

<Attachment 1>

Mori Building Co., Ltd.

Report on Financial Results  
for FY 2006 (the year ended March 2007)

From April 1, 2006

To March 31, 2007

(1) Overview of Consolidated/Nonconsolidated  
Settlement of Accounts

(2) Report on Consolidated Settlement of Accounts

(3) Report on Nonconsolidated Settlement of Accounts

Mori Building Co., Ltd.

## (1) Overview of the Mori Building Group

The primary lines of business of the Mori Building Group, comprising Mori Building Co., Ltd. and 23 affiliates (made up of 20 consolidated subsidiaries and three equity-method affiliates), are described below.

Beginning this fiscal year, the revenue segments previously used (revenue from leased property management, revenue from property sales, revenue from contracted works and design/supervision operations, revenue from hotel operations, revenue from service operations, and revenue from related operations) have been changed to the segments shown below:

<Buildings business> (previously categorized as revenue from leased property management operations, revenue from contracted works and design/supervision operations, revenue from service operations, and revenues from related operations):

In addition to managing the leasing of office, residential, retail, and parking properties centered on urban environments such as Ark Hills and Roppongi Hills, Mori Building Co., Ltd. also conducts town-management businesses for the purpose of increasing added value to properties. Examples include the operation of cultural facilities such as the Mori Art Museum and other event venues. Mori Building Co. Ltd. also handles the following related operations: contracted works centered on interior finishing when tenants move into or out of Mori Building properties; the supply of area heating, air conditioning, and electricity through its consolidated subsidiary Roppongi Energy Service Co., Ltd.; and lease management for the VenusFort commercial facility through its equity-method affiliate VenusFort, Inc.

<Asset development and management business> (previously categorized as revenue from property sales):

In addition to trading in real estate, Mori Building Co., Ltd. invests in the equity shares of specific-purpose entities, special-purpose corporations, and real-estate investment trusts and also provides asset brokerage and management services.

<Property management business> (previously categorized as revenue from leased property management operations, revenue from property sales, and revenues from related operations):

In addition to providing real-estate asset-management services and property-management services, Mori Building provides urban-development consulting services through its consolidated subsidiary Mori Urban Planning Corp. Mori Building Investment Management Co., Ltd. also provides asset-management services on behalf of investment corporations.

<Facilities operating business> (previously categorized as revenue from hotel operations and revenues from related operations):

Mori Hospitality Corp. (a consolidated subsidiary) manages hotels; Shishido Golf Club Co., Ltd. (a consolidated subsidiary) manages a golf course; and Hills Club, Inc. (a consolidated subsidiary) manages private clubs for members only and provides spa facilities for use by residents of Mori Building's rental residential properties. Equity-method affiliate Prime Stage Co., Ltd. provides health care services for the elderly at the SACRAVIA Seijo residential facility.

