

**For Translation Purposes Only**

Real Estate Investment Fund Issuer:  
Mori Hills REIT Investment Corporation  
(Securities Code: 3234)  
1-12-32 Akasaka, 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 Acquisitions  
(Toranomom Hills Mori Tower: Additional Acquisition)  
(Holland 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 MHR, has determined to undertake the asset acquisitions described below.

1. Overview of Acquisitions and Lease

| Property name                 | Toranomon Hills Mori Tower   | Holland Hills Mori Tower            |
|-------------------------------|--|-------------------------------------|
| Assets to be acquired         | Trust beneficial interests (Note 1)  | Trust beneficial interests (Note 2) |
| Anticipated acquisition price | 26,070 million yen (Note 3)  | 4,570 million yen (Note 3)          |
| Appraisal value               | 28,836 million yen   | 5,264 million yen                   |
| Sales agreement date          | July 12, 2018  |                                     |
| Acquisition date              | September 3, 2018 (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 4)   |                                     |

(Note 1) MHR plans to acquire the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership of the 28-35th floors and the co-ownership interest in the land use rights. MHR plans to acquire an additional 36% quasi co-ownership interest of the trust beneficial interests and will hold 50% together with the 14% already acquired. The remaining 50% of the quasi co-ownership interest in the trust beneficial interests is to be held by Mori Building Co., Ltd.

(Note 2) MHR plans to acquire the trust beneficial interests in compartmentalized ownership of the 3-4th, part of 5th, 14-18th and 22-24th floors and the co-ownership interest in the land use rights. MHR plans to acquire an additional 28% quasi co-ownership interest in the trust beneficial interests and will hold 100%, together with the 72% already acquired.

Note:

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- (Note 3) The indicated anticipated acquisitions price does not include acquisition-related costs, consumption taxes and other expenses.
- (Note 4) Please refer to “3. Details of the Assets to be Acquired and Lease” for leasing terms and conditions, and other details.

## 2. Reason for the Acquisitions

MHR decided on the additional acquisitions of the two properties (hereafter the “Acquisitions”) 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. These Acquisitions are expected to enhance the portfolio size and increase dividends per unit.

These Acquisitions are additional acquisitions of the quasi co-ownership interest of the trust beneficial interests, and there are no changes in the methods, etc. of the lease with Mori Building Co., Ltd. as master lessee (Toranomom Hills Mori Tower: fixed-rent master lease (Note 2), Holland Hills Mori Tower: pass-through type master lease (Note 3)).

- (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 sublessee to the master lessee.
- (Note 3) “Pass-through type master lease” is a method which the rent paid by the master lessee and the rent paid by the end tenant are always the same amount.

Furthermore, MHR particularly values the following points when deciding on the acquisitions.

### (1) Toranomom Hills Mori Tower

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

Toranomom 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 is located within walking distance of Toranomom Station on the Tokyo Metro Ginza Line and Kamiyacho Station on the Tokyo Metro Hibiya Line, and 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, in addition to several ongoing large-scale redevelopment projects, a nearby new station, “Toranomom New Station (tentative name)”, on the Tokyo Metro Hibiya Line is scheduled to start its service in 2020. There is a great expectation for this area's development potential as an international business/ exchange base.

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 large space with leasable floor area (Note) of approximately 3,400m<sup>2</sup> (approximately 1,000 tsubo) and a ceiling height (Note) of 2.8 m, offering a highly flexible and pleasant work environment.

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|---|

Furthermore, the property is capable of strongly 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 generating facilities with a dual backup system.

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 representing Tokyo along with advancement of redevelopment and construction of infrastructures 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 a height from the floor to the ceiling in a leasing space on the standard floor. The same applies hereafter.

## (2) Holland Hills Mori Tower

The property is a super high rise multi-use tower with 24 floors above ground and 2 floors below ground and 100 meters in height, and is a premium property mainly used as office and residence.

