



Mori Hills REIT Investment Corporation

Results of the 34th Fiscal Period ended July 31, 2023

Presentation Material

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<https://www.mori-hills-reit.co.jp/en/>

(Asset Manager) Mori Building Investment Management Co., Ltd.

<https://www.morifund.co.jp/en/>

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Asset Management Company : Mori Building Investment Management Co., Ltd.
(Registered as a financial instruments business, Kanto Local Finance Bureau registration no. 408
Member of The Investment Trusts Association, Japan)

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1. Executive summary

Financial summary 34th period (Jul. 2023)

- Operating revenue: 11,215 million yen, operating income: 6,955 million yen, net income: 6,423 million yen **Increased revenue and income period-over-period**
- DPU: 3,352 yen (+10.3% from 33rd period) **Increasing for 26 consecutive fiscal periods**
- NAV per unit: 162,209 yen (Δ 2.0% from 33rd period)
Decreased period-over-period due to the impact of the distribution of gain on disposition, etc.
- Disposed of a 7% ownership interest in Laforet Harajuku (Land) (a 1,376 million yen gain was realized on the disposition, all of this gain will be distributed)

External growth

- While disposing of Laforet Harajuku (Land) over the medium to long term, new acquisitions will be made concurrently to further improve DPU.
- Premium properties in central Tokyo have maintained high occupancy rates despite the expansion of remote working triggered by the COVID-19 pandemic and are expected to continuously demonstrate competitive advantages.

Internal growth

- Even as office vacancy rates rise in central Tokyo, MHR's office occupancy rate for the 34th period maintained a high level of 99.3% due in part to the excellent location and quality of the properties.
- Although the occupancy rates and rents for several pass-through-type offices have weakened, these properties account for only a small portion of the entire portfolio and thus the impact was minimal.
- The residential occupancy rate for the 34th period was 98.2%, and continues to maintain a high level.

Financial management

- As of the end of the 34th period, MHR maintained the target level by book-value-basis LTV: 46.4%, appraisal-value-basis LTV: 36.9%, and remaining duration of debt: 4.2 years.
- MHR also maintained a credit rating (JCR) of AA (stable).

2. Investment highlights



2-2 Financial results

MHR experienced increased revenue and income in the 34th period. DPU increased for the twenty-sixth consecutive fiscal period.

- Disposed of a 7% ownership interest in Laforet Harajuku (Land). There were no new acquisitions of properties and thus MHR was not able to utilize the special tax treatment for property replacement, therefore DPU increased significantly period-over-period due to the distribution of the entire amount of 1,376 million yen of gain on disposition.
- Owned properties boast excellent location and quality, therefore high occupancy rates were maintained for both offices and residences. The occupancy rates for some offices (pass-through type) that had temporarily decreased improved steadily.

	33rd period	34th period		34th period
	Jan. 31, 2023	Jul. 31, 2023		Jul. 31, 2023
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	11,210	11,215	+ 4	11,215
Rent revenues	9,642	9,625	△ 16	9,622
Other operating revenues	223	213	△ 9	217
Gain on sales of real estate properties	1,345	1,376	+ 30	1,375
Operating expenses	4,264	4,259	△ 5	4,319
Expenses related to properties	3,475	3,516	+ 41	3,556
SG&A	789	742	△ 46	762
Operating income	6,945	6,955	+ 10	6,896
Non-operating income	1	1	△ 0	0
Non-operating expenses	541	531	△ 9	536
Ordinary income	6,405	6,424	+ 19	6,360
Net income	6,404	6,423	+ 18	6,359
Reserve for reduction entry	579	—	△ 579	513
Total dividends	5,825	6,423	+ 597	5,844
DPU				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,040	3,352	+ 312	3,050
Other Indices (million yen)				
NOI	7,478	7,419	△ 59	7,382
NOI yield	3.6%	3.7%	0.0PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	408,737	407,455	△ 1,282	407,455

Increase/decrease factor (33rd - 34th)

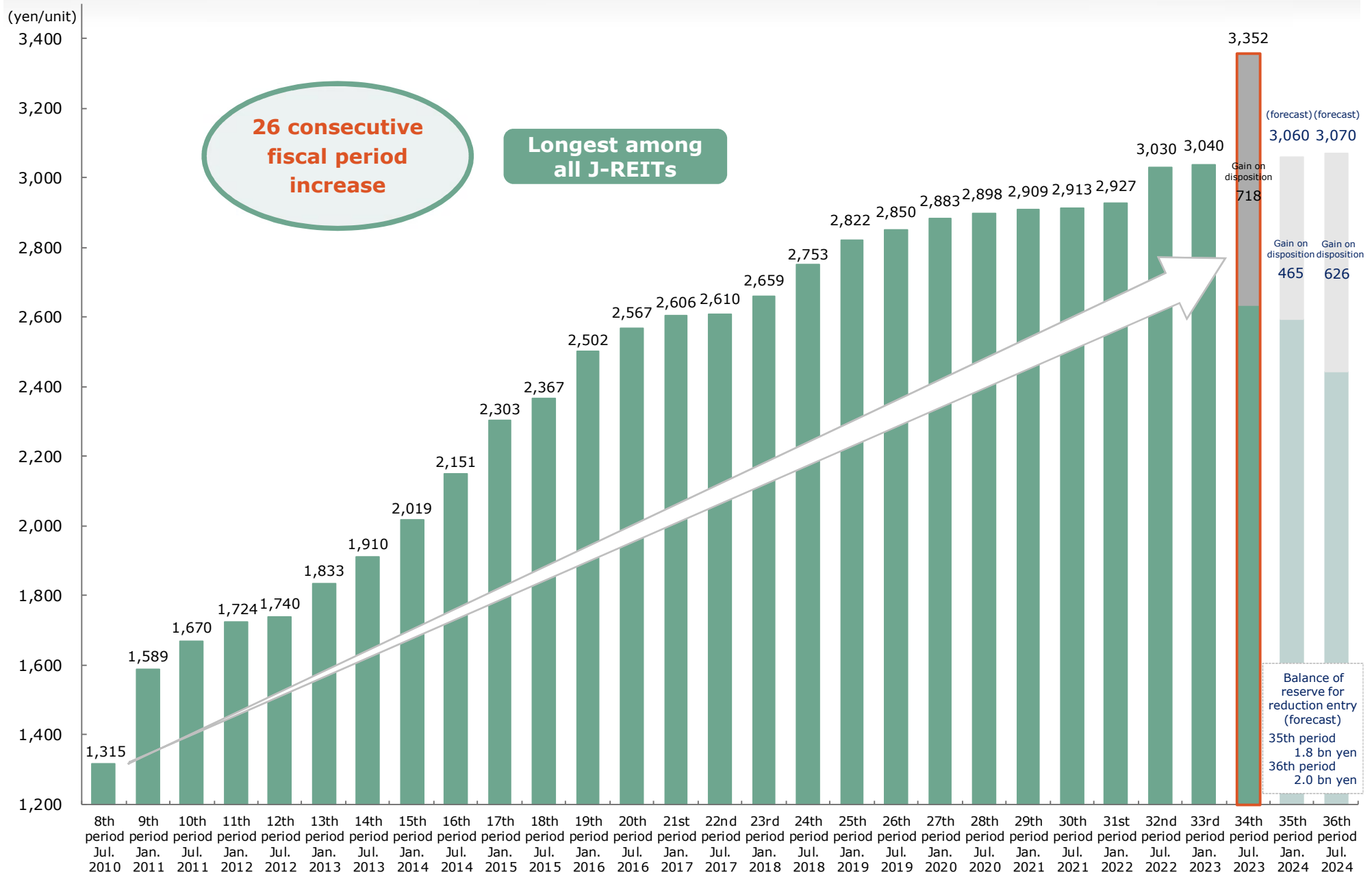
•Operating revenue (+4 mn yen)	
- Gain on disposition part of LF Harajuku (34th period)	+1,376
- Office Rent (pass-through)	+21
- Gain on disposition part of LF Harajuku (33rd period)	△1,345
- Rent on disposition part of LF Harajuku (33rd period)	△31
(34th period)	△7
- Utilities	△9
•Operating expenses (△5 mn yen)	
- Property taxes	+21
- Depreciation	+8
- Maintenance and repairs	+4
- Asset management fee	△47
- Operating exp. for disposition part of LF Harajuku (33rd period)	△3
•Non-operating expenses (△9 mn yen)	
- Interest expenses, etc.	△9

Increase/decrease factor for 34th period (Forecasted - Actual)

•Operating income (+59 mn yen)	
- Decrease in maintenance and repairs	+33
- Decrease in asset management fee	+15
- Decrease in other operating expenses	+4
- Residential Rent (pass-through)	+4

(Note) If properties are acquired during the period, the acquisition price is the weighted average based on the number of operating days.

2-3 Dividends per unit growth record



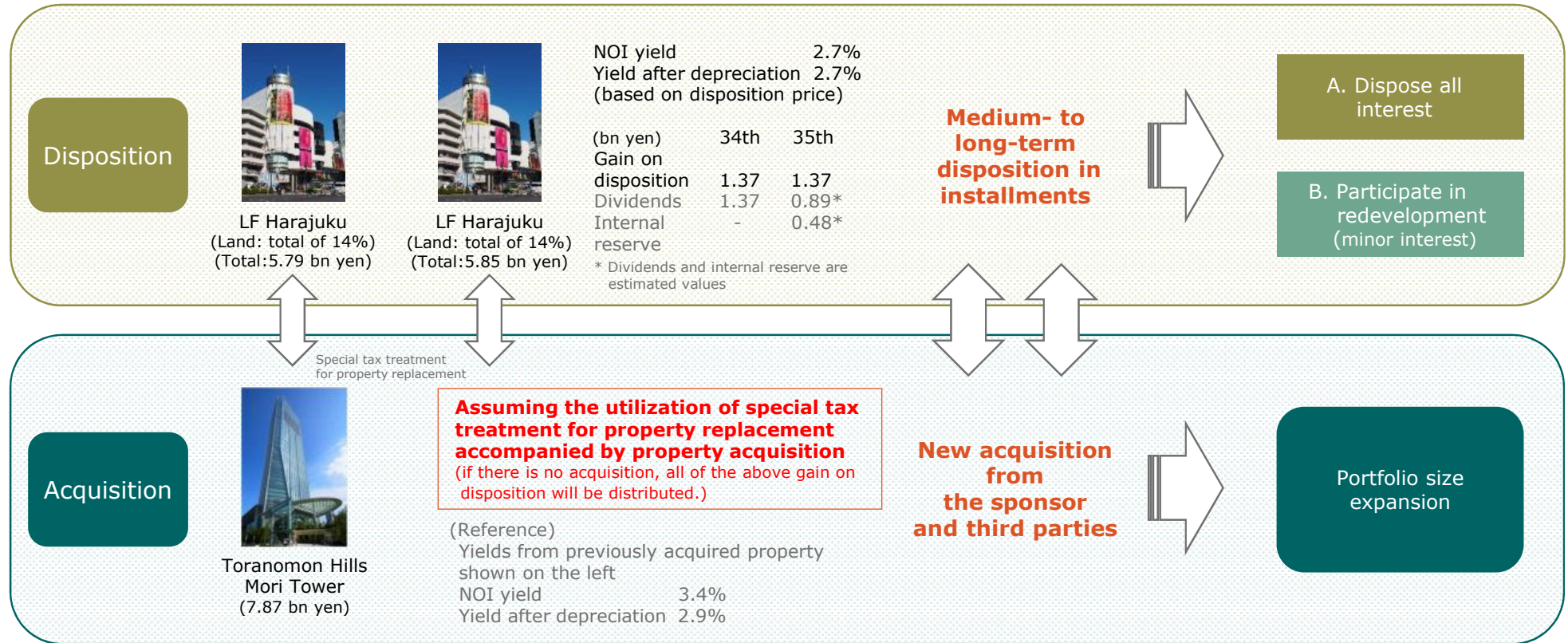
※ Implemented a 5-for-1 investment unit split effective on February 1, 2014. Actual dividends per unit was divided by 5 for the periods before the split of investment units in the graph.

2-4 Medium- to long-term disposition and acquisition policy (model)

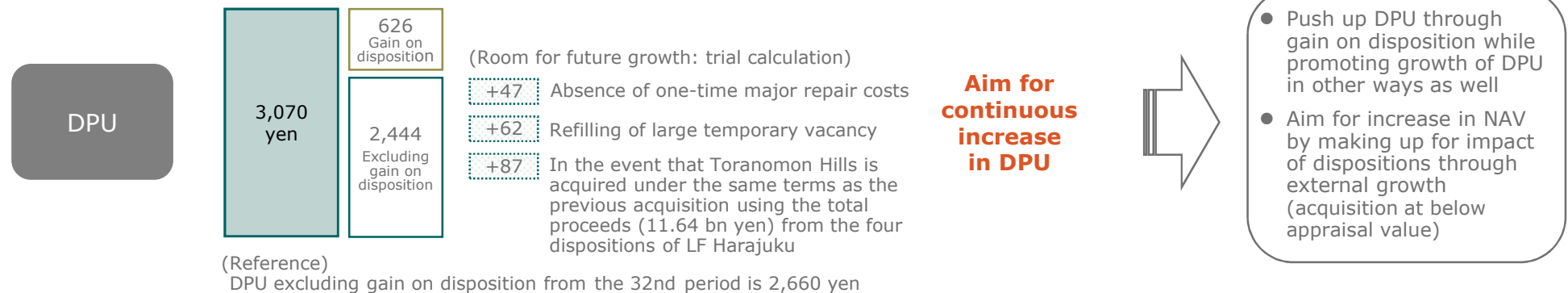
32nd-33rd

34th-35th
(Jul. 2023 · Jan. 2024)

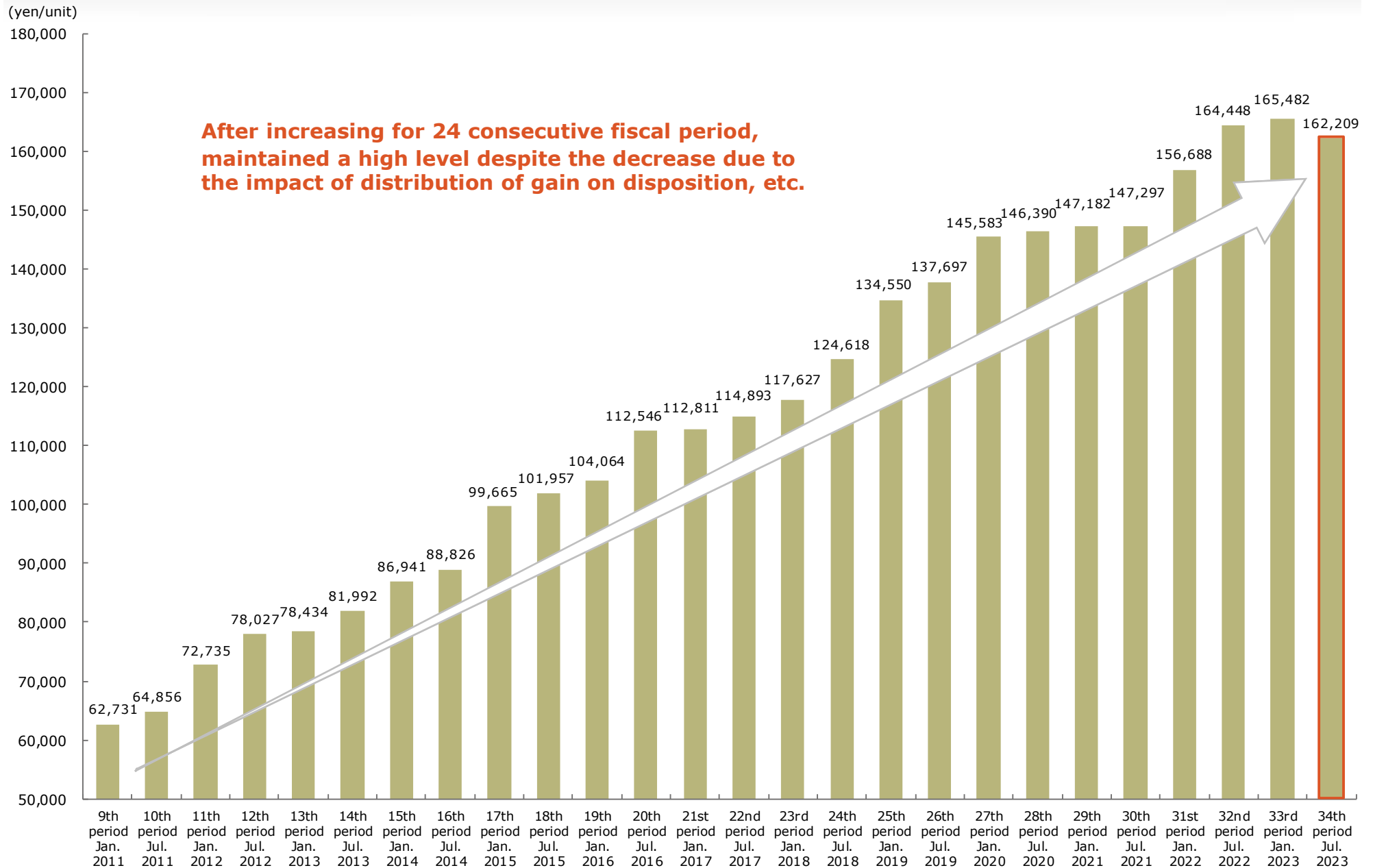
Medium- to long-term direction



(36th period: forecast)



2-5 Increase in appraisal NAV per unit



※ Implemented a 5-for-1 investment unit split effective on February 1, 2014. Actual dividends per unit was divided by 5 for the periods before the split of investment units in the graph.

2-6 Forecasts

In the 35th period, DPU is forecast to be 3,060 yen reflecting effect of the property disposition

In the 36th period, DPU is forecast to be 3,070 yen reflecting equivalent effects of property disposition

- In the 35th and 36th periods, 7% ownership interest in Laforet Harajuku (Land) will be disposed of. It is assumed that a portion of the gain on disposition will be internally reserved by utilizing special treatment for property replacement (if there is no new acquisition of properties, all of the gain on disposition will be distributed).
- The decline in DPU excluding gain on disposition is because new property acquisitions with funds from the disposition of Laforet have not yet been factored in at this time as well as due to other temporary factors.

	34th period	35th period		36th period
	Jul. 31, 2023	Jan. 31, 2024		Jul. 31, 2024
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	11,215	11,163	△ 51	10,975
Rent revenues	9,625	9,544	△ 80	9,377
Other operating revenues	213	244	+ 31	194
Gain on sales of real estate properties	1,376	1,373	△ 2	1,403
Operating expenses	4,259	4,297	+ 38	4,371
Expenses related to properties	3,516	3,546	+ 29	3,625
SG&A	742	751	+ 8	746
Operating income	6,955	6,865	△ 90	6,603
Non-operating income	1	1	+ 0	1
Non-operating expenses	531	518	△ 13	515
Ordinary income	6,424	6,348	△ 76	6,088
Net income	6,423	6,346	△ 76	6,087
Reserve for reduction entry	—	482	+ 482	204
Total dividends	6,423	5,863	△ 559	5,883
DPU				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,352	3,060	△ 292	3,070
Other Indices (million yen)				
NOI	7,419	7,329	△ 89	7,040
NOI yield	3.7%	3.6%	△ 0.0PT	3.5%
Acquisition price (weighted average based on the number of operating days during the period)	407,455	405,683	△ 1,772	404,410

Increase/decrease factor (34th - 35th)

• Operating revenue (△51 mn yen)	
- Gain on disposition part of LF Harajuku (35th period)	+1,373
- Cancellation penalty	+42
- Gain on disposition part of LF Harajuku (34th period)	△1,376
- Rent on disposition part of LF Harajuku (34th period)	△38
(35th period)	△15
- Office Rent (pass-through)	△24
- Utilities	△6
• Operating expenses (+38 mn yen)	
- Maintenance and repairs	+23
- Property management fee	+23
- Property taxes	+21
- Utilities	△16
- Depreciation	△11
- Operating exp. for disposition part of LF Harajuku (34th period)	△7
• Non-operating expenses (△13 mn yen)	
- Interest expenses, etc.	△7

Increase/decrease factor (35th - 36th)

• Operating revenue (△188 mn yen)	
- Gain on disposition part of LF Harajuku (36th period)	+1,403
- Gain on disposition part of LF Harajuku (35th period)	△1,373
- Office Rent (pass-through)	△126
- Cancellation penalty	△42
- Rent on disposition part of LF Harajuku (35th period)	△31
• Operating expenses (+73 mn yen)	
- Maintenance and repairs	+71
- Property taxes	+13
- Other operating expenses	+12
- Asset management fee	△17
- Operating exp. for disposition part of LF Harajuku (35th period)	△3
• Non-operating expenses (△3 mn yen)	

2-7 Portfolio of premium properties in central Tokyo

Investment strategy based on long-term perspective

- Invest in properties that can be expected to maintain and improve asset value over the long run.
- True premium properties in central Tokyo are sure to capture office demand by functioning as headquarters, even after the expansion of remote working that has been triggered by COVID-19.
- Invest in properties that are located in areas that can expect improved asset value for the entire area based on regional development and area management, instead of only focusing on the value of individual properties.

① Investment in central Tokyo
“Truly central and excellent location” even within central Tokyo

Even amidst Japan’s declining population and changes in work styles that have been triggered by COVID-19, premium properties in central Tokyo that are “truly central” and in “excellent locations” are sure to capture office demand by functioning as headquarters

Location

② Investing in premium properties
Property with excellent facilities, earthquake resistance and environmental performance

Premium properties with excellent facilities, high earthquake resistance, and environmental performance that offer excellent convenience, comfort, and safety will provide competitive advantages, regardless of economic trends or the expansion of remote working that has been triggered by COVID-19

Quality of assets

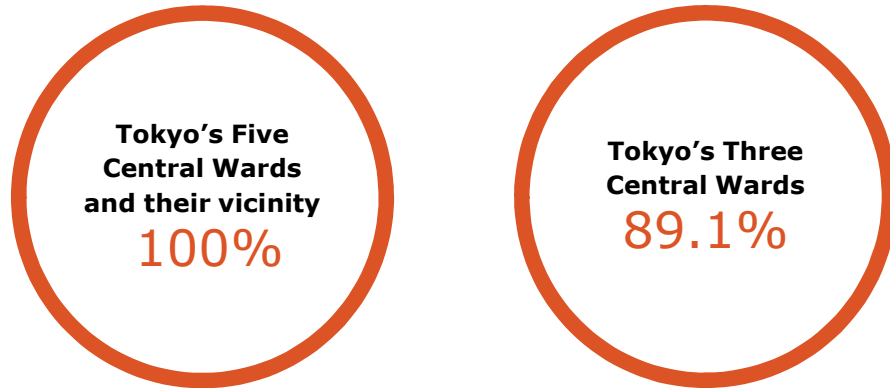
③ Value creation
Value improvement through regional development and area management

Invest in properties that can be expected to further improve profitability and asset value by continuously developing over time alongside the entire region through excellent regional development and area management, instead of only focusing on the value of individual properties

Value Creation

2-8 (1) Location

Highest property percentage in Central Tokyo among J-REITs

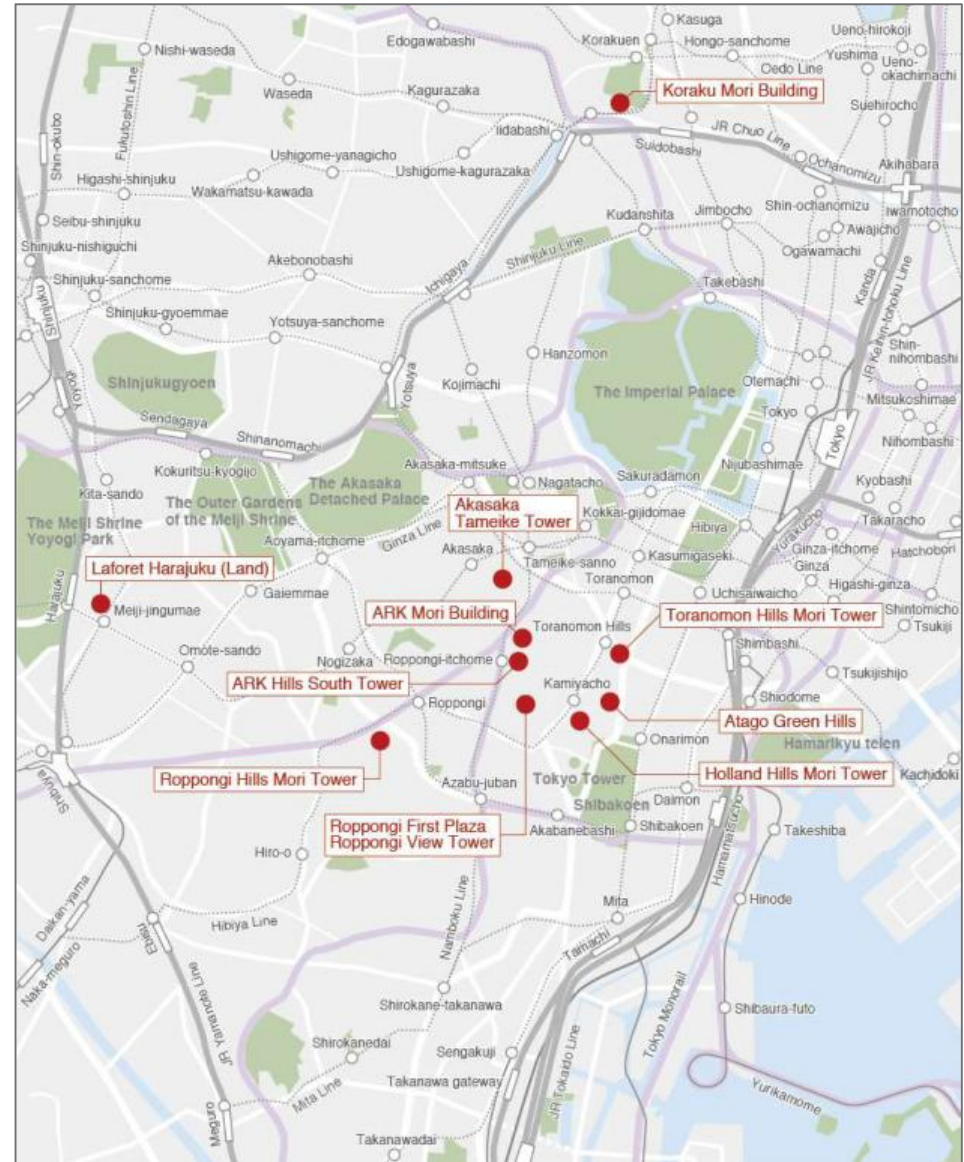


(Note) The ratios represent proportion of acquisition price to total acquisition price.

