

For Translation Purposes Only

Real Estate Investment Fund Issuer:
Mori Hills REIT Investment Corporation
(Securities Code: 3234)
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MHR Announces Asset Acquisition
Laforet Harajuku (Land): New Acquisition

Mori Hills REIT Investment Corporation (MHR) announced its intention to complete the following acquisitions.

In conjunction, please refer to “Overview of Mutual Property Transaction and New Management Policy” separately announced today for the positioning of the transfer in correlation with the replacement of assets of MHR.

1. Reason for Acquisition

Pursuant to its investment policy, MHR will acquire the land portion ownership of a retail property, which is a representative development project of Mori Building Co., Ltd. The transaction is being undertaken in order to enhance MHR’s portfolio cap rate while heightening the share of central Tokyo Premium Properties (Note) in its portfolio. Furthermore, MHR placed a particularly high value on the following points when deciding on the acquisition.

(Note) Premium Properties are defined in the management guidelines stipulated by Mori Building Investment Management Co., Ltd. (hereafter, the “asset manager”) as being office, residential or retail properties located in the central five wards of Tokyo (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward and Shibuya Ward) and their vicinity that are able to maintain sufficient competitiveness in the future in terms of quality, size, specifications, etc. Furthermore, if a building meets the conditions for Premium Properties, MHR considers the underlyingland as a Premium Property as well.

1) Location

The Harajuku-Omotesando area in which the Property is situated is a major urban commercial district and is a trendsetting district with a concentration of stores offering the world’s latest fashion and lifestyle-related items. The area has undergone further development in recent years, due in part to the launch of Omotesando Hills, and is thus regarded as a location that will continue to maintain high asset value.

2) Stable Earnings Over the Long Term

The Property is the ownership of land of Laforet Harajuku, a landmark retail property in the



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fashion town Harajuku (Premium Property). Encompassing two types of space – a retail space specializing in fashion and an event space Laforet Museum, the Property has been continuously introducing up-and-coming apparel brands, designers, artists and entrepreneurs to the world and constantly attracting attention, such as for its unique event production and high-impact advertising, ever since it opened in 1978

3) Enhance the Portfolio Cap Rate

The NOI cap rate of the Property is at a level that exceeds the average NOI cap rate of MHR's portfolio. Furthermore, as the Property does not include any buildings, no building depreciation burden will be incurred, and so the NOI cap rate after depreciation is at an even higher level. These factors are expected to serve to enhance the portfolio cap rate and increase distributions.

2. Overview of Acquisition

a) Asset-to-be-acquired:	Real Estate (Land ownership)
b) Property name:	Laforet Harajuku (Land)
c) Acquisition price:	21,820 million yen (Note 1)
d) Appraisal value:	24,200 million yen
e) Scheduled sales agreement date:	September 15, 2010
f) Scheduled acquisition date:	September 15, 2010
g) Seller:	Mori Building Co., Ltd.
h) Acquisition financing:	Cash on hand (plan to use capital acquired through separate asset transfer) (Note 2)

(Note 1) Acquisition price excludes acquisition costs, property taxes, city planning taxes and consumption taxes. This same shall apply hereinafter.

(Note 2) Please refer to "MHR Announces Transfer of Real Estate and Trust Beneficiary Rights; Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building): Transfer; Moto-Azabu Hills: Partial Transfer" separately announced today.

3. Details of the Asset-to-be-Acquired

Property name		Laforet Harajuku (Land)
Location		1-11-6 Jingumae, Shibuya-ku, Tokyo (Residential indication)
Area		2,565.06 m ² (Based on registry)
Form of ownership		Ownership
Acquisition Price		21,820 million yen
Appraisal	Appraisal value	24,200 million yen
	Appraisal date	July 31, 2010
	Appraiser	Japan Real Estate Institute
Scheduled acquisition date		September 15, 2010 (Plan)
Collateral		None
Details of tenants		
Total number of tenants		1
Gross rent income (annual rent)		1,293,600,000 yen
Deposits/Guarantees		None
Total leasable floor area		2,565.06 m ²
Total leased floor area		2,565.06 m ²
Agreement purpose		Ownership of building solely for use as retail property and other business use
Agreement period		From September 15, 2010 to September 14, 2030 (20 years)
Agreement type		Business-use fixed-term land lease agreement
Rent revision		Negotiable every 3 years upon consultation between both



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		parties, taking into account the economic situation, land price trends and other factors at that time.
	Early agreement cancellation	Not allowed
	Special consideration	<ul style="list-style-type: none"> - The Property's tenant Mori Building Ryutsu System Co., Ltd. has been granted a right of first offer in the event that MHR is to sell the Property. - The Property incorporates a retaining wall which extends from the Building to a neighboring building. The current owner of the Property (and neighboring property owner) will remain responsible for maintenance and possible replacement of this wall.