Holland Hills Mori Tower completed in 2005 is a project realized with effective utilization of unused plot of the adjacent Shiba Water Supply Location of Bureau of Waterworks Tokyo Metropolitan Government under the joint project of Mori Building Co., Ltd. and Bureau of Waterworks Tokyo Metropolitan Government. Landscape with a row of abundant greenery from the Embassy of Netherlands is maintained by placing new plants in the open space created through consolidation and verticalization of existing buildings.

The property is located approximately one-minute from Kamiyacho Station on the Tokyo Metro Hibiya Line and also has Toranomom Station on the Tokyo Metro Ginza Line within walking distance, as well as boasting excellent access not only to the administrative district in Kasumigaseki but also to the major business districts in Tokyo such as Marunouchi, Hibiya and Ginza. Furthermore, in the surrounding areas, several large-scale redevelopment projects are underway and transport convenience is expected to further improve with the construction of pedestrian networks in tandem with those redevelopments. For this and other reasons, there is a great expectation for this area's development potential to further develop as an international business/ exchange base while also providing a livable environment.

The property's office floors from the 3rd to 4th and part of 5th, 14th to 24th are designed by placing their core functions at the side. Each standard floor provides a regular-shaped, non-pillared large space with leasable area of approximately 1,040m<sup>2</sup> (approximately 314 tsubo) and a ceiling height of 2.8 m, offering a highly flexible and pleasant work environment. In addition, the rooftop garden at 100m above the ground allows a panoramic view of Tokyo Tower, Roppongi Hills and other landmarks representing Tokyo.

Furthermore, equipped with excellent earthquake resistance with combination of CFT pillars and vibration control devices (viscous vibration dampers), security based on a contactless card key system and other features, the property offers a cutting-edge work environment to meet the diversifying needs of tenants.

MHR has decided on the acquisition since the property is, as described above, a super high rise multi-use tower with excellent transport convenience and is believed to continue possessing superior competitiveness going forward along with advancement of redevelopment and construction of infrastructures in the vicinity.

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### 3. Details of the Assets to be Acquired and Lease

#### (1) Toranomom Hills Mori Tower

| Details of the Asset to be Acquired         |                 |  |
|---|-----------------|--|
| Property name                               |                 | Toranomon Hills Mori Tower   |
| Type of specified asset                     |                 | Trust beneficial interests<br>(87.95% of co-ownership of the 28th to 35th floors)<br>(36% 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 Toranomom, Minato-ku, Tokyo   |
| Use   |                 | Offices, Shops, Hotel, Residences  |
| Area<br>(Note 1)                            | Land            | 17,068.95m <sup>2</sup>  |
|   | Building        | 241,581.95m <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               |                 | 26,070 million yen   |
| Acquisition date                            |                 | September 3, 2018 (anticipated)  |
| Appraisal                                   | Appraiser       | Japan Real Estate Institute  |
|   | Appraisal value | 28,836 million yen (Appraisal date: June 1, 2018)  |
| PML (Note 4)                                |                 | 0.50%  |
| Collateral                                  |                 | None   |
| Property manager                            |                 | Mori Building Co., Ltd.  |
| Content of lease (As of April 30, 2018)     |                 |  |
| 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   |
| Gross rent income (annual rent)<br>(Note 6) |                 | 1,116,837,336 yen  |
| Deposits/ Guarantees (Note 7)               |                 | 930,697,786 yen  |
| Total leasable floor area (Note 8)          |                 | 8,790.53m <sup>2</sup>   |
| Total leased floor area (Note 9)            |                 | 8,790.53m <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.            |

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- (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 beneficial interests that MHR plans to acquire equivalent to the ratio of interest in the building is approximately 1,559.89m<sup>2</sup> (approximately 9.1%). Also, the site area corresponding to the quasi co-ownership interest in the trust beneficial interests that MHR plans to acquire equivalent to the ratio of interest in the building will be approximately 2,166.44m<sup>2</sup> (approximately 12.7%) after this acquisition.
- (Note 3) The exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that MHR plans to acquire as indicated in the real estate registry is approximately 8,792.68m<sup>2</sup> (approximately 5.0%). Also, the exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that MHR plans to acquire as indicated in the real estate registry will be approximately 12,212.06m<sup>2</sup> (approximately 6.9%) 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 the liquefaction of the ground and the earthquake vibration, therefore, the loss in operation or loss in worktime from the unavailability of equipment, furniture, fixtures, building occupancy and the secondary damage such as loss of lives are not included. PML figures are reported from Sompo Risk Management & Health Care Inc. as of June 4, 2018.
- (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 entirely change the co-owned property usage agreement and property management operation agreement by the 36% quasi co-ownership interest rounded down below the unit and multiplying that amount by 12.
- (Note 7) Deposits/ Guarantees represent the figure obtained by multiplying the amount of deposits described in the agreement to entirely change the co-owned property usage agreement and property management operation agreement by the 36% quasi co-ownership 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 36% quasi co-ownership 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 36% quasi co-ownership 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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## (2) Holland Hills Mori Tower

