

**For Translation Purposes Only**

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(Securities Code: 3234)  
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MHR Announces Acquisition of Trust Beneficiary Interest in Domestic Real Estate  
(Toranomon Hills Mori Tower: Additional Acquisition)

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

1. Overview of Acquisition and Lease

Property name	Toranomon Hills Mori Tower
Asset to be acquired	Trust beneficiary interest (Note 1)
Anticipated acquisition price	12,220 million yen (Note 2)
Appraisal value	15,232 million yen
Sales agreement date	August 17, 2020
Acquisition date	September 1, 2020 (anticipated)
Seller	Mori Building Co., Ltd.
Acquisition financing	Funds procured through the issuance of new investment units, borrowings and cash on hand (anticipated)
Lessee	Mori Building Co., Ltd. (Note 3)

(Note 1) MHR plans to acquire trust beneficiary interest in 87.95% co-ownership interest in compartmentalized ownership of the 28th-35th floors and co-ownership interest in the land use rights. MHR plans to acquire an additional 17% quasi co-ownership interest of the trust beneficiary interest and will hold 67% together with the 50% already acquired. The remaining 33% of the quasi co-ownership interest in the trust beneficiary interest is to be held by Mori Building Co., Ltd.

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

(Note 3) Please refer to “3. Details of the Asset to Be Acquired and Lease” for leasing terms and conditions and other details.

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## 2. Reason for the Acquisitions

MHR decided on the additional acquisition of the property (hereafter the “Acquisition”) in order to further improve profitability and stability while maintaining a focus on acquiring premium properties (Note 1) located in central Tokyo as the core of the portfolio.

The Acquisition is an additional acquisition of the quasi co-ownership interest of the trust beneficiary interest, and there are no changes in the methods, etc. of the lease with Mori Building Co., Ltd. as master lessee (fixed-rent master lease (Note 2)).

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

(Note 2) A master lease scheme is a scheme in which the trustee or MHR leases a property to the master lessee (sublessor), and the master lessee subleases it to an end tenant (sublessee). A fixed-rent master lease scheme is one type of master lease scheme in which the master lessee pays a fixed amount regardless of the amount paid by the end tenant to the master lessee.

Furthermore, MHR particularly valued the following points when deciding on the Acquisition.

The property is a super high-rise multi-use tower with 52 floors above ground and 5 floors below ground and standing at 247 meters in height with a standard rent floor size of approximately 1,000 tsubo. It is a premium property composed of offices with high specifications, world-class conference facilities, Japan’s first Andaz Tokyo hotel, residences, retail facilities, and others.

Toranomon Hills completed in 2014 is constructed by Mori Building Co., Ltd. being a specified constructor under the urban redevelopment project executed by the Tokyo Metropolitan Government. It utilized a breakthrough system that allowed for the construction of an architectural structure above roads and was constructed integrally with the construction of Ring Road No. 2. It is a symbolic project of urban development under public-private partnership.

The property boasts excellent access to the administrative district in Kasumigaseki as well as major business districts in Tokyo such as Marunouchi, Hibiya and Ginza. Furthermore, in the surrounding areas, several large-scale projects including the construction of Toranomon Hills Station, a new station on the Tokyo Metro Hibiya Line, are underway. Through the completion of such integrated urban developments, there is an expectation that a new international city center/global business center equipped with various functions such as global-level offices, residences, hotel, retail facilities and transportation infrastructure will emerge.

The property’s office floors from the 6th to 35th floors are designed by placing their core functions at the center. Each standard floor provides a non-pillared space with leasable floor area (Note) of approximately 3,400 m<sup>2</sup> (approximately 1,000 tsubo) and a ceiling height (Note) of 2.8 meters, offering a highly flexible and pleasant work environment.

Furthermore, the property is capable of firmly supporting stable and continuous business activities of tenants during disasters with not only a high level of earthquake resistance employing three kinds of vibration control devices (oil dampers, brake dampers and unbonded braces), but also with a disaster prevention well, warehouse for emergency supplies and such, while electricity can be supplied from power generation facilities with a dual backup system.

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MHR has decided on the acquisition since the property is, as described above, a super high-rise multi-use tower with top-level facilities and is believed to continue possessing superior competitiveness going forward as a new landmark of Tokyo along with advancement of redevelopment and construction of infrastructure in the vicinity.

