

For Translation Purposes Only

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Mori Hills REIT Investment Corporation  
(Securities Code: 3234)  
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### MHR Announces Co-Owned Property Split for Roppongi View Tower

Mori Hills REIT Investment Corporation (hereafter “MHR”) announced the decision to conduct a co-owned property split for Roppongi View Tower. The details are as follows.

#### 1. Overview of Transaction

- (1) Target property : Trust beneficial interests
- (2) Property name : Roppongi View Tower (Hereafter “Property”)
- (3) Transaction detail : Co-owned property split of the Property
- (4) Date of contract : March 31, 2014
- (5) Date of execution : April 1, 2014 (planned)
- (6) Counterparties : Mori Building Co., Ltd., Yagi Tsusho Limited, Reiyukai, Sumitomo Real Estate Sales Co., Ltd. and Sumitomo Realty & Development Co., Ltd. (Hereafter, collectively “Other Five Co-owners”)

#### 2. Details of Transaction

Currently, 46% of 202 residential units of the Property is owned by Sumitomo Mitsui Trust Bank, Limited (Hereafter, “Trust Fiduciary”), the trust fiduciary of trust beneficial interests owned by MHR, and the remaining 54% is owned by the other five co-owners. However, following consultations with the Trust Fiduciary and the Other Five Co-owners, MHR has decided to conduct a co-owned property split (Hereafter “Co-owned Property Split”) using a division in kind method.

#### 3. Reason for Decision

As announced separately in the press release “MHR Announces Change in Leasing Scheme, etc. for Roppongi View Tower and Transaction with Interested Party (Mori Building Co., Ltd. and Roppongi First Building Co., Ltd.)” dated October 30, 2013, MHR planned, along with the Other Five Co-owners, to individually use the space allocated to each according to their ratio of co-ownership interest (hereafter “Allocated Space”) for revenue, and to apply a division in kind method, in which each co-owner would acquire individual ownership with respect to their own Allocated Space, in case of a future co-ownership split.

Since an agreement on the Co-owned Property Split was reached among the co-owners, MHR has decided to conduct the Co-owned Property Split using a division in kind method, in which each co-owner will acquire individual ownership with respect to their own Allocated Space as planned.

The total effective floor area ratio of each Allocated Space is set to be equal to the ratio of co-ownership interest in the Property of each co-owner based on the effective floor area ratio of each

space calculated by Japan Real Estate Institute. Therefore, the total economic value of ownership that each owner will acquire after the Co-owned Property Split will be equal to the co-ownership interest in the Property before the Co-owned Property Split.

Furthermore, the economic value of the Property owned by MHR before and after the Co-owned Property Split will be unchanged as described in “4. Details of Asset Subject to Co-owned Property Split” below.

#### 4. Details of Asset Subject to Co-owned Property Split

Property name		Roppongi View Tower	
Type of specified asset		Trust beneficial interests	
Trust fiduciary		Sumitomo Mitsui Trust Bank, Limited	
Trust beneficiary		MHR	
Trust establishment		Before spilt	After spilt
		March 4, 2003 (40% of co-ownership interest) March 22, 2006 (6% of co-ownership interest)	March 4, 2003 (80 units) March 22, 2006 (12 units)
Trust maturity date		Before spilt	After spilt
		March 3, 2023 (40% of co-ownership interest) March 3, 2023 (6% of co-ownership interest)	March 3, 2023 (80 units) March 3, 2023 (12 units)
Location	Lot number (Note 1)	1-113-24 Roppongi, Minato-ku, Tokyo, etc. (Total: 8 lots)	
	Residential indication	1-9-35 Roppongi, Minato-ku, Tokyo	
Use		Residences	
Area (Note 1)	Land	4,357.88m <sup>2</sup>	
	Building	22,906.74m <sup>2</sup>	
Structure		Reinforced concrete structure with flat roof, 20 floors above ground and 1 floor below ground	
Construction completion		October 1993	
Architect		Urban Renaissance Agency, and Irie Miyake Architects & Engineers	
Contractors		Shimizu Corporation, and a consortium of ANDO Corporation	
Building verification agency		Tokyo Metropolitan Government	
Form of ownership		Before spilt	After spilt
		Land (Note 2)	Ownership (co-ownership)
		Ownership (Land use right interest ratio: 46.0%)	Ownership (Land use right interest ratio: 46.0%)
		Sectional ownership (46% of co-ownership) 202 units/ 202 units	Sectional ownership (Single ownership) 92 units/202 units (Exclusive floor area interest ratio: approx.44.7%)
Acquisition price		4,000 million yen	
Acquisition date		(i) Acquired 6% of co-ownership interest of Trust beneficial interests on March 22, 2006 (ii) Acquired 40% of co-ownership interest of Trust beneficial interests on April 13, 2006	
Appraisal		Before spilt	After spilt
		Appraisal Value	2,280 million yen
		Appraisal date	January 31, 2014
		Appraiser	Japan Real Estate Institute
PML (Note 4)		3.53%	
Collateral		None	