| Details of the Asset to be Acquired      |                   |   |                   |
|--|-------------------|---|-------------------|
| Property name                            |                   | Holland Hills Mori Tower  |                   |
| Type of specified asset                  |                   | Trust beneficial interests<br>(3-4th, part of 5th, 14-18th and 22-24th floors)<br>(28% of quasi co-ownership interest)                            |                   |
| Trustee                                  |                   | Sumitomo Mitsui Trust Bank, Limited   |                   |
| Trust establishment period               |                   | From August 1, 2017 to July 31, 2032  |                   |
| Location (Residential indication)        |                   | 5-11-2 Toranomom, Minato-ku, Tokyo  |                   |
| Use                                      |                   | Offices, Shops, Residences  |                   |
| Area                                     | Land              | 3,487.61m <sup>2</sup>  |                   |
|  | Building          | 35,076.12m <sup>2</sup>   |                   |
| Structure                                |                   | Steel-framed, steel-framed reinforced concrete and reinforced concrete structure with flat roof, 24 floors above ground and 2 floors below ground |                   |
| Construction completion                  |                   | January 2005  |                   |
| Designer                                 |                   | Yamashita Sekkei, Inc.  |                   |
| Contractor                               |                   | Obayashi Corporation  |                   |
| Building verification agency             |                   | Tokyo Metropolitan Government   |                   |
| Form of ownership                        | Land              | Ownership (Note 1)  |                   |
|  | Building          | Compartmentalized ownership (Note 2)  |                   |
| Anticipated acquisition price            |                   | 4,570 million yen   |                   |
| Acquisition date                         |                   | September 3, 2018 (anticipated)   |                   |
| Appraisal                                | Appraiser         | Japan Real Estate Institute   |                   |
|  | Appraisal value   | 5,264 million yen (Appraisal date: June 1, 2018)  |                   |
| PML                                      |                   | 0.85%   |                   |
| Collateral                               |                   | None  |                   |
| Property manager                         |                   | Mori Building Co., Ltd.   |                   |
| Content of lease (as of April 30, 2018)  |                   |   |                   |
| Total number of end tenants              |                   | 23  |                   |
| Gross rent income (annual rent) (Note 3) |                   | 287,451,346 yen   |                   |
| Deposits/ Guarantees (Note 4)            |                   | 254,811,264 yen   |                   |
| Total leasable floor area (Note 5)       |                   | 2,846.21m <sup>2</sup>  |                   |
| Total leased floor area (Note 6)         |                   | 2,820.05m <sup>2</sup>  |                   |
| Change in occupancy rates                | End of April 2016 | End of April 2017   | End of April 2018 |
|  | 99.0%             | 97.5%   | 99.1%             |

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|                             |  |
|-----------------------------|--|
| Other special consideration | For the transfer of the trust beneficial interests to a third party (excluding disposition to Mori Building Co., Ltd.), consent of other compartmentalized owner is required. In addition, with regard to the transfer of trust property (excluding the transfer to MHR as a result of the termination of the trust contract), approval of the other classification owner is required. |
|-----------------------------|--|

