



Mori Hills REIT Investment Corporation

Results of the 27th Fiscal Period ended January 31, 2020

Presentation Material

March 13, 2020



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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)

1. Executive summary	3	3. Operation highlights	35
2. Investment highlights	4	Factors that led to changes in dividends per unit from the previous fiscal period	36
Unit price performance	5	Change in assets under management	37
Financial results	6	Change in unrealized capital gain/loss	38
Dividends per unit growth record	7	Appraisal value	39
Continuous growth through “positive cycle”	8	Change in the rent and occupancy rates	40
Increase in appraisal NAV per unit	9	Tenant status by month and major tenants	41
Forecasts	10	Financial overview (As of January 31, 2020)	42
Highest Property Portfolio among all J-REITs	11	Debt status (As of January 31, 2020)	43
External growth	22	Unitholders breakdown (As of January 31, 2020)	44
Internal growth	25	4. Business environment recognition & MHR’s policy/strategy	45
Financial management	29	Business environment recognition	46
MHR’s representative property	31	MHR’s policy/strategy	47
		Market-related information	49
		5. Appendix	55

1. Executive summary

Financial summary 27th period (Jan. 2020)

- Operating revenue: 9,631 million yen, operating income: 6,026 million yen, net income: 5,406 million yen **Increased revenue and income period-over-period**
- DPU: 2,883 yen (+1.2% from 26th period) **Increasing for 19 consecutive fiscal periods**
- DPU increased by +2.2% over previous year, continuing steady rate of growth
- NAV per unit increased by +8.2% over previous year, increasing steadily

External growth

- Possible to acquire premium properties in central Tokyo without a competitive bidding process by utilizing the abundant sponsor pipeline
- Further improvement in asset value of MHR's properties are expected due to development by sponsor in surrounding area

Internal growth

- Occupancy ratio continued to be strong, office 100% and residential 96.2%.
Steady internal growth due to rent revision and replacement
- Office rent gap ratio decreased from $\Delta 6.5\%$ in 26th period to $\Delta 6.2\%$ in 27th period

Financial management

- Maintained the target level by book value basis LTV 45.7%, appraisal value basis LTV 38.2%, remaining duration of debt 4.6 years
- Fixed interest rate ratio at the end of the period was 88.2%

2. Investment highlights



2-1 Unit price performance



Market value

41.9 bn yen
(Sep. 14, 2010)

340.6 bn yen
(Jan. 31, 2020)

(Note 1) Unless otherwise stated in this document, all amounts are rounded down below the unit and all fractions and areas are rounded up below the decimal point.
 (Note 2) TSE REIT Index is adjusted as of the 8th period result announcement (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

2-2 Financial results

	26th period	27th period		27th period
	Jul. 31, 2019	Jan. 31, 2020		Jan. 31, 2020
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	9,561	9,631	+ 69	9,616
Rent revenues	9,323	9,377	+ 53	9,362
Other operating revenues	237	253	+ 15	253
Operating expenses	3,589	3,605	+ 15	3,630
Expenses related to properties	3,225	3,224	△ 1	3,270
SG&A	364	380	+ 16	359
Operating income	5,971	6,026	+ 54	5,986
Non-operating income	1	1	△ 0	0
Non-operating expenses	627	619	△ 7	621
Ordinary income	5,346	5,407	+ 61	5,365
Net income	5,344	5,406	+ 61	5,364
Total dividends	5,343	5,405	+ 61	5,362
DPU				
Total units outstanding (units)	1,874,960	1,874,960	—	1,874,960
DPU (yen)	2,850	2,883	+ 33	2,860
Other Indices (million yen)				
Profit on real estate rental	6,336	6,407	+ 70	6,345
Depreciation	1,057	1,034	△ 23	1,036
NOI	7,394	7,441	+ 47	7,382
NOI yield	3.8%	3.8%	△ 0.0PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	390,690	390,690	—	390,690

Increase/decrease factor (26th – 27th)

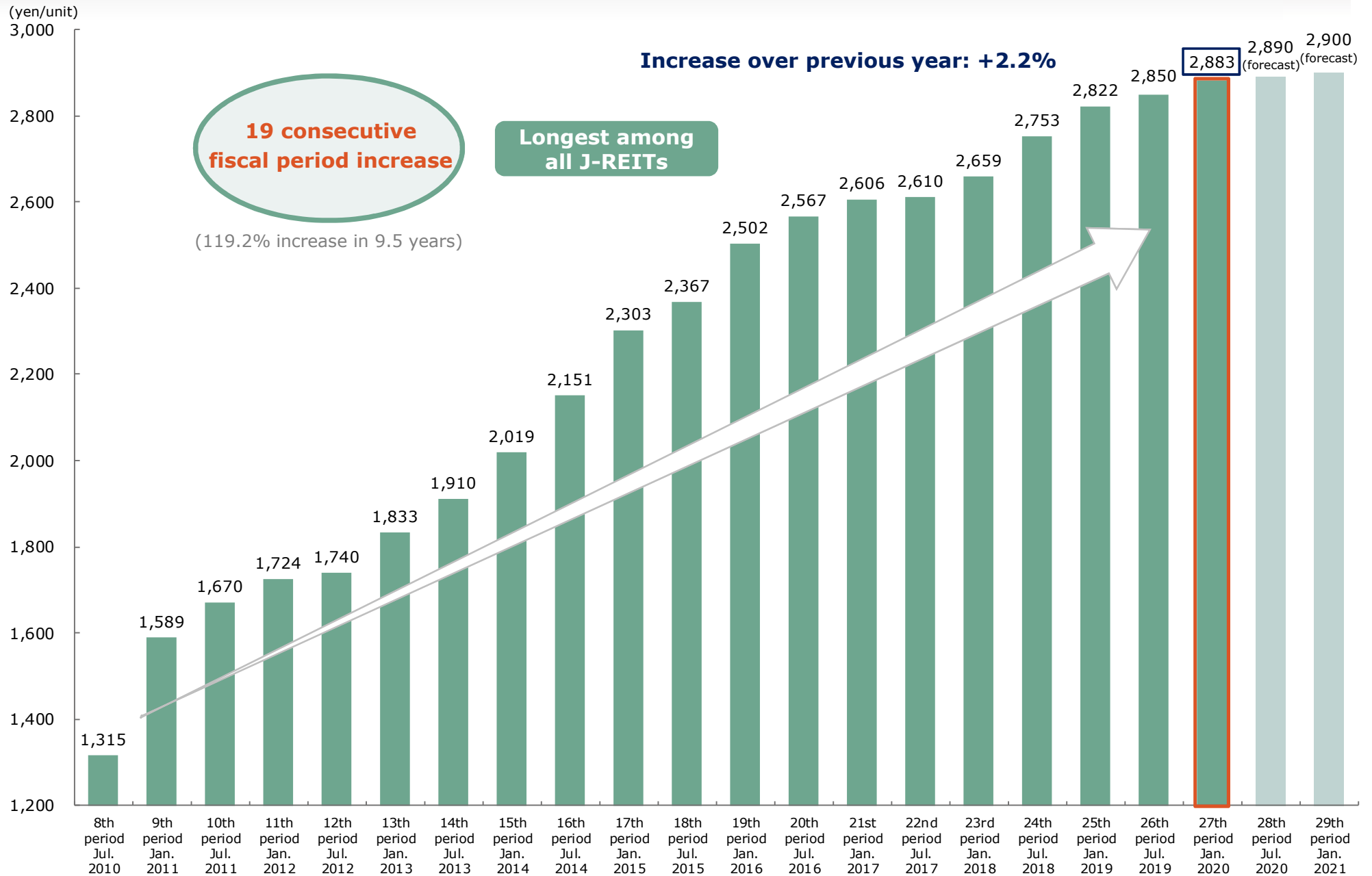
- **Operating revenue (+69 mn yen)**
 - Rent revision of land (Laforet Harajuku) +25
 - Office operating revenue (Pass-through) +21
 - Utilities and other revenue +19
- **Operating expenses (+15 mn yen)**
 - Property taxes for properties acquired in 24th and 25th period +31
 - Property management fee +21
 - Property taxes for existing properties +15
 - Utilities +10
 - Maintenance and repairs △56
- **Non-operating expenses (△7 mn yen)**
 - Interest expenses, etc. △6

Increase/decrease factor for 27th period (Forecasted - Actual)

- **Operating income (+40 mn yen)**
 - Office (Pass-through) +41

(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 Continuous growth through "positive cycle"

Continuous growth of "Dividends and NAV per unit" through "positive cycle"

- Public offering at premium level + New acquisition at discount to appraisal value + High-grade properties in central Tokyo -

Dividends per unit

page
7

19 consecutive fiscal period increase

Increase over previous year: **+2.2%**

(119.2% increase in 9.5 years)

PBR	▶	1.7x
Implied cap rate	▶	2.8%

[Most recent NOI yield at acquisition]

Toranomon Hills	▶	3.4%
Holland Hills	▶	4.3%

Continuous growth driven by external growth, financial cost reduction and internal growth

NAV per unit

page
9

18 consecutive fiscal period increase

Increase over previous year: **+8.2%**

(132.1% increase in 9 years)

NAV per unit	▶	1.2x
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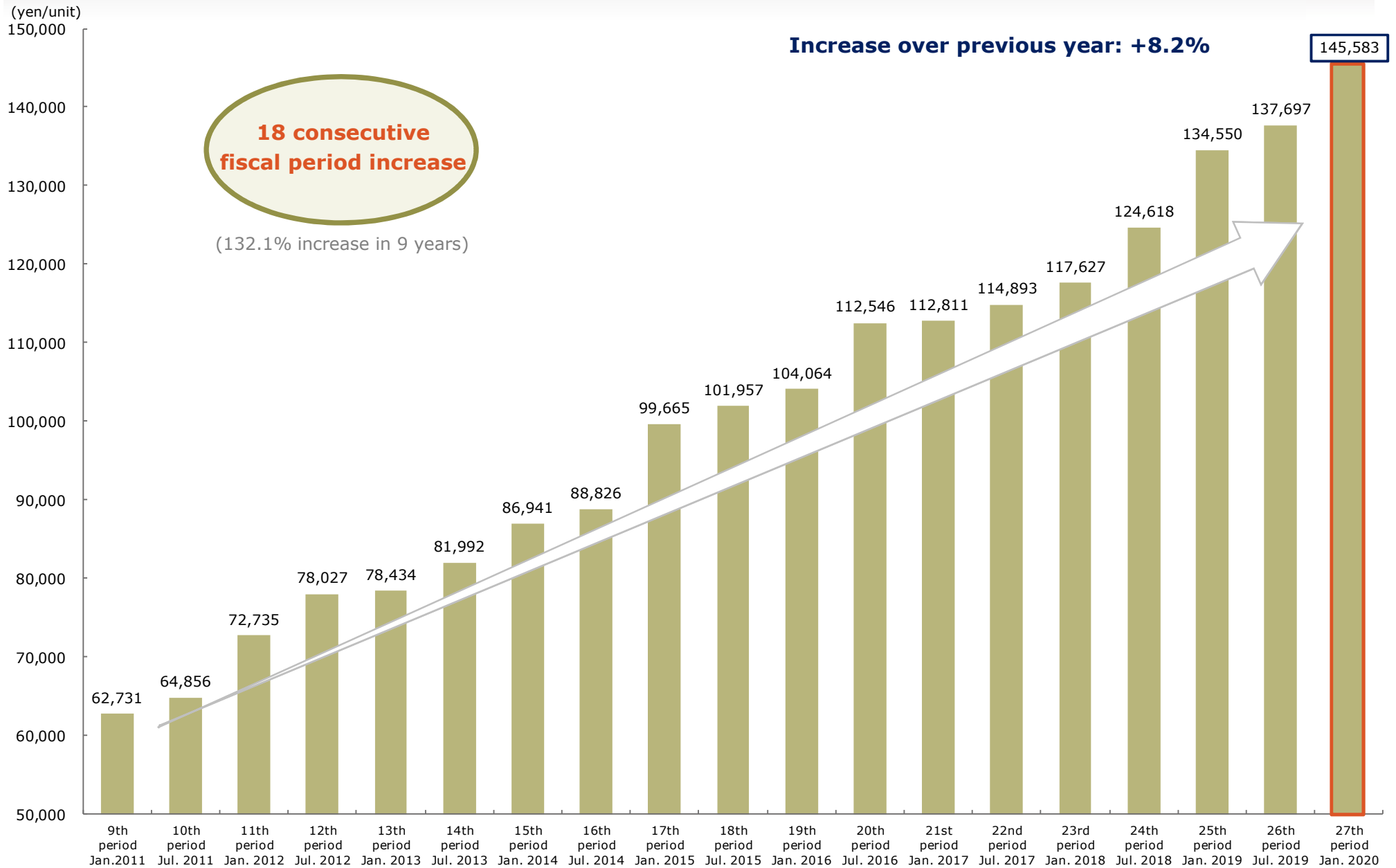
[Factors for NAV increase]

1. Public offering at premium level
2. New acquisition at discount to appraisal value
3. Increased unrealized capital gain on properties

Continuous growth through "positive cycle"

(Note) Financial indicators on this page are calculated based on the figures as of the end of the 27th fiscal period (January 31, 2020).

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

	27th period	28th period		29th period
	Jan. 31, 2020	Jul. 31, 2020		Jan. 31, 2021
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	9,631	9,621	△ 9	9,645
Rent revenues	9,377	9,386	+ 9	9,389
Other operating revenues	253	235	△ 18	256
Operating expenses	3,605	3,606	+ 0	3,615
Expenses related to properties	3,224	3,265	+ 41	3,297
SG&A	380	340	△ 40	317
Operating income	6,026	6,015	△ 10	6,029
Non-operating income	1	1	+ 0	1
Non-operating expenses	619	596	△ 22	591
Ordinary income	5,407	5,420	+ 12	5,439
Net income	5,406	5,419	+ 12	5,437
Total dividends	5,405	5,418	+ 13	5,437
DPU				
Total units outstanding (units)	1,874,960	1,874,960	—	1,874,960
DPU (yen)	2,883	2,890	+ 7	2,900
Other Indices (million yen)				
Profit on real estate rental	6,407	6,356	△ 51	6,347
Depreciation	1,034	1,044	+ 10	1,041
NOI	7,441	7,400	△ 40	7,389
NOI yield	3.8%	3.8%	0.0PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period)	390,690	390,690	—	390,690

Increase/decrease factor (27th – 28th)

- **Operating revenue (△9 mn yen)**
 - Full period contribution of rent revision of land (Laforet Harajuku) +12
 - Cancellation penalty +11
 - Utilities and other revenue △30
- **Operating expenses (△1 mn yen)**
 - Property management fee +17
 - Property taxes for existing properties +15
 - Other operating expenses △21
 - Utilities △16
- **Non-operating expenses (△22 mn yen)**
 - Interest expenses, etc. △22

Increase/decrease factor (28th – 29th)

- **Operating revenue (+23 mn yen)**
 - Utilities and other revenue +31
- **Operating expenses (+9 mn yen)**
 - Utilities +18
 - Property taxes for existing properties +15
 - Leasing fee +14
 - Asset management fee △26
 - Maintenance and repairs △11

2-7 Highest quality property portfolio among all J-REITs

Investment strategy based on long-term perspective

(1) Responding to demographics

Responding to the declining population and change of working style

Investment in central Tokyo

“Global large corporate cluster”
x “IT and venture company cluster”

Location

(2) Responding to economic trends and disasters

Responding to tenant demand during economic downturns and to disasters

Investing in high-quality assets

Property with excellent facilities, earthquake resistance and environmental performance