(Note) “Standard floor leasable area” refers to leasable floor area on a standard floor (a floor with standard layout pattern) and “standard floor ceiling height” refers to the height from the floor to the ceiling in a leasing space on the standard floor. The same shall apply hereafter.

### 3. Details of the Asset to Be Acquired and Lease

Details of the Asset to Be Acquired		
Property name		Toranomon Hills Mori Tower
Type of specified asset		Trust beneficiary interest (87.95% of co-ownership of the 28th to 35th floors) (17% of quasi co-ownership interest)
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust establishment period		From June 26, 2014 to July 31, 2037
Location (Residential indication)		1-23-1 Toranomon, Minato-ku, Tokyo
Use		Offices, Shops, Hotel, Residences
Area (Note 1)	Land	17,068.95 m <sup>2</sup>
	Building	241,581.95 m <sup>2</sup>
Structure		Steel-framed and steel-framed reinforced concrete structure with flat roof, 52 floors above ground and 5 floors below ground
Construction completion		May 2014
Designer		Nihon Sekkei, Inc.
Contractor		Obayashi Corporation
Building verification agency		The Building Center of Japan
Form of ownership	Land	Ownership (Note 2)
	Building	Compartmentalized ownership (Note 3)
Anticipated acquisition price		12,220 million yen
Acquisition date		September 1, 2020 (anticipated)
Appraisal	Appraiser	Japan Real Estate Institute
	Appraisal value	15,232 million yen (Appraisal date: July 1, 2020)
PML (Note 4)		0.50%
Collateral		None
Property manager		Mori Building Co., Ltd.
Content of lease (As of May 31, 2020)		
Lessee (Note 5)		Mori Building Co., Ltd.
Type of agreement		Regular building lease agreement
Term of agreement		From August 1, 2017 to July 31, 2022

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Gross rent income (annual rent) (Note 6)	527,395,404 yen
Deposits/ Guarantees (Note 7)	439,496,177 yen
Total leasable floor area (Note 8)	4,151.09 m <sup>2</sup>
Total leased floor area (Note 9)	4,151.09 m <sup>2</sup>
Other special consideration	Transfer of Quasi co-ownership interest to a third party requires the written approval of Mori Building Co., Ltd.

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

(Note 2) As for land, land use rights for the property are established. The site area corresponding to the quasi co-ownership interest in the trust beneficiary interest that MHR plans to acquire equivalent to the ratio of interest in the building is approximately 736.59 m<sup>2</sup> (approximately 4.3%). Also, the site area corresponding to the quasi co-ownership interest in the trust beneficiary interest that MHR plans to own equivalent to the ratio of interest in the building will be approximately 2,903.04 m<sup>2</sup> (approximately 17.0%) after this acquisition.

(Note 3) The exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficiary interest that MHR plans to acquire as indicated in the real estate registry is approximately 4,152.10 m<sup>2</sup> (approximately 2.4%). Also, the exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficiary interest that MHR plans to own as indicated in the real estate registry will be approximately 16,364.16 m<sup>2</sup> (approximately 9.3%) after this acquisition.

(Note 4) PML means the expected maximum loss rate due to an earthquake, but it is not strictly defined as a unified definition and is variously defined according to purpose or usage. In this document, it is equivalent to the extent of damage by an earthquake that causes loss of exceedance probability of 10% during the assumed planned usage period (50 years = useful life for buildings in general) as indicated by the expected loss equivalent to the 90% non-exceedance probability to the replacement price of the expected loss amount to the replacement price. However, the expected loss amount evaluates the direct loss of the building (structure, finishing and architectural equipment) due to liquefaction of the ground and earthquake vibration. Therefore, any loss in operation or loss in working time from the unavailability of equipment, furniture, fixtures, building occupancy and the secondary damage such as loss of lives is not included. PML figures are reported from Sampo Risk Management Inc. as of July 13, 2020.

(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) The gross rent income (annual income) represents the figure obtained by multiplying the monthly consideration for granting leasing rights described in the agreement to change the co-owned property usage agreement and property management operation agreement entirely by the 17% quasi co-ownership interest in the trust beneficiary interest rounded down below the unit and multiplying that amount by 12.

(Note 7) Deposits/Guarantees represents the figure obtained by multiplying the amount of deposits described in the agreement to change the co-owned property usage agreement and property management operation agreement entirely by the 17% quasi co-ownership interest in the trust beneficiary interest rounded down below the unit.

