

5. Appendix



5-1 Financial highlights

Indices	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017	Calculation formula
Net income	4,507 mn yen	4,562 mn yen	
Depreciation and amortization	966 mn yen	995 mn yen	
CAPEX	230 mn yen	462 mn yen	
Total assets	346,188 mn yen	349,100 mn yen	
Total net assets	178,853 mn yen	178,921 mn yen	
Total net assets/unit (BPS)	102,164 yen	102,203 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	160,500 yen	153,500 yen	
Total units outstanding	1,750,640 units	1,750,640 units	
Total dividends	4,493 mn yen	4,562 mn yen	
Dividend/unit	2,567 yen	2,606 yen	
Dividend yield	3.2%	3.4%	Dividend per unit (annualized)/Unit price as of end of period
FFO	5,474 mn yen	5,557 mn yen	Net income + Depreciation and amortization
FFO/unit	3,127 yen	3,174 yen	(Net income + Depreciation and amortization)/Total units outstanding
Annualized	6,271 yen	6,297 yen	Based on a period of 365 days
FFO multiple	25.6x	24.4x	Unit price as of end of period/FFO per unit (annualized)
PER	31.1x	29.7x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.6x	1.5x	Unit price as of end of period/Net assets per unit
ROA	1.4%	1.3%	Ordinary income/Average of total assets during the period
Annualized	2.8%	2.6%	Based on a period of 365 days
ROE	2.7%	2.6%	Net income/Average of total net assets during the period
Annualized	5.4%	5.1%	Based on a period of 365 days
NAV	197,028 mn yen	197,492 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	112,546 yen	112,811 yen	
NAV multiple	1.4x	1.4x	Unit price as of end of period/NAV per unit
Interest-bearing debt	154,000 mn yen	156,000 mn yen	
LTV (book value basis)	44.5%	44.7%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	42.3%	42.4%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	182 days	184 days	

(Note) As the accounting policy for rent revenues was changed in the 21st period, the figures for the 20th period are figures after retrospective application. The same applies hereafter.

5-2 Balance sheet

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Assets		
Current assets	11,795,570	15,573,718
Cash and deposits	3,405,993	7,297,437
Cash and deposits in trust	7,467,924	7,759,698
Other	921,653	516,582
Noncurrent assets	334,130,032	333,293,538
Property, plant and equipment	302,359,556	301,685,377
Intangible assets	30,656,948	30,655,937
Investments and other assets	1,113,527	952,222
Deferred assets	262,902	233,133
Total assets	346,188,506	349,100,390

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Liabilities		
Current liabilities	5,592,553	8,674,401
Current portion of investment corporation bonds	—	2,000,000
Current portion of long-term loans payable	3,978,000	4,578,000
Other	1,614,553	2,096,401
Noncurrent liabilities	161,742,828	161,504,272
Investment corporation bonds	24,000,000	26,000,000
Long-term loans payable	126,022,000	123,422,000
Lease and guarantee deposited in trust	11,720,828	12,082,272
Total liabilities	167,335,381	170,178,674
Net assets		
Unitholders' equity	178,853,124	178,921,716
Unitholders' capital	174,231,870	174,231,870
Total surplus	4,621,254	4,689,845
Voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	4,516,010	4,584,601
Total net assets	178,853,124	178,921,716
Total liabilities and net assets	346,188,506	349,100,390

5-3 Income statement

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017	
Operating revenue	7,760,598	8,248,756	
Rent revenues	7,638,396	8,056,295	Office 6,531,636 Residential 806,486 Retail 89,687 Land 624,400 Other rent revenue 4,085
Other operating revenues	122,201	192,460	
Operating expenses	2,600,364	3,041,041	
Expenses related to properties	2,295,784	2,696,520	Parking revenue 43,263 Utilities and other revenue 148,206 Cancellation penalty 990
Asset management fee	209,974	234,850	
Directors' compensation	5,400	5,400	
Asset custody fee	7,461	8,654	
Administrative service fees	19,407	19,321	
Other operating expenses	62,335	76,294	
Operating income	5,160,233	5,207,714	
Non-operating income	3,102	2,002	
Interest income	1,118	86	
Gain on forfeiture of unclaimed dividends	1,310	1,510	
Other	673	404	
Non-operating expenses	648,475	643,250	
Interest expenses	331,612	326,571	
Interest expenses on investment corporation bonds	83,115	85,983	
Amortization of investment corporation bonds issuance cost	12,217	13,154	
Borrowing expenses	170,999	166,987	
Amortization of investment unit issuance cost	48,664	48,664	
Other	1,865	1,888	
Ordinary income	4,514,860	4,566,466	
Income before income taxes	4,514,860	4,566,466	
Net income	4,507,593	4,562,484	
Unappropriated retained earnings	4,516,010	4,584,601	