- (Note 1) Ownership for the land where the property is located is subdivided into the addresses of 5-124-1 Toranomom; 3-803-3 Shibakoen and 3-802-2 Shibakoen; and 1-224-28 Azabudai, and MHR plans to acquire the trust beneficial interests in co-ownership interest of 5-124-1 Toranomom and 3-803-3 Shibakoen. The site area corresponding to the quasi co-ownership interest in the trust beneficial interests that MHR plans to acquire equivalent to the ratio of interest in the building is approximately 535.06m<sup>2</sup> (approximately 17.6%). Also, the site area corresponding to the trust beneficial interests that MHR plans to acquire equivalent to the ratio of interest in the building is approximately 1,910.96m<sup>2</sup> (approximately 62.9%) after this acquisition.
- (Note 2) The exclusive floor area corresponding to the trust beneficial interests that MHR plans to acquire as indicated in the real estate registry is approximately 2,897.73m<sup>2</sup> (approximately 13.6%). Also, the exclusive floor area corresponding to the quasi co-ownership interest in the trust beneficial interests that MHR plans to acquire as indicated in the real estate registry is approximately 10,349.04m<sup>2</sup> (approximately 48.5%) after this acquisition.
- (Note 3) The gross rent income (annual income) represents the figure obtained by multiplying the combined amount of the monthly rents described in the lease agreements with the end tenants and the proceeds for monthly common expenses (excluding income from parking lots, utilities and other sources. Free rent, etc. are disregarded.) by 12, and multiplying that amount by the 28% co-ownership interest rounded down below the unit.
- (Note 4) Deposits/ Guarantees represent the figure obtained by multiplying the outstanding amount of deposits based on the lease agreements with the end tenants by the 28% quasi co-ownership interest rounded down below the unit.
- (Note 5) Total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the end tenants by the 28% quasi co-ownership interest.
- (Note 6) Total leased floor area represents the figure obtained by multiplying the contracted floor area described in the lease agreements with the end tenants by the 28% quasi co-ownership 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.

### (3) Items Concerning Forward Commitments, etc.

The purchase agreement concerning the Acquisitions is a forward commitment, etc. (i.e. a postdated sale agreement where the execution is scheduled over one month ahead of the payment and delivery of the property, and other similar agreements), as provided in “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.”. Under the purchase agreement, when the purpose of the purchase agreement cannot be fulfilled due to a breach of the purchase agreement by a party, the non-breaching party may cancel the purchase agreement upon notice if the delivery has not been executed.

However, under the purchase agreement, MHR’s payment of the purchase price is subject to MHR completing the financial arrangements necessary to pay the purchase price. Hence, if MHR is not able to complete the financing necessary to pay the purchase price, MHR shall not be obliged to make the payment. In addition, there are no penalty provisions or payments of security deposits.

Consequently, even in cases where forward commitments are unable to be fulfilled due to failure to complete financial arrangements, the likelihood of MHR’s financial conditions being significantly impacted is low.

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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  | 67,000 million yen (as of March 31, 2018)   |
| Established  | June 2, 1959  |
| Major shareholder  | Morikiyo Co., Ltd. etc. (as of March 31, 2018)  |
| Net assets   | 344,003 million yen (as of March 31, 2018)  |
| Total assets   | 1,543,636 million yen (as of March 31, 2018)  |
| Relationship with MHR or Asset Manager (as of July 12, 2018) |   |
| 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. One of the officers and employees of the Asset Manager is seconded from Mori Building.  |
| 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 beneficial interests, 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 Properties

### (1) Toranomom Hills Mori Tower

|  |  |  |
|--|--|--|
| Property name (location)                     | Toranomom Hills Mori Tower<br>(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                                    |

### (2) Holland Hills Mori Tower

|  |  |  |
|--|--|--|
| Property name (location)                     | Holland Hills Mori Tower<br>(5-11-2 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 January 2005                                |
|  | Acquisition price  | Acquisition price is omitted as it is newly constructed property |
|  | Acquisition timing   | Newly constructed in January 2005                                |

## 6. Profile of Broker

Not applicable.

## 7. Transaction with Related Parties, etc.

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

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 Assets | The Seller constitutes a related party, etc. of the Asset Manager and the Acquisitions 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 acquisitions, 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” announced released today.

