

For Translation Purposes Only

Real Estate Investment Fund Issuer:
Mori Hills REIT Investment Corporation
(Securities Code: 3234)
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MHR Announces Issuance of New Investment Units through Third Party Allotment

Mori Hills REIT Investment Corporation (MHR) announced that it has determined, at MHR's Board of Directors' meeting held today, to issue new investment units through third party allotment as follows:

1. Details of issue of new investment units

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|--|---|
| (1) Number of units to be issued: | 29,400 units |
| (2) Underwriting price: | 500,000 yen per unit |
| (3) Total underwriting price: | 14,700,000,000 yen |
| (4) Application period: | September 25, 2008 |
| (5) Payment date: | September 29, 2008 |
| (6) Allottee and number of units: | (Allottee) Mori Building Co., Ltd.
(Number of Units) 29,400 units
(Payment Amount) 14,700,000,000 yen |
| (7) Method of offering or allotment: | Through third party allotment |
| (8) Delivery date: | Non-issuance |
| (9) Administrative agent commissioned: | Mizuho Securities, Co., Ltd. |
| (10) Mandatory items regarding the content of investment units to be issued, of which are recorded under other security registration statement: | not applicable. |
| (11) Concerning each of the abovementioned categories, the effect of the security registration statement based on the Financial Instruments and Transactions Law stands. | |

2. History of Total Investment Units Issued Following this Issue

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|---|---------------|
| Current total number of investment units issued: | 129,800 units |
| (of which number held by Mori Building Co., Ltd. 19,518 units; 15.0% ratio) | |
| Increase in investment units following this issue: | 29,400 units |
| Total number of investment units following this issue: | 159,200 units |
| (of which number held by Mori Building Co., Ltd. 48,918 units; 30.7% ratio) | |

3. Reason for Issuance and Use of Funds, etc.

(1) Reason for Offering Investment Units Issued Through Third Party Allotment

Note: This document was created as a press release for the public regarding new investment unit issuance through Third Party Allotment and was not created with the aim of seeking investment. When making an investment, please ensure to make an investment based on your own evaluations and responsibility.



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As noted in MHR's press release dated today titled "MHR Announces Asset Acquisition and Transfer", MHR decided to acquire the trust beneficiary right of trusts that holds title to portions of ARK Mori Building and Akasaka Tameike Tower respectively as a major part of its assets on September 30, 2008.

Following deliberation of the funding method for the acquisition of said two properties, MHR came to the conclusion that considering the price, amount, scale, and interest-bearing debt ratio, etc. following the acquisition of the asset-to-be-acquired, the most appropriate means of obtaining funds is to combine a borrowing from a financial institution(s) with a capital increase.

On the other hand, due to the gridlock of the global financial markets as a result of the global credit crisis, the difficulty for obtaining financing in relation to the J-REIT market is increasing.

Public offerings are usually considered when choosing among funding methods. However, given the present movements of investment unit prices and the fluctuations of the investment unit prices for public offerings from the time that deliberations regarding issuance takes place until the transaction is completed, MHR came to the conclusion that funding (via public offering) is extremely difficult under the present circumstance in which the uncertainty of funding is deemed as very high.

Under such circumstances for financing, MHR came to the conclusion that executing a third party allotment with Mori Building Co., Ltd. (hereafter "the Third Party Allotment"), which is its sponsor, as allottee, is the most appropriate method, following discussions made for a stable funding method that would enable a capital increase at a level that is above the most recent investment unit price. Thus MHR would not miss the opportunity for expanding its asset scale.

(2) Calculation Method for the Offer price

The offer price was set to the equivalent of 105.7% of the closing price of the ordinary trading price for investment securities that show MHR's investment unit made public by the TSE on September 16, 2008, or one business day prior to the issuance resolution day (September 12, 2008) at 500,000 yen (rounded to the nearest thousand).

(Reference)

(a) Underwriting price per 1 unit	500,000 yen
(b) Closing price one business day prior to the day the resolution was made for the issuance	473,000 yen
(a)-(b)	27,000 yen
(a)/(b)×100	105.7%

(3) Amount Obtained through Funding (estimated paid-in amount)
14,700,000,000 yen

(4) Details on the Use of Funds Obtained Through the Issuance

The paid-in capital obtained via the third party allotment (14,700,000,000 yen) will be used to acquire the abovementioned two assets-to-be-acquired.

