HILLS REIT

MORI HILLS REIT INVESTMENT CORPORATION (CODE:3234)

Results of 8th Fiscal Period (Ended July 31, 2010)

Contents

New policy initiatives
New management structures and basic strategies

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President's message and basic strategies

I assumed the role of President & CEO of MIM on June 24, 2010. In this role I have established new management structures, and will carry out asset management for MHR, based on the following management strategies.

1) Investment in the city

This basic strategy has been pursued since the REIT inception, and entails investing in high quality real estate in the city center that has a high potential for maintaining or increasing value over the long term.

2) Dividend-driven Management

Manage assets with an emphasis on dividends while focusing investment on high-quality real estate in the city center

3) Investment that accurately grasps real estate market cycles

Carry out investment by carefully ascertaining up and down movements in the cycle of real estate prices.

Maximization of unitholder profits

In view of the basic strategies above, we will strive to aim for maximization of unitholder profits, and carry out asset management which meets the expectations of unitholders.

I look forward to receiving your kind support.

Hideyuki Isobe
President & CEO
Mori Building Investment Management Co., Ltd.

New policy initiatives
Change and forecast in dividend

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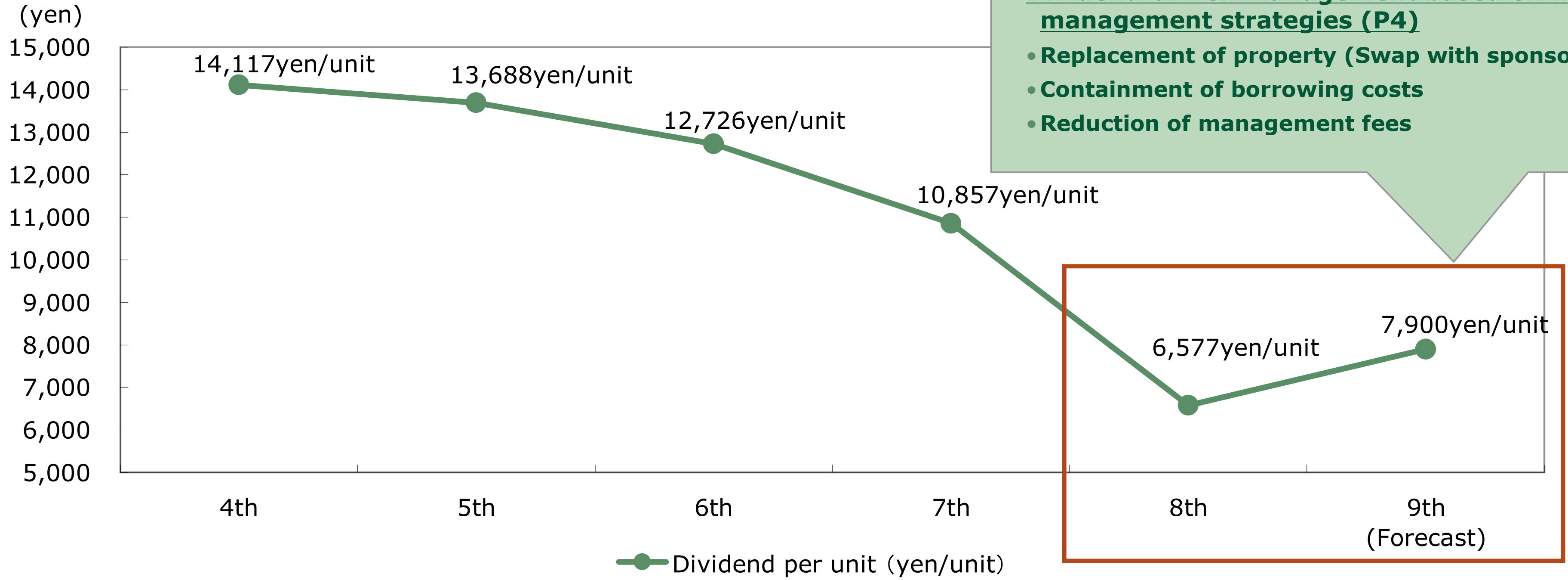
Change in dividend per unit

Dividend-driven management based on new management strategies (P4)
- **Replacement of property (Swap with sponsors)**
- **Containment of borrowing costs**
- **Reduction of management fees**



Operating results and projections

(Amount: mn yen)

	Actual	Forecast	
	8th period (Feb. 1, 2010 - Jul. 31, 2010)	9th period (Aug. 1, 2010 - Jan. 31, 2011)	9th - 8th period
Days of operation	181 days	184 days	
Operating Revenue	5,388	5,490	102
Gain on sales of assets	-	294	294
Operating income	2,679	2,952	272
Ordinary income	1,523	1,830	306
Net income	1,522	1,829	306
Dividend per unit (yen/unit)	6,577	7,900	1,323
No. of outstanding units	231,520	231,520	
Total assets (asset price based) (Note2)	211,864	211,900	

(Note1) Figures in the chart are rounded. Amounts are rounded down to the nearest mn yen and percentage rounded up to one digit below decimal point unless otherwise stated.

(Note2) Acquisition price is rounded down to the nearest mn yen.

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Dividend-driven management

Policy 1: Property replacement

- Principally carry out mutually beneficial property exchanges with sponsor

  ⇒Improve portfolio NOI yield

  ⇒NOI Yield target 4.5% or higher

Policy 2: Containment of borrowing costs

- Reduce borrowing costs by refinancing with investment corporation bonds
- Reduce the appraisal-based LTV by selling property at a price above appraisal value and acquiring at a price below appraisal value. Lower LTV will contain borrowing costs

Policy 3: Reduction of other costs

- Change the management fee structure that is linked to performance, leading to a reduction of management fees under the current structure (▲¥74 million/yr : based on acquisition price at the end of 8th period)
- Undertake additional reductions of building management costs, etc.

Policy 4: Effective use of the sponsor

- Exchange low-yield properties for high-yield properties with our sponsor. Our sponsor is a closely held company with a long-term, redevelopment vision, and thus has appetite for lower-yielding property, and a willingness to enter into transactions favorable to MHR in the short-term.
- Negotiate master leases ensuring stable profitability from selected properties.

New policy initiatives
Overview of property replacement

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Current status

NOI yield 3.7% (8th period)

NOI yield of each asset
4.5% or higher
approx. 21%
(approx. 43.9bn yen)

from 4.0% to 4.5%
approx. 25%
(approx. 53.3bn yen)

under 4.0%
approx. 54%
(approx. 114.6bn yen)

Potential properties to be replaced

Dividend
(8th period)
¥6,577/unit

Target

NOI yield Target 4.5% or higher

Assets under management

Equal to current amount (211.8bn yen)

Dividend (Target)
¥10,000/unit or higher

Improve NOI yield by property exchange with sponsor

Sell low-yield premium properties

(1) Acquire higher-yielding premium properties

- Acquire premium office, residential and retail properties (including underlying land) that are higher-yielding than before

(2) Only acquire non-premium properties that are high-yield and located in premium area

- Low liquidity concerns
- Potential to become premium (or similar standard) property through reconstruction
- Prospect of increased asset value from nearby development

1-5 New policy initiatives
Overview of property exchange with sponsor

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Sale

Toranomon 35 Mori Building (OMRON Tokyo head office building)

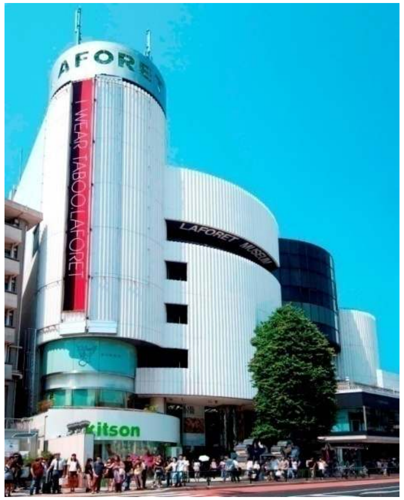
Transfer price	12.68bn yen
Appraisal value	11.0bn yen
NOI yield (Note 1)	5.3%
NOI after depreciation (Note 2)	4.7%

Moto-Azabu Hills (42 units) (Note 3)

Transfer price	9.11bn yen
Appraisal value	7.45bn yen
NOI yield (Note 1)	1.7%
NOI after depreciation (Note 2)	0.8%

Acquisition

Laforet Harajuku (land)



Acquisition price	21.82bn yen
Appraisal value	24.2bn yen
Estimated NOI yield (Note 4)	5.5%
NOI after depreciation (Note 2)	5.5%

Effect

- NOI increase after depreciation
  + ¥200 mn (9th period)
  + ¥250 mn (adjust to full-period basis) (Note1)
- Effect on dividends
  + ¥ 844/unit (9th period)
  + ¥1,092/unit (adjust to full-period basis) (Note1)
- Contribution to improvement of unrealized gains/losses
  +¥5,370 mn
  Toranomon 35 Mori Building, Moto-Azabu Hills
  Unrealized losses (Note2) ▲¥2,990 mn
  Laforet Harajuku (land)
  Unrealized gains (Note3) +¥2,380 mn
- Gains on sale (after deducting disposal expenses)
  +¥290 mn

(Note1) Calculated by deducting special factors for the acquisition year of the acquired property.
(Note2) Calculation of the difference between appraised value and Book value of properties sold.
(Note3) Calculation of the difference between appraised value and acquisition price.

- **Sold single-tenanted property facing exit of tenant (Toranomon 35 Mori Building) and a low-yielding property (Moto-Azabu Hills) for a price higher than the appraisal value, while acquiring a high-yielding property (Laforet Harajuku, land) for a price lower than the appraisal value**
- **Improvement of NOI yield + containment of borrowing cost**
- **In future periods we plan to successively carry out similar transactions**

(Note1) Calculated as [NOI=Rent revenue from real estate + Other lease business revenue − Expenses related to rent business + Depreciation], and NOI yield is calculated on an annualized basis based on forecast revenue for the 9th period.
(Note2) Calculated as [NOI after depreciation=Rent revenue from real estate + Other lease business revenue − Expenses related to rent business], and NOI yield after depreciation is calculated on an annualized basis based on forecast profits for the 9th period.
(Note3) The number of lots for each purpose in the Moto-Azabu Hills property as at July 31, 2010 was: residential: 39; retail: 1; clinic: 1; car park: 1 (space for 39 cars) (approx. 33.3% of the total area), and in accordance with MHR's instructions we transferred the trust beneficiary interests for the comparted ownership thereof to the trust fiduciary. The sold lots were mainly unoccupied units.
(Note4) This is the estimated NOI yield after deducting special factors for the acquisition year.

New policy initiatives
Investment in higher yielding premium properties

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Harajuku and Omotesando area: a fashion and cultural hotspot

The Harajuku/Omotesando area, which was "the town of Meiji Shrine" up until 30 years ago, has established a powerful global image as an area for fashion, starting with a concentration of retail following the opening of Laforet Harajuku in 1978. Harajuku continues to convey the pulse of a new generation, while carrying on the memory of a town with history.

(Note) We do not have plans to acquire these properties as of the date this document was created

Laforet Harajuku

Since Laforet's opening, it has aimed to be not merely a shopping center, but a highly original fashion incubator, and together with tenants and young talent has created "Harajuku – fashion city".

Laforet Harajuku has continued to change with a daring spirit of challenge, and continues to evolve as a trend-setting base for fashion, even now more than 30 years since it opened.

Location	1-11-6 Jingumae, Shibuya-ku, Tokyo 5 minutes walk from Harajuku Station (JR Yamanote Line) 1 minute walk from Meijijingumae Station (Tokyo Metro Chiyoda Line, Fukutoshin Line)
Opening date	October 1978
Number of stories	Six floors above ground/ two floors below ground
Land area	2,565.06㎡
Gross floor area	14,757.13㎡

- High capacity to draw customers and advantageous store position in an area with a high concentration of retail stores
- Excellent transport access for a retail facility

Mori Building properties in the vicinity

Omotesando Hills

A cultural and retail of facility which opened in 2006 as the new core of Omotesando, a street which has continued to be a fashion and cultural trend-setter.

Due to the plans for reconstruction of the Dojunkai Aoyama Apartments, a great deal of creativity was used, ensuring the key consideration was harmonization with the landscape and environment historic Omotesando.

New policy initiatives

Reduction of finance costs and reinforcement of financial strength

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Issuance of investment corporation bonds May 2010

Before the issuance

	Long-term loan
Loan amount	¥10,000mn
Rate of interest (Note)	1.61%
Maturity	1.5yr
Borrowing date	Nov 28, 2008
Maturity date	May 31, 2010

(Note) Average rate of interest while borrowing

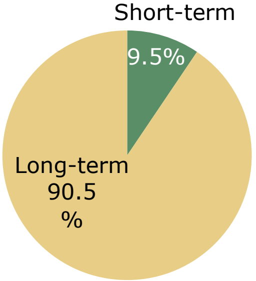
After the issuance

	Investment corporation bonds	
	3rd	4th
Issue amount	¥5,000mn	¥5,000mn
Rate of interest	1.38%	1.95%
Maturity	3yr	5yr
Issue date	May 27, 2010	May 27, 2010
Maturity date	May 27, 2013	May 27, 2015

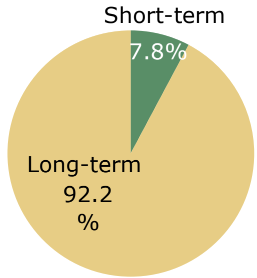
- **Issuance of investment corporation bonds with favorable conditions compared to long-term loan**
- **Simultaneously achieve lengthening of debt terms/diversification of repayment terms and reduction of finance costs**

Long and short-term debt ratio

End of 7th period

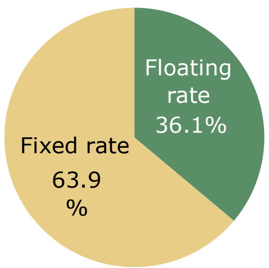


End of 8th period

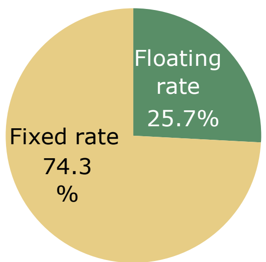


Fixed rate ratio

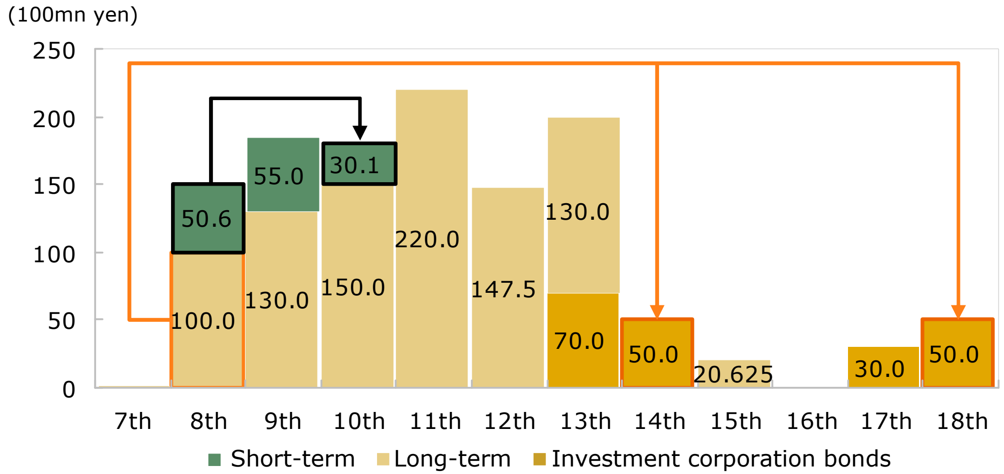
End of 7th period



End of 8th period



Overview of maturity



2-1 8th period financial highlights
Financial summary

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(Amount: mn yen)

	Actual		Difference	
	7th period	8th period	8th - 7th period	
Days of operation	184 days	181 days		
Operating revenue	5,520	5,388	▲ 132	▲2.4%
Rent revenue-real estate	4,983	4,922	▲ 60	▲1.2%
Rents incl. CAM fees	4,927	4,868	▲ 59	▲1.2%
Office	3,585	3,546	▲ 39	▲1.1%
Residential	1,164	1,144	▲ 19	▲1.7%
Commercial	177	177	▲ 0	▲0.1%
Other rent revenue	56	54	▲ 1	▲2.9%
Other lease business revenue	537	465	▲ 71	▲13.4%
Operating expenses	2,699	2,708	8	0.3%
Expenses related to rent business	2,277	2,299	22	1.0%
Profit on real estate rental	3,243	3,088	▲ 155	▲4.8%
Depreciation expense	716	747	30	4.2%
NOI (Note)	3,960	3,835	▲ 124	▲3.1%
NOI (annualized)/real estate acquisition price	3.9%	3.7%	▲ 0.2PT	▲5.0%
SG&A	421	408	▲ 13	▲3.2%
Operating income	2,821	2,679	▲ 141	▲5.0%
Non-operating income	5	5	▲ 0	▲11.2%
Non-operating expenses	1,097	1,161	63	5.8%
Interest expenses	890	868	▲ 21	▲2.5%
Other non-operating expenses	206	292	85	41.4%
Non-operating income/expenses	▲ 1,091	▲ 1,156	▲ 64	▲5.9%
Ordinary income	1,729	1,523	▲ 205	▲11.9%
Income before income taxes	1,729	1,523	▲ 205	▲11.9%
Corporate income, inhabitant and business taxes	1	1	▲ 0	▲1.4%
Net income	1,728	1,522	▲ 205	▲11.9%
Dividend per unit (yen)	10,857	6,577	▲ 4,280	▲39.4%
Real estate acquisition price	201,654	211,864	10,210	5.1%

(Note) Calculated as [NOI=Rent revenue − real estate + Other lease business revenue − Expenses related to rent business + Depreciation]. This same shall apply hereinafter.

