

For Translation Purposes Only

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**MHR Announces Forecasts for the Period Ending July 2016
and for the Period Ending January 2017**

Mori Hills REIT Investment Corporation (hereafter “MHR”) announced the forecasts of financial results for the twentieth fiscal period ending July 2016 (February 1, 2016 to July 31, 2016) and for the twenty-first fiscal period ending January 2017 (August 1, 2016 to January 31, 2017).

1. Forecasts of Financial Results for the Twentieth Fiscal Period Ending July 2016 and the Twenty-first Fiscal Period Ending January 2017

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Twentieth fiscal period ending July 2016	7,757 million yen	5,114 million yen	4,412 million yen	4,411 million yen	2,520 yen	0 yen
Twenty-first fiscal period ending January 2017	8,193 million yen	5,226 million yen	4,500 million yen	4,499 million yen	2,570 yen	0 yen

<Reference>

[Twentieth Fiscal Period Ending July 2016]

Forecast number of investment units outstanding at end of period: 1,750,640 units

Forecast net income per unit: 2,520 yen

[Twenty-first Fiscal Period Ending January 2017]

Forecast number of investment units outstanding at end of period: 1,750,640 units

Forecast net income per unit: 2,570 yen

(Note) The forecast numbers of investment units outstanding at the end of the fiscal period are calculated as the sum of the 1,570,040 investment units outstanding as of today and 180,600 new investment units (172,000 new investment units offered through a Japanese public offering and an international offering, and 8,600 new investment units offered through a third-party allotment), assuming that the entire issuance resolved at MHR’s Board of Directors Meeting held today is conducted.

Note:

This document is a press release regarding the financial forecasts for the period ending July 2016 and for the period ending January 2017, and has not been prepared as an inducement or invitation for investment.

2. Reason for the Announcement of Forecasts of Financial Results

MHR has resolved at its Board of Directors Meeting held today to issue new investment units in order to procure funds for a part of the acquisition of specified assets (assets described in Article 2 Paragraph 1 of the Act on Investment Trusts and Investment Corporations) and acquisition costs. In addition, MHR has also resolved at this meeting to carry out a rent revision of the fixed-rent master lease and change of cost burden for part of floors at ARK Mori Building, as well as a change in leasing scheme at Akasaka Tameike Tower (Residence). Accordingly, MHR newly announced the forecasts of financial results for the fiscal period ending July 2016 (February 1, 2016 to July 31, 2016) and the fiscal period ending January 2017 (August 1, 2016 to January 31, 2017).

(Notes)

1. The forecasts above have been calculated as of today based on the assumptions stated in the attachment, "Assumptions for the Forecasts of Results for the Twentieth Fiscal Period Ending July 2016 and the Twenty-first Fiscal Period Ending January 2017." Therefore, actual operating revenue, operating income, ordinary income, net income and dividend per unit may change due to factors such as change in the number and amount of new investment units that MHR will actually decide to issue, future acquisition or transfer of real estate, changes in the real estate market and other changes in MHR's circumstances, etc. Therefore, the above forecasts do not guarantee actual performance, or dividend amount.
2. MHR may revise the forecasts if it expects substantial discrepancies from the above forecasts.
3. Figures of less than one unit are rounded off. The same shall apply hereafter.

<Reference>

Forecast of Financial Results for the Nineteenth Fiscal Period Ending January 2016

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Nineteenth fiscal period ending January 2016	6,736 million yen	4,535 million yen	3,879 million yen	3,877 million yen	2,470 yen	0 yen

(Note) The forecast above has been calculated based on the assumptions stated in the Financial Report for the Eighteenth Fiscal Period ended July 31 2015 under "Assumptions of Forecasts of Results for the Nineteenth Fiscal Period Ending January 31 2016 (August 1, 2015 – January 31, 2016)" dated September 11, 2015. Therefore, actual operating revenue, operating income, ordinary income, net income and dividend per unit may change. Furthermore, the above forecast does not guarantee actual performance, or dividend amount. MHR may revise the forecast if it expects substantial discrepancies from the above forecast.