(5) Planned Payment Period using the Acquired Funds
September 2008

(6) Idea Concerning the Legitimacy for Using the Acquired Funds

MHR thinks that using the funds acquired via investment unit issuance of the third party allotment for funds necessary for acquiring special assets would bring about the stable growth of MHR and increase its corporate value and thus is a legitimate way of using said funds.

(7) Future Prospect of Impact on MHR's Business Results

Please refer to the section, "Forecast of Results for the Fifth Fiscal Period ending

January 31, 2009 (August 1, 2008 – January 31, 2009)” in the “Financial Report for the Fourth Fiscal Period Ended July 31, 2008” for the impact the issuance will have on the forecast of MHR’s business results for the fifth fiscal period ending January 31, 2009 (August 1, 2008 – January 31, 2009).

4. Future Prospects on the Interest-bearing Debt Ratio Following Issuance

The prospects regarding the interest-bearing debt ratio as of September 30, 2008, after taking into consideration borrowings mentioned in today’s press release, “MHR announces Comprehensive Resolution in Relation to Borrowing of Funds”, is about 53.9%.

(Note) The abovementioned estimate value is based on information MHR has at hand today and on certain conditions that are deemed legitimate. It is possible that the actual interest-bearing debt ratio will fluctuate due to future acquisition or sales of property, executing new borrowings or repayment of existing borrowings, movements in the real estate market, etc., changes in other conditions surrounding MHR, etc. Furthermore, the interest-bearing debt ratio is the sum total of the borrowing amount, investment corporation bonds and short-term investment corporation bonds, divided by total assets.

5. Conditions of the Business Results and Equity Finance for the Three Most Recent Fiscal Periods

(1) Business Results of the 3 Most Recent Fiscal Periods (unit: yen)

Fiscal Period	Second fiscal period (ended July 31, 2007)	Third fiscal period (ended January 31, 2008)	Fourth fiscal period (ended July 31, 2008)
Net Profit per Unit (yen)	14,912 yen	14,197 yen	14,117 yen
Dividend per Unit (yen)	14,912 yen	14,197 yen	14,117 yen
Net Assets per Unit (yen)	574,784 yen	574,069 yen	573,989 yen

(2) Conditions of Recent Investment Unit Prices

① Conditions of the 3 Most Recent Fiscal Periods

	Second fiscal period (ended July 31, 2007)	Third fiscal period (ended January 31, 2008)	Fourth fiscal period (ended July 31, 2008)
Opening Price	1,100,000 yen	1,070,000 yen	726,000 yen
Highest price	1,460,000 yen	1,080,000 yen	749,000 yen
Lowest price	967,000 yen	610,000 yen	462,000 yen
Closing price	1,080,000 yen	716,000 yen	465,000 yen

(Note) The highest and lowest prices of the investment unit prices are the trading prices of the REIT section of the Tokyo Stock Exchange.

② Conditions of the Previous 6 Months

	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008
Opening price	695,000 yen	629,000 yen	596,000 yen	583,000 yen	514,000 yen	462,000 yen
Highest price	713,000 yen	684,000 yen	622,000 yen	586,000 yen	517,000 yen	472,000 yen
Lowest price	521,000 yen	575,000 yen	571,000 yen	495,000 yen	462,000 yen	395,000 yen
Closing price	634,000 yen	591,000 yen	576,000 yen	507,000 yen	465,000 yen	422,000 yen

(Note) The highest and lowest prices of the investment unit prices are the trading prices of the REIT section of the Tokyo Stock Exchange.

③ Investment Unit Price One Business Day Prior to the Issuance Resolution Day

	As of September 12, 2008
Opening Price	453,000 yen
Highest price	489,000 yen
Lowest price	453,000 yen
Closing price	473,000 yen

(Note) The highest and lowest prices of the investment unit prices are the trading prices of the REIT section of the Tokyo Stock Exchange.

(4) Conditions of the New Equity Finance

• Capital increase through third party allotment

Payment due date	September 29, 2006
Funding amount	14,700,000,000 yen (offer price: 500,000 yen) (estimated paid-in amount)
Number of outstanding investment units at time of offering	129,800 units
Number of units issued through this capital increase	29,400 units
Number of outstanding investment units issued after the offering	159,200 units
Allottee	Mori Building Co., Ltd.