Quality of assets

(3) Addressing aging assets

Responding to asset value decline due to aging

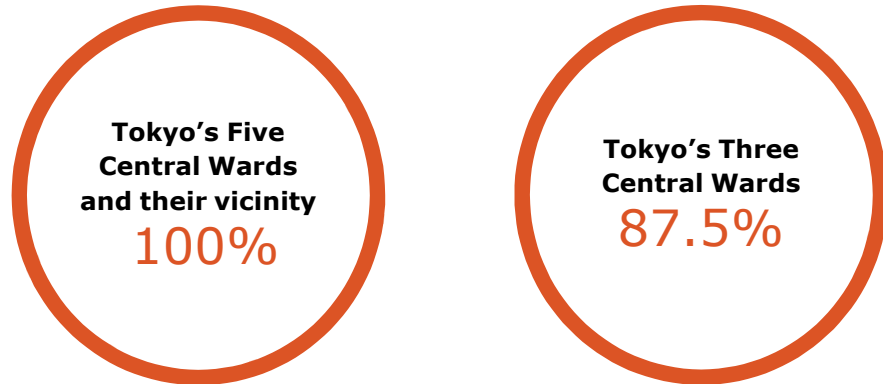
Creating added value

Area management, peripheral development and renovation

Value creation

2-8 (1) Location

Highest property percentage in Central Tokyo among J-REITs

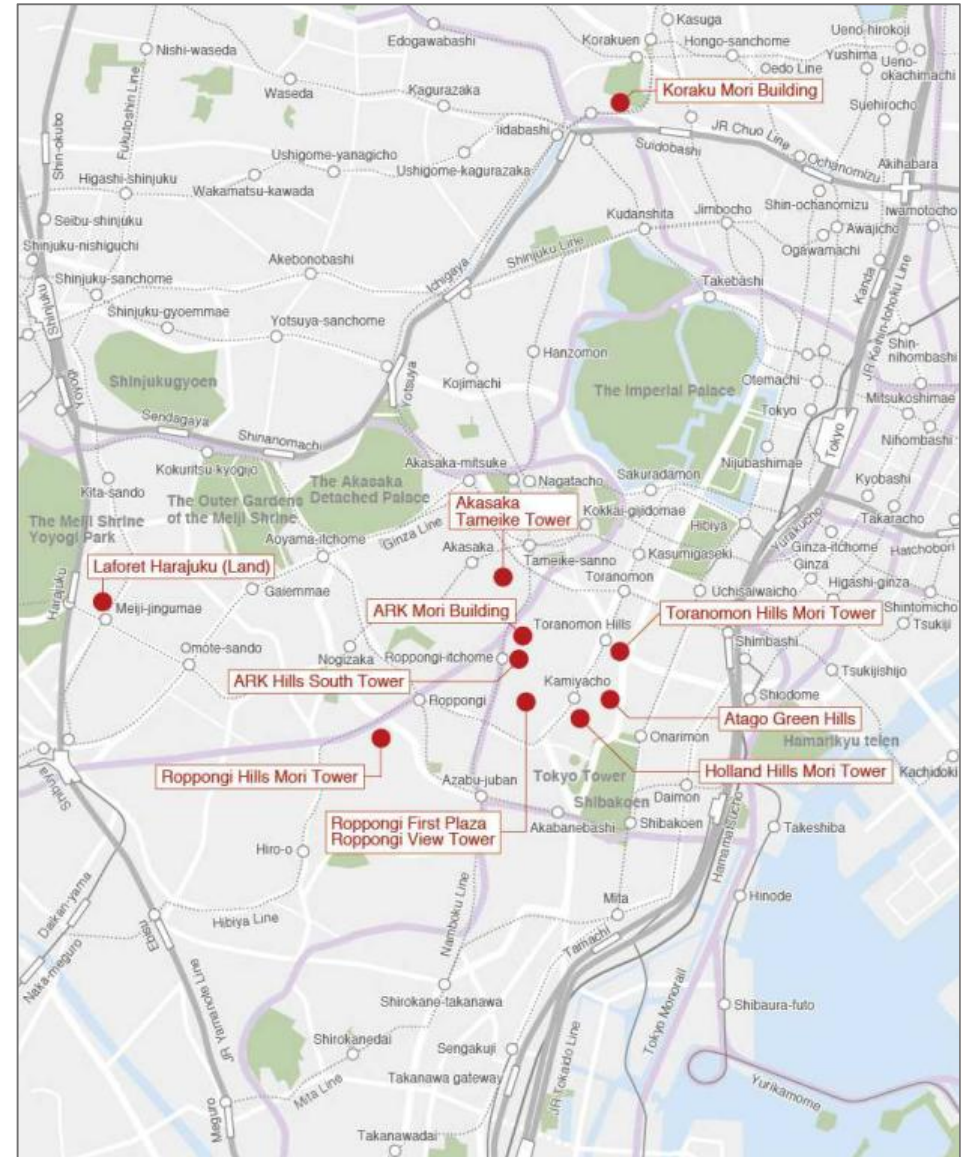


(Note) The ratios represent proportion of acquisition price to total acquisition price.

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

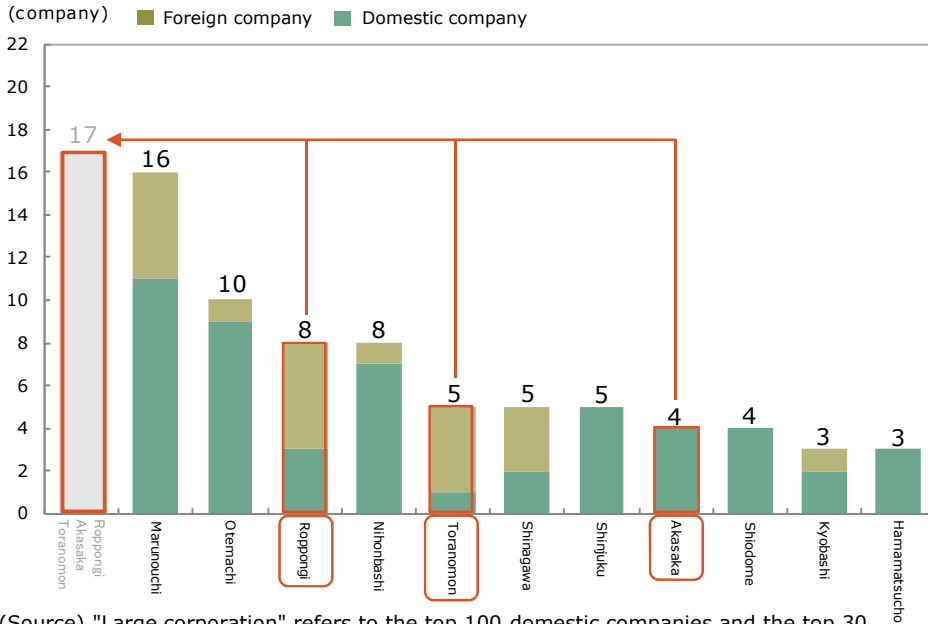
Focusing investment in premium area

1. Global large corporate cluster in central Tokyo

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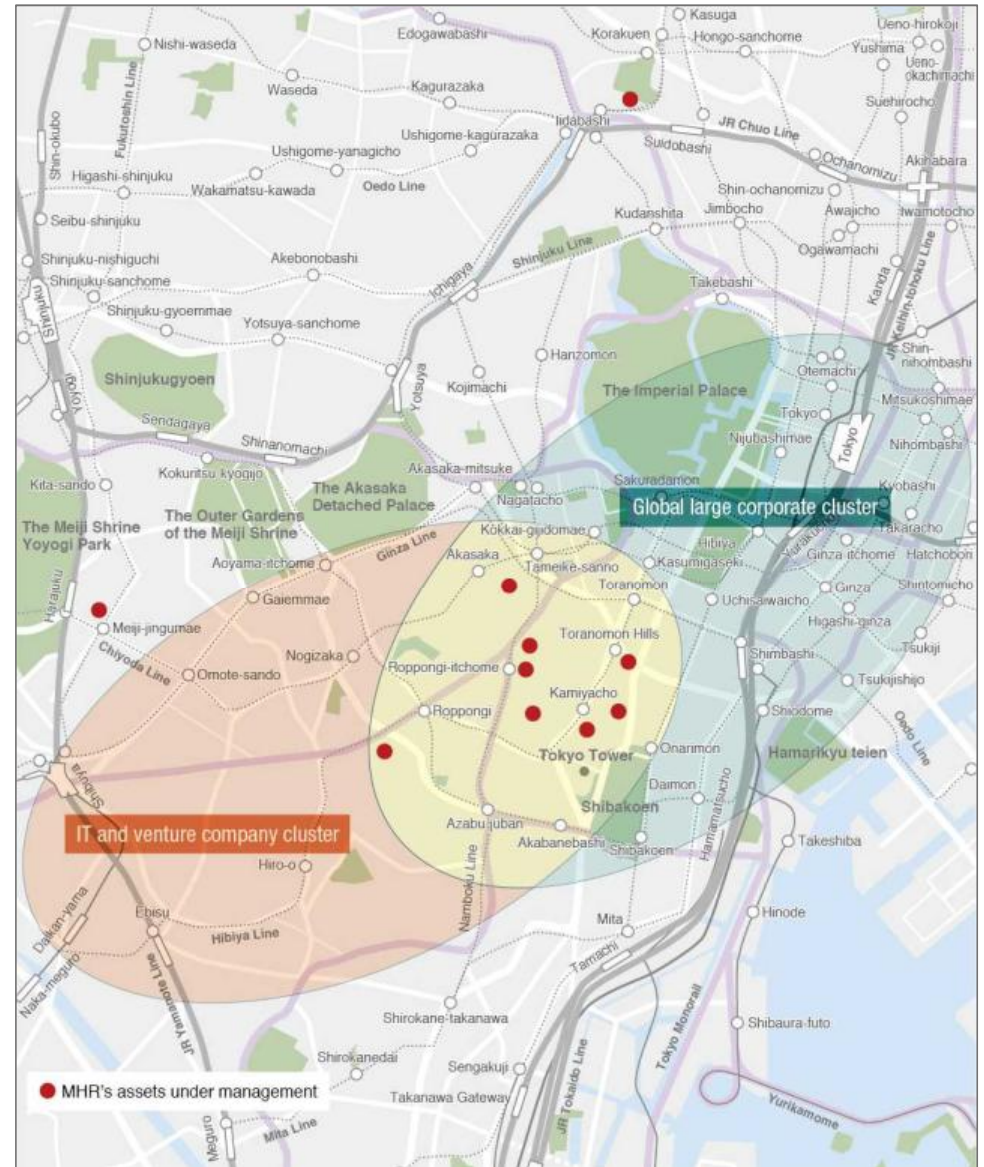
2. IT and venture company cluster in central Tokyo

Large corporate headquarters in central Tokyo



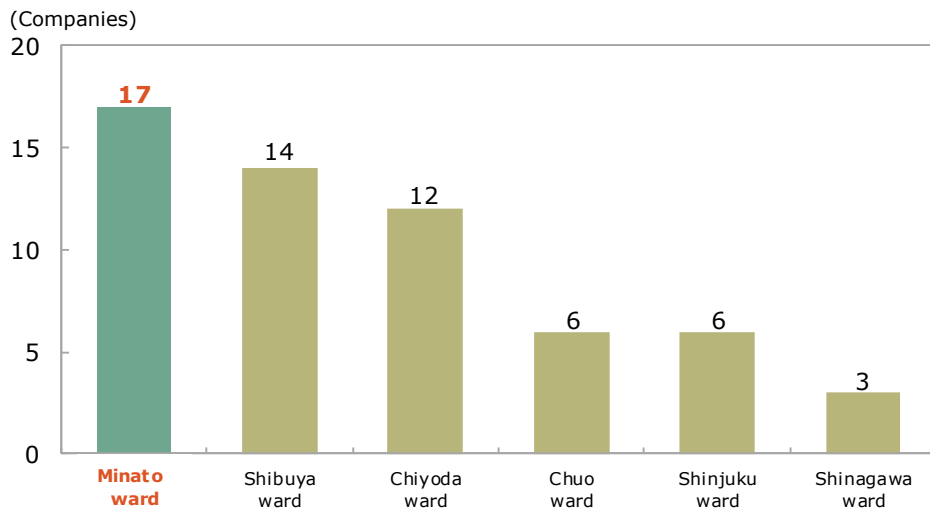
(Source) "Large corporation" refers to the top 100 domestic companies and the top 30 foreign companies based on market capitalization. Prepared by the Asset Manager based on market capitalization data as of July 31, 2019 by Refinitiv and publicly available information for the headquarters' locations.

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



2-10 (1) Location

Head office location of IPO companies (2019)



(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 2019 those head offices are located in Tokyo.

IT firms located in Minato ward

Apple	m3	Monex Group
Facebook	Oracle Japan	OpenDoor
Microsoft	SBI Holdings	Uzabase
Tencent	Mercari	Money Forward
Cisco Systems	GREE	ValueCommerce
Netflix	HEROZ	istyle
Softbank	Bengo4.com	AirTrip
NVIDIA	NHN JAPAN	Enigmo
Baidu	UUUM	Gunosy
Expedia	RPA Holdings	KLab
Nexon	ZIGExN	kaonavi

(Note) Prepared by the Asset Manager based on the disclosed data etc. as of July 31, 2019.

Venture capitalists located in Minato ward

NVCC	B Dash Ventures
SBI Investment	Itochu Technology Ventures
JAFCO	Sony Innovation Fund
WiL	Dentsu Innovation Partners
NTT DOCOMO Ventures	Hakuhodo DY Ventures
Incubate Fund	TBS Innovation Partners
STRIVE	Fuji Startup Ventures
Eight Roads Ventures Japan	ORIX Capital
Infinity Ventures	Monex Ventures

(Note) Prepared by the Asset Manager based on the disclosed data etc. as of July 31, 2019.

Consideration of work style change

Change in required office space

- Space to promote interaction
- Enhanced facilities with excellent environment
- Corporate cluster that promotes growth

Need for truly "high-grade properties in central Tokyo" rises further

Expansion of satellite offices Increase in remote work

Need for truly "high-grade properties in central Tokyo" remains unchanged

2-11 (2) Quality of assets

High-grade properties with extensive facilities

<Overview and facilities of representative properties>

Property name	Gross floor area	Access from the nearest station	Number of shops & restaurants	Hotel (spa)	Cultural facility Observatory	Conference	Share office	Residential	Green coverage of the site
Roppongi Hills	758,203㎡	Connected to Roppongi Station	215	Grand Hyatt Tokyo (NAGOMI SPA AND FITNESS)	Mori Art Museum Tokyo City View TOHO Cinemas	Academyhills Ropponngi Hills Club	○	○	28.5%
Toranomon Hills (After total project completion)	793,585㎡	Connected to Toranomon Hills Station	Not fixed (approx. 8,000 tsubo)	Andaz Tokyo (AO SPA AND CLUB)	-	Toranomon Hills Forum	○	○	30.3%
ARK Hills	310,979㎡	2-minute walk from Roppongi 1-chome Station	56	ANA InterContinental (THANN SANCTUARY SPA AKASAKA)	Suntory Hall	ARK Hills Club	○	○	43.2%
Atago Green Hills	151,106㎡	3-minute walk from Onarimon Station	21	-	-	-	○	○	51.7%

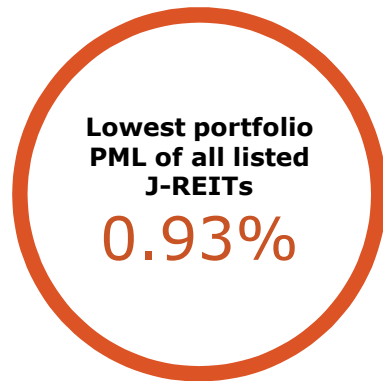
(Source) Prepared by the Asset Manager based on disclosed materials as of July 31, 2019.

(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..



