February 15, 2013

HILLS REIT

For Translation Purposes only

Real Estate Investment Fund Issuer:
Mori Hills REIT Investment Corporation
(Securities Code: 3234)
Asset Manager:
Mori Building Investment Management Co., Ltd.

MORI HILLS REIT INVESTMENT CORPORATION (CODE: 3234)

Overview of Property Acquisitions through Public Offering and New Management Policy 2013

Operation highlights and forecast after acquisition of assets to be acquired

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Resume the expansion of asset size with acquisitions of assets through public offering resulting in increased DPU.

	Announcement of Management Policy in Sep. 2010: 8th period (ended Jul. 2010)	Announcement of Management Policy in Sep. 2010: 9th period (ended Jan. 2011)	12th period (ended Jul. 2012)		Assets to be acquired	After acquisition of assets to be acquired	
Total assets (acquisition price basis)	211.8 billion yen	211.8 billion yen	210.8 billion yen		+ 20.0 billion yen	230.8 billion yen	
Average NOI yield (Note 1)	3.7%	3.5%	3.8% (12th period)	3.9% (Note 1) (Forecast of 13th period)	+ 4.9%	4.0%	
Unrealized capital gain (Note 2)					+1.45 billion yen		
LTV (appraisal value basis) (Note 3)	56.0%	57.4%	52.0%		Lowering by 0.7% (from the 12th fiscal period end) (Note 4)	Continued effort to realize lower LTV	
LTV (book value basis) (Note 5)	49.2%	49.3%	48.7%			48.7%	
NAV per unit (Note 6)	331,146 yen	313,657 yen	390,137 yen			Continued effort to realize growth	
Dividend per unit	6,577 yen/unit	7,947 yen/unit	8,700 yen/unit (12th period)	9,100 yen/unit (Forecast of 13th period) (Note 7)		9,400 yen/unit (Forecast of 14th period) (Note 7)	10,000 yen/unit (Forecast of 15th period) (Note 7)

Unless otherwise stated in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below decimal point.
Please refer to page 4 for notations.

Change in dividend and unit price, etc.

