



For Translation Purposes Only

Real Estate Investment Fund Issuer:
Mori Hills REIT Investment Corporation
(Securities Code: 3234)
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MHR Announces Transaction with a Related Party (Mori Building Co., Ltd.)
(Akasaka Tameike Tower (Office))

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 August 1, 2016, for Akasaka Tameike Tower (Office) (portion acquired on September 30, 2008) owned by MHR.

2. Summary of the Revision

At the timing of the rent revision, MHR decided to change the leasing scheme from a fixed-rent master lease to a pass-through master lease, which would increase the earnings potential for MHR in the medium- to long-term and contribute to the enhancement of unitholders’ value.

- (1) Leased property : Akasaka Tameike Tower (Office)
- (2) Lessee : Mori Building Co., Ltd.
- (3) Leasing scheme before change : Fixed-rent master lease (Note 1)
- (4) Leasing scheme after change : Pass-through master lease (Note 1) (Note 2)
- (5) Planned date of change : August 1, 2016
- (6) Date of execution : July 29, 2016

(Note 1) Among the leasing scheme in which trustee or MHR leases a property to a master lessee, who in turn leases it to an end-tenant (hereafter a “Master Lease”), the method in which the master lessee always pays the same amount of rent as is paid by the end-tenant to the master lessee is called a “Pass-through master lease” and the method in which the master lessee pays a fixed amount regardless of the amount paid by the end-tenant to the master lessee is called a “Fixed-rent master lease.” The same shall apply hereafter.

(Note 2) Along with the change in the leasing scheme, management association fee, etc. will be borne by MHR and management fees will be changed from a fixed amount to an NOI -linked amount.

3. Changes to NOI (Note)

Period	Variation (Note)
Forecast for Period Ending July 2016 (February 1, 2016 - July 31, 2016)	No change
Forecast for Period Ending January 2017 (August 1, 2016 - January 31, 2017)	+34 million yen

(Note) In the press release “MHR Announces Forecasts for the Period Ending July 2016 and for the Period Ending January 2017” announced on January 6, 2016, the forecast of the impact of the following (A) was factored in. In this press release, the value of the following (C) is indicated.

(A) Forecast of impact of the change based on projection as of January 6, 2016

(operating income basis): -68 million yen

(B) Forecast of impact of the change based on projection as of July 22, 2016 (same as above): -33 million yen

(C) Difference of the above ((B)–(A)) (same as above)

: +34 million yen

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, 2016)
Established	June 2, 1959
Major shareholder	Mori Kiyoko Co., Ltd. (as of March 31, 2016)
Net assets	314,580 million yen (as of March 31, 2016)
Total assets	1,363,474 million yen (as of March 31, 2016)
Relationship with MHR and Asset Manager (as of July 22, 2016)	
Capital relationship	Mori Building is a major unitholder (15.0% 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 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 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. Transactions with Related Party, etc.

In relation to the change, the following transactions with related parties will take place.

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, MIM has conducted adequate procedures pursuant to the Related Parties Transaction Guidelines.

Change of the building lease (master lease) and property management agreement	The building lease (master lease) and property management agreement will be changed between the trustee and Mori Building Co., Ltd. and the leasing scheme will be changed to a pass through master lease. Also, management fees will be changed from a fixed amount to an NOI-linked amount. In addition, MIM will deliver a written statement to MHR, pursuant to the Investment Trusts Act.
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6. Outlook

There will be no impact on MHR's forecast of financial results for the fiscal period ending July 2016 (February 1, 2016 to July 31, 2016). In addition, there is no change to be made in MHR's forecast of financial results for the fiscal period ending January 2017 (August 1, 2016 to January 31, 2017) as the impact of the transaction is minimal.

- 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/>