Earthquake-resistant feature



Best among all J-REITs

Environmental performance



Highest quality among all J-REITs

※ PML refers to the probable maximum loss ratio expected to result from an earthquake. A smaller figure indicates superiority in earthquake-resistance.

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

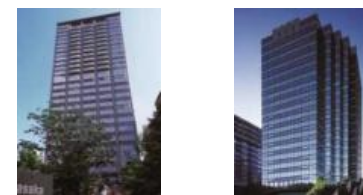
Property name		Type	PML	Earthquake-resistant feature
Roppongi Hills Mori Tower		Office	0.59%	Seismic damping
ARK Mori Building			0.78%	Seismic damping
Koraku Mori Building			0.73%	Seismic damping
ARK Hills South Tower			1.56%	Seismic damping
Toranomom Hills Mori Tower			0.50%	Seismic damping
Holland Hills Mori Tower			0.85%	Seismic damping
Akasaka Tameike Tower		Office (Partly residential)	1.79%	Seismic damping
Atago Green Hills	MORI Tower		2.35%	Seismic damping
	Forest Tower		2.34%	Seismic damping
	Plaza	5.94%	—	
Roppongi First Plaza		Residential	2.20%	—
Roppongi View Tower			2.20%	—

CASBEE for Existing Buildings: Rank S



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

CASBEE for Existing Buildings : Rank A



Akasaka Tameike Tower **Koraku Mori Building**

DBJ Green Building Certification: Four stars



ARK Hills South Tower

2-13 (3) Value creation

Developments around MHR's properties (Toranomon Hills area)



Shintora-Dori CORE (Completed Sep. 2018)



Mixed use Tower located at the center of future grand boulevard in Tokyo

- A 15-story mixed use tower with commercial facilities with a total rental floor area of approximately 10,000m²
- "THE CORE KITCHEN/SPACE" cafe located on the 1st floor which faces the Shintora-Dori creates a new community with on site "Community Manager" and the event space attracts diverse people to exchange and disseminate new ideas.
- Incubation offices with shared lounges and meeting rooms are located on the 3rd floor and start-ups expanding into Japan from overseas and venture companies have moved in.

Toranomon Hills Business Tower (Completion Jan. 2020)



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.
- The tower is directly connected to the new Toranomon Hills station on the Hibiya subway line as well as the existing Toranomon station on the Ginza subway. A bus terminal is located on the first floor to function as a "Gateway to Tokyo" via various bus lines including the BRT (Bus Rapid Transit) connecting city center and waterfront areas, and via airport limousine buses.
- Offices occupy 32 floors from the 5th floor to the 36th floor with the standard rentable floor area of 3,000 m². Refreshment corners are provided in the common area on each floor aimed at promoting communication.



<Retail>

From the first basement floor to the 3rd floor, commercial spaces with a total of 58 restaurants and stores will support global lifestyles. The 3rd floor will house Toranomon Yokocho, a landmark dining facility featuring offerings from famous stores from all over Tokyo.



<Innovation center>

On the 4th floor will be a large membership-based incubation center "ARCH," which 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 aims to become a base for Japan's unique innovation ecosystem.

Development around MHR's properties (Toranomon-Azabudai Project: projected completion Mar. 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 860,400m², with 213,900m² of office space, approx. 1,400 residential units. Approx. 20,000 office workers and 25-30 million people per year are expected to visit.
- The main tower will soar 64 stories and 330m in height. Offices in the main tower, the West Tower and Podium Building will encourage free and creative work.



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

- The core concept of the "Toranomon-Azabudai Project" is a "Modern Urban Village," a unique neighborhood that will combine the sophistication of a megalopolis with the intimacy of a small village. It will be a completely new city like no other in the world. It will cover an area of approx. 8.1 ha and will feature extensive greenery totaling approx. 2.4 ha including a 6,000m² central square.



Creating community and innovation through the Area Management by sponsor

Toranomon Hills Area



Thursday Gathering
(Toranomon Hills Mori Tower)

Partnership with world's largest innovation center

"Thursday Gathering" by Cambridge Innovation Center promotes exchanges between entrepreneurs, investors, business managers of large companies and students to support the creation of new innovations.



ELLE Cinema Night
(Toranomon Hills Mori Tower)

Events "OUR PARKS"

Various events such as "Our Parks" are held in the open spaces, Oval Plaza and Atrium, where a vast lawn spreads out. It creates a third place for community and activates the area of Toranomon.



Design Academy
(Shintora-Dori CORE)

Collaboration with Royal College of Art

"Design Academy" in collaboration with the Royal College of Art, provides educational programs to spur creation of new industries with an environmental focus and world-class learning and interacting opportunities.



Traveling stand
(Shintora-Dori)

Enjoy the charm of Japanese Market

Dining facility "Touring stand" is installed on the road for the first time in Tokyo. There are sales of gourmet cuisine using seasonal ingredients from around Japan and various workshops to experience community activities.

Creating community and innovation through the 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.



HAB-YU platform
(ARK Hills South Tower)

Co-creation platform HAB-YU platform

HAB-YU, operated jointly with the Fujitsu Group, is a platform for co-creation. It aims to create new value by bringing together the issues, ideas and technologies from people "Human", region "Area", and company "Business" (= HAB) and forging ties ("yu") among them in a variety of ways.

Roppongi Hills Area



(c) Roppongi Art Night Execution Committee

Roppongi Art Night
(Roppongi Mori Tower)

Art Festival representing Tokyo

Tokyo-based art festival "Roppongi Art Night" integrates the art and the city to improve the cultural image of Roppongi and create a pioneering model of urban development in Tokyo.

Atago Green Hills Area



Ignition Lab MIRAI
(Atago Green Hills (Mori Tower))

Support creation of next-generation business model

"Ignition Lab MIRAI" is an interactive space jointly operated with Silicon Valley based VC, WiL. Innovators from a variety of large companies gather to create and operationalize new business models.

2-18 External growth

Business environment recognition

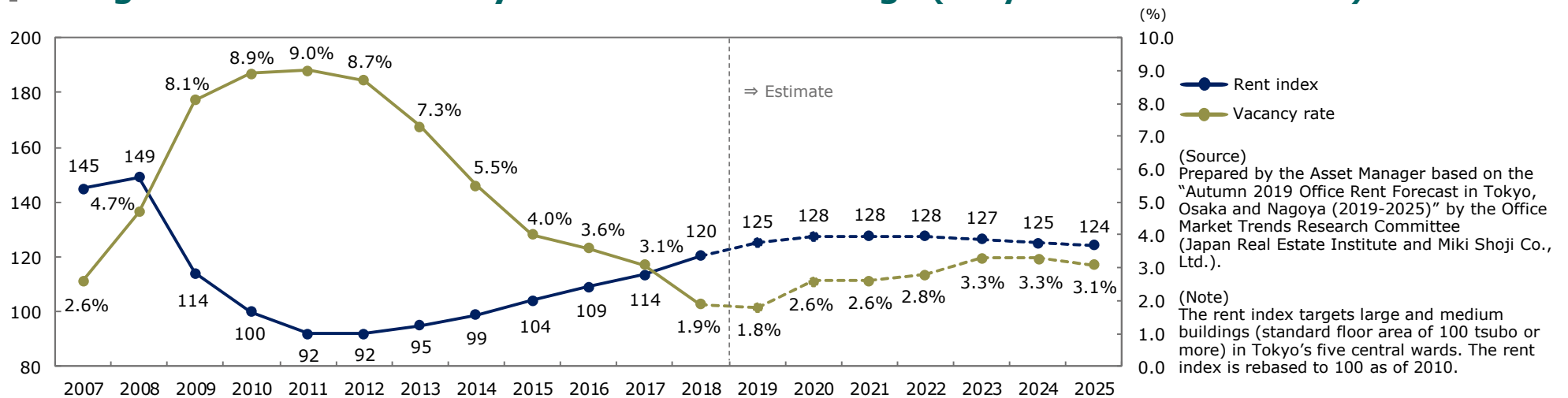
Closely watching the acquisition price level as property acquisition competitions are overheated

(Note) Please refer to "Section 4. Business environment recognition and MHR's policy/strategy" for details.

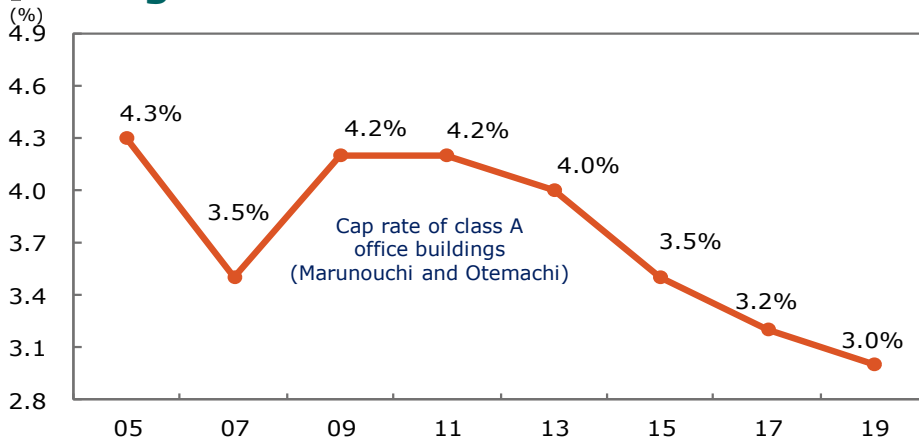
External growth policy

Proceed with external growth utilizing sponsors' abundant property pipeline

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



Change in return on real estate investment



Mori Building's extensive property pipeline

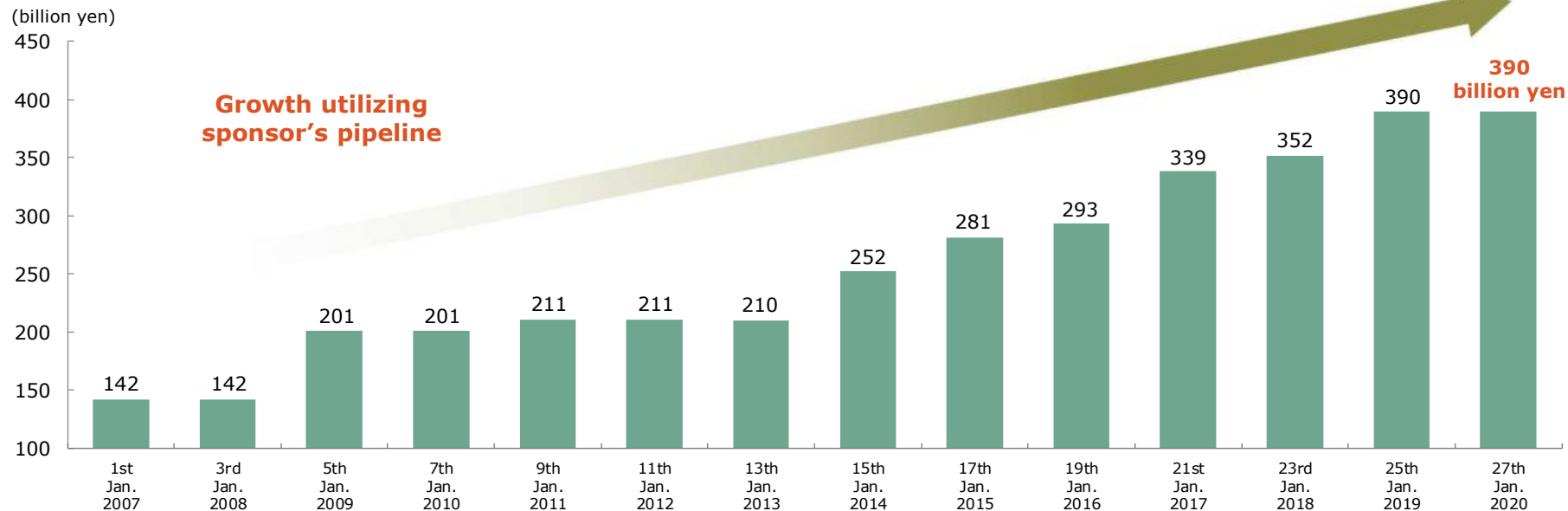
Total assets:
2.0 trillion yen
(as of the end of March)

Number of properties under management: **96 buildings**
(as of April 1, 2019)

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 September 3, 2018)

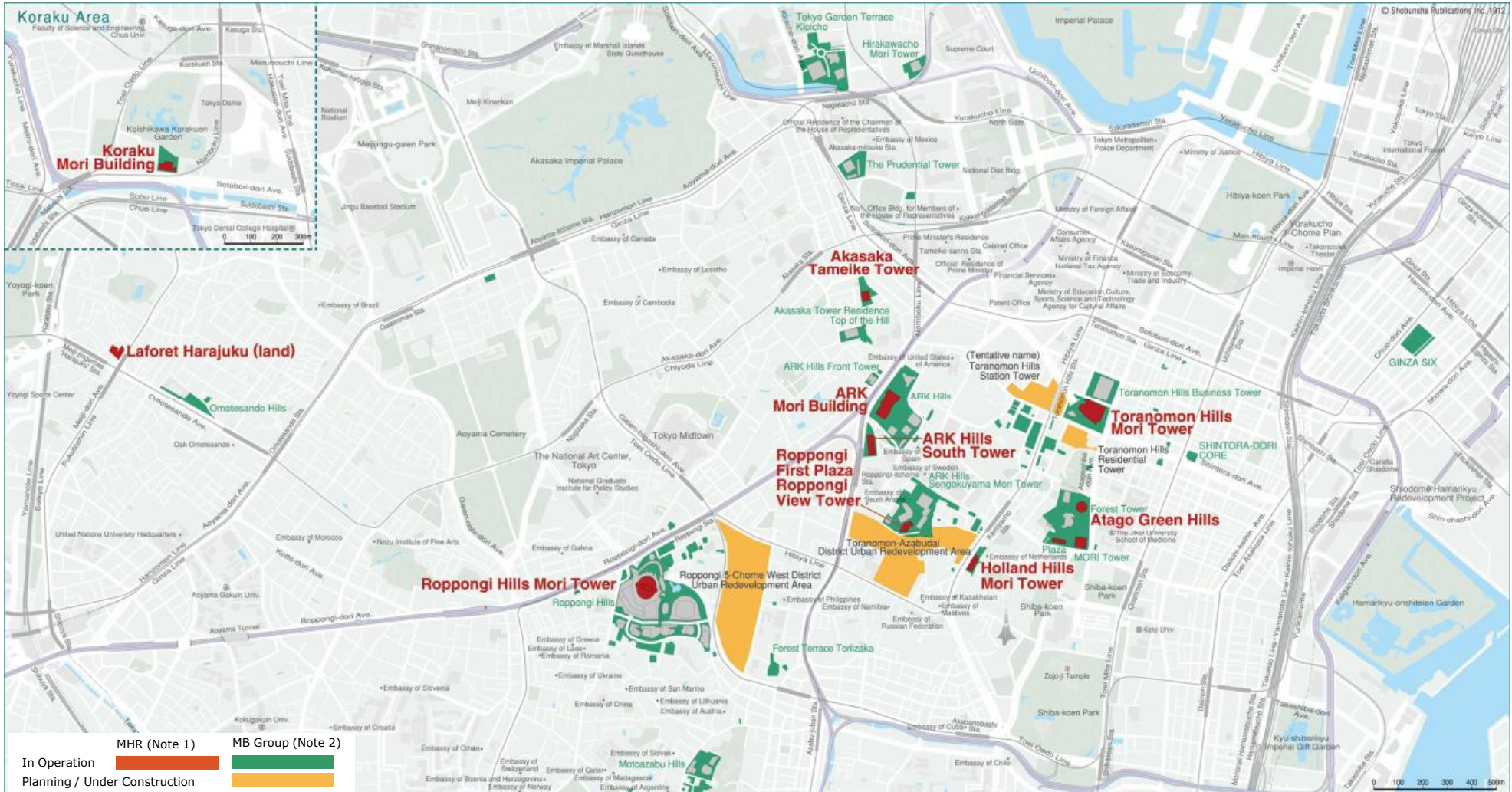
Toranomon Hills Mori Tower	Holland Hills Mori Tower
	
Acquisition price 26,070 million yen	Acquisition price 4,570 million yen
Appraisal value 28,830 million yen	Appraisal value 5,260 million yen
Location Minato-ku, Tokyo	Location Minato-ku, Tokyo

	Toranomon Hills Mori Tower	Holland Hills Mori Tower	Recent office acquisition by listed REITs (Note 1)
Discount of acquisition price to appraisal value (Note 2)	△ 9.6%	△ 13.2%	△ 4.4%
Building age	4.3 years	13.6 years	21.3 years
PML	0.50%	0.85%	5.18%

(Note 1) Average based on information of acquisitions disclosed (41 properties excluding acquisitions at IPO) from January to July 2018.