Acquisition of Roppongi Hills Mori Tower and ARK Mori Building (FixedII)	+162
Ark Mori Building (pass-through)	▲41
Akasaka Tameike Tower	▲44
Roppongi First Building	▲47
Kouraku Mori Building	▲67

Roppongi Hills Gate Tower	+19
Ark Forest Terrace	▲14
Moto-Azabu Hills	▲18

Cancellation penalty	+11
Electricity	▲23
Revenue from after-hours heating/cooling usage, etc.	▲47

Depreciation expenses	+30
Utilities	▲21
Lease fees	+12

Agent service fee	▲6

Interest expenses	▲51
Interest expenses on investment corporation bonds	+29

Borrowing expenses	+11
Investment unit issuance expenses	+70

2-2 8th period financial highlights
Comparison between projections and results

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(Amount: mn yen)

	8th period			
Days of operation	Plan 181 days	Actual 181 days	Comparison between projections and results	
Operating revenue	5,425	5,388	▲37	▲0.7%
Rent revenue-real estate	4,912	4,922	10	0.2%
Rents incl. CAM fees	4,858	4,868	9	0.2%
Office	3,552	3,546	▲6	▲0.2%
Residential	1,128	1,144	16	1.4%
Commercial	177	177	▲0	▲0.0%
Other rent revenue	54	54	0	1.0%
Other lease business revenue	512	465	▲47	▲9.3%
Operating expenses	2,779	2,708	▲71	▲2.6%
Expenses related to rent business	2,362	2,299	▲62	▲2.6%
Profit on real estate rental business	3,063	3,088	24	0.8%
Depreciation expense	750	747	▲3	▲0.5%
NOI	3,814	3,835	20	0.6%
NOI (annualized) /real estate acquisition price	3.6%	3.7%	0.1PT	1.9%
SG&A	417	408	▲9	▲2.2%
Operating income	2,646	2,679	33	1.3%
Non-operating income	2	5	3	156.3%
Non-operating expenses	1,121	1,161	39	3.6%
Interest expenses	865	868	3	0.4%
Other non-operating expenses	255	292	36	14.4%
Non-operating income/expenses	▲1,119	▲1,156	▲36	▲3.3%
Ordinary income	1,526	1,523	▲2	▲0.2%
Income before income taxes	1,526	1,523	▲2	▲0.2%
Corporate income, inhabitant and business taxes	1	1	▲0	▲7.9%
Net income	1,525	1,522	▲2	▲0.2%
Dividend per unit (yen)	6,550	6,577	27	0.4%
Real estate acqusition price	211,864	211,864	0	0.0%

Akasaka Tameike Tower ▲6

Moto-Azabu Hills +16

Cancellation penalty +14
Revenue from after-hours heating/cooling usage, etc ▲24
Electricity ▲28

Repair charges ▲38
Utilities ▲15

Lawyer’s fee ▲1
IR expenses ▲4

Exclusion gain of unpaid dividend +2

Interest expenses ▲26
Interest expenses on investment corporation bonds +29

Borrowing expenses ▲19
Investment unit issuance expenses +52

2-3 8th period financial highlights
Projection

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(Amount: mn yen)

	Actual	Forecast	Difference	
	8th period	9th period	9th - 8th period	
Days of operation	181 days	184 days		
Operating revenue	5,388	5,490	102	1.9%
Rent revenue-real estate	4,922	4,747	▲175	▲3.6%
Rents incl. CAM fees	4,868	4,696	▲172	▲3.5%
Office	3,546	3,079	▲466	▲13.1%
Residential	1,144	957	▲187	▲16.4%
Commercial	177	171	▲6	▲3.4%
Land	—	487	487	-
Other rent revenue	54	51	▲3	▲5.7%
Other lease business revenue	465	448	▲16	▲3.6%
Gain on sales of assets	—	294	294	-
Operating expenses	2,708	2,538	▲169	▲6.3%
Expenses related to rent business	2,299	2,134	▲165	▲7.2%
Profit on real estate rental business	3,088	3,062	▲26	▲0.8%
Depreciation expense	747	701	▲45	▲6.1%
NOI	3,835	3,763	▲71	▲1.9%
NOI (annualized) /real estate acquisition price	3.7%	3.5%	▲0.2PT	▲4.7%
SG&A	408	404	▲4	▲1.0%
Operating income	2,679	2,952	272	10.2%
Non-operating income	5	4	▲0	▲8.4%
Non-operating expenses	1,161	1,126	▲34	▲3.0%
Interest expenses	868	882	13	1.5%
Other non-operating expenses	292	244	▲48	▲16.5%
Non-operating income/expenses	▲ 1,156	▲ 1,121	34	3.0%
Ordinary income	1,523	1,830	306	20.1%
Income before income taxes	1,523	1,830	306	20.1%
Corporate income, inhabitant and business taxes	1	1	0	8.6%
Net income	1,522	1,829	306	20.1%
Dividend per unit (yen)	6,577	7,900	1,323	20.1%
Real estate acquisition price	211,864	211,900	36	0.0%

Roppongi Hills Mori Tower and ARK Mori Building (FixedII) Full period operation +64
Ark Mori Building (pass-through) ▲25
Roppongi First Building ▲53
Akasaka Tameike Tower ▲119
Disposal of Toranomon 35 Mori Building ▲318

Disposal of Moto-Azabu Hills ▲174
Roppongi Hills Gate Tower ▲14

Acquisition of Laforet Harajuku (land) +487

Disposal of Toranomom 35 Mori Building +112
Disposal of Moto-Azabu Hills +181

Building management fee ▲78
Depreciation expenses ▲45
Real estate taxes and public charges ▲34
Lease fees ▲17
PM fee ▲17
Utilities +20
Repair charges +23

Management fees ▲15

Interest expenses ▲40
Interest expenses on investment corporation bonds +53

Borrowing expenses +19
Investment unit issuance expenses ▲70

(Note1) Property taxes for properties acquired during the 8th and 9th fiscal periods have not been charged in this fiscal period, and are included in acquisition costs.
(Note2) Income and expenditure for Roppongi Hills Mori Tower and Ark Hills Building (fixed type II), which were acquired in the 8th period, were calculated from March 23, 2010 (131 days).
(Note3) Income and expenditure for Laforet Harajuku (land), which was acquired in the 9th period, were calculated from September 15, 2010 (139 days).
(Note4) Income and expenditure for Toranomon 35 Mori Building and Moto-Azabu Hills (33.3%), which were transferred in the 9th period, were calculated up until September 14, 2010 (45 days).

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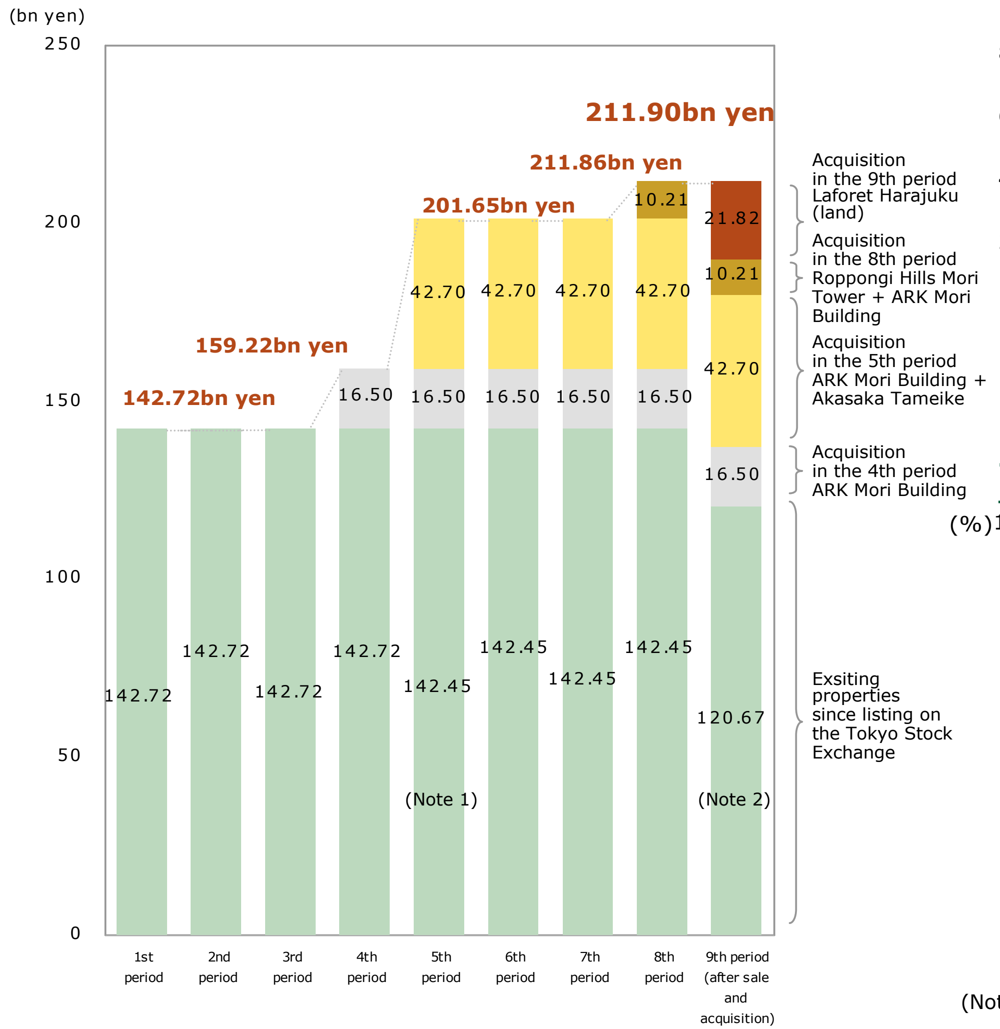
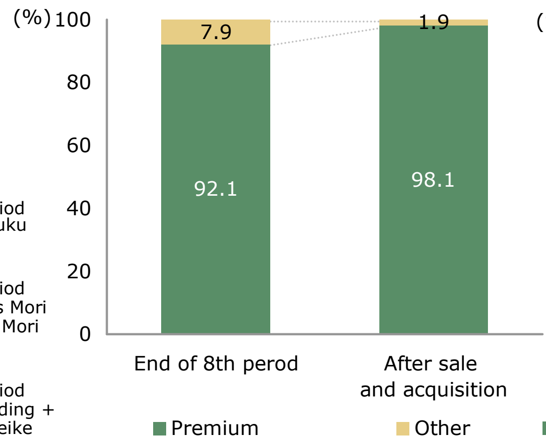
Change in assets under management

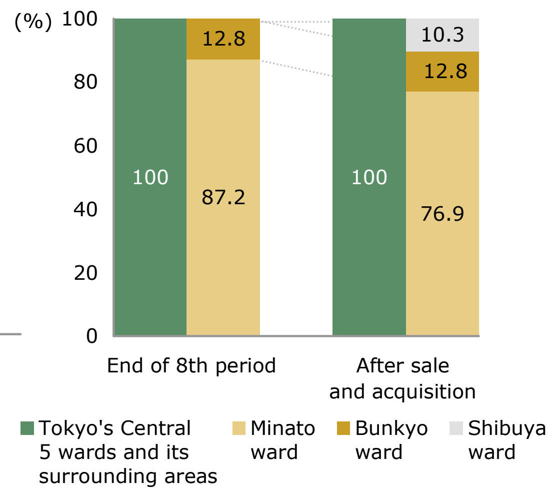


(Note 1) MHR sold one residential unit in the 5th period.
(Note 2) MHR sold Toranomon 35 Mori Building and Moto-Azabu Hills (partial) in the 9th period.

Quality(Note2)



Area



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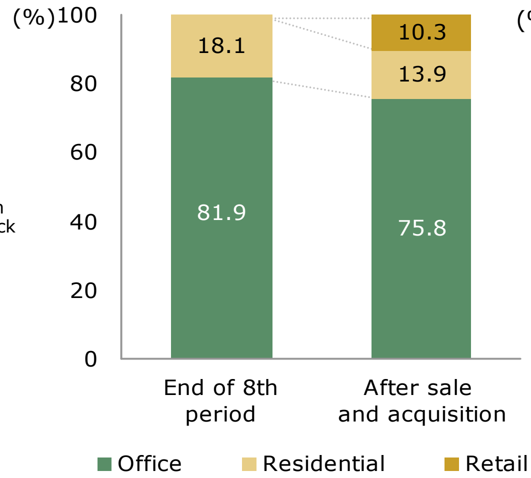
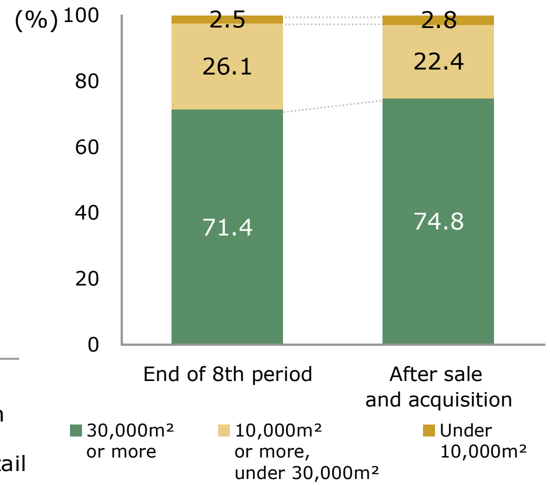
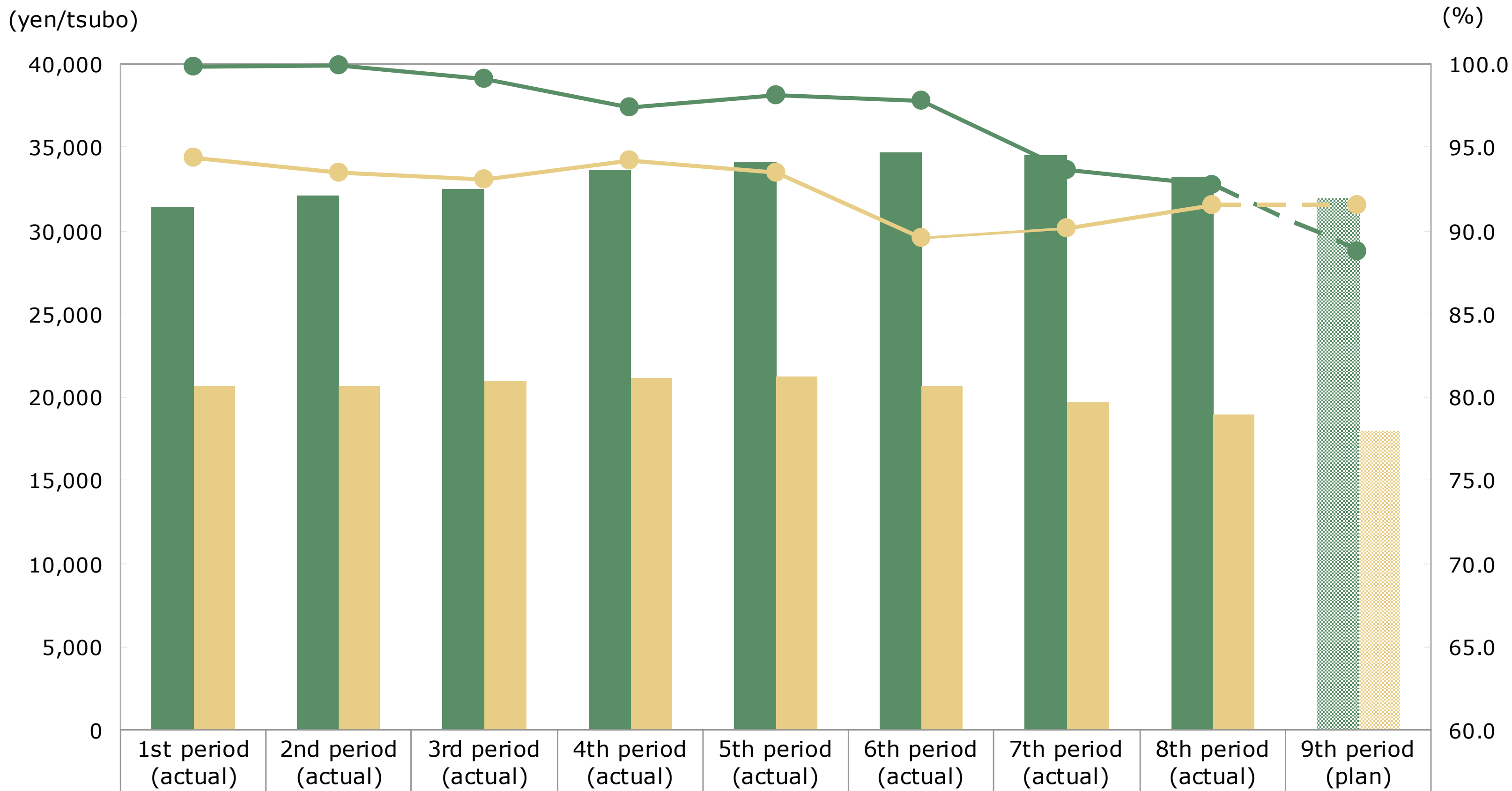


Size(Note3)



(Note 1) The ratios represent proportions of acquisition price to total acquisition price. Figures are rounded up to one digit below decimal point.
(Note 2) Premium properties are defined as properties located in prime areas (Tokyo's Central 5 wards and its surrounding areas) that enable Mori Building Group to demonstrate its brand/marketing strength and facilities management capabilities based on the outstanding quality, size, and specification which are expected to maintain their competitive strength over a long time. In case building on land with leasehold satisfies criteria for prime core property, land shall also be positioned as prime core property.
(Note 3) Chart by size does not include Laforet Harajuku (land).