Estimated population in central Tokyo

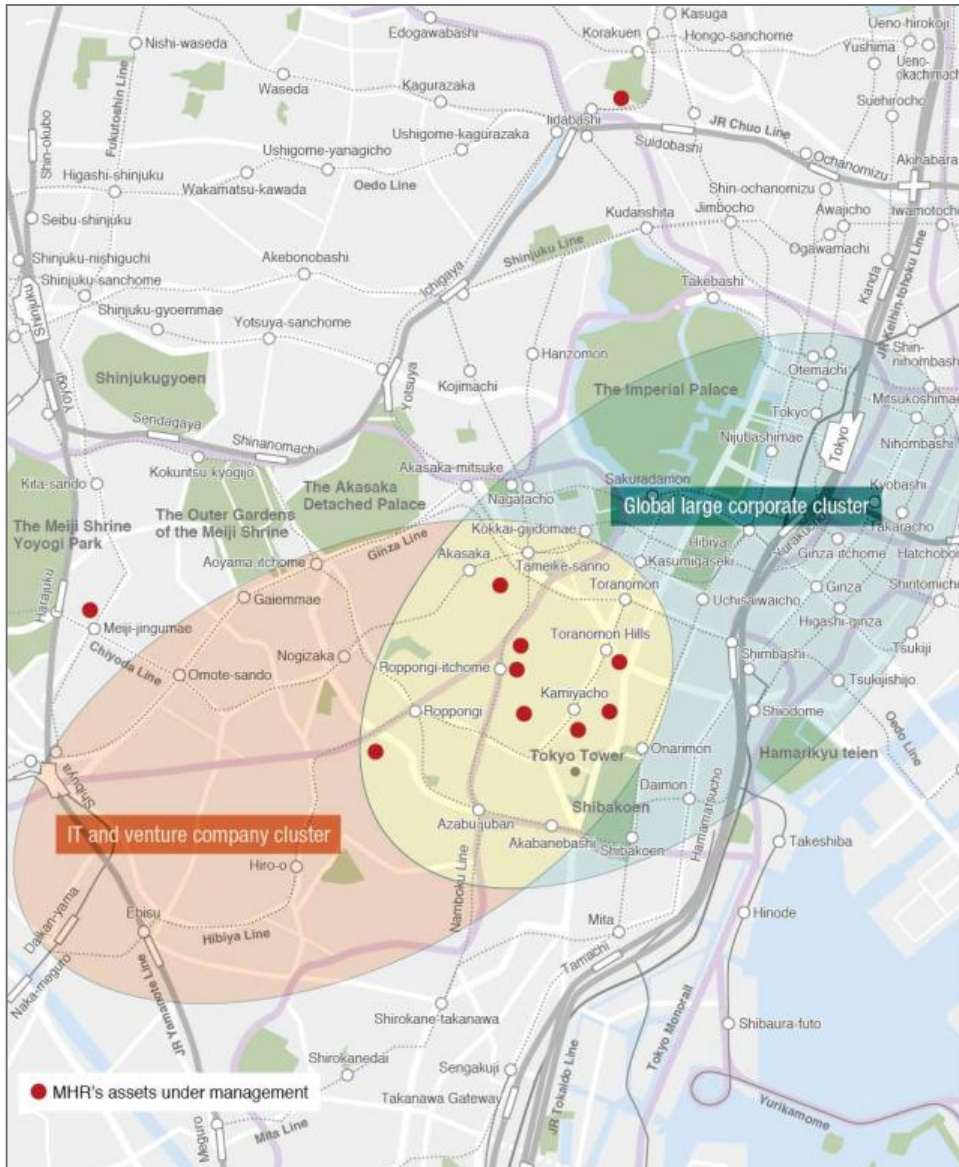
Area	Population in 2015	Estimated population in 2045	Change
3 central wards in Tokyo	442,000	594,000	+34.3%
5 central wards in Tokyo	1,000,000	1,175,000	+17.5%
Tokyo	13,515,000	13,606,000	+0.7%
Osaka	8,839,000	7,335,000	△ 17.0%
Aichi	7,483,000	6,899,000	△ 7.8%
Nationwide	127,094,000	106,421,000	△ 16.3%

(Source) Prepared by the Asset Manager based on the "Regional Population Projections for Japan (estimated in 2018)" by the National Institute of Population and Social Security Research.



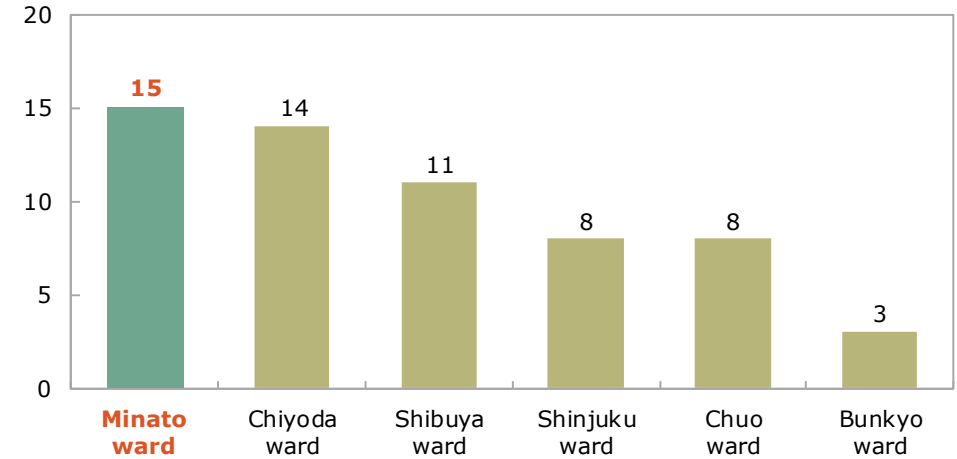
2-9 (1) Location

Overlapping zone of global large corporate with IT and venture companies in central Tokyo



Head office location of IPO companies (2022)

(Companies)



(Source) Prepared by the Asset Manager based on the Securities Registration Statement (at the time of IPO) of companies newly listed in Japanese Market (TOKYO PRO Market excluded) from January to December 2022 whose head offices are located in Tokyo.

IT firms located in Minato ward

- | | | |
|----------------|---------------|-------------|
| Apple | Nexon | Monex Group |
| Microsoft | Ericsson | GREE |
| NVIDIA | m3 | Medley |
| Tencent | Expedia Group | JTOWER |
| Meta Platforms | Oracle Japan | NHN JAPAN |
| Cisco Systems | SBI Holdings | WingArc1st |
| Netflix | Mercari | AirTrip |
| Qualcomm | JMDC | Bengo4.com |
| Softbank | Money Forward | OpenDoor |
| Baidu | Appier Group | ZIGEXN |
| Nokia | ANYCOLOR | Istyle |

(Source) Prepared by the Asset Manager based on the disclosed data etc. as of February 28, 2023.

2-10 (2) Quality of assets

Premium Properties (Excellent comfort and safety with extensive facilities)

Strong demand for headquarter offices

<Overview and facilities of representative properties>

Property name	Gross floor area	Access from the nearest station	Number of shops & restaurants	Hotel (spa)	Conference Incubation Members' club	Cultural facility Observatory Interactive communication facility	Residential SA	Green coverage of the site
Roppongi Hills	758,203㎡	Connected to Roppongi Station	224	Grand Hyatt Tokyo (NAGOMI SPA AND FITNESS)	Academyhills Ropponngi Hills Club	Mori Art Museum Tokyo City View TOHO Cinemas	Ropponngi Hills Residence	30.8%
Toranomon Hills	791,825㎡	Connected to Toranomon Hills Station	170	Hotel Toranomon Hills Andaz Tokyo (AO SPA AND CLUB)	Toranomon Hills Forum ARCH	TOKYO NODE	Toranomon Hills Residential Tower	31.0% (Mori Tower)
ARK Hills	310,979㎡	2-minute walk from Roppongi 1-chome Station	54	ANA InterContinental (THANN SANCTUARY SPA AKASAKA)	KaleidoWorks ARK Hills Club	Suntory Hall	ARK Towers	42.1%
Atago Green Hills	151,106㎡	3-minute walk from Onarimon Station	18	(Atago Green Hills SPA)	-	-	Atago Green Hills Forest Tower	53.0%

(Source) Prepared by the Asset Manager based on disclosed materials as of July 31, 2023.

(Note 1) Describes the outline of the entire areas and facilities including properties owned by MHR.

(Note 2) "Connected" under the "Access from the nearest station" describes the possible direct connection by concourse etc.

(Note 3) For Toranomon Hills, number of shops & restaurants and names of facilities, etc., that are expected after opening of the building are listed.



Superior environmental performance



Highest quality among all J-REITs

※ In acquisition price base by excluding Laforet Harajuku (Land)

CASBEE for Real Estate: Rank S



Roppongi Hills Mori Tower **ARK Mori Building** **Atago Green Hills (MORI Tower)** **Toranomon Hills Mori Tower** **Holland Hills Mori Tower**

CASBEE for Real Estate : Rank A



Akasaka Tameike Tower **Koraku Mori Building**

DBJ Green Building Certification: Four stars



ARK Hills South Tower

Excellent earthquake resistance performance

A group of properties based on high quake-resistant engineering standards stipulated by Mori Building, the sponsor of MHR

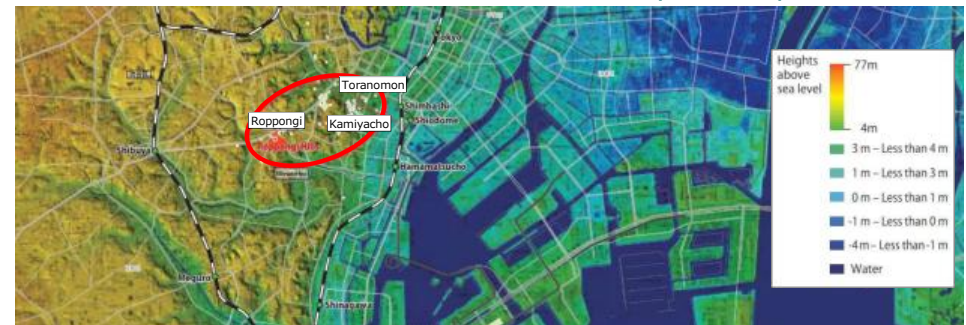
Property name	Level above the new earthquake resistance standard <small>(Note)</small>	PML
Roppongi Hills Mori Tower	◎	0.59%
ARK Mori Building	◎	0.78%
Koraku Mori Building	◎	0.73%
ARK Hills South Tower	◎	1.56%
Toranomon Hills Mori Tower	◎	0.50%
Holland Hills Mori Tower	◎	0.85%
Akasaka Tameike Tower	◎	1.79%
Atago Green Hills MORI Tower	◎	2.35%

(Note) Earthquake resistance performance above standards stipulated in the current Building Standards Act

Firm ground

Located in area with firm ground at higher altitudes where liquefaction is less likely to occur

<Topographical map of ground height above sea level in Tokyo Metropolitan Area>



(Source) Geographical Survey Institute

○ Area where the properties owned by MHR are located

2-12 (2) Quality of assets

Ecological Networks

MHR's properties have a high green coverage ratio and provide comfortable spaces for tenants while creating green spaces based on the "Tokyo Environmental Master Plan" of Tokyo Metropolitan Government and "Minato City Greenery and Water Comprehensive Plan" of Minato Ward, so the spaces act as "ecological network^(Note) hubs" in which living creatures can dwell in and use as stopping points when they travel between green spaces such as the Imperial Palace and Shiba Park.



Mohri Garden (Roppongi Hills)



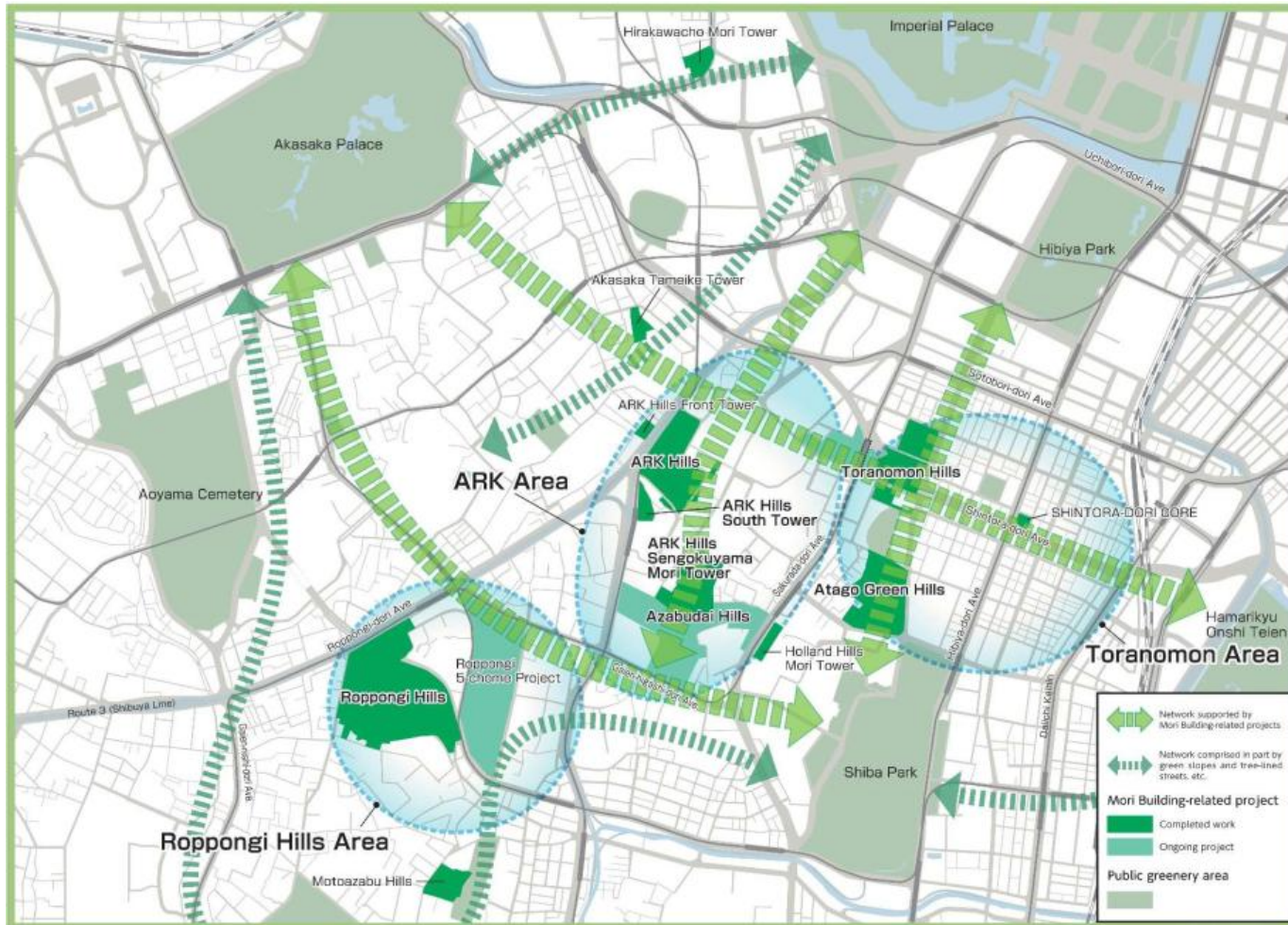
Japanese tit (Roppongi Hills)



Roppongi Sakurazaka (Roppongi Hills)



Slope green area (ARK Hills South Tower)



Rhyothemis fuliginosa dragonfly (Toranomon Hills)



Oval Plaza (Toranomon Hills)



Along Atagoshita Avenue (Atago Green Hills)



Suntory Hall rooftop (ARK Hills)

(Note) There is a need to create conditions under which living things can live easily, allowing movement by linking green areas that form the living bases for creatures with small-scale green areas and roadside trees. Such a network of habitats is referred to as an ecological network (extracted from Biodiversity and Greening Guide, Minato Ward).

2-13 (3) Value creation

Developments around MHR's properties (Toranomon Hills area)



©The Boundary



Toranomon Hills Station Tower (Completed July 2023)



A super-high-rise mixed-use tower project integrating the station into the complex

- Toranomon Hills Station Tower is a 49-story, approximately 266-meter super-high-rise tower with world-class offices on approx. 3,306m² floor plates, retail facilities that support the lives of global players, and hotels that are making their Tokyo debut.
- TOKYO NODE, an interactive communication base with halls, galleries, an infinity pool, restaurants, and other facilities, will be opened on the top floors.
- A large 20-meter-wide pedestrian deck has been constructed above Sakurada Avenue. Toranomon Hills' transport hub functions will be greatly enhanced by strengthening and expanding the multi-layered transportation network at the ground, underground, and deck levels.

Toranomon Hills Business Tower (Completed January 2020)



©Mariko Mori◀Cycloid V▶

An international-standard, large-scale office building with an innovation center

- Business Tower is a 36-story office tower, featuring international-standard, large-scale office space of approximately 96,000m², and retail facility area of approximately 7,600m².
- On the 4th floor is a large membership-based incubation center “ARCH,” which was established especially to support large enterprises’ internal business restructuring and new business creation. It boasts around 3,800m² of office work space and has become a base for Japan’s unique innovation ecosystem.
- From the first basement floor to the 3rd floor, commercial spaces with a total of 58 restaurants and stores support global lifestyles. The 3rd floor houses Toranomon Yokocho, a landmark dining facility featuring offerings from famous stores from all over Tokyo.

Obtained LEED ND and WELL preliminary certification

Tokyo’s first Platinum LEED ND, the highest rank



- Toranomon Hills and Azabudai Hills have obtained preliminary certification for the top rank of Platinum of the U.S. Green Building Council’s Leadership in Energy & Environmental Design (LEED) (Note1) certification in the Neighborhood Development (ND) category. Even on a global scale, it is rare for a city-center mixed-use development to obtain the rank of Platinum.
- Toranomon Hills Station Tower and the office and retail spaces of Azabudai Hills Mori JP Tower have obtained preliminary certification for the Council’s WELL (Note2) certification and expect to obtain the top rank of Platinum after completion.



Oval Plaza at Toranomon Hills Mori Tower



Central square in Azabudai Hills (image)

(Note 1) LEED is one of the world’s most widespread environmental evaluation systems for buildings, evaluating building and neighborhood environmental performance through efficient water and energy usage, interior environments, sustainable material use, etc. LEED was developed by the U.S. Green Building Council.

(Note 2) WELL is the world’s first building standard to focus on the effect of building environments on human health and wellness. It mainly evaluates interior environments and health-related facilities and services. WELL is managed by the U.S. Green Building Council.

Development around MHR's properties (Azabudai Hills: Opening on November 24, 2023)



The future version of "Hills" boasts an astonishing scale and impact

- Large central square of approx. 6,000m² is set in the center of the city and various city functions such as offices, residences, hotel, an international school, retail facilities and cultural facilities will be tightly integrated.
- Total floor area will be approx. 861,700m², with approx. 214,500m² of office space, approx. 1,400 residential units. Approx. 20,000 office workers and approx. 30 million people per year are expected to visit.
- Mori JP Tower will soar 64 stories and approx. 330m in height. Offices in Mori JP Tower, the Residence B and the Garden Plaza B will encourage free and creative work.



"Modern Urban Village", a city-within-a-city full of greenery and that connects people

- Embracing the core concept of "Modern Urban Village", Azabudai Hills is set to become a "Green & Wellness" community, where people live harmoniously with nature and lead healthy and fulfilling lives. It will cover an area of approx. 8.1 ha and will feature extensive landscaping totaling approx. 2.4 ha including an approx. 6,000m² central square.



Creating community and innovation through Area Management by sponsor

Toranomon Hills Area



Thursday Gathering
(Toranomon Hills)

Innovation Program developed in the U.S.

“Thursday Gathering” by Venture Café, a sister organization of Cambridge Innovation Community, promotes exchanges between participants to support the creation of new innovations.



Meet up @ TORANOMON HILLS
(Toranomon Hills Mori Tower & Business Tower, etc.)

Meet up @ TORANOMON HILLS

Sponsor hosted this event to expose the various communities formed by Toranomon Hills to a wide range of visitors with the hope that people would build new connections, experience new ideas, and deepen connections with people beyond the community.

Roppongi Hills Area



ARCH
(Toranomon Hills Business Tower)

Incubation Center “ARCH”

“ARCH,” a large membership-based incubation center was established especially to support large enterprises' internal business reforms and new business creation. It boasts around 3,800 m² of office work space and is becoming a base for Japan's unique innovation ecosystem.



(c) Roppongi Art Night Execution Committee

Roppongi Art Night
(Roppongi Hills Arena)

Art Festival representing Tokyo

“Roppongi Art Night,” an art festival representing Tokyo, integrates art and the city to improve the cultural image of Roppongi and create a pioneering model of urban development through art in the metropolis Tokyo.

Creating community and innovation through Area Management by sponsor

ARK Hills Area



KaleidWorks
(ARK Mori Building)

Workplace where venture capital gathers

“KaleidWorks” consists of an office area where independent venture capitalists representing Japan are located and a lounge area. People who want to innovate in a wide range of fields can interact on common grounds in shared spaces.



Hills Marche
(ARK Karajan Place)

Pioneer of urban markets: Hills Marche

Hills Marche is the first Marche Japon Project of the Ministry of Agriculture, Forestry and Fisheries. Based on the concept that “the best ingredients are in the city,” through fresh, local food Hills Marche reinforces the rich lifestyle of ARK Hills.



GREEN WORKSHOP
(ARK Garden)

ARK Hills Kids Community

Based on the idea of creating “a city that is friendly to kids and families,” this project provides formative experiences to children that will help set them up for a fulfilling future, including exposure to lush nature, top-class music and art, and cutting-edge technology.



ARK Hills Music Week
(ARK Karajan Place)

Close experience of high-quality music

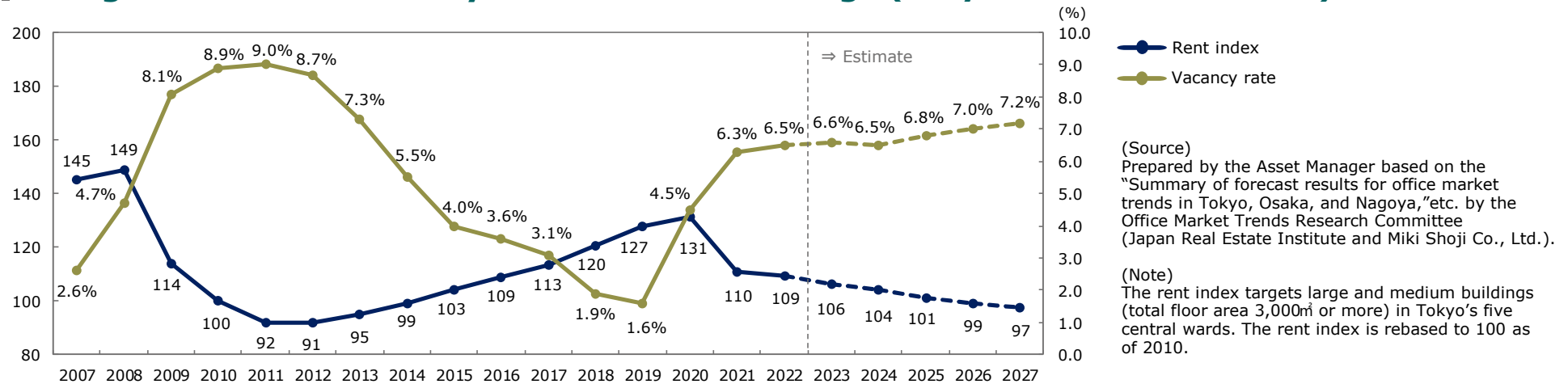
“ARK Hills Music Week” is a unique music festival where people can casually enjoy high-quality music. Many specially selected music events where people of various ages and nationalities can interact with each other in the city are held during the period.