(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 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.

2-21 Internal growth

Business environment recognition

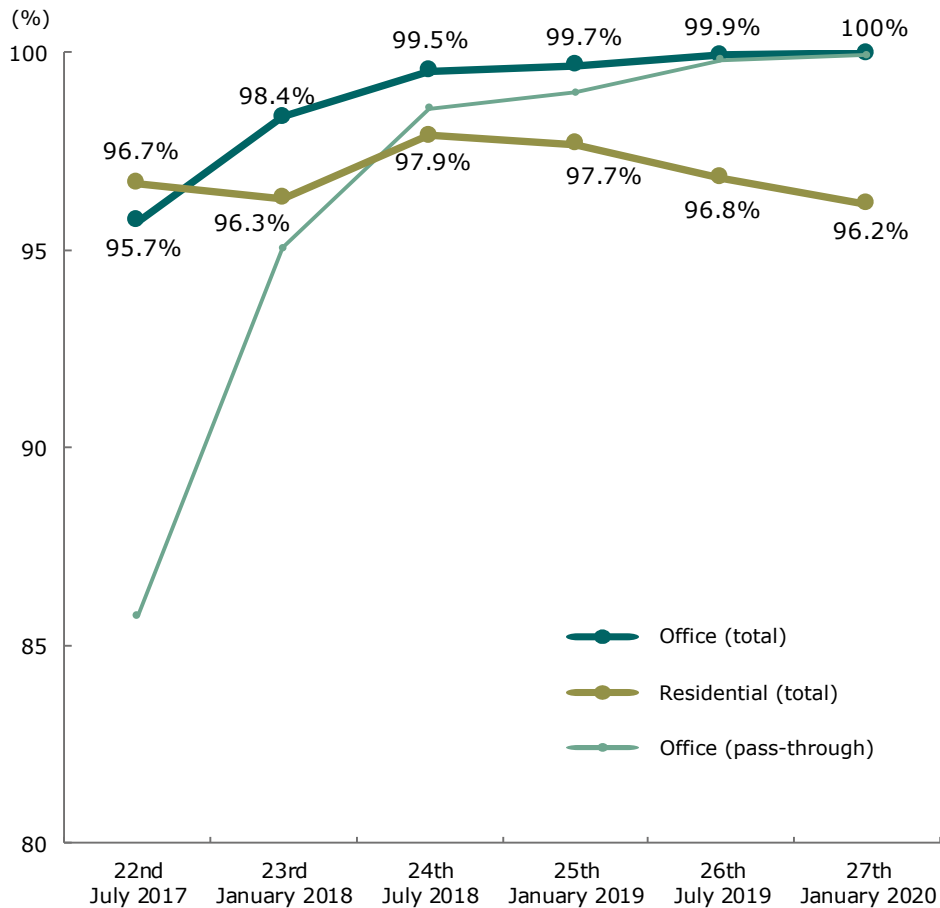
Central Tokyo office rents forecast to continue moderate rise, but close attention to be paid to demand trends

(Note) Please refer to "Section 4. Business environment recognition and MHR's policy/strategy" for details.

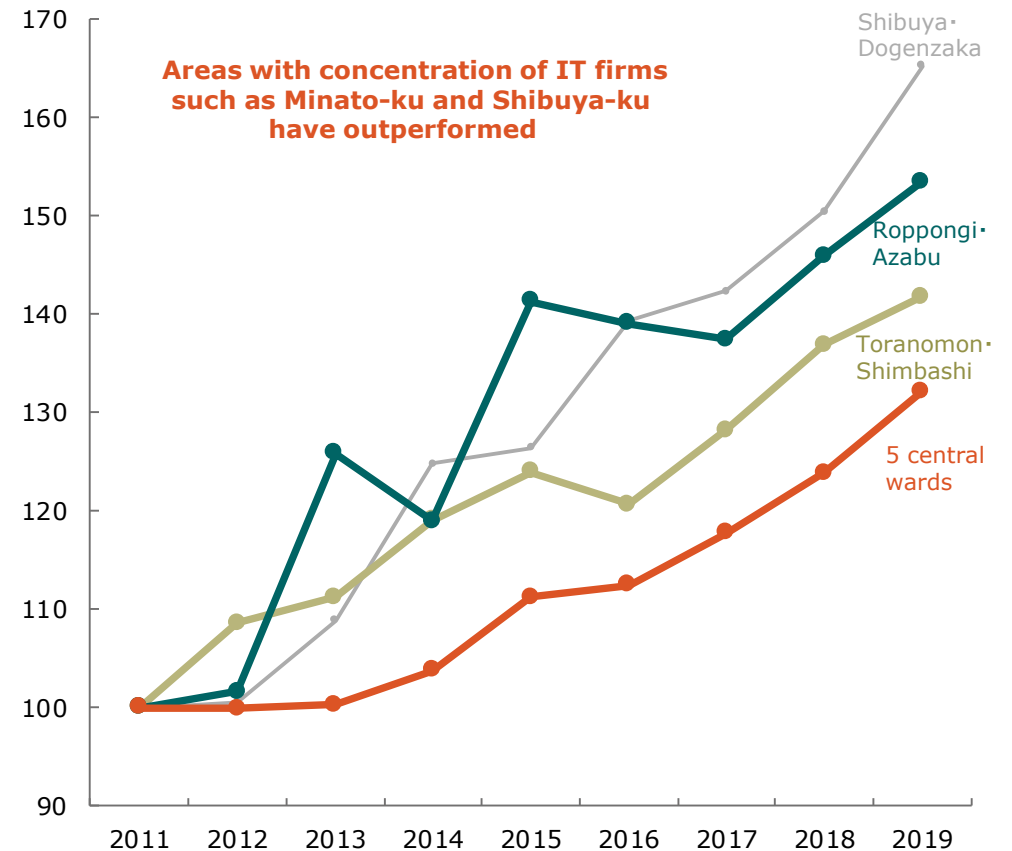
Internal growth policy

Maintain stability of cash flow through fixed rent master leases, while achieving rent increase revision with pass-through type leases

Trend in occupancy rates



Trend in asking rent

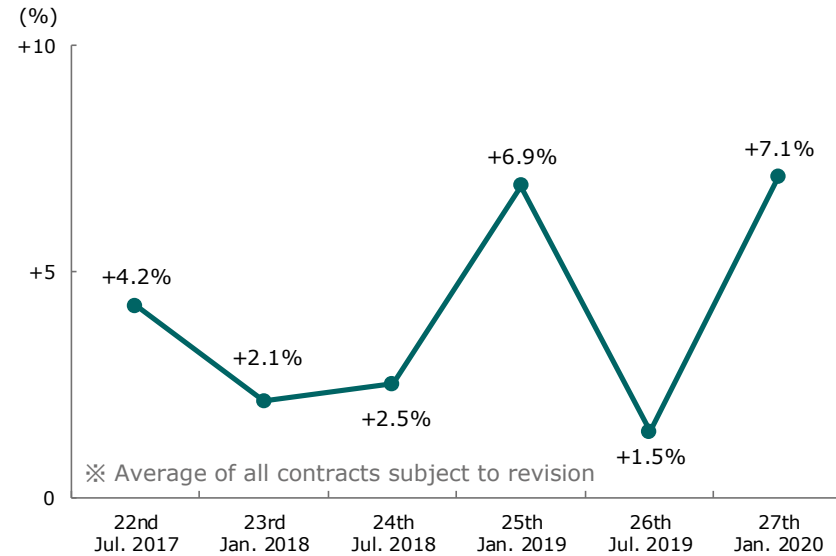


(Source) Prepared by the Asset Manager based on "Office Market Report" by Sanko Estate Co., Ltd.

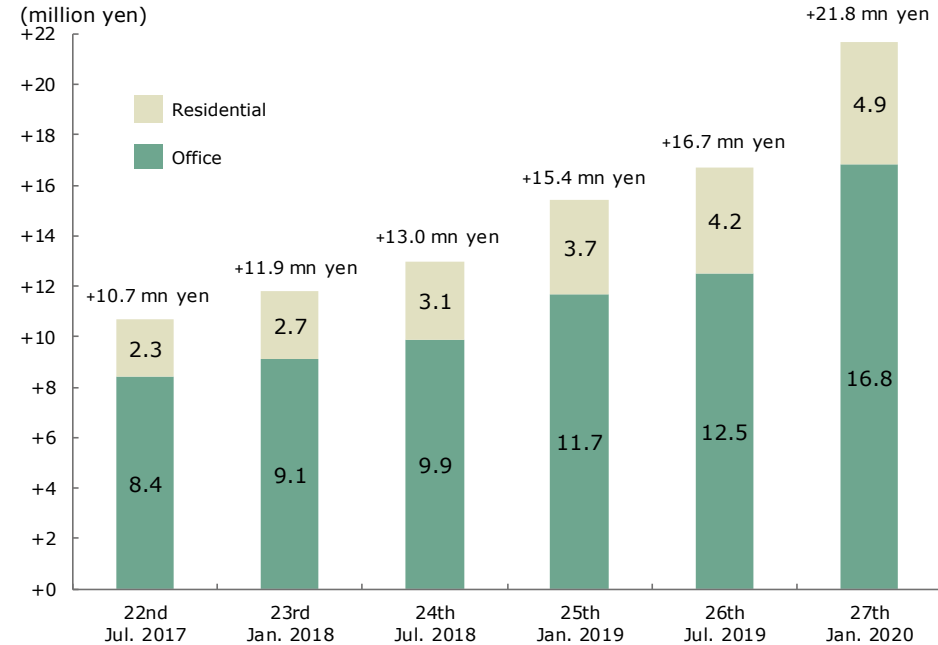
(Note) The average of asking rent (including common area revenue) that targets a large scale building with a standard floor area of 200 tsubo or more is rebased to 100 as of 2011.

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

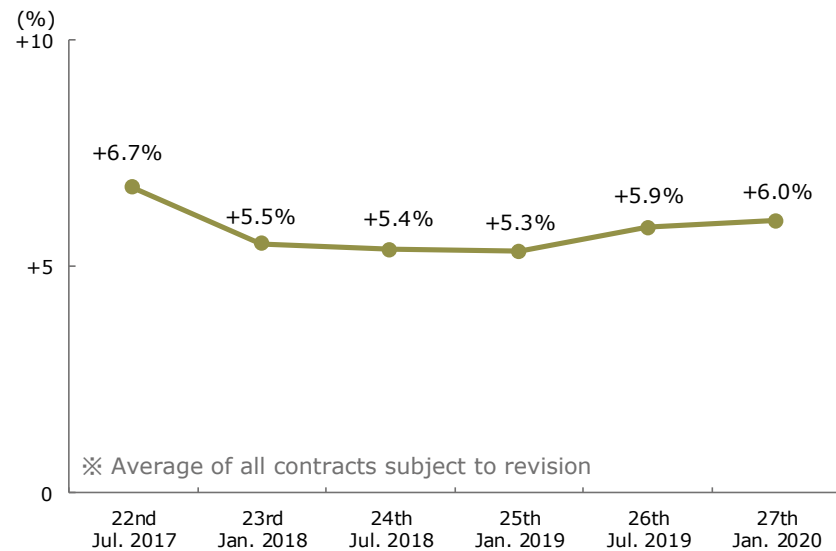
Rent revision rate (Office)



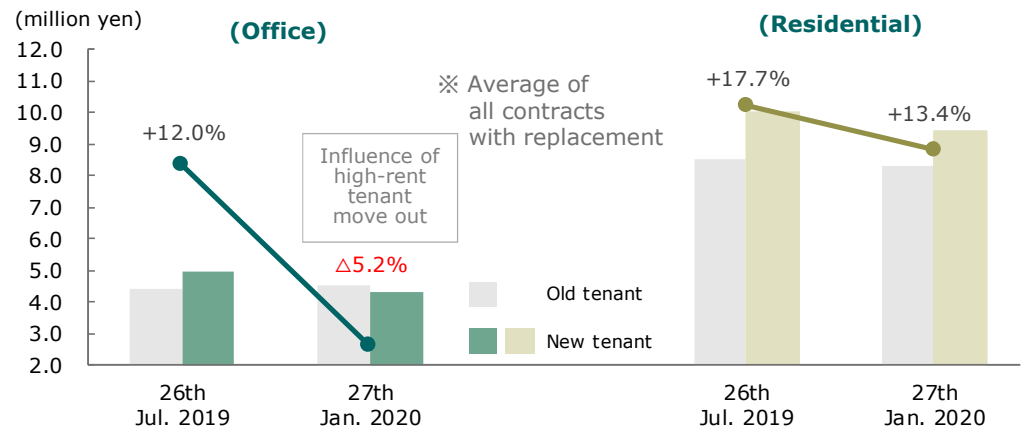
Net impact of rent revisions accumulated since 22nd period (Monthly rent basis)



Rent revision rate (Residential)

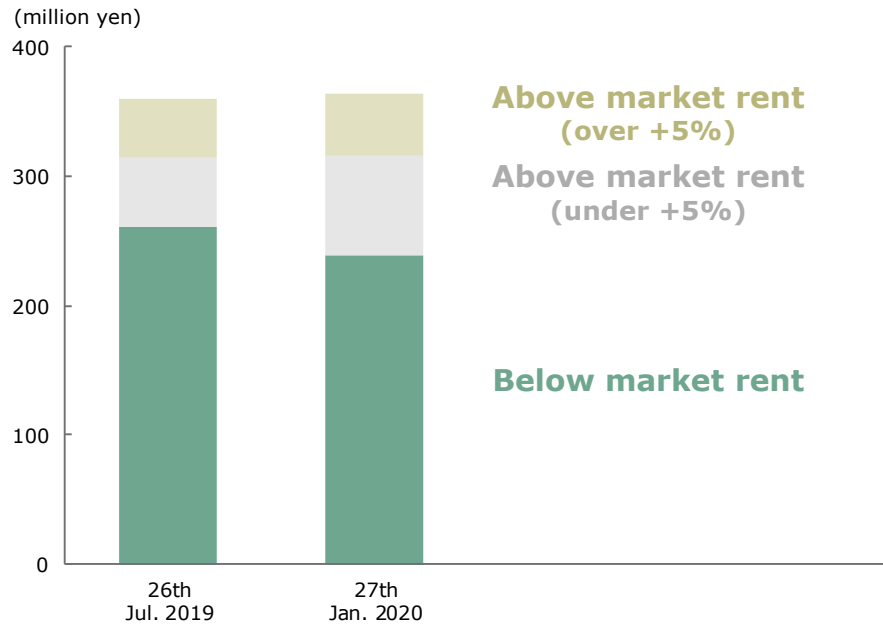


Net impact on increase/decrease of tenant replacement (Monthly rent basis)