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Net cash provided by (used in) operating activities	5,064,636	6,642,067
Income before income taxes	4,514,860	4,566,466
Depreciation and amortization	966,879	995,006
Amortization of investment corporation bonds issuance cost	12,217	13,154
Amortization of investment unit issuance cost	48,664	48,664
Interest income	△ 1,118	△ 86
Gain on forfeiture of unclaimed dividends	△ 1,310	△ 1,510
Interest expenses	414,727	412,555
Decrease (increase) in operating accounts receivable	△ 36,584	1,630
Decrease (increase) in consumption taxes refund receivable	△ 323,694	431,471
Increase (decrease) in operating accounts payable	9,219	14,234
Increase (decrease) in accounts payable—other	△ 2,390	12,981
Increase (decrease) in accrued expenses	2,385	28,403
Increase (decrease) in accrued consumption taxes	—	403,057
Increase (decrease) in advances received	127,934	△ 9,834
Increase (decrease) in deposits received	6,393	△ 2,788
Decrease (increase) in prepaid expenses	△ 81,308	△ 16,476
Decrease (increase) in long-term prepaid expenses	△ 180,313	161,305
Other, net	1,808	△ 2,182
Subtotal	5,478,372	7,056,053
Interest income received	1,118	86
Interest expenses paid	△ 414,056	△ 413,226
Income taxes paid	△ 797	△ 845

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Net cash provided by (used in) investing activities	△ 44,687,794	62,536
Purchase of property, plant and equipment in trust	△ 46,711,614	△ 266,574
Repayments of lease and guarantee deposited in trust	△ 235,994	△ 479,825
Proceeds from lease and guarantee deposited in trust	2,259,814	808,936

Net cash provided by (used in) financing activities	41,057,818	△ 2,521,386
Proceeds from long-term loans payable	22,800,000	—
Repayments of long-term loans payable	△ 1,500,000	△ 2,000,000
Proceeds from issuance of investment corporation bonds	—	3,971,823
Proceeds from issuance of investment units	23,685,265	—
Dividends paid	△ 3,927,446	△ 4,493,210
Net increase (decrease) in cash and cash equivalents	1,434,660	4,183,217
Cash and cash equivalents at beginning of the period	9,439,257	10,873,917
Cash and cash equivalents at the end of the period	10,873,917	15,057,135

Retained earnings

(yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
I Unappropriated retained earnings	4,516,010,087	4,584,601,465
II Amount of dividends	4,493,892,880	4,562,167,840
Amount of dividends per unit	2,567	2,606
III Retained earnings carried forward	22,117,207	22,433,625