- 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/>

(Attachment)

**Assumptions for the Forecasts of Results for the Twentieth Fiscal Period Ending July 2016
and the Twenty-first Fiscal Period Ending January 2017**

Item	Assumptions
Accounting Period	The Twentieth Fiscal Period: February 1, 2016-July 31, 2016 (182 days) The Twenty-first Fiscal Period: August 1, 2016-January 31, 2017 (184 days)
Investment Portfolio	<ul style="list-style-type: none">• In addition to the currently owned 10 properties, MHR plans the additional acquisitions of portions of Roppongi Hills Mori Tower (hereafter, the “Assets to be Acquired”) on February 1, 2016 and April 1, 2016. For details of the Assets to be Acquired, please refer to the press release “MHR Announces Asset Acquisition and Lease (Roppongi Hills Mori Tower: Additional Acquisition)” separately released today.• MHR assumes that it will acquire the Assets to be Acquired on the anticipated acquisition date above, and that there will be no change in the investment portfolio (such as acquisitions of new properties or transfers of existing properties) until the end of the twenty-first fiscal period ending January 2017.• In actual practice, however, the forecasts are subject to changes in the investment portfolio and other factors.
Operating Revenue	<ul style="list-style-type: none">• Rent revenue of real estate is estimated based on lease agreements, etc. effective as of today, taking into account the market environment, trends among individual tenants and other factors.• Regarding the properties owned, rent revisions in connection with the fixed-rent master lease and change in the cost burden for part of the floors at ARK Mori Building and a change in leasing scheme to a pass-through master lease for Akasaka Tameike Tower (Residence) will be implemented in the fiscal period ending July 2016. For details, please refer to the press release “MHR Announces Transaction with a Related Party (Mori Building Co., Ltd.) (ARK Mori Building)” and “MHR Announces Transaction with a Related Party (Mori Building Co., Ltd.) (Akasaka Tameike Tower (Residence))” separately released today. Regarding properties for which rent revisions of fixed-rent master leases are expected to take place in the fiscal period ending January 2017, although revised terms, etc. are presently yet to be determined, MHR assumes that rent revision will be implemented under the same terms as current rent revision for Roppongi Hills Mori Tower (for a portion of the floors), and that rent revisions and changes in the cost burden will be implemented under the same terms as those for some other floors of the property which undergo revisions in the fiscal period ending July 2016 for ARK Mori Building (for a portion of the floors) and that change of leasing scheme to a pass-through master lease for Akasaka Tameike Tower (Office) will be implemented.• MHR assumes that there will be no delinquencies or unpaid rent by tenants.

Item	Assumptions
Operating Expenses	<ul style="list-style-type: none"> • For expenses related to the real estate leasing business, major operating expenses of 2,345 million yen and 2,678 million yen are expected for the fiscal periods ending July 2016 and January 2017, respectively. Expenses other than those below are calculated by referring to historical figures and adjusted to reflect variable factors. <ul style="list-style-type: none"> A) For property taxes, city planning taxes, etc., 460 million yen (for six months) and 474 million yen (for six months) are expected for the fiscal periods ending July 2016 and January 2017, respectively. Furthermore, property taxes, city planning taxes, etc. associated with the acquisition of the Assets to be Acquired, will be calculated at the time of acquisition with the seller using a prorated adjusted amount; however, MHR shall capitalize these amounts as part of the cost of the acquisitions and, thus, shall not recognize them as operating expenses for the fiscal periods ending July 2016 and January 2017. The property taxes, city planning taxes, etc. associated with the portion of Roppongi Hills Mori Tower that was acquired in the fiscal period ending January 2016, were calculated at the time of acquisition with the seller using a prorated adjusted amount and MHR has capitalized these amounts as part of the cost of the acquisitions. Therefore, part of the amount will be capitalized as part of the cost of acquisitions and 11 million yen (for three months) is expected to be recognized as operating expenses for the fiscal period ending July 2016. B) For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal periods as 40 million yen for the fiscal period ending July 2016 and 57 million yen for the fiscal period ending January 2017. However, please note that the actual expenses for maintenance and repairs in the respective fiscal periods may differ materially from the estimated amounts due to various reasons. For example, an unforeseeable event may cause serious damage to a building and emergency repairs may be required as a consequence. Also, maintenance and repairs are expenses that are not accrued on a regular basis and the amount of variation may vary significantly from one period to the next. C) Depreciation and amortization, which are calculated using the straight-line method with future additional capital expenditures taken into account, are expected to be 964 million yen in the fiscal period ending July 2016 and 992 million yen in the fiscal period ending January 2017. D) For property management fees, 599 million yen is expected for the fiscal period ending July 2016 and 835 million yen is expected for the fiscal period ending January 2017. • For the operating expenses other than expenses related to the real estate leasing business (asset management fee, asset custody fee, administrative service fees, etc.), 297 million yen is expected for the period ending July 2016 and 288 million yen is expected for the fiscal period ending January 2017.

