

5. Appendix



5-1 Financial highlights

Indices	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020	Calculation formula
Net income	5,406 mn yen	5,433 mn yen	
Depreciation and amortization	1,034 mn yen	1,041 mn yen	
CAPEX	149 mn yen	732 mn yen	
Total assets	392,217 mn yen	392,258 mn yen	
Total net assets	195,459 mn yen	195,503 mn yen	
Total net assets/unit (BPS)	104,247 yen	104,270 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	181,700 yen	137,100 yen	
Total units outstanding	1,874,960 units	1,874,960 units	
Total dividends	5,405 mn yen	5,433 mn yen	
Dividends/unit	2,883 yen	2,898 yen	
Dividend yield	3.1%	4.2%	Dividends per unit (annualized)/Unit price as of end of period
FFO	6,440 mn yen	6,474 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,435 yen	3,453 yen	FFO/Total units outstanding
Annualized	6,814 yen	6,925 yen	Based on a period of 365 days
FFO multiple	26.7x	19.8x	Unit price as of end of period/FFO per unit (annualized)
PER	31.8x	23.6x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.7x	1.3x	Unit price as of end of period/Net assets per unit
ROA	1.4%	1.4%	Ordinary income/Average of total assets during the period
Annualized	2.7%	2.8%	Based on a period of 365 days
ROE	2.8%	2.8%	Net income/Average of total net assets during the period
Annualized	5.5%	5.6%	Based on a period of 365 days
NAV	272,963 mn yen	274,476 mn yen	Total assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	145,583 yen	146,390 yen	
NAV multiple	1.2x	0.9x	Unit price as of end of period/NAV per unit
Interest-bearing debt	179,222 mn yen	179,222 mn yen	
LTV (book value basis)	45.7%	45.7%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	38.2%	38.0%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	184 days	182 days	

5-2 Balance sheet

(thousand yen)

	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020
Assets		
Current assets	11,875,571	12,270,828
Cash and deposits	5,646,194	6,575,310
Cash and deposits in trust	5,461,338	4,984,129
Other	768,037	711,388
Noncurrent assets	380,257,896	379,918,648
Property, plant and equipment	348,575,213	348,266,097
Intangible assets	30,650,962	30,650,962
Investments and other assets	1,031,720	1,001,587
Deferred assets	84,503	68,529
Total assets	392,217,971	392,258,006

(thousand yen)

	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020
Liabilities		
Current liabilities	23,586,464	19,940,732
Current portion of investment corporation bonds	8,500,000	5,500,000
Current portion of long-term loans payable	13,022,000	12,500,000
Other	2,064,464	1,940,732
Noncurrent liabilities	173,171,584	176,813,975
Investment corporation bonds	13,500,000	11,500,000
Long-term loans payable	144,200,000	149,722,000
Lease and guarantee deposited in trust	14,727,643	14,856,183
Other	743,940	735,791
Total liabilities	196,758,048	196,754,707
Net assets		
Unitholders' equity	196,184,506	196,212,731
Unitholders' capital, net	(Note) 189,991,366	(Note) 190,051,613
Total surplus	6,193,140	6,161,117
Voluntary retained earnings	291,944	291,944
Unappropriated retained earnings	5,901,196	5,869,173
Valuation and translation adjustments	△ 724,583	△ 709,432
Deferred gains or losses on hedges	△ 724,583	△ 709,432
Total net assets	195,459,922	195,503,298
Total liabilities and net assets	392,217,971	392,258,006

(Note) Figure after deducting allowance for temporary difference adjustments.

5-3 Income statement

(thousand yen)

	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020	
Operating revenue	9,631,462	9,602,257	
Rent revenues	9,377,544	9,389,038	Office 7,858,977
Other operating revenues	253,917	213,218	Residential 782,985
Operating expenses	3,605,057	3,573,365	Retail 73,390
Expenses related to properties	3,224,074	3,251,861	Land 667,800
Asset management fee	266,704	224,815	Other rent revenue 5,884
Directors' compensation	4,200	4,200	
Asset custody fee	9,806	9,805	
Administrative service fees	18,799	18,528	
Other operating expenses	81,473	64,155	
Operating income	6,026,404	6,028,891	
Non-operating income	1,079	1,428	
Interest income	44	48	Parking revenue 53,667
Gain on forfeiture of unclaimed dividends	1,035	1,379	Utilities and other revenue 145,224
Non-operating expenses	619,654	595,654	Cancellation penalty 13,797
Interest expenses	377,420	370,700	Key money 529
Interest expenses on investment corporation bonds	67,755	61,175	
Amortization of investment corporation bonds issuance cost	9,909	9,022	
Borrowing expenses	155,732	145,882	
Amortization of investment unit issuance cost	6,952	6,952	
Other	1,885	1,922	
Ordinary income	5,407,830	5,434,665	
Income before income taxes	5,407,830	5,434,665	
Net income	5,406,483	5,433,733	
Unappropriated retained earnings	5,901,196	5,869,173	