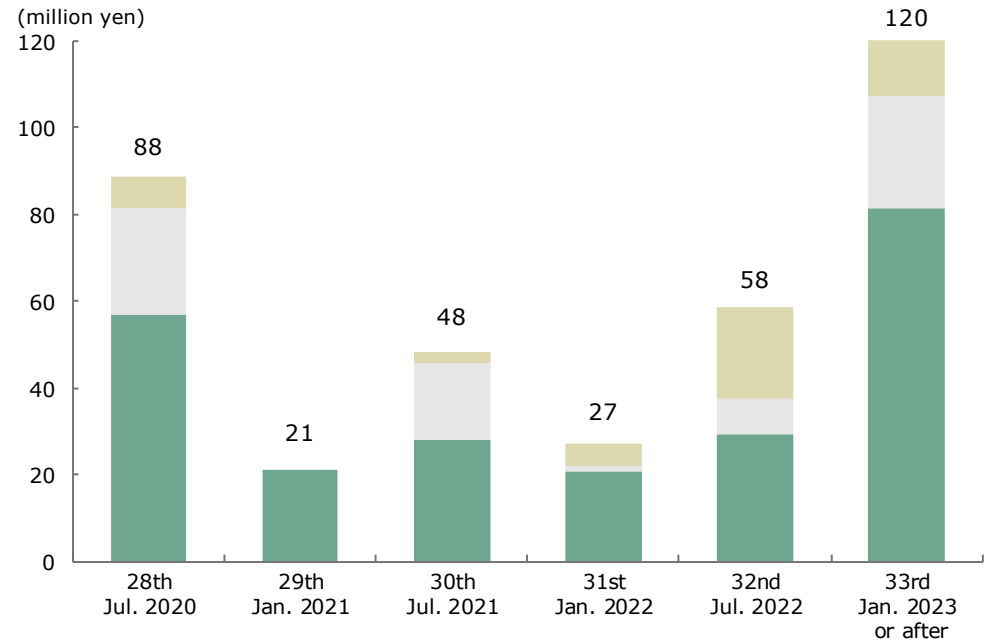


Comparison with office market rent (pass-through type)

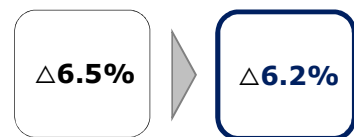
Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap



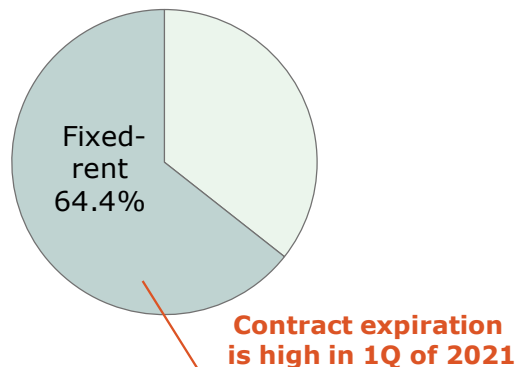
This indicates that contracts have not reached market rent levels and have room for upside

- Occupancy rate remained at high level due to vigorous office demand
- Rents have increased steadily in the area where MHR's properties are located and rent revisions have progressively increased
- Rent gap of MHR's properties shrank 0.3% period-over-period and MHR continues to promote internal growth

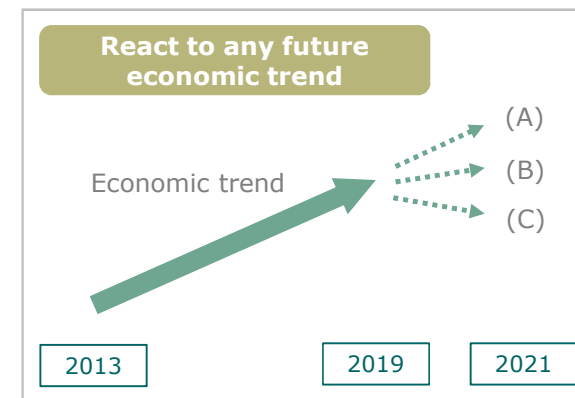
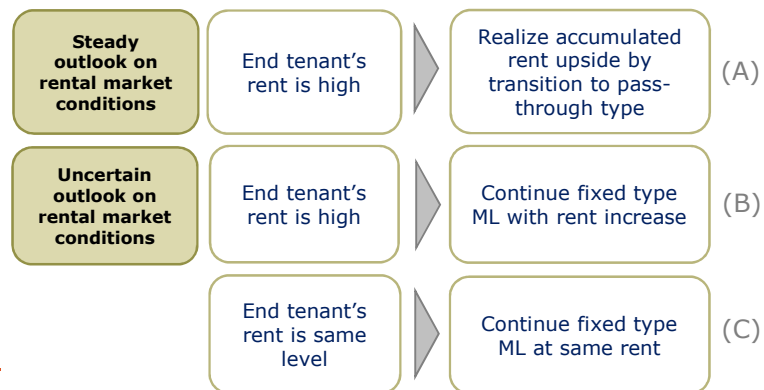
(Note 1) Market rent is based on the report by CBRE K.K.
 (Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1
 (Note 3) Figures reflect move outs of end tenants confirmed as of January 31, 2020

Overview of fixed rent master lease

Ratio of fixed rent master lease



Concept of contract expiration



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
						2020	2021	2022	2023 or after	
Roppongi Hills Mori Tower (10 floors)	490.5	31.1%	23rd & 24th	8,993.45	MHR	—	114.6	—	—	Jul. 2021
			19th & 22nd	8,609.47		—	—	—	95.0	Sep. 2023
			20th	3,879.19		—	—	—	42.8	Jul. 2024
			28th	4,460.13		49.2	—	—	—	Sep. 2020
			25th	4,156.66		—	45.8	—	—	Jan. 2021
			26th, 27th & 29th	12,942.64		—	142.9	—	—	Mar. 2021
ARK Mori Building (8 floors + DHC)	225.2	14.3%	13th/12th & 22nd	7,952.55	MHR	—	77.9	—	—	Jan. 2021
			23rd & 25th	5,742.95		—	55.5	—	—	Jan. 2021
			4th, 15th & 24th	7,680.52		—	73.8	—	—	Jan. 2021
			DHC	3,212.41	Master lessee	—	—	—	17.9	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.7%	Office, residential & retail	29,667.58	Master lessee	—	—	168.7	—	Apr. 2022
Toranomon Hills Mori Tower (approx. 6.9% of entire property)	129.2	8.2%	Part of 28th to 35th floors	12,209.08	MHR	—	—	129.2	—	Jul. 2022
Total	1,013.8	64.4%				49.2 (4.9%)	510.7 (50.4%)	297.9 (29.4%)	155.8 (15.4%)	

2-25 Financial management

Business environment recognition

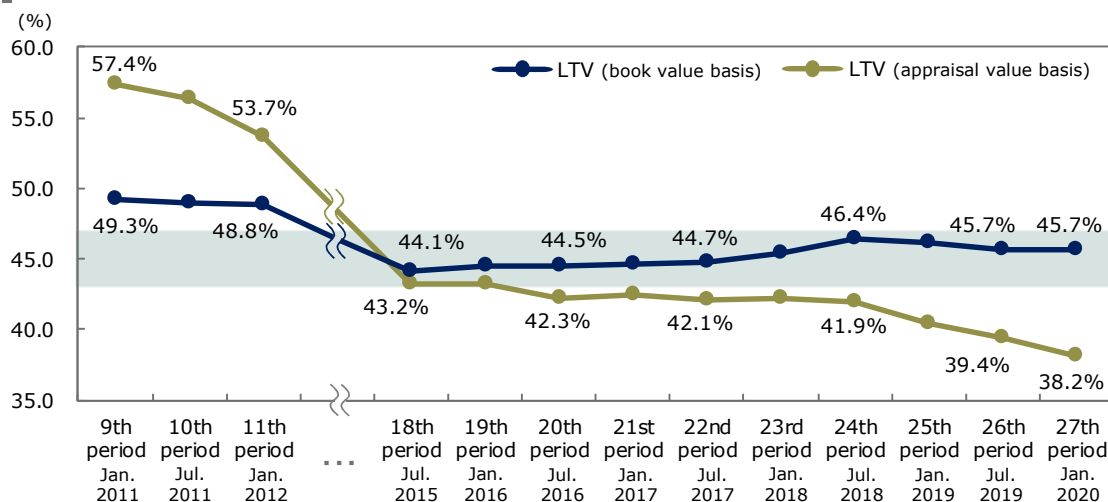
Interest rates are expected to remain low considering monetary policies and assuming rise over the medium to long term

(Note) Please refer to "Section 4. Business environment recognition and MHR's policy/strategy" for details.

Financial management policy

Move to lower interest rates targeting mid 40% range LTV (book value basis) and 4 years or longer average remaining duration of debt

Reduction in LTV



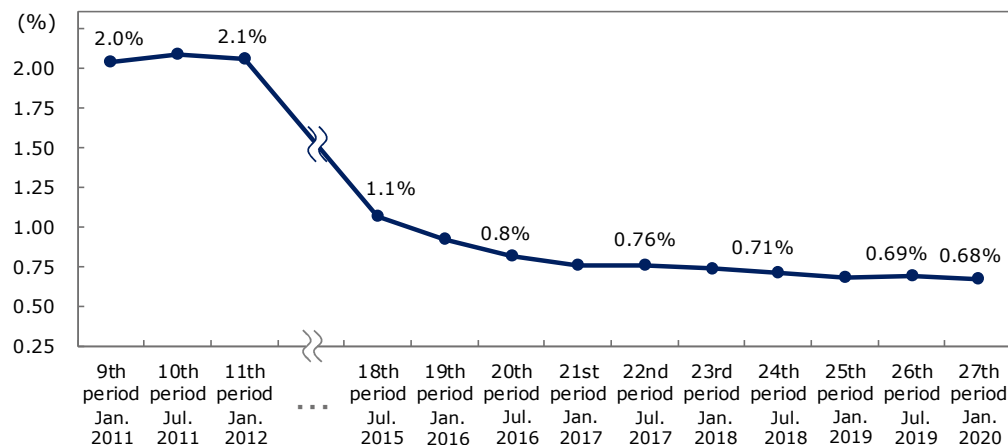
Overview of debt financing

	End of 26th period Jul. 31, 2019	End of 27th period Jan. 31, 2020
Debt Balance	179,222 mn yen	179,222 mn yen
LTV (book value basis) ^(Note 1)	45.7%	45.7%
LTV (appraisal value basis) ^(Note 2)	39.4%	38.2%
Avg. remaining duration	4.4 years	4.6 years

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

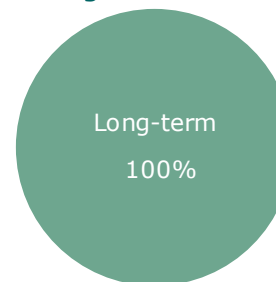
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Reduction in average interest rate (including borrowing expenses)

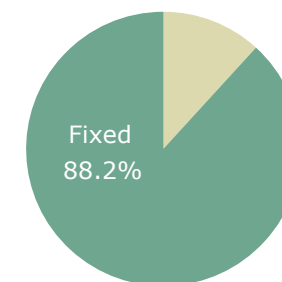


Long-term debt ratio / Fixed rate ratio

<Long-term debt ratio>

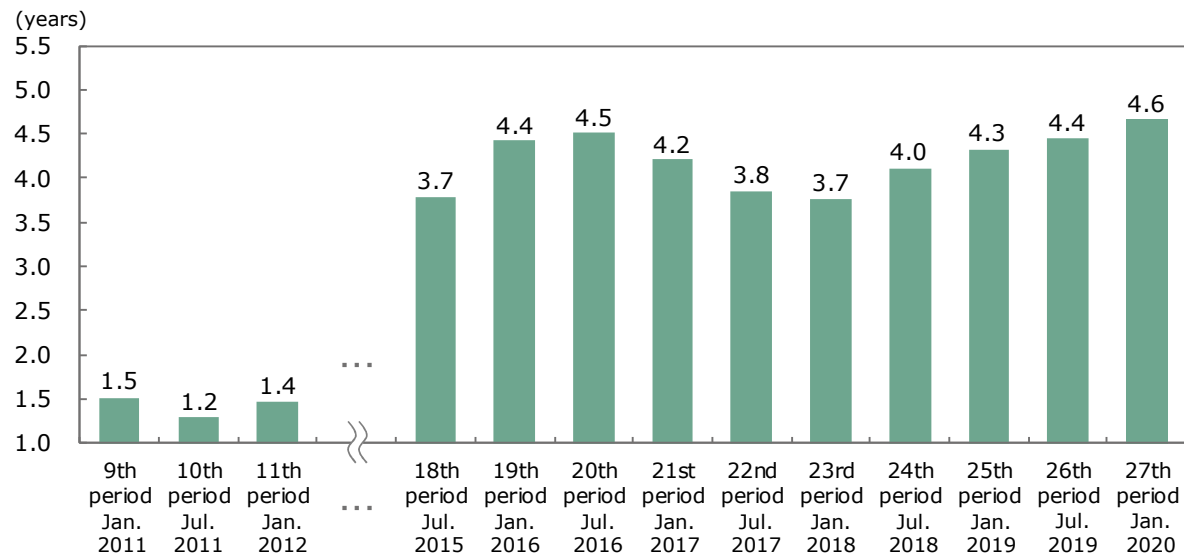


<Fixed rate ratio>



(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].

