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For Translation Purposes Only

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### MHR Announces Progress of Activities based on the New Management Policy

Mori Hills REIT Investment Corporation (hereinafter “MHR”) announced the progress of activities based on the new management policy that was commenced from September 2010.

In September 2010, MHR announced the basic policy of “dividend-oriented management” as its new management policy (for details, please refer to the press release, “Overview of Mutual Property Transaction and New Management Policy” dated September 14, 2010.) and the various related measures to be implemented. Subsequently, based on this policy, MHR has replaced properties (property exchange with sponsor) and has reduced various costs. As a result, the dividend per unit that was 6,577 yen per unit for the eighth fiscal period (ended July 2010) has been steadily increasing. In the ninth fiscal period (ended January 2011), the dividend per unit rose to 7,947 yen per unit. Furthermore, the dividend per unit is forecast at 8,200 yen per unit for the tenth fiscal period (ending July 2011) and 8,500 yen per unit for the eleventh fiscal period (ending January 2012) (for details on forecasts, please refer to the press release, “MHR Announces Forecast for Period Ending January 2012” dated today.).

Furthermore, the dividend per unit from the ninth fiscal period to the eleventh fiscal period includes gain on sale of real estate properties (amount derived after deducting real estate book value and transfer-related expenses from real estate transfer price) that results from the replacement of property (property exchange with sponsor). Without this gain on sale of real estate properties, the dividend per unit equals 6,726 yen per unit for the ninth fiscal period (ended January 2011), while it would equal 6,751 yen per unit (forecast) for the tenth fiscal period (ending July 2011) and 7,700 yen per unit (forecast) for the eleventh fiscal period (ending January 2012). MHR projects that the period-on-period increase for the eleventh fiscal period will be much greater than that of the ninth fiscal period and tenth fiscal period.