Office	7,858,977
Residential	782,985
Retail	73,390
Land	667,800
Other rent revenue	5,884

Parking revenue	53,667
Utilities and other revenue	145,224
Cancellation penalty	13,797
Key money	529

Property management fees	1,122,870
Property taxes	725,205
Utilities	115,650
Maintenance and repairs	79,298
Insurance premium	17,313
Custodian fees	5,950
Depreciation	1,041,061
Rent expenses	129,153
Other lease business expenses	15,358

5-4 Statement of cash flows / Retained earnings

Statement of cash flows

(thousand yen)

	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020
Net cash provided by (used in) operating activities	6,240,351	6,452,555
Income before income taxes	5,407,830	5,434,665
Depreciation and amortization	1,034,455	1,041,061
Amortization of investment corporation bonds issuance cost	9,909	9,022
Amortization of investment unit issuance cost	6,952	6,952
Interest income	△ 44	△ 48
Gain on forfeiture of unclaimed dividends	△ 1,035	△ 1,379
Interest expenses	445,175	431,875
Decrease (increase) in accounts receivable	40,505	41,003
Increase (decrease) in accounts payable	△ 237,457	△ 65,325
Increase (decrease) in accrued expenses	12,285	△ 46,766
Increase (decrease) in advances received	1,697	△ 10,545
Decrease (increase) in prepaid expenses	7,564	53,595
Other, net	△ 40,881	△ 7,666
Subtotal	6,686,957	6,886,443
Interest income received	44	48
Interest expenses paid	△ 445,198	△ 432,597
Income taxes paid	△ 1,452	△ 1,339
Net cash provided by (used in) investing activities	△ 10,461	△ 595,774
Purchase of property, plant and equipment in trust	△ 205,905	△ 693,420
Repayments of lease and guarantee deposited in trust	△ 26,233	△ 117,924
Proceeds from lease and guarantee deposited in trust	221,677	215,570

(thousand yen)

	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020
Net cash provided by (used in) financing activities	△ 5,341,870	△ 5,404,873
Proceeds from long-term loans payable	15,900,000	12,022,000
Repayments of long-term loans payable	△ 15,900,000	△ 7,022,000
Redemption of investment corporation bonds	—	△ 5,000,000
Dividends paid	△ 5,341,870	△ 5,404,873
Net increase (decrease) in cash and cash equivalents	888,019	451,906
Cash and cash equivalents at beginning of the period	10,219,514	11,107,533
Cash and cash equivalents at the end of the period	11,107,533	11,559,439

Retained earnings

(yen)

	27th period Period ended Jan. 31, 2020	28th period Period ended Jul. 31, 2020
I Unappropriated retained earnings	5,901,196,611	5,869,173,511
II Capitalization	60,247,403	15,151,632
Reversal of allowance for temporary difference adjustments	60,247,403	15,151,632
III Amount of Dividends	5,405,509,680	5,433,634,080
Amount of dividends per unit	2,883	2,898
Dividends of earnings	5,405,509,680	5,433,634,080
Dividends of earnings per unit	2,883	2,898
Allowance for temporary difference adjustments	—	—
Dividends in excess of earnings per unit (allowance for temporary difference adjustments)	—	—
IV Retained earnings carried forward	435,439,528	420,387,799