(5) Conditions regarding Equity Finance for the Previous 3 Years

• Capital increase through third party allotment

Issue date	March 20, 2006
Funding amount	12,385,000,000 yen (offer price: 500,000 yen) (estimated paid-in amount)
Number of outstanding investment units at time of offering	200 units
Number of units issued through this capital increase	24,770 units
Allottee	Mori Building Co., Ltd.
Initial use of funds	Appropriated for funds, etc. to acquire special assets
Planned payment period	Already paid.
Current condition of appropriation	Already paid.



• Capital increase through third party allotment

Issue date	April 13, 2006
Funding amount	30,941,000,000 yen (offer price: 500,000 yen) (estimated paid-in amount)
Number of outstanding investment units at time of offering	24,970 units
Number of units issued through this capital increase	61,882 units
Allottee	Forest Urban Fund Inc.
Initial use of funds	Appropriated for funds, etc. to acquire special assets
Planned payment period	Already paid.
Current condition of appropriation	Already paid.

• Capital increase through third party allotment

Issue date	July 31, 2006
Funding amount	4,239,856,270 yen (offer price: 504,865 yen) (estimated paid-in amount)
Number of outstanding investment units at time of offering	86,852 units
Number of units issued through this capital increase	8,398 units
Allottee	Mori Building Co., Ltd.
Initial use of funds	Appropriated for funds, etc. to acquire special assets
Planned payment period	Already paid.
Current condition of appropriation	Already paid.

• Public Offering

Issue date	November 29, 2006
Funding amount	25,005,562,500 yen (offer price: 723,750 yen) (estimated paid-in amount)
Number of outstanding investment units at time of offering	95,250 units

Number of units issued through this capital increase	34,550 units
Initial use of funds	Appropriated for repayment, etc. of short-term borrowings
Planned payment period	Already paid.
Current condition of appropriation	Already paid.

6. Main Investors and Investment Ratio

(1) Main investors and investment ratio before and after the Third Party Allotment

Before the Third Party Allotment (Note 1)		After the Third Party Allotment	
Mori Building Co., Ltd.	15.0%	Mori Building Co., Ltd.	30.7%
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	7.8%	NikkoCiti Trust and Banking Corporation (Investment Trust Account)	6.3%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Unit)	6.2%	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Unit)	5.1%
The Fuji Fire and Marine Insurance	6.0%	The Fuji Fire and Marine Insurance	4.9%
Japan Trustee Services Bank (Trust Account)	5.4%	Japan Trustee Services Bank (Trust Account)	4.4%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.0%	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.1%
The Bank of New York, Treaty JASDAQ Account	2.7%	The Bank of New York, Treaty JASDAQ Account	2.2%
The Norinchukin Bank	2.3%	The Norinchukin Bank	1.8%
UBS AG, London Account IBB Segregated Account	1.9%	UBS AG, London Account IBB Segregated Account	1.6%
The Nomura Trust and Banking, Co., Ltd. (Investment Unit Account)	1.8%	The Nomura Trust and Banking, Co., Ltd. (Investment Unit Account)	1.5%

(Note 1) The percentage of main investors before the Third Party Allotment is calculated based on the records in the unitholder register as of July 31, 2008.

(Note 2) The percentage of main investors following the Third Party Allotment is calculated based on the assumptions that there have been no changes made to the records in the unitholder register as of July 31, 2008. Therefore, it may not necessarily match with actual conditions because it shows the conditions of unitholders in the case that investment unit issuance through third party allotment is conducted.

(Note 3) Concerning the ratio of the total number investment units issued against the number of investment units held, fractions after 2 decimal places have been rounded off.

- (2) Whether or not there is an agreement regarding the fulfillment of major conditions between MHR and the allottee in the case where the investment ratio of the largest unitholder exceeds 40% following the Third Party Allotment.



Not applicable.

7. Future Prospect of the Impact on Business Results

Please refer to the section, “Forecast of Results for the Fifth Fiscal Period ending January 31, 2009 (August 1, 2008 – January 31, 2009)” in the “Financial Report for the Fourth Fiscal Period Ended July 31, 2008”.

8. Legitimacy of the Conditions for Issuance, etc.

(1) Reason and idea behind the calculations of the offer price

As stated in the above section, “3. Reason for Issuance and Use of Funds, etc. (2) Calculation Method for the Offer price”, the offer price was set at 105.7% of the closing price of the ordinary trading price (hereafter “the Investment Unit Price”) for investment securities that show MHR’s investment unit in the TSE, one business day prior to the issuance resolution day, at 500,000 yen (rounded to the nearest thousand).