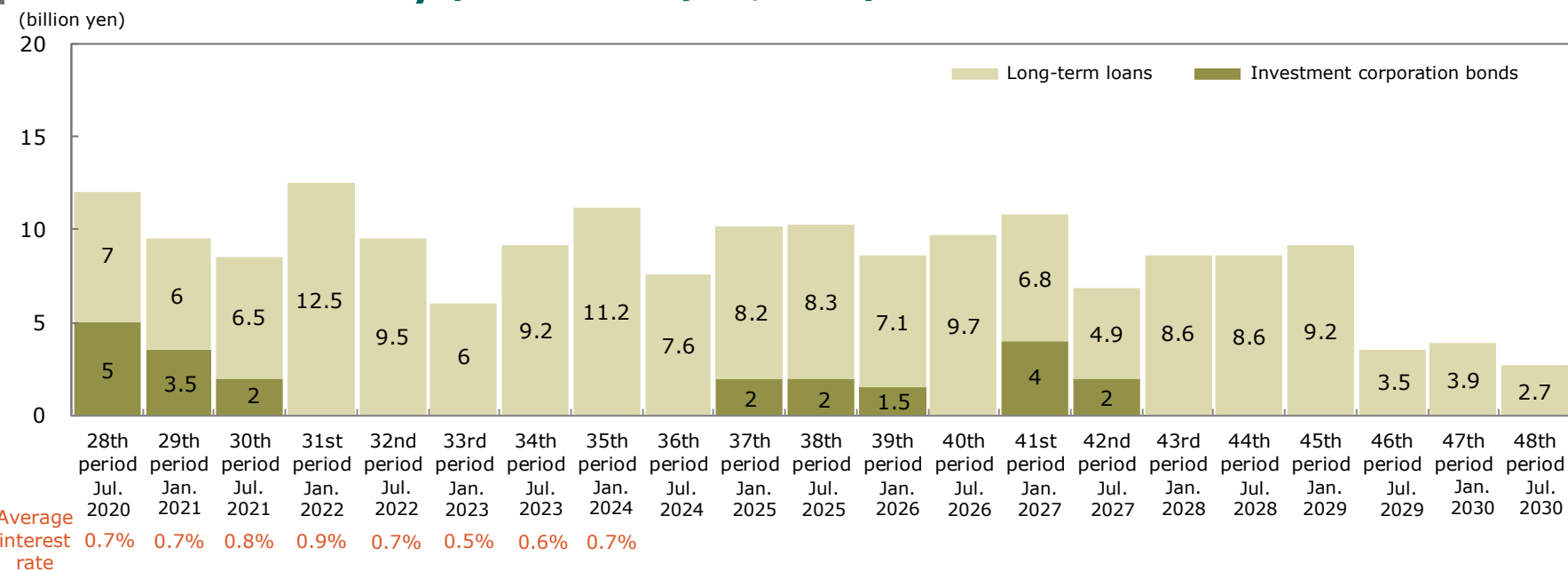
Extension in remaining duration of debt



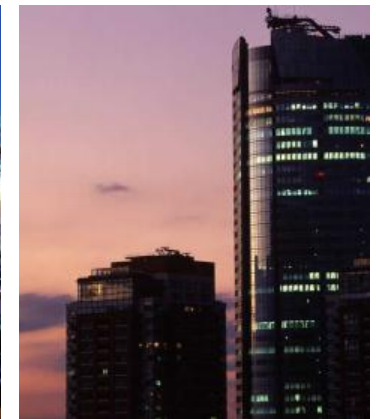
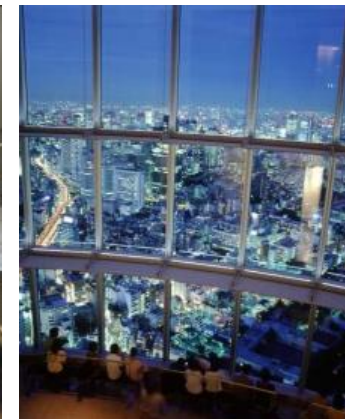
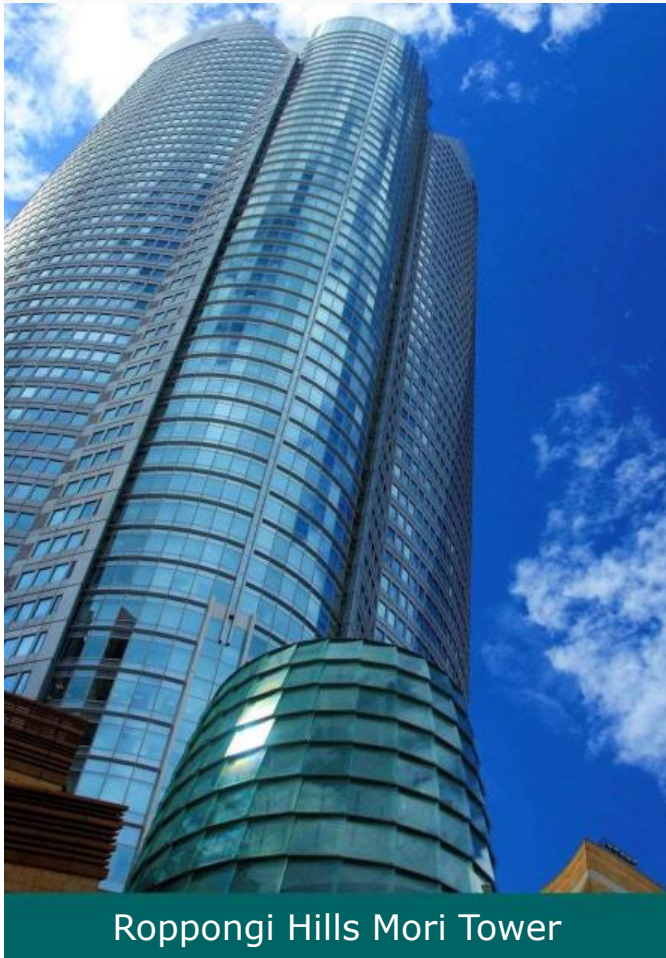
Rating

Japan Credit Rating (JCR)
 Long-term issuer rating:
 AA (Stable)

Overview of maturity (As of January 31, 2020)



2-27 MHR's representative property (1) Roppongi Hills



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 the 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.

2-28 MHR's representative property (2) Toranomon Hills



Toranomon Hills Mori Tower



Toranomon Hills

Toranomon 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

Toranomon Hills Mori Tower

Offices occupy the 6th to the 35th floors of "Toranomon 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 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.



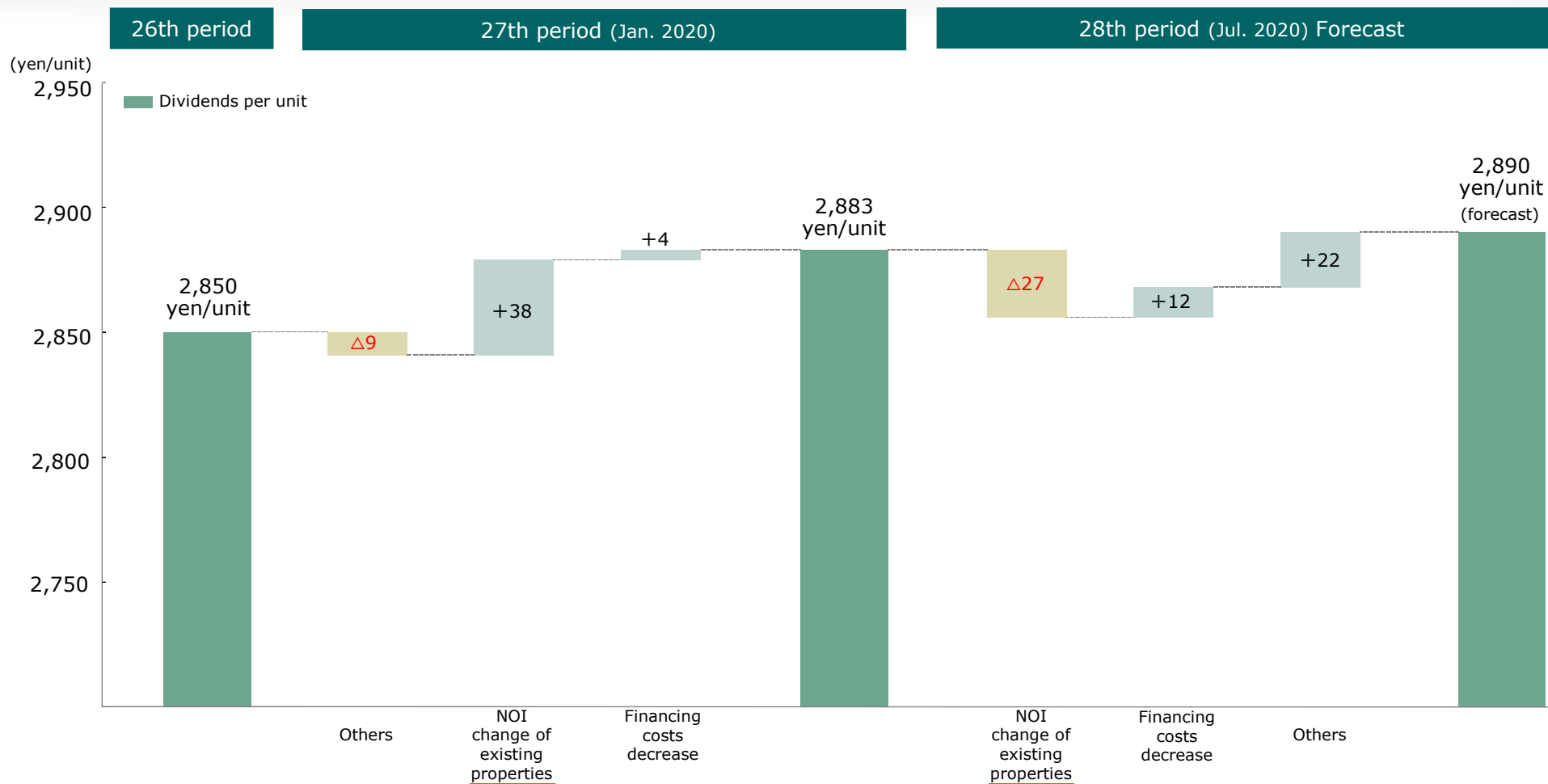
Evolving as an International Urban Center and a Global Business Hub

Upon completion of Toranomon Hills Business Tower, Toranomon Hills Residential Tower and the currently planned Toranomon Hills Station Tower (Tentative name), the total area of the Toranomon Hills complex including Toranomon Hills Mori Tower will reach about 7.5 hectares and about 800,000m² of the total floor space. The area will evolve into a true "international urban center and a global business hub" with integrated functions such as international standard 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



Major factors behind change in NOI from existing properties:

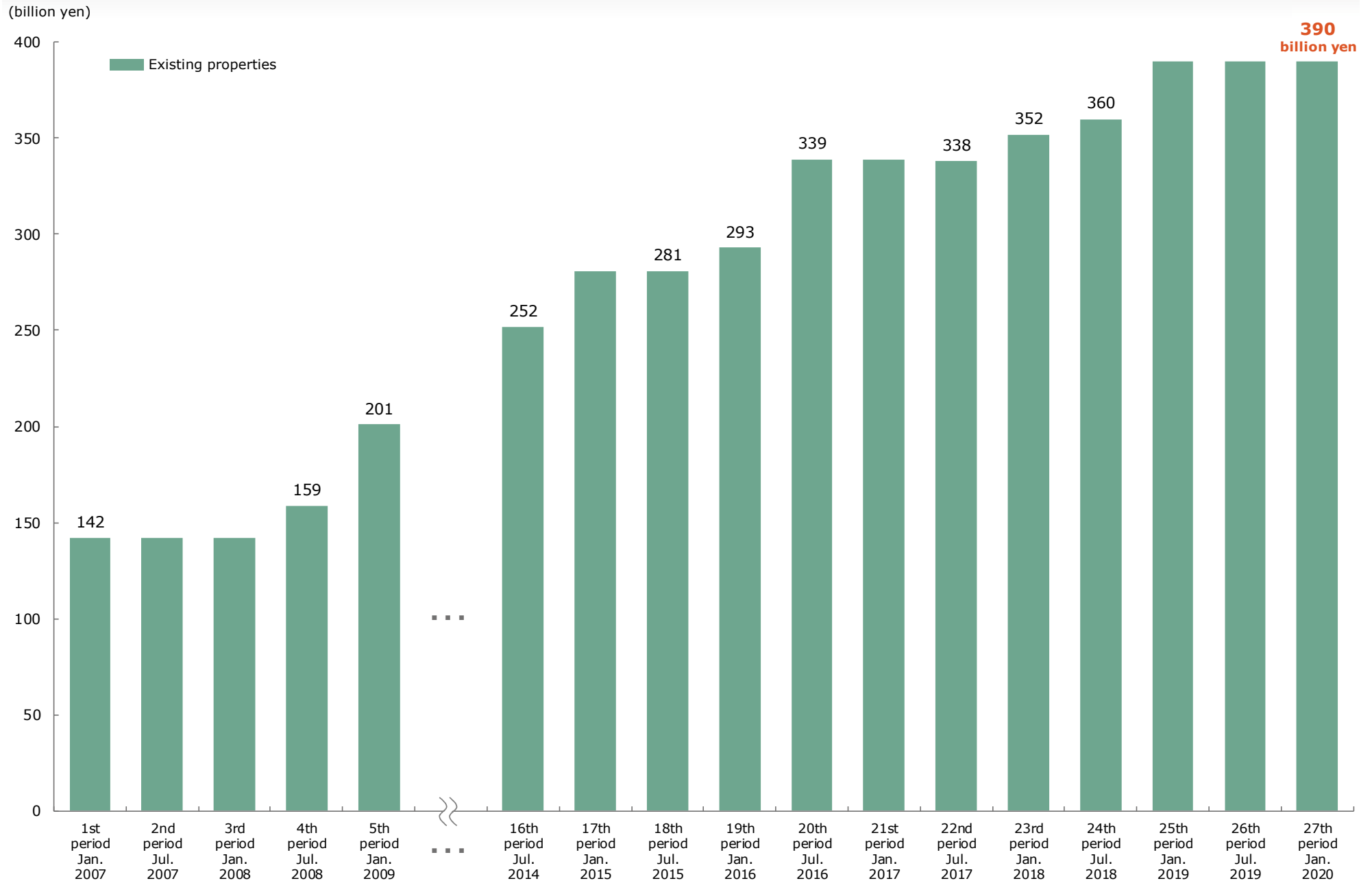
+ Decrease in maintenance and repairs	+30
+ Rent revision of land (Laforet Harajuku)	+14
+ Rent revenue of office (Pass-through)	+12
+ Decrease in depreciation	+12
- Property taxes for properties acquired in 24th and 25th period recorded as expense (equivalent to 3 months)	△18
- Increase in property management fee	△12

Major factors behind change in NOI from existing properties:

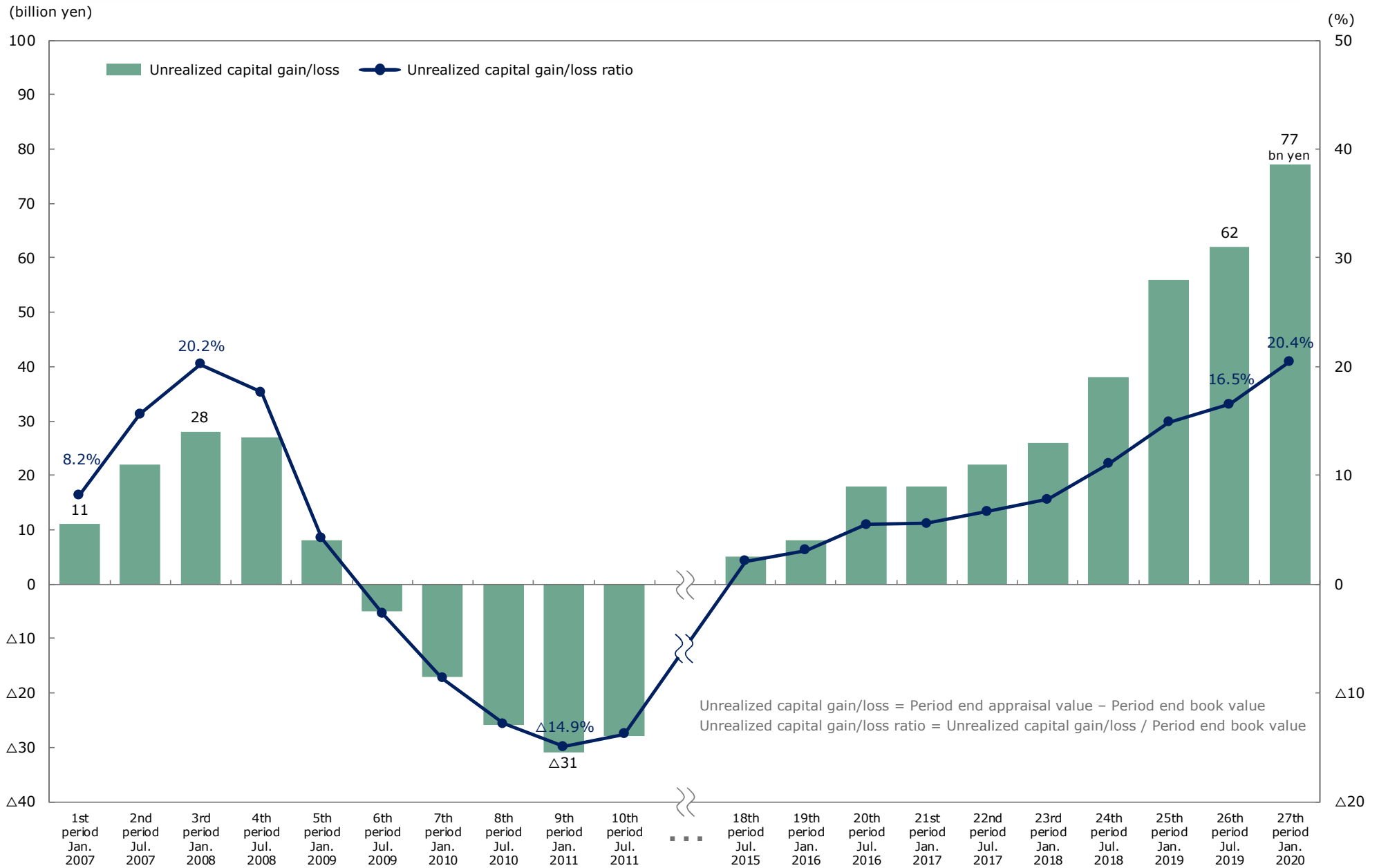
+ Full period contribution of rent revision of land (Laforet Harajuku)	+7
- Increase in property management fee	△9
- Increase in property taxes for existing properties	△8
- Utilities and other revenue (net)	△7
- Increase in maintenance and repairs	△5
- Increase in depreciation	△5