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	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference
Operation days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	99.4%	86.1%	△ 13.3PT	96.7%	95.7%	△ 1.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	99.4%	96.9%	△ 2.5PT	97.6%	96.4%	△ 1.2PT
Number of tenants	1	1	0	1	1	0	22	22	0	138	135	△ 3
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	654,930	644,277	△ 10,653	783,923	791,134	7,210
Other operating revenues	—	—	—	—	—	—	97,217	73,750	△ 23,466	86,447	78,130	△ 8,316
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	752,147	718,027	△ 34,119	870,370	869,264	△ 1,105
Property management	436,029	447,868	11,838	165,834	164,853	△ 980	61,679	68,962	7,282	166,546	167,722	1,176
Property taxes (Note 1)	247,825	255,651	7,826	83,506	84,237	730	30,716	32,972	2,255	42,282	43,804	1,522
Utilities	—	—	—	—	—	—	74,146	54,720	△ 19,426	30,929	26,743	△ 4,186
Maintenance and repairs	—	—	—	—	355	355	9,819	31,736	21,916	34,461	29,026	△ 5,434
Insurance premium	4,094	4,050	△ 44	1,933	1,912	△ 21	1,679	1,661	△ 18	2,091	2,068	△ 23
Depreciation (1)	326,258	332,052	5,794	65,771	66,946	1,174	96,318	97,657	1,338	141,676	135,262	△ 6,413
Other expenses (Note 2)	558	376	△ 182	3,322	2,789	△ 532	83,951	83,971	20	10,853	10,624	△ 229
Total property operating expenses	1,014,766	1,039,999	25,232	320,368	321,094	726	358,312	371,681	13,368	428,841	415,253	△ 13,588
Property operating income (2)	1,928,684	1,903,451	△ 25,232	1,031,118	1,030,392	△ 726	393,835	346,346	△ 47,488	441,529	454,011	12,482
NOI (3) ((1)+(2))	2,254,942	2,235,503	△ 19,438	1,096,890	1,097,338	448	490,153	444,003	△ 46,150	583,205	589,274	6,068
Annualized NOI	4,473,119	4,483,290	10,171	2,175,896	2,200,706	24,810	972,315	890,446	△ 81,869	1,156,902	1,181,786	24,883
Annualized NOI/ Acquisition price	3.9%	3.9%	0.0PT	3.5%	3.5%	0.0PT	3.6%	3.3%	△ 0.3PT	2.6%	2.7%	0.1PT
CAPEX (4)	—	272,162	272,162	36,271	36,507	236	13,642	149,962	136,320	22,512	42,051	19,539
NCF (3)-(4)	2,254,942	1,963,341	△ 291,600	1,060,619	1,060,830	211	476,511	294,040	△ 182,471	560,693	547,222	△ 13,470

(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.

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			Toranomon Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price	42,090,000			19,150,000			36,210,000			16,330,000		
Period	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference
Operation days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	100%	100%	0.0PT	100%	100%	0.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	99.8%	△ 0.2PT	100%	100%	0.0PT	99.7%	99.4%	△ 0.3PT
Number of tenants	1	1	0	43	44	1	1	1	0	23	23	0
Rent revenues	1,012,320	1,012,320	—	487,104	482,942	△ 4,162	775,581	775,581	—	529,958	530,636	678
Other operating revenues	—	—	—	33,849	26,518	△ 7,330	—	—	—	36,013	34,819	△ 1,194
Total property operating revenue	1,012,320	1,012,320	—	520,953	509,460	△ 11,493	775,581	775,581	—	565,972	565,456	△ 515
Property management	2,664	2,664	—	49,820	47,605	△ 2,215	89,286	88,742	△ 544	104,494	106,416	1,922
Property taxes (Note 1)	68,953	69,230	277	34,798	35,944	1,145	59,600	60,874	1,273	35,569	35,604	35
Utilities	—	—	—	35,934	26,486	△ 9,447	—	—	—	9,203	5,380	△ 3,822
Maintenance and repairs	—	—	—	4,419	2,346	△ 2,073	—	—	—	7,090	1,308	△ 5,782
Insurance premium	3,667	3,627	△ 39	1,030	1,018	△ 11	1,319	1,305	△ 13	1,110	1,098	△ 12
Depreciation (1)	181,821	185,657	3,835	44,219	44,245	25	101,038	101,038	—	47,356	49,477	2,121
Other expenses (Note 2)	44,274	45,765	1,491	1,494	2,235	741	71	71	0	209	210	1
Total property operating expenses	301,380	306,945	5,564	171,717	159,882	△ 11,835	251,315	252,031	715	205,034	199,496	△ 5,537
Property operating income (2)	710,939	705,374	△ 5,564	349,236	349,578	341	524,265	523,549	△ 715	360,938	365,959	5,021
NOI (3) ((1)+(2))	892,761	891,032	△ 1,728	393,456	393,823	367	625,303	624,588	△ 715	408,294	415,437	7,142
Annualized NOI	1,770,967	1,786,961	15,994	780,497	789,811	9,314	1,240,412	1,252,607	12,195	809,931	833,156	23,225
Annualized NOI/ Acquisition price	4.2%	4.2%	0.0PT	4.1%	4.1%	0.1PT	3.4%	3.5%	0.0PT	5.0%	5.1%	0.1PT
CAPEX (4)	31,468	144,950	113,482	3,106	149	△ 2,957	—	—	—	5,124	66,564	61,439
NCF (3)-(4)	861,293	746,081	△ 115,211	390,349	393,674	3,325	625,303	624,588	△ 715	403,169	348,872	△ 54,296