2-18 External growth

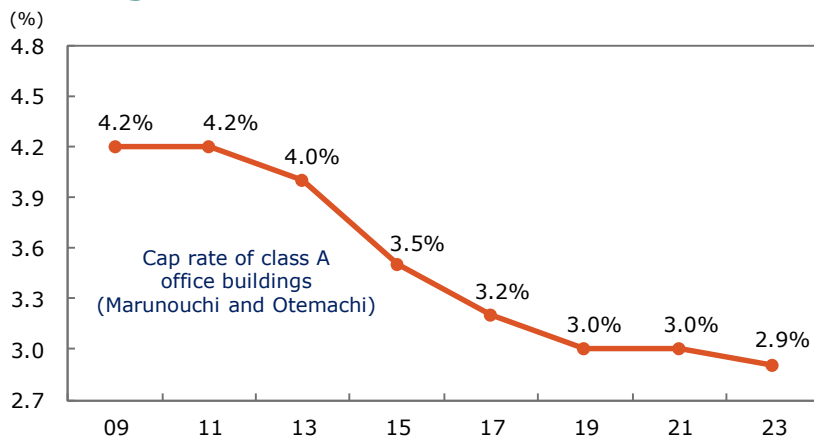
Aim to continuously increase DPU and NAV per unit through external growth that focuses on premium properties in central Tokyo

- While disposing of parts of Laforet Harajuku (Land), make new acquisitions concurrently to expand portfolio size and continuously increase DPU over the medium to long term.
- Acquisition of premium properties in central Tokyo without competitive bidding is possible by utilizing the abundant and extensive property pipeline of Mori Building, the sponsor.

Change in rent and vacancy rate of office buildings (Tokyo's five central wards)



Change in return on real estate investment



(Source) Prepared by the Asset Manager based on "The Japanese Real Estate Investor Survey" by the Japan Real Estate Institute.

(Note) Figures reflect the time of survey as of April each year.

Mori Building's extensive property pipeline

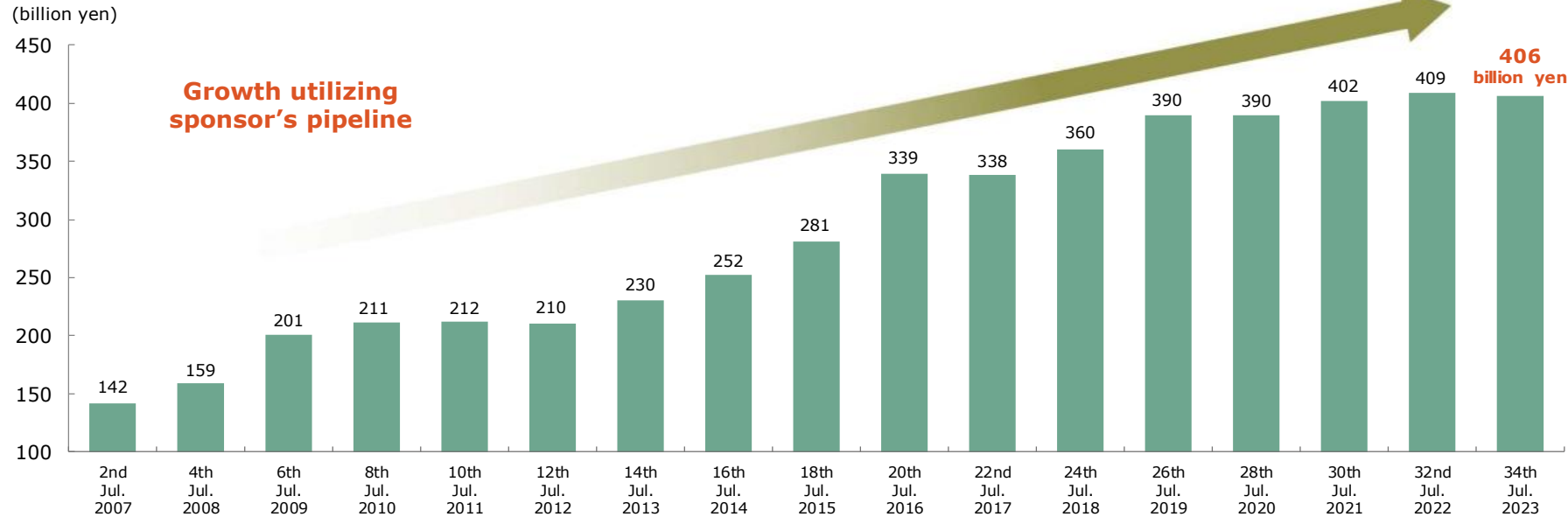
Total assets:
2.6 trillion yen
(as of the end of March, 2023)

Number of properties under management: **93 buildings**
(as of April, 2023)

MHR has "preferential negotiation rights"

2-19 External growth

Trend in assets under management (based on acquisition price)



Acquired premium properties in central Tokyo lower than appraisal values (Acquired as of August 2, 2021)

Toranomon Hills Mori Tower

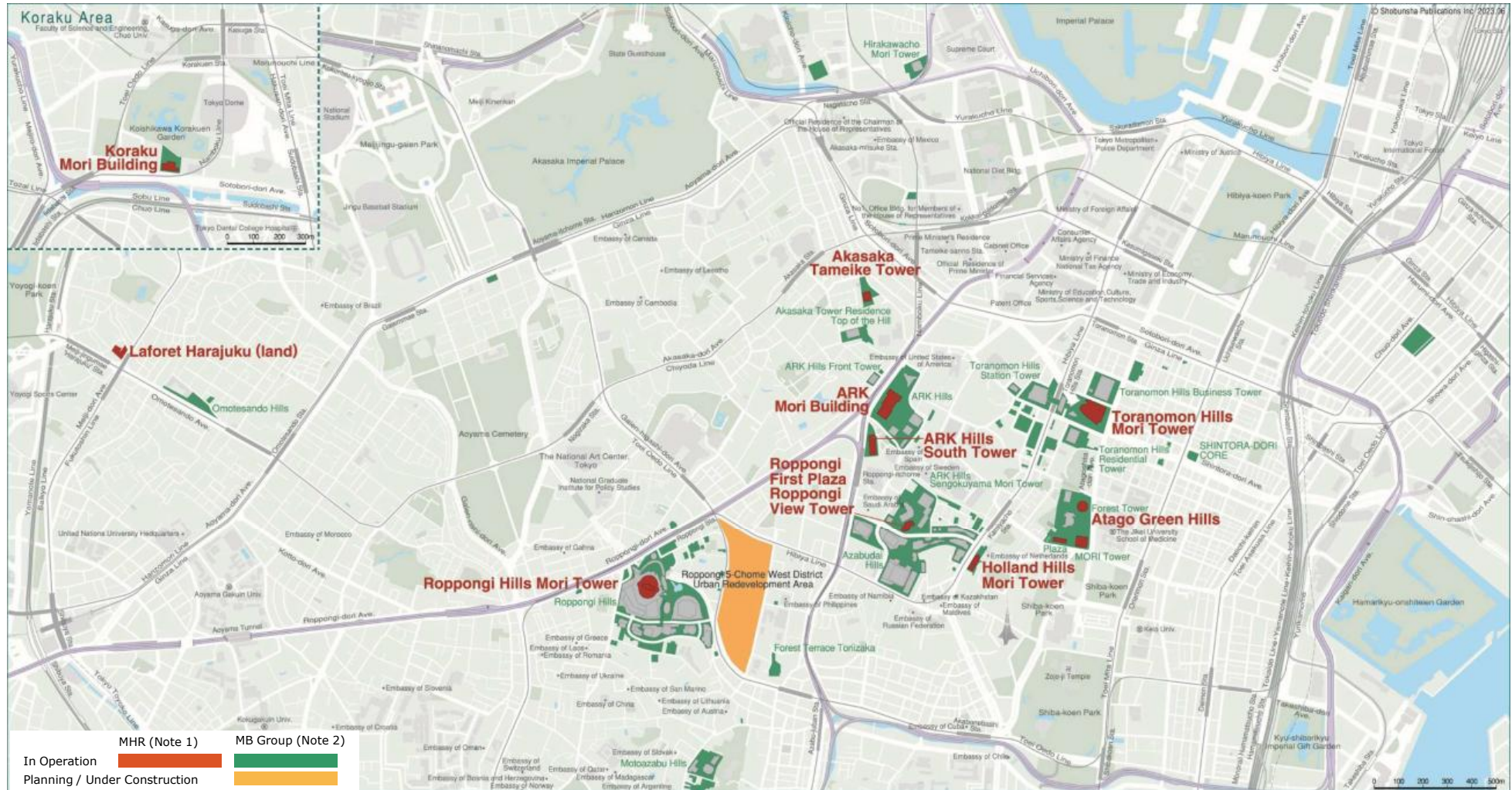


Acquisition price	7,870 million yen
Appraisal value	9,856 million yen
Location	Minato-ku, Tokyo

	Toranomon Hills Mori Tower	Recent office acquisition by listed REITs (Note 1)
Discount of acquisition price to appraisal value (Note 2)	△ 20.2%	△ 6.2%
Building age	6.6 years	22.0 years
PML	0.50%	4.33%

(Note 1) Average based on information of acquisitions (23 properties) disclosed from August 2020 to January 2021.
 (Note 2) Discount of acquisition price to appraisal value = (Acquisition price – appraisal value) / appraisal value.

Mori Building Group's involvement



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2023."

(Note 1) Some of the properties have been partially acquired and held by MHR.

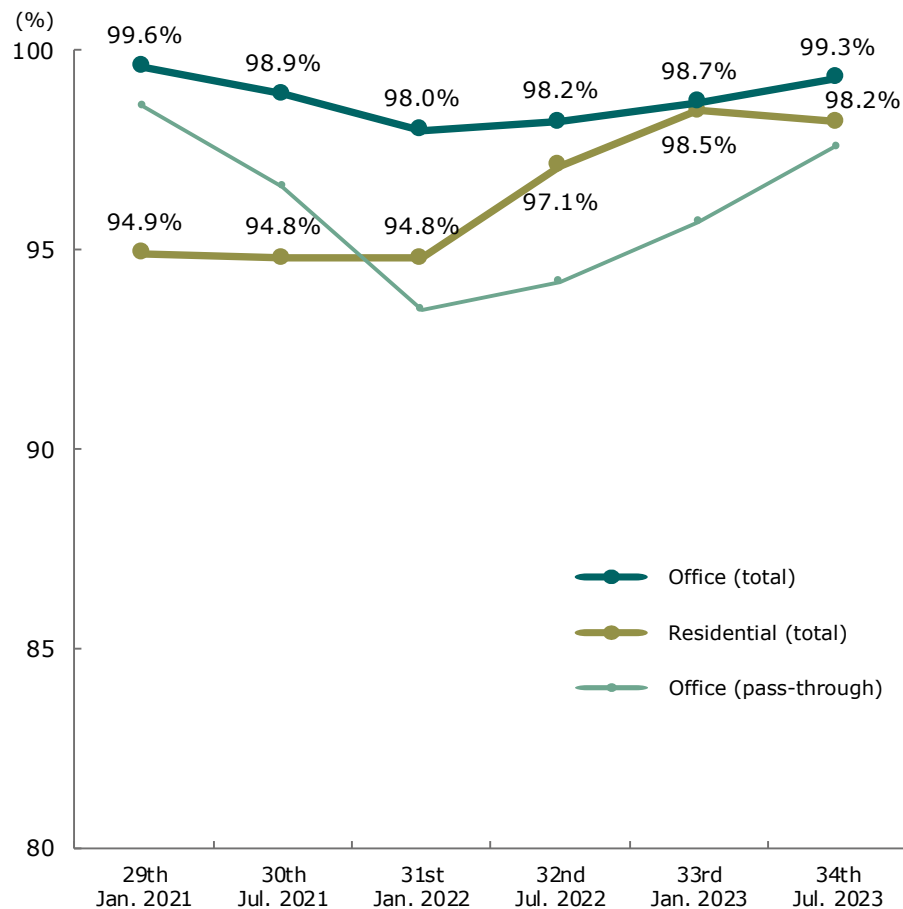
(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

2-21 Internal growth

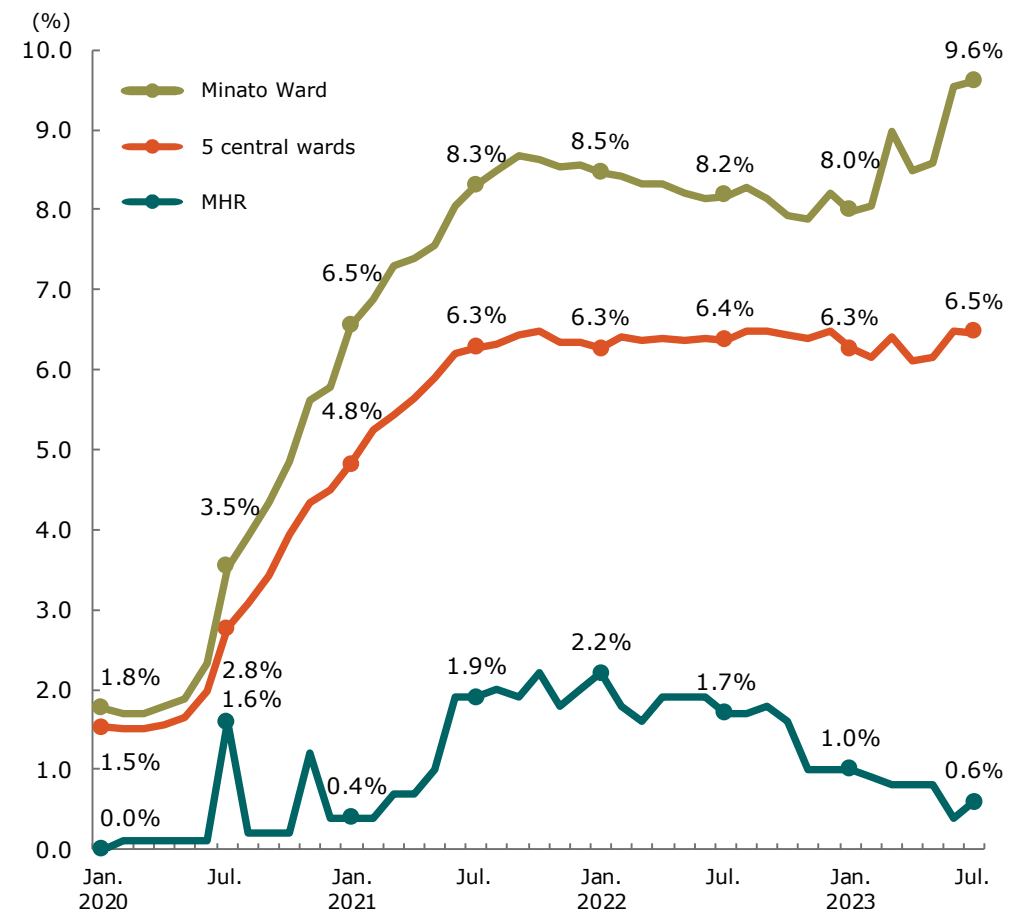
Portfolio consisting of premium properties in central Tokyo maintained high occupancy rate

- Even as office vacancy rates rose in the five central wards, including Minato Ward, a high occupancy rate was maintained due to the excellent location and quality of MHR's properties.
- Although the occupancy rates and rents for several pass-through-type offices have weakened, these properties account for only a small portion of the entire portfolio and thus the impact was minimal.

Trend in occupancy rates



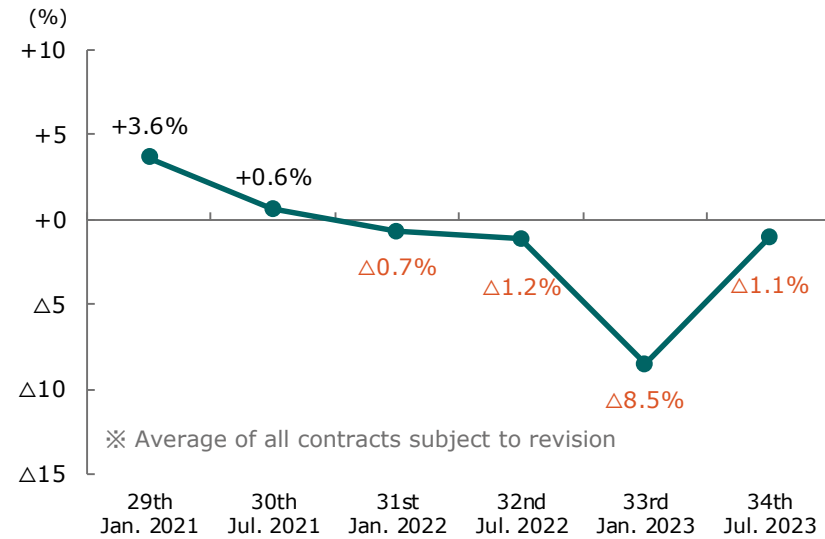
Comparison of Vacancy Rates in Central Tokyo Offices (since January 2020)



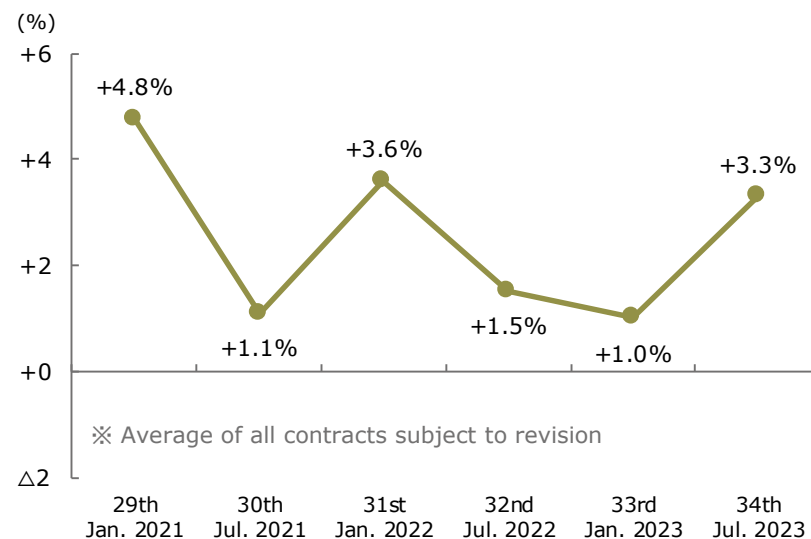
(Source) Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.
 (Note) Figures of "Mori Hills REIT" are the total figures for the office sections of all owned properties.

Result of rent revision and tenant replacement (pass-through type)

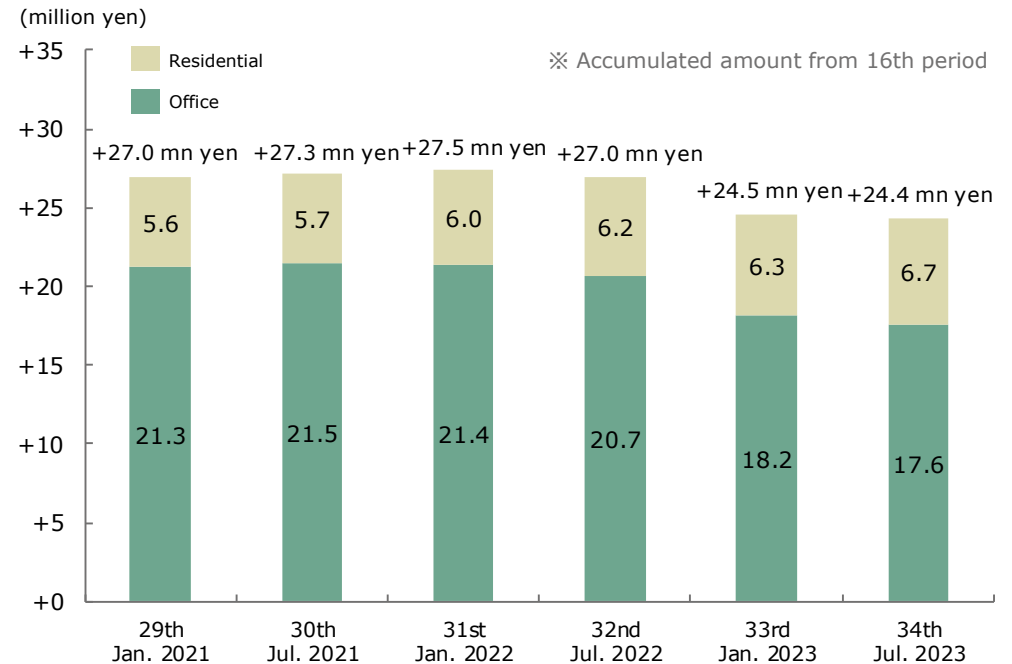
Rent revision rate (Office)



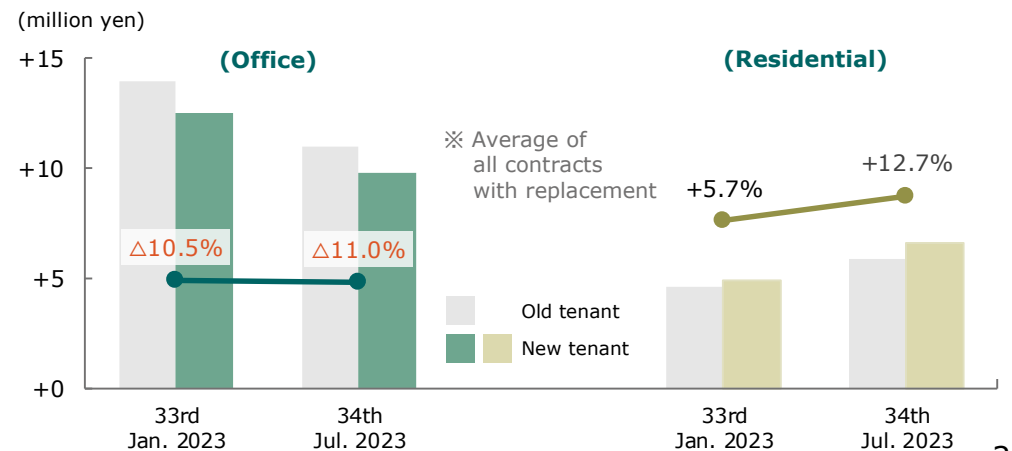
Rent revision rate (Residential)



Net impact of rent revisions (Monthly rent basis)

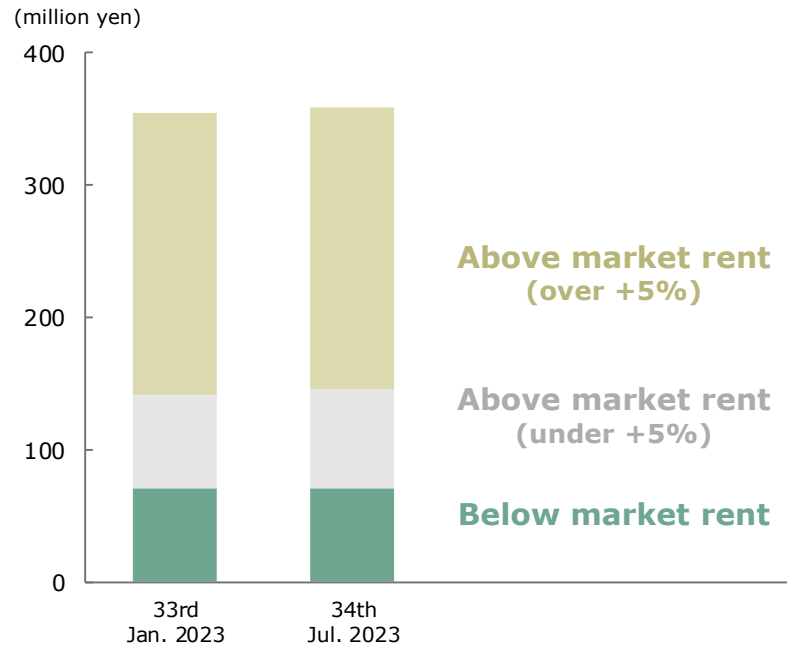


Net impact on increase/decrease of tenant replacement (Monthly rent basis)

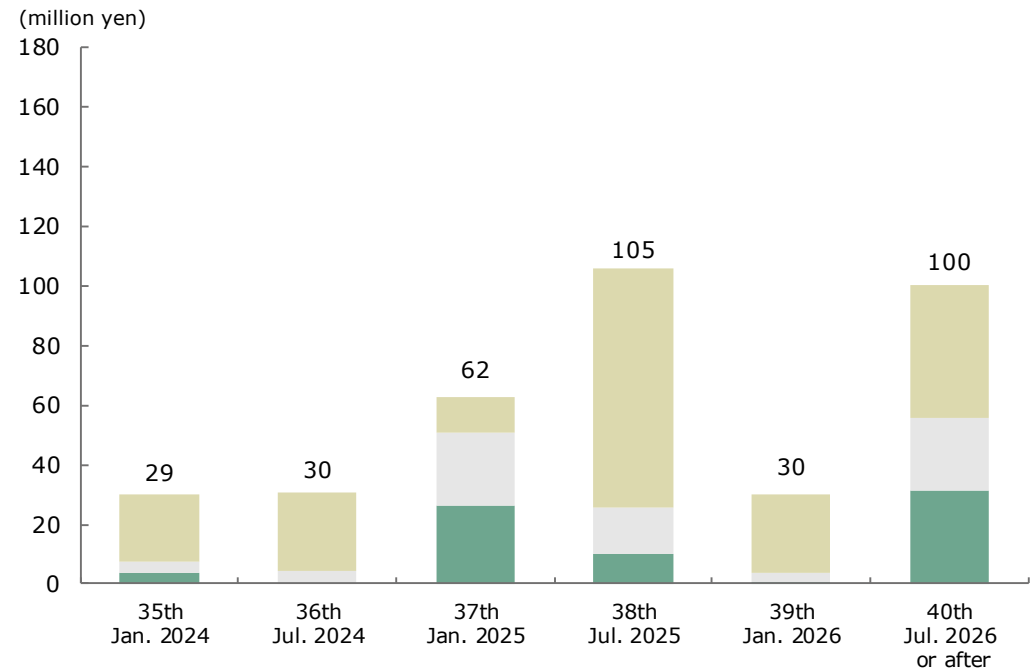


Comparison with office market rent (pass-through type)

Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap

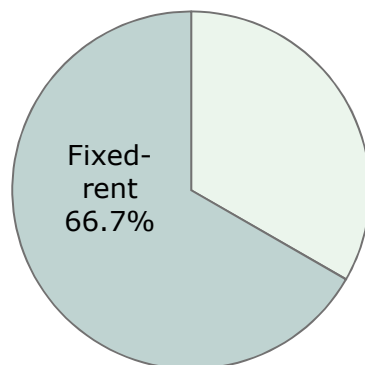


- The occupancy rates and rents for several pass-through-type offices have weakened, and the rate of the rent gap is increasing. However, the impact has been minimal because these properties account for only a small portion of the entire portfolio.
- Offices (fixed rent master lease type) have even higher quality, and occupancy rates of their end tenants have continued to remain high, so MHR has no concerns regarding contract renewals.

