~(G-b)	Other than the initial foregift, no monthly volume use fee and easement fee or other amount for setting the easement will be charged.
(5) The boundary with the land of the Property (refers to the land for which the trust fiduciary has co-ownership interest in ownership and quasi co-ownership interest in leasehold rights) and public road have been determined, but the boundary with some adjacent land has not been determined.		

(Notes)

1. Area (building) is the total floor area of the entire building included in trust assets of the trust beneficiary right that MHR plans to acquire as indicated in the real estate registry, and area (land) is the area of the entire site for which land use rights for the building are in place based on the Council Bylaws; hereinafter the same.
2. With regard to the land, sites are designated for each building in the Council Bylaws. The area of the site for the building corresponding to the quasi co-ownership interest of the trust beneficiary right that MHR plans to acquire calculated based on the provisions of the Council Bylaws is about 2,276.88m².
3. The private-use floor area for the building corresponding to the quasi co-ownership interest of the trust beneficiary right that MHR plans to acquire as indicated in the real estate registry is about 20,910.40m². The private-use floor area interest ratio is about 20.0%.
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 percentage of losses against building price which will not be exceeded based on a 90% probability, should the greatest earthquake that has a 10% probability occurring within the average useful life of a building of 50 years, occur.” The value as indicated on the earthquake risk PML assessment report dated February 20, 2012 by Tokyo Bldg-Tech Center Co., Ltd. is shown.
5. MHR will grant the property’s lease rights to Mori Building Co., Ltd., the co-owner of the property, and shall receive a fixed amount of rent from the company, regardless of the rent amount paid by end tenants. Accordingly, Mori Building Co., Ltd. is treated as the end tenant in this Acquisition.
6. The gross rent income (annual income) represents the figure obtained by multiplying the monthly rents described in the memorandum between the co-owners (contract that grants Mori Building Co., Ltd., one of the co-owners, the lease rights) by 12, and multiplying that amount by the 45% quasi co-ownership interest.

7. Deposits/Guarantees is the amount arrived at when the monetary balance described in the memorandum between the co-owners (contract that grants Mori Building Co., Ltd., one of the co-owners, the lease rights) is multiplied by the 45% quasi co-ownership interest.
8. Total leasable floor area, which is the floor area deemed leasable to end tenants, is multiplied by the 45% quasi co-ownership interest.
9. Total leased floor area, which is the floor area to be leased to end tenants, is multiplied by the 45% quasi co-ownership interest.

ii) Sale of Assets

MHR adopted a resolution at a meeting of its board of directors held on March 15, 2012 to sell Roppongi First Building and ARK Forest Terrace.

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

i. Overview of Sale

(1) Roppongi First Building

1) Asset-to-be-sold:	Real estate (46% co-ownership) (Note 1)
2) Property name:	Roppongi First Building
3) Book value:	20,221 million yen (Note 2)
4) Sales price:	20,460 million yen (Note 3)
5) Gain (loss) on sale:	189 million yen (Note 4)
6) Agreement date:	May 1, 2012 (planned)
7) Sales date:	May 1, 2012 (planned)
8) Buyer:	Mori Building Co., Ltd.

(2) ARK Forest Terrace

1) Asset-to-be-sold:	Real estate (Note 1)
2) Property name:	ARK Forest Terrace
3) Book value:	5,114 million yen (Note 2)
4) Sales price:	5,140 million yen (Note 3)
5) Gain (loss) on sale:	8 million yen (Note 4)
6) Agreement date:	May 1, 2012 (planned)
7) Sales date:	May 1, 2012 (planned)
8) Buyer:	Mori Building Co., Ltd.