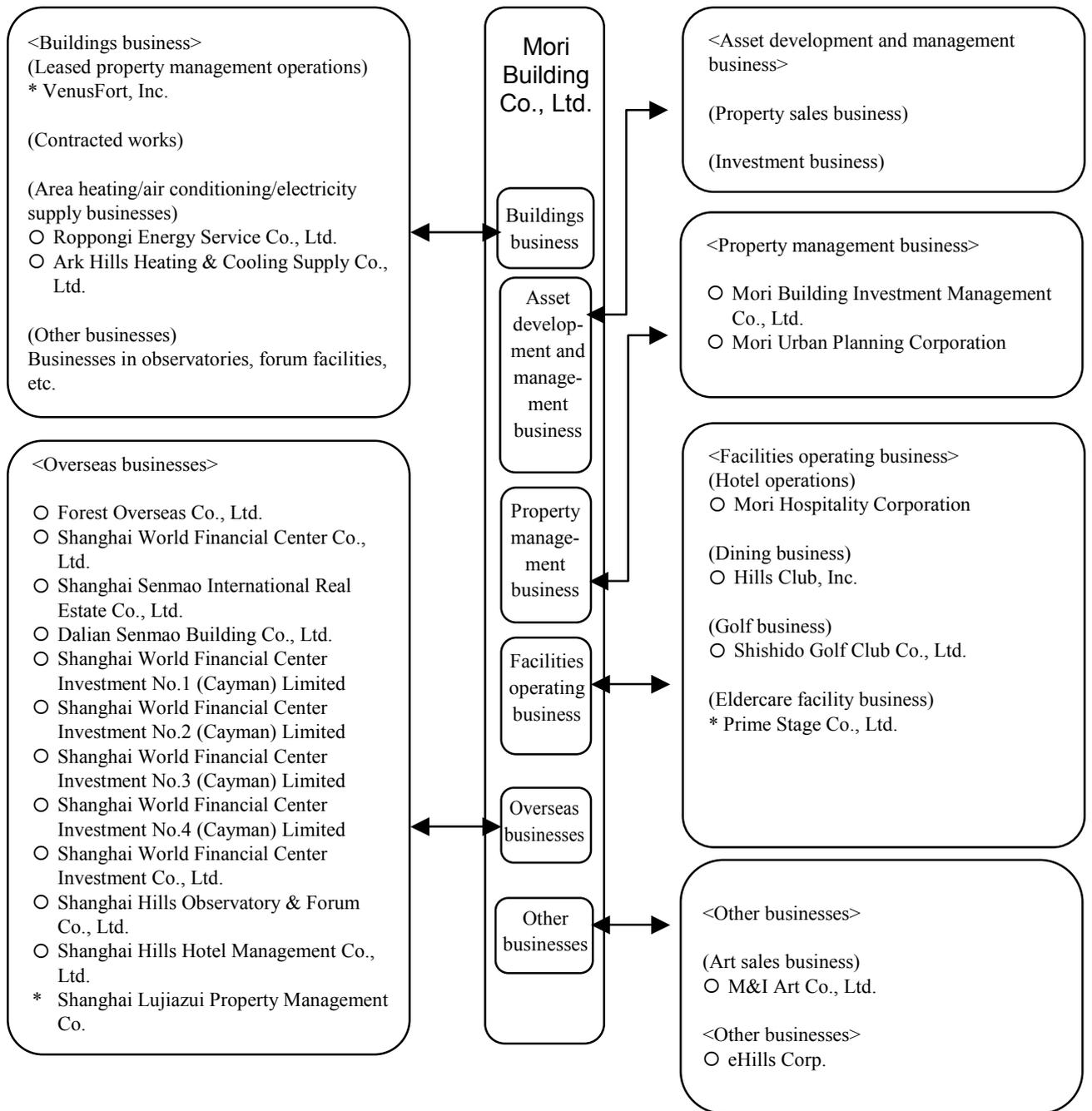
<Overseas businesses> (previously categorized as revenue from leased property management operations and revenue from related operations):

In Shanghai, China, Shanghai Senmao International Real Estate Co., Ltd. (a consolidated subsidiary) manages the leasing of office and retail space, while Shanghai World Financial Center Co., Ltd. (a consolidated subsidiary) is constructing a 101-story high-rise multipurpose building with facilities that include offices, a conference space, a hotel, shops, and an observatory, all of which boast state-of-the-art specifications. In Dalian, China, Dalian Senmao Building Co., Ltd. (a consolidated subsidiary) manages the leasing of offices and retail space.

<Other businesses> (previously categorized as revenue from related operations):

eHills Corp. (a consolidated subsidiary) provides information-technology services, and M&I Art Co., Ltd. (a consolidated subsidiary) is engaged in the sale of art work and provides related consulting services.

