

For Translation Purposes Only

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(Securities Code: 3234)
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MHR Announces Partial Transfer of Trust Beneficiary Interest in Domestic Real Estate
(Laforet Harajuku (Land): Additional Transfer)

Mori Hills REIT Investment Corporation (hereinafter “MHR”) announces that Mori Building Investment Management Co., Ltd. (hereinafter the “Asset Manager”), the asset management company for MHR, has determined today to conduct the partial asset transfer (hereinafter the “Transfer”) described below.

1. Overview of Transfer

Property name	Laforet Harajuku (Land)	
Asset to be transferred	Trust beneficiary interest (Note 1) ((1): 7% quasi co-ownership interest)	Trust beneficiary interest (Note 1) ((2): 7% quasi co-ownership interest)
Book value	1,545 million yen (Note 2)	1,545 million yen (Note 2)
Transfer price	2,968 million yen (Note 3)	2,968 million yen (Note 3)
Gain (loss) on transfer	1,417 million yen (Note 4)	1,414 million yen (Note 4)
Sales agreement date	March 15, 2024	
Anticipated transfer date	July 1, 2024	November 29, 2024
Buyer	Mori Building Co., Ltd.	

(Note 1) MHR plans to transfer trust beneficiary interest in ownership of land (land of Laforet Harajuku; hereinafter the “Property”) to which fixed-term business-use leasehold rights are attached for the purpose of owning retail and other facilities. However, MHR will continue to hold the remaining 58% of the quasi co-ownership interest in the trust beneficiary interest.

(Note 2) Book value indicates the estimate of the book value of the property as of the anticipated transfer date based on the book value as of January 31, 2024. The same shall apply hereinafter.

(Note 3) The transfer price does not include transfer-related costs and other expenses. The same shall apply hereinafter.

(Note 4) The gain (loss) on transfer represents the amount obtained by deducting the book value and transfer-related costs from the transfer price above. The same shall apply hereinafter.

2. Reason for the Transfer

The Property is land with fixed-term business-use leasehold rights and when the agreement related to the establishment of the leasehold rights terminates in September 2030, as a general rule, the agreement will not be renewed. Because the agreement stipulates that the building is to be removed and the land returned, a transfer or take other measures must be conducted in the future. In light of the situation, MHR has determined that from July 2022 onwards, it will be effective to acquire new properties over the medium to long term concurrently while manifesting unrealized gains through the transfer of the Property and maintain and increase the rent income of the entire portfolio, and has executed the split and transfer of a portion of the Property.

MHR conducted a comprehensive review of trends in the economic environment and real estate market conditions, the impact of the transfer on the portfolio, etc. while taking into account the current asset management status. As a result, MHR has determined that splitting and transferring an additional portion of the Property, as well as acquiring new properties over the medium to long term, will contribute to improving the interests of unitholders.

The sponsor Mori Building Co., Ltd., which will be the buyer, is able to acquire the split portion of the ownership interest while becoming a property pipeline for new acquisitions, which is the policy that will be implemented over the medium to long term concurrently with the transfer. In addition, Mori Building has an excellent track record in many development projects in Japan and overseas, including Laforet Harajuku, which is the building on the Property. As a future option, MHR may also transfer all of its ownership interest and participate with a minority interest in future redevelopment led by Mori Building.

3. Details of the Asset to be Transferred

Details of the asset to be transferred			
Property name		Laforet Harajuku (Land)	
Type of specified asset		Trust beneficiary interest ((1): 7% quasi co-ownership interest (transfer on July 1, 2024) and (2): 7% quasi co-ownership interest (transfer on November 29, 2024))	
Trustee		Sumitomo Mitsui Trust Bank, Limited	
Trust establishment period		From July 1, 2022 to July 31, 2042	
Location (Residential indication)		1-11-6 Jingumae, Shibuya-ku, Tokyo	
Area (Note 1)		2,565.06 m ²	
Form of ownership		Ownership	
Book value		(1): 1,545 million yen	(2): 1,545 million yen
Transfer price		(1): 2,968 million yen	(2): 2,968 million yen
Gain (loss) on transfer		(1): 1,417 million yen	(2): 1,414 million yen
Appraisal	Appraiser	Japan Real Estate Institute	
	Appraisal value (Note 2)	5,936 million yen (Appraisal date: February 1, 2024)	
Anticipated Transfer date		(1): July 1, 2024	(2): November 29, 2024 (Note 3)
Content of lease (as of March 15, 2024)			
Lessee		Mori Bldg. Ryutsu System Co., Ltd.	
Type of agreement		Fixed-term business-use land lease agreement	
Term of agreement		From September 15, 2010 to September 14, 2030 (20 years)	

Gross rent income (annual rent) (Note 4)	186,984,000 yen
Deposits/Guarantees	None
Total leasable floor area (Note 5)	359.11 m ²
Total leased floor area (Note 6)	359.11 m ²
Other special consideration	None

(Note 1) Area is the area of the entire site as indicated in the real estate registry.