(Note 8) Total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the lessee by the 17% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 9) Total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 17% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place. Total leasable floor area and total leased floor area do not include storage, parking lots, mechanical rooms, etc.

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#### 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	79,500 million yen (as of March 31, 2020)
Established	June 2, 1959
Major shareholder	Morikiyo Co., Ltd. etc. (as of March 31, 2020)
Net assets	399,597 million yen (as of March 31, 2020)
Total assets	1,799,309 million yen (as of March 31, 2020)
Relationship with MHR or Asset Manager (as of August 17, 2020)	
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 Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, includes subsequent revision) (hereafter the "Investment Trust Act")
Personnel relationship	One director and one auditor of the Asset Manager are sent from this company.
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 license agreement 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 beneficiary interest, Mori Building has executed a building lease agreement (so-called master lease agreement) with a trustee, and leases the entire property as a master lessee. The company 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 related party of MHR. In addition, it is a parent company of the Asset Manager.

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5. Status of Titleholders, etc. of the Property

Property name (location)	Toranomom Hills Mori Tower (1-23-1 Toranomom, 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 May 2014	–
Acquisition price	Acquisition price is omitted as it is newly constructed property	–
Acquisition timing	Newly constructed in May 2014	–

6. Profile of Broker

Not applicable.

7. Transaction with Related Parties, etc.

A transaction with a related party, etc. will occur with the Acquisition.

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 a related party, etc. of the Asset Manager and the Acquisition constitute a transaction with a related 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.
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8. Payment Method

Lump sum payment upon delivery

As for the property acquisition, MHR plans to use the proceeds from issuance of new investment units together with borrowings and cash on hand. For 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 announced today.

9. Date of Acquisition

Asset to be acquired	Trust beneficiary interest (Toranomom Hills Mori Tower)
Date of decision of acquisition and lease	August 17, 2020
Date of execution of acquisition and lease agreement	August 17, 2020
Payment date	September 1, 2020 (anticipated)
Delivery date	September 1, 2020 (anticipated)

10. Future Prospect

For the forecast of business results, please refer to the press release “MHR Revises Forecast for the Fiscal Period Ending January 2021 and Announces Forecast for the Fiscal Period Ending July 2021” separately announced today.

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## 11. Summary of Appraisal Report

Property name	Toranomon Hills Mori Tower
Appraisal value	15,232,000 thousand yen
Appraiser	Japan Real Estate Institute
Appraisal date	July 1, 2020

(thousand yen)

Items	Contents (Note)	Summaries, etc.
Price	15,232,000	Estimated by correlation of the price based on the direct capitalization method with the price based on the DCF method.
Price based on the direct capitalization method	15,572,000	—
Operating profit	527,395	—
Possible total revenue	527,395	Recorded by taking into account the consideration for granting leasing rights based on the current agreements, the level of end tenants' rents, vacancy risks, etc.
Vacancies, etc. loss, etc.	0	Not recorded as the current agreements are judged to continue.
Operating costs	124,289	—
Maintenance costs	65,930	Recorded annual maintenance cost.
Utilities	0	Not recorded because utilities are not to be borne by the subject co-ownership interest holder.
Maintenance and repairs	0	Not recorded because maintenance and repairs are not to be borne by the subject co-ownership interest holder.
PM fee	408	Recorded by reference to such factors as the fee amount based on 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.	0	Not recorded because tenant recruitment costs, etc. are not to be borne by the subject co-ownership interest holder.
Property taxes	57,192	Recorded based on the standard taxable amount in property taxes documents, etc.
Insurance premium	758	Recorded by taking into consideration such factors as the insurance premium based on insurance contracts and the insurance rate of the subject building and similar buildings.
Other expenses	0	Not recorded because other expenses are not to be borne by the subject co-ownership interest holder.
Operating net income	403,106	—
Investment income of lump sum	4,395	Appraised investment income at a rate of return on investment of 1.0%.