9. Date of Acquisitions

|   |  |
|---|--|
| Assets to be acquired                                 | Trust beneficial interests<br>(Toranomom Hills Mori Tower/ Holland Hills Mori Tower) |
| Date of decision of acquisitions and lease            | July 12, 2018  |
| Date of execution of acquisitions and lease agreement | July 12, 2018  |
| Payment date  | September 3, 2018 (anticipated)  |
| Delivery date   | September 3, 2018 (anticipated)  |

10. Future Prospect

For the forecast of business results, please refer to the press release “MHR Revises the Forecast for the Fiscal Period Ending January 2019 and Announces the Forecast for the Fiscal Period Ending July 2019” released today.

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## 11. Summary of Appraisal Report

|                 |                             |
|-----------------|-----------------------------|
| Property name   | Toranomon Hills Mori Tower  |
| Appraisal value | 28,836,000 thousand yen     |
| Appraiser       | Japan Real Estate Institute |
| Appraisal date  | June 1, 2018                |

(thousand yen)

| Items   | Contents<br>(Note) | Summaries, etc.  |
|---|--------------------|--|
| Price   | 28,836,000         | 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 | 29,412,000         | —  |
| Operating profit                                | 1,116,837          | —  |
| Possible total revenue                          | 1,116,837          | 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                                 | 238,755            | —  |
| Maintenance costs                               | 139,617            | 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  | 864                | 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                                  | 96,621             | Recorded based on the standard taxable amount in property taxes documents, etc.  |
| Insurance premium                               | 1,653              | 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                            | 878,081            | —  |
| Investment income of lump sum                   | 9,307              | Appraised investment income at a rate of return on investment of 1.0%.   |

### Note:

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|  |  |            |  |
|--|--|------------|--|
|  | Capital expenditures                                       | 4,644      | 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   | 882,744    | —  |
|  | Cap rate   | 3.0%       | 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                              | 28,260,000 | —  |
|  | Discount rate  | 2.7%       | 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  | 3.2%       | 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   | 27,216,000 | —  |
|  | Land ratio   | 77.5%      | —  |
|  | Building ratio   | 22.5%      | —  |
|  | Other matters considered in the appraisal by the appraiser | None       |  |

(Note) Based on the figures in the appraisal report for trust beneficial interests 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 36% quasi co-ownership interest rounded down below the unit, which MHR plans to acquire, are indicated.

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|                 |                             |
|-----------------|-----------------------------|
| Property name   | Holland Hills Mori Tower    |
| Appraisal value | 5,264,000 thousand yen      |
| Appraiser       | Japan Real Estate Institute |
| Appraisal date  | June 1, 2018                |

(thousand yen)

| Items   | Contents<br>(Note 1) | Summaries, etc.  |
|---|----------------------|--|
| Price   | 5,264,000            | 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 | 5,320,000            | —  |
| Operating profit                                | 296,910              | —  |
| Possible total revenue                          | 312,227              | Recorded by estimating the level of unit rent stably collectable over the medium to long term, based on the average rent, etc. stated in the current lease agreements, the level of new rents, etc. and attributes of current lessees, etc.  |
| Vacancies, etc. loss, etc.                      | 15,316               | Recorded vacancies, etc. loss by estimating the level of occupancy rate stable over the medium to long term.   |
| Operating costs                                 | 97,795               | —  |
| Maintenance costs and PM fee                    | 60,503<br>(Note 2)   | Recorded maintenance costs by reference to the maintenance costs of similar real estate, and taking into consideration the factors specific to the subject real estate.<br>Recorded PM fee by taking into consideration the fee rate, etc. based on the contract terms, the fee rate of similar estate and the factors specific to the subject real estate, etc. |
| Utilities                                       | 9,987                | Recorded by reference to utilities of similar real estate, and taking into consideration occupancy rates, etc.   |
| Maintenance and repairs                         | 4,334                | Recorded by reference to historical data, and taking into consideration the future property management plans, the level of expenses of similar real estate and the annual average amount of repair and renovation expenses in the engineering report.  |
| Tenant recruitment costs, etc.                  | 2,331                | Recorded the annual average estimated based on the assumed turnover period of the lessees.   |
| Property taxes                                  | 20,102               | Recorded based on the standard taxable amount in property taxes documents, etc.  |
| Insurance premium                               | 537                  | 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                    | There are no expenses otherwise to record.   |

