

For Translation Purposes Only

Real Estate Investment Fund Issuer:
Mori Hills REIT Investment Corporation
(Securities Code: 3234)
1-8-7 Roppongi, 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 Asset Acquisition and Lease
(Roppongi Hills Mori Tower: Additional Acquisition)

Mori Hills REIT Investment Corporation (hereafter “MHR”) announced today that Mori Building Investment Management Co., Ltd. (hereafter the “Asset Manager”), the asset management company for the MHR, has determined the asset acquisition and lease described below.

Upon the decision to acquire the asset-to-be-acquired, the Asset Manager obtained the consent of MHR with the approval of the board of directors of MHR pursuant to the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (hereafter the “Investment Trust Act”) and the Related Parties Transaction Guidelines of the Asset Manager.

1. Overview of Acquisition and Lease

Property name	Roppongi Hills Mori Tower
Asset-to-be-acquired	Trust beneficial interests (Note 1)
Anticipated acquisition price	12,000 million yen (Note 2)
Appraisal value	13,800 million yen
Sales agreement date	September 11, 2015
Acquisition date	September 16, 2015 (anticipated)
Seller	Mori Building Co., Ltd.
Acquisition financing	borrowings and cash on hand (anticipated)
Lessee	Mori Building Co., Ltd. (Note 3)

(Note 1) MHR plans to acquire the trust beneficial interests in compartmentalized ownership of the 28th floor.

(Note 2) The indicated anticipated acquisition price does not include acquisition-related costs, consumption taxes and other expenses.

(Note 3) Please see “3. Details of the Asset-to-be-Acquired” for leasing terms and conditions, and other details.

2. Reason for the Acquisition

MHR decided on the acquisition (hereafter the “Acquisition”) of the property from Mori Building Co., Ltd., its sponsor, as part of measures under its “New 2013 Management Policy.”

In its policy, MHR aims to further improve portfolio revenue through external growth while maintaining the present portfolio policy that focuses on premium properties (Note 1). Based on this policy, it has decided to undertake the Acquisition. The Acquisition is expected to enhance the portfolio size and increase dividends.

Furthermore, in conjunction with the Acquisition, MHR selects as master lessee Mori Building Co., Ltd., which developed the property and is highly specialized in management and operation, based on matters related to tenant selection criteria designated by MHR (for details of the selection criteria please refer to the “Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties” dated April 27, 2015).

Regarding the Acquisition, MHR is planning to conclude a building lease (master lease) and property management agreement with Mori Building Co., Ltd. with an aim to conduct leasing based on a fixed master lease scheme of 5 years (Note 2). Stable earnings over the long term are projected.

(Note 1) “Premium properties” are defined in the management guidelines stipulated by the Asset Manager as being office building, residential properties or retail and other facilities (retail or other use) located in the central five wards of Tokyo (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward and Shibuya Ward) and their vicinity that are able to maintain competitive advantage in the future in terms of quality, size, specifications, etc. This shall apply hereafter.

(Note 2) A master lease scheme is a scheme in which the trust fiduciary or MHR leases to the master lessee (sublessor) and the master lessee subleases to an end tenant (sublessee). A fixed master lease scheme is one scheme of the master lease scheme in which the master lessee pays a fixed amount regardless of the amount paid by the sublessee to the master lessee.

Furthermore, MHR placed a particularly high value on the following points when deciding on the acquisition.

The property is the signature tower of Roppongi Hills with 54 floors above ground and six floors below ground at 238 meters in height. It is a premium property featuring first-class specifications and provides the highest grade working environment.

Roppongi Hills, which was completed in 2003, is the embodiment of town creation for the 21st century by Mori Building Co., Ltd. and forms an “Artelligent City” that integrates business, culture and lifestyle. It is one of Japan’s largest development projects - an urban complex redeveloped from small parcels of land by integrating them and creating a city with high disaster prevention capabilities, and an environment surrounded by lush greenery combined with various urban functions such as office, residential, recreational and cultural.

The property is directly connected to Roppongi Station on the Tokyo Metro Hibiya Line by a concourse, and is within walking distance of four stations on the Tokyo Metro Hibiya, Namboku and Chiyoda lines and the Tokyo Metro Oedo Line.

In addition, since there are many embassies and cultural attractions in the vicinity, a concentration of non-Japanese residents and foreign corporations has arisen, and the area transmits new culture and information through cultural exchange from restaurants, fashion stores and night spots.