3-2 Operation highlights
Changes in the rent and occupancy rates



	1st period (actual)	2nd period (actual)	3rd period (actual)	4th period (actual)	5th period (actual)	6th period (actual)	7th period (actual)	8th period (actual)	9th period (plan)
Office unit rent	31,450	32,068	32,462	33,648	34,118	34,725	34,554	33,187	31,928
Residential unit rent	20,625	20,674	20,964	21,157	21,234	20,664	19,658	18,959	17,941
Office occupancy rates	99.9	100.0	99.1	97.4	98.1	97.8	93.7	92.7	88.7
Residential occupancy rates	94.4	93.4	93.1	94.2	93.5	89.6	90.1	91.5	91.5

(Note 1) The definitions of the Office and Residential categories used in these materials differ from the definitions on Mori Hills REIT Investment Corporation's website (http://www.mori-hills-reit.co.jp/en/portfolio/index4.html). In these materials, Office and Residential figures are compiled using individual figures for all office and residential properties in which Mori Hills REIT Investment Corporation has invested. Figures on Mori Hills REIT Investment Corporation's website are defined as per Portfolio Overview (page 43).

(Note 2) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant periods.

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Result of rent revision

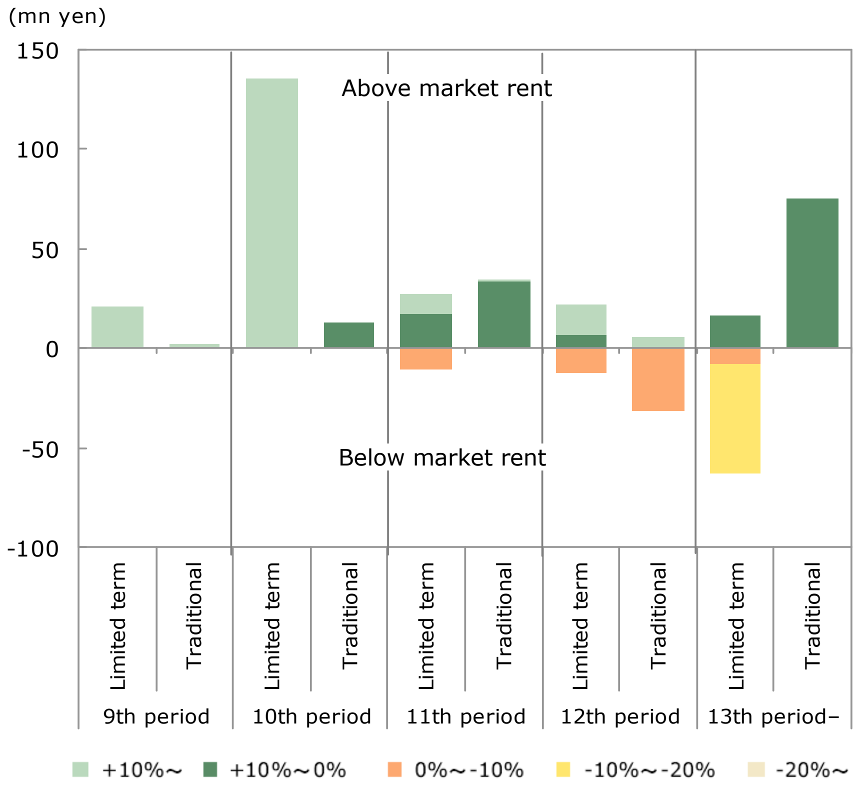
(Amount: mn yen)

	No. of tenants	Monthly rent prior to rent change	Monthly rent after rent change	Increase/ decrease in monthly rent	Rate of revision (%)
5th period	12 tenants	78.0	87.1	9.0	11.6
6th period	14 tenants	162.4	170.1	7.7	4.7
7th period	9 tenants	103.0	90.5	▲ 12.5	▲ 12.1
8th period	12 tenants	134.6	114.5	▲ 20.1	▲ 15.0
9th period	5 tenants	22.9			
10th period	4 tenants	147.8			

Difference in current office rent and market rent

(Amount: mn yen)

		Above market rent		**Below** market rent			
		～+10%	+10%～0%	0%～▲10%	▲10%～▲20%	▲20%～	Total
9th period	Limited term	21.1	-	-	-	-	21.1
	Traditional	1.8	-	-	-	-	1.8
10th period	Limited term	135.4	-	-	-	-	135.4
	Traditional	-	12.4	-	-	-	12.4
11th period	Limited term	9.8	17.1	10.3	-	-	37.3
	Traditional	1.6	33.2	-	-	-	34.8
12th period	Limited term	15.9	6.1	12.8	-	-	34.8
	Traditional	5.2	-	31.5	-	-	36.7
13th period-	Limited term	-	16.8	7.9	54.8	3.2	82.8
	Traditional	-	75.4	-	-	-	75.4
Total		190.8	161.1	62.6	54.8	3.2	472.5
Average of the difference		12.8%	1.6%	▲4.9%	▲13.9%	▲29.1%	
Ratio		40.4%	34.1%	13.3%	11.6%	0.7%	
		74.5%		**25.5%**			



(Note 1) Figures in the charts are based on data that show rent by Month/Period which reflects the situation of tenants on August 27, 2010 including move in/out and rent revision that are classified by % divergence from market rent levels.

(Note 2) Market rents are determined by the asset manager based on the capitalized value used for appraisal of properties at the end of the 8th period as appears in the research report.

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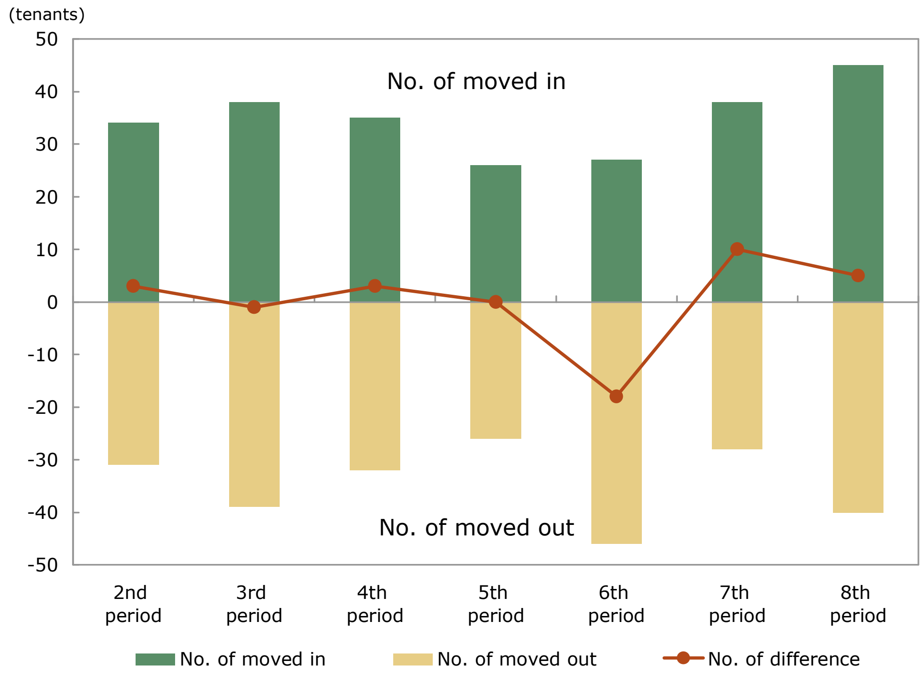
Rent revision - residential

	Moved in	Moved out	Difference
2nd period	34	31	**3**
	25,776	24,639	**1,137**
3rd period	38	39	**-1**
	24,210	23,639	**571**
4th period	35	32	**3**
	24,885	23,648	**1,237**
5th period	26	26	**0**
	24,607	25,466	**-859**
6th period	28	46	**-18**
	20,183	23,223	**-3,040**
7th period	38	28	**10**
	18,045	23,702	**-5,657**
8th period	45	40	**5**
	18,456	22,450	**-3,994**

(Note 1) Upper line: No. of moved in/moved out. Lower line: Average rent (yen/tsubo per month).

Change in moved in and moved out



Breakdown of rental income and future contract renewals

Breakdown of monthly rent revenue and agreement renewal timing

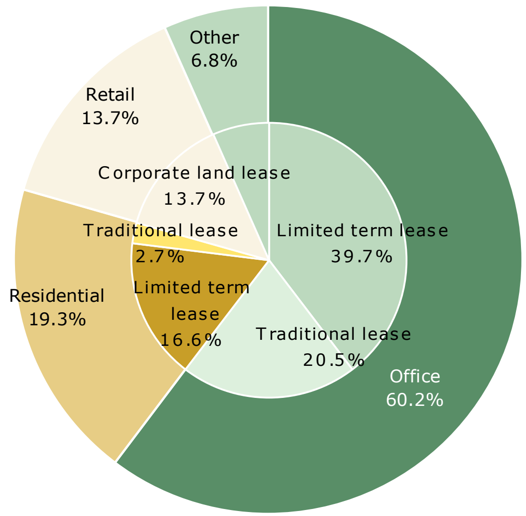
(Amount: mn yen)

Tenant type	Type of lease contract	Total rent per month	(%)	Agreement renewal timing				
				9th period	10th period	11th period	12th period	13th period–
Office tenant	Limited term lease	311.4	39.7%	21.1	135.4	37.3	34.8	82.8
	Traditional lease	161.0	20.5%	1.8	12.4	34.8	36.7	75.4
	Total	472.5	60.2%	22.9	147.8	72.1	71.5	158.2
Residential tenant	Limited term lease	130.2	16.6%	16.2	12.1	16.6	14.4	71.0
	Traditional lease	20.9	2.7%	1.1	0.0	1.5	0.0	18.2
	Total	151.1	19.3%	17.3	12.1	18.1	14.4	89.2
Retail tenant	Corporate land lease	107.5	13.7%	0.0	0.0	0.0	0.0	107.5
	Total	107.5	13.7%	0.0	0.0	0.0	0.0	107.5
Sub total		731.0	93.2%	40.2	159.9	90.2	85.9	354.9
Others	Retail	27.9	3.6%					
	Parking	16.2	2.1%					
	Others	9.0	1.2%					
Sub total		53.2	6.8%					
Total		784.2	100%					

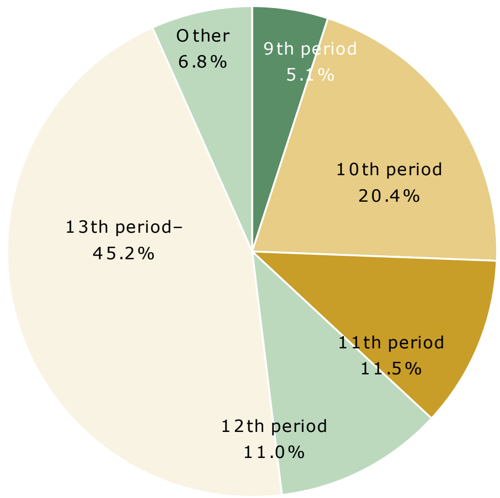
(Note 1) Situation of tenants reflects actual move in/out and revised rents as of Aug. 27, 2010.

(Note 2) Following mutual property sale/purchase with the sponsor, Toranomon 35 Mori Bldg, and Moto-Azabu Hills (42 units) are excluded and Laforet Harajuku (land) included in the figures.

Rent revenue breakdown by types of lease contract



Rent revenue breakdown by timing of renewal



Financial overview
Stable funding

HILLS REIT

Key financial indicators

(Amount: mn yen)

	End of 7th period	End of 8th period
Debt balance	111,010	108,847
Short-term debt	10,560	8,510
Long-term debt	90,450	80,337
Investment corporation bonds	10,000	20,000
LTV (total asset basis) (Note 1)	53.1%	49.2%
LTV (appraisal value basis) (Note 2)	57.9%	56.0%
DSCR (Note 3)	3.7x	3.6x
Avg. remaining duration	1.68yr	1.61yr
Weighted avg. interest rate	1.60%	1.60%

(Note 1) LTV (total asset basis) is calculated as [Interest-bearing debt/Total assets].
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt/(Total assets + Appraisal value assets – Book value assets)].
(Note 3) DSCR is calculated as [net income before interest expenses/Interest expenses].

Outstanding balances

(Amount: mn yen)

Lender	Balance	(%)
Mizuho Corporate Bank, Ltd.	14,018	15.8%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,018	15.8%
Mitsubishi UFJ Trust and Banking Corporation	14,018	15.8%
Sumitomo Mitsui Banking Corporation	13,109	14.8%
The Sumitomo Trust and Banking Co., Ltd.	12,197	13.7%
The Norinchukin Bank	5,000	5.6%
Development Bank of Japan Inc.	4,337	4.9%
Aozora Bank, Ltd.	4,000	4.5%
Shinsei Bank, Limited	3,650	4.1%
Resona Bank, Ltd.	2,500	2.8%
The Bank of Fukuoka, Ltd.	2,000	2.3%
Total	88,847	100.0%

Overview of equity finance

Overview		
Units outstanding before the offering		159,200 unit
Number of units issued		72,320 unit
Units outstanding		231,520 unit
Total amount of issue price		14,639,520,640 yen
	Issue price	202,427 yen per unit
Additional listing date (Primary offering)		Mar 23, 2010 (Tue)
Lead manager		Mizuho Securities Co., Ltd.