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			21,820,000			390,690,000		
Period	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference	27th Jan. 2020	28th Jul. 2020	Difference
Operation days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days
Occupancy rate	82.0%	94.6%	12.6PT	98.1%	98.1%	0.0PT	100%	100%	0.0PT	99.2%	98.1%	△ 1.1PT
Avg. Occupancy rate (during period)	87.0%	90.7%	3.7PT	95.0%	97.0%	2.0PT	100%	100%	0.0PT	99.3%	99.0%	△ 0.3PT
Number of tenants	35	40	5	90	90	0	1	1	0	356	359	3
Rent revenues	79,639	81,416	1,776	104,148	107,992	3,843	655,000	667,800	12,800	9,377,544	9,389,038	11,493
Other operating revenues	—	—	—	390	—	△ 390	—	—	—	253,917	213,218	△ 40,698
Total property operating revenue	79,639	81,416	1,776	104,538	107,992	3,453	655,000	667,800	12,800	9,631,462	9,602,257	△ 29,204
Property management	13,080	13,880	800	14,741	14,153	△ 587	—	—	—	1,104,176	1,122,870	18,693
Property taxes (Note 1)	7,941	8,159	217	12,046	12,387	341	82,226	86,339	4,113	705,466	725,205	19,738
Utilities	1,360	1,231	△ 129	1,050	1,087	36	—	—	—	152,625	115,650	△ 36,975
Maintenance and repairs	3,690	12,316	8,625	1,218	2,208	990	—	—	—	60,700	79,298	18,597
Insurance premium	230	228	△ 2	344	340	△ 3	—	—	—	17,503	17,313	△ 190
Depreciation (1)	12,164	11,405	△ 759	17,829	17,318	△ 511	—	—	—	1,034,455	1,041,061	6,606
Other expenses (Note 2)	3,821	3,830	8	590	588	△ 1	—	—	—	149,146	150,462	1,316
Total property operating expenses	42,289	51,051	8,761	47,821	48,086	264	82,226	86,339	4,113	3,224,074	3,251,861	27,786
Property operating income (2)	37,349	30,364	△ 6,985	56,717	59,905	3,188	572,774	581,461	8,687	6,407,387	6,350,396	△ 56,991
NOI (3) ((1)+(2))	49,514	41,770	△ 7,744	74,546	77,224	2,677	572,774	581,461	8,687	7,441,842	7,391,457	△ 50,385
Annualized NOI	98,222	83,769	△ 14,452	147,878	154,873	6,994	1,136,209	1,166,116	29,907	14,762,351	14,823,527	61,175
Annualized NOI/ Acquisition price	4.7%	4.0%	△ 0.7PT	3.7%	3.9%	0.2PT	5.2%	5.3%	0.1PT	3.8%	3.8%	0.0PT
CAPEX (4)	7,410	13,689	6,278	29,783	6,629	△ 23,153	—	—	—	149,319	732,668	583,349
NCF (3)-(4)	42,103	28,080	△ 14,023	44,763	70,594	25,831	572,774	581,461	8,687	7,292,523	6,658,788	△ 633,734

5-8 Unit price performance since IPO

Relative price performance (Since IPO - July 31, 2020)



(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
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
20th (July 2016)	160,500 yen

Accounting period	Unit price
21st (January 2017)	153,500 yen
22nd (July 2017)	138,900 yen
23rd (January 2018)	137,100 yen
24th (July 2018)	138,100 yen
25th (January 2019)	144,500 yen
26th (July 2019)	160,300 yen
27th (January 2020)	181,700 yen
28th (July 2020)	137,100 yen

(Reference)

IPO Price (November 30, 2006)	750,000 yen
(Split adjusted)	(150,000 yen)

High (May 8, 2007: in trade)	1,460,000 yen
(Split adjusted)	(292,000 yen)

Low (August 12, 2010: in trade)	168,200 yen
(Split adjusted)	(33,640 yen)

(Note) Implemented a 5-for-1 investment unit split on February 1, 2014 (effective date).