The property’s office floors from the 8th to 48th floors are designed by placing their core functions at the center. Each standard floor provides a non-pillared large space with leasable area (Note) of approx. 4,500m² (approx. 1,360 tsubos) and a ceiling height (Note) of 2.7 m to 3.0 m, and can be configured to various layouts, such as large meeting rooms, machinery rooms, etc.

The property boasts high grade anti-seismic performance utilizing advanced vibration control devices incorporating semi-active oil dampers (viscous dampers) and anti-bond braces (steel dampers), and is equipped with disaster prevention facilities such as an emergency well and food storage. Furthermore, the property can support stable and continuous business operations of tenants in the

case of emergency by providing electricity generated by a facility equipped with a 3-layer backup system.

MHR has decided on the Acquisition, since, as described above, the property is one of the most widely recognized and largest scale office buildings in Japan, incorporates the highest grade of equipment, and thus is anticipated to maintain a competitive edge in the future.

(Note) “The standard leasable floor area” indicates the leasable floor area of a standard floor (a floor on or above the second story that is the most standard in the building), and “the ceiling height of a standard floor” indicates the height from the floor to the ceiling of a standard floor.

3. Details of the Asset-to-be-Acquired and Lease

Details of the Asset-to-be-Acquired		
Property name		Roppongi Hills Mori Tower
Type of specified asset		Trust beneficial interests
Trust fiduciary		Sumitomo Mitsui Trust Bank, Limited
Trust establishment period		From September 16, 2015 to September 15, 2030 (anticipated)
Location (Residential indication)		6-10-1 Roppongi, Minato-ku, Tokyo
Use		Offices, Shops, Museum
Area (Note 1)	Land	57,177.66m ²
	Building	442,150.70m ²
Structure		Steel-framed and steel-framed reinforced concrete structure with flat roof, 54 floors above ground and 6 floors below ground
Construction completion		April 2003
Designers		Mori Building Co., Ltd., first class architect office Irie Miyake Architects & Engineers
Contractors		A consortium of Obayashi Corporation and Kajima Corporation
Building verification agency		Tokyo Metropolitan Government
Form of ownership	Land	Ownership (Note 2)
	Building	Compartmentalized ownership (Note 3)
Anticipated acquisition price		12,000 million yen
Acquisition date		September 16, 2015 (anticipated)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	13,800 million yen (Appraisal date: July 31, 2015)
PML (Note 4)		0.59%
Collateral		None
Property manager		Mori Building Co., Ltd.
Content of lease		
Lessee (Note 5)		Mori Building Co., Ltd.
Type of agreement		Regular building lease agreement
Term of agreement		From September 16, 2015 to September 15, 2020 (anticipated)
Gross rent income (annual rent)		590,944,920 yen
Deposits/Guarantees		492,454,100 yen
Total leasable floor area (Note 6)		4,460.13m ²
Total leased floor area (Note 7)		4,460.13m ²
Other special consideration		None

(Note 1) Area (land) is the area of the entire site, and the total floor area of the entire building, as indicated in the real estate registry.

(Note 2) As for land, land use rights for the property are established. The site area corresponding to the trust beneficial interests that MHR plans to acquire equivalent to the ratio of interest in the building is approx. 1,055.87m² (approx. 1.8%). The site area equivalent to the ratio of interest in the building in the trust beneficial interests that MHR will own following the acquisition of the asset-to-be-acquired is

scheduled to be 6,067.41m² (approx. 10.6%).

- (Note 3) The exclusive floor area corresponding to the trust beneficial interests that MHR plans to acquire as indicated in the real estate registry is 4,406.23m² (approx. 1.4%). Moreover, exclusive floor area corresponding to the trust beneficial interests that MHR is to own after the Acquisition, as indicated in the real estate registry, is 25,905.81m² (approx. 8.2%).
- (Note 4) PML refers to the probability of the maximum loss expected to result from an earthquake. There is no standardized precise definition. Rather, definitions vary depending on the intended purpose and use. Herein, however, PML is defined as “the percentage of losses against building price which will not be exceeded based on a 90% probability, should the greatest earthquake that has a 10% probability occurring within the average useful life of a building of 50 years, occur.” The value as indicated on the earthquake risk PML assessment report dated August 7, 2015 by Sompo Japan Nipponkoa Risk Management Inc. is shown.
- (Note 5) With regard to the property, MHR will outsource building lease operations to Mori Building Co., Ltd. and shall receive a fixed amount of rent from the company, regardless of the rent amount paid by end tenants. Due to this, Mori Building Co., Ltd. is treated as the end tenant in the Acquisition.
- (Note 6) Total leasable floor area is the floor area deemed leasable to end tenants.
- (Note 7) Total leased floor area is the floor area being leased to end tenants. Moreover, total leasable floor area and total leased floor area exclude storage, parking lots, mechanical rooms, etc.