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	20th (Note 3) Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference
Operation days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	96.7%	93.4%	△ 3.3PT	97.9%	95.8%	△ 2.1PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	92.8%	93.0%	0.2PT	98.6%	96.8%	△ 1.8PT
Number of tenants	1	1	0	1	1	0	19	20	1	123	135	12
Rent revenues	2,573,750	2,943,450	369,700	1,319,704	1,351,486	31,782	593,395	592,172	△ 1,223	702,979	737,328	34,348
Other operating revenues	—	—	—	—	—	—	90,271	92,328	2,056	4,013	74,415	70,401
Total property operating revenue	2,573,750	2,943,450	369,700	1,319,704	1,351,486	31,782	683,667	684,500	832	706,993	811,743	104,750
Property management	287,430	412,351	124,921	103,496	181,872	78,375	71,383	63,698	△ 7,684	47,975	159,375	111,399
Property taxes (Note 1)	122,303	134,381	12,077	73,004	73,024	19	32,936	30,668	△ 2,268	41,859	41,713	△ 145
Utilities	—	—	—	—	—	—	70,452	72,950	2,498	2,990	24,422	21,431
Maintenance and repairs	—	—	—	—	370	370	7,795	8,568	772	4,790	27,206	22,415
Insurance premium	3,586	3,972	386	1,928	1,949	21	1,758	1,778	19	2,017	2,039	22
Depreciation (1)	399,939	442,171	42,231	61,709	60,280	△ 1,429	95,765	96,192	426	133,790	133,145	△ 644
Other expenses (Note 2)	362	371	9	3,792	2,793	△ 998	76,575	75,779	△ 796	7,384	10,853	3,469
Total property operating expenses	813,621	993,248	179,626	243,931	320,289	76,358	356,669	349,635	△ 7,033	240,809	398,757	157,947
Property operating income (2)	1,760,128	1,950,202	190,074	1,075,772	1,031,196	△ 44,575	326,998	334,864	7,865	466,183	412,986	△ 53,197
NOI (3) ((1)+(2))	2,160,067	2,392,373	232,306	1,137,482	1,091,477	△ 46,005	422,763	431,056	8,292	599,973	546,131	△ 53,842
Annualized NOI	4,811,830	4,745,740	△ 66,089	2,281,214	2,165,158	△ 116,056	847,850	855,084	7,233	1,203,243	1,083,358	△ 119,885
Annualized NOI/ Acquisition price	4.2%	4.1%	△ 0.1PT	3.7%	3.5%	△ 0.2PT	3.1%	3.1%	0.0PT	2.7%	2.5%	△ 0.3PT
CAPEX (4)	28,960	4,061	△ 24,899	7,000	261,395	254,394	9,985	43,660	33,675	63,562	88,426	24,863
NCF (3)-(4)	2,131,106	2,388,312	257,205	1,130,481	830,081	△ 300,400	412,778	387,395	△ 25,382	536,411	457,705	△ 78,705

(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 acquired 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			R-1			R-3		
Property name	Atago Green Hills			ARK Hills South Tower			Moto-Azabu Hills			Roppongi First Plaza		
Acquisition price	42,090,000			19,150,000			1,706,440			2,100,000		
Period	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference
Operation days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days
Occupancy rate	100%	100%	0.0PT	97.9%	90.4%	△ 7.5PT	100.0%	86.9%	△ 13.1PT	93.2%	95.7%	2.5PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	98.2%	92.2%	△ 6.0PT	100.0%	97.8%	△ 2.2PT	95.0%	92.8%	△ 2.2PT
Number of tenants	1	1	0	33	31	△ 2	7	6	△ 1	39	40	1
Rent revenues	1,111,765	1,111,765	—	496,738	465,970	△ 30,767	65,359	64,420	△ 938	73,151	72,058	△ 1,092
Other operating revenues	—	—	—	25,821	24,301	△ 1,520	1,422	1,416	△ 5	520	—	△ 520
Total property operating revenue	1,111,765	1,111,765	—	522,560	490,271	△ 32,288	66,781	65,836	△ 944	73,671	72,058	△ 1,612
Property management	2,664	2,664	—	44,201	53,429	9,228	9,318	9,180	△ 137	12,492	12,876	383
Property taxes (Note 1)	69,373	69,353	△ 19	33,545	32,916	△ 629	2,104	2,103	△ 0	7,130	7,126	△ 3
Utilities	—	—	—	28,095	27,818	△ 277	—	1	1	1,191	1,171	△ 20
Maintenance and repairs	—	—	—	816	1,155	338	2,533	2,689	155	3,416	1,138	△ 2,278
Insurance premium	3,507	3,546	38	1,084	1,096	11	150	151	1	265	268	2
Depreciation (1)	196,793	183,077	△ 13,716	44,319	44,322	2	7,178	7,143	△ 34	11,892	12,496	603
Other expenses (Note 2)	37,558	37,869	311	1,190	2,842	1,651	4,088	4,085	△ 2	3,773	3,771	△ 1
Total property operating expenses	309,896	296,510	△ 13,386	153,254	163,579	10,325	25,373	25,356	△ 16	40,164	38,850	△ 1,314
Property operating income (2)	801,868	815,254	13,386	369,306	326,691	△ 42,614	41,408	40,480	△ 928	33,506	33,208	△ 298
NOI (3) ((1)+(2))	998,662	998,331	△ 330	413,625	371,013	△ 42,611	48,586	47,623	△ 963	45,399	45,704	305
Annualized NOI	2,002,811	1,980,386	△ 22,424	829,523	735,978	△ 93,544	97,440	94,470	△ 2,969	91,048	90,664	△ 384
Annualized NOI/ Acquisition price	4.8%	4.7%	△ 0.1PT	4.3%	3.8%	△ 0.5PT	5.7%	5.5%	△ 0.2PT	4.3%	4.3%	△ 0.0PT
CAPEX (4)	20,072	12,133	△ 7,938	171	709	538	—	—	—	28,559	22,768	△ 5,790
NCF (3)-(4)	978,589	986,198	7,608	413,454	370,304	△ 43,150	48,586	47,623	△ 963	16,840	22,936	6,096