The offer price was set at 105.7% of the abovementioned closing price because amidst the uncertainty of the market environment, there is high volatility in investment unit prices of late. Therefore, MHR did not calculate the offer price based on the past movements of investment units, but rather came forth with a calculation of an offer price that is above the closing price of the Investment Unit Price on the previous business day. As a result, the offer price is above that of the average of the closing prices of the Investment Unit Price of the previous month (420,870 yen), the average of the previous 2 months, (445,636 yen) and the average of the previous 3 months (468,908 yen).

(2) The logic behind the evaluation that the impact of diluting the number of issues and investment units would have on cash distributions per unit is legitimate

The number of investment units outstanding following the Third Party Allotment will increase from 129,800 units to 159,200 units.

As stated in the section, “Forecast of Results for the Fifth Fiscal Period Ending January 31, 2009 (August 1, 2008 – January 31, 2009)” in the “Financial Report for the Fourth Fiscal Period Ended July 31, 2008”, the projected distributions per unit for the fifth fiscal period (ending January 31, 2009) following the Third Party Allotment and asset acquisitions and asset transfer mentioned in MHR’s press release dated today titled “MHR Announces Asset Acquisition and Transfer” is 13,500 yen, a decrease from the 14,117 yen of dividends per unit for the fourth fiscal period (ended July 31, 2008).

As stated in the above section, “3. Reason for Issuance and Use of Funds, etc. (1) Reason for Offering Investment Units Issued Through Third Party Allotment”, amidst the harsh finance environment surrounding the J-REIT market, MHR came to the conclusion that executing a third party allotment with Mori Building Co., Ltd., which is its sponsor, as allottee, is the most appropriate method for enabling a capital increase at a level that is above the most recent investment unit price and is a stable funding method that at the same time does not rule out the opportunity for external growth.

MHR aims to promote steady portfolio growth and to maximize unitholder value through acquisitions of assets. MHR decided that using the funds acquired via investment unit issuance through third party allotment to acquire property would bring the portfolio size to over 200 billion yen and that promoting the further increase of its corporate value by making stable cash distributions, backed by a solid cashflow obtained by a portfolio that mainly consists of Premium Properties is a legitimate act for existing MHR unitholders.

Furthermore, as noted in MHR’s press release dated today titled “MHR Announces

Asset Acquisition and Transfer”, MHR decided that amidst conditions in which public offerings are difficult to undertake, the combination of property acquisition and financing as well as this sale of a portion of Moto-Azabu Hills as a measure to suppress the dilution of cash distributions to its minimum, is also in the interest of existing unitholders.

9. Reason for Selection of the Allottee

(1) Overview of Allottee

①	Name	Mori Building Co., Ltd.
②	Scope of business	General developer 1. Urban redevelopment business 2. Real estate leasing and management business Sales, operation and management of office buildings, residents, retail facilities, hotels, golf courses, resorts, etc. 3. Cultural events, artistic events and town management business Town management, planning and management of art museums, galleries, observatories, academies, conference facilities, membership clubs, etc.
③	Established	June 2, 1959
④	Location of headquarters	6-10-1 Roppongi, Minato-ku, Tokyo
⑤	Representative	President and CEO, Minoru Mori
⑥	Capital	65,000 million yen (as of March 31, 2008)
⑦	Outstanding shares	209,136 shares (as of March 31, 2008)
⑧	Fiscal period ends	March 31
⑨	Number of employees	2,680 (consolidated) (as of March 31, 2008)
⑩	Main shareholder and percentage of shares held	Morikiyo Co., Ltd. and others (as of March 31, 2008)
⑪	Relationship between allottee, etc. with MHR or Asset Manager	The allottee is MHR’s major unitholder and the holding company of the Asset Manager to MHR

(2) Reason for Selection of the Allottee

The allottee is MHR’s sponsor and as a result of deliberating the stability of acquired funds amidst the current harsh market conditions, MHR came to the decision that Mori Building Co., Ltd. is an appropriate allottee for the Third Party Allotment for execution of said fund acquisition and made the selection based on that decision.

Furthermore, MHR came to the decision that the allottee is appropriate and made the selection also because Mori Building Co., Ltd. is in agreement with MHR’s investment policy, which is to steadily expand its portfolio in the future, and because Mori Building Co., Ltd. has established an investment policy of showing commitment to MHR’s management.



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(3) Management Policy of the Allottee

The allottee has confirmed that it is willing to hold a certain number of investment units on a consecutive basis as MHR's sponsor targeting MHR's mid to long term growth.

- 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>