(Note 2) The appraisal value represents the figure for the 14% quasi co-ownership interest in the trust beneficiary interest.

(Note 3) Regardless of anticipated transfer date, December 1, 2024, is the beginning date when revenue and cost of the asset to be transferred will be attributed to the buyer.

(Note 4) The gross rent income (annual rent) represents the figure obtained by multiplying the monthly rent indicated in the rent review memorandum related to the agreement for establishing the fixed-term business-use leasehold rights by the 14% quasi co-ownership interest in the trust beneficiary interest, rounding down the amount below the unit and multiplying that amount by 12.

(Note 5) The total leasable floor area represents the figure obtained by multiplying the floor area deemed leasable to the lessee by the 14% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 6) The total leased floor area represents the figure obtained by multiplying the floor area leased to the lessee by the 14% quasi co-ownership interest in the trust beneficiary interest, rounded to the second decimal place.

(Note 7) In the case either MHR or Mori Building Co., Ltd, which is the buyer, is to transfer the quasi co-ownership interest in trust beneficiary interest it holds to a third party, written approval from the other holder(s) of the quasi co-ownership interest is necessary.

4. Items Concerning Forward Commitments, etc.

The purchase agreements concerning the Transfer are forward commitments, etc. (i.e. a postdated purchase agreements where the execution is scheduled over one month ahead of the payment and delivery of the property, and other similar agreements), as provided in “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” Under the purchase agreements, when the purpose of the purchase agreements cannot be fulfilled due to a breach of the purchase agreements by a party, the non-breaching party may cancel the purchase agreements related to each quasi co-ownership interest in the trust beneficiary interest upon notice if each delivery has not been executed.

However, because MHR is the seller under the purchase agreements and there are no concerns about financing risks, etc. related to execution of the purchase agreements, the likelihood of MHR's financial conditions being significantly impacted is low.

5. Profile of Buyer

Name	Mori Building Co., Ltd.
Location	6-10-1 Roppongi, Minato-ku, Tokyo
Representative	Shingo Tsuji, President & CEO
Scope of business	General developer
Capital	89,500 million yen (as of September 30, 2023)
Established	June 2, 1959
Major shareholder	Mori Kiyo Co., Ltd. etc. (as of September 30, 2023)
Net assets	510,574 million yen (as of September 30, 2023)
Total assets	2,546,746 million yen (as of September 30, 2023)
Relationship with MHR or Asset Manager (as of March 15, 2024)	

Capital relationship	Mori Building is a major unitholder (15.0% stake) of MHR. Mori Building is also the wholly owning parent company (100% stake) of the Asset Manager, and thus constitutes a related party, etc. as defined in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, includes subsequent revision) (hereinafter the “Investment Trust Act”).
Personnel relationship	Two directors and one auditor of the Asset Manager are sent from this company.
Business relationship	Mori Building has executed a support agreement and information provision agreement with MHR and the Asset Manager and an advisory business consignment agreement with the Asset Manager, and provides support, etc. in connection with property acquisitions, etc. In addition, Mori Building has executed a brand license agreement 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 interest, Mori Building has executed a building lease agreement (so-called master lease agreement) with a trustee, and leases the entire property as a master lessee. The company also executed 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 related party of MHR. In addition, it is a parent company of the Asset Manager.

6. Profile of Broker

Not applicable.

7. Transaction with Related Parties, etc.

A transaction with a related party, etc. will occur with the Transfer.

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 transfer price and other terms and conditions, the Asset Manager has taken steps pursuant to the Related Parties Transaction Guidelines.

Transfer of the Asset	The Buyer constitutes a related party, etc. of the Asset Manager and the Transfer constitutes a transaction with a related party, etc. as defined in the Investment Trust Act. In accordance with provisions of the Investment Trust Act, the Asset Manager will deliver a written notice to MHR.
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8. Payment Method

Lump sum payment upon delivery

9. Date of Transfer

Asset to be transferred	Trust beneficiary interest ((1): 7% quasi co-ownership interest)	Trust beneficiary interest ((2): 7% quasi co-ownership interest)
Date of decision of transfer	March 15, 2024	
Date of execution of transfer agreement	March 15, 2024	
Payment receipt date	July 1, 2024 (anticipated)	November 29, 2024 (anticipated)
Delivery date	July 1, 2024 (anticipated)	November 29, 2024 (anticipated)

10. Future Prospect

For the forecast of business results, please refer to the “Financial Report for the Thirty-Fifth Fiscal Period Ended January 31, 2024” separately announced today.