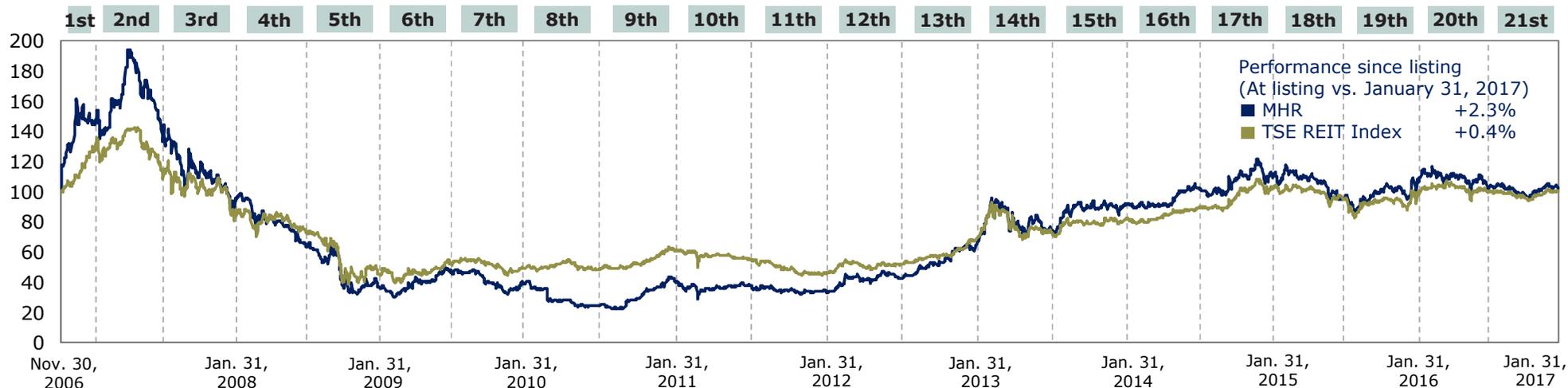
5-7 Status of income and expenditures (3)

(thousand yen)