Property manager	Mori Building Co., Ltd.	
Details of tenants (as of January 31, 2014)		
	Before spilt	After spilt
Total number of end tenants	83	83
Gross rent income (annual rent)	169 million yen	169 million yen
Deposits/Guarantees (Note 5)	53 million yen	53 million yen
Total leasable floor area (Note 6)	4,515.25m <sup>2</sup>	4,515.25m <sup>2</sup>
Total leased floor area (Note 7)	4,118.97m <sup>2</sup>	4,118.97m <sup>2</sup>
Other special consideration	<p>With the Co-owned Property Split, MHR will, as of April 1 2014, conclude a memorandum with the Other Five Owners through the Trust Fiduciary and agree to hold the preferential negotiation right to purchase the concerned sectional ownership or the trust beneficial interests in the case any of the sectional owners intend to transfer the sectional ownership or the trust beneficial interests to which the owners are entitled.</p> <p>In addition, with the Co-owned Property Split, MHR will, as of April 1 2014, conclude a memorandum with Mori Building Co., Ltd., Sumitomo Real Estate Sales Co., Ltd. and Sumitomo Realty &amp; Development Co., Ltd. through the Trust Fiduciary and agrees to conduct a whole transfer to a single assignee in the case they intend to transfer the sectional ownership or the trust beneficial interests to which they are entitled.</p> <p>However, the aforementioned memorandums specify that such conditions do not apply in the following cases:</p> <ol style="list-style-type: none"> <li>1. Transfer between Mori Building Co., Ltd. and a trust fiduciary or MHR</li> <li>2. Transfer between Sumitomo Real Estate Sales Co., Ltd. and Sumitomo Realty &amp; Development Co., Ltd.</li> <li>3. Delivery of sectional ownership due to the expiration of the trust agreement</li> </ol> <p>The aforementioned memorandums apply to Roppongi First Plaza, which is specified as a single establishment with the Property in the real estate registry.</p>	

(Note 1) As the Property shares land with Roppongi First Plaza and the building of the Property is specified as a single establishment with Roppongi First Plaza in the real estate registry, the Lot number and Area refer to a lot number and area of the entire parcel and total floor area of the entire building. The same applies hereafter.

(Note 2) Land use rights for the Property are planned to be established. The lot size, as indicated in the real estate registry after the Co-owned Property Split corresponding to the trust beneficial interests that MHR owns, is approx. 1,214.71m<sup>2</sup> (with land use right interest ratio of 46.0%

(Note 3) The exclusive floor area, as indicated in the real estate registry after the Co-owned Property Split corresponding to the trust beneficial interests that MHR owns, is 4,172.20m<sup>2</sup> and the exclusive floor area interest ratio is approx. 44.7%.

(Note 4) PML refers to the probability of the maximum loss expected to result from an earthquake. There is no standardized precise definition. Rather, definitions vary depending on the intended purpose and use. Herein, however, PML is defined as “the percentage of losses against building price which will not be exceeded based on a 90% probability, should the greatest earthquake that has a 10% probability occurring within the average useful life of a building of 50 years, occur.” The value as indicated on the earthquake risk PML assessment report dated July 9, 2013 by Tokyo Bldg-Tech Center Co., Ltd. is shown.

(Note 5) Deposits/Guarantees are the amounts indicated in the lease agreement with Mori Building Co., Ltd., the master lessee.

(Note 6) Total leasable floor area indicates the area which is assumed to be leasable to end tenants.

(Note 7) Total leased floor area indicates the contracted area stated in the lease agreement with end tenants.

5. Transaction with Interested Party, etc.

With the Co-owned Property Split, the following agreements concerning the Property will expire as announced separately in the press release “MHR Announces Change in Leasing Scheme, etc. for Roppongi View Tower and Transaction with Interested Party (Mori Building Co., Ltd. and Roppongi First Building Co., Ltd.)” dated October 30, 2013.

- (1) Building lease agreement, an agreement in which the entire Property will be leased to Roppongi First Building Co., Ltd. upon deciding the Allocated Space among the six co-owners.
- (2) Building lease agreement, an agreement in which the Allocated Space of MHR (92 units) will be subleased from Roppongi First Building Co., Ltd.

The fixed-term building lease agreement, an agreement in which the Allocated Space of MHR (92 units) will be subleased to Mori Building Co., Ltd., and property management agreement, an agreement concerning the Property concluded with Mori Building Co., Ltd., will remain valid.