11. Summary of Appraisal Report

Property name	Laforet Harajuku (Land)
Appraisal value	5,936,000 thousand yen
Appraiser	Japan Real Estate Institute
Appraisal date	February 1, 2024

(thousand yen)

Items	Contents (Note)	Summaries, etc.
Price	5,936,000	Price based on the discounted cash flow method (hereinafter the “DCF method”) is used because the Property is land to which fixed-term business-use leasehold rights are attached and, as a general rule, the agreement will not be renewed when it terminates.
Price based on the DCF method	5,936,000	—
Operating profit	186,984	—
Possible total revenue	186,984	Recorded the rent income based on the current agreements.
Vacancies, etc. loss , etc.	0	Not recorded because the fixed-term business-use land lease agreement is a long-term agreement, and taking into consideration the prohibition on early terminations, creditworthiness of lessees, etc.
Operating costs	33,802	—
Maintenance costs	0	Not recorded because there are no maintenance costs.
Utilities	0	Not recorded because there are no costs for utilities.
Maintenance and repairs	0	Not recorded because there are no costs for maintenance and repairs.
PM fee	93	Recorded by taking into consideration such factors as the fee rate of similar real estate and the factors specific to the subject real estate.
Tenant recruitment costs, etc.	0	Not recorded because there are no tenant recruitment costs, etc.
Property taxes	33,709	Recorded by taking into consideration documents related to property taxes, contents of burden adjustment measures, etc.
Insurance premium	0	Not recorded because there are no insurance premiums.
Other expenses	0	There are no expenses otherwise to record.
Operating net income	153,181	—
Investment income of lump sum	0	Investment income is not recorded because there are no lump sums that have the characteristics of deposits.

	Capital expenditures	0	Not recorded because there are no capital expenditures.
	Net return	153,181	—
	Discount rate	3.7%	Appraised by taking the standard cap rate and adding/subtracting the spread attributable to the location conditions and other conditions, and taking into consideration such factors as the market cap rate based on disclosed J-REIT data and the market cap rate for similar real estate.
	Price based on the percentage method	5,992,000	—
	Land price	6,664,000	—
	Land percentage	90%	—
	Other matters considered in the appraisal by the appraiser	Price that faithfully reproduced the price formation process from an income perspective was determined to be more persuasive, and this price is used while referencing the price based on the percentage method.	

(Note) For the appraisal value related to the trust beneficiary interest in ownership of the land of Laforet Harajuku, the figure corresponding to the 14% quasi co-ownership interest rounded down below the unit, which MHR plans to transfer, is indicated. For the profit and cost items related to the price based on the DCF method, the figures represent the figures for the first year of the analysis period using the DCF method.

[Attachment]

Attachment : Portfolio List Post Asset Transfer

- MHR's website address is <https://www.mori-hills-reit.co.jp/en/>

[Attachment] Portfolio List Post Asset Transfer (Note 1)

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Principal use	Geographic area	Property number	Property name	Acquisition date	Acquisition price (millions of yen)	Investment ratio (%) (Note 2)
Office Buildings	Tokyo's central five wards and their vicinity	O-0	Roppongi Hills Mori Tower	March 23, 2010 August 1, 2011 October 1, 2013 August 1, 2014 September 16, 2015 February 1, 2016 April 1, 2016	115,380	28.7
		O-1	ARK Mori Building	March 22, 2006 March 28, 2008 September 30, 2008 March 23, 2010 March 18, 2011 August 1, 2011 April 1, 2013	62,480	15.6
		O-4	Koraku Mori Building	April 13, 2006	27,200	6.8
		O-6	Akasaka Tameike Tower	September 30, 2008 March 18, 2011	43,930	10.9
		O-7	Atago Green Hills	May 1, 2012 April 1, 2013	42,090	10.5
		O-8	ARK Hills South Tower	August 1, 2014	19,150	4.8
		O-9	Toranomon Hills Mori Tower	August 1, 2017 March 1, 2018 September 3, 2018 September 1, 2020 August 2, 2021	56,300	14.0
		O-10	Holland Hills Mori Tower	August 1, 2017 March 1, 2018 September 3, 2018	16,330	4.1
		Subtotal				382,860
Residential Properties	Tokyo's central five wards and their vicinity	R-3	Roppongi First Plaza	April 13, 2006	2,100	0.5
		R-4	Roppongi View Tower	March 22, 2006 April 13, 2006	4,000	1.0
	Subtotal				6,100	1.5
Retail and Other Facilities	Tokyo's central five wards and their vicinity	S-1	Laforet Harajuku (Land)	September 15, 2010	12,655	3.2
Subtotal				12,655	3.2	
Portfolio total					401,615	100.0

(Note 1) The table represents the portfolio list after the asset transfers to be conducted on July 1, 2024 and November 29, 2024.

(Note 2) Figures in the investment ratio are the ratios of respective acquisition price to the portfolio total, and have been rounded to the first decimal place.