[Mori Building Group Segments Diagram]



Note: ○ consolidated subsidiary, \* equity-method affiliate

## (2) Overview of business performance in FY 2006

In fiscal year 2006, the performance of office, residential, and commercial properties — led by Roppongi Hills, Ark Hills, and Atago Green Hills — remained strong from the previous year, while Omotesando Hills, a commercial facility that opened in the Jingumae area of Tokyo's Shibuya Ward in February 2006, also performed strongly throughout the entire year. As a result, Mori Building was able to grow its rental revenue substantially. In addition, gains were booked through the listing of Mori Hills REIT Investment Corp. in November 2006; large gains were also realized on the sale of fixed assets in connection with the replacement of previously held assets.

As a result, operating revenue totaled 159.1 billion yen compared to 152.7 billion yen in the previous fiscal year, while operating profit rose to 42.3 billion yen, reflecting an increase of 4.7 billion yen over the previous year's 37.6 billion yen.

These increases in operating revenue and operating profit, in addition to improvements in nonoperating income, contributed to ordinary profit of 28.4 billion yen, an increase of 5.5 billion yen over the previous year's 22.9 billion yen. In addition, the Group booked gains of 64.2 billion yen on the sale of fixed assets and gains of 7.7 billion yen on the sale of investment securities, in connection with the listing of Mori Hills REIT Investment Corp.

Overall, current net profit totaled 54.7 billion yen, compared to 11.1 billion yen in the previous year.

- 1) In the buildings business, both office and residential properties saw rising rent levels and maintained high occupancy rates. In addition, Omotesando Hills, which opened in February 2006, maintained strong performance throughout this fiscal year. As a result, this segment recorded revenue of 123.8 billion yen, reflecting an increase of 4.9 billion yen over the previous fiscal year.
- 2) The asset development and management business recorded revenue of 3.6 billion yen. While revenue from property sales was 500 million yen, a further 2 billion yen was booked on the settlement of private-equity funds, together with 1 billion yen in dividends from special-purpose corporations. In the future, the Group intends to continue aggressive investment through special-purpose corporations.
- 3) The property management business recorded revenue of 7 billion yen, reflecting an increase of 3.2 billion yen over the previous year. A primary factor contributing to this performance was the capitalization by Mori Building Investment Management Co., Ltd. of 2.6 billion yen on the settlement of private-equity funds.
- 4) The Grand Hyatt Tokyo, the Shishido Kokusai Golf Club, and the membership-based club business all performed well, and the facilities operating business recorded revenue of 21.8 billion yen, roughly the same as in the previous year.
- 5) Overseas businesses recorded revenue of 4.8 billion yen, reflecting a slight increase of 300 million yen over the previous year. The performance of offices and shops in the Chinese cities of Shanghai and Dalian, for which this business handles lease management services, was largely unchanged from the previous year.

## (3) An overview of business results for the next term (ending March 2008)

Operating revenue is projected to reach 164.5 billion yen (an increase of 3.4% over this year's 159.1 billion yen) in the next fiscal year.

- 1) In the buildings business, revenue from leased property management is projected to increase as existing properties maintain high occupancy rates and enjoy rising rent levels. In addition, revenue from contracted works when tenants move in and out of buildings is projected to increase. As a result, this segment is projected to record revenue of 129 billion yen (an increase of 4.2% over this year's 123.8 billion yen).
- 2) The asset development and management business is projected to record revenue of 12.2 billion yen (an increase of 237.3% over this year's 3.6 billion yen) due to projected increases in property sales revenue as well as increases in dividends due to rising rents from sources such as specific-purpose entities, special-purpose corporations, and real-estate investment trusts.
- 3) In the property management business, although property-management revenue is projected to increase due to high occupancy rates at managed properties and rising rents, a decrease in revenue is expected due to a lack of extraordinary factors from the previous year such as increased revenue from operating companies due to the listing of Mori Hills REIT Investment Corp. As a result, revenue of 4 billion yen is expected, a decrease of 43.5% from this year's 7 billion yen.
- 4) The Grand Hyatt Tokyo is projected to see continued high occupancy rates, and businesses including the

Shishido Kokusai Golf Club and the membership-based club business are projected to maintain their strong performance. As a result, the facilities operating business is projected to record revenue of 22.9 billion yen (an increase of 4.9% over this year's 21.8 billion yen).