Ratings

Moody’s Investors Service, Inc.
Issuer rating Baa1 (Negative)

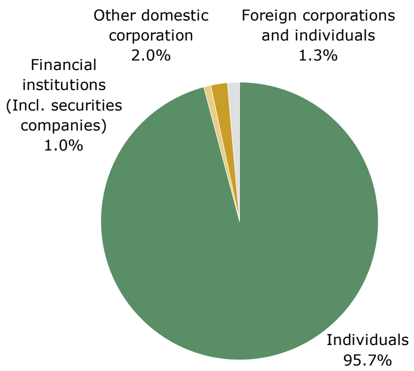
Japan Credit Rating Agency, Ltd. (JCR)
Senior long-term credit rating AA- (Negative)

5 Unitholders breakdown (As of July 31, 2010)

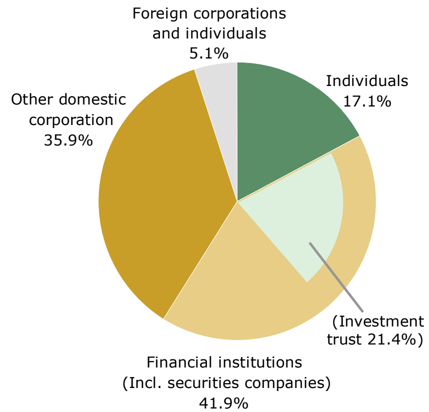
Unitholder breakdown

End of 7th period

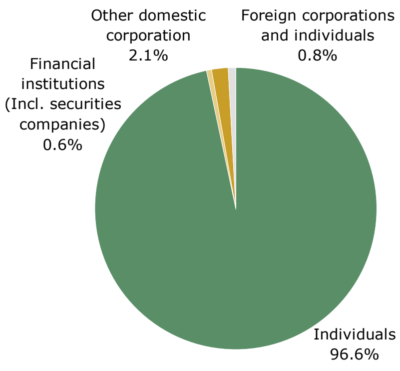
Number of unitholders

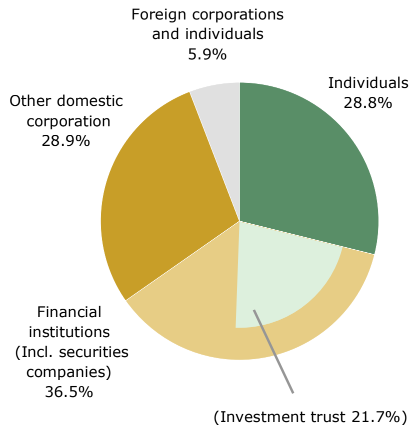


Number of investment units



End of 8th period





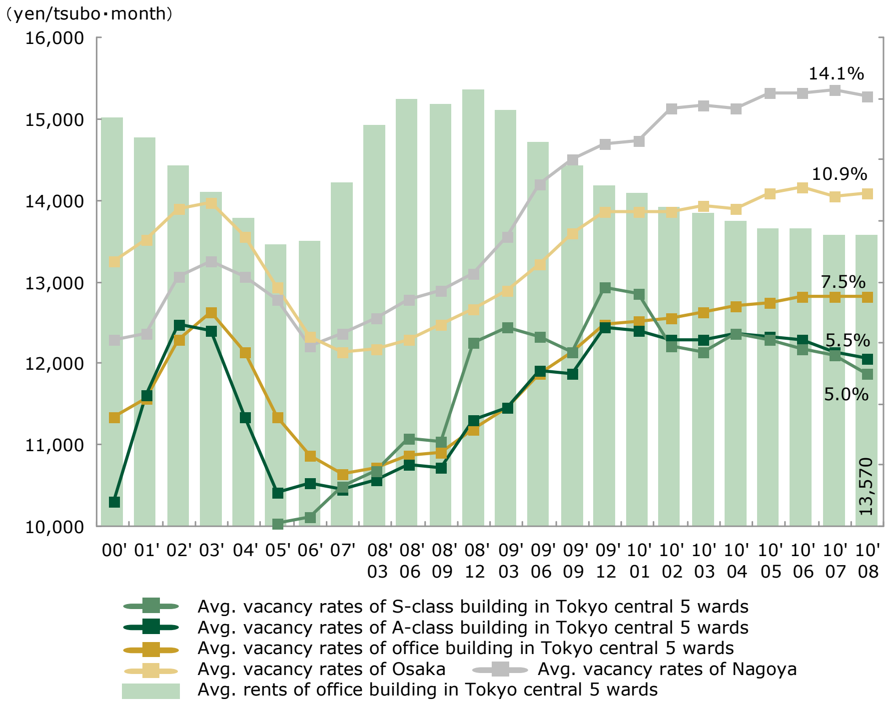
Top 10 unitholders

Rank	Name	No. of units held	(%)
1	Mori Building Co., Ltd.	48,918	21.1
2	The Nomura Trust & Banking (Trust account)	24,009	10.4
3	Japan Trustee Service Bank (Trust account)	19,746	8.5
4	The Fuji Fire and Marine Insurance Co., Ltd.	10,450	4.5
5	Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust unit)	4,821	2.1
6	The Master Trust Bank of Japan, Ltd. (Trust account)	4,187	1.8
7	Shikoku Railway Company	3,324	1.4
8	The Norinchukin Bank	3,000	1.3
9	Asahi Fire & Marine Insurance Co., Ltd.	2,000	0.9
10	Trust & Custody Service Bank of Japan, Ltd. (Securities Investment Trust unit)	1,750	0.8
Top 10 unitholders total		122,205	52.8

Tokyo market environment
Rental office market

HILLS REIT

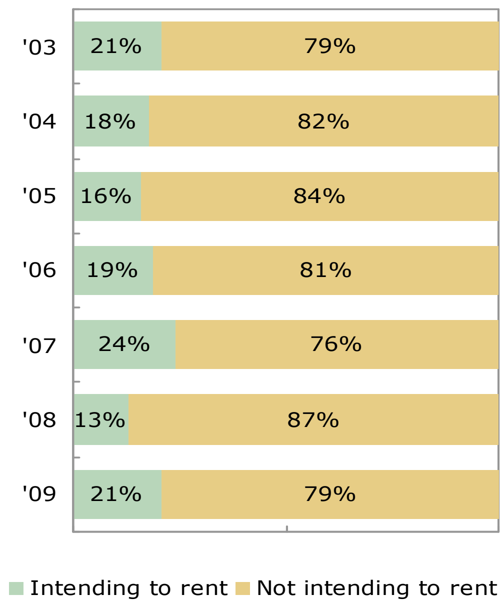
Change in the rents and vacancy rates of rental office buildings



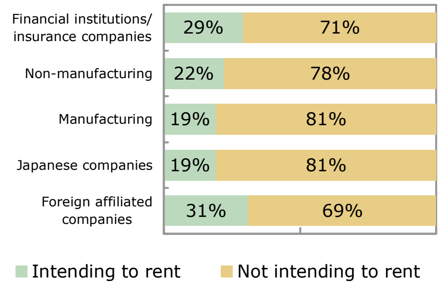
(Source) Created by the asset manager based on the "OFFICE MARKET REPORT" of CB Richard Ellis
(Note 1) Offered rents do not include common area service fees.
(Note 2) Annual rent covers rents from Jan-Dec, and Occupancy rate is as of end of Dec in each year.

Office Needs Survey for the 23 wards of Tokyo

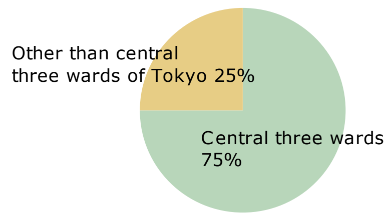
Plans to rent new space



Breakdown by industry (Responses for 2009)



Target areas for renting new space (Responses for 2009)



(Source) Mori Building Co., Ltd.'s "2009 Office Needs Survey for the 23 Wards of Tokyo" released on March 2010
(Note) Survey period was from the middle of November to the middle of December in 2009 and the main target of the survey was the top 10,000 companies in terms of capital whose headquarters are located in Tokyo's 23 wards. Furthermore, 1,917 companies returned the questionnaires (ratio of return of 19.2%).

- **Average vacancy rates of Class S and A properties in the central five wards of Tokyo have declined for four consecutive months, and there appears to be a bottoming out for the premium properties in which MHR principally invests**
- **Rents are expected to continue a period of adjustment, but recovery is expected, led by Class S and A properties, as vacancies bottom out.**

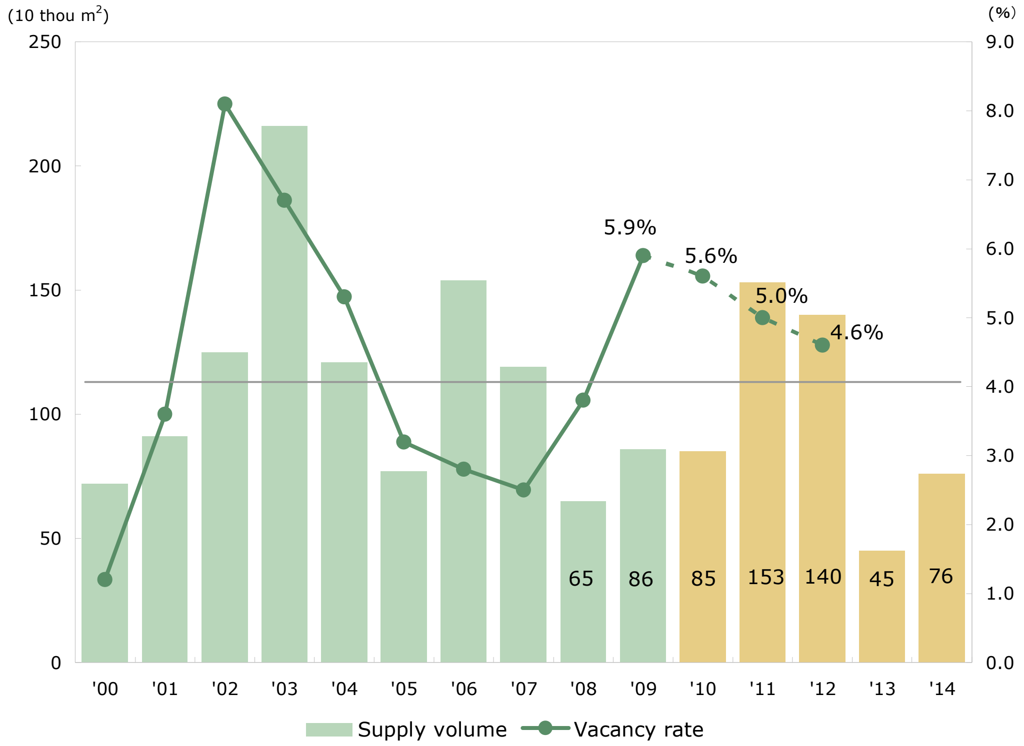
- **Office demand is recovering centering on the central three wards of Tokyo**
- **Office needs from foreign affiliated companies, financial institutions and insurance companies are strong**

Based on "2009 Office Needs Survey for the 23 wards of Tokyo"

6-2 Tokyo market environment

Large-scale office building market trends in Tokyo's 23 wards

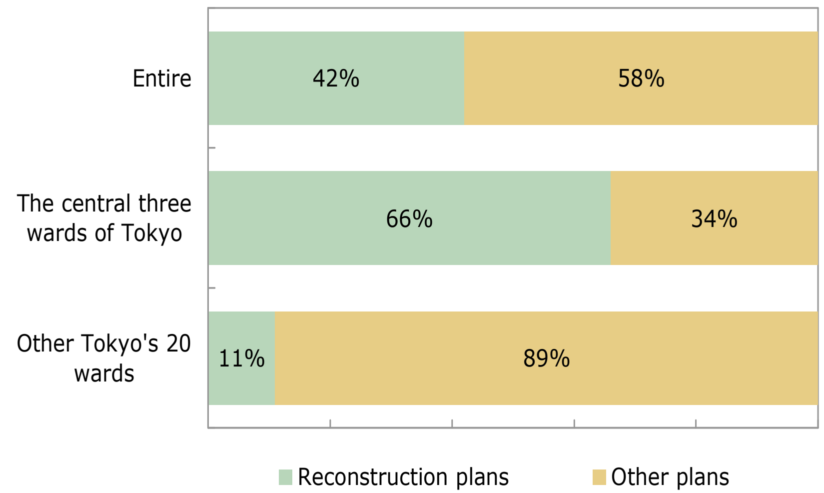
Supply volumes and vacancy rates of large-scale office buildings



(Source) Prepared by the asset management company based on Mori Building Co., Ltd's "Survey on large-scale office building market trends in Tokyo's 23 wards" (August 2010 Issue)

Supply trends for new and reconstructed buildings

Breakdown of reconstruction plans among supply volume in the next five years



(Source) Prepared by the asset management company based on Mori Building Co., Ltd's "Survey on large-scale office building market trends in Tokyo's 23 wards" (August 2010 Issue)

- **Supply has been below the historical avg. of 1.03 mn ㎡ over the past three years, but in 2011 and 2012 supply is expected to exceed avg.**
- **Companies' intentions to rent new space is recovering. 3 central wards of Tokyo expected to lead Tokyo's 23 wards overall in an improvement of vacancy rates**

Based on "Survey on large-scale office building market trends in Tokyo's 23 wards"

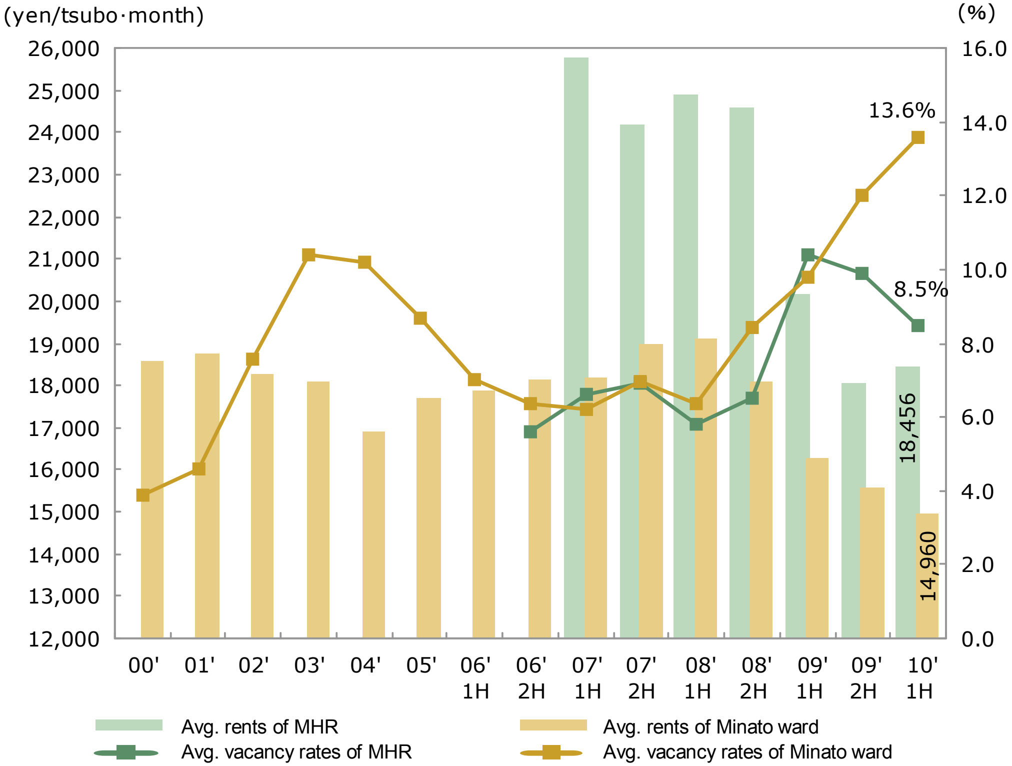
- **Approx. 42% of new supply volume over next five years is reconstruction (66% in 3 central wards)**
- **In the 3 central wards of Tokyo, net increase in stock is only about half of the total new expected supply**

Based on "Survey on large-scale office building market trends in Tokyo's 23 wards"

Tokyo market environment

Luxury residential market

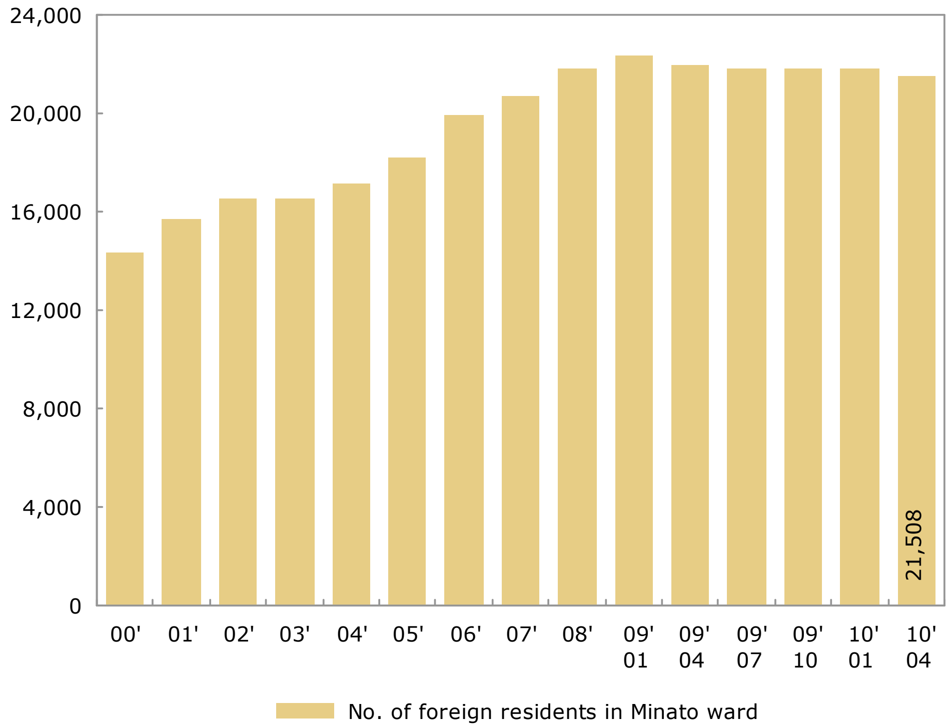
Change in the rents and vacancy rates of luxury housing



(Source) Created by the asset manager based on Ken Real Estate Investment Advisors' "Ken Data Press"
(Note 1) Includes data on rental housing with monthly rent of more than JPY300,000 or with more than 30 tsubo exclusively owned area.
(Note 2) Annual rent covers rents from Jan to Dec, and occupancy rate is annual average.
(Note 3) For MHR, average of even years are indicated as 1st half, and average of odd years indicated as 2nd half.
(Note 4) Occupancy rate of MHR shows its average occupancy rate during the relevant fiscal year.