Property number	R-4			S-1			Portfolio total		
Property name	Roppongi View Tower			Laforet Harajuku (Land)					
Acquisition price	4,000,000			21,820,000			339,856,440		
Period	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th (Note 3) Jul. 2016	21st Jan. 2017	Difference
Operation days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days
Occupancy rate	95.9%	93.1%	△ 2.8PT	100%	100%	0.0PT	99.0%	97.8%	△ 1.2PT
Avg. Occupancy rate (during period)	92.2%	94.5%	2.3PT	100%	100%	0.0PT	98.6%	98.1%	△ 0.5PT
Number of tenants	88	86	△ 2	1	1	0	313	322	9
Rent revenues	87,152	93,242	6,090	614,400	624,400	10,000	7,638,396	8,056,295	417,898
Other operating revenues	152	—	△ 152	—	—	—	122,201	192,460	70,259
Total property operating revenue	87,304	93,242	5,938	614,400	624,400	10,000	7,760,598	8,248,756	488,158
Property management	14,264	13,355	△ 909	—	—	—	593,227	908,803	315,575
Property taxes (Note 1)	10,846	10,860	14	67,774	67,956	181	460,878	470,104	9,225
Utilities	1,049	870	△ 179	—	—	—	103,781	127,234	23,453
Maintenance and repairs	2,015	553	△ 1,461	—	—	—	21,369	41,682	20,313
Insurance premium	308	311	3	—	—	—	14,607	15,115	507
Depreciation (1)	15,099	15,791	692	—	—	—	966,487	994,619	28,131
Other expenses (Note 2)	705	592	△ 112	—	—	—	135,432	138,960	3,528
Total property operating expenses	44,289	42,336	△ 1,953	67,774	67,956	181	2,295,784	2,696,520	400,735
Property operating income (2)	43,015	50,906	7,891	546,625	556,444	9,818	5,464,813	5,552,235	87,422
NOI (3) ((1)+(2))	58,114	66,698	8,584	546,625	556,444	9,818	6,431,300	6,546,855	115,554
Annualized NOI	116,548	132,309	15,761	1,096,254	1,103,815	7,561	13,349,885	12,986,968	△ 362,917
Annualized NOI/ Acquisition price	2.9%	3.3%	0.4PT	5.0%	5.1%	0.0PT	3.9%	3.8%	△ 0.1PT
CAPEX (4)	71,753	29,168	△ 42,585	—	—	—	230,065	462,323	232,257
NCF (3)-(4)	△ 13,639	37,530	51,169	546,625	556,444	9,818	6,201,234	6,084,531	△ 116,703

5-8 Unit price performance since IPO

Relative price performance (Since IPO~January 31, 2017)



(Source) Prepared by the Asset Manager based on Thomson Reuters.
 (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

(Reference)

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

Premium properties

50% or more

〈Office buildings〉
〈Residential properties〉
〈Retail facilities〉

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

Office building

50% or more

Tokyo's five central wards focus

Tokyo's five central wards and their vicinity

50% or more

(Tokyo Metropolitan Area: 80% or more)

Earthquake-resistance focus

Investment focused on properties' earthquake resistance, the safety of the area, disaster countermeasures, etc.

Sustainability policy

Mori Hills REIT Investment Corporation and Mori Building Investment Management Co., Ltd. will engage in real estate investment and management, taking into consideration "the environment," "Business Continuity Planning (BCP)" and "maintaining and enhancing asset value," based on the Mori Building Group's "Vertical Garden City" urban design philosophy as the ideal model.

The environment

- Promotion of cities and nature existing in harmony by creating microcosms of nature through promotion of landscaping
- Promotion of low carbon cities by introducing various energy-efficient systems
- Promotion of resource recycling based on the 3Rs (reduce, reuse, and recycle)

Business continuity planning ("BCP")

- Enhancement of earthquake resistance, disaster supply storage facilities, emergency power sources and other tangible measures
- Enhancement of the property management structure in the event of a disaster and other intangible measures

Maintaining and enhancing asset value

- Investment in high-quality real estate
- Implementation of appropriate asset value enhancement construction work

Common policies

- Compliance and maintenance of management system
- Implementation of sustainability education and awareness of building activities
- Disclosure of sustainability information

ARK Hills South Tower receives fiscal 2015 Award for Minato City Local Green City Development

The "Award for Minato City Local Green City Development" was established in fiscal 2004 to recognize residents and business operators with environmental consideration and outstanding landscape planning as well as maintaining greenery. The award expresses gratitude for such cooperation in community landscaping and hopes to promote further development of a green city.



Rooftop garden "sky park"

<Environmental Policy >

1. Cities and nature existing in harmony

We create pleasant, verdant spaces where the chirping of birds and the singing of insects can be heard by leveraging the vertical plane in cities and creating microcosms of nature on the ground where people can commune with nature. Through these spaces we will foster environmental communities for people.

2. Low carbon cities

We will create cities with excellent environmental performance by matching energy-efficient systems to compact cities in which diverse urban functions are combined into vertical infrastructure. We will continue efforts to lower carbon emissions from operation through comprehensive, quality management of communities.

3. Resource recycling

We aim to build resource-recycling cities by promoting the 3Rs (Reduce, Reuse, and Recycle).