(Notes)

1. As of the date of this document, MHR holds the assets as a trust beneficiary right with The Sumitomo Trust and Banking Co., Ltd. as the trust fiduciary. In the Sales, the trust assets are to be sold by instructing the trust fiduciary to sell such to the buyer.
2. Book value was an estimate of the price of the asset-to-be-sold as of the scheduled sale date based on the book value as of January 31, 2012. The same shall apply hereinafter.
3. The sales price does not include sales-related costs, consumption taxes and other expenses. The same shall apply hereinafter.
4. The gain (loss) on sale represents the value obtained by deducting the book value above and sales-related costs from the sales price. The same shall apply hereinafter.

ii. Details of the Assets-to-be-Sold

(1) Roppongi First Building

Property name		Roppongi First Building				
Type of specified asset		Real estate (46% co-ownership)				
Location		1-9-9 Roppongi, Minato-ku, Tokyo (Residential address)				
Use		Offices, Shops				
Area (Note 1)	Land	6,947.83m ²				
	Building	45,753.86m ²				
Structure		Steel-framed, steel-framed reinforced concrete, and reinforced concrete structure; 20 floors above ground and 4 floors below ground				
Construction completion		October 1993				
Form of ownership (Note 2)	Land	Ownership (co-ownership)				
	Building	Ownership (co-ownership)				
Book value		20,221 million yen				
Sales price		20,460 million yen				
Gain (loss) on sale		189 million yen				
Appraisal	Appraisal value	18,600 million yen (Note 3)				
	Appraisal date	January 31, 2012				
	Appraiser	Japan Real Estate Institute				
Sales date		May 1, 2012 (planned)				
Details of tenants (as of January 31, 2012)						
Total number of end tenants		14				
Gross rent income (annual rent)		805,959,899 yen (Note 4)				
Deposits/Guarantees		692,843,028 yen (Note 5)				
Total leasable floor area		11,520.05m ² (Note 6)				
Total leased floor area		9,607.40m ² (Note 7)				
Occupancy rate (with past data)		End of	End of	End of	End of	End of
		Jan. 2010	July 2010	Jan. 2011	July 2011	Jan. 2012
		84.0%	84.0%	74.7%	81.4%	83.4%
Other special consideration		None				

(Notes)

- Area refers to the area of the entire parcel, and the total floor area of the entire building, both based on the record in the real estate registry. The same shall apply hereinafter.
- The Property is a co-ownership in ownership. As of the date of this document, MHR holds a trust beneficiary right in a trust that holds title to 6% co-ownership interest and a trust beneficiary right in a trust that holds title to 40% co-ownership interest. In the Sales, the trust assets under each trust beneficiary right (46% co-ownership interest) are to be sold by instructing the trust fiduciary to sell such to the buyer.
- The type of price in the appraisal is an ordinary price (fair value that reflects market value, thought to be formed in the market upon fulfilling conditions that are deemed logical under current social conditions) and not a specific price (price that reflects investor break-even price to show to investors). The same shall apply hereinafter.
- The gross rent income (annual income) represents the figure obtained by multiplying the combined amount of the monthly rents described in the lease agreements with the end tenants in relation to the property (including percentage of sales rents invoiced to the end tenants from January 1 to January 31, 2012) and the proceeds for monthly common expenses (excluding income from parking lots, utilities and other sources) by 12, and multiplying that amount by the 46% co-ownership interest.
- Deposits/Guarantees is the amount arrived at when the monetary balance described in the lease agreements with the end tenants is multiplied by the 46% co-ownership interest.
- Total leasable floor area reflects the floor area arrived at by multiplying the 46% co-ownership to the floor area deemed leasable to end tenants.

7. Total leased floor area reflects floor area arrived at by multiplying the 46% co-ownership to the floor area being leased to end tenants.