- **Although vacancy rates continue to increase, and rents continue to decrease in overall luxury residential market, MHR's properties show signs of vacancy rates bottoming out and improving.**

Change in number of foreign residents



(Source) Created by asset manager based on the material prepared by Tokyo Municipal Government.
(Note) Figures indicate the number of registered foreigners as of Jan 1st in each year.

- **Compared to when vacancy rates increased around 2003, the number of foreign residents registered in Minato ward remains steady.**

Tokyo market environment
Development in Akasaka, Roppongi & Toranomon area

HILLS REIT

Properties owned by MHR (including assets to be acquired) and Development Projects (including future plans) in the Akasaka/Roppongi and Toranomon Areas

MHR (Note 1) | Mori Building (Note 2) | Others (Note 2,3)

(Note 1) Some of the above were partially acquired or are held by MHR.
(Note 2) MHR does not have plans to acquire these properties as of the date this document was created.
(Note 3) Properties "A" through "E" that are located in redevelopment areas have not yet been completed as of the date this document was created.

New redevelopment plans promoted by Mori Building Group (Note1)

Synergistic effects and virtuous cycle of various municipal functions regenerated by Mori Building Group's new development projects

A. Ark Hills Front Tower (Akasaka 2-chome (Fukuyoshicho) Plan)	B. Roppongi 6-chome 3 banchi plan	C. Plan to rebuild 21 & 25 Mori Buildings
		
a) Approx. 2,006㎡	a) Approx. 1,003㎡	a) Approx. 5,850㎡
b) Approx. 24,858㎡	b) Approx. 7,513㎡	b) Approx. 55,000㎡
c) Office/residential/retail	c) Office/retail/residential, etc.	c) Office/retail
d) Mori Building Co., LTd.	d) Mori Building Co., LTd.	d) Mori Building Co., LTd.
e) Jan. 2011 (planned)	e) End of Mar. 2011 (planned)	e) Apr. 2011 (planned/ commencement of work)

D. Toranomon Roppongi Category-1 Redevelopment Project	E. Shinbashi & Toranomon Areas along Ring Road No. 2 Category-2 Urban Redevelopment Project III urban area (Toranomon area)
A redevelopment project for which preparations are underway to becoming the new center of the Toranomon/Roppongi area. Properties owned by MHR, such as Roppongi First, are adjacently located.	A redevelopment project expected to function as the main connection between Bay Area and central Tokyo, along with being a new business center. In the vicinity is a property owned by MHR.
	
a) C-1 Area: 15,370㎡ C-2 Area: 510㎡	a) Approx. 17,069㎡
b) Approx. 143,720㎡	b) Approx. 252,993㎡
c) Office/residential/retail	c) Retail/residential/office/hotel/conference
d) Redevelopment association (Note2)	d) Tokyo Metropolitan Government (Note3)
e) 2012 (planned)	e) May. 2014 (planned)

a) Land area b) Total floor area c) Uses
d) Operator e) Completion date

(Note1) MHR does not have plans to acquire these redevelopment properties as of the date this document was created.
(Note2) Mori Building serves as the organizer of the association.
(Note3) Mori Building was appointed as a prospective candidate of distinct developer.

Strengthening international competitiveness of large cities

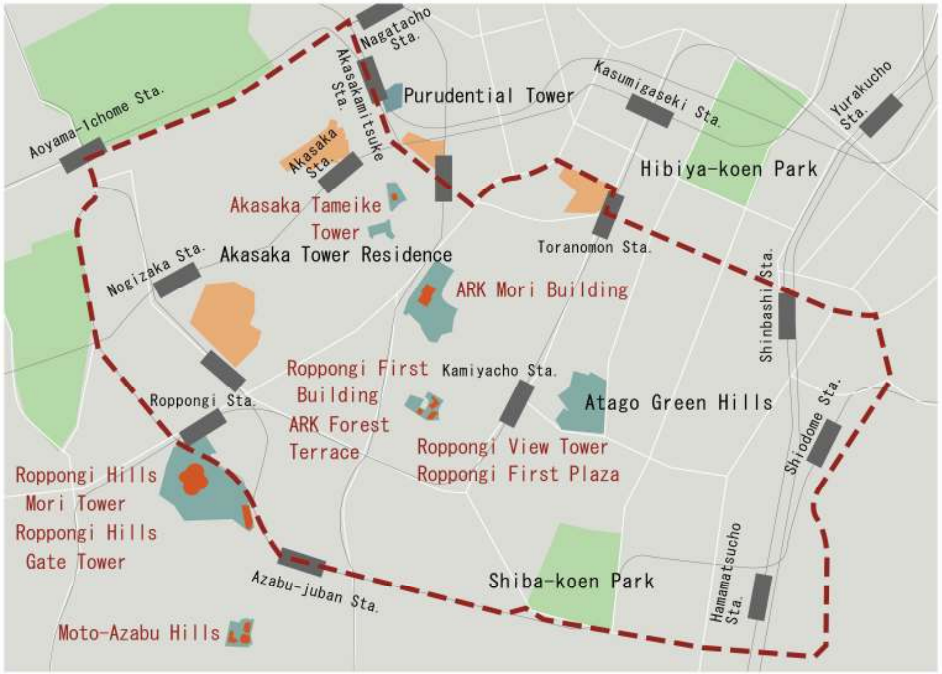
The Ministry of Land, Infrastructure, Transport and Tourism growth strategy was announced on May 17, 2010. "Strengthening international competitiveness of large cities, including international city Tokyo" is a matter of urgency and necessity which should be given high priority to achieve growth for Japan.

Matters to be carried out with priority (residential, urban sectors)

"Strengthening international competitiveness of large cities, including the international city Tokyo"

Establish a strategy concerning large metropolitan areas by 2011, and at the same time extend and expand the Act on Special Measures concerning Urban Revitalization which is not limited to such urban planning restrictions as capacity ratios, but provides for establishment of special zones for international competitiveness which comprehensively establishes various kinds of deregulation, tax and financial measures which are necessary for the development of systems to promote the revitalization and growth of large cities.

〔Ministry of Land, Infrastructure, Transport and Tourism growth strategy：May 2010〕



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

Establishment of a comprehensive special zone system

In response to the Cabinet's approval on June 18, 2010, new growth strategies for regeneration of a vibrant Japan were announced. Urban Revitalization was emphasized among seven strategic categories.

Establish comprehensive global strategic special zones (tentative name) such as large cities that have potential competitive advantages at the global level, and can lead Japan's growth overall, and comprehensively include special regulatory measures and tax, fiscal and financial support measures required to promote industries and attract foreign companies that are the growth engine for Japan's national economy.

〔Government Cabinet Decision, new growth strategies: June 2010〕

Urban development in Akasaka/Roppongi area

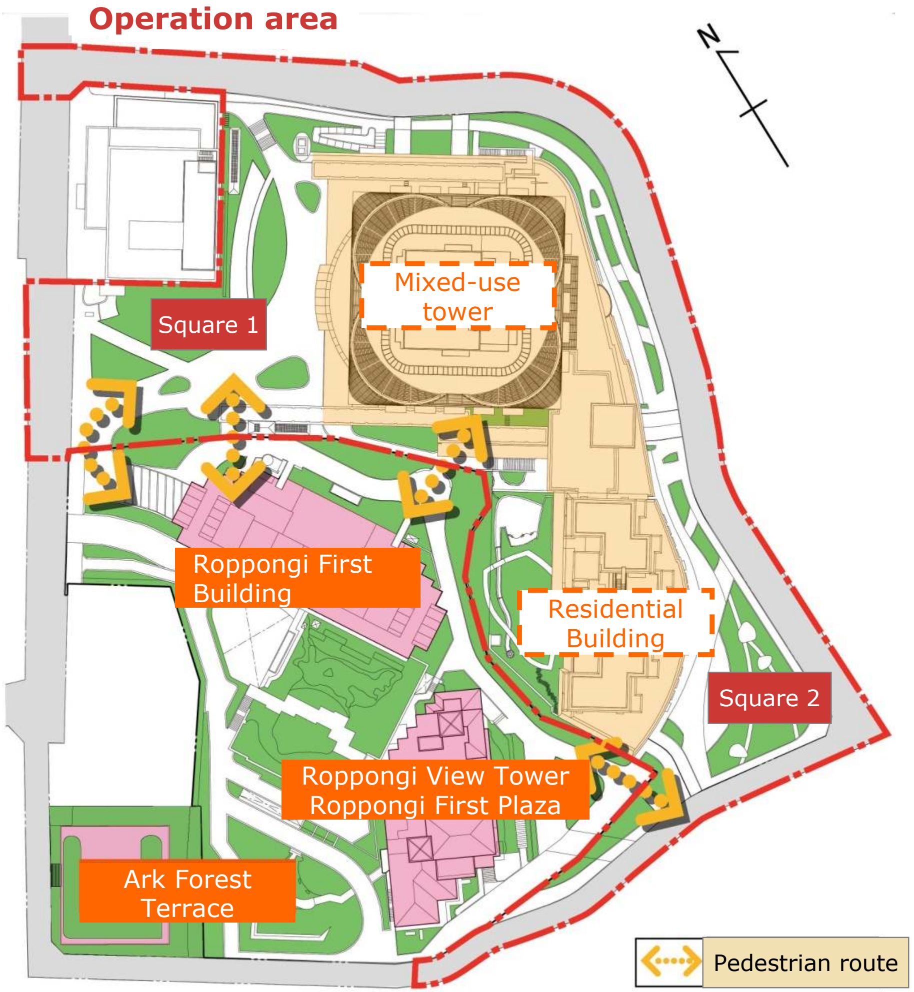
HILLS REIT

Start of construction for the category 1 urban redevelopment project in Toranomon and Roppongi area

The whole block including MHR's Roppongi First & Ark Forest Terrace are scheduled to become a new base in area
The construction work started in Oct 2009. We expect that the value of our portfolio properties will increase further by becoming an integral part of the new "green city center residential area"

Considering that many buildings in this area are made of wood, the need for developing an urban area that is safe with strong disaster prevention facilities in place has become increasingly pressing

Acquired CASBEE's "S rank" which is the highest rank based on its proprietary assessment method for a building's environment-friendliness



Overview of plan

Operation area	Approx. 2.0ha
Total floor area	Approx.143,720㎡
Floors	(Mixed-use tower) Above ground: 47 / Basement levels: 4 (Residential building) Above ground: 6 / Basement levels: 2
Uses	Office/retail/residential
Operator	Toranomon-Roppongi District Urban Redevelopment Association (Mori Building Co. Ltd will organize the redevelopment association and acquire the floor area that are not reserved by land owners and leaseholders of the building rebuilt as its participating member)
Construction to be started	Oct. 2009
Completion date	2012 (Planned)

Urban development in Toranomon area

HILLS REIT

Appointed as a distinct developer for Toranomon District Redevelopment Project

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

Mori Building was appointed as a "prospective distinct developer" in the auction for selecting "distinct developer" for Block 3 (Toranomon Area) of the Loop Line #2 Shinbashi/Toranomon Class 2 Redevelopment Project by Tokyo Municipal Government. Once realized, the project will further increase the value of MHR properties located in the Toranomon area

High rise building (note 2)

Main entrance (Note 2)

Key points of the Project

The ultra high-rise building which is to be Japan's second highest building, will have a hotel, offices, conference halls, and a retail facility.

Based on the "multilevel motorway plan", Loop Line #2 will pass through the building. Mori Building as a prospective distinct developer will also construct the underground tunnel based on consignment by Tokyo Construction Bureau.

Concept of the Project

■Environment-friendly

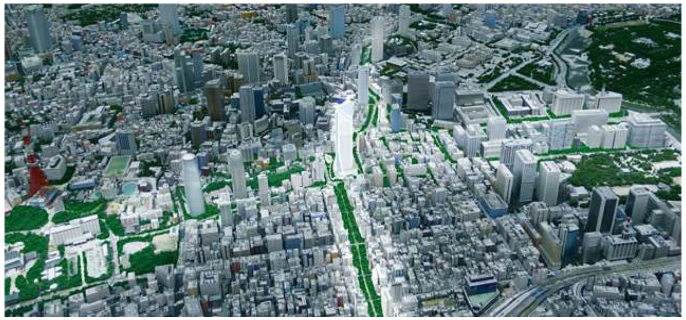
At the crossing of the "East–West environment axis" formed by the trees of the ground part of Loop Line #2 and the "North–South environment axis" connecting Shiba Park, Atagoyama and Hibiya Park, Mori Building will develop an environment with lush greenery, open space and beautiful landscaping which is not only environment-friendly but also provides a place to rest in a natural environment by implementing diversified measures for reducing CO_2 emission

■International Business center "Compound facility"

Creation of an urban space that enables diversified urban activities by providing the multiple functions required by a knowledge-based and information-based society

■Safety & Security -Transformation from "run away from" to "escape into" town

Mori Building is aiming to develop a safe town where safety is not limited to the area to be developed but also helps prevent disaster in the surrounding areas



Redeveloped Loop Line #2 (Note 2)

Operation area	17,069㎡
Total floor area	252,993㎡
Floors	(Complex wing) 53 floors above the ground and 5 underground floors
Height	247m
Uses	Office, commercial, residential, hotel, conference and parking
Client	Tokyo Metropolitan Government (Mori Building was appointed as a "prospective distinct developer")
Construction to be started	November 2010 (planned)
Completion date	May 2014 (planned)

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

(Note 2) Illustrations are those included in the proposal material created by Mori Building.

Appendix

7-1 Collaborative relationship with Mori Building

Mori Building Investment Management Co., Ltd.

Mori Hills REIT Investment Corporation

External growth support

- First negotiating right on sales of Mori Building properties
- Provision of third party property information
- Provision of real estate related know-how

Internal growth support

- New tenant leasing
- Management of existing tenants
- Provision of real estate related know-how

Maximum use of overall strengths

Support contract

Advisory Service Contract

PM consignment contract

Brand licensing contract

Development capabilities

Information gathering capabilities

Management & maintenance capabilities

Brand strength

Mori Building Co., Ltd.

Environmental initiatives and town management

Environmental initiatives – trend towards strict regulations

Initiatives to address urban environmental issues have become regulated due to the partial amendment of the Amended Act on Energy Conservation and implementation of Tokyo Metropolitan Ordinance on Environmental Preservation, and the Mori Building Group is quick to undertake measures to address environmental issues, and is further strengthening systems to cooperate with tenants.

Strengthening systems to cooperate with tenants

Conserving electricity, air conditioning and water

Promote saving electricity, reviewing air conditioning settings, saving water and awareness of energy saving.

Environmental Measures Council

Established environmental measures councils at each facility, and have started initiatives together with tenants.

Activities to promote energy conservation

We strive to promote energy conservation by creating environmental posters.

Creating abundant communities:
Resident-friendly cities = Eco-friendly cities

CO_2 Reduction/Light-down Campaign 2010

Continuing on from last year, MHR participated in the "CO2 reduction/Light-down Campaign", a movement aimed at preventing global warming.
MHR turned lights off or down in office areas, and turned lights down or lit candles in certain authorized shop areas for the "Midsummer Light-down" on June 21, 2010 (Mon) and the "Tanabata Star Festival Light-down" on July 7, 2010 (Wed).
The amount of energy saved the light-down periods was approx. 28,000Kwh, leading to a reduction of approx. 11 tons of CO2 emissions.

Participating MHR properties
Roppongi Hills Mori Tower
ARK Mori Building
Roppongi Hills Gate Tower
Roppongi First Building
Koraku Mori Building
Moto-Azabu Hills
Ark Forest Terrace


Tokyo Tower

Roppongi Hills recognized as one of "Select Green 100 companies that contribute to biological diversity"

Roppongi Hills was recognized by The Urban Green Space Development Foundation as a good example that takes initiatives to preserve, create and utilize nearby surrounding greenery.