4. Profile of Seller and Lessee

Name	Mori Building Co., Ltd.
Location	6-10-1 Roppongi, Minato-ku, Tokyo
Representative	President and CEO, Shingo Tsuji
Scope of business	General developer
Capital	67,000 million yen (as of March 31, 2015)
Established	June 2, 1959
Major shareholder and ratio of shareholding	Morikiyo Co., Ltd. etc. (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 or Asset Manager (as of September 11, 2015)	
Capital relationship	Mori Building is the main unitholder (15.6% stake) of MHR. Mori Building is also the wholly owning parent company (100% stake) of the Asset Manager, and thus constitutes an interested party, etc. as defined in the Act on Investment Trusts and Investment Corporations (Investment Trust Act).
Personnel relationship	One of the officers and employees of the Asset Manager are seconded from Mori Building.
Business relationship	Mori Building has concluded a support agreement and information provision agreement with MHR and the Asset Manager and an advisory business consignment agreement with the Asset Manager, and conducts support, etc. in regard to property acquisitions, etc. In addition, Mori Building has concluded a brand licensing contract with MHR and grants the license to use the brand name “Mori Hills REIT” and the “m” mark. Furthermore, as for assets MHR owns in the form of trust beneficial interests, Mori Building concludes a building lease agreement (so-called master lease agreement) with a trust fiduciary, and leases the entire property as a master lessee. The company also concluded 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 interested party of MHR. In addition, it is a parent company of the Asset Manager.

5. Status of Titleholders, etc. of the Property

Property name (location)	Roppongi Hills Mori Tower (6-10-1 Roppongi, Minato-ku, Tokyo)	
Status of titleholders, etc. to the Property	Prior titleholder	Titleholder before the prior titleholder
	Name of company	Mori Building Co., Ltd.
	Relationship with party having a particular vested interest	Refer to “4. Profile of Seller and Lessee” above
	Acquisition background and reason, etc.	Newly constructed in April 2003
	Acquisition price	–
	Acquisition timing	Newly constructed in April 2003

6. Broker Profile

Not applicable.

7. Transaction with Interested Parties, etc.

A transaction with an interested party, etc. will occur with the Acquisition of the Property.

Accordingly, to comply with applicable laws and regulations and with the asset management agreement as well as to prevent the interests of MHR from being negatively impacted with respect to the anticipated acquisition price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

Acquisition of the Asset	The Seller constitutes an interested party, etc. of the Asset Manager and the Acquisition constitutes a transaction with an interested party, etc. as defined in the Investment Trust Act. In accordance with provisions of the Investment Trust Act, the Asset Manager will deliver a written notice to MHR.
Building lease (master lease) and property management agreement	The trust fiduciary is planning to conclude a building lease (master lease) and property management agreement with Mori Building Co., Ltd. In accordance with provisions of the Investment Trust Act, the Asset Manager will deliver a written notice to MHR.

8. Payment Method

Lump sum payment upon delivery

As for the property acquisition, MHR plans to use borrowings and cash on hand.

9. Date of Acquisition and Lease

Date of decision of acquisition and lease	September 11, 2015
Date of conclusion of acquisition and lease agreement	September 11, 2015
Payment date	September 16, 2015 (anticipated)
Delivery date	September 16, 2015 (anticipated)

10. Future Prospect

For the forecast of business results, please refer to the “Financial Report for the Eighteenth Fiscal Period ended July 31, 2015” separately announced today.

11. Summary of Appraisal Report

Property name	Roppongi Hills Mori Tower
Appraisal value	13,800,000 thousand yen
Appraiser	Japan Real Estate Institute
Appraisal date	July 31, 2015

(thousand yen)