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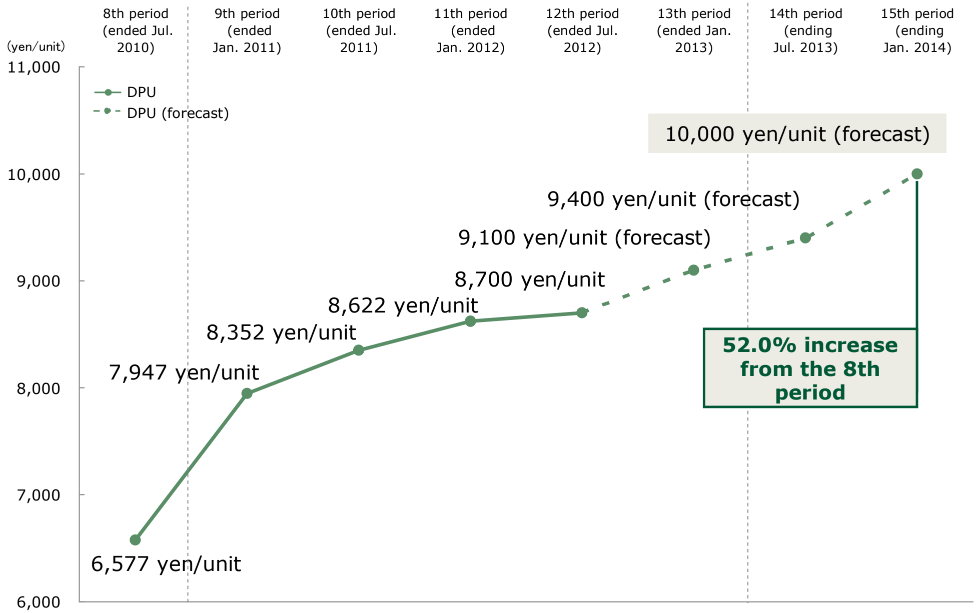
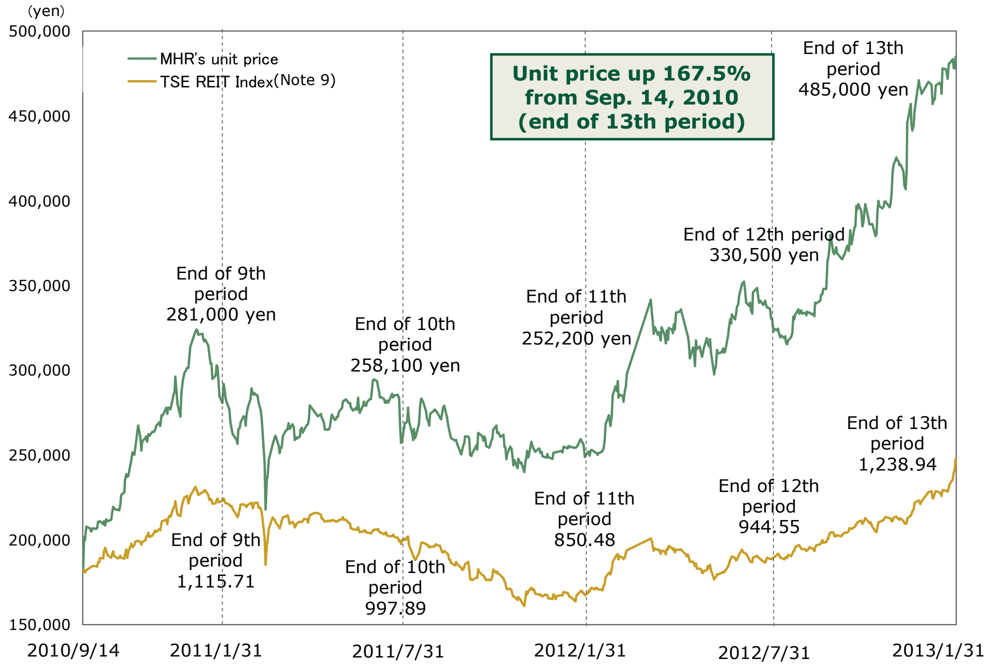
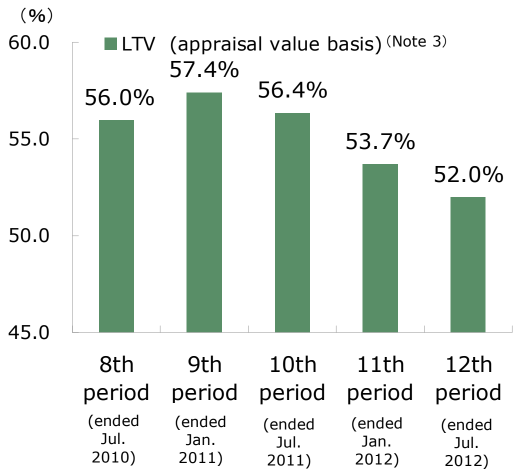
Change in dividend per unit



Change in unit price, NAV per unit and market value



Change in LTV (appraisal value basis) and refinancing



	(Past record) Bank loan in Nov. 2009	(Recent record) Bank loan in Nov. 2012
Loan amount	9,500mn yen	9,500mn yen
Interest rate (Note 8)	2.02%(fixed rate)	1.04%(fixed rate)
Loan period	3 years	3 years

(NAV per unit) (Note 6)

313,657 yen (end of 9th period) → **390,137 yen (end of 12th period)**

(Market value) (Note 10)

41.9 billion yen (as of Sep. 14, 2010) → **112.2 billion yen (end of 13th period)**

New Management Policy 2013

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We have completed the "Turnaround Phase" based on the Management Policy announced in September 2010. We will now transition to an "External Growth Phase." We will continue the basic policy of "Dividend-Driven Management" while aiming to maximize unitholders' value with the following policies:

New Management Policy 2013

Basic policy **"Dividend-driven management"**

Policy ① **Strive for external growth**

Policy ② **Further strengthening of our financial position**

Policy ③ **Continued increase of dividend per unit, NAV and market value**

Strive for external growth

- Primarily seek premium properties in central Tokyo
- Utilization of sponsors' property pipeline
- Further increase portfolio NOI yield
- Further improvement of unrealized gains/losses

Asset

Debt

Equity

Further strengthening of our financial position

- Extending the average duration of loans payable
- Reducing borrowing costs

Continued increase of dividend per unit, NAV and market value

"External Growth Phase" based on New Management Policy 2013

Increase of dividend per unit and NAV

Expansion of market value

Maximization of unitholders' value

Transition to new phase

"Turnaround Phase" based on the Management Policy (announced in Sep. 2010)