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	Capital expenditures	2,465	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	405,036	—
	Cap rate	2.6%	Appraised by taking the standard cap rate and adding/subtracting the spread attributable to the location conditions, building conditions and other conditions, and taking into account such factors as future uncertainties and the market cap rate for similar real estate.
	Price based on the DCF method	14,875,000	—
	Discount rate	2.3%	Appraised by reference to the investment cap rates in transactions of similar real estate, and comprehensively taking into account such factors as the factors specific to the subject real estate.
	Terminal cap rate	2.8%	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	14,569,000	—
	Land ratio	80.6%	—
	Building ratio	19.4%	—
	Other matters considered in the appraisal by the appraiser	None	

(Note) Based on the figures in the appraisal report for trust beneficiary interest in the co-ownership interest in compartmentalized ownership of the 28th to 35th floors (87.95%) and co-ownership interest in the land use rights, the figures corresponding to the 17% quasi co-ownership interest rounded down below the unit, which MHR plans to acquire, are indicated.

[Attachments]

Attachment 1: Income and Expenditure Projections

Attachment 2: Portfolio List Post Asset Acquisition

Attachment 3: Map of the Property (surrounding portfolio map)

Attachment 4: Photos of the Property

- MHR's website address is <https://www.mori-hills-reit.co.jp/en/>

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[Attachment 1] Income and Expenditure Projections

(thousand yen)

(1) Projected property income	527,395
(2) Projected property expenses	111,220
(3) Projected NOI ((1)-(2))	416,175
(4) Projected NOI yield ((3)/anticipated acquisition price)	3.4%
(5) Depreciation and amortization	61,046
(6) Operating profit ((3)-(5))	355,128
(7) Yield after depreciation ((6)/anticipated acquisition price)	2.9%

(Note 1) The figures above are annual income and expenditure after excluding factors specific to the fiscal year of acquisition and take into account property taxes, and are not forecast figures for the next fiscal period.

(Note 2) The average maintenance and repair costs per annum for the next 15 years based on the engineering report dated July 13, 2020, by Tokyo Bldg-Tech Center Co., Ltd., is 3,514 thousand yen.

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[Attachment 2] Portfolio List Post Asset Acquisition (Note 1)

Principal use	Geographic area	Property number	Property name	(Anticipated) Acquisition date	(Anticipated) Acquisition price (millions of yen)	Investment ratio (%) (Note 2)		
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 February 1, 2016 April 1, 2016	115,380	28.6		
		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	15.5		
		O-4	Koraku Mori Building	April 13, 2006	27,200	6.8		
		O-6	Akasaka Tameike Tower	September 30, 2008 March 18, 2011	43,930	10.9		
		O-7	Atago Green Hills	May 1, 2012 April 1, 2013	42,090	10.4		
		O-8	ARK Hills South Tower	August 1, 2014	19,150	4.8		
		O-9	Toranomon Hills Mori Tower	August 1, 2017 March 1, 2018 September 3, 2018 September 1, 2020 (anticipated)	48,430	12.0		
		O-10	Holland Hills Mori Tower	August 1, 2017 March 1, 2018 September 3, 2018	16,330	4.1		
		Subtotal					374,990	93.1
		Residential Properties	Tokyo's central five wards and their vicinity	R-3	Roppongi First Plaza	April 13, 2006	2,100	0.5
R-4	Roppongi View Tower			March 22, 2006 April 13, 2006	4,000	1.0		
Subtotal					6,100	1.5		
Retail and Other Facilities	Tokyo's central five wards and their vicinity	S-1	Laforet Harajuku (Land)	September 15, 2010	21,820	5.4		
		Subtotal					21,820	5.4
Portfolio total					402,910	100.0		