(2) ARK Forest Terrace

Property name		ARK Forest Terrace				
Type of specified asset		Real estate				
Location		1-9-1 Roppongi, Minato-ku, Tokyo (Residential address)				
Use		Residences				
Area	Land	1,370.30m ²				
	Building	9,125.29m ²				
Structure		Steel-framed and reinforced concrete structure; 11 floors above ground and 2 floors below ground				
Construction completion		January 2001				
Form of ownership	Land	Ownership				
	Building	Compartmentalized ownership (Note 1)				
Book value		5,114 million yen				
Sales price		5,140 million yen				
Gain (loss) on sale		8 million yen				
Appraisal	Appraisal value	2,960 million yen				
	Appraisal date	January 31, 2012				
	Appraiser	Japan Real Estate Institute				
Sales date		May 1, 2012 (planned)				
Details of tenants (as of January 31, 2012)						
Total number of end tenants		34				
Gross rent income (annual rent)		248,503,200 yen (Note 2)				
Deposits/Guarantees		98,643,000 yen (Note 3)				
Total leasable floor area		5,246.04m ² (Note 4)				
Total leased floor area		4,630.49m ² (Note 5)				
Occupancy rate (with past data)		End of Jan. 2010	End of July 2010	End of Jan. 2011	End of July 2011	End of Jan. 2012
		78.3%	92.9%	95.2%	91.5%	88.3%
Other special consideration		None				

(Notes)

- The Property's building is under compartmentalized ownership. As of the date of this document, MHR holds a trust beneficiary right in a trust that holds title to the entire compartmentalized ownership. In the Sales, the compartmentalized ownership that is the trust asset under the trust beneficiary right is to be sold entirely by instructing the trust fiduciary to sell such to the buyer.
- The gross rent income (annual income) represents the figure obtained by multiplying the combined amount of the monthly rents described in the lease agreements with the end tenants in relation to the property and the proceeds for monthly common expenses (excluding income from parking lots, utilities and other sources) by 12.
- Deposits/Guarantees is the monetary balance described in the lease agreements with the end tenants.
- Total leasable floor area is the floor area deemed leasable to end tenants.
- Total leased floor area is the floor area being leased to end tenants.

(c) Outlook of Business Results

MHR expects the following business results for its next fiscal period (twelfth fiscal period: February 1, 2012 to July 31, 2012). For the assumptions underlying the forecast of results, please refer to “Assumptions of Forecast of Results for the Twelfth Fiscal Period Ending July 31, 2012 (February 1, 2012 – July 31, 2012)” presented below.

Operating revenue	¥4,814 million
Operating income	¥3,164 million
Ordinary income	¥2,072 million
Net income	¥2,071 million
Dividend per unit	¥8,700
Dividend in excess of earnings per unit	¥0

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

Assumptions of Forecast of Results for the Twelfth Fiscal Period Ending July 31, 2012
(February 1, 2012 – July 31, 2012)

Item	Assumptions
Investment Portfolio	<ul style="list-style-type: none"> • In addition to the properties in its portfolio as of the end of the eleventh fiscal period (January 31, 2012), MHR is scheduled to acquire Atago Green Hills and sell Roppongi First Building and ARK Forest Terrace on May 1, 2012. • MHR assumes that, besides the abovementioned additional acquisition and sale, there will be no change in the investment portfolio (new acquisition of properties, sale of existing properties, etc.) during the period up to the end of the twelfth fiscal period (July 31, 2012). • In actual practice, however, the forecast is subject to change due to changes in the investment portfolio and other factors.
Operating Revenue	<ul style="list-style-type: none"> • Rent revenue is estimated based on lease contracts, etc. of the assets under management above, taking into account the market environment, the trends of individual tenants and other factors. • MHR assumes that there will be no delinquencies or unpaid rent by tenants. • Of the operating revenue, the revenue associated with the properties in its portfolio as of the end of the eleventh fiscal period (January 31, 2012) is expected to be 4,476 million yen (including 198 million yen in gain on sales from the abovementioned sale of assets under management) and the revenue associated with the to-be-acquired Atago Green Hills is expected to be 338 million yen.
Operating Expenses	<ul style="list-style-type: none"> • Incorporating the impact of the abovementioned additional acquisition and sale of assets under management, 1,350 million yen is expected for the expenses related to rent business, which account for the majority of operating expenses. The expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> A) For property taxes, city planning taxes, etc., the amount of taxation during the twelfth fiscal period is expected to total 253 million yen (for 6 months). For the property taxes, city planning taxes, etc. associated with ARK Mori Building and Akasaka Tameike Tower, which were additionally acquired in the tenth fiscal period, and Roppongi Hills Mori Tower and ARK Mori Building, which were additionally acquired in the eleventh fiscal period, 43 million yen (for 3 months) is expected to be recognized as expenses. For the property taxes, city planning taxes, etc. associated with the to-be-acquired Atago Green Hills, MHR shall incorporate these amounts into the cost of acquisition and, thus, shall not recognize them as operating expenses for the twelfth fiscal period. B) For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal period (34 million yen). However, please note that the actual expenses for maintenance and repairs in the respective fiscal period may differ materially from estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next. C) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, is expected to be 673 million yen. D) 157 million yen is expected for property management fees.