- 5) Overseas businesses are projected to record revenue of 5.2 billion yen (an increase of 6.3% over this year's 4.8 billion yen), due to continued strong performance of the properties currently in operation.
- 6) In other businesses, revenue is projected to decrease due to a lack of extraordinary factors from the previous year such as revenue from the sale of artworks, leading to a projected revenue figure typical of the average year: 1.6 billion yen (a decrease of 52.6% from this year's 3.3 billion yen).

For some buildings currently in operation, the depreciation method for building equipment will change from the straight-line method to the declining balance method starting from fiscal year ending March 2008. As a result of this change, operating expenses are projected to increase by 5 billion yen.

As a result of the above factors, in the next fiscal year ordinary profit is projected to total 23.5 billion yen (a decrease of 17.5% from this year's 28.4 billion yen), and current net profit is projected to total 11.8 billion yen (a decrease of 78.4% from this year's 54.7 billion yen).

#### (4) Future challenges

In keeping with the transition from an industrialized society to an information society, the Mori Building Group has established a number of corporate goals: "Safety and Security: Cities That Withstand Earthquakes," "Environment and Greenery: Where the City and Nature Flourish Together," and "Culture and Art: Where Creativity and New Possibilities Are Born." From a long-term, global perspective, the Mori Building Group's overall mission is to contribute to society by creating comfortable and attractive urban redevelopments, both through the development of new buildings and the provision of world-class culture venues and services.

In addition to advancing with redevelopment projects aimed at creating new urban environments in areas such as Toranomon, - Roppongi Area, and the southeastern district of Hirakawa-cho 2-chome in Tokyo, the Mori Building Group is making progress on large-scale development projects in locations such as the northern area of the Yokohama Kitanaka-dori district.

The Shanghai World Financial Center (location: Shanghai, China; total floor area: 381,600 square meters; construction planned for completion in spring 2008) is a development project centered on a super high-rise building located in the Shanghai Lujiazui Finance Trade Center Area. This project is being developed as a business and financial center for Asia under the leadership of the Chinese government in Shanghai's Pudong Area. The main building, rising 101 stories above the ground (492 meters in height), will be a "vertical multipurpose city" complex featuring facilities including office space with state-of-the-art specifications, a top-of-the-line luxury hotel, a diverse range of shops, the world's highest observation deck, and forum facilities designed to host international conferences and exhibitions. Planned for occupancy by primary office tenants consisting of global financial conglomerates and similar firms, this project will contribute to Shanghai's new role as an international financial center and also draw a large number of sightseers from China and around the world. The building's framework is planned for completion in autumn 2007, with construction planned for completion in spring 2008, before the attention of the world turns to China as it hosts the Beijing Olympics.

With regard to the Group's organization, in addition to improving and strengthening internal controls (e.g., by attaining ISO9001 certification in March 2006), Mori Building is working to improve its financial standing by increasing its cash flow and securing new sources of funds for debt repayment.

## (1) Overview of Consolidated/Nonconsolidated Financial Statement

## 1. Consolidated business performance in FY 2006 (April 1, 2006 - March 31, 2007)

## 1) Consolidated business performance

Note: Amounts less than one million are omitted. The same applies to the following tables.