(Note 1) Market rent is based on the report by CBRE K.K.
 (Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1
 (Note 3) Figures reflect move outs of end tenants confirmed as of July 31, 2023

Overview of fixed rent master lease

Ratio of fixed rent master lease



Realize stable cash flow

● Structural changes to office demand will not impact premium properties in central Tokyo

● Display a defensive posture to the temporary uptick in vacancy

Realize stable cash flow in both the short term and the mid to long term

Monthly rent by contract expiration

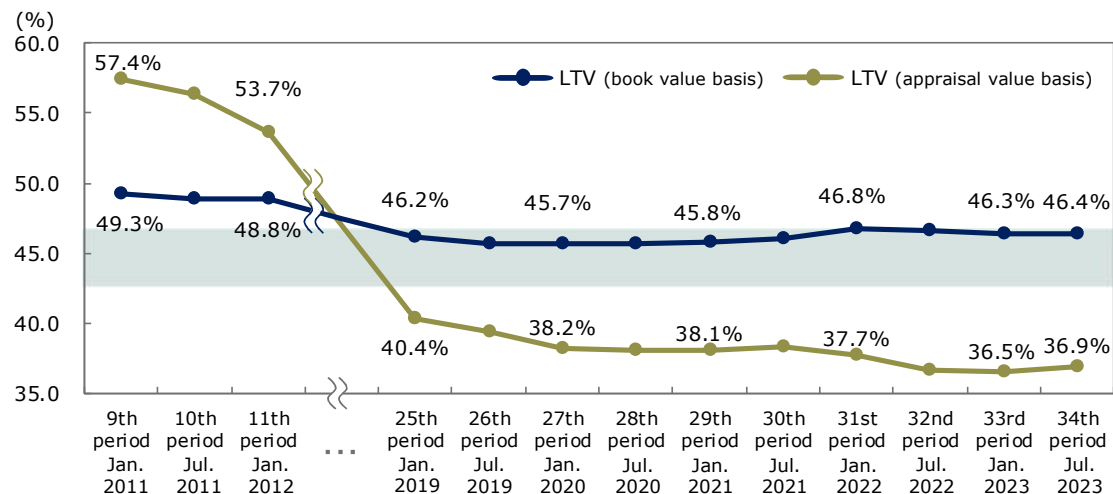
Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (m ²)	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2024	2025	2026	2027 or after	
Roppongi Hills Mori Tower (10 floors)	475.2	29.6%	23rd & 24th	8,993.45	MHR	—	—	99.2	—	Jul. 2026
			19th & 22nd	8,609.47		—	—	—	95.0	Sep. 2028
			20th	3,879.19		42.8	—	—	—	Jul. 2024
			28th	4,460.13		—	49.2	—	—	Sep. 2025
			25th	4,156.66		—	—	45.8	—	Jan. 2026
			26th, 27th & 29th	12,942.64		—	—	142.9	—	Mar. 2026
ARK Mori Building (8 floors + DHC)	225.2	14.0%	13th/12th & 22nd	7,952.55	MHR	—	—	77.9	—	Jan. 2026
			23rd & 25th	5,742.95		—	—	55.5	—	Jan. 2026
			4th, 15th & 24th	7,680.52		—	—	73.8	—	Jan. 2026
			DHC	3,212.41	Master lessee	—	—	—	17.9	Mar. 2028
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.5%	Office, residential & retail	29,667.58	Master lessee	—	—	—	168.7	Apr. 2027
Toranomon Hills Mori Tower (approx. 10.8% of entire property)	201.6	12.6%	Part of 28th to 35th floors	19,046.16	MHR	—	—	—	201.6	Jul. 2027
Total	1,070.8	66.7%				42.8 (4.0%)	49.2 (4.6%)	495.3 (46.3%)	483.3 (45.1%)	

2-25 Financial management

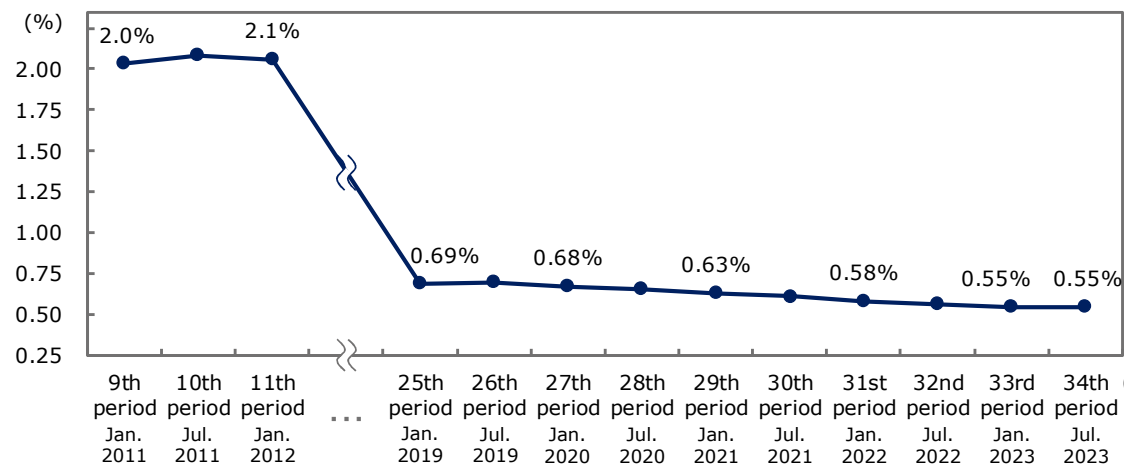
Maintaining a strong financial structure with a credit rating (JCR) of AA (stable), and LTV (appraisal-value basis) of 36.9%

- MHR's policy is to continue to maintain LTV (book-value basis) in the mid-40% range and the average remaining duration of debt at 4.0 years or longer.
- Anticipate interest rate fluctuation risk over the medium to long term by constantly monitoring economic conditions and interest rate trends, taking appropriate measures when necessary.

Reduction in LTV



Reduction in average interest rate (including borrowing expenses)



Overview of debt financing

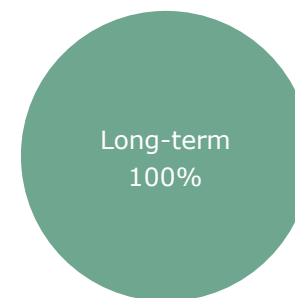
	End of 33rd period Jan. 31, 2023	End of 34th period Jul. 31, 2023
Debt Balance	192,422 mn yen	192,422 mn yen
LTV (book value basis) ^(Note 1)	46.3%	46.4%
LTV (appraisal value basis) ^(Note 2)	36.5%	36.9%
Avg. remaining duration	4.2 years	4.2 years

(Note 1) LTV (book value basis) is calculated as [Interest bearing debt / Total assets].

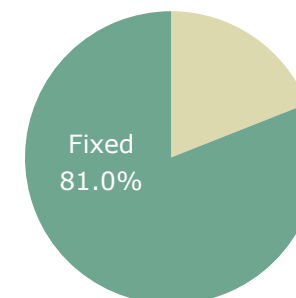
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>

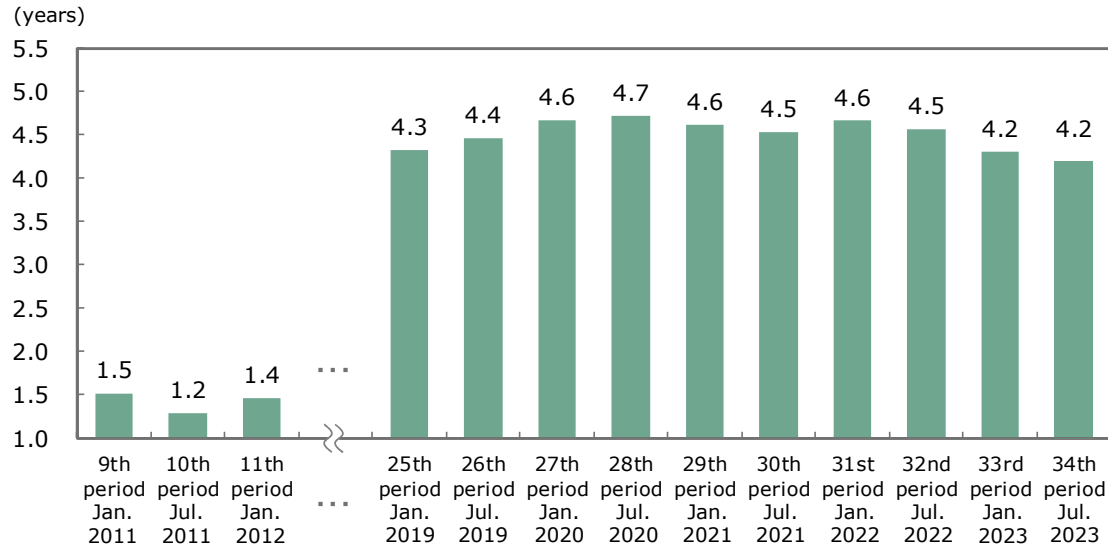


<Fixed rate ratio>



(Note) Total interest-bearing debt cost is calculated as [(interest expenses + interest expenses on investment corporation bonds + borrowing expenses + amortization of investment corporation bond issuance costs) × 365 ÷ operating days during each period ÷ average interest-bearing debt balance during each period].

Extension in remaining duration of debt

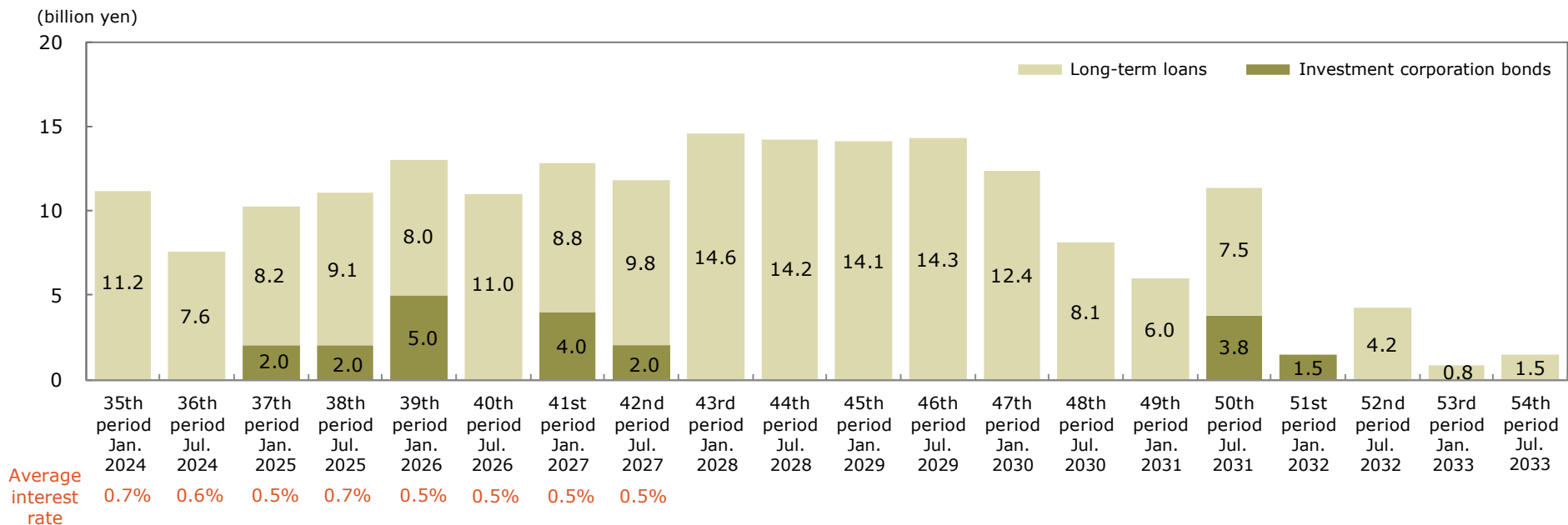


Rating

Japan Credit Rating (JCR)

























Long-term issuer rating:
AA (Stable)

Overview of maturity (as of July 31, 2023)



2-27 Sustainability initiatives

Important ESG Issues (Materiality)

	Materiality	Main Initiatives	Main related SDGs
E Environment 	<ul style="list-style-type: none"> ● Reduce greenhouse gas emissions and promote energy saving at owned properties ● Use of renewable energy 	<ul style="list-style-type: none"> ● Participate in Japan Climate Initiative ● Support the TCFD recommendations ● Promote energy savings (such as introducing the energy saving technologies) ● Expand use of renewable energy 	   
	<ul style="list-style-type: none"> ● Coexist with nature 	<ul style="list-style-type: none"> ● Promote greenery and take measures against heat island ● Protection of biodiversity 	 
	<ul style="list-style-type: none"> ● Response to sustainability certifications 	<ul style="list-style-type: none"> ● Various initiatives to obtain Green Building certifications and make improvements ● Implement training regarding Green Building 	   
S Social 	<ul style="list-style-type: none"> ● BCP measures (disaster prevention and building resilience) ● Tenants' health, comfort and convenience 	<ul style="list-style-type: none"> ● Enhance BCP Measures ● Strengthen emergency management systems and implement general disaster-readiness training ● Initiative for barrier-free access ● Due diligence when acquiring real estate ● Conduct Tenant Satisfaction Survey 	  
	<ul style="list-style-type: none"> ● Respect for human rights ● Promote diversity 	<ul style="list-style-type: none"> ● Create an appropriate environment for a whistleblower system ● Implement human rights and diversity training (including LGBT) ● Create a pleasant working environment for women 	 
	<ul style="list-style-type: none"> ● Talent development 	<ul style="list-style-type: none"> ● Provide personnel evaluations and feedback from diverse perspectives including compliance and ESG initiatives ● Provide various course-based training and qualification acquisition systems 	 
	<ul style="list-style-type: none"> ● Promote a healthy and comfortable work environment and improve employee's work/life balance ● Increase employee's satisfaction 	<ul style="list-style-type: none"> ● Promote paid holiday acquisition and overtime work reduction ● Maintain systems for employee safety and health management ● Implement health checks ● Conduct Employee Satisfaction Survey 	 
	<ul style="list-style-type: none"> ● Mutual communication with stakeholders 	<p>See "Integrated Report"</p>	
G Governance 	<ul style="list-style-type: none"> ● Strive for fair and effective corporate governance ● Adhere to compliance and corporate ethics ● Prevent conflict-of-interest transactions ● Identify risks and manage responses ● Respond to requests for ESG information disclosure 	<ul style="list-style-type: none"> ● Implement evaluation of the effectiveness of the board of directors ● Conduct compliance training including fraud prevention ● Regularly expose risks, as well as monitor and respond to risks appropriately ● Enhance ESG information disclosure on the website ● Issuance of Integrated Report 	

MSCI ESG

MHR has been selected as a constituent of the MSCI Japan ESG Select Leaders Index, provided by MSCI. This index is composed of companies selected by MSCI from among the constituents of the MSCI Japan IMI Index for excellence in ESG initiatives, and has been selected by the Government Pension Investment Fund (GPIF) for its passive management index.

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

DISCLAIMER

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Integrated Report



This report describes the overall efforts of MHR and MIM to contribute to the realization of a sustainable society and to maximize unitholder value over the medium to long term.

URL: <https://www.mori-hills-reit.co.jp/en/ir/library/tabid/477/Default.aspx>

GRESB Assessment



In the 2022 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the eleventh consecutive year, and received the highest evaluation of “5 Stars” in the GRESB Rating^(Note).

(Note) The comparative assessment of the overall score was initially introduced in 2016. It is a global ranking utilizing a five-star scale (“5 Stars” as the highest rank).

GRESB is an annual benchmarking assessment to measure ESG (Environmental, Social and Governance) integration of real estate companies and funds, as well as the name of organization which runs the assessment. It was founded in 2009 by a group of major European pension funds who played leading roles in launching Principles for Responsible Investment (PRI).

MHR’s Website



The pages dedicated to ESG have expanded, and information is proactively disclosed.

URL: <https://www.mori-hills-reit.co.jp/en/outline/Sustainability/tabid/171/Default.aspx>

Information reporting based on TCFD recommendations

MIM announced its support for the recommendations issued in June 2017 by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB).

MIM will press ahead with risk management and initiatives for climate change based on the recommendations and carry out information disclosure.



Indicators and Targets

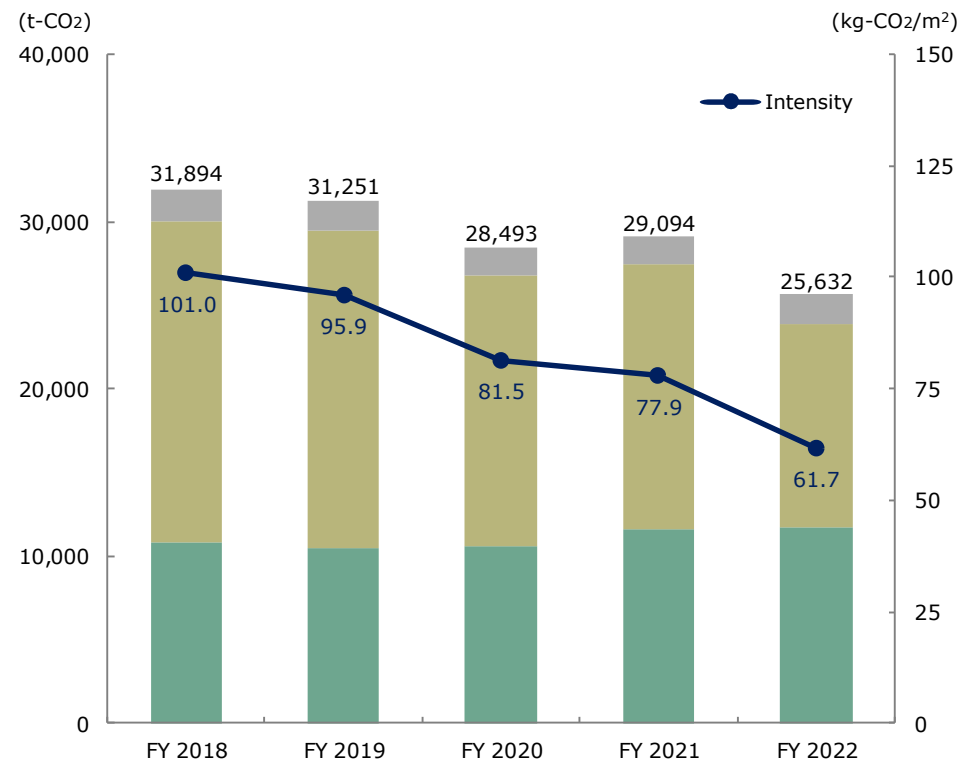
MHR revised its targets in June 2022 to promote further reduction.

We aim to reduce CO2 emissions of MHR and MIM’s offices and properties owned by MHR (total emissions; Scopes 1, 2 and 3) by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050.

<Carbon Dioxide Emission and Intensity>

Medium-term target (FY 2030)	Long-term target (FY 2050)	Performance (FY 2022)
50% reduction (total amount basis: vs FY 2019)	Net-Zero	18.0% reduction (total amount basis: vs FY 2019)

	(Unit:t-CO2)				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Scope 1	1,843	1,767	1,718	1,696	1,755
Scope 2	19,285	18,952	16,151	15,770	12,145
Scope 3	10,766	10,531	10,624	11,627	11,732
Total	31,894	31,251	28,493	29,094	25,632
Verification/Guarantee rate	77.4%	77.4%	77.7%	78.2%	78.3%
Cover rate	87.4%	87.6%	87.8%	88.0%	88.1%



Strategy

Climate-Related Scenario Analysis

This analysis aims to understand the future risks and opportunities that climate change-driven extreme weather and rising social demand for climate change countermeasures present to MHR and MIM, verify the efficacy of current climate change countermeasures and serve in future strategy formulation as necessary. In accordance with the TCFD’s recommendations, we have analyzed both the 2°C and 4°C scenarios, aiming to ensure resilience in varying weather conditions and social environments and achieve sustainable business growth.

Risk Type	Driving Forces	Risks	Financial Impact and Period Maximizing		Opportunities and Countermeasures
			2°C Scenario	4°C Scenario	
Transition risks	Increased pricing on GHG emissions	Increased carbon tax burden <ul style="list-style-type: none"> •Taxation on owned properties for their GHG emissions due to carbon tax 	Medium	—	Reduce GHG emissions <ul style="list-style-type: none"> •Increase percentage of renewable energy •Introduce energy-saving equipment and energy management system
	Mandates on and regulation of existing products and services	Increased investment in repair work and facilities to respond to regulations <ul style="list-style-type: none"> •Strengthening of standards for energy conservation (zero-energy building, ZEB) of buildings and introduction of regulations on total emissions 	Small	Small	Reduce utility costs <ul style="list-style-type: none"> •Renovation to meet building energy-saving standards (ZEB) •Invest in facilities
	<ul style="list-style-type: none"> •Substitution of existing products and services with low-carbon options •Changing consumer behavior and preferences 	Reduced demand for properties that perform poorly in energy conservation <ul style="list-style-type: none"> •Increased number of tenants who emphasize energy conservation due to increased environmental awareness 	Small	Small	Increased demand for highly energy-saving properties <ul style="list-style-type: none"> •Acquire Green Building Certifications •Disclose environmental performance information
	Increased stakeholder concerns or negative feedback	Increases in fund-raising costs <ul style="list-style-type: none"> •Buildings that do not save much energy lose value as ESG investors multiply 	Small	Small	Lower fundraising costs <ul style="list-style-type: none"> •Increase ESG evaluation rating •Conduct green financing
Physical risks	Increased severity of extreme weather events such as typhoons and floods	Increases in repair costs for damages to owned properties and degradation of existing assets <ul style="list-style-type: none"> •Damage and destruction to owned properties due to typhoons or floods 	Small	Small	<ul style="list-style-type: none"> •Own highly resilient properties •Take appropriate measures based on flood risk assessment
	Rising mean temperatures	Increases in utility costs <ul style="list-style-type: none"> •Increases in utility costs 	Small	Small	<ul style="list-style-type: none"> •Introduce energy-saving technology and increase the green ratio •Work with tenants to save energy

2°C Scenario World: Low-Carbon Society (as of 2050)

<Analysis Result>

The 2°C scenario presents significant transition risks particularly if Japan introduces a high carbon tax to reduce CO2 emissions and MHR's property management costs increase due to taxes on properties' CO2 emissions and renovations to meet stricter energy-saving standards and other environmental regulations. Stricter regulations will also impact tenants' office selection, reducing demand for properties that save less energy than their peers. Furthermore, if we own a large number of such properties, the cost to raise funds from investors and lenders could also increase.

In preparation for a transition to the low-carbon society of the 2°C scenario and its accompanying risks, MHR has mainly acquired its portfolio of highly energy-saving properties and those with high-level green building certifications to maintain competitiveness, and actively updates facilities on a continuous basis, so we deem these risks to have a limited impact on business.

Weather

Generally, stay the same

- Little change in typhoon frequency
- Little change in Japan's flood frequency
- Slight rise in utility fees due to temperature increase



Government

Aggressive climate change policy

- Introduction of high carbon tax
- More government promotion of ZEBs, stricter energy-saving standards



Investors/lenders

Increased ESG investment/lending

- Demand for more corporate ESG reporting
- Lower fundraising costs for owners of highly energy-saving properties



MHR

Limited increase in energy-saving investment

- Some increase in investment to meet energy-saving standards but limited
- Increase in carbon tax burden
- Steady demand for highly energy-saving properties



Clients (tenants)

Focus on energy saving in office selection

- More tenant demand for highly energy-saving properties



4°C Scenario World: Intensification of Natural Disasters (as of 2050)

< Analysis Result >

The 4°C scenario forecasts increased renovation costs due to intensifying extreme weather and increased utility costs due to higher average temperatures.