	<ul style="list-style-type: none"> • 299 million yen is expected for the operating expenses other than expenses related to rent business (asset management fee, asset custody fee, administrative service fees, etc.).
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 625 million yen in interest expenses, 196 million yen in interest expenses on investment corporation bonds and 254 million yen in borrowing expenses.
Interest-Bearing Debt	<ul style="list-style-type: none"> • The balance of loans payable outstanding as of the end of the eleventh fiscal period (January 31, 2012) was 82,000 million yen. Of that amount, concerning the 26,250 million yen remaining of loans payable due for repayment by the end of the twelfth fiscal period (July 31, 2012), MHR intends for the 1,750 million yen long-term loan payable (due for repayment on March 27, 2012) to be refinanced in the amount reduced by 50 million yen at present and assumes that the remaining amount of 24,500 million yen will be refinanced in the entire amount. MHR also assumes that an agreed repayment of 62 million yen of the 2,250 million yen long-term loan payable (due for repayment on November 30, 2013) will be concluded, resulting in the balance of loans payable outstanding as of the end of the twelfth fiscal period (July 31, 2012) being 81,887 million yen. • The balance of investment corporation bonds as of the end of the eleventh fiscal period (January 31, 2012) was 25,000 million yen. MHR assumes that there will be no change in the balance of investment corporation bonds from this amount until the end of the twelfth fiscal period (July 31, 2012).
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units outstanding as of the end of the eleventh fiscal period (January 31, 2012) was 231,520 units. MHR assumes that there will be no additional issuance of investment units to this number until the end of the twelfth fiscal period (July 31, 2012).
Dividend per Unit (excluding dividend in excess of earnings)	<ul style="list-style-type: none"> • Dividend per unit is calculated based on the assumption that MHR will make distributions in accordance with its cash distribution policy as outlined in its Articles of Incorporation. • MHR assumes that, pursuant to the “Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010” (Article 66-2 of the Special Taxation Measures Law), a portion of the estimated amount of gain on sales from the abovementioned sale of assets under management will be set aside as reserve for reduction entry within the scope that will not conflict with the conduit requirements set forth in Article 67-15 of the Special Taxation Measures Law. Accordingly, dividend per unit is based on the assumption that distributions will be made in the amount remaining after that amount of provision of reserve for reduction entry is deducted from net income. • Dividend per unit may vary due to numerous factors, including changes in the investment portfolio, changes in rent income caused by the moving-in/out of tenants, unplanned repairs, changes in interest rates, or additional issuance of new investment units.
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 Sheet**

(Unit: thousands of yen)