	Sales		Operating profit		Ordinary profit	
	(Million of yen)		(Million of yen)		(Million of yen)	
FY 2006	159,152	4.2%	42,394	12.6%	28,480	24.0%
FY 2005	152,763	-1.7%	37,654	11.0%	22,960	24.7%

	Current net profit		Current net profit per share	Ratio of current net profit to equity capital	Ratio of ordinary profits to total shareholder's equity	Ratio of ordinary profits to sales
	(Million yen)		Yen Sen			
FY 2006	54,751	393.2%	273,758.34	41.5%	2.6%	26.6%
FY 2005	11,101	97.3%	55,509.08	12.1%	2.2%	24.6%

## (Reference)

Loss on investments in equity-method affiliates

FY 2006: 41 million yen

FY 2005: 64 million yen

## 2) Consolidated financial status

	Total assets	Net assets	Equity ratio	Net assets per share
	(Million of yen)	(Million of yen)		Yen Sen
FY 2006	1,124,436	182,965	14.6%	820,500.40
FY 2005	1,034,806	135,547	9.6%	498,338.88

## (Reference)

Shareholders' equity FY 2006: 164,100 million yen FY 2005: 99,667 million yen

## 3) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 20

1. Forest Overseas Co., Ltd.
2. Hills Club, Inc.
3. Mori Hospitality Corporation
4. Mori Building Investment Management Co., Ltd.
5. Mori Urban Planning Corporation
6. M&I Art Co., Ltd.
7. Shishido Golf Club Co., Ltd.
8. Roppongi Energy Service Co., Ltd.
9. Ark Hills Heating & Cooling Supply Co., Ltd.
10. eHills Corporation
11. Shanghai World Financial Center Investment No.1 (Cayman) Ltd.
12. Shanghai World Financial Center Investment No.2 (Cayman) Ltd.
13. Shanghai World Financial Center Investment No.3 (Cayman) Ltd.
14. Shanghai World Financial Center Investment No.4 (Cayman) Ltd.
15. Shanghai World Financial Center Co., Ltd.
16. Shanghai Senmao International Real Estate Co., Ltd.
17. Dalian Senmao Building Co., Ltd.
18. Shanghai Hills Observatory & Forum Co., Ltd.
19. Shanghai Hills Hotel Management Co., Ltd.
20. Shanghai World Financial Center Investment Co., Ltd.

Number of equity-method affiliates: 3

1. Prime Stage Co., Ltd.
2. VenusFort, Inc.
3. Shanghai Lujiazui Property Management Co.

## 4) Changes in scope of consolidation and application of equity method

Consolidated subsidiaries (new): 3

1. Shanghai Hills Observatory & Forum Co., Ltd.
2. Shanghai Hills Hotel Management Co., Ltd.
3. Shanghai World Financial Center Investment No.4 (Cayman) Ltd.

Equity-method affiliates (excluded): 1

1. Shanghai World Financial Center Investment Co., Ltd.

Companies removed from ranks of equity-method affiliates: 1

1. Shanghai World Financial Center Investment Co., Ltd.

## 2. Consolidated forecast for FY 2007 (April 1, 2007 - March 31, 2008)

	Sales	Operating profit	Ordinary profit	Current net profit	Current net profit per share
	(Million of yen)	(Million of yen)	(Million of yen)	(Million of yen)	Yen Sen
Full business year	164,500	38,000	23,500	11,800	59,000.00

3. Other notes

1) Total shares issued and outstanding (common stock):

Total shares issued and outstanding at yearend: FY 2006: 200,000 shares FY 2005: 200,000 shares

4. Nonconsolidated business performance in FY 2006 (April 1, 2006 - March 31, 2007)

1) Nonconsolidated business performance

Note: Amounts less than one million are omitted. The same applies to the following tables.