Because MHR invests in highly energy-saving, resilient properties located in areas with low flood risk, we deem these risks to have a limited impact on business.

Weather

Increase in extreme weather frequency

- Increase in strong typhoon frequency
- Doubling of Japan's flood frequency, increase in risk of property flooding
- Rise in utility fees due to temperature increase



Government

Passive climate change policy

- No introduction of additional carbon tax
- Limited government promotion of ZEBs, energy-saving standards



Investors/lenders

Increase in importance of physical risk

- Little change in demand for corporate ESG reporting
- Lower fundraising costs for owners of highly resilient properties



MHR

Limited natural disaster countermeasures/energy-saving investment

- Some property repair costs, operating loss, etc. but limited
- Limited investment to meet energy-saving standards
- Steady demand for highly resilient properties



Clients (tenants)

Focus on disaster response in office selection

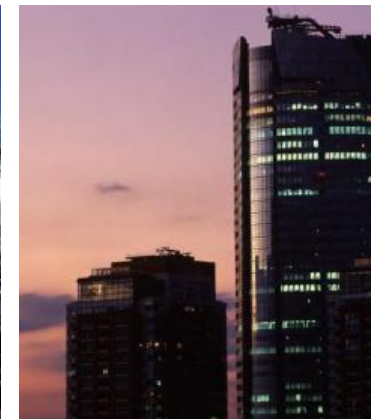
- More tenant demand for highly resilient properties



2-33 MHR's representative property (1) Roppongi Hills



Roppongi Hills Mori Tower



Roppongi Hills

Since its opening in 2003 as Japan's largest ever urban redevelopment at about 11.6 hectares, more than 40 million people have visited Roppongi Hills each year from all over the world. As this community has matured, Roppongi Hills has only multiplied its global magnetic attraction. Japan real estate development had been limited by an economic perspective until Mori Building revolutionized the concept by creating a community where humanity, culture, interaction and vision toward the next era is born.

Office

Roppongi Hills Mori Tower

Roppongi Hills Mori Tower is the main tower of Roppongi Hills and is 54 floors above ground and 238 meters high and has established itself as a landmark of Tokyo. Offices located from the 8th floor to the 48th floor boast floor plates of about 1,360 tsubo (about 4,500m²), among the largest floor areas of skyscrapers in Japan. It is a state-of-the-art office building with an ultra high-speed network, outstanding earthquake resistance performance and thorough security.



Residence Roppongi Hills Residence

In Roppongi Hills where international cultural is fostered and people come to interact, Mori Building designed these residences with the comfort of the people as a top priority, to provide the template for a “new life overflowing with affluence and warmth”.



Retail Shops and Restaurants

Retail facilities are comprised of more than 200 “only one” shops and restaurants divided into four areas with different concepts. There are many shops on the lower floors of the buildings and on the street so visitors can enjoy shopping, eating and drinking while walking around the open spaces that are full of greenery.



Hotel Grand Hyatt Tokyo

Grand Hyatt Tokyo offers a dynamic city space featuring 10 highly distinctive restaurants and bars, 387 guestrooms designed for the highest level of relaxation, 16 banquet facilities and much more. The wide range of facilities inside the hotel and in Roppongi Hills enable guests to enjoy leisurely time at the hotel to the fullest extent.



Cinema TOHO Cinemas Roppongi Hills

One of the top cinema complexes in Japan, TOHO offers nine movie screens, a variety of daily show times and facilities with unprecedented comfort and functions. These theaters ushered in a whole new culture of movie going in Roppongi.



Museum Mori Art Museum

“The world’s nearest art museum to the sky”, the museum collaborates with a network of highly respected international art museums to create a space to appreciate the world’s top modern art. It is open until 10 pm during exhibitions to welcome visitors after work or dinner.



Stable Supply of Power from Independent Power Station

Roppongi Hills uses its own energy plant (a specially designated power supply business facility) to supply electrical power to the area. Because this plant uses city gas (medium pressure gas) as the fuel, it is not affected by power restrictions on the use of electricity and is able to provide an extremely stable supply of electricity. The use of a power supply with triple redundant safety allows the building to construct a power supply system with high reliability.

2-34 MHR's representative property (2) Toranomom Hills



Toranomom Hills Mori Tower



Toranomom Hills

Toranomom Hills is located in the "Special Zone for Asian Headquarters" where Tokyo Metropolitan Government seeks to attract foreign companies. This building is Tokyo's new landmark and consists of Japan's first Andaz hotel "Andaz Tokyo", high-specification offices, a high class residential area with outstanding views where hotel services are available, international-standard conference facilities and commercial facilities to supports various urban functions, along with an open space of about 6,000m².

Office

Toranomom Hills Mori Tower

Offices occupy the 6th to the 35th floors of "Toranomom Hills Mori Tower", a super high rise tower with 52 floors rising 247 meters above ground with a gross floor area of 30,000 tsubo. Standard rent floors' average size are about 1,000 tsubo (about 3,300m²) with a ceiling height of 2.8 meters and they provide flexible and comfortable workspaces without pillars. Six transit stations and 11 lines are nearby and provide access to Haneda Airport which makes this building an optimal global business base.



Residence Toranomon Hills Residence

Pleasant views of central Tokyo landmarks such as Tokyo Tower, Rainbow Bridge, Tokyo Sky Tree and the open green space of the Imperial Palace can be viewed from residences located on the 37th to 46th floors. Hotel services in cooperation with Andaz Tokyo are available.



Retail Shops and Restaurants

With the concept of "Communication Hub", restaurants are designed to provide international cuisine that satisfy customers from Japan and overseas. Various people such as office workers, conference attendees and hotel guests gather in this space uniquely designed to facilitate communication.



Hotel Andaz Tokyo

Hyatt's boutique lifestyle hotel "Andaz Tokyo" is Japan's first Andaz. Andaz means "personal style" in Hindi. The hotel values the individuality of the area and incorporates the charm of the land into design and its' service.



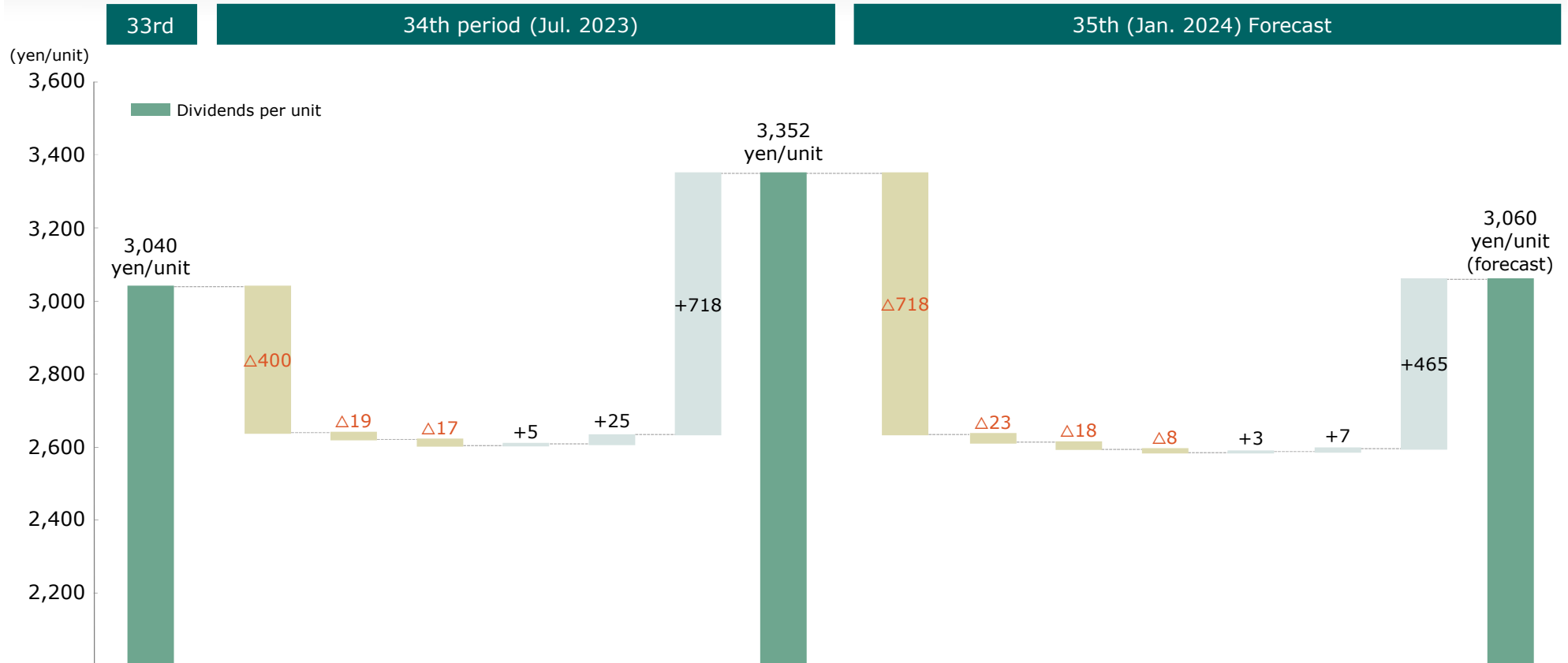
Evolving as an International Urban Center and a Global Business Hub

With the addition of Toranomon Hills Business Tower, Toranomon Hills Residential Tower, and Toranomon Hills Station Tower to Toranomon Hills Mori Tower, Toranomon Hills will expand to a total area of approximately 7.5 ha and a total floor area of approximately 790,000m². The area will evolve into a true "international urban center and a global business hub" with integrated functions such as international-class offices, residences, hotels, retail facilities and transportation infrastructure.

3. Operation highlights



3-1 Factors that led to changes in dividends per unit from the previous fiscal period



Absence of gain on disposition in previous period
 Decrease in rent from disposed properties (33rd-34th)
 NOI change-existing properties
 Financing costs decrease
 Decrease in asset management fee
 Gain on disposition

Absence of gain on disposition in previous period
 Decrease in rent from disposed properties (34th-35th)
 NOI change-existing properties
 Increase in asset management fee
 Others
 Financing costs decrease
 Gain on disposition

Major factors behind change in NOI from existing properties:

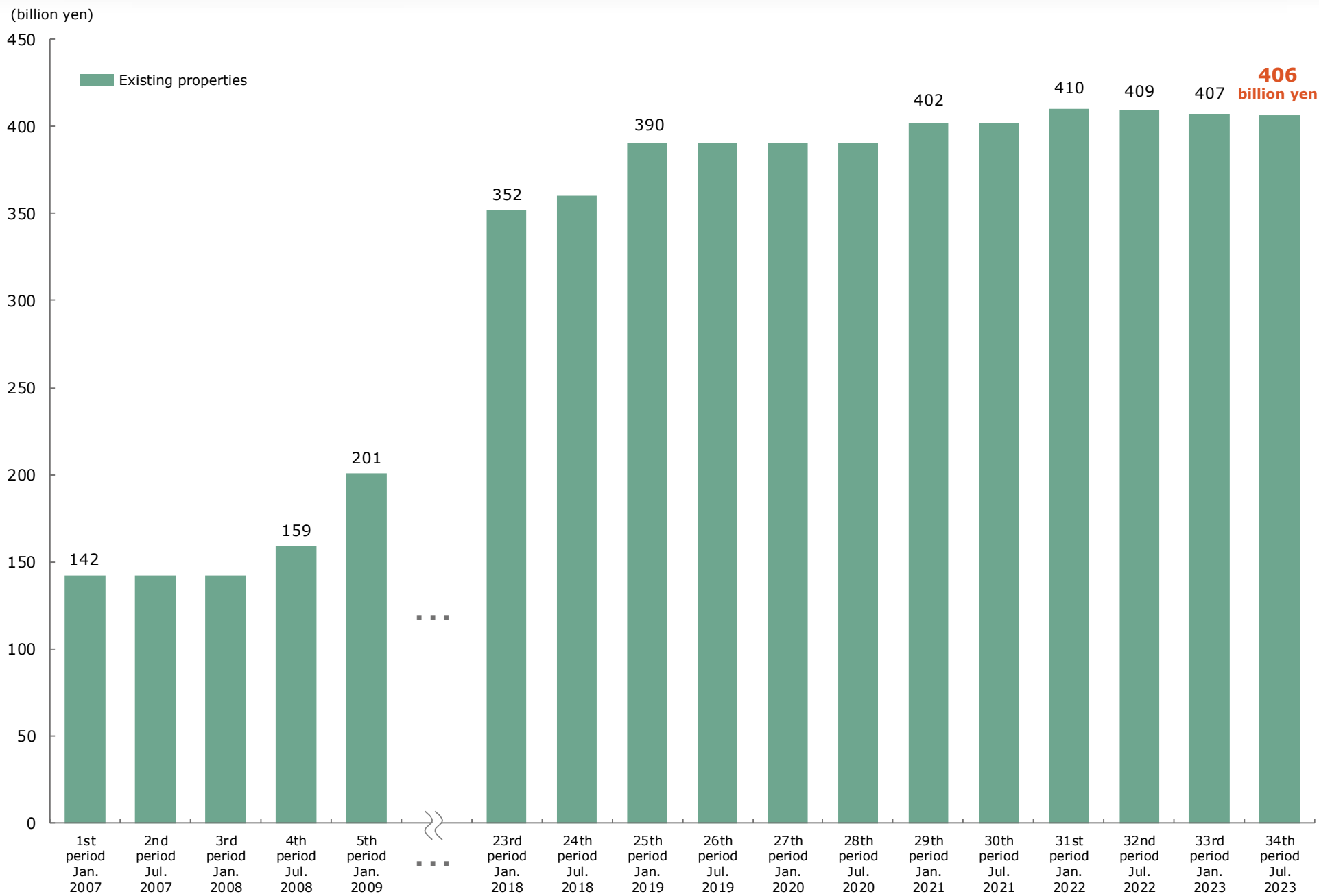
+ Office rent (pass-through)	+11
- Increase in property taxes	△11
- Net utilities (revenue and expenses)	△5
- Increase in depreciation	△4
- Decrease in cancellation penalty	△2
- Increase in maintenance and repairs	△2

Major factors behind change in NOI from existing properties:

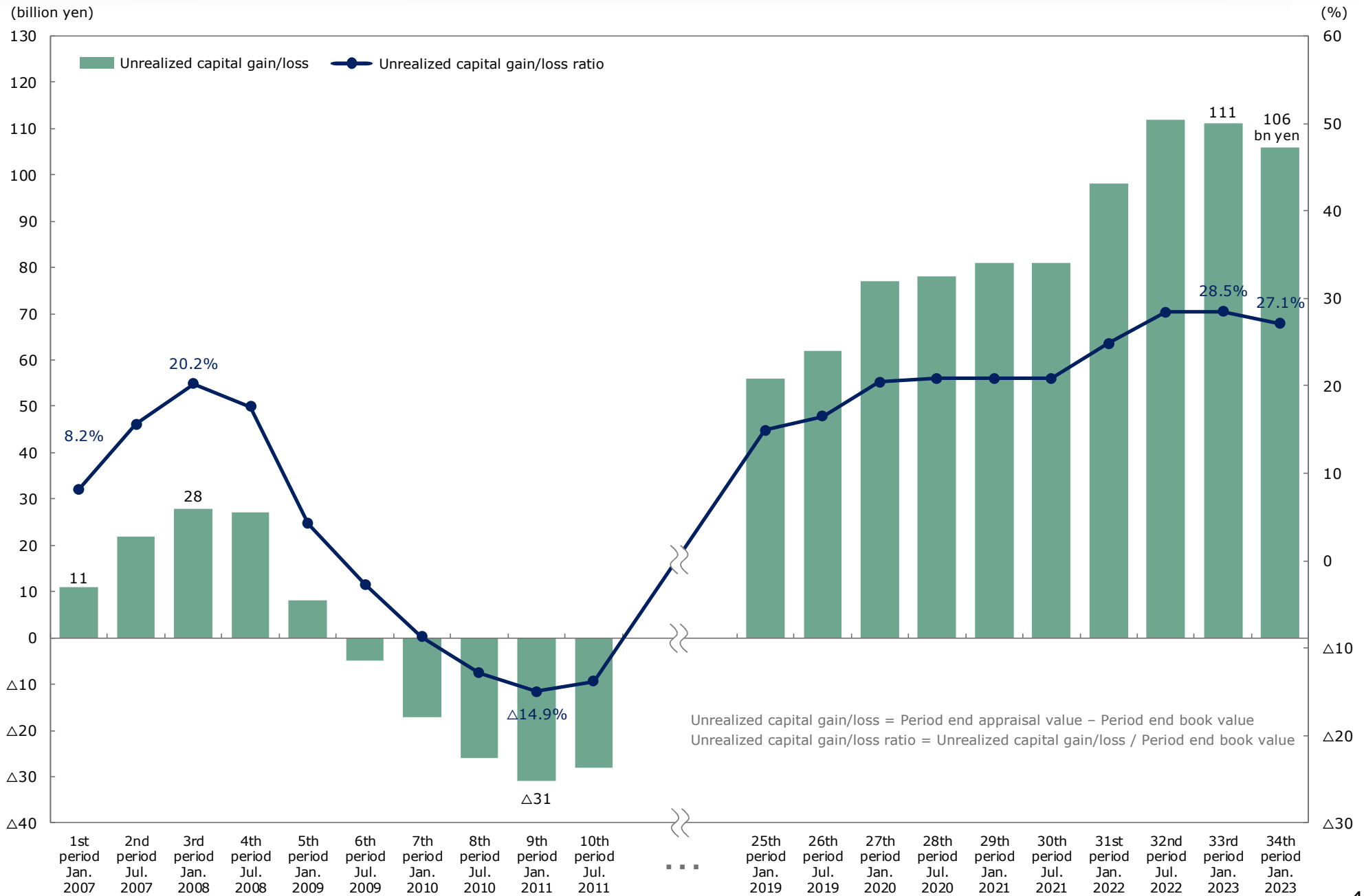
+ Increase in cancellation penalty	+22
+ Decrease in depreciation	+6
- Office rent (pass-through)	△13
- Increase in maintenance and repairs	△12
- Increase in property management fee	△12
- Increase in property taxes	△11

(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,916,330 units and indicated as an approximate figure in yen.

3-2 Change in assets under management



3-3 Change in unrealized capital gain/loss



3-4 Appraisal value

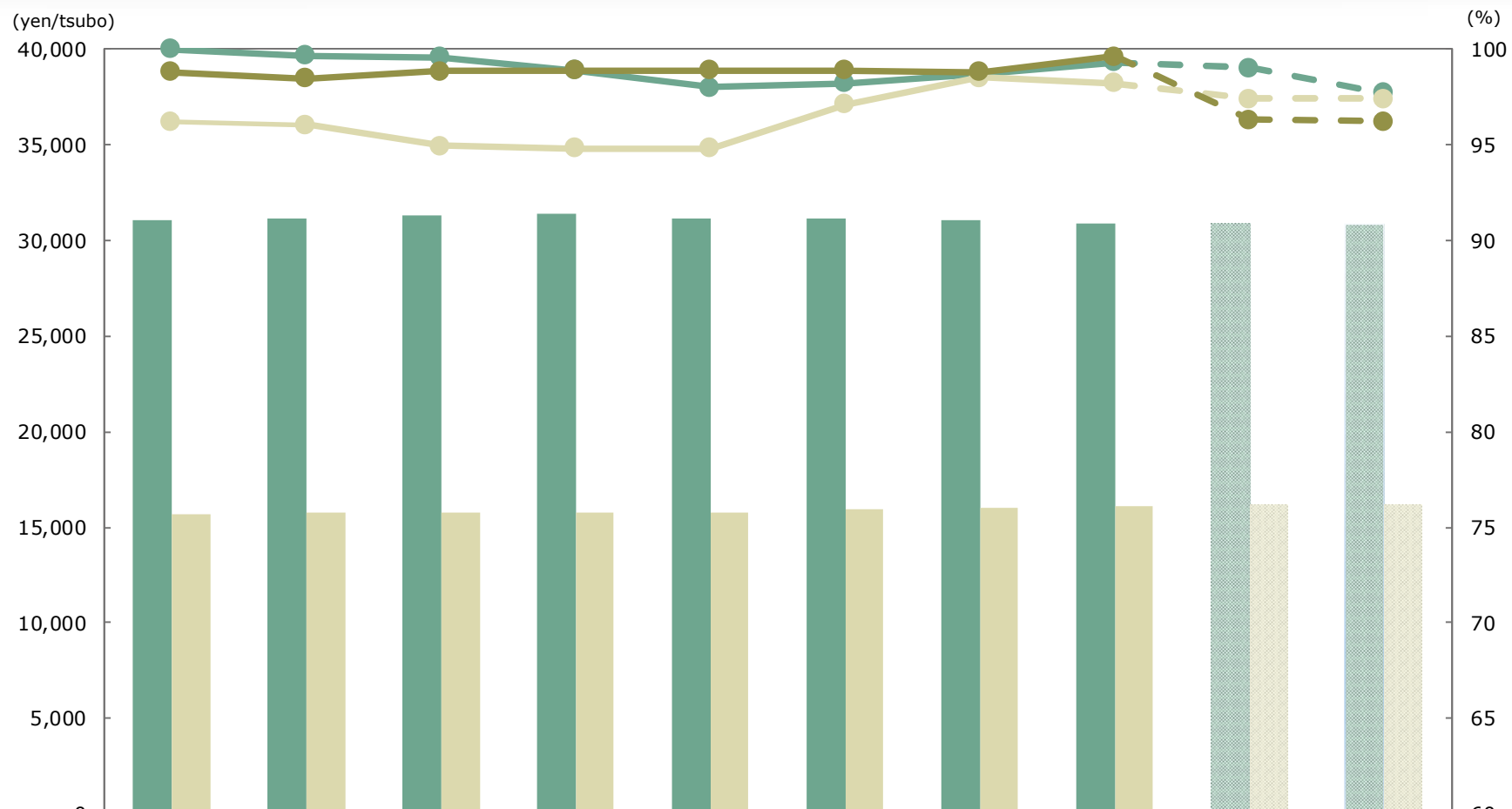
Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 33rd period Jan. 31, 2023		As of end of 34th period Jul. 31, 2023				Difference (B) – (A)	Difference (B)/(A) – 1	Unrealized capital gain/loss (B)–book value
					(A) Appraisal value (Note 1)	Yield (Direct capitalization method)	(B) Appraisal value (Note 1)	Yield (Direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	110,487	160,200	2.6%	159,400	2.6%	2.3%	2.7%	△ 800	△ 0.5%	48,912
	ARK Mori Building	O-1	62,480	61,585	69,100	3.0%	67,400	3.0%	2.7%	3.1%	△ 1,700	△ 2.5%	5,814
	Koraku Mori Building	O-4	27,200	24,502	24,720	3.2%	24,720	3.2%	2.8%	3.5%	0	0.0%	217
	Akasaka Tameike Tower	O-6	43,930	41,088	34,900	3.0%	34,800	3.0%	2.7%	3.1%	△ 100	△ 0.3%	△ 6,288
	Atago Green Hills	O-7	42,090	39,642	48,988	3.2%	46,102	3.2%	2.7%	3.4%	△ 2,886	△ 5.9%	6,459
	ARK Hills South Tower	O-8	19,150	18,465	24,300	3.0%	24,300	3.0%	2.8%	3.2%	0	0.0%	5,834
	Toranomon Hills Mori Tower	O-9	56,300	55,168	77,064	2.4%	77,220	2.4%	2.1%	2.5%	156	0.2%	22,051
	Holland Hills Mori Tower	O-10	16,330	16,245	22,900	3.0%	22,900	3.0%	2.6%	3.2%	0	0.0%	6,654
Sub total			382,860	367,187	462,172	–	456,842	–	–	–	△ 5,330	△ 1.2%	89,654
Residential	Roppongi First Plaza	R-3	2,100	2,206	2,880	3.4%	3,000	3.4%	3.2%	3.5%	120	4.2%	793
	Roppongi View Tower	R-4	4,000	4,058	3,780	3.5%	3,760	3.5%	3.3%	3.6%	△ 20	△ 0.5%	△ 298
	Sub total			6,100	6,265	6,660	–	6,760	–	–	–	100	1.5%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	17,237	17,438	35,948	3.8%	33,338	–	3.7%	–	△ 2,610	△ 7.3%	15,899
	Sub total			17,237	17,438	35,948	–	33,338	–	–	–	△ 2,610	△ 7.3%
Total			406,197	390,891	504,780	–	496,940	–	–	–	△ 7,840	△ 1.6%	106,048

Reflects the impact of partial disposition (million yen)

(Note 1) "Appraisal values" at the end of each fiscal period are based on the Ordinance Concerning Calculation of Investment Corporations, asset valuation methods and standards defined in the Articles of Incorporation of the Company and rules defined by the Investment Trust Association. Figures in the property appraisal reports created by Japan Real Estate Institute are indicated for properties other than ARK Hills South Tower and figures in the property appraisal report created by Daiwa Real Estate Appraisal Co., Ltd. are indicated for ARK Hills South Tower, respectively.

(Note 2) For Laforet Harajuku (Land), value in the "Yield (Direct capitalization method)" column for the 33rd period shows the discount rate used in the DCF analysis.