	Tenth Fiscal Period (as of July 31, 2011)	Eleventh Fiscal Period (as of January 31, 2012)
Assets		
Current assets		
Cash and deposits	1,470,106	2,321,952
Cash and deposits in trust	7,580,028	6,969,478
Operating accounts receivable	94,198	73,846
Prepaid expenses	354,462	377,898
Deferred tax assets	19	18
Consumption taxes receivable	–	83,882
Other	1,080	–
Total current assets	9,499,894	9,827,076
Noncurrent assets		
Property, plant and equipment		
Buildings	1,700,018	–
Accumulated depreciation	(74,086)	–
Buildings, net	1,625,932	–
Structures	12,160	–
Accumulated depreciation	(1,942)	–
Structures, net	10,217	–
Machinery and equipment	20,407	–
Accumulated depreciation	(988)	–
Machinery and equipment, net	19,419	–
Land	27,243,942	22,074,160
Buildings in trust	42,173,024	41,826,345
Accumulated depreciation	(5,176,592)	(4,732,322)
Buildings in trust, net	36,996,431	37,094,023
Structures in trust	307,141	278,897
Accumulated depreciation	(158,740)	(144,630)
Structures in trust, net	148,400	134,267
Machinery and equipment in trust	699,866	316,886
Accumulated depreciation	(97,129)	(31,529)
Machinery and equipment in trust, net	602,737	285,357
Tools, furniture and fixtures in trust	65,775	63,873
Accumulated depreciation	(20,253)	(19,116)
Tools, furniture and fixtures in trust, net	45,522	44,757
Land in trust	124,071,738	130,873,828
Construction in progress in trust	722	722
Total property, plant and equipment	190,765,064	190,507,117
Intangible assets		
Leasehold rights in trust	18,409,956	18,409,956
Other intangible assets in trust	2,211	1,547
Other	3,496	2,996
Total intangible assets	18,415,665	18,414,500
Investments and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	182,609	299,346
Total investments and other assets	192,609	309,346
Total noncurrent assets	209,373,339	209,230,964
Deferred assets		
Investment corporation bond issuance costs	77,569	61,281
Total deferred assets	77,569	61,281
Total assets	218,950,803	219,119,322

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

	Tenth Fiscal Period (as of July 31, 2011)	Eleventh Fiscal Period (as of January 31, 2012)
Liabilities		
Current liabilities		
Operating accounts payable	241,560	118,321
Short-term loans payable	17,000,000	17,000,000
Current portion of investment corporation bond	–	7,000,000
Current portion of long-term loans payable	36,925,000	27,875,000
Accounts payable – other	27,423	26,008
Accrued expenses	236,674	421,523
Income taxes payable	775	789
Accrued consumption taxes	113,539	60,907
Advances received	383,129	580,112
Deposits received	279,496	689,372
Provision for loss on disaster	8,418	6,813
Total current liabilities	55,216,019	53,778,850
Noncurrent liabilities		
Investment corporation bond	25,000,000	18,000,000
Long-term loans payable	28,187,500	37,125,000
Tenant leasehold and security deposits	302,040	–
Tenant leasehold and security deposits in trust	6,300,513	6,208,244
Total noncurrent liabilities	59,790,053	61,333,244
Total liabilities	115,006,073	115,112,094
Net assets		
Unitholders' equity		
Unitholders' capital	102,010,939	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)	1,933,790	1,996,288
Total surplus	1,933,790	1,996,288
Total unitholders' equity	103,944,730	104,007,228
Total liabilities and net assets	103,944,730	104,007,228

(2) Statement of Income

(Unit: thousands of yen)

	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Operating revenue		
Rent revenue – real estate	4,586,939	4,417,829
Other lease business revenue	334,661	160,306
Gain on sales of real estate properties	336,190	187,430
Total operating revenue	5,257,791	4,765,566
Operating expenses		
Expenses related to rent business	1,878,299	1,348,255
Asset management fee	220,665	222,580
Directors' compensation	6,300	5,400
Asset custody fee	5,497	5,473
Administrative service fees	15,574	15,374
Other operating expenses	71,631	59,633
Total operating expenses	2,197,968	1,656,716
Operating income	3,059,822	3,108,850
Non-operating income		
Interest income	1,149	988
Exclusion gain of unpaid dividend	2,032	648
Other	283	–
Total non-operating income	3,465	1,636
Non-operating expenses		
Interest expenses	669,327	640,371
Interest expenses on investment corporation bonds	191,967	196,650
Amortization of investment corporation bond issuance costs	16,287	16,287
Borrowing expenses	236,080	258,234
Other	1,765	1,802
Total non-operating expenses	1,115,427	1,113,345
Ordinary income	1,947,860	1,997,140
Extraordinary loss		
Loss on disaster	4,767	–
Provision for loss on disaster	8,418	–
Total extraordinary loss	13,186	–
Income before income taxes	1,934,674	1,997,140
Income taxes – current	1,005	987
Income taxes – deferred	0	0
Total income taxes	1,005	987
Net income	1,933,668	1,996,152
Retained earnings brought forward	121	135
Unappropriated retained earnings (undisposed loss)	1,933,790	1,996,288