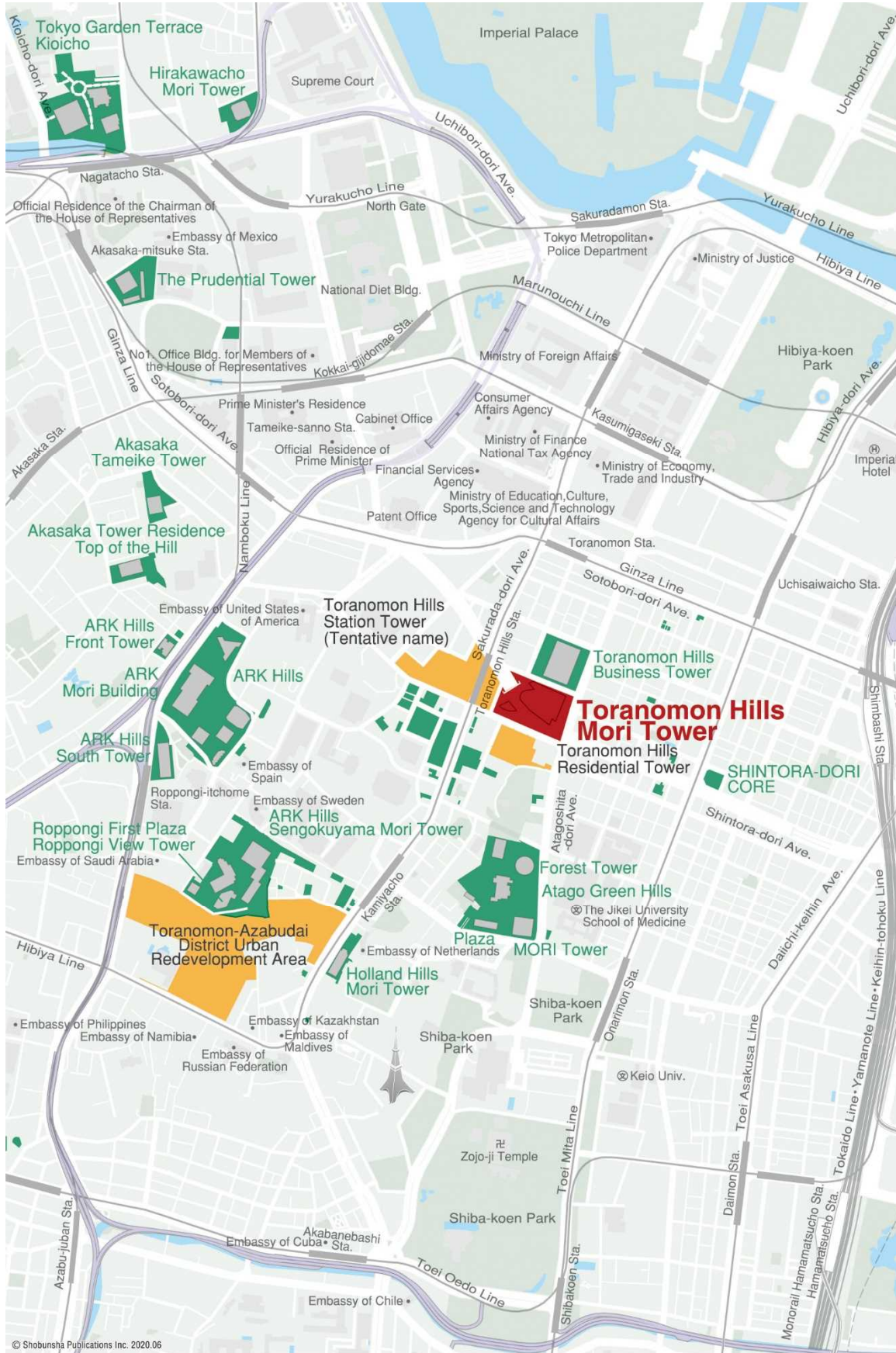
(Note 1) The table represents the portfolio list after the asset acquisition (Toranomon Hills Mori Tower: 12,220 million yen) to be conducted on September 1, 2020. Also, anticipated acquisition price includes appointed acquisition price.

(Note 2) Figures in the investment ratio are the ratios of respective anticipated acquisition price to the portfolio total, and have been rounded to the first decimal place.

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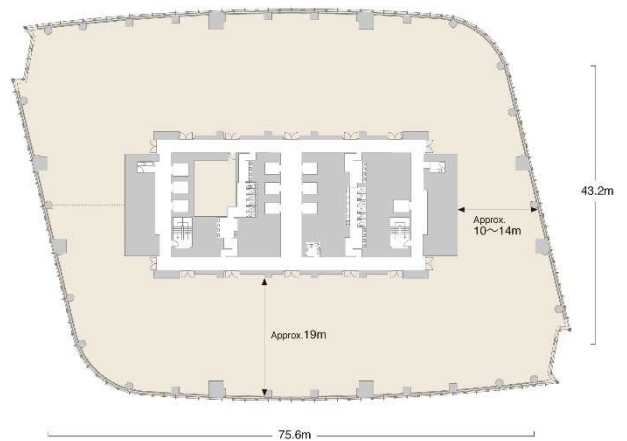
[Attachment 4] Photos of the Property



Building Layout



Cross-Sectional Diagram of the Standard Floor



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