3-5 Changes in the rent and occupancy rates

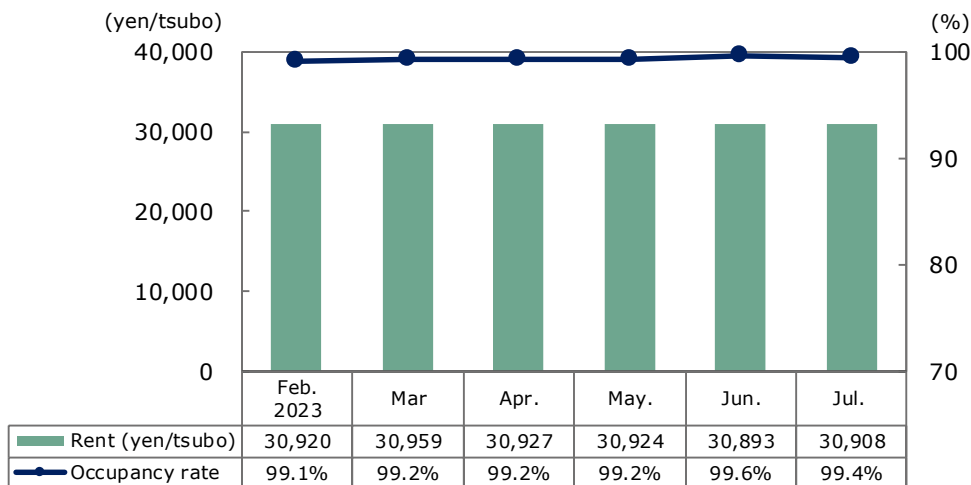


	27th period Jan. 2020 (actual)	28th period Jul. 2020 (actual)	29th period Jan. 2021 (actual)	30th period Jul. 2021 (actual)	31st period Jan. 2022 (actual)	32nd period Jul. 2022 (actual)	33rd period Jan. 2023 (actual)	34th period Jul. 2023 (actual)	35th period Jan. 2024 (forecast)	36th period Jul. 2024 (forecast)
Office rent (yen/tsubo)	31,020	31,139	31,309	31,372	31,135	31,109	31,044	30,922	30,916	30,810
Residential rent (yen/tsubo)	15,698	15,766	15,741	15,772	15,807	15,901	16,054	16,092	16,213	16,183
Office occupancy	100%	99.7%	99.6%	98.9%	98.0%	98.2%	98.7%	99.3%	99.0%	97.7%
Residential occupancy	96.2%	96.1%	94.9%	94.8%	94.8%	97.1%	98.5%	98.2%	97.4%	97.4%
Retail occupancy	98.8%	98.5%	98.9%	98.9%	98.9%	98.9%	98.8%	99.6%	96.3%	96.2%

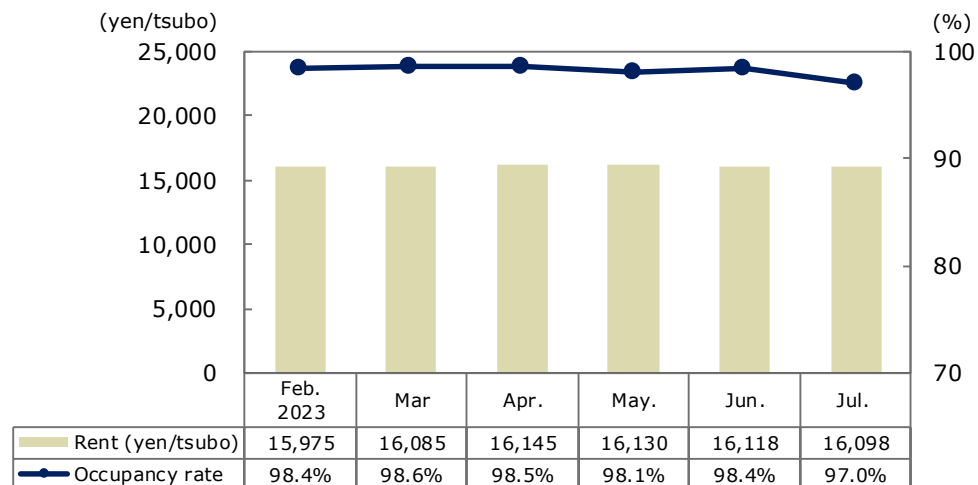
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-6 Tenant status by month and major tenants

Office: Rent and occupancy rate



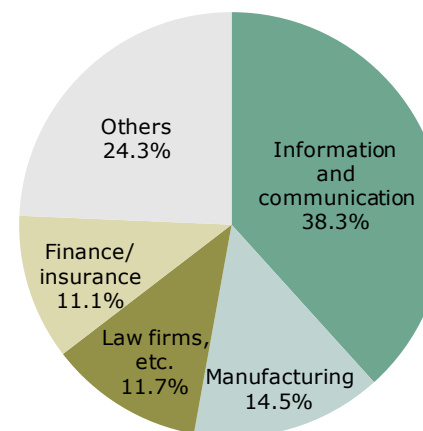
Residential: Rent and occupancy rate



Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills Toranomom Hills Mori Tower	116,635.93 m ²	65.1%
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53 m ²	1.9%
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,436.90 m ²	1.9%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,026.40 m ²	1.1%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m ²	1.0%
SoldOut, Inc.	Koraku Mori Building	1,851.87 m ²	1.0%
Total of top 5 tenants		129,261.50 m ²	72.1%

Tenant Contribution by Industry Type-Office



(Note 1) Leased space is the lease area stated in the lease contract with the end tenant. It is multiplied by the relevant percentage of ownership for each properties.

(Note 2) This indicates the figures as of July 31, 2023.

(Note 1) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of July 31, 2023.

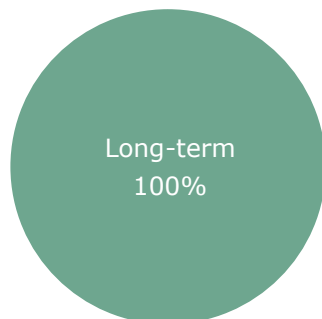
It is multiplied by the relevant percentage of ownership for each property.

(Note 2) Business types are classified by the Asset Manager.

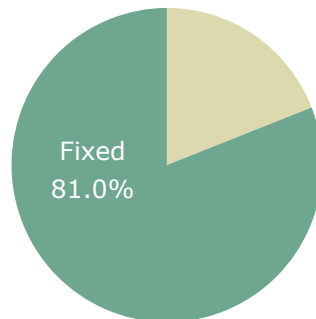
3-7 Financial overview (as of July 31, 2023)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 33rd period Jan. 31, 2023	End of 34th period Jul. 31, 2023
Debt balance	192,422 mn yen	192,422 mn yen
Long-term loan	172,122 mn yen	172,122 mn yen
Investment corporation bonds	20,300 mn yen	20,300 mn yen
LTV (Book value basis) ^(Note 1)	46.3%	46.4%
LTV (Appraisal value basis) ^(Note 2)	36.5%	36.9%
DSCR ^(Note 3)	19.5x	19.9x
Avg. remaining duration	4.2 years	4.2 years
Weighted avg. interest rate	0.42%	0.41%

(Note 1) LTV (Book value basis) is calculated as [Interest bearing debt/Total assets].
 (Note 2) LTV (Appraisal value basis) is calculated as [Interest-bearing debt/Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].
 (Note 3) DSCR is calculated as [Net income before interest expenses + Depreciation/Interest expenses].

Outstanding balances

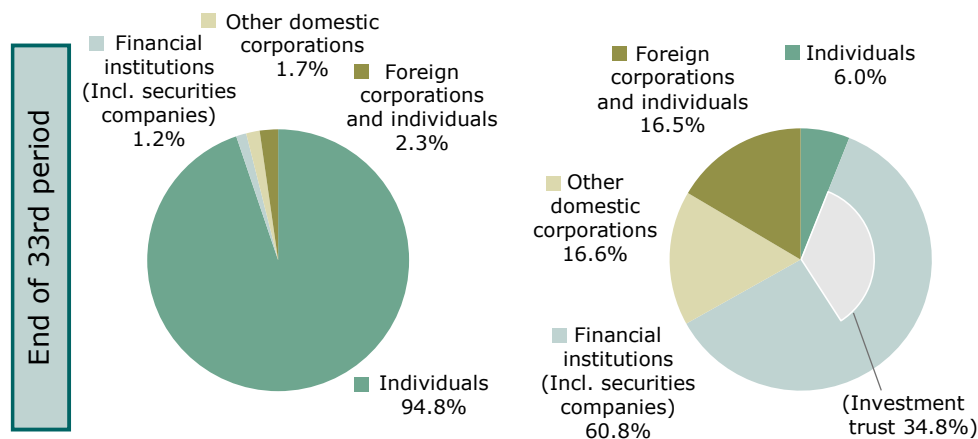
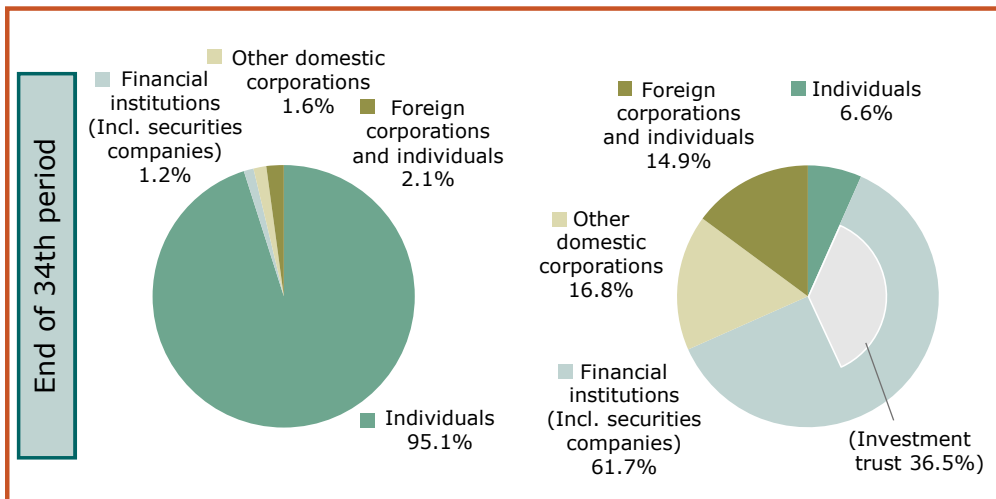
Lenders	Balance	Ratio
MUFG Bank, Ltd.	38,737 mn yen	22.5%
Mizuho Bank, Ltd.	29,643 mn yen	17.2%
Sumitomo Mitsui Banking Corporation	24,217 mn yen	14.1%
Sumitomo Mitsui Trust Bank, Limited	20,745 mn yen	12.1%
The Bank of Fukuoka	8,800 mn yen	5.1%
The Norinchukin Bank	8,000 mn yen	4.6%
Resona Bank, Limited.	7,430 mn yen	4.3%
SBI Shinsei Bank, Limited	6,200 mn yen	3.6%
Development Bank of Japan Inc.	5,950 mn yen	3.5%
Mizuho Trust & Banking Co., Ltd.	4,800 mn yen	2.8%
The Nishi-Nippon City Bank, Ltd.	4,000 mn yen	2.3%
Shinkin Central Bank	2,600 mn yen	1.5%
The Chugoku Bank, Limited.	2,500 mn yen	1.5%
Aozora Bank, Ltd.	2,000 mn yen	1.2%
Mitsubishi UFJ Trust and Banking Corporation	1,500 mn yen	0.9%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.6%
THE OITA BANK, LTD.	1,000 mn yen	0.6%
Nippon Life Insurance Company	1,000 mn yen	0.6%
Mitsui Sumitomo Insurance Company, Limited	1,000 mn yen	0.6%
The Bank of Yokohama, Ltd.	1,000 mn yen	0.6%
Total borrowings	172,122 mn yen	100%
Investment corporation bonds	20,300 mn yen	
Total interest-bearing debt	192,422 mn yen	

3-8 Unitholders breakdown (as of July 31, 2023)

Unitholders breakdown

<Number of unitholders>

<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Custody Bank of Japan, Ltd. (Trust account)	508,570	26.5%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	300,345	15.7%
3	Mori Building Co., Ltd.	287,472	15.0%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	78,469	4.1%
5	SMBC Nikko Securities Inc.	33,350	1.7%
6	STATE STREET BANK WEST CLIENT - TREATY 505234	25,074	1.3%
7	Custody Bank of Japan, Ltd. (Money trust taxable account)	21,868	1.1%
8	SSBTC CLIENT OMNIBUS ACCOUNT	21,379	1.1%
9	JP MORGAN CHASE BANK 385771	19,088	1.0%
10	LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	18,842	1.0%
Total of top 10 unitholders		1,314,457	68.6%

4. Business environment recognition & MHR's policy/strategy



4-1 Business environment recognition

Real estate market / Lending attitude

- Vacancy rates for office buildings in central Tokyo remained relatively high and rents continued to trend downward.
(Office Market Trends Research Committee: Tokyo's five central wards)
 - ⇒ Vacancy rate: 6.5% (2022) → 6.6% (2023: forecast)
 - ⇒ Rent index: 109 (2022) → 106 (2023: forecast)
- Cap rates have remained at historically low levels.
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
 - ⇒ Class A buildings in Marunouchi
Cap rate: 2.9% (October 2022) → 2.9% (April 2023)
- Lending attitude toward the real estate industry has temporarily weakened but remains at a highly positive level.

Interest rate trends / Macro environment

- Although long-term interest rates rose due to the change in the monetary policy of the Bank of Japan, they are currently within expectations, and there is limited impact on real estate prices and investment unit prices.
 - ⇒ 10-year bond rates: 0.595% (July 31, 2023)
 - ⇒ Core CPI: +3.3% (June 2023)
- In the June 2023 preliminary business conditions composite index, the leading index was at 108.9 (decreased 0.2 PT from previous month) and the coincident index was at 115.2 (increased 0.9 PT from previous month).
Business sentiment continues to improve.
- Among investors ESG policies have generated controversy recently, but among companies there has been steady progress in pursuing ESG initiatives.

- Although the office leasing market is sluggish, recent strong corporate performance may lead to increased demand, and it is then believed that rent may gradually become stable.
- Even amidst the increase in average market vacancy rate, premium properties in central Tokyo have maintained high occupancy rates and are expected to demonstrate competitive advantages in the future.

- Business sentiment is improving with the expansion of global economic activities, but there is a need for caution about the negative impacts resulting from interest rate hikes.
- Interest rates are expected to increase moderately over the medium to long term partially due to the change in the monetary policy of the Bank of Japan.
- The fundamental importance of ESG is believed to remain unchanged even in the future.

Continues to "MHR's policy/strategy" on the next page

MHR's Medium- to Long-Term Vision

The best portfolio quality

By focusing primarily on premium properties in central Tokyo developed by the sponsor, MHR seeks to maintain highly competitive portfolio quality while further expanding the scale of the portfolio.

The highest ESG assessment

By making positive social and environmental contributions, MHR will position itself to benefit from the long-term trend of funds flowing into companies with high ESG ratings and build competitiveness as an investment corporation.

Dividend-driven management

By aiming for a continuous improvement of dividends and NAV per unit, and developing the culture, policies and systems necessary to realize the vision, MHR will continue to foster the trust of unitholders.

Optimal REIT investment

4-3 MHR's policy/strategy

External growth policy

- Aim to expand portfolio size by effectively utilizing the sponsor pipeline, targeting premium properties in central Tokyo.
- Premium properties in central Tokyo have maintained high occupancy rates despite the expansion of remote working triggered by the COVID-19 pandemic and are expected to continuously demonstrate competitive advantages.
- While disposing of parts of Laforet Harajuku (Land), make new acquisitions concurrently to expand portfolio size over the medium to long term.

Internal growth policy

- Maintain stable revenue through fixed-rent master leases, and aim to continually maintain and improve rent levels at pass-through-type properties.
- Properly implement office property repairs as necessary and conduct value-enhancement renovation for residential properties if such is judged to be cost-effective (there are no office properties that require large-scale renewal in terms of building age or competitiveness).

Financial management policy

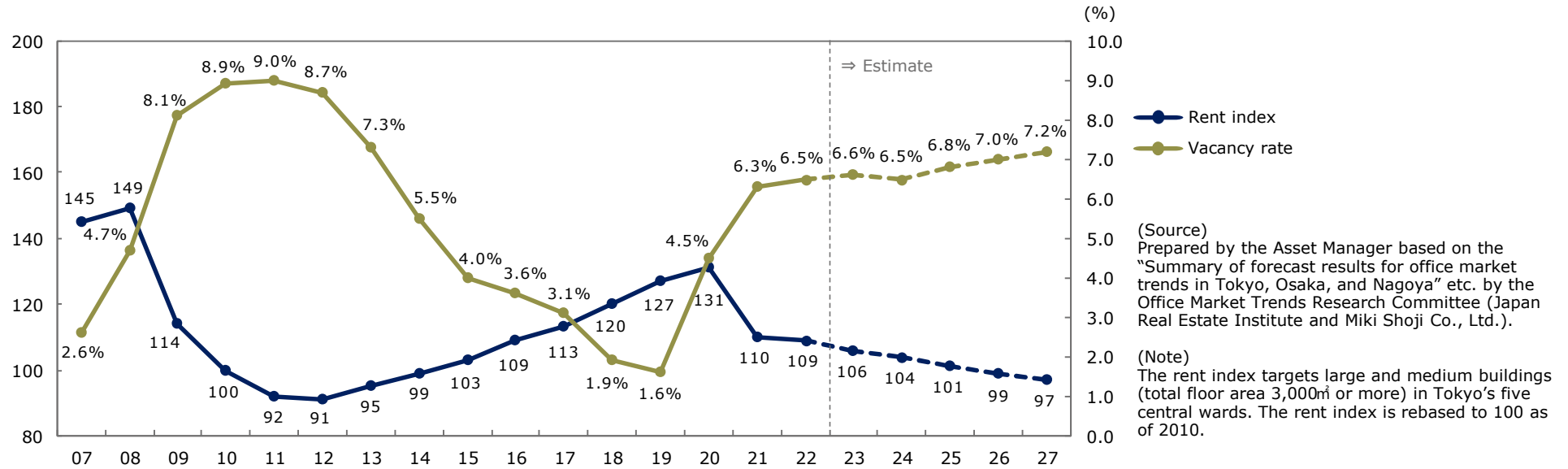
- Set the current LTV level (book value: in the mid-40% range; appraisal value: in the upper 30% range) as the target in order to maintain a durable position for times of economic slowdown, and target average remaining duration of debt of 4 years or longer.
- Anticipate interest rate fluctuation risk over the medium to long term by constantly monitoring economic conditions and interest rate trends, and then when necessary take appropriate measures.

ESG policy

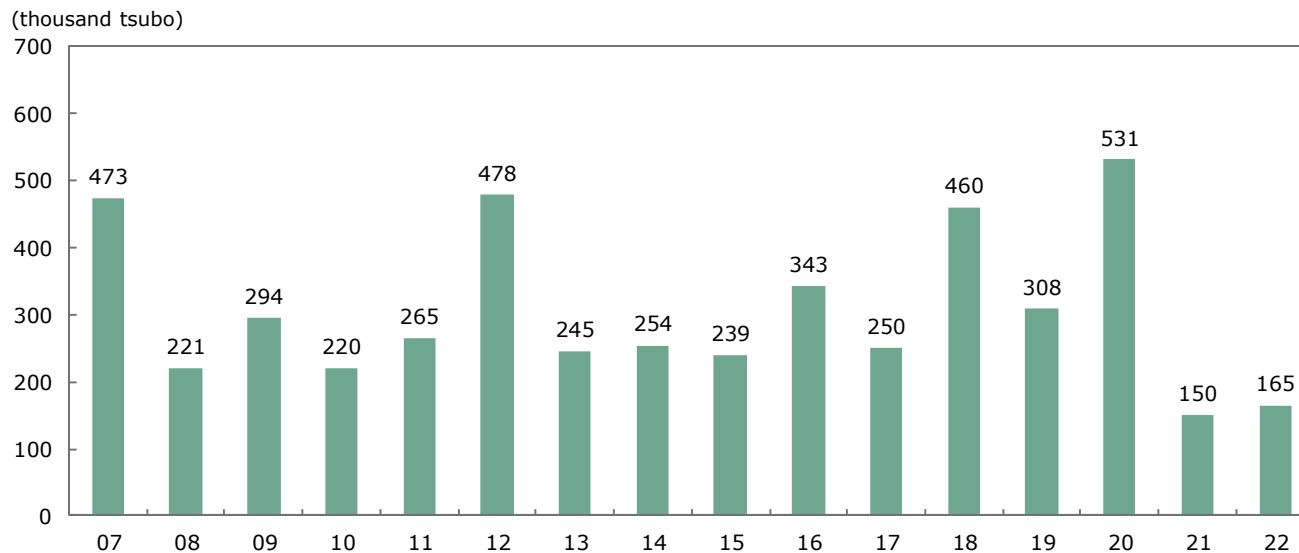
- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Regularly publish integrated reports to proactively disclose information upon organizing a variety of information material clearly and effectively.

4-4 Market-related information (1)

Change in rent and vacancy rate of office buildings (Tokyo's five central wards)



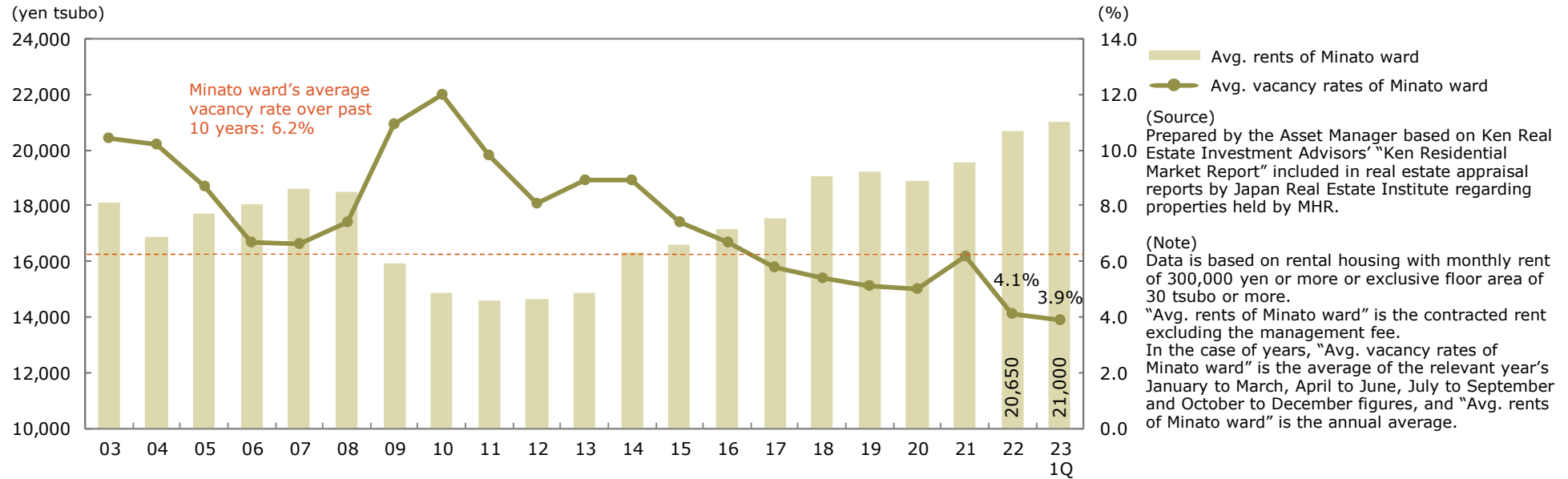
New supply of office buildings (Tokyo's five central wards)



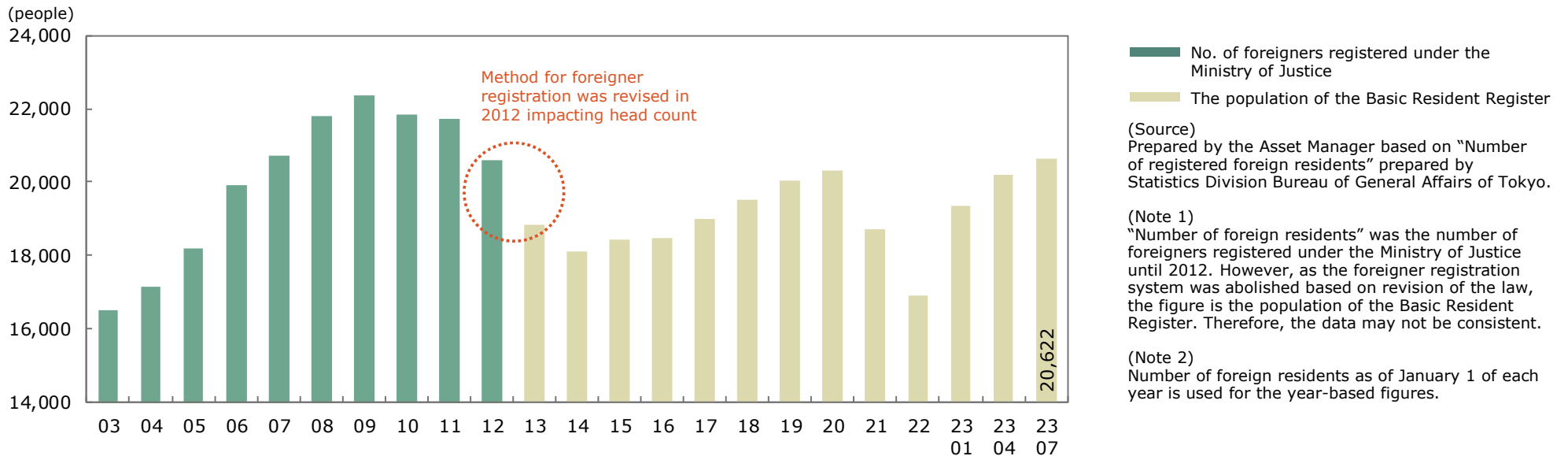
(Source)
Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.