	8th period (ended Jul. 2010)	9th period (ended Jan. 2011)	12th period (ended Jul. 2012)	Forecast of 13th period (ended Jan. 2013)
Average NOI yield (Note 1)	3.7%	3.5%	3.8%	3.9%
LTV (appraisal value basis) (Note 3)	56.0%	57.4%	52.0%	Continued effort to lower LTV
Dividend per unit	6,577 yen/unit	7,947 yen/unit	8,700 yen/unit	9,100 yen/unit
Market value (Note 10)	41 billion yen	65 billion yen	76.5 billion yen	112.2 billion yen

Considerations

(Note 1) The calculation of average NOI yield is as follows: NOI (Operating revenue – Gain on sale of properties + Depreciation and amortization – Expenses related to rent business) ÷ Number of operating days × 365 ÷ Acquisition price (the weighted average based on the number of operating days during the period in the case of properties acquired or sold during the period).
The calculation of the projected NOI yield of the 13th period is as follows:
Average NOI yield = Projected NOI of the 13th period (NOI of the 12th period + NOI of properties acquired during the 12th period (Atago Green Hills (*)) – NOI of properties sold during the 12th period (Roppongi First Building and ARK Forest Terrace)) ÷ Number of operating days during the 12th period × 365 ÷ Total acquisition price of properties owned at the end of the 13th period
(*) Since this property was acquired during the 12th period and has contributed to three months of revenue, the equivalent amount for the 12th period is added for the property's projected NOI for the 13th period.
The calculation of values for after the assets scheduled for acquisition are acquired is as follows:
Average NOI yield = NOI after acquisition of assets scheduled for acquisition (Projected annualized NOI for the 13th period (**) + Projected annual NOI after acquisition of assets scheduled for acquisition (***)) ÷ Total acquisition price after acquisition of assets scheduled for acquisition (Total acquisition price of properties owned at the end of the 13th Period + Total of scheduled acquisition prices of assets scheduled for acquisition)
(**) Projected annualized NOI for the 13th period = Projected NOI for the 13th period ÷Operating days during the 12th period ×365
(***) The projected annual NOI after the acquisition of assets scheduled for acquisition is the sum of the projected annual NOI of Atago Green Hills (calculated based on the concluded memorandum between co-owners concerning the buildings lease business and property management operations, concluded real estate management trust agreement, etc., concluded letter of agreement between co-owners, actual taxes and public dues of fiscal 2012, coverage in insurance agreements and preliminary calculation of depreciable assets tax by the asset management company, Mori Building Investment Management Co., Ltd. (hereafter, the "Asset Management Company")) and the projected annual NOI of ARK Mori Building (calculated based on the building lease (master lease) and property management agreement scheduled to be concluded, real estate management trust agreement scheduled to be concluded, actual taxes and public dues of fiscal 2012, estimated coverage in insurance agreements and preliminary calculation of depreciable assets tax by the Asset Management Company), both assets scheduled for acquisition.
(Note 2) The calculation of unrealized gain of appraisal value is as follows: Appraisal values of assets scheduled for acquisition – Scheduled acquisition price of assets scheduled for acquisition.
(Note 3) The calculation of LTV (appraisal value basis) is as follows: Interest-bearing debt at end of the period ÷ Total assets at end of period based on appraisal value (Total assets at end of period + Appraisal value at end of period – Book value of properties at end of period).
(Note 4) Lowering effect by 0.7% (figures from end of 12th period) is calculated by subtracting [(Total interest-bearing debt as of the date of this document + Scheduled maximum amount of new borrowing scheduled to take place alongside the offering (10,000 million yen) (*)) ÷ Total asset at the end of the 12th period based on the appraisal value at the end of the period (205,599 million yen) – Amount of net decrease of interest-bearing debt through scheduled repayments from the end of the 12th period to the date of this document + Proceeds from the primary offering + Maximum proceeds from the third-party allotment + Scheduled maximum amount of new borrowing scheduled to take place alongside the offering + Unrealized gains from appraisal value of assets scheduled for acquisition (1,450 million yen)] from the LTV (appraisal value basis) at the end of the 12th period.
(*) Please refer to (Note 5) below.
(Note 5) The calculation of LTV (book value basis) is as follows: Interest-bearing debt at the end of the period ÷ Total assets at the end of the period. The calculation of the LTV following the acquisition of assets scheduled for acquisition is as follows:
LTV = Expected amount of interest-bearing debt after the acquisition of assets scheduled for acquisition (116,825 million yen) (*) ÷ Expected amount of total assets after the acquisition of assets scheduled for acquisition (239,885 million yen) (**)
(*) Expected amount of interest-bearing debt after the acquisition of assets scheduled for acquisition = Total interest-bearing debt as of the date of this document (106,825 million yen) + Scheduled maximum amount of new borrowing scheduled to take place alongside the offering (10,000 million yen)
(**)Expected amount of total assets after the acquisition of assets scheduled for acquisition = Total assets at the end of the 12th period (219,405 million yen) – Amount of net decrease of interest-bearing debt through scheduled repayments from the end of the 12th period to the date of this document (62 million yen) + Proceeds from the primary offering (10,040 million yen) + Maximum proceeds from the third-party allotment (502 million yen) + Scheduled maximum amount of new borrowing scheduled to take place alongside the offering (10,000 million yen)
Concerning the above, the total issue price of the primary offering is expected to be 10,040 million yen and the total issue price of the third-party allotment is expected to be 502 million yen (Calculated by presuming a issue price of 456,385 yen per investment unit based on the closing price of the Tokyo Stock Exchange as of January 31, 2013 (Thursday). Also, with regard to the third-party allotment, it is assumed that payment will be made by Mizuho Securities Co., Ltd. for all of the new investment units issued by way of the third-party allotment.) Therefore, if the actual issue price of the primary offering or third-party allotment is lower than the above presumptions, or if it happens that payment is not made for part or all of the third-party allotment, proceeds from the primary offering and the third-party allotment will be less than the amounts indicated above and the actual LTV after the acquisition of assets scheduled for acquisition will be higher than indicated above. Conversely, if the actual issue price is higher than the above presumptions, proceeds from the primary offering and the third-party allotment will be greater than the amounts indicated above, and due to this, there is a possibility that the scheduled amount of new borrowings will be less than indicated above. If such is the case, the actual LTV will be lower than indicated above.
(Note 6) The calculation of NAV per unit is as follows: (Total assets at the end of the period + Appraisal value at the end of the period – Book value of properties at the end of the period – Total interest-bearing debt at the end of the period) ÷ Number of investment units issued.
(Note 7) Considerations of forecast dividends
Forecasts for the fiscal period ended January 2013 (13th period) are from the calculations below the assumptions in the "Financial Report for the Twelfth Fiscal Period Ended July 31, 2012" dated September 13, 2012 (calculations are as of the same date), and forecasts for the fiscal period ending July 2013 (14th period) and the fiscal period ending January 2014 (15th period) are from the calculations below the assumptions in the press release "MHR Announces Forecasts for the Periods Ending July 2013 and Period Ending January 2014" dated today (calculations are as of the same date). The actual number of new investment units issued, their issue price, etc. to be decided may differ from the assumptions due to future acquisition or sale of real estate, etc., changes in the real estate market, etc. and other changes, etc. in the circumstances surrounding MHR, and as a result, actual dividend per unit vary significantly.
(Note 8) Interest rate (annual) is as of the implementation of the borrowing. Figures are rounded to the nearest second decimal place.
(Note 9) The TSE REIT Index is based to the announcement date of the 8th period results (September 14, 2010) and shows the relative performance in relation to MHR's unit price performance. Furthermore, figures for the end of each period are the actual figures of the TSE REIT index.
(Note 10) Market Value is calculated based on the closing price of the final business day at the end of each period unless otherwise stated.
(Note 11) No loan agreements have been concluded for the new borrowings scheduled to take place alongside the offering mentioned above. The borrowings are not guaranteed to take place and the actual amount to be borrowed may be lower than the maximum stated above.
(Note 12) The primary offering and third-party allotment mentioned above each refer to the primary offering and third-party allotment announced in the press release "MHR Announces Issuance of New Investment Units and Primary and Secondary Offerings" dated today, and "the offering" refers to the primary offering and third-party allotment collectively.

Disclaimer

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