4. Profile of Seller

Name	Mori Building Co., Ltd.
Location of headquarters	6-10-1 Roppongi, Minato-ku, Tokyo
Representative	Minoru Mori
Scope of business	General developer
Capital	65 billion yen (as of March 31, 2010)
Established	June 2, 1959
Big Shareholder and ratio of shareholding	<i>Morikiyo Kabushikigaisya</i> etc. (as of March 31, 2010)
Net assets	294,234 million yen (as of March 31, 2010)
Total assets	1,032,303 million yen (as of March 31, 2010)
Relationship with MHR or Asset Manager	
Capital relationship	As of July 31, 2010, Mori Building is the main unitholder (21.1% stake) of MHR. Mori Building is also the main shareholder (100% stake) of Mori Building Investment Management Co., Ltd. (Asset Manager), to which the asset management of MHR is consigned, and thus constitutes an interested party, etc. as defined in the Law Concerning Investment Trusts and Investment Corporations (Investment Trust Law).
Personnel relationship	As of July 31, 2010, three of the officers and employees of the Asset Manager (excluding part-time directors) are seconded from Mori Building.
Business relationship	In the fiscal period ended July 2010, Mori Building has concluded a support agreement with MHR and the Asset Manager and a business consignment agreement with the Asset Manager, and conducts support, etc in regard to property acquisitions, etc. In addition, Mori Building has concluded a brand licensing contract 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 rights, Mori Building concludes a building lease agreement (so-called master lease agreement) with a trust fiduciary, and leases the entire property as a master lessee. The company also concluded a property management agreement and conducts property management of the property. In addition to acquisition of the Property, acquisition or other transaction of property owned by Mori Building is also conducted (Note).
Application of status as	Mori Building falls under the category of other interested



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a related party	party of MHR. In addition, it is a parent company of the Asset Manager.
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(Note) Please refer to “MHR Announces Transfers of Real Estate and Trust Beneficiary Right; Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building): Transfer; Moto-Azabu Hills: Partial Transfer” separately announced today.

5. Status of Titleholders, etc. of the Property

Property name (location)	Laforet Harajuku (land) (1-11-6 Jingumae, Shibuy-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” above
	Acquisition background and reason, etc.	For asset ownership
	Acquisition price	Omitted because owned for over 1 year.
	Acquisition timing	September 1997 (Transfer of ownership)
	Omitted because not a party with a particular vested interest.	

6. Transaction with Interested Parties, etc.

A transaction with an interested party, etc. will occur with the acquisition of the asset-to-be-acquired. 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 acquisition price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

Acquisition of the asset-to-be-acquired	The Seller constitutes an interested party, etc. of the Asset Manager and the transaction constitutes a transaction with an interested party, etc. as defined in the Investment Trust Law. In accordance with the provisions of the Investment Trust Law, the Asset Manager will deliver a written notice to MHR.
Business-use fixed-term land lease agreement	MHR plans to execute a business-use fixed-term land lease agreement with Mori Building Ryutsu System Co., Ltd. (Note) for the Property.

(Note) The President and CEO of Mori Building Co., Ltd., a shareholder of the Asset Manager (100% stake), concurrently serves as the President and CEO of Mori Building Ryutsu System Co., Ltd., making Mori Building Ryutsu System Co., Ltd. a related party as defined in the Asset Manager’s Related Parties Transaction Guidelines.

7. Payment Method

Lump sum payment upon delivery

MHR plans to use capital acquired through the transfer of Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building) and the partial transfer of Moto-Azabu Hills.

(Note) Please refer to “MHR Announces Transfers of Real Estate and Trust Beneficiary Right; Toranomom 35 Mori Building (OMRON Tokyo Headquarters Building): Transfer; Moto-Azabu Hills: Partial Transfer” separately announced today.