4-5 Market-related information (2)

Change in rents and vacancy rates of luxury housing (Minato ward)

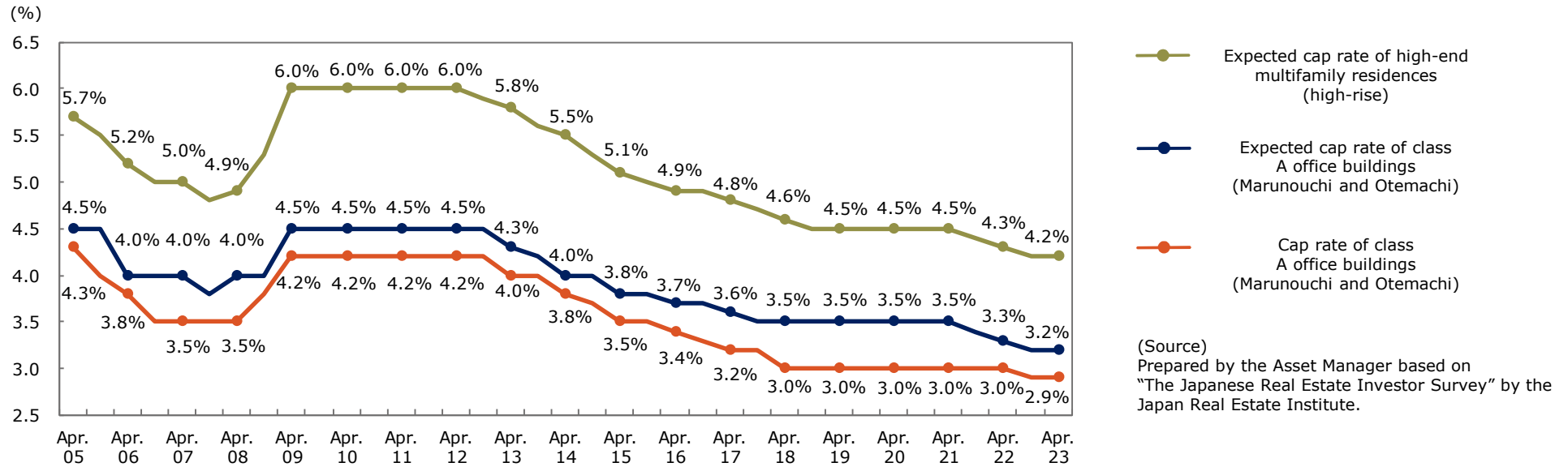


Change in number of foreign residents in Minato ward

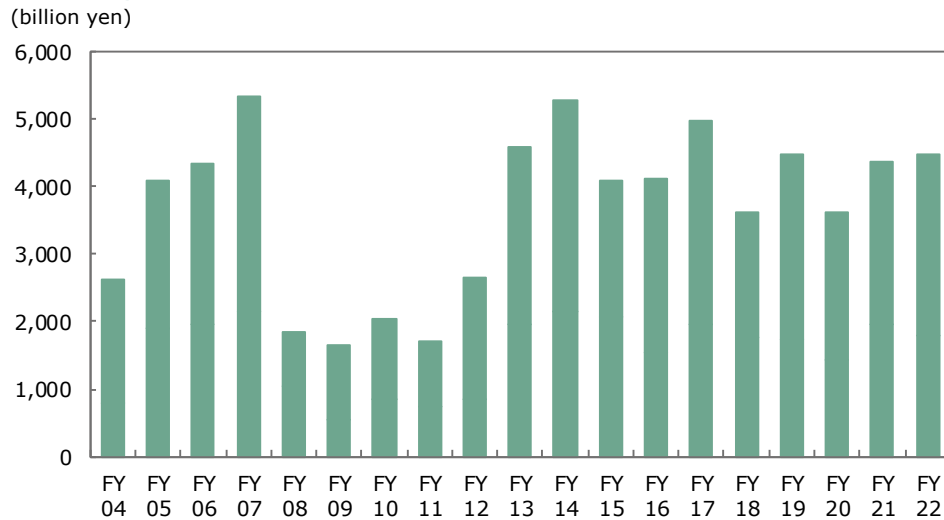


4-6 Market-related information (3)

Change in return on real estate investment

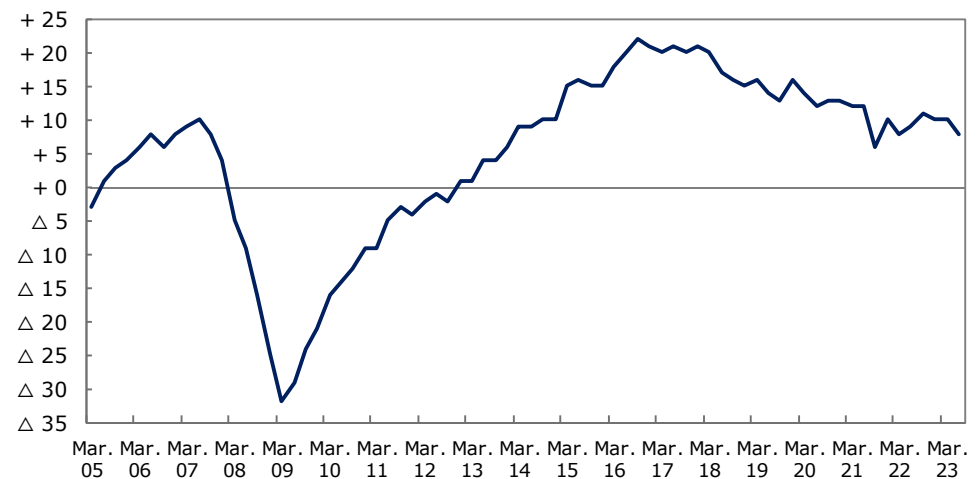


Change in real estate transaction amount



(Source) Prepared by the Asset Manager based on the "Real Estate Transaction Survey" (Estimated amount of domestic real estate transactions publicized by listed companies) by the Urban Research Institute.

Lending attitude DI (Real estate industry)



(Source) Prepared by the Asset Manager based on "National Short-Term Economic Survey on Enterprises in Japan" by the Bank of Japan. Difference between the proportion of firms feeling the lending attitude to be accommodative less firms feeling the lending attitude to be restrictive.

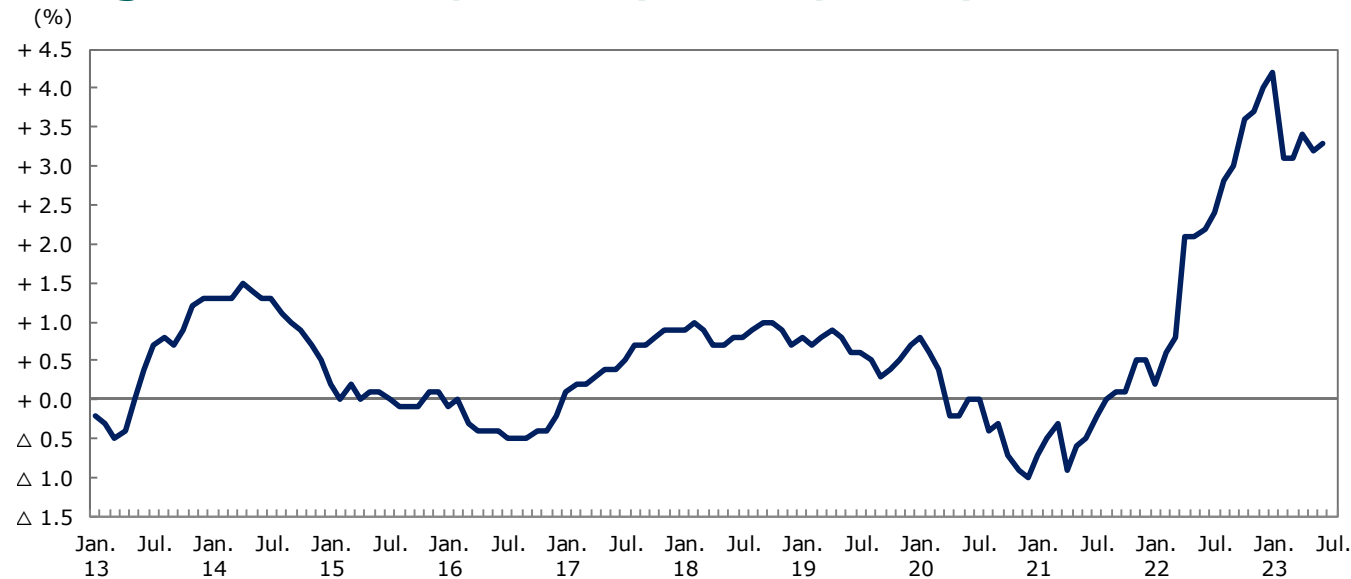
4-7 Market-related information (4)

Change in 10-year bond interest rates



(Source)
Prepared by the Asset Manager based on Refinitiv.

Change in core CPI (Year-on-year comparison)



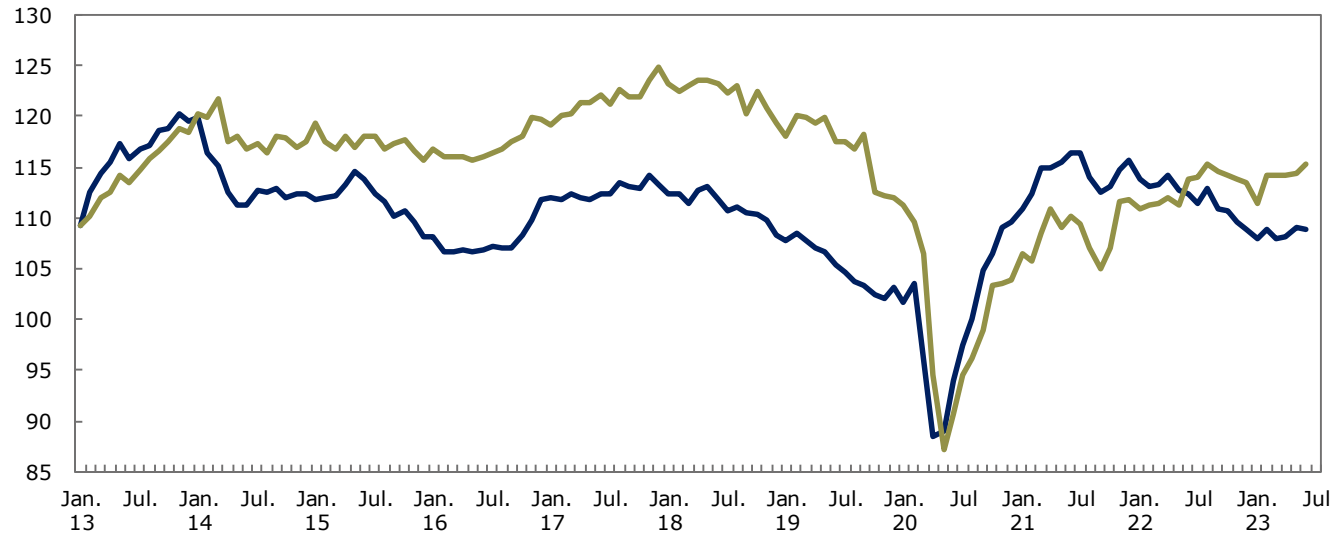
Based on figures excluding the direct effects of the consumption tax rate increase

(Source)
Prepared by the Asset Manager based on "Consumer Price Index" by Statistic Bureau, Ministry of Internal Affairs and Communications and "Economic Statistics Monthly" by the Bank of Japan.

(Note)
Figures from April 2014 to April 2015 are derived on "the basis of excluding the direct impact of the consumption tax rate increase" (Bank of Japan's "Economic Statistics Monthly").

4-8 Market-related information (5)

Business conditions composite index

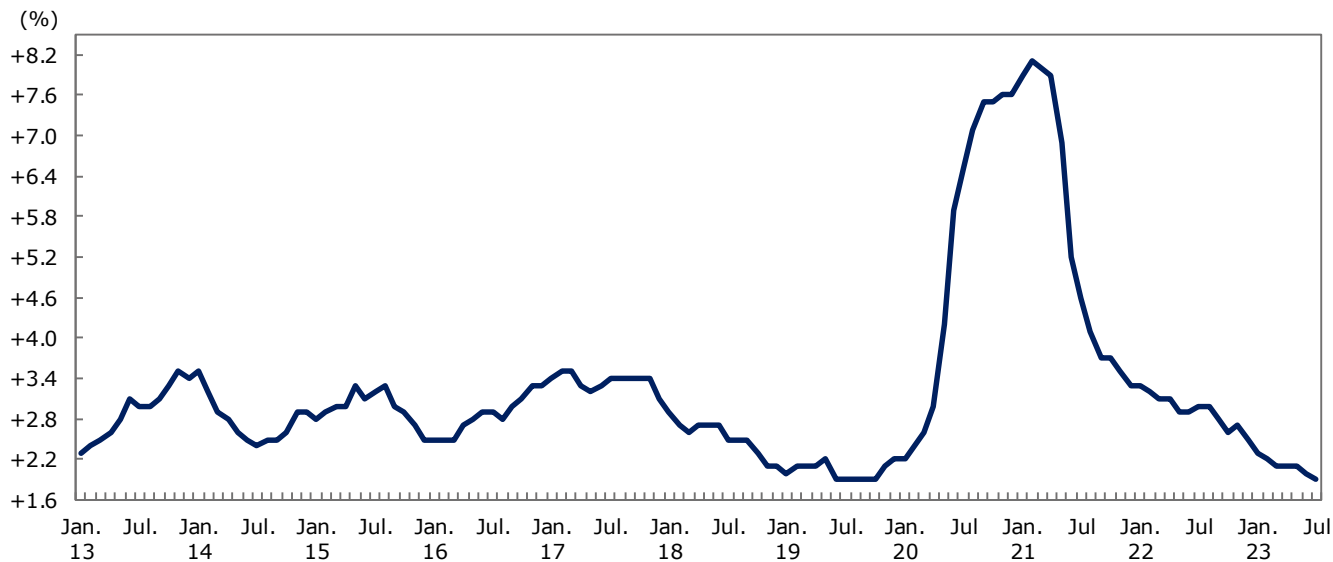


● Leading index
● Coincident index

(Source)
 Prepared by the Asset Manager based on the "Business Conditions Composite Index" by the Cabinet Office.

(Note)
 The index is rebased to 100 as of 2020.

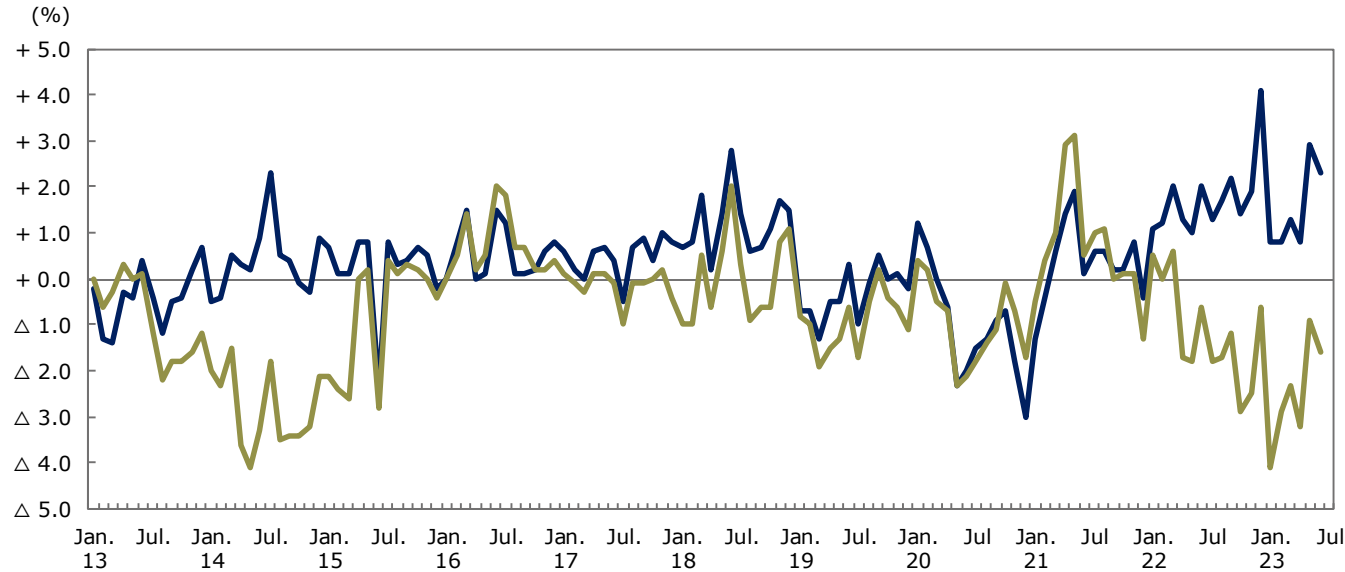
Money stock (M3: year-on-year comparison)



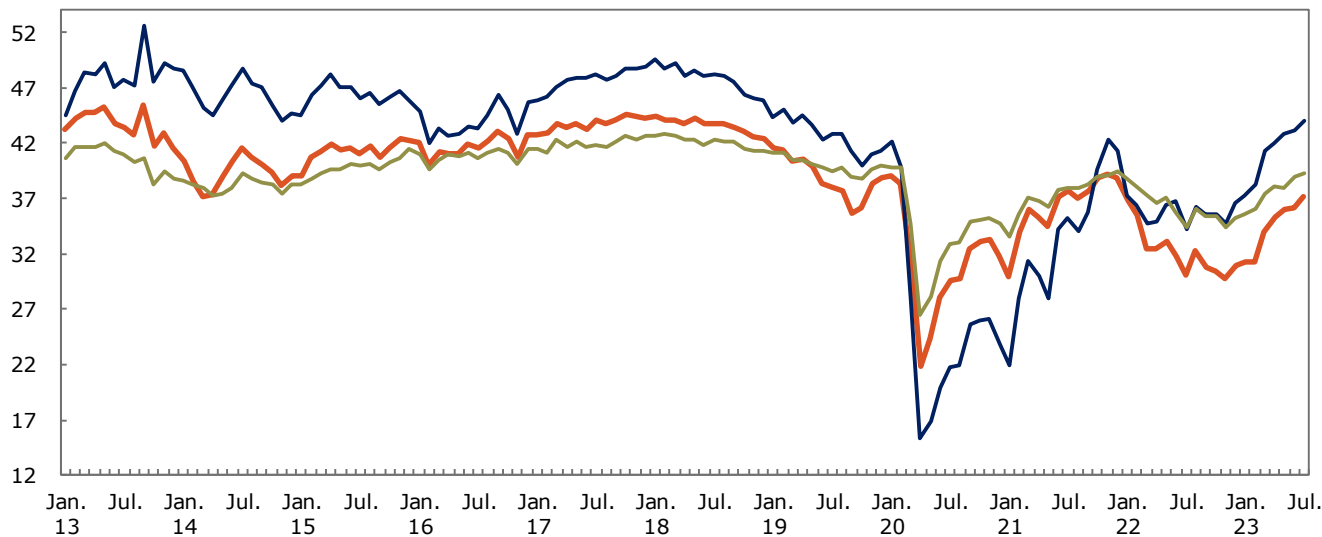
(Source)
 Prepared by the Asset Manager based on "Money Stock Statistics" by the Bank of Japan.

4-9 Market-related information (6)

Total cash earnings (Year-on-year comparison)



Consumer confidence survey



5. Appendix



5-1 Financial highlights

Indices	33rd period Period ended Jun. 31, 2023	34th period Period ended Jul. 31, 2023	Calculation formula
Net income	6,404 mn yen	6,423 mn yen	
Depreciation and amortization	1,088 mn yen	1,097 mn yen	
CAPEX	127 mn yen	717 mn yen	
Total assets	415,261 mn yen	414,888 mn yen	
Total net assets	205,155 mn yen	204,797 mn yen	
Total net assets/unit (BPS)	107,056 yen	106,869 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	147,600 yen	144,700 yen	
Total units outstanding	1,916,330 units	1,916,330 units	
Total dividends	5,825 mn yen	6,423 mn yen	
Dividends/unit	3,040 yen	3,352 yen	
Dividend yield	4.1%	4.7%	Dividends per unit (annualized)/Unit price as of end of period
FFO	6,148 mn yen	6,144 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,208 yen	3,206 yen	FFO/Total units outstanding
Annualized	6,364 yen	6,466 yen	Based on a period of 365 days
FFO multiple	23.2x	22.4x	Unit price as of end of period/FFO per unit (annualized)
PER	22.3x	21.4x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.4x	1.4x	Unit price as of end of period/Net assets per unit
ROA	1.5%	1.5%	Ordinary income/Average of total assets during the period
Annualized	3.1%	3.1%	Based on a period of 365 days
ROE	3.1%	3.1%	Net income/Average of total net assets during the period
Annualized	6.2%	6.3%	Based on a period of 365 days
NAV	317,119 mn yen	310,846 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	165,482 yen	162,209 yen	
NAV multiple	0.9x	0.9x	Unit price as of end of period/NAV per unit
Interest-bearing debt	192,422 mn yen	192,422 mn yen	
LTV (book value basis)	46.3%	46.4%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	36.5%	36.9%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	184 days	181 days	

5-2 Balance sheet

(thousand yen)

	33rd period Period ended Jan. 31, 2023	34th period Period ended Jul. 31, 2023
Assets		
Current assets	19,498,290	21,985,841
Cash and deposits	13,293,275	16,049,336
Cash and deposits in trust	5,620,895	5,332,444
Other	584,119	604,061
Noncurrent assets	395,680,713	392,834,017
Property, plant and equipment	362,164,008	360,239,443
Intangible assets	30,651,818	30,651,709
Investments and other assets	2,864,886	1,942,864
Deferred assets	82,414	68,265
Total assets	415,261,418	414,888,123

(thousand yen)

	33rd period Period ended Jan. 31, 2023	34th period Period ended Jul. 31, 2023
Liabilities		
Current liabilities	23,024,928	21,281,381
Current portion of long-term loans payable	20,400,000	18,800,000
Other	2,624,928	2,481,381
Noncurrent liabilities	187,081,255	188,809,003
Investment corporation bonds	20,300,000	20,300,000
Long-term loans payable	151,722,000	153,322,000
Lease and guarantee deposited in trust	15,059,255	15,147,763
Other	—	39,240
Total liabilities	210,106,184	210,090,385
Net assets		
Unitholders' equity	202,984,414	203,582,607
Unitholders' capital, net	195,718,191	195,718,191
Total surplus	7,266,222	7,864,416
Voluntary retained earnings	833,304	1,412,588
Unappropriated retained earnings	6,432,918	6,451,828
Valuation and translation adjustments	2,170,819	1,215,130
Deferred gains or losses on hedges	2,170,819	1,215,130
Total net assets	205,155,234	204,797,738
Total liabilities and net assets	415,261,418	414,888,123

5-3 Income statement

(thousand yen)

	33rd period Period ended Jan. 31, 2023	34th period Period ended Jul. 31, 2023	
Operating revenue	11,210,721	11,215,192	
Rent revenues	9,642,161	9,625,377	Office 8,156,871
Other operating revenues	223,158	213,524	Residential 818,382
Gain on sales of real estate properties	1,345,401	1,376,290	Retail 77,916
Operating expenses	4,264,970	4,259,350	Land 566,517
Expenses related to properties	3,475,592	3,516,964	Other rent revenue 5,689
Asset management fee	667,664	619,720	
Directors' compensation	8,400	8,400	
Asset custody fee	10,322	10,381	
Administrative service fees	15,356	16,162	
Other operating expenses	87,634	87,721	
Operating income	6,945,750	6,955,842	
Non-operating income	1,129	1,023	
Interest income	63	80	
Gain on forfeiture of unclaimed dividends	1,058	942	
Other	8	—	
Non-operating expenses	541,072	531,981	
Interest expenses	352,944	344,405	
Interest expenses on investment corporation bonds	52,950	52,950	
Amortization of investment corporation bonds issuance cost	8,790	8,790	
Borrowing expenses	119,121	118,569	
Amortization of investment unit issuance cost	5,358	5,358	
Other	1,907	1,907	
Ordinary income	6,405,808	6,424,883	
Income before income taxes	6,405,808	6,424,883	
Net income	6,404,927	6,423,836	
Unappropriated retained earnings	6,432,918	6,451,828	

Parking revenue	56,670
Utilities and other revenue	156,853

Property management fees	1,196,715
Property taxes	809,311
Utilities	159,236
Maintenance and repairs	61,214
Insurance premium	21,331
Custodian fees	8,176
Depreciation	1,097,092
Rent expenses	148,270
Other lease business expenses	15,614

5-4 Statement of cash flows / Retained earnings

Statement of cash flows

(thousand yen)