	Sales		Operating profit		Ordinary profit	
	(Million of yen)		(Million of yen)		(Million of yen)	
FY 2006	124,865	1.1%	34,892	10.4%	22,430	24.1%
FY 2005	123,565	-0.4%	31,593	5.1%	18,079	11.2%

	Current net profit		Current net profit per share	
	(Million of yen)		Yen Sen	
FY 2006	51,838	765.7%	259,192.84	
FY 2005	5,988	181.7%	29,940.06	

2) Nonconsolidated financial status

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Million of yen)	(Million of yen)		Yen Sen
FY 2006	1,037,262	149,719	14.4%	748,598.58
FY 2005	950,467	92,714	9.8%	463,571.01

(Reference)

Shareholders' equity FY 2006: 149,719 million yen FY 2005: 92,714 million yen

3) Projected nonconsolidated business performance in FY 2007 (April 1, 2007 - March 31, 2008)

	Sales	Operating profit	Ordinary profit	Current net profit	Current net profit per share
	(Million of yen)	(Million of yen)	(Million of yen)	(Million of yen)	Yen Sen
Full year	138,800	33,300	20,900	10,400	52,000.00

Business performance projections in this and other documents are based on information available at the time this document was released, and a number of assumptions had to be made concerning factors that could affect future business performance. Actual business performance may vary considerably from these projections.



## (2) Report on Consolidated Settlement of Accounts

## (2) - 2: Consolidated comparative income statement

(Units: million of yen)

Account	March 2006	March 2007	Change
Operating revenue	152,763	159,152	6,389
Cost of operating revenue	91,978	91,812	△ 166
Gross operating profit	60,784	67,339	6,555
Sales, general and administrative expenses	(23,130)	(24,944)	(1,814)
Operating profit	37,654	42,394	4,740
Non-operating revenue	(5,406)	(3,823)	(△1,583)
Interest income	189	360	171
Dividend income	1,311	109	△ 1,202
Others	3,905	3,353	△ 552
Non-operating expenses	(20,100)	(17,737)	(△2,363)
Interest expenses	13,389	12,873	△ 516
Loss on investment in equity-method companies	64	41	△ 23
Other non-operating expenses	6,646	4,823	△ 1,823
Ordinary profit	22,960	28,480	5,520
Extraordinary income	(6,781)	(72,601)	(65,820)
Gain on sale of fixed assets	2,502	64,294	61,792
Others	4,278	8,307	4,029
Extraordinary loss	(7,653)	(1,351)	(△6,302)
Loss on disposal of fixed assets	6,206	606	△ 5,600
Others	1,447	745	△ 702
Current net profit before income taxes	22,088	99,730	77,642
Corporate, inhabitants' and enterprise taxes	10,748	19,990	9,242
Tax adjustment	△ 327	24,491	24,818
Interest of minority shareholders	564	496	△ 68
Current net profit	11,101	54,751	43,650



## (3) Report on Nonconsolidated Settlement of Accounts

## (3) - 2: Nonconsolidated comparative income statement

(Units: million of yen)

Account	March 2006	March 2007	Change
Operating revenue	123,565	124,865	(1,300)
Cost of operating revenue	77,030	74,127	△ 2,903
Gross operating profit	46,535	50,737	4,202
Sales, general and administrative expenses	(14,942)	(15,845)	903
Operating profit	31,593	34,892	3,299
Non-operating revenue	(5,422)	(4,738)	△ 684
Interest income	338	556	218
Dividend income	1,341	779	(△562)
Others	3,743	3,402	△ 341
Non-operating expenses	(18,936)	(17,201)	△ 1,735
Interest expense	12,940	12,495	△ 445
Others	5,995	4,705	△ 1,290
Ordinary profit	18,079	22,430	(4,351)
Extraordinary profit	(6,884)	(72,588)	65,704
Gains on sale of fixed assets	2,502	64,294	(61,792)
Others	4,382	8,294	3,912
Extraordinary loss	(10,619)	(1,695)	(△8,924)
Loss on impairment of assets	6,206	605	△ 5,601
Others	4,413	1,090	△ 3,323
Current net profit before income taxes, etc.	14,344	93,323	78,979
Corporate, inhabitants' and enterprise taxes	9,047	16,884	7,837
Tax adjustment	△ 691	24,600	25,291
Current net profit	5,988	51,838	45,850