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|  |  |           |  |
|--|--|-----------|--|
|  | Operating net income                                       | 199,115   | —  |
|  | Investment income of lump sum                              | 2,440     | Appraised investment income at a rate of return on investment of 1.0%.   |
|  | Capital expenditures                                       | 10,110    | 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   | 191,444   | —  |
|  | Cap rate   | 3.6%      | 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                              | 5,180,000 | —  |
|  | Discount rate  | 3.2%      | 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  | 3.8%      | 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   | 5,208,000 | —  |
|  | Land ratio   | 82.4%     | —  |
|  | Building ratio   | 17.6%     | —  |
|  | Other matters considered in the appraisal by the appraiser | None      |  |

(Note 1) Based on the figures in the appraisal report for trust beneficial interests in the compartmentalized ownership of the 3-4th, part of 5th, 14th-18th and 22-24th floors and co-ownership interest in the land, the figures corresponding to the 28% quasi co-ownership interest rounded down below the unit, which MHR plans to acquire, are indicated.

(Note 2) Consent to disclose itemized PM fee amounts have not been obtained from the PM consignee. Furthermore, disclosure of itemized PM fee amounts of the property may affect other transactions the PM consignee undertakes and pose a problem to the entrustment of efficient PM responsibilities based on maintenance and management policy for investment real estate of MHR, and eventually may damage the interests of unitholders. For these reasons, maintenance costs and PM fee are indicated as a sum total.

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[Attachments]

Attachment 1: Income and Expenditure Projections

Attachment 2: Portfolio List Post Asset Acquisitions

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

Attachment 4: Photos of the Properties

- 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 website: <http://www.mori-hills-reit.co.jp/en/>

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[Attachment 1] Income and Expenditure Projections

(thousand yen)

|   | Toranomon Hills<br>Mori Tower | Holland Hills<br>Mori Tower | Total     |
|---|-------------------------------|-----------------------------|-----------|
| (1) Projected property income   | 1,116,837                     | 295,291                     | 1,412,128 |
| (2) Projected property expenses   | 228,611                       | 98,519                      | 327,130   |
| (3) Projected NOI ((1)-(2))   | 888,226                       | 196,771                     | 1,084,997 |
| (4) Projected NOI yield<br>((3)/ anticipated acquisition<br>price)      | 3.4%                          | 4.3%                        | 3.5%      |
| (5) Depreciation and amortization                                       | 139,947                       | 23,469                      | 163,417   |
| (6) Operating profit ((3)-(5))  | 748,278                       | 173,301                     | 921,580   |
| (7) Yield after depreciation<br>((6)/ anticipated acquisition<br>price) | 2.9%                          | 3.8%                        | 3.0%      |

(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 forecasted 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 June 5, 2018 by Tokyo Bldg-Tech Center Co., Ltd., is 6,632 thousand yen for Toranomon Hills Mori Tower and 13,498 thousand yen for Holland Hills Mori Tower.

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[Attachment 2] Portfolio List Post Asset Acquisitions (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<br>August 1, 2011<br>October 1, 2013<br>August 1, 2014<br>September 16, 2015<br>February 1, 2016<br>April 1, 2016 | 115,380   | 29.5                          |
|                             |   | O-1             | ARK Mori Building          | March 22, 2006<br>March 28, 2008<br>September 30, 2008<br>March 23, 2010<br>March 18, 2011<br>August 1, 2011<br>April 1, 2013    | 62,480  | 16.0                          |
|                             |   | O-4             | Koraku Mori Building       | April 13, 2006   | 27,200  | 7.0                           |
|                             |   | O-6             | Akasaka Tameike Tower      | September 30, 2008<br>March 18, 2011   | 43,930  | 11.2                          |
|                             |   | O-7             | Atago Green Hills          | May 1, 2012<br>April 1, 2013   | 42,090  | 10.8                          |
|                             |   | O-8             | ARK Hills South Tower      | August 1, 2014   | 19,150  | 4.9                           |
|                             |   | O-9             | Toranomon Hills Mori Tower | August 1, 2017<br>March 1, 2018<br>September 3, 2018 (anticipated)   | 36,210  | 9.3                           |
|                             |   | O-10            | Holland Hills Mori Tower   | August 1, 2017<br>March 1, 2018<br>September 3, 2018 (anticipated)   | 16,330  | 4.2                           |
|                             |   | Sub total       |                            |  |   |                               |
| 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<br>April 13, 2006   | 4,000   | 1.0                           |
| Sub total                   |   |                 |                            |  | 6,100   | 1.6                           |
| Retail and Other Facilities | Tokyo's central five wards and their vicinity | S-1             | Laforet Harajuku (Land)    | September 15, 2010   | 21,820  | 5.6                           |
| Sub total                   |   |                 |                            |  | 21,820  | 5.6                           |
| Portfolio total             |   |                 |                            |  | 390,690   | 100.0                         |