Items	Contents	Summaries, etc.
Price	13,800,000	Estimated by correlation of the price based on the direct capitalization method with the price based on the DCF method as the two prices are deemed to be of a comparable standard
Price based on the direct capitalization method	14,000,000	—
Operating profit	590,945	—
Possible total revenue	590,945	Recorded by taking into consideration such factors as the rent based on planned lease agreements, the level of rent with end tenants, the level of rent in the event that new leasing of the subject real estate is assumed and the vacancy risk
Vacancies, etc. loss, etc.	—	Not recorded because the property is leased in its entirety
Operating costs	136,516	—
Maintenance costs	87,400	Recorded by reference to historical data and the current maintenance costs as well as the maintenance costs of similar real estate, and taking into consideration the factors specific to the subject real estate
Utilities	—	Not recorded because directly borne by lessees
Maintenance and repairs	—	Not recorded because borne by lessees
PM fee	2,400	Recorded by reference to such factors as the fee amount based on planned contract terms and conditions, and taking into consideration such factors as the fee rate of similar real estate and the factors specific to the subject real estate
Tenant recruitment costs, etc.	—	Not recorded because borne by lessees
Property taxes	46,113	Appraised based on such factors as the fiscal 2015 standard taxable amount
Insurance premium	603	Recorded by taking into consideration such factors as the insurance premium based on planned insurance contracts and the insurance premium of the subject building and similar buildings
Other expenses	—	There are no expenses otherwise to record
Operating net income	454,429	—
Investment income of lump sum	9,849	Appraised investment income at a rate of return on investment of 2.0%
Capital expenditures	2,700	Appraised by assuming that an average amount is set aside every fiscal period, and taking into account such factors as the level of capital expenditures of similar real estate, the building age and the annual average amount of repair and renovation expenses in the engineering report
Net return	461,578	—

Cap rate	3.3%	Appraised by taking the standard cap rate and adding/subtracting the spread attributable to the location conditions, building conditions and other conditions of the subject real estate, and taking into account such factors as future uncertainties and the market cap rate for similar real estate
Price based on the DCF method	13,500,000	—
Discount rate	3.0%	Appraised by reference to such factors as the investment cap rate of similar real estate, and comprehensively taking into account such factors as the factors specific to the subject real estate
Terminal cap rate	3.5%	Appraised by reference to such factors as the market cap rate of similar real estate, and comprehensively taking into account such factors as future trends in the investment cap rate
Cumulative price	13,700,000	—
Land ratio	80.7%	—
Building ratio	19.3%	—
Other matters considered in the appraisal by the appraiser	None	

[Attachments]

Attachment 1: Income and Expenditure Projections

Attachment 2: Portfolio List After the Acquisition

Attachment 3: Map of the Property (Portfolio Map of the Vicinity)

Attachment 4: Photos of the Property

- 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 1] Income and Expenditure Projections

(1)	Projected property income	590,944 thousand yen
(2)	Projected property expenses	133,314 thousand yen
(3)	Projected NOI ((1)-(2))	457,630 thousand yen
(4)	NOI yield ((3)/ anticipated acquisition price)	3.8%

(Note) The figures above are the Annual Income and Expenditure (excluding depreciation and amortization) after excluding factors specific to the fiscal year of acquisition, and the figures are not forecasted figures for the next fiscal period.

Furthermore, the average maintenance and repair costs per annum for the next 15 years based on the Engineering Report (engineering report dated August 7, 2015 by Tokyo Bldg-Tech Center Co., Ltd.), is 3,775 thousand yen.

[Attachment 2] Portfolio List After the Acquisition (Note1)

Principal use	Geographic area	Property number	Property name	Acquisition date	Acquisition price (millions of yen) (Note 2)	Investment ratio (%) (Note 3)
Office Buildings	Tokyo's central five wards and their vicinity	O-0	Roppongi Hills Mori Tower	March 23, 2010 August 1, 2011 October 1, 2013 August 1, 2014 September 16, 2015 (anticipated)	69,280 (anticipated) (Note 4)	23.6
		O-1	ARK Mori Building	March 22, 2006 March 28, 2008 September 30, 2008 March 23, 2010 March 18, 2011 August 1, 2011 April 1, 2013	62,480	21.3
		O-4	Koraku Mori Building	April 13, 2006	27,200	9.3
		O-6	Akasaka Tameike Tower	September 30, 2008 March 18, 2011	43,930	15.0
		O-7	Atago Green Hills	May 1, 2012 April 1, 2013	42,090	14.3
		O-8	ARK Hills South Tower	August 1, 2014	19,150	6.5
		Sub total				
Residential Properties	Tokyo's central five wards and their vicinity	R-1	Moto-Azabu Hills	March 22, 2006	1,706	0.6
		R-3	Roppongi First Plaza	April 13, 2006	2,100	0.7
		R-4	Roppongi View Tower	March 22, 2006 April 13, 2006	4,000	1.4
Sub total					7,806	2.7
Retail and Other Facilities	Tokyo's central five wards and their vicinity	S-1	Laforet Harajuku (Land)	September 15, 2010	21,820	7.4
Sub total					21,820	7.4
Portfolio total					293,756	100.0