8. Schedule to be acquired

Scheduled sales agreement date	September 15, 2010
Payment date	September 15, 2010 (Plan)
Scheduled acquisition date	September 15, 2010 (Plan)

9. Future Prospect

Please refer to the section, “Forecast of Results for the ninth Fiscal Period ending January 31, 2011 (August 1, 2010 – January 31, 2011)” in the “Financial Report for the eighth Fiscal Period Ended July 31, 2010” for the impact the acquisition of the asset-to-be-acquired will have on the forecast of MHR’s business results for the ninth fiscal period ending January 31, 2011 (August 1, 2010 – January 31, 2011).

[Attachments]

Attachment 1: Summary of Appraisal Report

Attachment 2: Income and Expenditure Projections

Attachment 3: Portfolio List After Acquisition of the Asset-to-be-Acquired and Transfer of the Asset-to-be-Transferred

Attachment 4: Map of the Property (Portfolio Map of the Vicinity)

Attachment 5: Photo of the Property (Laforet Harajuku (land))

- 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>



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[Attachment 1] Summary of Appraisal Report

Appraiser	Japan Real Estate Institute	
Appraisal date	July 31, 2010	
Appraisal value	24,200,000,000 yen	
Price based on the DCF method	24,200,000,000 yen	
	Discount rate	5.2%
	Terminal cap rate (Note)	—

(Note) Based on the business-use fixed-term land lease agreement, return of the Property as a vacant lot at the end of the agreement period is assumed. Therefore, no terminal cap rate is employed.

[Attachment 2] Income and Expenditure Projections

(1)	Projected property incomes	1,290,000,000 yen
(2)	Projected property expenses	90,000,000 yen
(3)	Projected NOI ((1)-(2)) *Projected annual income and expenditure excluding factors specific to the fiscal year of acquisition	1,200,000,000 yen



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[Attachment 3] Portfolio List After Acquisition of the Asset-to-be-Acquired and Transfer of Toranomon 35 Mori Building (OMRON Tokyo Headquarters Building) and partial transfer of Moto-Azabu Hills

Type	Region	Property no.	Property name	Acquisition date	Acquisition price (millions of yen) (Note 1)	Investment ratio (%) (Note 2)
Office Building	Central five wards in Tokyo and their vicinity	O-0	Roppongi Hills Mori Tower	March 23, 2010	6,810	3.2
		O-1-1	ARK Mori Building (fixed I)	March 22, 2006	6,600	3.1
		O-1-2	ARK Mori Building (pass-through)	March 28, 2008 Sep. 30, 2008	22,000	10.4
		O-1-3	ARK Mori Building (fixed II)	March 23, 2010	3,400	1.6
		O-2	Roppongi Hills Gate Tower	April 13, 2006	36,500	17.2
		O-3	Roppongi First Building	March 22, 2006 April 13, 2006	21,000	9.9
		O-4	Koraku Mori Building	April 13, 2006	27,200	12.8
		O-6	Akasaka Tameike Tower	September 30, 2008	37,200	17.6
Sub total					160,710	75.9
Residential	Central five wards in Tokyo and their vicinity	R-1	Moto-Azabu Hills	March 22, 2006 Transfer during the 5 th fiscal period	17,886 (Note 3)	8.4
		R-2	ARK Forest Terrace	April 13, 2006	5,300	2.5
		R-3	Roppongi First Plaza	April 13, 2006	2,100	1.0
		R-4	Roppongi View Tower	March 22, 2006 April 13, 2006	4,000	1.9
Sub total					29,826	13.8
Retail	Central five wards in Tokyo and their vicinity	S-1	Laforet Harajuku (Land)	September 15, 2010	21,820 (Plan)	10.3
Sub total					21,820	10.3
Portfolio total					211,816	100.0

(Note 1) Acquisition price (plan) is the price MHR pays for the acquisition (excluding consumption tax and local consumption tax). The amount is rounded down to the nearest hundred yen.

(Note 2) Investment ratio is the acquisition price (plan) of the respective property expressed as a percentage of the portfolio total. In the calculation, the ratio is rounded to one decimal place.

(Note 3) Acquisition price of the trust beneficiary interest excluding the trust assets transferred as of September 15, 2010, is indicated.



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[Attachment 4] Map of the Property (Portfolio Map of the Vicinity)



- MHR
- Mori Building (Note)



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[Attachment 5] Photo of the Property (Laforet Harajuku (land))



(Note) MHR plans to acquire only the land of Laforet Harajuku. The photo above shows also assets other than the asset that is to be acquired by MHR.