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

Type	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 retail destinations such as Ginza area, Aoyama area, 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 Sustainability initiatives

Approach and System of Sustainability

Mori Hills REIT Investment Corporation (MHR) and Mori Building Investment Management Co., Ltd. (MIM) aim to contribute to the creation and development of cities by providing investment opportunities in high-quality urban assets to investors, as stated in the Basic Policy of MHR and Company Mission of MIM.

MHR and MIM aim to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by emphasizing ESG (Environment, Social and Governance) and investing in high-quality urban assets while striving to improve various environmental and social performance levels.

Sustainability Promotion System

Operations connected to sustainability will be promoted primarily by the Sustainability Committee established by MIM. The Chairperson of the Committee shall be the President & CEO while all directors and some administration staff shall comprise the committee members. Various initiatives will be implemented based on the Sustainability Promotion Program which is established every fiscal year.

In principle, the Committee shall meet four times a year and shall formulate policies and the Sustainability Promotion Program, monitor progress of programs, deliberate various suggestions from departments, etc. in light of social conditions and the operating status of MHR. The President & CEO approves the policies and promotion programs, constantly monitors the thorough promotion of sustainability, and establishes and maintains a sustainability promotion structure as a responsible party in promoting sustainability.

Moreover, sustainability-related efforts shall be reported on periodically to the Board of Directors of both MHR and MIM. Each Board oversees the status of initiatives for important issues related to ESG and the status of compliance and risk management.

Initiatives Throughout the Entire Supply Chain

Promotion of sustainability operations, whether environmental or social, requires initiatives that involve the whole supply chain. We believe that joint initiatives with various stakeholders with aligned values are necessary.

By actively stimulating interactive communication with stakeholders such as tenants, local residents, property management companies and our sponsor Mori Building that provides the property pipeline, and aligning our values, we aim to contribute to the realization of a sustainable society.

<Green Building Certification and External Assessment>

○ Green Building Certified Properties

Property Name	Type of Assessment	Rating
Roppongi Hills Mori Tower	CASBEE for Existing Buildings	Rank S
ARK Mori Building		Rank S
Koraku Mori Building		Rank A
Akasaka Tameike Tower		Rank A
Atago Green Hills MORI Tower		Rank S
ARK Hills South Tower	DBJ Green Building Certification	4 stars
Toranomon Hills Mori Tower	CASBEE for Existing Buildings	Rank S
Holland Hills Mori Tower		Rank S

(Certificates Coverage Ratio)

	Certified Properties	Portfolio Data	Ratio
In acquisition price	355.9 bn yen	381.0 bn yen	93.4%
In leasable floor area	147,736 m ²	176,280 m ²	83.8%
In number of properties	8 properties	10 properties	80.0%

※ Excluding Laforet Harajuku (Land)

○ GRESB Real Estate Rating



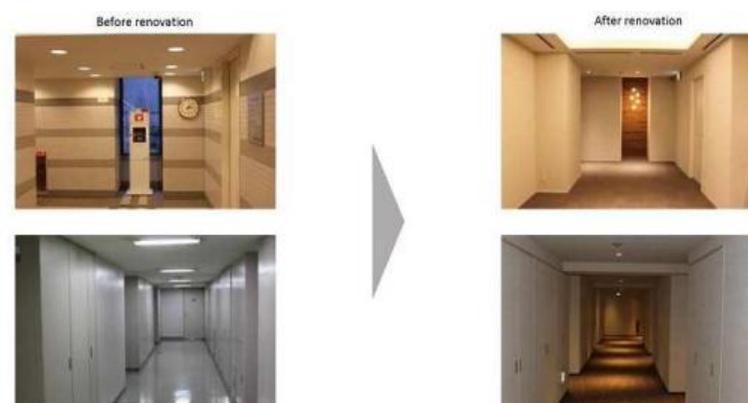
In the 2019 GRESB Survey, MHR received a **"Green Star"** rating for the eighth consecutive year, and received **"4 Stars"** in the GRESB Rating.