4. Compliance and maintenance of an environmental management system

We will always keep our eyes on the trends in environment-related laws and regulations and adapt to any changes. Also, we will put in place and maintain an environmental management system in order to continuously improve our environmental enhancement activities.

5. Environmental education and awareness building activities

We will implement environmental education and awareness building activities for employees in order to improve the effectiveness of our environmental enhancement activities. We will also use our facilities to conduct environmental awareness building activities aimed at facility users.

6. Disclosure of environmental information

We will communicate with society by making efforts to disclose information, such as the environmental philosophy and policy, and information about environmental activities.

5-11 Organization Structure

Corporate governance

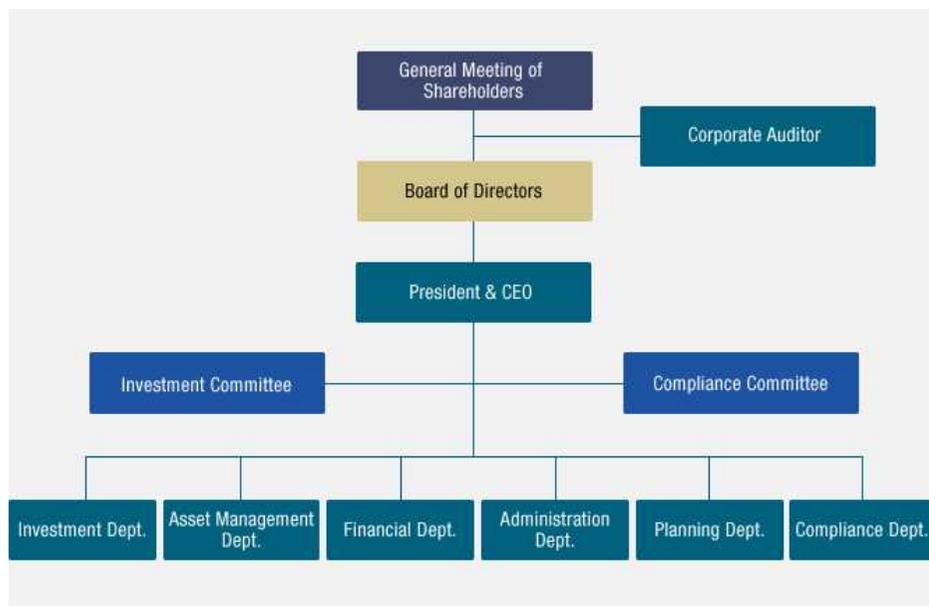
Corporate governance

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 unitholders, which shall be composed of unitholders, MHR's structure consists of one executive director, three supervisory directors (Note), the board of directors and an accounting auditor.

Structure of asset manager for the Investment Corporation

MHR entrusts the management of its assets to the asset manager. The following is the organizational structure of the asset manager.