Note:

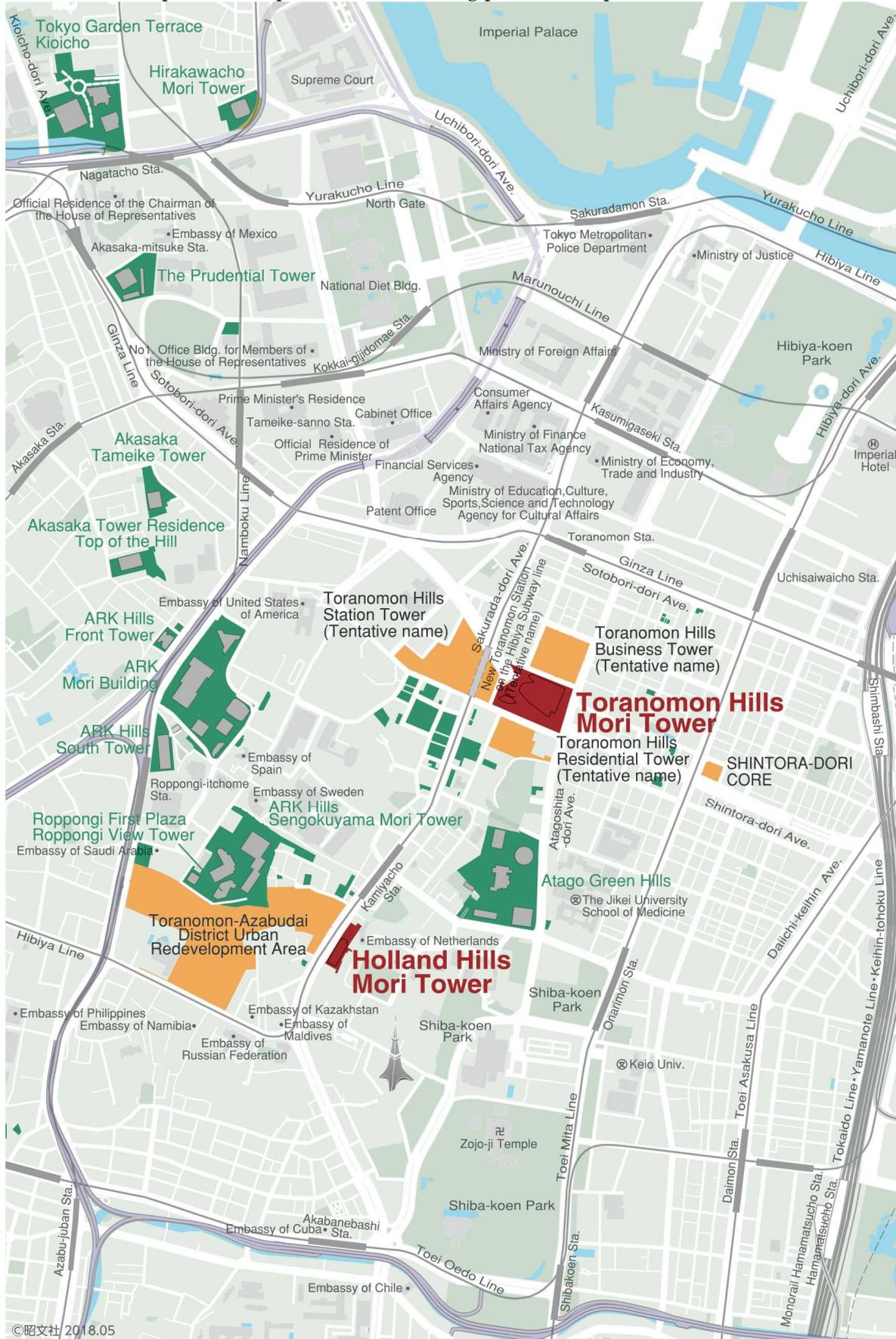
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- (Note 1) The table represents the portfolio list after the asset acquisitions (Toranomom Hills Mori Tower: 26,070 million yen, Holland Hills Mori Tower: 4,570 million yen) to be conducted on September 3, 2018. Also, anticipated acquisition price 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 3] Map of the Properties (surrounding portfolio map)