(3) Statement of Unitholders' Equity

(Unit: thousands of yen)

	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	102,010,939	102,010,939
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	102,010,939	102,010,939
Surplus		
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	1,840,011	1,933,790
Changes of items during the period		
Dividends from surplus	(1,839,889)	(1,933,655)
Net income	1,933,668	1,996,152
Total changes of items during the period	93,779	62,497
Balance at the end of current period	1,933,790	1,996,288
Total unitholders' equity		
Balance at the beginning of current period	103,850,950	103,944,730
Changes of items during the period		
Dividends from surplus	(1,839,889)	(1,933,655)
Net income	1,933,668	1,996,152
Total changes of items during the period	93,779	62,497
Balance at the end of current period	103,944,730	104,007,228
Valuation and translation adjustments		
Deferred gains or losses on hedges		
Balance at the beginning of current period	(7,107)	—
Changes of items during the period		
Net changes of items other than unitholders' equity	7,107	—
Total changes of items during the period	7,107	—
Balance at the end of current period	—	—
Total valuation and translation adjustments		
Balance at the beginning of current period	(7,107)	—
Changes of items during the period		
Net changes of items other than unitholders' equity	7,107	—
Total changes of items during the period	7,107	—
Balance at the end of current period	—	—
Total net assets		
Balance at the beginning of current period	103,843,842	103,944,730
Changes of items during the period		
Dividends from surplus	(1,839,889)	(1,933,655)
Net income	1,933,668	1,996,152
Net changes of items other than unitholders' equity	7,107	—
Total changes of items during the period	100,887	62,497
Balance at the end of current period	103,944,730	104,007,228

(4) Statement of Cash Distributions

(Unit: yen)

Period	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
I. Unappropriated retained earnings	1,933,790,907	1,996,288,616
II. Amount of dividends	1,933,655,440	1,996,165,440
[Amount of dividend per unit]	[8,352]	[8,622]
III. Retained earnings carried forward	135,867	123,176

(5) Statement of Cash Flows

(Unit: thousands of yen)

Account	Tenth Fiscal Period (February 1, 2011 to July 31, 2011)	Eleventh Fiscal Period (August 1, 2011 to January 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	1,934,674	1,997,140
Depreciation and amortization	670,782	648,058
Amortization of investment corporation bond issuance costs	16,287	16,287
Increase (decrease) in provision for loss on disaster	8,418	(1,605)
Interest income	(1,149)	(988)
Gain on exclusion of distribution payable	(2,032)	(648)
Interest expenses	861,294	837,021
Decrease (increase) in operating accounts receivable	(1,542)	20,352
Decrease (increase) in consumption taxes refund receivable	-	(83,882)
Increase (decrease) in operating accounts payable	30,716	(116,533)
Increase (decrease) in accounts payable – other	1,876	(2,704)
Increase (decrease) in accrued expenses	3,041	229,729
Increase (decrease) in accrued consumption taxes	(233,691)	(52,632)
Increase (decrease) in advances received	(153,959)	196,982
Increase (decrease) in deposits received	234,071	(202,199)
Decrease (increase) in prepaid expenses	40,543	(23,436)
Decrease (increase) in long-term prepaid expenses	118,291	(116,736)
Decrease in carrying amounts of property, plant and equipment in trust due to sale	15,877,281	35,678,698
Decrease in carrying amounts of intangible assets in trust due to sale	210	90
Other, net	185	1,183
Subtotal	19,405,299	39,024,177
Interest income received	1,149	988
Interest expenses paid	(872,683)	(881,902)
Income taxes paid	(883)	(973)
Net cash provided by (used in) operating activities	18,532,882	38,142,289
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(323)	-
Purchase of intangible assets	(287)	-
Purchase of property, plant and equipment in trust	(16,832,549)	(36,074,543)
Repayments of tenant leasehold and security deposits in trust	(1,390,190)	2,294,056
Proceeds from tenant leasehold and security deposits in trust	1,359,062	(2,076,289)
Net cash provided by (used in) investing activities	(16,864,289)	(35,856,777)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	11,500,000	18,000,000
Decrease in short-term loans payable	(3,010,000)	(18,000,000)
Proceeds from long-term loans payable	-	22,000,000
Repayment of long-term loans payable	(15,112,500)	(22,112,500)
Proceeds from issuance of investment corporation bonds	4,972,870	-
Dividends paid	(1,839,044)	(1,931,716)
Net cash provided by (used in) financing activities	(3,488,674)	(2,044,216)
Net increase (decrease) in cash and cash equivalents	(1,820,080)	241,296
Cash and cash equivalents at beginning of period	10,870,215	9,050,134
Cash and cash equivalents at end of period	9,050,134	9,291,430

