

For Translation Purposes Only

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**MHR Revises the Forecast for the Fiscal Period Ending January 2019
and Announces the Forecast for the Fiscal Period Ending July 2019**

Mori Hills REIT Investment Corporation (hereafter “MHR”) revised its forecast of financial results for the twenty-fifth fiscal period ending January 2019 (August 1, 2018 to January 31, 2019) disclosed as of March 16, 2018 and announced its new forecast of financial results for the twenty-sixth fiscal period ending July 2019 (February 1, 2019 to July 31, 2019).

1. Revision of Forecasts of Financial Results for the Twenty-fifth Fiscal Period Ending January 2019

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Previous forecast (A)	8,759 million yen	5,419 million yen	4,815 million yen	4,814 million yen	2,750 yen	0 yen
Revised forecast (B)	9,372 million yen	5,858 million yen	5,232 million yen	5,231 million yen	2,790 yen	0 yen
Difference (B)–(A)	613 million yen	439 million yen	416 million yen	416 million yen	40 yen	0 yen
Rate of increase/decrease	7.0%	8.1%	8.6%	8.6%	1.5%	0.0%

Note:

This document is a press release regarding the revision of financial forecasts for the fiscal period ending January 2019 and forecast of financial results for the fiscal period ending July 2019, and has not been prepared as an inducement or invitation for investment. We caution readers to refer to MHR’s Prospectus for the Issuance of New Investment Units and Secondary Offering of Investment Units and the Notices of Amendments thereto, and to undertake any investment decision at their own judgment and responsibility.

2. Forecast of Financial Results for the Twenty-sixth Fiscal Period Ending July 2019

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Twenty-sixth fiscal period ending July 2019	9,455 million yen	5,850 million yen	5,250 million yen	5,249 million yen	2,800 yen	0 yen

<Reference>

Twenty-fifth Fiscal Period Ending January 2019

Forecast number of investment units outstanding at end of period: 1,874,960 units

Forecast net income per unit: 2,790 yen

Twenty-sixth Fiscal Period Ending July 2019

Forecast number of investment units outstanding at end of period: 1,874,960 units

Forecast net income per unit: 2,800 yen

(Note) The forecast numbers of investment units outstanding at the end of the fiscal period are calculated as the sum of the 1,750,640 investment units outstanding as of today on the assumption that the entire issuance of 124,320 investment units (118,400 investment units through a public offering, and 5,920 investment units through a third-party allotment) resolved at MHR's Board of Directors Meeting held today is conducted.

3. Reason for the Revision and 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. As a result, the assumptions of forecasts of financial results for the fiscal period ending January 2019 stated in the press release "Financial Report for the Twenty-third Fiscal Period Ended January 31, 2018" dated March 16, 2018 have been revised accordingly and MHR newly announces the forecast of financial results for the fiscal period ending July 2019.

(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 Twenty-fifth Fiscal Period Ending January 2019 and the Twenty-sixth Fiscal Period Ending July 2019." Therefore, actual operating revenue, operating income, ordinary income, net income, dividend per unit (excluding dividend in excess of earnings) and dividend in excess of earnings 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 and the percentage is rounded to the first decimal place. The same shall apply hereafter.

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<Reference>

Forecast of Financial Results for the Twenty-fourth Fiscal Period Ending July 2018

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Twenty-fourth fiscal period ending July 2018	8,721 million yen	5,379 million yen	4,763 million yen	4,762 million yen	2,720 yen	0 yen

(Note) The forecast above has been calculated based on the assumptions stated in the Financial Report for the Twenty-third Fiscal Period ended January 31, 2018 under “Forecasts of Results for the Twenty-fourth Fiscal Period Ending July 31, 2018 (February 1, 2018 - July 31, 2018) and Twenty-fifth Fiscal Period Ending January 31, 2019 (August 1, 2018 - January 31, 2019)” dated March 16, 2018. Therefore, actual operating revenue, operating income, ordinary income, net income, dividend per unit (excluding dividend in excess of earnings) and dividend in excess of earnings 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/en/>