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[Attachment 4] Photos of the Properties

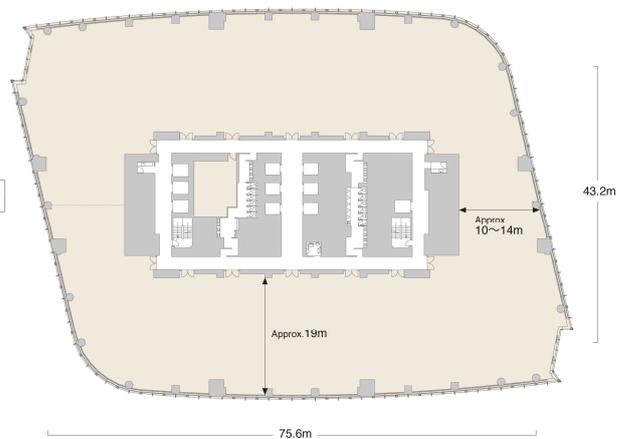
[Toranomom Hills Mori Tower]



Building Layout



Cross-sectional Diagram of the Standard Floor



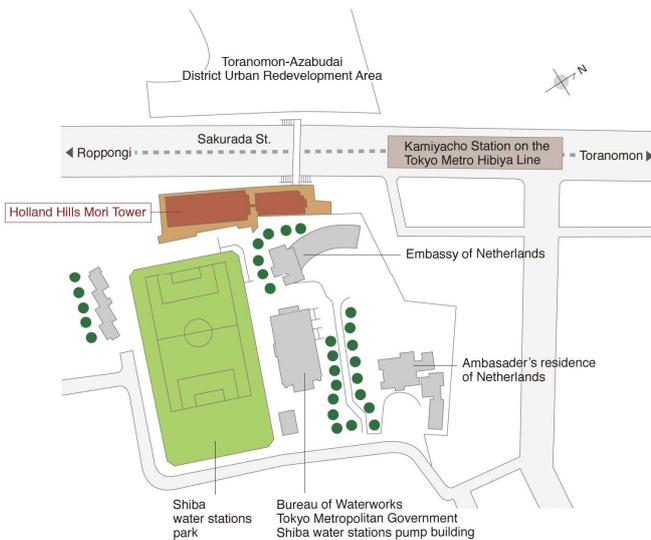
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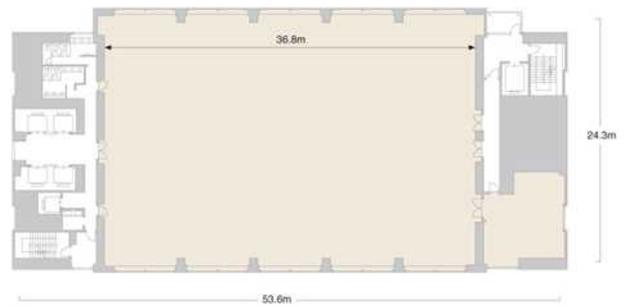
[Holland Hills Mori Tower]



Building Layout



Cross-sectional Diagram of the Standard Floor



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