6. OVERVIEW OF LEASE CONDITIONS (as of January 31, 2012)

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-0	Roppongi Hills Mori Tower	Fixed master lease	8,993.45	8,993.45	100.0	1	1,207	1,006
O-1	ARK Mori Building	Fixed master lease	21,376.02	21,376.02	100.0	1	2,327	1,996
O-3	Roppongi First Building	–	11,520.05	9,607.40	83.4	14	805	692
O-4	Koraku Mori Building	Pass-through master lease	16,197.45	14,464.55	89.3	14	1,147	1,145
O-6	Akasaka Tameike Tower	Fixed master lease	19,698.54	19,698.54	100.0	1	1,333	946
R-1	Moto-Azabu Hills	Pass-through master lease	1,325.30	1,325.30	100.0	7	131	52
R-2	ARK Forest Terrace	Pass-through master lease	5,246.04	4,630.49	88.3	34	248	98
R-3	Roppongi First Plaza	Pass-through master lease	2,956.77	2,880.84	97.4	41	147	48
R-4	Roppongi View Tower	Fixed master lease	6,344.84	6,344.84	100.0	1	218	–
S-1	Laforet Harajuku (Land)	Business-use fixed-term land lease	2,565.06	2,565.06	100.0	1	1,293	–
Total portfolio			96,223.52	91,886.49	95.5	115	8,863	5,988

7. STATUS OF INCOME AND EXPENDITURES (August 1, 2011 – January 31, 2012)

(Unit: thousands of yen)

Property no.	O-0 Premium		O-1 Premium		O-2 Premium		O-3 Premium	
	Property name		Property name		Property name		Property name	
Fiscal period (Note 1)	Tenth	Eleventh	Tenth	Eleventh	Tenth	Eleventh	Tenth	Eleventh
Property name	Roppongi Hills Mori Tower (Note 2)		ARK Mori Building (Note 3)		Roppongi Hills Gate Tower (Note 4)		Roppongi First Building	
Days of operations	181	184	181	184	181	–	181	184
Rent revenue – real estate	151,020	603,955	684,686	1,163,923	920,143	–	415,767	391,601
Other lease business revenue	–	–	2,641	–	105,305	–	48,208	47,401
Total property operating revenue	151,020	603,955	687,327	1,163,923	1,025,449	–	463,976	439,003
Property management fees	1,200	1,200	1,956	4,800	158,161	–	71,640	67,825
Utilities	–	–	1,160	–	43,706	–	23,271	27,890
Property taxes	5,130	10,253	28,521	31,534	73,278	–	45,127	45,691
Maintenance and repairs	–	–	–	–	16,318	–	–	538
Insurance premium	235	1,142	1,110	2,045	2,218	–	1,857	1,942
Depreciation and amortization	27,206	98,808	81,544	123,509	118,811	–	60,471	60,646
Other lease business expenses	–	166	2,609	3,387	34,764	–	1,180	2,923
Total property operating expenses	33,773	111,570	116,901	165,276	447,259	–	203,549	207,457
NOI	144,453	591,192	651,970	1,122,156	697,001	–	320,898	292,192