Roppongi Hills Great Water Sprinkling Event 2010

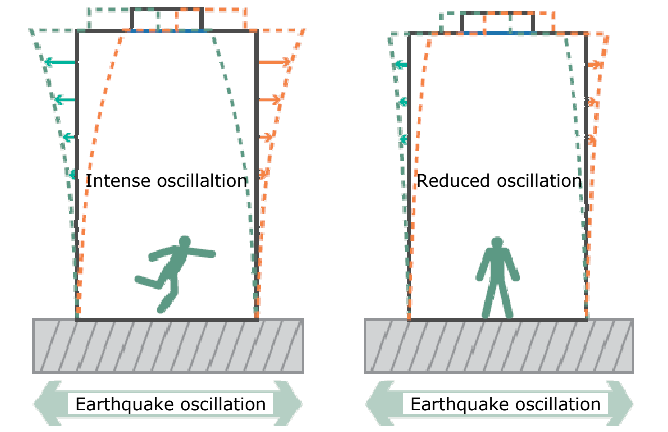
This event allows participants to think of the environment, and we consider the environment in the finest detail, for instance, by using water stored under the ground of Roppongi Hills for sprinkling, and using water pails made of thinned cypress wood.

HILLS REIT

Earthquake-resistant features

Seismic damping

Minimize the level of oscillation



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

Viscous seismic damping wall

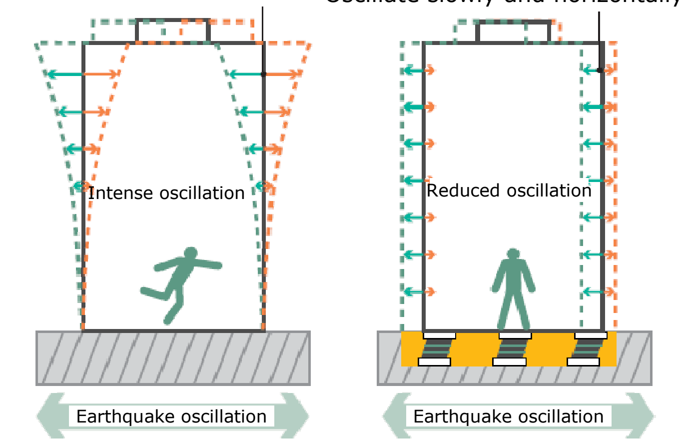
Seismic damping reduces earthquake magnitude of oscillation by approx. 20%

MHR properties using this feature

- Roppongi Hills Mori Tower
- Roppongi Hills Gate Tower
- Koraku Mori Building
- Akasaka Tameike Tower

Seismic isolators

Oscillate slowly and horizontally



<Normal earthquake resistant building> <Building with Seismic Isolators>

Seismic isolators

Seismic Isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of large earthquakes

MHR properties using this feature

- Moto-Azabu Hills
  (Forest Tower)
  (Forest Terrace East)
- Ark Forest Terrace

Support originated with building automation

Preventive maintenance and emergency care utilizing Building Automation system (BA system)

Control of BA system

- Central supervisory control system
- Emergency broadcasting system
- ELV
- Distributed electricity supervisory system
- Mechanical parking
- ITV
- Engine/Lighting control system
- Automated control
- Security equipment
- Disaster prevention equipment

7-4 Financial highlights

HILLS REIT

Indices	Previous period (7th period: Aug. 1, 2009–Jan. 31, 2010)	Current period (8th period: Feb. 1, 2010–Jul. 31, 2010)	
Net income	1,728 mn yen	1,522 mn yen	
FFO	2,445 mn yen	2,270 mn yen	Net profit + Depreciation & Amortization
Depreciation & amortization	716 mn yen	747 mn yen	
CAPEX	106 mn yen	44 mn yen	
Total assets	208,893 mn yen	221,366 mn yen	
Interest-bearing debt	111,010 mn yen	108,847 mn yen	
Net asset value	89,081 mn yen	103,520 mn yen	
Dividend	1,728 mn yen	1,522 mn yen	
Total units outstanding	159,200 units	231,520 units	
Book value per unit	559,560 yen	447,135 yen	Net asset value at end of period/ Total units outstanding
Dividend per unit	10,857 yen	6,577 yen	
FFO per unit	15,359 yen	9,805 yen	FFO/Weighted average number of investment units for the period
ROA	0.82%	0.71%	Ordinary profit/Average of total assets during the period
Annualized	1.63%	1.43%	
ROE	1.94%	1.58%	Net profit/Average of NAV during the period
Annualized	3.84%	3.19%	
LTV	53.14%	49.17%	LTV=Interest-bearing debt/Total assets
Dividend yield (annualized)	8.13%	7.48%	Dividend per unit/Unit price
Number of operating days in the period	184 days	181 days	
PER (annualized)	12.3x	12.2x	Unit price/Net profit per unit
PBR	0.5x	0.4x	Unit price/Book value per unit

(Note) Calculated as 7th period figures/184 days x 365 days and 8th period figures/181 days x 365 days.

7-5 Balance sheet

HILLS REIT

	Previous period (7th period) Jan. 31, 2010 Amount (Yen thousand)	Current period (8th period) Jul. 31, 2010 Amount (Yen thousand)
Assets		
Current assets	9,169,664	12,133,402
Cash and deposits	2,028,490	6,093,351
Cash and deposits in trust	6,642,068	5,488,095
Other	499,105	551,955
Noncurrent assets	199,679,279	209,149,052
Property, plant and equipment	180,865,434	190,489,838
Intangible assets	18,416,019	18,417,538
Investment and other assets	397,825	241,675
Deferred assets	44,575	83,726
Total assets	208,893,519	221,366,182

	Previous period (7th period) Jan. 31, 2010 Amount (Yen thousand)	Current period (8th period) Jul. 31, 2010 Amount (Yen thousand)
Liabilities		
Current liabilities	35,349,830	38,289,000
Short-term loans payable	10,560,000	8,510,000
Current portion of long-term loans payable	23,225,000	28,225,000
Derivatives liabilities	-	21,491
Other	1,564,830	1,532,508
Noncurrent liabilities	84,461,713	79,556,453
Investment corporation bond	10,000,000	20,000,000
Long-term loans payable	67,225,000	52,112,500
Tenant leasehold and security deposit	-	454,440
Tenant leasehold and security	7,207,088	6,989,513
Derivatives liabilities	29,624	-
Total liabilities	119,811,543	117,845,453
Unitholders' equity		
Unitholders' capital	87,371,418	102,010,939
Unappropriated retained earnings (undisposed loss)	1,728,530	1,522,828
Deferred gains or losses on hedges	▲ 17,973	▲ 13,038
Total net assets	89,081,975	103,520,729
Total liabilities and net assets	208,893,519	221,366,182

7-6 Income statement

HILLS REIT

	Previous period (7th period) (Aug. 1, 2009–Jan. 31, 2010)	Current period (8th period) (Feb. 1, 2010–Jul. 31, 2010)
	Amount (Yen thousand)	Amount (Yen thousand)
Operating revenue	5,520,854	5,388,209
Rent revenue-real estate	4,983,676	4,922,890
Other lease business revenue	537,178	465,319
Operating expenses	2,699,449	2,708,275
Expenses related to rent business	2,277,513	2,299,970
Asset management fees	320,215	314,994
Director's compensation	7,200	7,200
Asset custody fees	5,296	5,483
Administration fees	13,356	14,543
Other operating expenses	75,867	66,083
Operating income	2,821,404	2,679,933
Non-operating income	5,786	5,136
Interest income	5,709	2,291
Exclusion gain of unpaid dividend	-	2,430
Compensation income	8	26
Other	68	388
Non-operating expenses	1,097,682	1,161,325
Interest expenses	809,674	758,091
Interest expenses on investment corporation bonds	81,150	110,800
Amortization of investment corporation bond issuance costs	5,130	8,515
Amortization of deferred organization expenses	5,111	5,111
Borrowing expenses	194,673	206,114
Unit issuing expenses	-	70,736
Other	1,943	1,955
Ordinary income	1,729,508	1,523,745
Income before income taxes	1,729,508	1,523,745
Net income	1,728,481	1,522,732
Unappropriated retained earnings (undisposed loss)	1,728,530	1,522,828
Dividend per unit (yen)	10,857	6,577

(Yen: thousand)

Parking revenue:	166,558
Incidental revenue:	283,958
Cancellation penalty:	14,702
Security deposit income:	98

(Yen: thousand)

Property management fees:	784,866
Utilities:	189,650
Property taxes:	297,778
Lease fees:	75,673
Custodian fees:	9,370
Repair charges:	96,204
Insurance premium:	14,286
Depreciation expenses:	747,065
Other property expenses:	85,073

7-7 Statement of cash flow/Retained earnings

HILLS REIT

Statement of cash flow

(Amount: thousand yen)

Item	Previous period (7th period) (Aug. 1, 2009– Jan. 31, 2010)	Current period (8th period) (Feb. 1, 2010– Jul. 31, 2010)
I Net cash provided by (used in) operating activities	2,107,108	2,421,842
Income before income taxes	1,729,508	1,523,745
Depreciation & amortization	716,821	747,463
Amortization of deferred organization expenses	5,111	5,111
Amortization of issue business commencement expenses	5,130	8,515
Unit issuing expenses	-	70,736
Interest income	▲ 5,709	▲ 2,291
Exclusion gain of unpaid dividend	-	▲ 2,430
Interest expenses	890,824	868,892
Decrease (increase) in notes receivable-trade	13,590	▲ 4,296
Decrease (increase) in consumption taxes refund receivable	▲ 3,587	▲ 63,630
Increase (decrease) in accounts payable	▲ 38,016	▲ 14,705
Increase (decrease) in accounts payable-other	1,472	▲ 2,539
Increase (decrease) in accrued expenses	▲ 343	1,027
Increase (decrease) in accrued consumption taxes	▲ 111,499	▲ 33,118
Increase (decrease) in advances received	▲ 30,255	▲ 957
Increase (decrease) in deposits received	216,157	22,818
Decrease (increase) in prepaid expenses	▲ 150,560	22,620
Decrease in carrying amounts of property, plant and equipment in trust due to sale	▲ 224,245	144,499
Other	1,760	966
Sub total	3,016,158	3,292,427
Interest income received	7,274	2,291
Interest expenses paid	▲ 915,315	▲ 871,860
Income taxes paid	▲ 1,009	▲ 1,014
II Net cash provided by (used in) investing activities	▲ 206,262	▲ 10,137,792
Proceeds from withdrawal of time deposit	600,000	-
Purchase of tangible assets	-	▲ 10,325,382
Purchase of intangible assets	▲ 1,814	▲ 2,522
Purchase of property, plant and equipment in trust	▲ 111,128	▲ 46,306
Purchases of intangible assets in trust	-	▲ 445
Proceeds from tenant leasehold and security deposit	-	454,440
Proceeds from tenant leasehold and security deposits in trust	▲ 1,089,193	▲ 787,420
Payment of tenant leasehold and security deposits in trust	395,873	569,844

(Amount: thousand yen)

Item	Previous period (7th period) (Aug. 1, 2009– Jan. 31, 2010)	Current period (8th period) (Feb. 1, 2010– Jul. 31, 2010)
III Net cash provided by (used in) financing activities	▲ 5,013,685	10,626,838
Increase in short-term loan payable	8,440,000	3,010,000
Decrease in short-term loan payable	▲ 12,880,000	▲ 5,060,000
Proceeds from long-term loan payable	26,500,000	-
Repayment of long-term loan payable	▲ 25,050,000	▲ 10,112,500
Proceeds from new investment bond	-	9,947,228
Proceeds from new investment units	-	14,568,784
Dividends paid	▲ 2,023,685	▲ 1,726,674
IV Net Increase/decrease in cash & equivalents	▲ 3,112,839	2,910,888
V Cash and cash equivalents at beginning of period	11,783,398	8,670,558
VI Cash and cash equivalents at end of period	8,670,558	11,581,446

Retained earnings

(Amount: thousand yen)

Period / Item	Previous period (7th period) (Aug. 1, 2009– Jan. 31, 2010)	Current period (8th period) (Feb. 1, 2010– Jul. 31, 2010)
I Retained earnings	1,728,530,369	1,522,828,374
II Dividend	1,728,434,400	1,522,707,040
(Dividend per unit)	10,857	6,577
III Earnings carried forward	95,969	121,334

7-8 8th period results breakdown by property①

(Amount: mn yen)

Property number	O-0			O-1-1			O-1-2			O-1-3			O-2		
Property name	Roppongi Hills Mori Tower			Ark Mori Building (fixed I)			Ark Mori Building (pass-through)			Ark Mori Building (fixed II)			Roppongi Hills Gate Tower		
Period	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference
Days of operation (days)	-	131	131	184	181	▲ 3	184	181	▲ 3	-	131	131	184	181	▲ 3
Occupancy rate (%)	-	100.0%	100.0PT	100.0%	100.0%	0.0PT	88.6%	81.6%	▲ 7.0PT	-	100.0%	100.0PT	96.0%	98.7%	2.7PT
Occupancy rate (during period) (%)	-	100.0%	100.0PT	100.0%	100.0%	0.0PT	88.6%	85.1%	▲ 3.5PT	-	100.0%	100.0PT	95.3%	99.1%	3.8PT
Number of tenants	-	1	1	1	1	0	10	9	▲ 1	-	1	1	40	46	6
Acquisition price	6,810			6,600			22,000			3,400			36,500		
Rent revenue -real estate	-	107	107	148	148	0	338	296	▲ 41	-	54	54	950	969	18
Other lease business revenue	-	-	-	-	-	-	22	17	▲ 4	-	-	-	127	116	▲ 11
Operating Income	-	107	107	148	148	0	360	314	▲ 46	-	54	54	1,077	1,085	7
Maintenance expenses	-	0	0	1	1	0	63	59	▲ 3	-	0	0	161	160	▲ 0
Utilities	-	-	-	-	-	-	8	6	▲ 1	-	-	-	50	46	▲ 4
Property taxes (Note1)	-	-	-	8	8	0	16	16	0	-	-	-	69	70	1
Maintenance and repairs	-	-	-	0	0	▲ 0	2	1	▲ 0	-	-	-	9	11	1
Insurance premium	-	0	0	0	0	▲ 0	0	0	▲ 0	-	0	0	2	2	▲ 0
Depreciation ①	-	22	22	12	12	0	46	46	0	-	7	7	117	118	0
Other property expense (Note2)	-	0	0	0	0	0	1	1	0	-	0	0	35	33	▲ 1
Property expense	-	23	23	22	22	0	137	132	▲ 5	-	7	7	447	443	▲ 4
Operating profit ②	-	84	84	126	126	0	222	181	▲ 40	-	46	46	629	641	11
NOI ③ (①+②)	-	106	106	138	138	▲ 0	268	228	▲ 40	-	54	54	747	759	12
Annualized NOI	-	297	297	274	278	4	533	460	▲ 73	-	150	150	1,483	1,532	49
Annualized NOI／Acquisition price	-	4.4%	-	4.2%	4.2%	0.0PT	2.4%	2.1%	▲ 0.3PT	-	4.4%	-	4.1%	4.2%	0.1PT
Capex ④	-	-	-	-	-	0	0	1	0	-	-	-	4	0	▲ 4
NCF ③-④	-	106	106	138	137	▲ 0	268	227	▲ 41	-	54	54	742	759	16

(Note1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 7th and 8th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period (However, for Roppongi Hills Mori Tower and Ark Mori Building (fixed type II) during the 8th Period, no expenses were charged since a transaction settlement amount was paid to the assignor, and the expenses were included in the acquisition cost). Furthermore the annualized NOI amount where expenses are charged for fixed property tax, etc. for the 131 days which are the number of days of operation is ¥2.8mn for Roppongi Hills Mori Tower (same/acquisition cost 4.1%), and ¥1.42mn for Ark Mori Building (fixed type II) (same/acquisition cost 4.2%).

(Note2) The other expenses are based on the total amount of rent, custodian fee and other expenses related to rent business (residential operation expense and general expenses related to rent business).