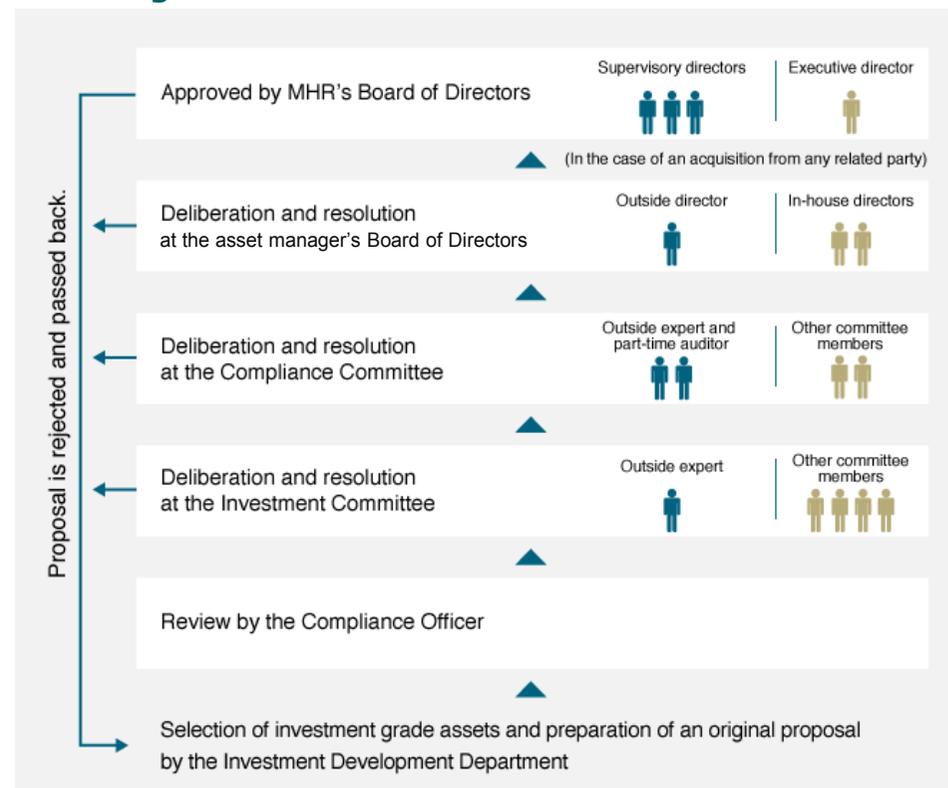


(Note) The term of office for three supervisory directors will expire at the time of the end of MHR's seventh general meeting of unitholders scheduled as of April 21, 2017. Consequently, proposals regarding the appointment of two supervisory directors will be submitted.