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(Unit: thousands of yen)

Property no.	O-4 Premium		O-6 Premium	
	Koraku Mori Building		Akasaka Tameike Tower (Note 5)	
Fiscal period (Note 1)	Tenth	Eleventh	Tenth	Eleventh
Days of operations	181	184	181	184
Rent revenue – real estate	629,774	578,308	651,026	666,446
Other lease business revenue	83,862	93,721	73,299	6,524
Total property operating revenue	713,636	672,029	724,326	672,971
Property management fees	83,913	61,808	144,047	5,899
Utilities	67,023	75,493	24,216	5,308
Property taxes	34,398	34,353	31,390	31,124
Maintenance and repairs	1,323	7,403	2,206	46
Insurance premium	2,080	2,165	2,251	2,576
Depreciation and amortization	127,620	128,746	166,058	172,193
Other lease business expenses	76,552	76,186	2,790	924
Total property operating expenses	392,912	386,158	372,961	218,072
NOI	448,345	414,617	517,423	627,092

(Unit: thousands of yen)

Property no.	R-1 Premium		R-2 Premium		R-3 Premium		R-4		S-1 Premium	
	Moto-Azabu Hills (Note 6)		ARK Forest Terrace		Roppongi First Plaza		Roppongi View Tower		Laforet Harajuku (Land)	
Fiscal period (Note 1)	Tenth	Eleventh	Tenth	Eleventh	Tenth	Eleventh	Tenth	Eleventh	Tenth	Eleventh
Days of operations	181	184	181	184	181	184	181	184	181	184
Rent revenue – real estate	171,316	55,989	139,671	130,121	67,305	71,256	109,426	109,426	646,800	646,800
Other lease business revenue	12,124	2,237	8,629	10,420	590	–	–	–	–	–
Total property operating revenue	183,440	58,227	148,301	140,542	67,895	71,256	109,426	109,426	646,800	646,800
Property management fees	36,703	12,739	38,948	36,605	12,561	12,217	3,738	3,738	–	–
Utilities	1,374	97	9,544	9,255	144	105	–	–	–	–
Property taxes	16,664	4,544	9,465	9,502	7,079	7,228	10,967	11,192	24,982	49,962
Maintenance and repairs	10,198	7,824	12,760	10,824	1,631	3,052	–	–	–	–
Insurance premium	548	157	671	697	307	321	457	474	–	–
Depreciation and amortization	31,830	6,325	33,673	34,177	10,016	10,096	13,055	13,055	–	–
Other lease business expenses	10,740	3,760	8,128	7,506	3,843	3,799	905	455	–	–
Total property operating expenses	108,060	35,449	113,192	108,570	35,583	36,821	29,124	28,916	24,982	49,962
NOI	107,210	29,103	68,782	66,150	42,328	44,531	93,357	93,565	621,817	596,838

(Notes)

- The tenth fiscal period was from February 1, 2011 to July 31, 2011.
The eleventh fiscal period was from August 1, 2011 to January 31, 2012.
- Additionally acquired on August 1, 2011.
- Additionally acquired on March 18, 2011 and August 1, 2011.
- Sold on August 1, 2011.
- Additionally acquired on March 18, 2011.
- Sold a portion on March 18, 2011.

Disclaimer:

This report contains translations of selected information described in the Financial Release (*Kessan-Tanshin*) dated March 15, 2012, and portions of the Financial Statements and the Performance Information Report for the eleventh fiscal period from August 1, 2011 to January 31, 2012, 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 express information only as of the date of release, March 15, 2012, and MHR does not undertake to update those forward-looking statements to reflect events or circumstances occurring after the date of this release.