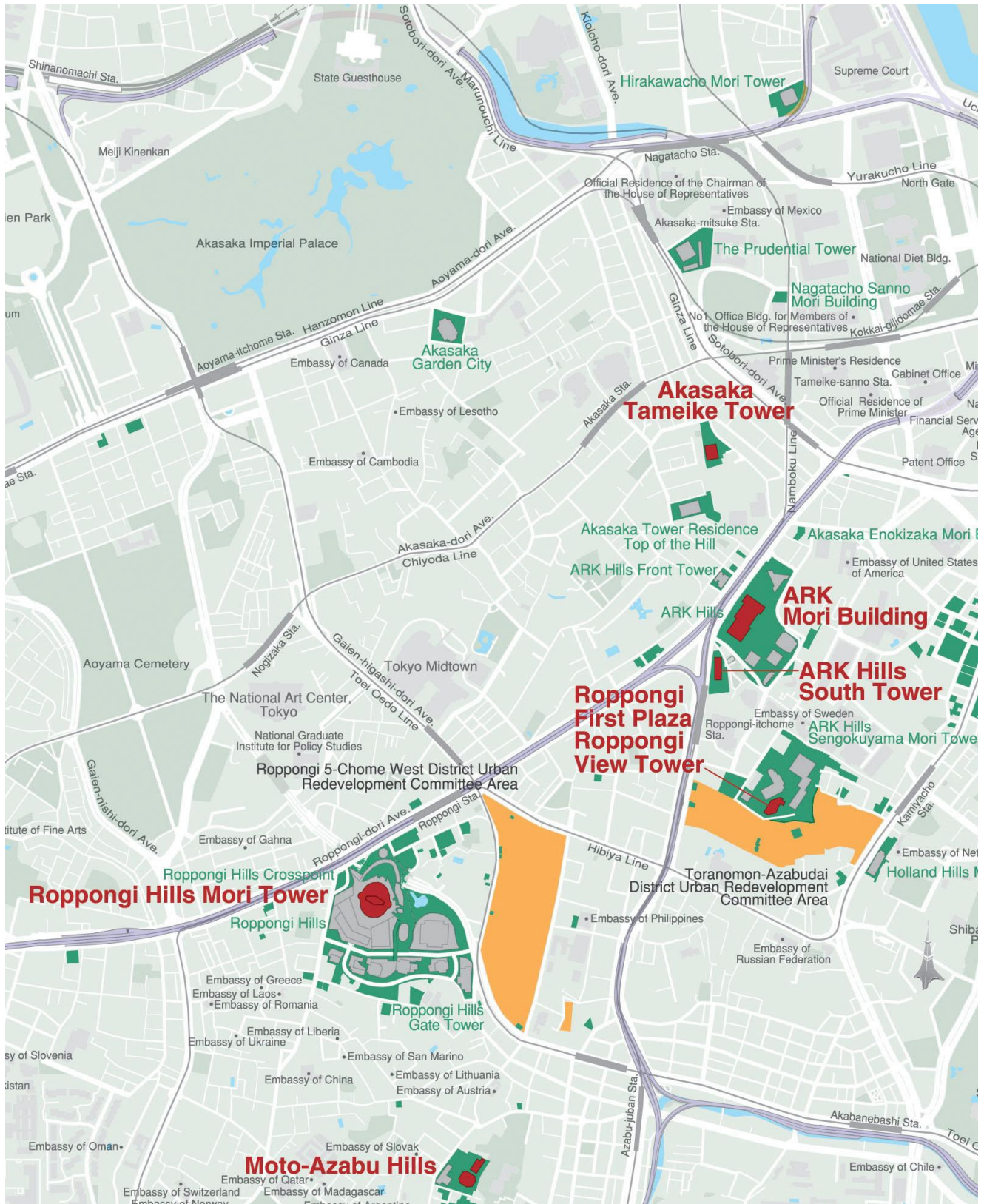
(Note 1) The table represents the portfolio list after the property acquisition (Roppongi Hills Mori Tower: additional acquisition) to be conducted on September 16, 2015.

(Note 2) Figures of the acquisition prices have been rounded down to the nearest million yen.

(Note 3) Figures in the investment ratio are the ratios of respective acquisition price to the portfolio total, and have been rounded to the first decimal place.

(Note 4) Figures include the anticipated acquisition price of the Acquisition (Roppongi Hills Mori Tower: 12,000 million).

[Attachment 3] Map of the Property (Portfolio Map of the Vicinity)



[Attachment 4] Photos of the Property



Building Layout



Cross-sectional Diagram of the Standard Floor