Item	Assumptions
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 382 million yen for the fiscal period ending July 2016 and 408 million yen for the fiscal period ending January 2017 in interest expenses, 83 million yen for the fiscal period ending July 2016 and 83 million yen for the fiscal period ending January 2017 in interest expenses on investment corporation bonds, and 173 million yen for the fiscal period ending July 2016 and 172 million yen for the fiscal period ending January 2017 in borrowing expenses. • MHR expects to incur 50 million yen for the fiscal period ending July 2016 and 50 million yen for the fiscal period ending January 2017 in amortization of investment unit issuance expenses including the issuance of new investment units resolved at the Board of Directors Meeting held today (hereafter, “Issuance of New Investment Units”).
Interest-Bearing Debt	<ul style="list-style-type: none"> • MHR’s balance of interest-bearing debt as of today is 132,700 million yen. • MHR assumes that it will newly borrow 21,300 million yen in March 2016 as part of the funds for the acquisitions of the Assets to be Acquired in the investment portfolio as described above. • The balance of loans payable outstanding as of today is 108,700 million yen. MHR assumes that the remaining 3,500 million yen of loans payable due for repayment by the end of the fiscal period ending January 2017 will be refinanced in the entire amount. • MHR assumes that there will be no change to the balance of 24,000 million yen of investment corporation bonds as of today through the end of the fiscal period ending January 2017.
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units issued and outstanding as of today was 1,570,040 units. MHR assumes that a total of 180,600 units (172,000 units additionally issued through a Japanese public offering and an international offering, and 8,600 units additionally issued through third-party allotment), will be issued. For details of the Issuance of New Investment Units, please refer to the press release “MHR Announces Issuance of New Investment Units and Secondary Offering of Investment Units” separately released today. • MHR assumes that there will be no additional issuance of investment units other than the above until the end of the fiscal period ending January 2017.
Dividend per Unit (excluding dividend in excess of earnings)	<ul style="list-style-type: none"> • Dividend per unit is calculated based on the assumption that MHR will make distributions in accordance with the distribution policy set forth in its Articles of Incorporation. • Dividend per unit may vary due to various factors, including changes in the investment portfolio, changes in rent income due to tenant replacement, unexpected repairs, changes in interest rates, or additional issuance of new investment units.
Dividend in Excess of Earnings per Unit	<ul style="list-style-type: none"> • MHR assumes at present that it will not make any cash distributions in excess of earnings (dividend in excess of earnings per unit).

Item	Assumptions
Other	<ul style="list-style-type: none"> • MHR assumes that there will be no amendments to laws and regulations, taxation systems, accounting standards, listing regulations, rules of the Investment Trusts Association, Japan etc. that would affect the above forecasts. • MHR assumes that there will be no unforeseeable material changes in general economic conditions, the real estate market, etc.