<Reduction of Environmental Loads>

○ Promotion of Energy-conservation

MHR promotes energy-conservation through initiatives such as replacement of LED lighting in common areas and repair work of air-conditioning. MHR also makes active efforts to reduce environmental loads through proper separation and disposal of waste.

(Roppongi View Tower: Renovation of common area with LED lighting)



○ Collaborating with Tenants

MHR holds an **"environmental countermeasure council"** once or twice a year depending on the office building. The council generates a report on the efforts to improve sustainability and raises awareness for power saving methods.

MHR also promotes environmental initiatives by communicating with tenants. MHR provides **"WEB cloud services"** as a tool to make tenants' energy usage visible, and offers helpful measures for tenants' energy conservation.

In addition to these efforts, MHR is further deepening relationships with tenants by introducing **"green leases"** which serve to align financial incentives and secure commitments from both parties. MHR is gradually expanding this approach since the introduction of the first green lease in ARK Hills South Tower.

<Initiatives with Employees>

○ Talent Development

To cultivate human resources with flexible thinking and high ethical standards together with a high degree of expertise, mainly in real estate and finance, MHR introduces essential knowledge and skills through on-the-job-training (OJT) and conventional training to improve staff effectiveness, to clarify company issues and to constantly improve management methods. MHR conducts a semi-annual staff assessment program - "Personnel Assessment and Feedback" as a core component of our talent development strategy. MHR also subsidizes the expense for acquiring licenses and qualifications by public and private organizations necessary for work to improve employees' skills as professionals in the real estate fund business.

(Qualifications held by employees as of the end of August 2020)

- ARES Certified Master: 8
- Real Estate Appraiser: 2
- Real Estate Transaction Agent: 8
- Certified Building Administrator: 2
- Certified Public Accountant: 3
- Chartered Member of Securities Analysts Association of Japan: 1

○ Employee Stock Ownership Plan (ESOP)

MHR established the "ESOP" by aligning interests of MHR's investors and MIM's employees aiming to improve unitholders' value over the medium to long term, and to improve welfare benefits for MIM's employees.

○ Promoting Women's Participation

MHR is aiming for a workplace environment where each employee can fully demonstrate their individuality and abilities and MHR is working on creating a pleasant working environment for women. A child-care leave system and flexible working hours are provided and MHR promotes active use of a short-time work system and paid holidays.

<Initiatives with Tenants and Local Communities>

○ Tenant Satisfaction Surveys

MHR conducts "tenant satisfaction surveys" once every two years in office buildings and once a year in most residential properties.

The survey content starts with general matters such as location and image and extends to matters related to facilities and other hard aspects as well as soft aspects such as management systems. The thoughts of the tenants are used as a reference in our property management.

○ Local Communities

MHR aims to foster a rich environment for the local community through various communication activities. In MHR's properties such as Roppongi Hills and ARK Hills, events and activities are held like the "Hills Marche" and "Hills Machi-Iku Project" in which local people can participate.



<Initiatives with Investors>

○ All Japanese Listed Companies' Website Ranking

Nikko Investor Relations Co., Ltd. announces a valuation of websites of all listed companies by investigating the degree of information disclosure based on objective evaluation items from its unique perspective. MHR's website has received "Total Ranking: The Best Site" for the fifth consecutive year.