	33rd period Period ended Jan. 31, 2023	34th period Period ended Jul. 31, 2023
Net cash provided by (used in) operating activities	9,194,608	8,899,147
Income before income taxes	6,405,808	6,424,883
Depreciation and amortization	1,088,772	1,097,092
Amortization of investment corporation bonds issuance cost	8,790	8,790
Amortization of investment unit issuance cost	5,358	5,358
Interest income	△ 63	△ 80
Gain on forfeiture of unclaimed dividends	△ 1,058	△ 942
Interest expenses	405,894	397,355
Decrease (increase) in operating accounts receivable	△ 48,524	△ 6,382
Increase (decrease) in operating accounts payable	15,278	△ 6,826
Increase (decrease) in accounts payable—other	△ 3,708	537
Increase (decrease) in accrued expenses	27,010	△ 52,928
Increase (decrease) in accrued consumption taxes	25,797	△ 107,972
Increase (decrease) in advances received	1,468	13,776
Increase (decrease) in deposits received	7,103	△ 3,517
Decrease (increase) in prepaid expenses	40,469	△ 22,642
Decrease (increase) in long-term prepaid expenses	78,055	7,967
Decrease in property, plant and equipment in trust due to sale	1,545,191	1,545,191
Other, net	△ 10	145
Subtotal	9,601,632	9,299,807
Interest income received	63	80
Interest expenses paid	△ 406,200	△ 399,856
Income taxes paid	△ 887	△ 884

(thousand yen)

	33rd period Period ended Jan. 31, 2023	34th period Period ended Jul. 31, 2023
Net cash provided by (used in) investing activities	△ 67,104	△ 606,729
Purchase of property, plant and equipment in trust	△ 96,999	△ 691,698
Repayments of lease and guarantee deposited in trust	△ 254,285	△ 56,290
Proceeds from lease and guarantee deposited in trust	284,180	141,259
Net cash provided by (used in) financing activities	△ 5,805,412	△ 5,824,808
Proceeds from long-term loans payable	6,000,000	9,200,000
Repayments of long-term loans payable	△ 6,000,000	△ 9,200,000
Dividends paid	△ 5,805,412	△ 5,824,808
Net increase (decrease) in cash and cash equivalents	3,322,091	2,467,609
Cash and cash equivalents at beginning of the period	15,592,079	18,914,170
Cash and cash equivalents at the end of the period	18,914,170	21,381,780

Retained earnings

(yen)

	33rd period Period ended Jan. 31, 2023	34th period Period ended Jul. 31, 2023
I Unappropriated retained earnings	6,432,918,528	6,451,828,092
II Amount of Dividends	5,825,643,200	6,423,538,160
Amount of dividends per unit	3,040	3,352
III Voluntary retained earnings		
Reserve for reduction entry	579,283,813	—
IV Retained earnings carried forward	27,991,515	28,289,932

5-5 Status of income and expenditures (1)

(thousand yen)

Property number	O-0			O-1			O-4			O-6		
Property name	Roppongi Hills Mori Tower			ARK Mori Building			Koraku Mori Building			Akasaka Tameike Tower		
Acquisition price	115,380,000			62,480,000			27,200,000			43,930,000		
Period	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	99.4%	100%	0.6PT	98.1%	97.6%	△ 0.5PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	97.2%	99.8%	2.6PT	99.1%	98.2%	△ 0.9PT
Number of tenants	1	1	0	1	1	0	23	23	0	142	139	△ 3
Rent revenues	2,851,394	2,851,394	—	1,351,486	1,351,486	—	656,605	672,431	15,825	823,896	811,944	△ 11,952
Other operating revenues	—	—	—	—	—	—	82,971	85,707	2,735	86,219	81,237	△ 4,981
Total property operating revenue	2,851,394	2,851,394	—	1,351,486	1,351,486	—	739,577	758,138	18,560	910,115	893,181	△ 16,933
Property management fees	433,574	426,426	△ 7,147	185,961	185,961	—	86,012	85,199	△ 812	169,600	174,117	4,516
Property taxes (Note 1)	271,297	280,066	8,768	86,606	89,636	3,030	30,378	32,560	2,182	42,944	45,011	2,066
Utilities	—	—	—	—	—	—	71,292	73,170	1,877	41,671	39,968	△ 1,702
Maintenance and repairs	—	—	—	—	355	355	6,088	13,700	7,611	32,193	31,259	△ 933
Insurance premium	5,108	5,263	155	2,286	2,273	△ 13	1,807	1,827	20	2,251	2,441	190
Depreciation (1)	330,506	323,782	△ 6,723	73,104	80,339	7,235	94,888	99,095	4,206	138,192	138,352	159
Other expenses (Note 2)	374	376	1	2,785	2,788	2	87,114	87,717	603	10,622	10,622	0
Total property operating expenses	1,040,861	1,035,916	△ 4,944	350,744	361,353	10,609	377,582	393,272	15,689	437,475	441,773	4,297
Property operating income (2)	1,810,533	1,815,478	4,944	1,000,742	990,132	△ 10,609	361,994	364,866	2,871	472,639	451,408	△ 21,231
NOI (3) ((1)+(2))	2,141,039	2,139,261	△ 1,778	1,073,846	1,070,472	△ 3,374	456,883	463,962	7,078	610,832	589,760	△ 21,071
Annualized NOI	4,247,171	4,313,979	66,808	2,130,185	2,158,687	28,502	906,318	935,614	29,295	1,211,705	1,189,295	△ 22,409
Annualized NOI/ Acquisition price	3.7%	3.7%	0.1PT	3.4%	3.5%	0.0PT	3.3%	3.4%	0.1PT	2.8%	2.7%	△ 0.1PT
CAPEX (4)	—	160,125	160,125	18,721	273,036	254,315	15,287	109,385	94,097	22,721	35,641	12,920
NCF (3)-(4)	2,141,039	1,979,135	△ 161,903	1,055,125	797,435	△ 257,690	441,595	354,576	△ 87,019	588,110	554,118	△ 33,992

(Note 1) For property tax, city planning tax and depreciable assets tax, MHR charges the amount of property taxes assessed and determined applicable to the fiscal period to expenses related to properties. Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to MHR were liable for property taxes for the calendar year, including the period from the date of the acquisition by MHR until the end of the year. MHR reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate.

(Note 2) "Other expenses" denotes the sum of custodian fees, rent expenses, and other lease business expenses (residential property management costs, and other property-related miscellaneous expenses) in aggregate.

(Note 3) Property disposed during the relevant period. "Annualized NOI/ Acquisition price" was calculated by taking into consideration the changes in acquisition price during the relevant period.

"Annualized NOI" denotes the value which is based on the acquisition price as of the end of the relevant period.

5-6 Status of income and expenditures (2)

(thousand yen)

Property number	O-7			O-8			O-9			O-10		
Property name	Atago Green Hills			ARK Hills South Tower			Toranomori Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price	42,090,000			19,150,000			56,300,000			16,330,000		
Period	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	84.4%	93.7%	9.3PT	100%	100%	0.0PT	100%	97.4%	△ 2.6PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	82.5%	89.3%	6.8PT	100%	100%	0.0PT	100%	99.0%	△ 1.0PT
Number of tenants	1	1	0	43	49	6	1	1	0	23	21	△ 2
Rent revenues	1,012,320	1,012,320	—	404,810	425,963	21,153	1,209,907	1,209,907	—	532,751	525,166	△ 7,585
Other operating revenues	—	—	—	25,895	24,678	△ 1,216	—	—	—	28,072	21,901	△ 6,171
Total property operating revenue	1,012,320	1,012,320	—	430,705	450,642	19,936	1,209,907	1,209,907	—	560,824	547,067	△ 13,756
Property management fees	2,664	2,664	—	51,178	54,015	2,836	138,437	138,430	△ 6	101,060	103,164	2,103
Property taxes (Note 1)	69,200	69,507	306	37,310	38,614	1,303	100,816	103,278	2,462	36,641	37,551	910
Utilities	—	—	—	36,116	36,417	300	—	—	—	6,626	6,861	234
Maintenance and repairs	—	—	—	4,637	2,929	△ 1,708	—	—	—	10,065	8,452	△ 1,612
Insurance premium	3,812	3,917	104	1,204	1,218	13	2,407	2,458	50	1,234	1,268	34
Depreciation (1)	181,957	183,899	1,941	44,699	45,061	362	151,144	151,365	221	44,910	45,882	972
Other expenses (Note 2)	61,578	61,762	184	1,701	958	△ 743	109	110	0	208	209	0
Total property operating expenses	319,214	321,751	2,536	176,849	179,215	2,366	392,915	395,644	2,728	200,746	203,388	2,642
Property operating income (2)	693,105	690,568	△ 2,536	253,856	271,426	17,570	816,991	814,262	△ 2,728	360,077	343,678	△ 16,398
NOI (3) ((1)+(2))	875,063	874,468	△ 595	298,555	316,488	17,933	968,135	965,628	△ 2,507	404,987	389,561	△ 15,426
Annualized NOI	1,735,859	1,763,430	27,571	592,243	638,223	45,979	1,920,486	1,947,262	26,775	803,372	785,579	△ 17,793
Annualized NOI/ Acquisition price	4.1%	4.2%	0.1PT	3.1%	3.3%	0.2PT	3.4%	3.5%	0.0PT	4.9%	4.8%	△ 0.1PT
CAPEX (4)	13,907	79,740	65,832	6,888	13,106	6,218	—	9,921	9,921	16,906	28,030	11,124
NCF (3)-(4)	861,155	794,727	△ 66,427	291,667	303,382	11,715	968,135	955,707	△ 12,428	388,081	361,530	△ 26,551

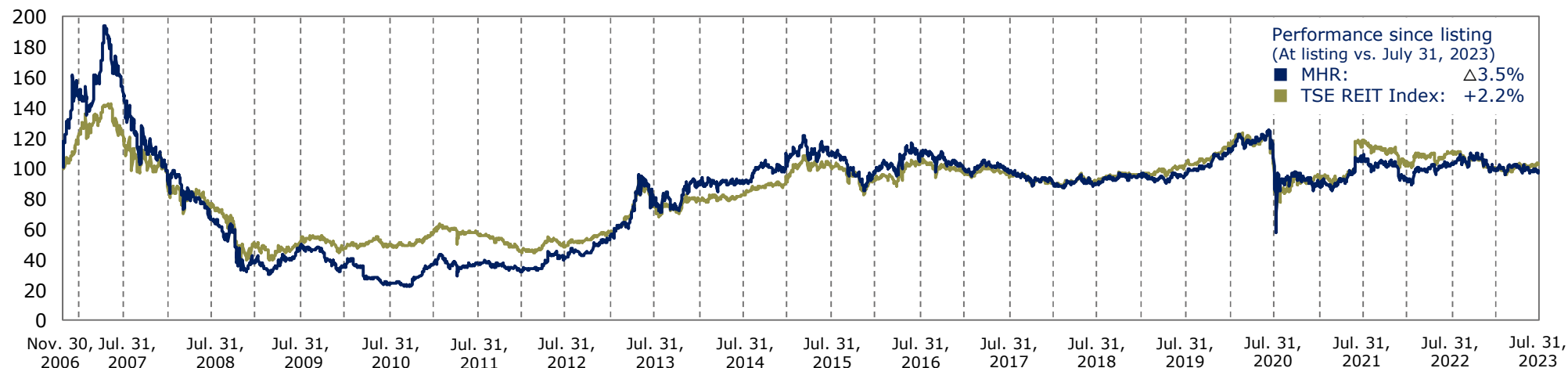
5-7 Status of income and expenditures (3)

(thousand yen)

Property number	R-3			R-4			S-1			Portfolio total		
Property name	Roppongi First Plaza			Roppongi View Tower			Laforet Harajuku (Land)					
Acquisition price	2,100,000			4,000,000			17,237,800 (as of the end of Jan. 2023: 18,765,200)			406,197,800 (as of the end of Jan. 2023: 407,725,200)		
Period	33rd Jan. 2023	34th Jul. 2023	Difference	33rd Jan. 2023	34th Jul. 2023	Difference	33rd (Note3) Jan. 2023	34th (Note3) Jul. 2023	Difference	33rd (Note3) Jan. 2023	34th (Note3) Jul. 2023	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	94.6%	△ 5.4PT	96.7%	95.3%	△ 1.4PT	100%	100%	0.0PT	98.9%	99.1%	0.2PT
Avg. Occupancy rate (during period)	99.7%	98.7%	△ 1.0PT	94.8%	97.2%	2.4PT	100%	100%	0.0PT	98.7%	99.1%	0.4PT
Number of tenants	42	40	△ 2	89	87	△ 2	1	1	0	367	364	△ 3
Rent revenues	89,038	88,726	△ 311	104,478	109,519	5,040	605,472	566,517	△ 38,955	9,642,161	9,625,377	△ 16,784
Other operating revenues	—	—	—	—	—	—	—	—	—	223,158	213,524	△ 9,633
Total property operating revenue	89,038	88,726	△ 311	104,478	109,519	5,040	605,472	566,517	△ 38,955	9,865,319	9,838,901	△ 26,418
Property management fees	12,568	12,858	289	13,819	13,877	58	—	—	—	1,194,878	1,196,715	1,837
Property taxes (Note 1)	8,687	9,121	434	13,263	14,118	854	89,047	89,843	796	786,194	809,311	23,116
Utilities	1,618	1,433	△ 185	1,519	1,386	△ 133	—	—	—	158,844	159,236	392
Maintenance and repairs	1,351	2,110	758	2,836	2,406	△ 429	—	—	—	57,174	61,214	4,040
Insurance premium	247	270	23	361	392	30	—	—	—	20,721	21,331	609
Depreciation (1)	12,136	12,114	△ 21	17,233	17,198	△ 35	—	—	—	1,088,772	1,097,092	8,320
Other expenses (Note 2)	3,816	4,947	1,130	581	2,472	1,890	114	96	△ 17	169,006	172,061	3,054
Total property operating expenses	40,426	42,856	2,429	49,615	51,851	2,236	89,161	89,940	779	3,475,592	3,516,964	41,372
Property operating income (2)	48,611	45,870	△ 2,741	54,862	57,667	2,804	516,310	476,576	△ 39,734	6,389,727	6,321,937	△ 67,790
NOI (3) ((1)+(2))	60,747	57,985	△ 2,762	72,096	74,865	2,769	516,310	476,576	△ 39,734	7,478,499	7,419,030	△ 59,469
Annualized NOI	120,505	116,931	△ 3,573	143,017	150,972	7,955	971,758	895,716	△ 76,042	14,798,310	14,914,859	116,548
Annualized NOI/ Acquisition price	5.7%	5.6%	△ 0.2PT	3.6%	3.8%	0.2PT	5.2%	5.2%	0.0PT	3.6%	3.7%	0.0PT
CAPEX (4)	6,253	495	△ 5,758	27,154	7,565	△ 19,589	—	—	—	127,841	717,049	589,207
NCF (3)-(4)	54,493	57,490	2,996	44,941	67,300	22,358	516,310	476,576	△ 39,734	7,350,658	6,701,980	△ 648,677

5-8 Unit price performance since IPO

Relative price performance (Since IPO - July 31, 2023)



(Source) Prepared by the Asset Manager based on Refinitiv
 (Note) Rebased to 100 as per IPO price

Unit price per period-end (Closing price)

Accounting period	Unit price
1st (January 2007)	1,100,000 yen
2nd (July 2007)	1,080,000 yen
3rd (January 2008)	716,000 yen
4th (July 2008)	465,000 yen
5th (January 2009)	265,000 yen
6th (July 2009)	352,000 yen
7th (January 2010)	264,900 yen
8th (July 2010)	177,300 yen
9th (January 2011)	281,000 yen
10th (July 2011)	258,100 yen

Accounting period	Unit price
11th (January 2012)	252,200 yen
12th (July 2012)	330,500 yen
13th (January 2013)	485,000 yen
14th (July 2013)	548,000 yen
※ 5-for-1 investment unit split (February 1, 2014)	
15th (January 2014)	135,900 yen
16th (July 2014)	151,100 yen
17th (January 2015)	166,600 yen
18th (July 2015)	145,300 yen
19th (January 2016)	152,100 yen

Accounting period	Unit price
25th (January 2019)	144,500 yen
26th (July 2019)	160,300 yen
27th (January 2020)	181,700 yen
28th (July 2020)	137,100 yen
29th (January 2021)	145,800 yen
30th (July 2021)	161,100 yen
31st (January 2022)	141,000 yen
32nd (July 2022)	153,000 yen
33rd (January 2023)	147,600 yen
34th (July 2023)	144,700 yen

(Reference)

IPO Price (November 30, 2006) (Split adjusted)	750,000 yen (150,000 yen)
High (May 8, 2007: in trade) (Split adjusted)	1,460,000 yen (292,000 yen)
Low (August 12, 2010: in trade) (Split adjusted)	168,200 yen (33,640 yen)

Investments focusing on Premium Properties for development of urban-type portfolio

Investments focusing on Premium Properties

Among properties that are located in Tokyo's five central wards and in surrounding areas, our investments mainly focus on "Premium Properties" that are able to maintain their competitiveness going forward based on their quality, size and specification.

Focus on Premium Properties
<p>Premium properties</p> <p>50% or more</p> <p>〈Office buildings〉 〈Residential properties〉 〈Retail facilities〉</p>

Premium Properties

Principal Use	Location	Scale
Office buildings	Tokyo's five central wards and their vicinity	Gross floor area of 10,000㎡ or more per building Standard leasable floor area of 1,000㎡ or more
Residential properties	Tokyo's five central wards and their vicinity (Primarily in the "three-A" area)	Gross floor area of 2,000㎡ or more per building
Retail facilities	〈Department stores, downtown shopping centers, large specialty stores & retail complexes, etc.〉	
	Flourishing areas of Tokyo's five central wards and their vicinity	Gross floor area of 10,000㎡ or more per building
	〈Street front luxury brand shops, etc.〉	
	Exclusive, well-known destinations such as the Ginza area and the Aoyama and Omotesando area	Gross floor area of 1,000㎡ or more per building

(Note 1) Tokyo's five central wards: Minato, Chiyoda, Chuo, Shinjuku and Shibuya ward

(Note 2) Three-A area: Akasaka and Roppongi area, Aoyama and Harajuku area and Azabu and Hiroo area

(Note 3) Ratios are based on the acquisition prices

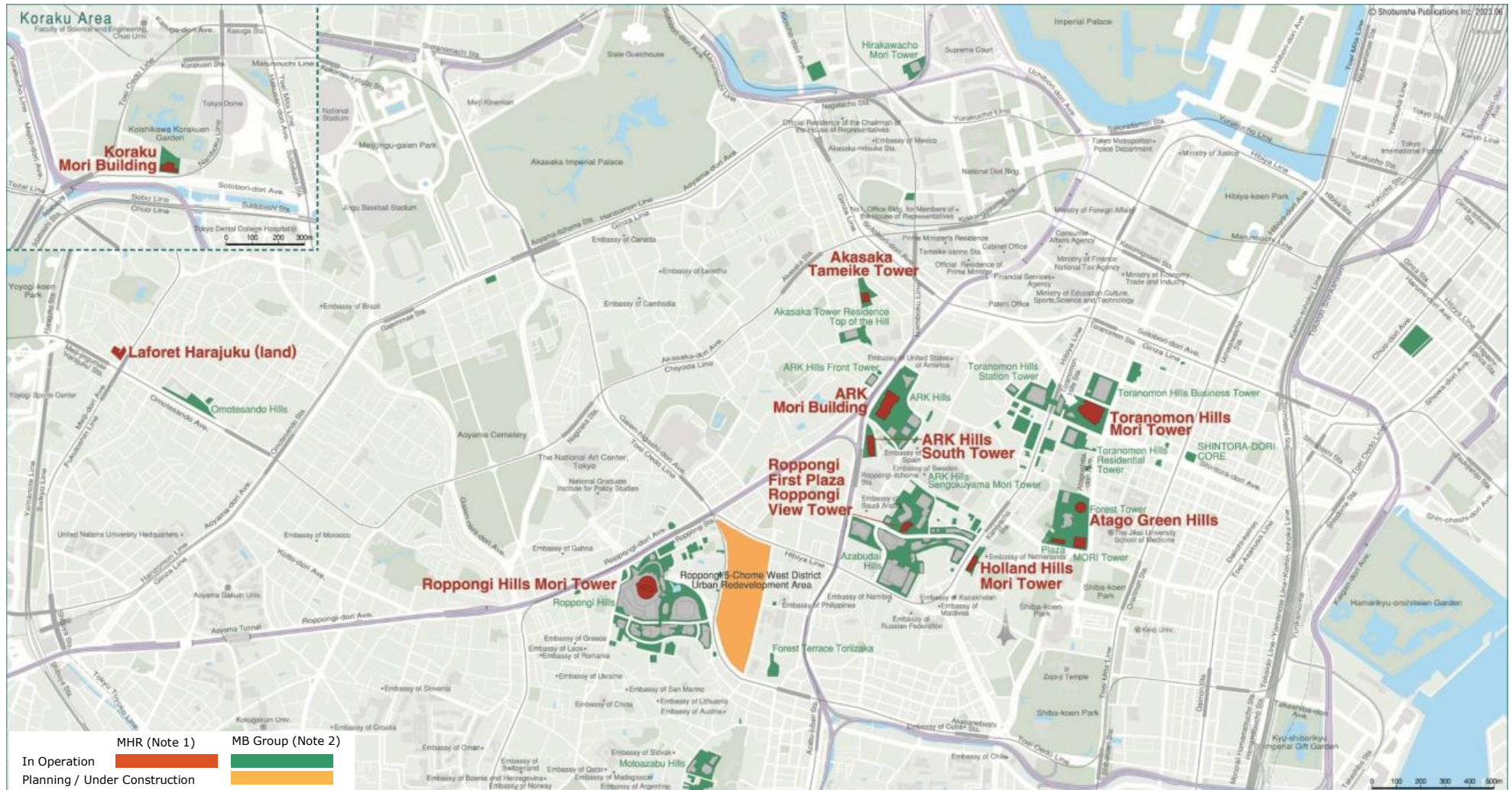
(Note 4) Tokyo Metropolitan Area: Tokyo Metropolis, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture

Office building focus
<p>Office building</p> <p>50% or more</p>

Tokyo' five central wards focus
<p>Tokyo's five central wards and their vicinity</p> <p>50% or more</p> <p>(Tokyo Metropolitan Area: 80% or more)</p>

Earthquake-resistance focus
<p>Investment focused on properties' earthquake resistance, the safety of the area, disaster countermeasures, etc.</p>

5-10 Portfolio map (as of July 31, 2023)














(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2023."

(Note 1) Some of the properties have been partially acquired and held by MHR.

(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

5-11 Portfolio overview (as of July 31, 2023)

Type	Office building						Office building (Partly residential)				Residential		Retail	
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	ARK Hills South Tower	Toranomon Hills Mori Tower	Holland Hills Mori Tower	Akasaka Tameike Tower	Atago Green Hills MORI Tower Forest Tower Plaza			Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)	
	O-0	O-1	O-4	O-8	O-9	O-10	O-6	O-7			R-3	R-4	S-1	
Photo														
Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium			Premium	-	Premium	
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Shibuya-ku, Tokyo	
Completion	Apr. 2003	Mar. 1986 <small>(Large-scale renovation in 2005)</small>	Mar. 2000	Jul. 2013	May. 2014	Jan. 2005	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Oct. 1993		-	
Building age	20 years 3 months	37 years 4 months	23 years 4 months	10 years 0 months	9 years 2 months	18 years 6 months	22 years 10 months	22 years 0 months	21 years 9 months	22 year 0 months	29 years 9 months		-	
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	20 above ground, 4 below	52 above ground, 5 below	24 above ground, 2 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 1 below		-	
Gross floor area	approx. 442,150㎡	approx. 177,486㎡	approx. 46,154㎡	approx. 53,043㎡	approx. 241,581㎡	approx. 35,076㎡	approx. 46,971㎡	approx. 85,266㎡	approx. 60,815㎡	approx. 2,083㎡	approx. 22,906㎡		-	
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (25%)	Co-ownership (approx. 19.8%)	Co-ownership (approx. 62.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (47%)	Co-ownership (46%)	Ownership (79%)
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (25%)	Co-ownership (approx. 10.8%)	Compartmentalized ownership (approx. 48.5%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)			Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-
PML (Note 2)	0.59%	0.78%	0.73%	1.56%	0.50%	0.85%	1.79%	2.35%	2.34%	5.94%	2.20%	2.20%	-	
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	-	-	-	
Acquisition price (mn yen)	115,380	62,480	27,200	19,150	56,300	16,330	43,930	42,090			2,100	4,000	17,237	
Occupancy rate (Note 4)	100%	100%	100%	93.7%	100%	97.4%	97.6%	100%			94.6%	95.3%	100%	

Average building age
21.7 years (Note 5)

Portfolio PML
0.90% (Note 2)

Total acquisition price
406,197 mn yen

5-12 Portfolio overview (Note)

- (Note 1) "Type of ownership" denotes the type of rights held by MHR or the Trustee. "Ownership" stands for ownership, "Co-ownership" stands for the ownership of beneficiary interests, "Compartmentalized ownership" denotes ownership and the rights for exclusive use in or over parts of a building, and "Leased land" denotes Leasehold land. The land site of Atago Green Hills includes joint ownership in quasi-undivided interests of leasehold land and easement.
- (Note 2) This indicates the figure described in the "Report on evaluation of seismic PML for portfolio" dated February 15, 2021 by Sompo Risk Management Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of July 31, 2023.
- (Note 5) For calculation of the "Average building age" of Atago Green Hills, we have assumed that construction of the building was completed on July 30, 2001.