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(Attachment)

Assumptions for the Forecasts of Results for the Twenty-fifth Fiscal Period Ending January 2019 and the Twenty-sixth Fiscal Period Ending July 2019

Item	Assumptions
Accounting Period	The Twenty-fifth Fiscal Period: August 1, 2018-January 31, 2019 (184 days) The Twenty-sixth Fiscal Period: February 1, 2019-July 31, 2019 (181 days)
Investment Portfolio	<ul style="list-style-type: none">• In addition to the currently owned 11 properties, MHR plans the additional acquisitions of portions of Toranomom Hills Mori Tower and Holland Hills Mori Tower (hereafter, the “Assets to be Acquired”) on September 3, 2018. For details of the Assets to be Acquired, please refer to the press release “MHR Announces Asset Acquisitions (Toranomom Hills Mori Tower: Additional Acquisition) (Holland 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-sixth fiscal period ending July 2019.• 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.• MHR assumes that there will be no delinquencies or unpaid rent by tenants.

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Item	Assumptions
Operating Expenses	<ul style="list-style-type: none"> • For expenses related to the real estate leasing business, major operating expenses of 3,177 million yen is expected for the fiscal period ending January 2019, and 3,286 million yen is expected for the fiscal periods ending July 2019, 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., 618 million yen (for six months) and 671 million yen (for six months) are expected for the fiscal periods ending January 2019 and July 2019, 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 January 2019. Additionally, part of the property taxes, city planning taxes, etc. associated with these property acquisitions will be incorporated into the cost of acquisition, and 26 million yen (for three months) is expected to be recognized as operating expenses for the fiscal period ending July 2019. B) For building maintenance and repairs, MHR recorded the estimated required amount for the respective fiscal periods as 74 million yen for the fiscal period ending January 2019 and 119 million yen for the fiscal period ending July 2019. 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 1,100 million yen in the fiscal period ending January 2019 and 1,087 million yen in the fiscal period ending July 2019. D) For property management fees, 1,076 million yen is expected for the fiscal period ending January 2019 and 1,108 million yen is expected for the fiscal period ending July 2019. • For the operating expenses other than expenses related to the real estate leasing business (asset management fee, asset custody fee, administrative service fees, etc.), 336 million yen is expected for the fiscal period ending January 2019 and 318 million yen is expected for the fiscal period ending July 2019.

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Item	Assumptions
Non-Operating Expenses	<ul style="list-style-type: none"> • MHR expects to incur 338 million yen for the fiscal period ending January 2019 and 340 million yen for the fiscal period ending July 2019 in interest expenses, 73 million yen for the fiscal period ending January 2019 and 75 million yen for the fiscal period ending July 2019 in interest expenses on investment corporation bonds, and 173 million yen for the fiscal period ending January 2019 and 164 million yen for the fiscal period ending July 2019 in borrowing expenses. • MHR expects to incur 28 million yen for the fiscal period ending January 2019 and 6 million yen for the fiscal period ending July 2019 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 168,122 million yen. • MHR assumes that it will newly borrow 14,600 million yen in September 2018 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 143,122 million yen. MHR assumes that the remaining 22,500 million yen of loans payable due for repayment by the end of the fiscal period ending July 2019 will be refinanced in the entire amount. • MHR assumes that investment corporation bonds are assumed to be redeemed for issuance of the same amount of investment corporation bonds for the outstanding balance of 3,000 million yen out of the remaining 25,000 million yen as of today by the end of the fiscal period ending July 2019.
Issuance of Investment Units	<ul style="list-style-type: none"> • The number of investment units issued and outstanding as of today was 1,750,640 units. MHR assumes that a total of 124,320 units (118,400 units additionally issued through a public offering and upper limit of 5,920 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 July 2019.

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Item	Assumptions
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).
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.

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