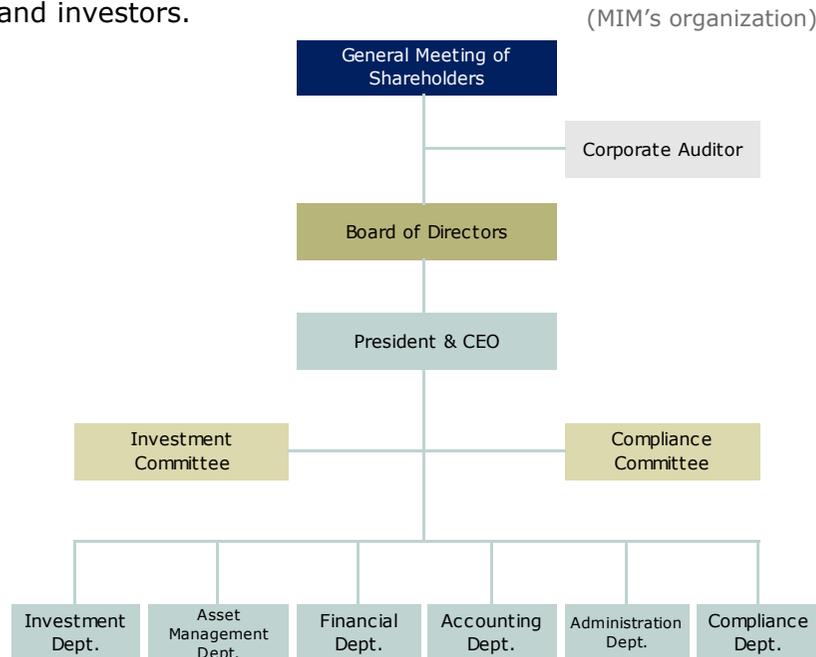


5-13 Sustainability initiatives: Governance

<Corporate Governance>

MHR shall have at least one executive director and at least two supervisory directors (or, at least one more than the number of the executive directors), and the board of directors shall be comprised of the executive directors and supervisory directors. In addition to a general meeting of all unitholders, MHR's governance structure consists of one executive director, two supervisory directors, the board of directors and an accounting auditor, and entrusts its operation to the asset management company.

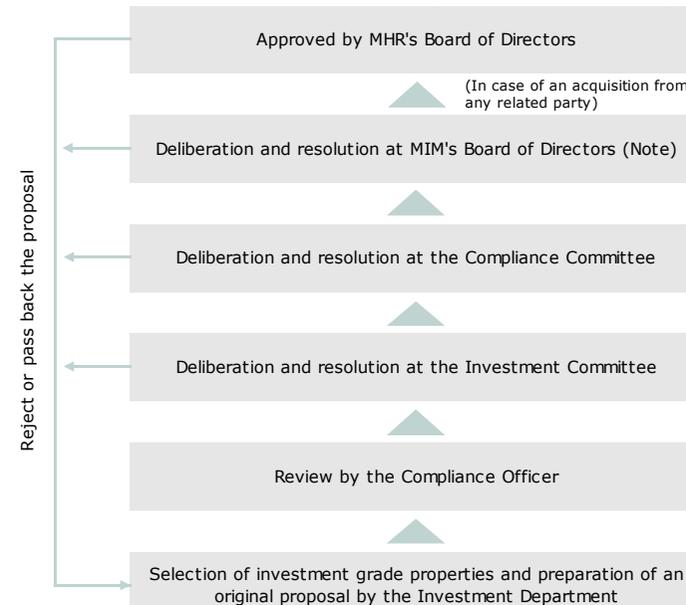
MIM is required to perform its business operations in good faith and with due care of a prudent manager for MHR in line with the purpose of the investment management business, and accordingly performs conscientious asset investment and management pertaining to real estate properties based on an appropriate compliance structure and internal control structure in order for MHR to gain high trust from the securities market and investors.