7-9 8th period results breakdown by property②

(Amount: mn yen)

Property number	O-3			O-4			O-5			O-6		
Property name	Roppongi First Building			Koraku Mori Building			Toranomon 35 Mori Building			Akasaka Tameike Tower		
Period	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference
Days of operation (days)	184	181	▲ 3	184	181	▲ 3	184	181	▲ 3	184	181	▲ 3
Occupancy rate (%)	84.0%	84.0%	0.0PT	88.6%	91.9%	3.3PT	100.0%	100.0%	0.0PT	98.1%	89.7%	▲ 8.4PT
Occupancy rate (during period) (%)	85.8%	84.0%	▲ 1.8PT	90.1%	90.6%	0.5PT	100.0%	100.0%	0.0PT	99.7%	95.3%	▲ 4.4PT
Number of tenants	13	13	0	14	13	▲ 1	1	1	0	12	11	▲ 1
Acquisition price	21,000			27,200			12,720			37,200		
Rent revenue -real estate	540	492	▲ 47	862	794	▲ 67	421	421	0	652	607	▲ 45
Other lease business revenue	61	55	▲ 5	109	94	▲ 15	9	9	0	134	100	▲ 34
Operating Income	601	548	▲ 53	971	888	▲ 83	430	430	0	787	707	▲ 79
Maintenance expenses	65	72	6	79	88	9	65	65	0	98	95	▲ 3
Utilities	26	26	0	75	70	▲ 5	-	-	-	35	25	▲ 9
Property taxes (Note1)	43	44	0	34	34	▲ 0	22	23	0	31	31	0
Maintenance and repairs	0	-	▲ 0	14	7	▲ 7	-	-	-	3	3	0
Insurance premium	2	1	▲ 0	2	2	▲ 0	0	0	0	2	1	▲ 0
Depreciation ①	66	65	▲ 1	125	126	0	35	34	▲ 0	135	135	0
Other property expense (Note2)	1	1	▲ 0	75	76	1	0	1	0	0	0	0
Property expense	205	211	5	407	405	▲ 2	124	125	1	307	294	▲ 12
Operating profit ②	396	337	▲ 58	563	483	▲ 80	305	304	▲ 1	480	412	▲ 67
NOI ③ (①+②)	462	402	▲ 60	689	609	▲ 79	340	339	▲ 1	615	548	▲ 67
Annualized NOI	918	811	▲ 106	1,366	1,228	▲ 138	676	684	8	1,221	1,105	▲ 115
Annualized NOI／Acquisition price	4.4%	3.9%	▲ 0.5PT	5.0%	4.5%	▲ 0.5PT	5.3%	5.4%	0.1PT	3.3%	3.0%	▲ 0.3PT
Capex ④	3	0	▲ 3	61	4	▲ 57	1	-	▲ 1	4	2	▲ 1
NCF ③-④	459	402	▲ 57	627	605	▲ 21	339	339	▲ 0	611	545	▲ 65

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 6th and 7th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period.
(Note 2) Other property expenses include sum of rental expenses, trust fees and other leasing expenses (residential property management fee and general leasing expenses).

7-10 8th period results breakdown by property③

HILLS REIT

(Amount: mn yen)

Property number	R-1			R-2			R-3			R-4			Total		
Property name	Moto-Azabu Hills			Ark Forest Terrace			Roppongi First Plaza			Roppongi View Tower					
Period	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference	7th period	8th period	Difference
Days of operation (days)	184	181	▲ 3	184	181	▲ 3	184	181	▲ 3	184	181	▲ 3	184	181	▲ 3
Occupancy rate (%)	95.2%	94.1%	▲ 1.1PT	78.3%	92.9%	14.6PT	85.8%	72.2%	▲ 13.6PT	100.0%	100.0%	0.0PT	92.6%	92.8%	0.2PT
Occupancy rate (during period)	92.8%	93.1%	0.3PT	78.1%	79.6%	1.5PT	85.5%	78.8%	▲ 6.7PT	100.0%	100.0%	0.0PT	92.7%	92.7%	0.0PT
Number of tenants	104	106	2	32	35	3	36	30	▲ 6	1	1	0	264	268	4
Acquisition price	27,034			5,300			2,100			4,000			211,864		
Rent revenue -real estate	743	724	▲ 18	144	130	▲ 14	72	66	▲ 6	109	109	0	4,983	4,922	▲ 60
Other lease business revenue	62	63	0	9	8	▲ 1	-	-	-	-	-	-	537	465	▲ 71
Operating Income	805	787	▲ 18	154	138	▲ 15	72	66	▲ 6	109	109	0	5,520	5,388	▲ 132
Maintenance expenses	181	181	▲ 0	37	43	6	12	11	▲ 1	3	3	0	770	784	14
Utilities	5	4	▲ 0	8	9	0	0	0	0	-	-	-	210	189	▲ 21
Property taxes (Note1)	42	41	▲ 0	9	9	0	6	6	0	10	10	0	294	297	3
Maintenance and repairs	56	52	▲ 3	7	14	7	3	4	1	-	-	-	97	96	▲ 1
Insurance premium	3	2	▲ 0	0	0	▲ 0	0	0	▲ 0	0	0	▲ 0	16	14	▲ 2
Depreciation ①	123	123	0	32	32	0	9	9	0	13	13	▲ 0	716	747	30
Other property expense (Note2)	42	41	▲ 0	7	7	▲ 0	3	3	0	0	0	0	171	169	▲ 1
Property expense	454	449	▲ 5	104	118	14	36	36	0	28	28	0	2,277	2,299	22
Operating profit ②	351	338	▲ 12	50	20	▲ 29	36	29	▲ 6	80	80	▲ 0	3,243	3,088	▲ 155
NOI ③ (①+②)	474	462	▲ 12	83	53	▲ 29	45	39	▲ 6	93	93	▲ 0	3,960	3,835	▲ 124
Annualized NOI	941	932	▲ 8	164	107	▲ 56	90	79	▲ 11	186	189	2	7,855	7,858	2
Annualized NOI／Acquisition price	3.5%	3.4%	▲ 0.1PT	3.1%	2.0%	▲ 1.1PT	4.3%	3.8%	▲ 0.5PT	4.7%	4.7%	0.0PT	3.9%	3.7%	▲ 0.2PT
Capex ④	9	8	▲ 1	6	5	▲ 0	14	21	6	-	-	-	106	44	▲ 62
NCF ③-④	464	454	▲ 10	76	47	▲ 28	31	18	▲ 13	93	93	▲ 0	3,853	3,790	▲ 62

(Note 1) Out of the amount of taxes imposed on portfolio properties including Property & City Planning Tax and Depreciable Property Tax, the amount of taxes paid in the 6th and 7th period were included as expenses. Under this accounting treatment, taxes for 6 months were included as expenses in each respective period.

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

7-11 Portfolio value

(Amount: mn yen)

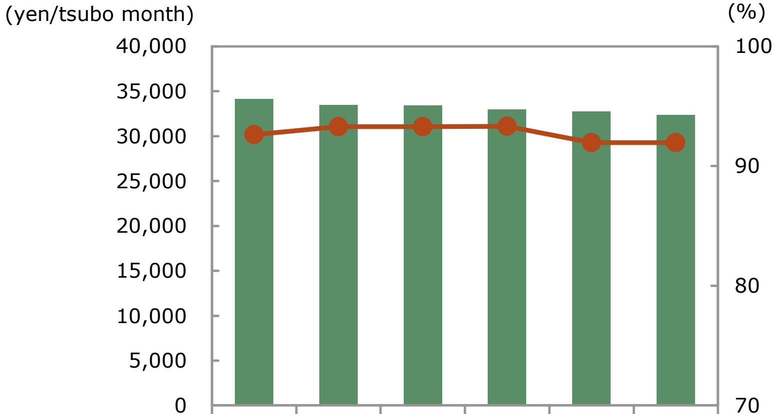
Type	Property name	Property No.	Acquisition price	Book value	As of end of 5th period (Jan. 31, 2009)		As of end of 6th period (Jul. 31, 2009)		As of end of 7th period (Jan. 31, 2010)		As of end of 8th period (Jul. 31, 2010)				Difference (②-①)	Difference (②/①-1) (%)	Unrealized capital gain (②-book value)
					Portfolio	Yield (direct capitalization method)	Portfolio	Yield (direct capitalization method)	①Portfolio	Yield (direct capitalization method)	②Portfolio	Yield (direct capitalization method)	Discount (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	6,810	6,864	-	-	-	-	(Note 4) 7,400	3.8%	7,410	3.8%	3.5%	4.0%	10	0.1	546
	Ark Mori Building (fixed I)	O-1-1	6,600	6,511	8,470	3.8%	7,890	3.7%	7,330	3.8%	7,340	3.8%	3.7%	4.2%	10	0.1	829
	Ark Mori Building (pass-through)	O-1-2	22,000	21,947	(Note 3) 17,100	3.6%	15,100	3.7%	13,700	3.8%	12,800	3.8%	3.7%	4.2%	▲ 900	▲ 6.6	▲ 9,147
	Ark Mori Building (fixed II)	O-1-3	3,400	3,431	-	-	-	-	(Note 4) 3,710	3.8%	3,710	3.8%	3.6%	4.1%	0	0.0	279
	Roppongi Hills Gate Tower	O-2	36,500	35,904	39,900	3.9%	37,500	3.9%	35,100	3.9%	33,500	3.9%	3.7%	4.2%	▲ 1,600	▲ 4.6	▲ 2,404
	Roppongi First Building	O-3	21,000	20,393	25,700	4.2%	24,100	4.3%	22,500	4.3%	21,200	4.3%	4.0%	4.5%	▲ 1,300	▲ 5.8	807
	Koraku Mori Building (Note 2)	O-4	27,200	26,408	34,160	4.5%	32,000	4.6%	29,920	4.6%	27,600	4.7%	4.3%	5.0%	▲ 2,320	▲ 7.8	1,192
	Toranomon 35 Mori Building	O-5	12,720	12,553	13,800	4.4%	12,800	4.5%	11,700	4.5%	11,000	4.5%	4.2%	4.7%	▲ 700	▲ 6.0	▲ 1,553
	Akasaka Tameike Tower	O-6	37,200	36,942	33,500	3.9%	31,300	3.9%	29,600	3.9%	26,600	3.9%	3.6%	4.1%	▲ 3,000	▲ 10.1	▲ 10,342
	Sub total		173,430	170,957	172,630	-	160,690	-	160,960	-	151,160	-	-	-	▲ 9,800	▲ 6.1	▲ 19,797
Residential	Moto-Azabu Hills	R-1	27,034	26,583	26,100	4.6%	23,900	4.7%	22,800	4.7%	22,000	4.7%	4.3%	4.9%	▲ 800	▲ 3.5	▲ 4,583
	Ark Forest Terrace	R-2	5,300	5,199	4,640	4.8%	4,350	4.9%	4,110	4.9%	3,830	4.9%	4.7%	5.1%	▲ 280	▲ 6.8	▲ 1,369
	Roppongi First Plaza	R-3	2,100	2,196	2,070	5.1%	1,960	5.2%	1,950	5.2%	1,880	5.2%	5.0%	5.4%	▲ 70	▲ 3.6	▲ 316
	Roppongi View Tower	R-4	4,000	3,966	3,610	5.1%	3,600	5.2%	3,280	5.3%	3,180	5.3%	5.1%	5.5%	▲ 100	▲ 3.0	▲ 786
	Sub total		38,434	37,946	36,420	-	33,810	-	32,140	-	30,890	-	-	-	▲ 1,250	▲ 3.9	▲ 7,056
Total			211,864	208,903	209,050	-	194,500	-	193,100	-	182,050	-	-	-	▲ 11,050	▲ 5.7	▲ 26,853

(Note 1) "Appraisal values" as of end of each period are based on the REIT's calculation rules, asset valuation methods & standards defined by the Business Regulation (Kiyaku), rules defined by the Investment Trust Association (Toshin Kyokai), and the property appraisal reports created by Japan Real Estate Institute (Fudoken).
(Note 2) Koraku Mori Bldg's Acquisition price and Book value are based on the appraisal value stated in the research report multiplied by the REIT's portion of Joint ownership in the quasi-undivided interests of the Trust beneficiary interests (80%).
(Note 3) During the 4th Period, we have acquired 75% of the Joint ownership in the quasi-undivided interests of the Trust beneficiary interests, and in the 5th period, the remaining 25%.
(Note 4) Appraisal values as of end of 7th period for Roppongi Hills Mori Tower and Ark Hills Building (fixed type II) are based on the appraisal value as of Jan. 31, 2010 stated in the research report obtained when MHR acquired two properties on March 23, 2010.

7-12 Tenant status during the 8th period

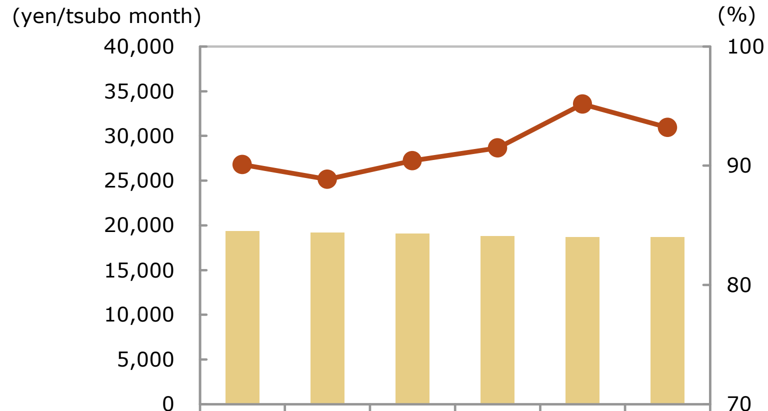
HILLS REIT

Office: Rent and occupancy rate



	10/02	10/03	10/04	10/05	10/06	10/07
Rent (leasable floors)	34,145	33,483	33,466	32,979	32,757	32,336
Occupancy rate	92.6	93.3	93.3	93.3	92.0	92.0

Residential: Rent and occupancy rate



	10/02	10/03	10/04	10/05	10/06	10/07
Rent (leasable floors)	19,381	19,202	19,076	18,789	18,672	18,666
Occupancy rate	90.1	88.9	90.4	91.5	95.2	93.2

Top 10 tenants

Tenant	Property name	Leased space (㎡)	% of total space
Japan Racing Association	Roppongi Hills Gate Tower	9,821.62	9.9
Mori Building Co., Ltd	Roppongi Hills Mori-Tower Ark Mori Building (fixed I, fixed II), Koraku Mori Building, Moto-Azabu Hills	6,721.16	6.8
OMRON Corporation	Toranomon 35 Mori Building （OMRON Tokyo Headquarters Building）	6,720.34	6.8
Urban Renaissance Agency	Roppong View Tower	6,344.84	6.4
Mercedes-Benz Japan Co., Ltd.	Roppongi First Building	2,733.49	2.8
Regus Japan	Ark Mori Building (pass-through)	2,673.21	2.7
Alcon Japan Ltd.	Akasaka Tameike Tower	2,635.02	2.7
Japan Worker's Credit Fund Association	Koraku Mori Building	2,384.61	2.4
AstraZeneca K.K.	Koraku Mori Building	2,245.06	2.3
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88	2.1
Total		44,396.23	44.8

(Note) As of Jul. 31, 2010

(Note) The definitions of the Office and Residential categories used in these materials differ from those used in discussions of operating rates on Mori Hills REIT Investment Corporation’s website. In these materials, Office and Residential figures are compiled using individual figures for all office and residential properties in which Mori Hills REIT Investment Corporation has invested. Figures on Mori Hills REIT Investment Corporation’s website are defined as per Portfolio Overview (page 43)

7-13 Debt status (as of July 31, 2010)

HILLS REIT

	Lender	Lender Loan balance	Rate of interest	Borrowing date	Maturity date	Remarks
Short-term	Mitsubishi UFJ Trust and Banking Corporation Mizuho Corporate Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	5,500	1.21%	Aug. 31, '09	Aug. 31, '10	Unsecured, non-guaranteed
Short-term	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	3,010	1.21%	Mar. 29, '10	Mar. 29, '11	Unsecured, non-guaranteed
	Sub-total	8,510	-	-	-	-
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Shinsei Bank, Limited The Norinchukin Bank	8,000	1.38% (Note1)	Nov. 30, '07	Nov. 30, '10	Unsecured, non-guaranteed
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	5,000	1.35% (Note 1)	Nov. 30, '07	Nov. 30, '10	Unsecured, non-guaranteed
Long-term	Mitsubishi UFJ Trust and Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd. The Sumitomo Trust and Banking Co., Ltd. Shinsei Bank, Limited Sumitomo Mitsui Banking Corporation	5,000	1.23% (Note 1)	Mar. 28, '08	Feb. 28, '11	Unsecured, non-guaranteed
Long-term	Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Aozora Bank, Ltd. Resona Bank, Ltd.	17,000	1.50% (Note 1)	Sep. 30, '08	Aug. 31, '11	Unsecured, non-guaranteed
Long-term	Aozora Bank, Ltd.	2,000	1.62% (Note 1)	Sep. 30, '08	Aug. 31, '12	Unsecured, non-guaranteed
Long-term	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	10,000 5,000 5,000	1.49% 1.96% (Note 1)	Nov. 28, '08	May. 31, '11	Unsecured, non-guaranteed
Long-term	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	5,000	2.16% (Note 1)	Nov. 28, '08	May. 31, '12	Unsecured, non-guaranteed
Long-term	Development Bank of Japan Inc.	1,900 (Note 2)	2.04%	Mar. 27, '09	Mar. 27, '12	Unsecured, non-guaranteed
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500	1.61%	Aug. 31, '09	Aug. 31, '12	Unsecured, non-guaranteed
Long-term	The Bank of Fukuoka, Ltd.	2,000	1.41%	Nov. 30, '09	Nov. 30, '11	Unsecured, non-guaranteed
Long-term	The Norinchukin Bank	3,000	1.41%	Nov. 30, '09	Nov. 30, '11	Unsecured, non-guaranteed
Long-term	Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	8,000	1.51%	Nov. 30, '09	May. 31, '12	Unsecured, non-guaranteed
Long-term	Shinsei Bank, Limited Mizuho Corporate Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation The Sumitomo Trust and Banking Co., Ltd. Sumitomo Mitsui Banking Corporation	9,500	2.02% (Note 1)	Nov. 30, '09	Nov. 30, '12	Unsecured, non-guaranteed
Long-term	Development Bank of Japan Inc.	2,437.5 (Note 3)	2.34%	Nov. 30, '09	Nov. 29, '13	Unsecured, non-guaranteed
	Sub-total	80,337	-	-	-	-
Total		88,847	-	-	-	-