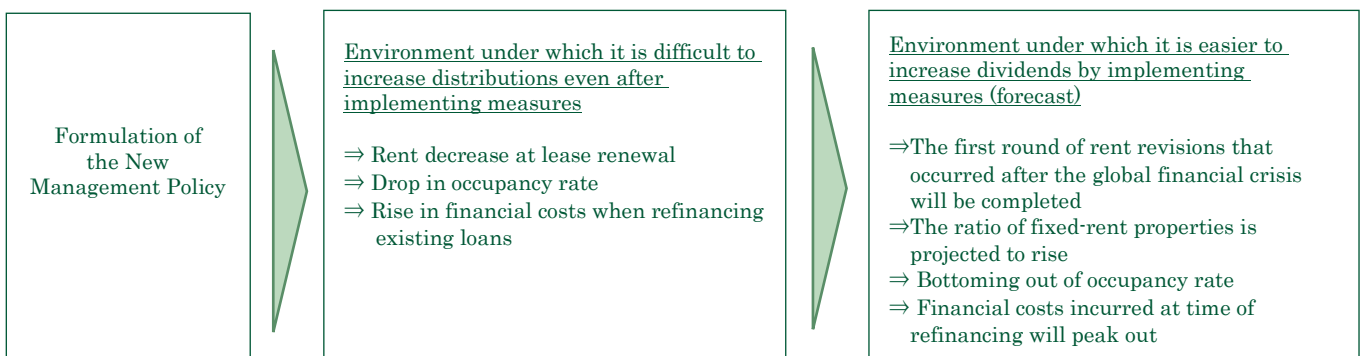
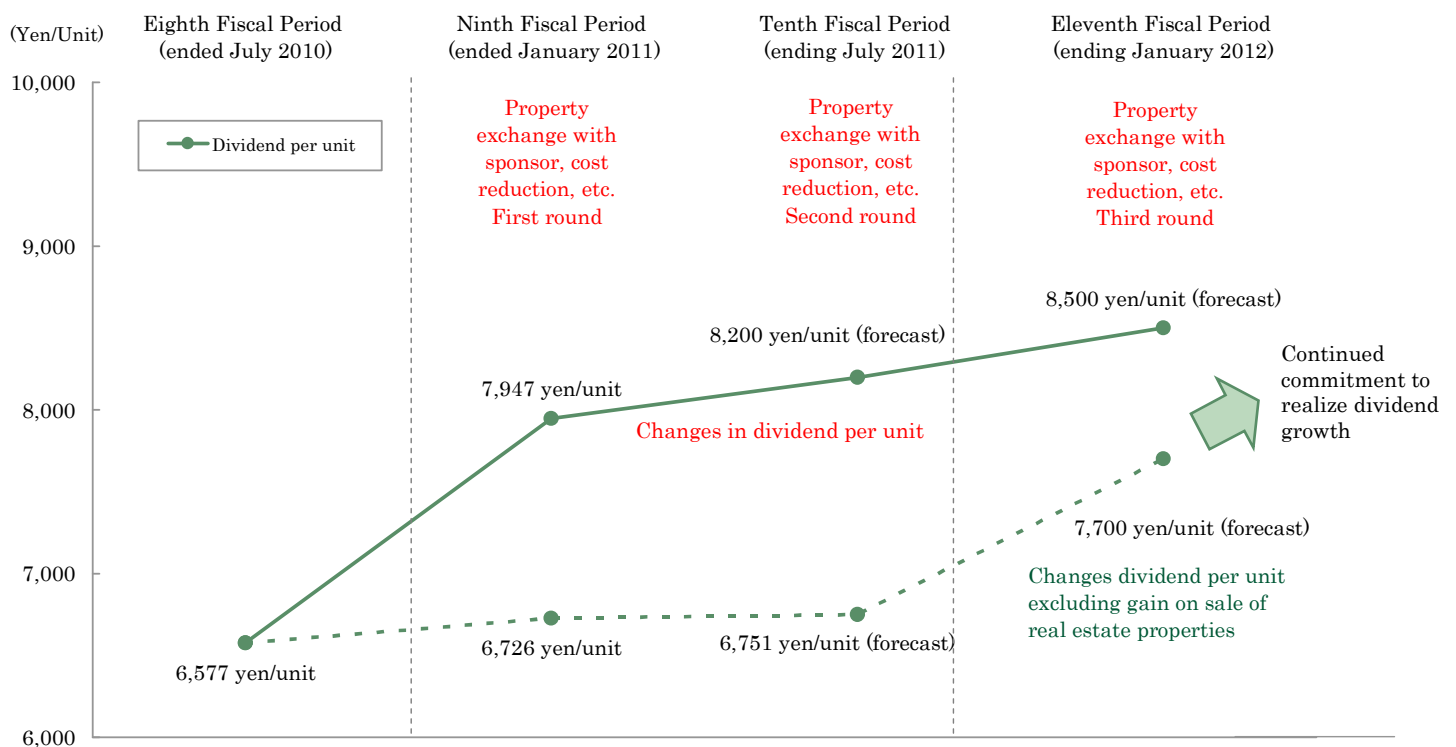
The reason behind this is that during the ninth fiscal period and tenth fiscal period, rent decreases at renewal, a drop in occupancy rates and the rise in financial costs when refinancing loans, etc. put strong downward pressure on distributable income, while on the other hand, such factors are expected to gradually improve during the eleventh fiscal period. In particular, since the first wave of tenants’ rent revisions that occurred after the global financial crisis will calm down, we expect the downward pressure on rent revenue to ease. At the same time, the ratio of fixed-rent properties(\*) in the portfolio is projected to rise from approximately 7.7% during the fiscal period right before the new management policy was announced (eighth fiscal period) to approximately 70.7% during the eleventh fiscal period, which should raise MHR’s resistance against the downside risk of revenue. In addition, the occupancy rate is projected to rise after bottoming out in the tenth fiscal period. With respect to refinancing, since the first round of refinancing after the global financial crisis will be completed, financial costs will peak out and should help improve MHR’s financial situation. In other words, during the eleventh fiscal period, the downward pressure on distributable income should gradually be eased and at the same time, the property

replacements announced today (property exchange with sponsor) and a change to a fixed master lease scheme for Akasaka Tameike Tower (office) should both help increase NOI. As a result, the period-on-period increase of the dividend per unit (forecast) excluding gain on sale of real estate properties for the eleventh fiscal period is expected to be much greater than that of the ninth fiscal period and tenth fiscal period.

(\*) “Fixed-rent properties” in this press release refer to “properties which implement fixed master leases (a master lease scheme where the master lessee pays a fixed amount, regardless of the amount paid by the lessees to the master lessee.) with Mori Building Co., Ltd. as the master lessee” and “Laforet Harajuku (land) where Mori Building Ryutsu System Co., Ltd. is the lessee.” Moreover, the ratio of rent revenue coming from fixed-rent properties out of the rent revenue coming from all properties has been rounded to the nearest decimal place for the last month of the eighth fiscal period and the last month of the eleventh fiscal period (forecast). Moreover, the policy for the leasing scheme of properties owned by MHR is to raise the fixed-rent ratio until the leasing market enters a recovery phase in order to reduce the downside risk of revenue, and to raise the pass-through ratio after the leasing market recovers in order to receive the benefits of the uptrend of revenue.

With respect to the future management policy of MHR, we would like to increase the dividend per unit while maintaining the high quality of the portfolio by continuing to implement various measures. The end goal of all this is to maximize investor returns.

We look forward to your continued support.



- 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/>