<Compliance>

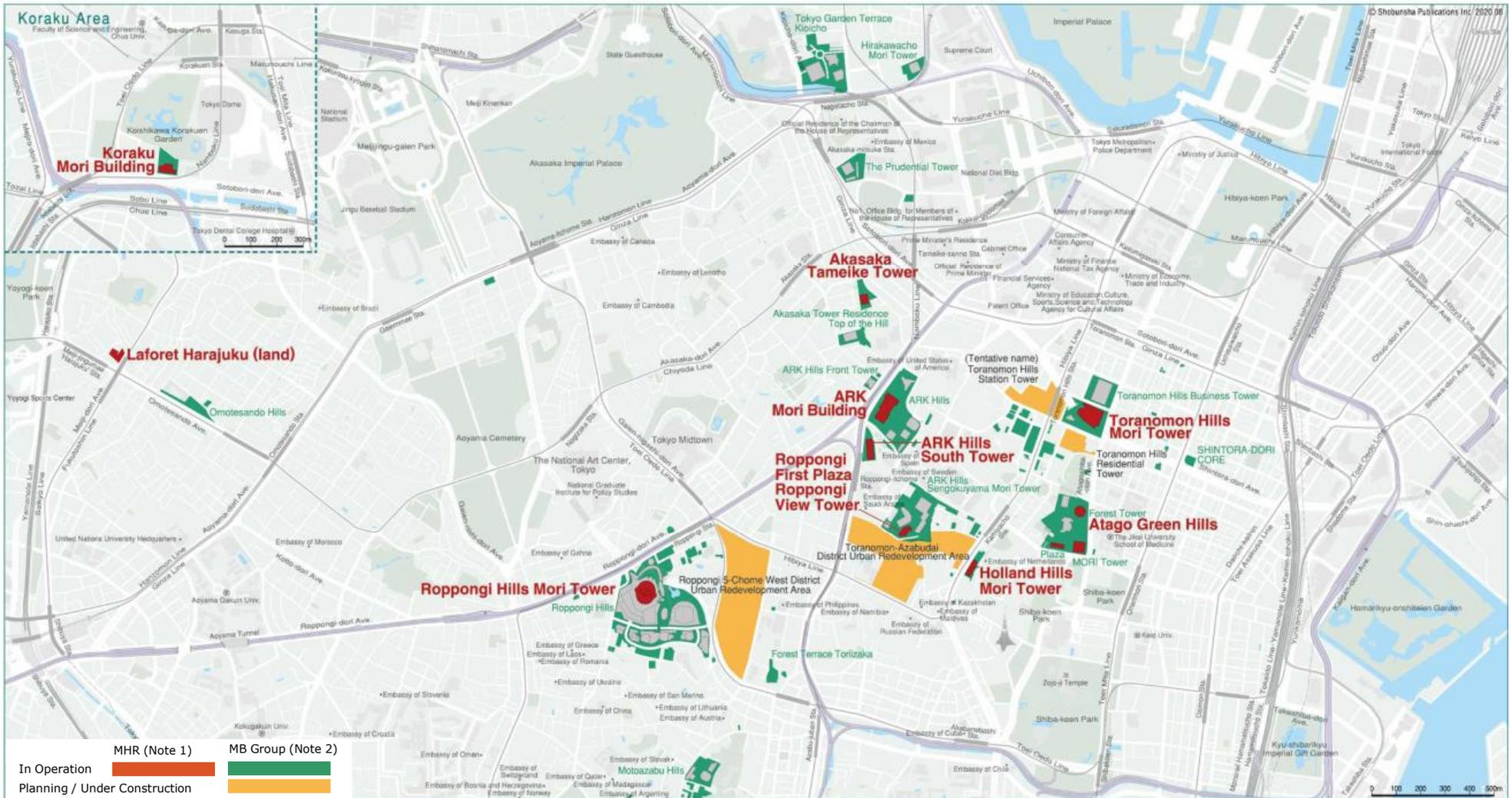
The Compliance Department conducts inspections on legal compliance and confirms consistency with internal rules. MIM confirms whether there are any conflict of interest transactions with related parties. In this way, MIM is striving to ensure comprehensive internal control, while also striving to enhance its risk management structure as well as its effectiveness. Furthermore, MIM has a set of internal rules (self-imposed regulations) which stipulate rules such as its Related Parties Transaction Guidelines. These Guidelines stipulate matters concerning transactions, etc. with related parties. Through MIM's compliance with these Guidelines, MIM has established a structure which ensures that the aforementioned transactions are managed appropriately and that MIM sufficiently executes the duty of care of a good manager and duty of loyalty to MHR.

(Process to counter transactions involving conflicts of interest)



(Note) A director who is classified as a related party officer is not able to participate in the resolution when acquiring an asset from a related party.

5-14 Portfolio map (as of September 1, 2020)



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2020."

(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.

5-15 Portfolio overview (as of September 1, 2020)

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			Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)	
	O-0	O-1	O-4	O-8	O-9	O-10	O-6	MORI Tower	Forest Tower	Plaza	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 (Large-scale renovation in 2005)	Mar. 2000	Jul. 2013	May. 2014	Jan. 2005	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Oct. 1993		-	
Building age	17 years 5 months	34 years 5 months	20 years 5 months	7 years 1 month	6 years 3 months	15 years 7 months	19 years 11 months	19 years 1 month	18 years 10 months	19 year 1 month	26 years 10 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. 17.0%)	Co-ownership (approx. 62.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (47%)	Co-ownership (46%)	Ownership
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (25%)	Co-ownership (approx. 9.3%)	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	-	-	-						
Acquisition price (mn yen)	115,380	62,480	27,200	19,150	48,430	16,330	43,930	42,090			2,100	4,000	21,820	
Occupancy rate (Note 4)	100%	100%	86.1%	100%	100%	100%	95.7%	100%			94.6%	98.1%	100%	

Average building age
19.0 years (Note 5)

Portfolio PML
0.91% (Note 2)

Total acquisition price
402,910 mn yen

5-15 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 July 13, 2020 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, 2020.
- (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.