(Note 1) MHR has entered an interest swap agreement with a floating rate for a notional principal. The interest rates above are the actual fixed interest rates that will be paid.
(Note 2) Planning to repay JPY50mn every 6 months up to repayment deadline, and JPY1,750mn at the repayment deadline
(Note 3) Planning to repay JPY62.5mn every 6 months up to repayment deadline, and JPY2,062.5mn at the repayment deadline

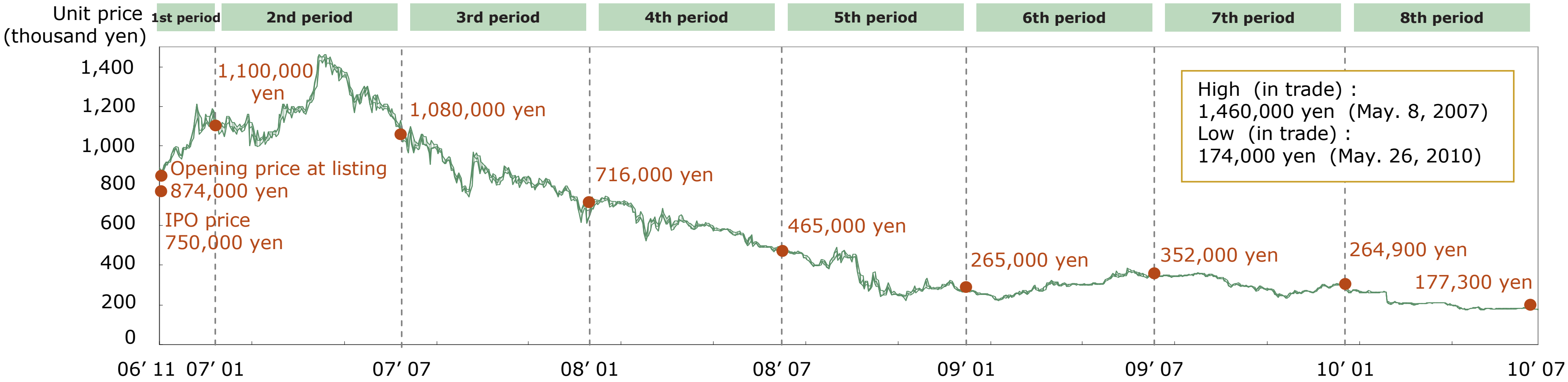
Investment corporation bonds

		Issue amount	Rate of Interest	Payment date	Maturity date
Investment corporation bonds	1st	7,000	1.56%	Nov. 29, '07	Nov. 29, '12
	2nd	3,000	1.77%	Nov. 29, '07	Nov. 28, '14
	3rd	5,000	1.38%	May. 27, '10	May. 27, '13
	4th	5,000	1.95%	May. 27, '10	May. 27, '15
Total		20,000	-	-	-

7-14 Unit price performance

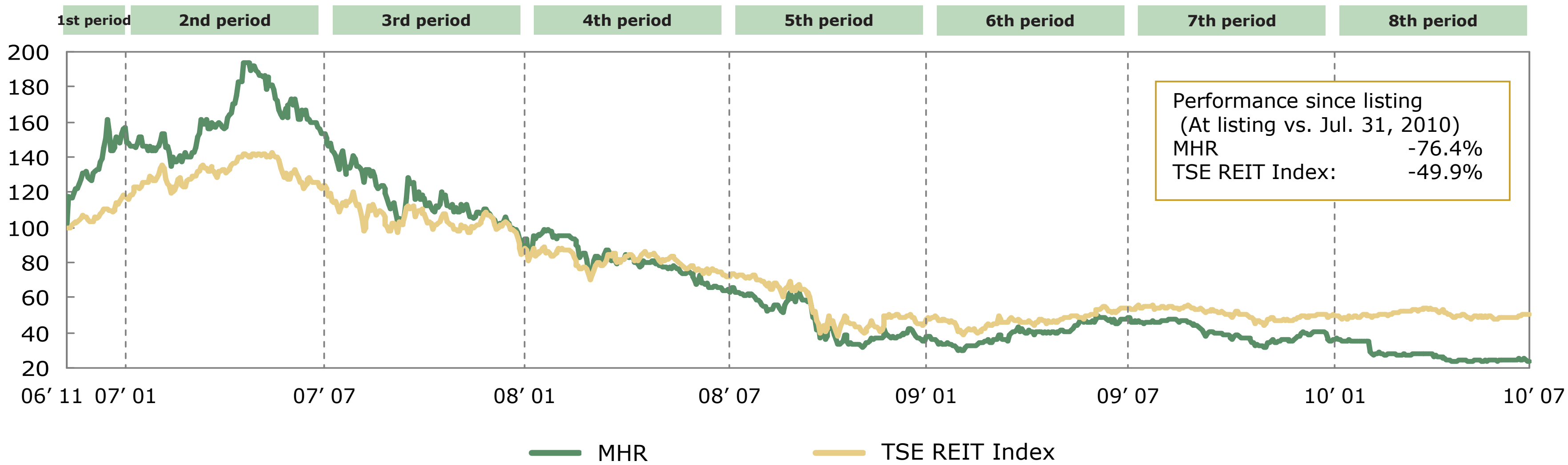
HILLS REIT

Since IPO ~ End of the 8th period (Jul. 31, 2010)



Source: Bloomberg

Relative price performance (Since IPO~Jul. 31, 2010)



Source: Bloomberg

Note: Rebased to 100 as per IPO price

7-15 Investment criteria

HILLS REIT

Focus on Premium Properties

MHR seeks to maintain the exceptional level of quality of its portfolio while aggressively expanding. To that end, MHR has established a high standard for "Premium Properties" which are to comprise at least 50% of the portfolio.

Premium Properties = Located mainly in central five wards in Tokyo (especially Minato-ku) + Large scale + High-grade specifications

Focus on Premium Properties

Premium properties
50% or more
〈Office buildings〉
〈Residential〉
〈Retail〉

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

	Location	Scale
Office building	Central five wards in Tokyo and their vicinity	Gross floor area of 10,000㎡ or more per-building Standard rentable floor area of 1,000㎡ or more
Residential	Central five wards in Tokyo and their vicinity (Primarity in the "three-A" area)	Gross floor area of 2,000㎡ or more
Retail	〈Department stores, downtown shopping centers, large specialty stores & retail complexes〉	
	Flourishing areas of central five wards in Tokyo and their vicinity	Gross floor area of 10,000㎡ or more per-building
	〈Street front luxury brand shops, etc.〉	
	Exclusive, well-known retail destinations	Gross floor area of 1,000㎡ or more per-building

* "Tokyo central five wards" include: Minato-ku, Chiyoda-ku, Chuo-ku, Shinjuku-ku and Shibuya-ku

* "Three-A" areas include: Akasaka/Roppongi area, Aoyama/Harajuku area, and Azabu/Hiroo area

* Ratios are based on the acquisition price.

Office building focus

Office building
50% or more

Residential and retail 50% or less

Tokyo central five wards focus

Central five wards in Tokyo and their vicinity
50% or more

Tokyo Area (Tokyo/Kanagawa/Chiba/Saitama) 80% or more

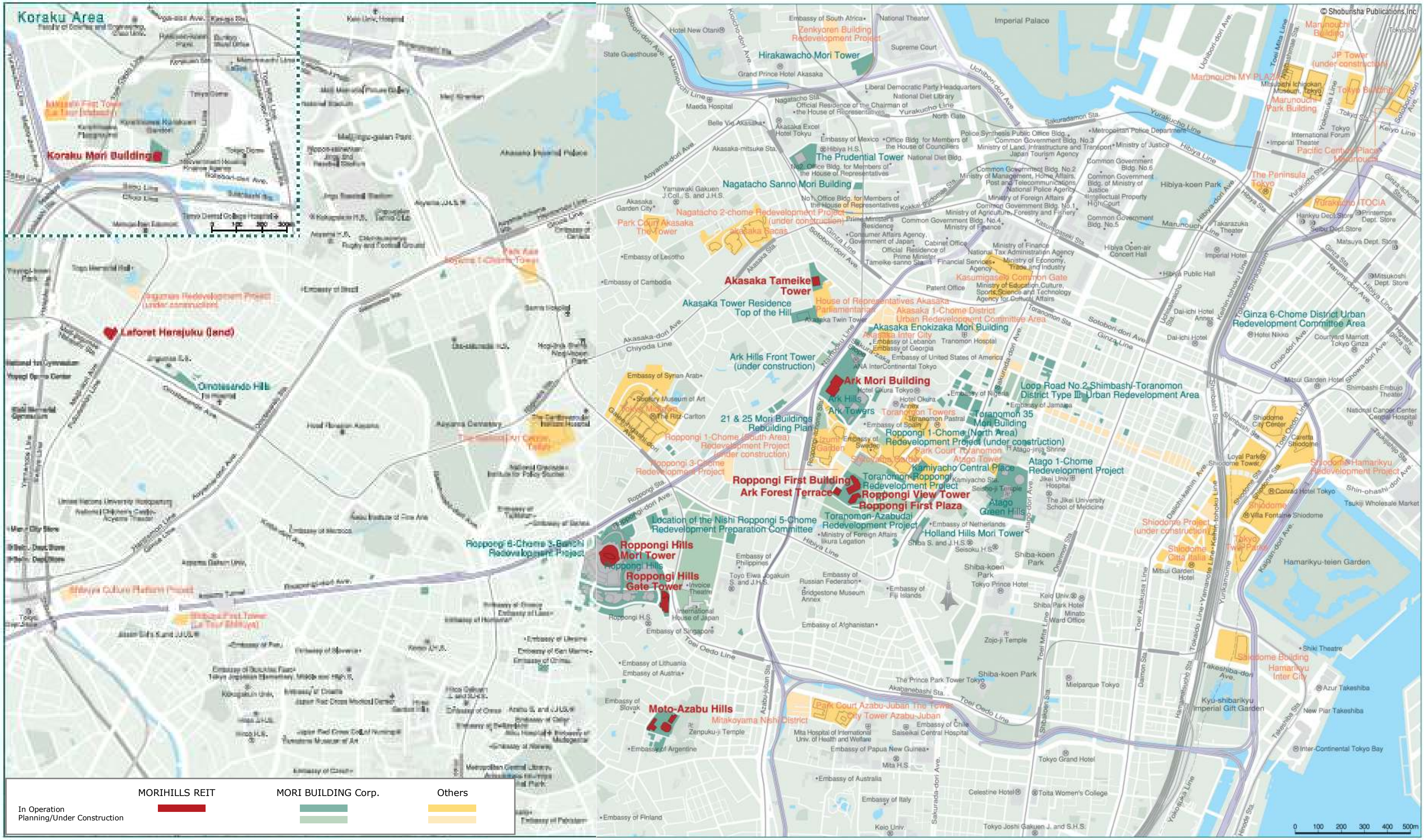
Other major cities (Major cities in areas other than Tokyo area) 20% or less

Earthquake-resistance

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

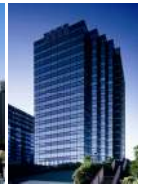
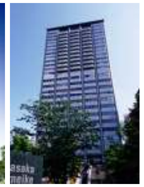
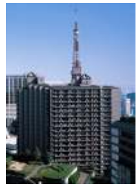
7-16 Portfolio Map

HILLS REIT



7-17 Portfolio overview (As of September 15, 2010)

HILLS REIT

Type		Office building								Residential						Retail
Premium		Premium	Premium			Premium	Premium	Premium	Premium	Premium			Premium	Premium	-	Premium
Property name		Roppongi Hills Mori Tower	ARK Mori Building (Fixed I)	ARK Mori Building (pass -through)	ARK Mori Building (Fixed II)	Roppongi Hills Gate Tower	Roppongi First Building	Koraku Mori Building	Akasaka Tameike Tower	Moto-Azabu Hills Forest Tower	Moto-Azabu Hills Forest Terrace East	Moto-Azabu Hills Forest Terrace West	Ark Forest Terrace	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (land)
		O-0	O-1-1	O-1-2	O-1-3	O-2	O-3	O-4	O-6	R-1			R-2	R-3	R-4	S-1
Photo																
Location		Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo			Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo			Roppongi, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Sibuya-ku, Tokyo
Completion		Apr. 2003	Mar.1986 (large-scale renovation in 2005)			Oct. 2001	Oct. 1993	Mar. 2000	Aug. 2000	May. 2002		Sep. 2002	Jan. 2001	Oct. 1993		–
Building age		7 years and 5 months	24 years and 5 months			8 years and 10 months	16 years and 10 months	10 years and 5 months	10 years and 0 months	8 years and 4 months		8 years and 0 months	9 years and 7 months	16 years and 10 months		–
Number of stories		54 above ground, 6 below	37 above ground, 4 below			15 above ground, 2 below	20 above ground, 4 below	19 above ground, 6 below	25 above ground, 2 below	29 above ground, 3 below	6 above ground, 1 below	5 above ground, 1 below	11 above ground, 2 below	20 above ground, 1 below		–
Gross floor area		c. 442,150㎡	c. 177,486㎡			c. 29,111㎡	c. 45,753㎡	c. 46,154㎡	c. 46,971㎡	c. 54,006㎡			c. 9,125㎡	c. 22,906㎡		–
Owner -ship	Land	Co-ownership (c. 0.9%)	Co-ownership (c. 1.3%)	Co-ownership (c. 2.6%)	Co-ownership (c. 0.6%)	Ownership (100%)	Co-ownership (46%)	Leased land	Co-ownership (c. 35.5%)	Co-ownership (c. 37.3%)			Ownership (100%)	Co-ownership (c. 47%)	Co-ownership (46%)	Ownership (100%)
	Building	Co-ownership (c. 0.7%)	Compartmentalized ownership (c. 1.9%)	Compartmentalized ownership (c. 3.8%)	Co-ownership (c. 0.9%)	Compartmentalized ownership (100%)	Co-ownership (46%)	Compartmentalized ownership (c. 57.9%)	Compartmentalized ownership (35.4%)	Compartmentalized ownership (c. 42.6%)			Compartmentalized ownership (100%)	Compartmentalized ownership (c. 46.4%)	Co-ownership of compartmentalized (46%)	–
PML		0.29%	0.38%			1.29%	2.07%	0.42%	2.15%	1.16%	1.72%	5.78%	1.60%	3.53%	3.53%	–
Earthquake -resistant feature		Seismic Damping	–			Seismic Damping	–	Seismic Damping	Seismic Damping	Seismic Isolators	Seismic Isolators	–	Seismic Isolators	–		–
Acquisition price (mn yen)		6,810	6,600	22,000	3,400	36,500	21,000	27,200	37,200	17,970			5,300	2,100	4,000	21,820
Occupancy rate		100%	100%	81.6%	100%	98.7%	84.0%	91.9%	89.7%	94.1%			92.9%	72.2%	100%	–

Average building age 13yr **Portfolio PML 0.82%** **Total acquisition price 211,900 mn yen**

(Note) "Ownership" indicates the type of rights owned by MHR or the trust fiduciary. Moreover, "Ownership" indicates ownership, "Co-ownership" indicates co-ownership, "Compartmentalized ownership" indicates ownership of exclusive use areas of compartmentalized ownership buildings (i.e. compartmentalized ownership) and "Leased" indicates leasehold rights.