

For Translation Purposes Only

Real Estate Investment Fund Issuer:
Mori Hills REIT Investment Corporation
(Securities Code: 3234)
1-12-32 Akasaka, Minato-ku, Tokyo
Hideyuki Isobe, Executive Director

Asset Manager:
Mori Building Investment Management Co., Ltd.
Hideyuki Isobe, President & CEO
Inquiries: Ryosuke Kanazawa
General Manager, Planning Department
TEL: +81-3-6234-3234

MHR Announces Transaction with a Related Party (Mori Building Co., Ltd.)
(ARK Mori Building)

Mori Hills REIT Investment Corporation (hereafter “MHR”) announced that Mori Building Investment Management Co., Ltd. (hereafter “MIM”), to which MHR entrusts its asset management, decided today to conduct a transaction with a related party, etc. as stipulated in the Act on Investment Trusts and Investment Corporations (hereafter “Investment Trusts Act”). The details are as follows.

1. Transaction Overview

MHR has decided to revise the building lease (master lease) and property management agreement between Mori Building Co., Ltd. on February 1, 2016 and on April 1, 2016 for ARK Mori Building owned by MHR.

2. Rationale for the Change

MHR has decided to change the rent revision clause stipulated in each agreement below. At the same time, the payer of management association fee will be changed from the property lessee to MHR, and as such the amount equivalent to the total of the revised rent and the management association fee will be the new rent.

Note:

This document is a press release regarding a transaction with a related party (Mori Building Co., Ltd.) and has not been prepared as an inducement or invitation for investment.

Item	Agreement (1)	Agreement (2)	Agreement (3)
Leased properties	ARK Mori Building 13th floor	ARK Mori Building 12th and 22nd floors	ARK Mori Building 23rd and 25th floors
Leased area	2,728.96 m ²	5,223.59 m ²	5,742.95 m ²
Lessee	Mori Building Co., Ltd.		
Leasing scheme	Fixed-rent master lease		
Monthly rent before change	24,765,312 yen	47,404,079 yen	52,117,200 yen
Monthly rent after change (Note)	26,630,406 yen	51,282,093 yen	55,505,288 yen
Security deposits before change	297,183,744 yen	481,530,854 yen	521,172,000 yen
Security deposits after change	319,564,872 yen	520,923,738 yen	555,052,880 yen
Planned date of change	February 1, 2016		April 1, 2016
Date of execution	January 6, 2016		

(Note) “Monthly rent after change” is determined by adding amounts equivalent to the management association fee to the appraisal value stated in “5. Other” below, which is considered the revised amount.

3. Changes to NOI

Period	Variation (Note)
Forecast for Period Ending January 2016 (August 1, 2015 – January 31, 2016)	No change
Forecast for Period Ending July 2016 (February 1, 2016 – July 31, 2016)	–51 million yen
Forecast for Period Ending January 2017 (August 1, 2016 – January 31, 2017)	–60 million yen

(Note) “Variation” indicates the difference between the actual NOI for the period ended July 2015 (February 1, 2015 to July 31, 2015) and the forecasted NOI for each period for ARK Mori Building pertaining to the aforementioned agreements. NOI (Net Operating Income) is calculated as NOI = Rent revenue of real estate + Other rent revenue of real estate – Expense of real estate rent + Depreciation and amortization. Forecasted NOI is estimated based on the executed building lease (master lease) and property management agreement, the executed trust agreement for real estate management and disposal, etc., the planned management association fee, the current insurance premium, and tax and public dues for the fiscal year 2016 calculated by MIM, etc. concerning ARK Mori Building.

4. Overview of Related Party, etc.

Name	Mori Building Co., Ltd.
Location	6-10-1 Roppongi, Minato-ku, Tokyo
Representative	Shingo Tsuji, President & CEO
Scope of business	General developer
Capital	67,000 million yen (as of March 31, 2015)
Established	June 2, 1959
Major shareholder	Mori Kiyoko Co., Ltd. (as of March 31, 2015)
Net assets	303,583 million yen (as of March 31, 2015)
Total assets	1,268,876 million yen (as of March 31, 2015)
Relationship with MHR and Asset Manager (as of January 6, 2016)	
Capital relationship	Mori Building is a major unitholder (15.6% stake) of MHR. Mori Building is also the wholly owning parent company (100% stake) of the Asset Manager, and thus constitutes a related party, etc. as defined in the Investment Trusts Act.
Personnel relationship	One of the officers and employees of the Asset Manager is seconded from Mori Building.
Business relationship	Mori Building has executed a support agreement and information provision agreement with MHR and the Asset Manager and an advisory business consignment agreement with the Asset Manager, and provides support, etc. in connection with property acquisitions, etc. In addition, Mori Building has executed a brand mark licensing contract with MHR and grants the license to use the brand name "Mori Hills REIT" and the "m" brand mark. Furthermore, as for assets MHR owns in the form of trust beneficial interests, Mori Building has executed a building lease agreement (a so called master lease agreement) with a trustee, and leases the entire property as a master lessee. Mori Building has also executed a property management agreement and conducts property management of the property.
Application of status as a related party	Mori Building falls under the category of other affiliated companies of MHR. In addition, it is the parent company of the Asset Manager.

5. Other

Upon consultation with Mori Building Co., Ltd., the following appraisal values were decided to be the revised amounts. An amount equivalent to the management association fee due to the aforementioned change in the payer of the fee will be added separately to finalize the monthly rents after the revision.

Appraisal value by Japan Real Estate Institute concerning continuous monthly rents	
Appraisal value	Agreement (1): 22,550,000 yen Agreement (2): 43,150,000 yen Agreement (3): 47,500,000 yen
Appraisal date	November 30, 2015

6. Procedures Concerning Transactions with Related Party, etc.

To comply with applicable laws and regulations and with the asset management agreement, as well as to prevent the interests of MHR from being negatively impacted, the Asset Manager has conducted adequate procedures pursuant to the Related Parties Transaction Guidelines. In addition, MIM will deliver a written statement to MHR, pursuant to the Investment Trusts Act.

7. Outlook

There will be no impact on MHR's financial results for the fiscal period ending January 2016 (August 1, 2015 to January 31, 2016). For forecasts of financial results for the fiscal period ending July 2016 (February 1, 2016 to July 31, 2016) and for the fiscal period ending January 2017 (August 1, 2016 to January 31, 2017), please refer to the press release "MHR Announces Forecasts for the Period Ending July 2016 and for the Period Ending January 2017" separately released today.

- This press release was distributed to the Kabuto Club (the press club of the Tokyo Stock Exchange), the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.
- MHR's website address is <http://www.mori-hills-reit.co.jp/>