In addition, a memorandum which specifies the content of the other special considerations in the previous “4. Detail of Asset Subject to Co-owned Property Split” will be concluded as of April 1, 2014.

6. Overview of Interested Party, etc.

Name	Mori Building Co., Ltd.
Location	6-10-1 Roppongi, Minato-ku, Tokyo
Representative	Shingo Tsuji, President & CEO
Scope of business	General developer
Capital	67,000 million yen (as of March 31, 2013)
Established	June 2, 1959
Relationship with MHR and Asset Manager (as of March 31, 2014)	
Capital relationship	Mori Building is a major unitholder (17.7% stake) of MHR. Mori Building is also the wholly owning parent company (100% stake) of the Asset Manager, and thus constitutes an interested party, etc. as defined in the Act on Investment Trusts and Investment Corporations (Investment Trusts Act).
Personnel relationship	Two of the officers and employees of the Asset Manager are seconded from Mori Building.
Business relationship	Mori Building has concluded a support agreement with MHR and the Asset Manager and an advisory 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 mark licensing contract with MHR and grants the license to use the brand name “Mori Hills REIT” and the “m” brand mark. Furthermore, as for assets MHR owns in the form of trust beneficial interests, 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. Mori Building also concluded 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 affiliated company of MHR. In addition, it is a parent company of the Asset Manager.

7. Procedures Concerning Transactions with Interested Parties, etc.

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, the Asset Manager has conducted adequate procedures pursuant to the Related Parties Transaction Guidelines.

In addition, to comply with the regulation concerning transactions that may cause conflicts of interest as described in Article 203 Paragraph 2 of the Investment Trusts Act, the Asset Manager will deliver documents containing the details of the agreement after the conclusion to MHR.

## 8. Outlook

There are no changes to be made in MHR's forecasts of financial results for the sixteenth fiscal period ending July 2014 (February 1, 2014 to July 31, 2014) and seventeenth fiscal period ending January 2015 (August 1, 2014 to January 31, 2015) as there is no impact as a result of the split.

(Reference) Forecast of Financial Results announced on March 14, 2014 for the Sixteenth Fiscal Period Ending July 2014 and Previous Result

	Operating Revenue	Operating Income	Ordinary Income	Net Income	Dividend per Unit (excluding dividend in excess of earnings)	Dividend in Excess of Earnings per Unit
Forecast for Sixteenth Fiscal Period ending July 2014	5,785 million yen	3,840 million yen	2,964 million yen	2,963 million yen	2,140 yen	0 yen
Results for Fifteenth Fiscal Period ended January 2014	5,610 million yen	3,790 million yen	2,798 million yen	2,797 million yen	10,099 yen	0 yen

(Note) A 5-for-1 split of MHR's investment units was implemented with February 1, 2014 as the effective date.

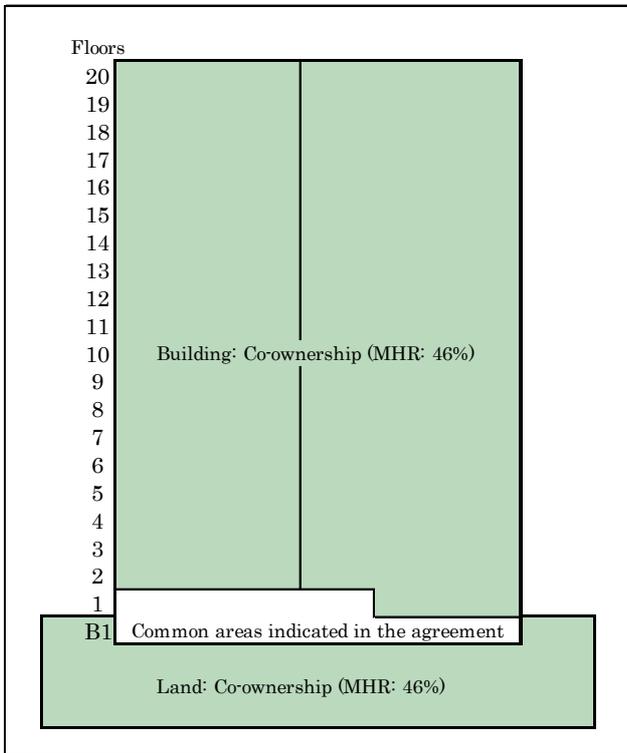
[Attachment]

Attachment: Conceptual Scheme Map of Subject Property

- 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/>

Attachment: Conceptual Scheme Map of Subject Property

Before the Co-owned Property Split



After the Co-owned Property Split