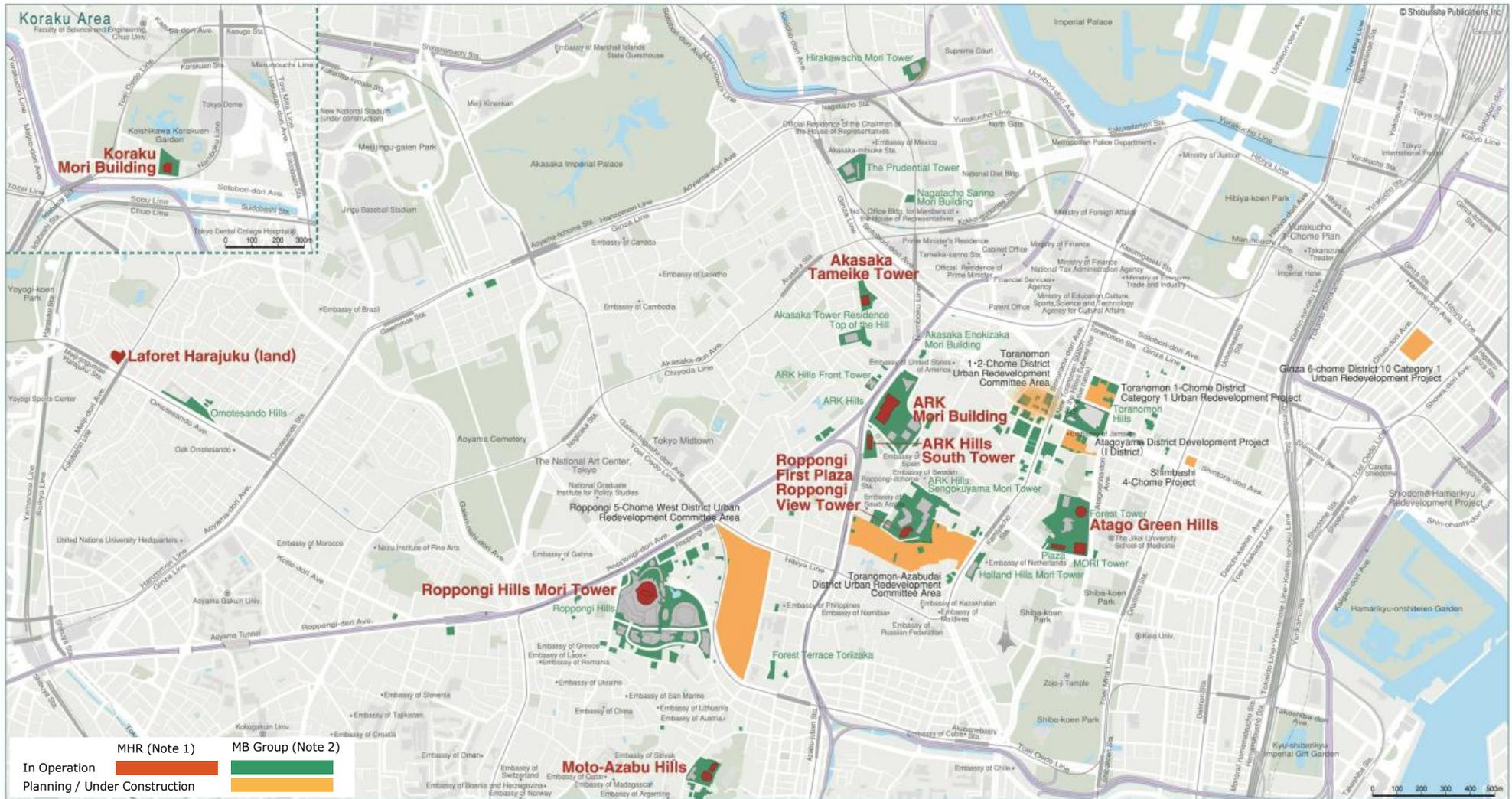
Compliance

The asset manager shall perform its business in good faith and with the due care of a prudent manager for MHR in line with the purpose of the investment management business, and be well aware that failure to ensure thorough compliance, especially inappropriate transactions or transactions involving conflicts of interest with the sponsor company group, may undermine investors' trust in the securities markets, the corporate management base of MHR and the asset manager. Therefore, the asset manager will use its efforts to prevent any negative impact from transactions involving conflicts of interest and carry out strict compliance as follows.

Process to Counter Transactions Involving Conflicts of Interest



5-12 Portfolio Map (As of January 31, 2017)



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2016."

(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.

5-13 Portfolio overview (As of January 31, 2017)

Type	Office building			Office building (Partly residential)			Office building	Residential		Retail					
Photo															
Premium	Premium	Premium	Premium	Premium	Premium			Premium	Premium	-	Premium				
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	Akasaka Tameike Tower	Atago Green Hills MORI Tower Forest Tower Plaza			ARK Hills South Tower	Moto-Azabu Hills Forest Tower Forest Terrace	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)			
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Shibuya-ku, Tokyo			
Completion	Apr. 2003	Mar. 1986 (large-scale renovation in 2005)	Mar. 2000	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Jul. 2013	May 2002	Oct. 1993		-			
Building age	13 years 9 months	30 years 10 months	16 years 10 months	16 years 4 months	15 years 6 months	15 years 3 months	15 years 6 months	3 years 6 months	14 years 8 months	23 years 3 months		-			
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 4 below	29 above ground, 3 below	6 above ground, 1 below	20 above ground, 1 below	-			
Gross floor area	approx. 442,150m ²	approx. 177,486m ²	approx. 46,154m ²	approx. 46,971m ²	approx. 85,266m ²	approx. 60,815m ²	approx. 2,083m ²	approx. 53,043m ²	approx. 54,006m ²	approx. 22,906m ²		-			
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)		Co-ownership (approx. 25%)	Co-ownership (approx. 3.9%)	Co-ownership (approx. 47%)	Co-ownership (approx. 46%)	Ownership			
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)		Co-ownership (approx. 25%)	Compartmentalized ownership (approx. 3.2%)	Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-			
PML (Note 2)	0.59%	0.78%	0.73%	1.79%	2.35%	2.34%	5.94%	1.56%	0.57%	1.27%	2.20%	2.20%	-		
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	-	Seismic Damping	Seismic Isolators	Seismic Isolators	-	-	-						
Acquisition price (mn yen)	115,380	62,480	27,200	43,930	42,090			19,150	1,706	2,100	4,000	21,820			
Occupancy rate	100%	100%	93.4%	95.8%	100%			90.4%	86.9%	95.7%	93.1%	100%			
Average building age					17.6years (Note 4)			Portfolio PML		1.00% (Note 2)		Total acquisition price		339,856 mn yen	

(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 right 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 November 11, 2015 by Sompo Japan Nipponkoa Risk Management Inc. (Presently, Sompo Risk Management & Health Care Inc.)

(Note 3) ARK Mori Building adopts "slitwall" as earthquake-resistant feature.

(Note 4) 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.