(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,874,960 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

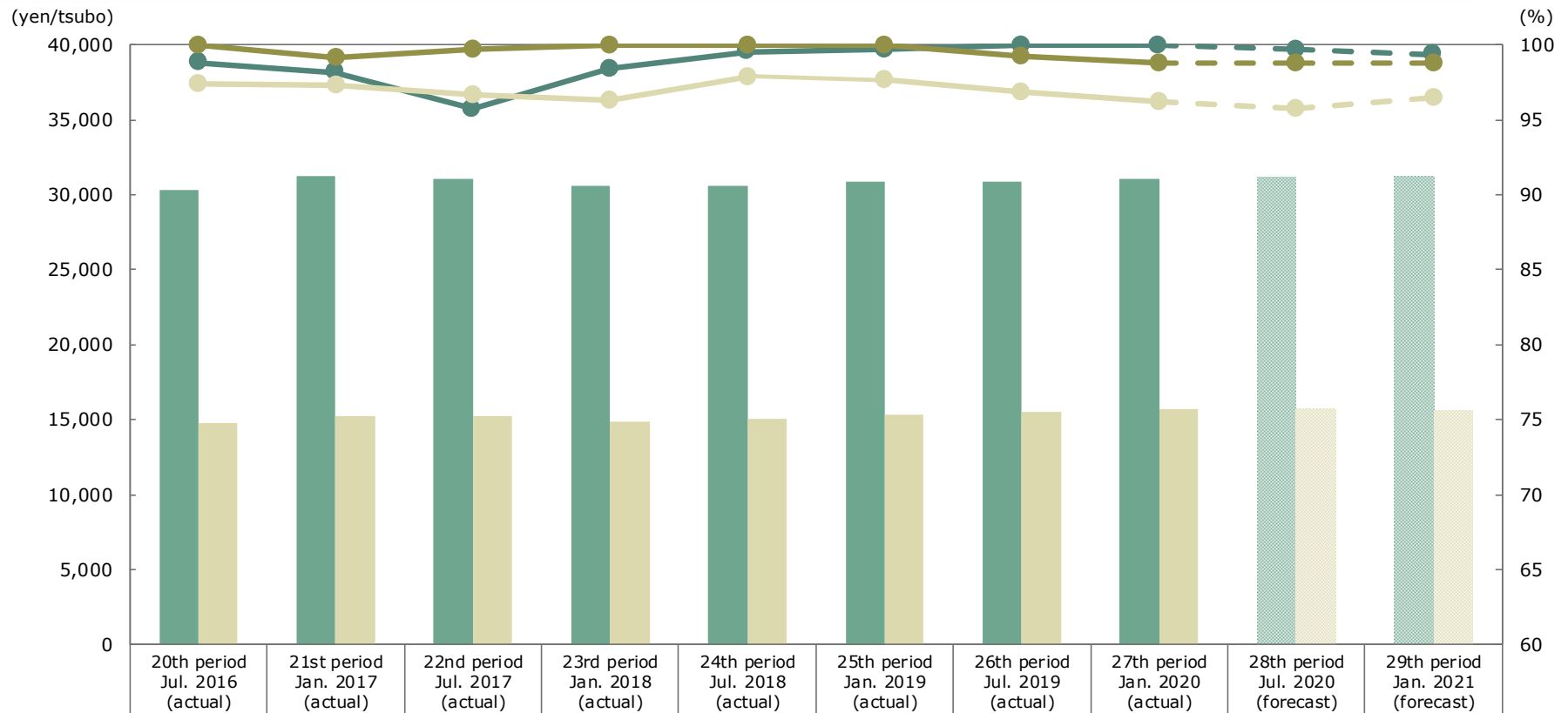
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 26th period July. 31, 2019		As of end of 27th period Jan. 31, 2020				Difference (B) - (A)	Difference (B)/(A) - 1	Unrealized capital gain (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	111,723	143,300	3.0%	148,100	2.9%	2.6%	3.1%	4,800	3.3%	36,376
	ARK Mori Building	O-1	62,480	61,518	61,800	3.3%	63,700	3.2%	2.9%	3.4%	1,900	3.1%	2,181
	Koraku Mori Building	O-4	27,200	24,708	25,400	3.5%	26,200	3.4%	3.0%	3.7%	800	3.1%	1,491
	Akasaka Tameike Tower	O-6	43,930	41,629	32,800	3.3%	34,100	3.2%	2.9%	3.4%	1,300	4.0%	△ 7,529
	Atago Green Hills	O-7	42,090	40,258	45,700	3.5%	46,900	3.4%	2.9%	3.6%	1,200	2.6%	6,641
	ARK Hills South Tower	O-8	19,150	18,748	24,700	3.1%	25,100	3.0%	2.8%	3.2%	400	1.6%	6,351
	Toranomon Hills Mori Tower	O-9	36,210	35,973	43,200	2.7%	44,800	2.6%	2.3%	2.8%	1,600	3.7%	8,826
	Holland Hills Mori Tower	O-10	16,330	16,261	20,700	3.3%	21,700	3.2%	2.8%	3.4%	1,000	4.8%	5,438
Sub total			362,770	350,822	397,600	—	410,600	—	—	—	13,000	3.3%	59,777
Residential	Roppongi First Plaza	R-3	2,100	2,235	2,440	4.0%	2,530	3.9%	3.7%	4.1%	90	3.7%	294
	Roppongi View Tower	R-4	4,000	4,094	3,010	4.1%	3,200	4.0%	3.8%	4.2%	190	6.3%	△ 894
	Sub total			6,100	6,329	5,450	—	5,730	—	—	—	280	5.1%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	39,900	3.9%	40,400	—	3.8%	—	500	1.3%	18,325
	Sub total			21,820	22,074	39,900	—	40,400	—	—	—	500	1.3%
Total			390,690	379,226	442,950	—	456,730	—	—	—	13,780	3.1%	77,503

(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 26th period shows the discount rate used in the DCF analysis.

3-5 Changes in the rent and occupancy rates

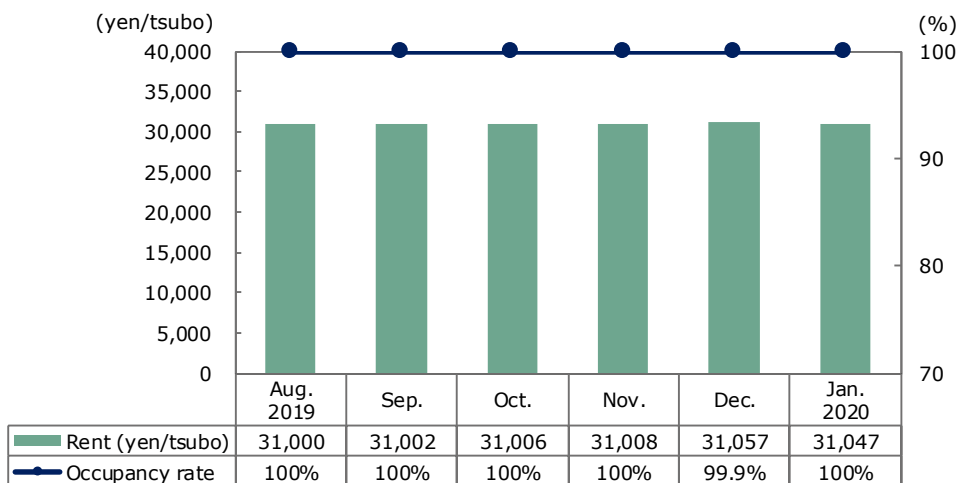


Office rent (yen/tsubo)	30,306	31,281	31,069	30,642	30,629	30,842	30,924	31,020	31,135	31,226
Residential rent (yen/tsubo)	14,750	15,272	15,278	14,858	15,095	15,302	15,498	15,698	15,703	15,634
Office occupancy	98.8%	98.2%	95.7%	98.4%	99.5%	99.7%	99.9%	100%	99.7%	99.4%
Residential occupancy	97.4%	97.3%	96.7%	96.3%	97.9%	97.7%	96.8%	96.2%	95.8%	96.5%
Retail occupancy	100%	99.2%	99.7%	100%	100%	100%	99.2%	98.8%	98.8%	98.8%

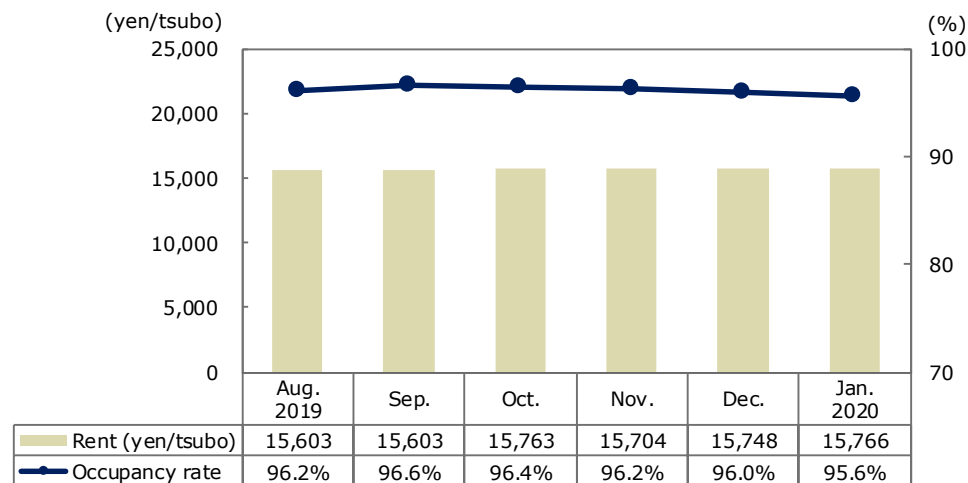
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-6 Tenant status by month and major tenants

Office: Rent and occupancy rate



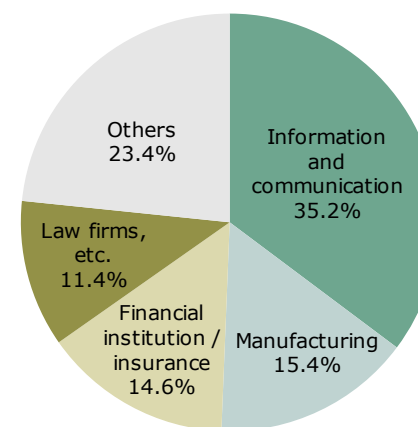
Residential: Rent and occupancy rate



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 ARK Hills South Tower Toranomom Hills Mori Tower	109,845.73 ㎡	63.4%
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53 ㎡	2.0%
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,352.77 ㎡	1.9%
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 ㎡	1.5%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 ㎡	1.5%
Total of top 5 tenants		121,905.99 ㎡	70.3%

Tenant Contribution by Industry Type-Office



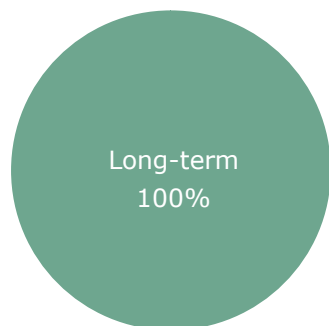
(Note 1) Leased space is the lease area stated in the lease contract with the end tenant. It is multiplied by the relevant percentage of ownership for each properties.
 (Note 2) This indicates the figures as of January 31, 2020.

(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 January 31, 2020. It is multiplied by the relevant percentage of ownership for each property.
 (Note 2) Business types are classified by the Asset Manager.

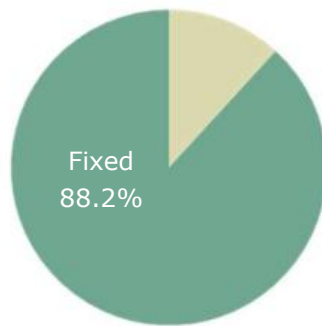
3-7 Financial overview (As of January 31, 2020)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 26th period Jul. 31, 2019	End of 27th period Jan. 31, 2020
Debt balance	179,222 mn yen	179,222 mn yen
Long-term loan	157,222 mn yen	157,222 mn yen
Investment corporation bonds	22,000 mn yen	22,000 mn yen
LTV (Book value basis) ^(Note 1)	45.7%	45.7%
LTV (Appraisal value basis) ^(Note 2)	39.4%	38.2%
DSCR ^(Note 3)	15.4x	15.5x
Avg. remaining duration	4.4 years	4.6 years
Weighted avg. interest rate	0.50%	0.49%

(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.	42,296 mn yen	26.9%
Mizuho Bank, Ltd.	28,498 mn yen	18.1%
Sumitomo Mitsui Banking Corporation	23,025 mn yen	14.6%
Sumitomo Mitsui Trust Bank, Limited	20,923 mn yen	13.3%
The Bank of Fukuoka	7,300 mn yen	4.6%
The Norinchukin Bank	7,000 mn yen	4.5%
Resona Bank, Limited.	6,430 mn yen	4.1%
Development Bank of Japan Inc.	5,950 mn yen	3.8%
Shinsei Bank, Limited	4,700 mn yen	3.0%
Mizuho Trust & Banking Co., Ltd.	3,800 mn yen	2.4%
The Nishi-Nippon City Bank, Ltd.	2,300 mn yen	1.5%
Aozora Bank, Ltd.	1,000 mn yen	0.6%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.6%
Oita Bank Co. Ltd.	1,000 mn yen	0.6%
Shinkin Central Bank	1,000 mn yen	0.6%
The Chugoku Bank, Limited.	1,000 mn yen	0.6%
Total borrowings	157,222 mn yen	100%
Investment corporation bonds	22,000 mn yen	
Total interest-bearing debt	179,222 mn yen	

3-8 Debt status (As of January 31, 2020)

Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	2,022	0.40%	2014/5/30	2020/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited.	5,000	0.38%	2014/8/1	2020/5/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,000	0.62%	2014/11/28	2020/11/30
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,500	0.75%	2014/11/28	2021/11/30
Development Bank of Japan Inc.	1,700	0.80%	2015/3/27	2023/3/27
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,500	0.57%	2015/5/29	2021/5/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,500	0.70%	2015/5/29	2022/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	6,000	0.49%	2015/8/31	2021/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	2,500	0.65%	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	3,200	0.50%	2015/11/30	2022/11/30
MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited	6,300	0.62%	2015/11/30	2023/11/30
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. The Norinchukin Bank, Resona Bank, Limited. Shinsei Bank, Limited, Mizuho Trust & Banking Co., Ltd. The Hiroshima Bank, Ltd.	7,500	0.33%	2016/3/31	2023/3/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited The Bank of Fukuoka, Development Bank of Japan, Inc. Aozora Bank, Ltd.	7,100	0.41%	2016/3/31	2024/3/31
MUFG Bank, Ltd., Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	7,200	0.50%	2016/3/31	2025/3/31
Shinkin Central Bank	1,000	0.18%	2016/3/31	2022/9/30
The Norinchukin Bank	500	0.37%	2017/8/1	2024/7/31
Sumitomo Mitsui Banking Corporation	1,100	0.47%	2017/8/1	2025/7/31
Sumitomo Mitsui Trust Bank, Limited	1,000	0.52%	2017/8/1	2026/7/31
The Bank of Fukuoka	500	0.52%	2017/8/1	2026/7/31
Resona Bank, Limited.	500	0.61%	2017/8/1	2027/7/31
Sumitomo Mitsui Trust Bank, Limited	2,000	0.48%	2017/8/1	2028/7/31
Mizuho Bank, Ltd.	1,100	0.58%	2017/8/1	2029/7/31
Mizuho Trust & Banking Co., Ltd.	500	0.58%	2017/8/1	2029/7/31
Oita Bank Co. Ltd.	1,000	0.23%	2017/11/30	2022/11/30
The Norinchukin Bank	600	0.49%	2017/11/30	2024/11/30
The Nishi-Nippon City Bank, Ltd.	1,000	0.49%	2017/11/30	2024/11/30
The Bank of Fukuoka	500	0.47%	2018/2/28	2025/8/31
Resona Bank, Limited.	500	0.47%	2018/2/28	2025/8/31
Mizuho Trust & Banking Co., Ltd.	1,500	0.47%	2018/2/28	2025/8/31
Shinsei Bank, Limited	500	0.54%	2018/2/28	2025/8/31
The Nishi-Nippon City Bank, Ltd.	500	0.54%	2018/2/28	2025/8/31
Sumitomo Mitsui Banking Corporation	2,650	0.55%	2018/2/28	2026/2/28
Sumitomo Mitsui Trust Bank, Limited	2,600	0.58%	2018/2/28	2027/2/28
Development Bank of Japan Inc.	750	0.64%	2018/2/28	2027/2/28
MUFG Bank, Ltd.	4,700	0.41%	2018/2/28	2027/8/31
Mizuho Bank, Ltd.	2,700	0.60%	2018/2/28	2030/2/28

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Mizuho Bank, Ltd.	3,000	0.19%	2018/5/23	2022/5/23
The Nishi-Nippon City Bank, Ltd.	800	0.26%	2018/8/31	2022/8/31
Sumitomo Mitsui Trust Bank, Limited	2,400	0.33%	2018/8/31	2023/8/31
Mizuho Bank, Ltd.	3,000	0.43%	2018/8/31	2024/8/31
The Bank of Fukuoka	1,300	0.38%	2018/8/31	2024/8/31
The Norinchukin Bank	1,300	0.43%	2018/8/31	2024/8/31
Shinsei Bank, Limited	1,300	0.52%	2018/8/31	2025/8/31
Mizuho Trust & Banking Co., Ltd.	1,300	0.47%	2018/8/31	2025/8/31
Sumitomo Mitsui Banking Corporation	3,600	0.56%	2018/8/31	2026/8/31
Sumitomo Mitsui Trust Bank, Limited	1,400	0.67%	2018/8/31	2027/8/31
Development Bank of Japan Inc.	500	0.67%	2018/8/31	2027/8/31
MUFG Bank, Ltd.	5,000	0.43%	2018/8/31	2028/2/29
Resona Bank, Limited.	1,300	0.48%	2018/8/31	2028/8/31
Mizuho Bank, Ltd.	1,400	0.42%	2018/8/31	2029/8/31
The Bank of Fukuoka	2,000	0.17%	2019/5/31	2026/5/31
The Norinchukin Bank	3,000	0.27%	2019/5/31	2026/5/31
Sumitomo Mitsui Banking Corporation	1,144	0.40%	2019/5/31	2027/11/30
MUFG Bank, Ltd.	3,904	0.29%	2019/5/31	2028/11/30
Mizuho Bank, Ltd.	1,952	0.42%	2019/5/31	2029/5/31
Mizuho Bank, Ltd.	1,000	0.20%	2019/8/30	2025/8/31
The Chugoku Bank, Limited.	1,000	0.22%	2019/8/30	2026/8/31
Resona Bank, Limited.	2,500	0.32%	2019/8/30	2029/8/31
Sumitomo Mitsui Trust Bank, Limited	1,000	0.22%	2019/11/29	2024/11/30
The Norinchukin Bank	600	0.29%	2019/11/29	2026/5/31
MUFG Bank, Ltd.	2,200	0.22%	2019/11/29	2026/11/30
Mizuho Bank, Ltd.	1,100	0.29%	2019/11/29	2027/5/31
Shinsei Bank, Limited	900	0.37%	2019/11/29	2027/11/30
Sumitomo Mitsui Banking Corporation	1,600	0.41%	2019/11/29	2028/5/31
The Bank of Fukuoka	2,000	0.27%	2019/11/29	2028/11/30
Development Bank of Japan Inc.	2,000	0.42%	2019/11/29	2028/11/30
Total	157,222			

(Note) The interest rates above are the interest rates actually fixed following the conclusion of an interest swap agreement.

Investment corporation bonds

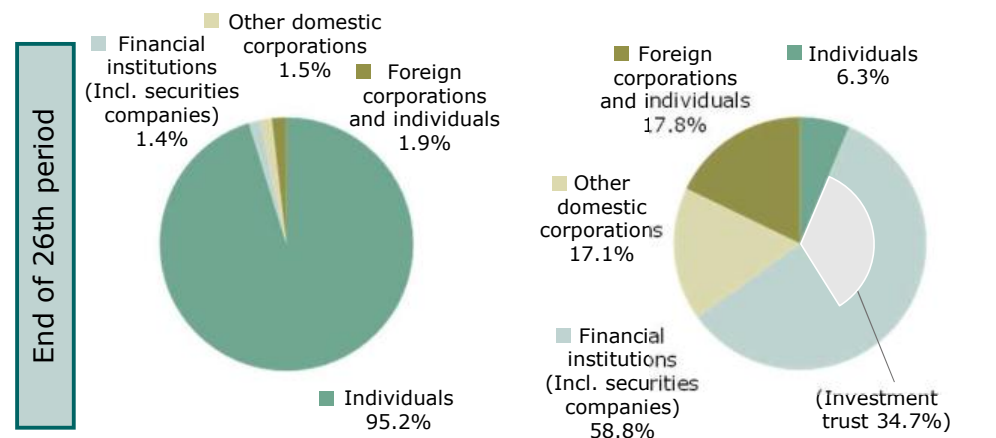
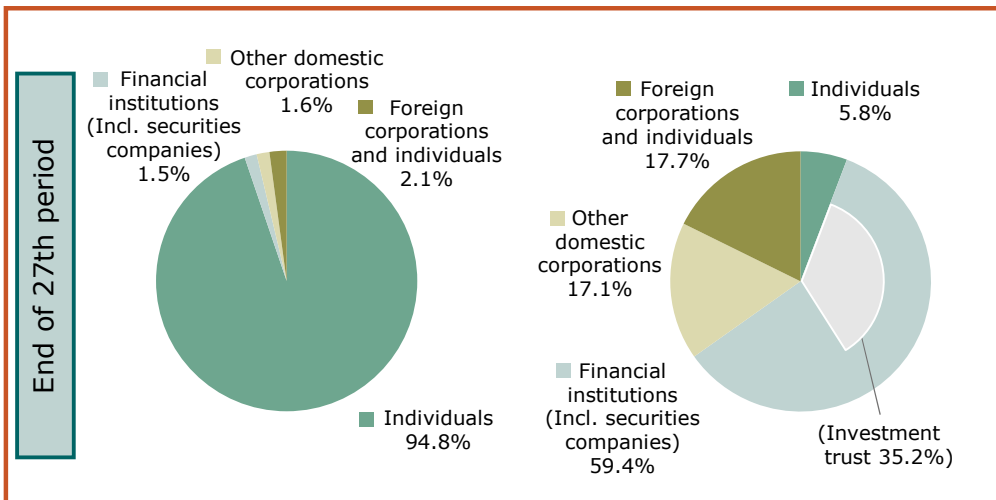
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
9th Series Unsecured Corporation Bond (7 years)	2,000	1.26%	2013/5/24	2020/5/22
11th Series Unsecured Corporation Bond (7 years)	2,000	0.69%	2014/2/24	2021/2/24
12th Series Unsecured Corporation Bond (10 years)	2,000	0.87%	2014/11/27	2024/11/27
13th Series Unsecured Corporation Bond (5 years)	3,000	0.32%	2015/5/26	2020/5/26
14th Series Unsecured Corporation Bond (10 years)	2,000	0.82%	2015/5/26	2025/5/26
15th Series Unsecured Corporation Bond (5 years)	3,500	0.38%	2015/11/26	2020/11/26
16th Series Unsecured Corporation Bond (10 years)	1,500	0.89%	2015/11/26	2025/11/26
17th Series Unsecured Corporation Bond (10 years)	2,000	0.34%	2016/8/30	2026/8/28
18th Series Unsecured Corporation Bond (10 years)	2,000	0.49%	2017/1/31	2027/1/29
19th Series Unsecured Corporation Bond (10 years)	2,000	0.50%	2017/6/30	2027/6/30
Total	22,000			

3-9 Unitholders breakdown (As of January 31, 2020)

Unitholders breakdown

<Number of unitholders>

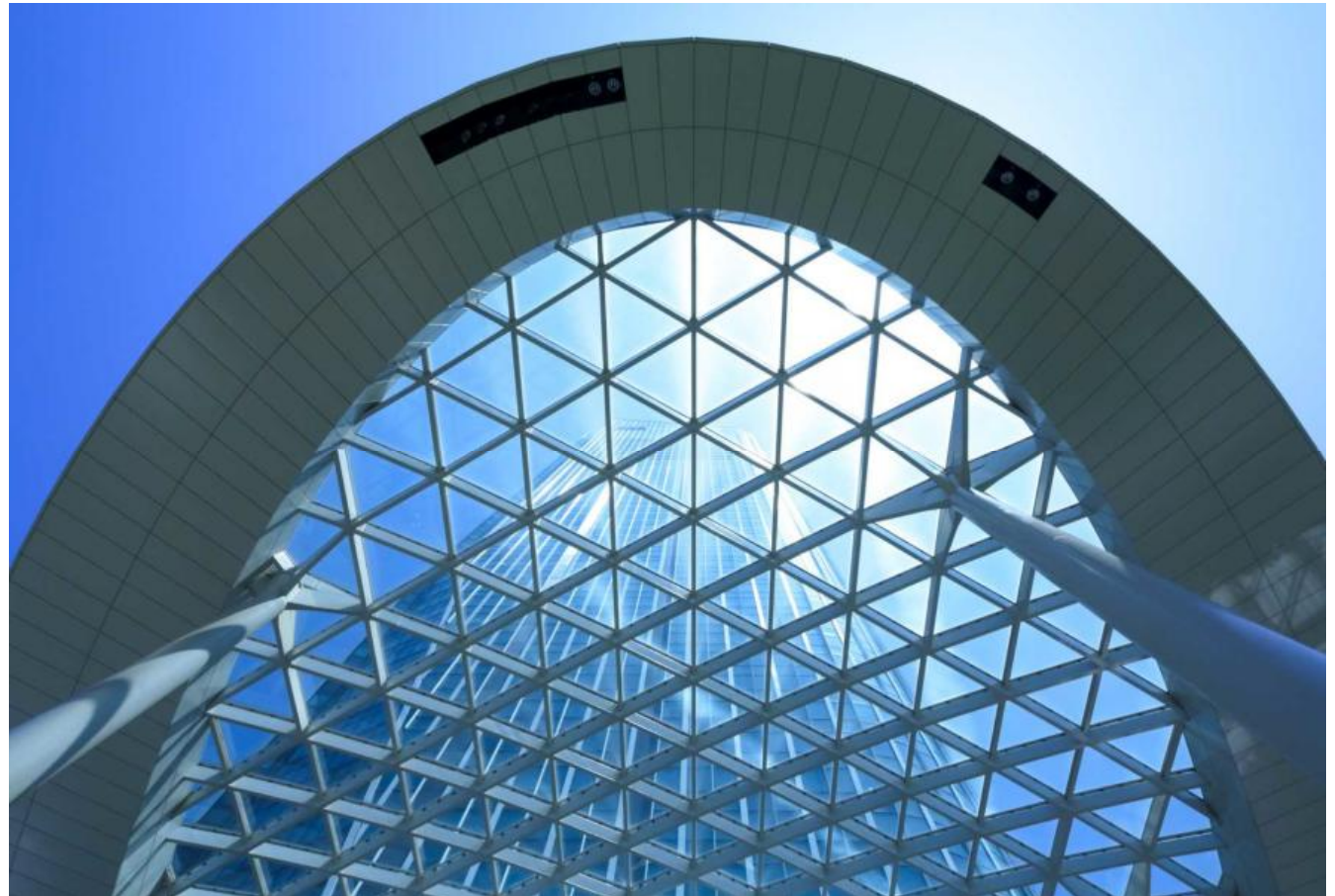
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust account)	403,210	21.5%
2	Mori Building Co., Ltd.	281,272	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	260,263	13.9%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	78,819	4.2%
5	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	53,904	2.9%
6	STATE STREET BANK WEST CLIENT - TREATY 505234	22,268	1.2%
7	JAPAN SECURITIES FINANCE CO., LTD.	20,395	1.1%
8	Trust & Custody Services Bank, Ltd. (Money trust taxable account)	18,995	1.0%
9	Shikoku Railway Company	16,620	0.9%
10	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	15,759	0.8%
Total of top 10 unitholders		1,171,505	62.5%

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



Real estate market / Lending attitude

- Low vacancy rates and gradual increase of rents of office buildings in central Tokyo is ongoing.
(Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
 - ⇒ Vacancy rate (forecast): 2.6% in 2020 → 2.6% in 2021
 - ⇒ Rent index (forecast): 128 in 2020 → 128 in 2021
- Although cap rates remain at historically low levels, the rate of decrease seems more moderate.
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
 - ⇒ Class A buildings in Marunouchi
Cap rate: 3.0% in Apr. 2019 → 3.0% in Oct. 2019
- Lending attitude toward the real estate industry continues to be highly positive.

- Rents of office buildings in central Tokyo are expected to continue moderate rise for the time being, but the rate of increase may gradually become moderate depending on business sentiment.
- Cap rates remain at low levels and sufficient attention is required for acquisition pricing.

Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and the core CPI rate of increase is at a low level.
 - ⇒ 10-year bond rates: $\Delta 0.155\%$ (February 28, 2020)
 - ⇒ Core CPI: $+0.8\%$ (January 2020)
- In the December 2019 preliminary business conditions composite index, the leading index was at 91.6 (+0.8 PT increase from previous month) and the coincident index was at 94.1 ($\Delta 0.6$ PT decrease from previous month). Trend continues to weaken, especially as the leading indicators have deteriorated. Statistical surveys show that there continues to be an issue of wage increases.
- Investors across the world have become more interested in ESG and the amount of funds directed to companies with high ESG evaluation is on the rise.

- Global business sentiment is showing signs of decline, attention should be paid to future trends.
- The interest rate level is expected to remain low for a while, but it is necessary to assume an interest rate rise in the medium to long term.
- Inflow of funds to companies with high ESG ratings is expected to increase further 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 on premium properties in central Tokyo developed by the sponsor while acquiring select properties from third properties at opportune timing, MHR seeks to expand and diversify the portfolio while maintaining high quality.

The highest ESG assessment

By making positive social and environmental contributions, MHR will position itself to benefit to 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

- Target premium properties in Central Tokyo and aim for annual external growth of approximately 30 billion yen by best utilizing sponsors' pipeline. (Set target yield at the mid 3% range or higher for NOI-based yield and around 3.0% or higher for after-depreciation-based yield.)
- By acquiring select properties from third properties at opportune timing while focusing on premium properties in central Tokyo developed by the sponsor, MHR seeks to expand and diversify the portfolio while maintaining high quality.
- Focus on portfolio size expansion in order to further enhance stability and liquidity as an investment corporation while also considering disposition depending on conditions.

Internal growth policy

- Steadily achieve the revision of pass-through type properties with rent increases. As to the fixed rent master leases, make the most appropriate judgement comprehensively taking into account various situations upon contract renewal.
- 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

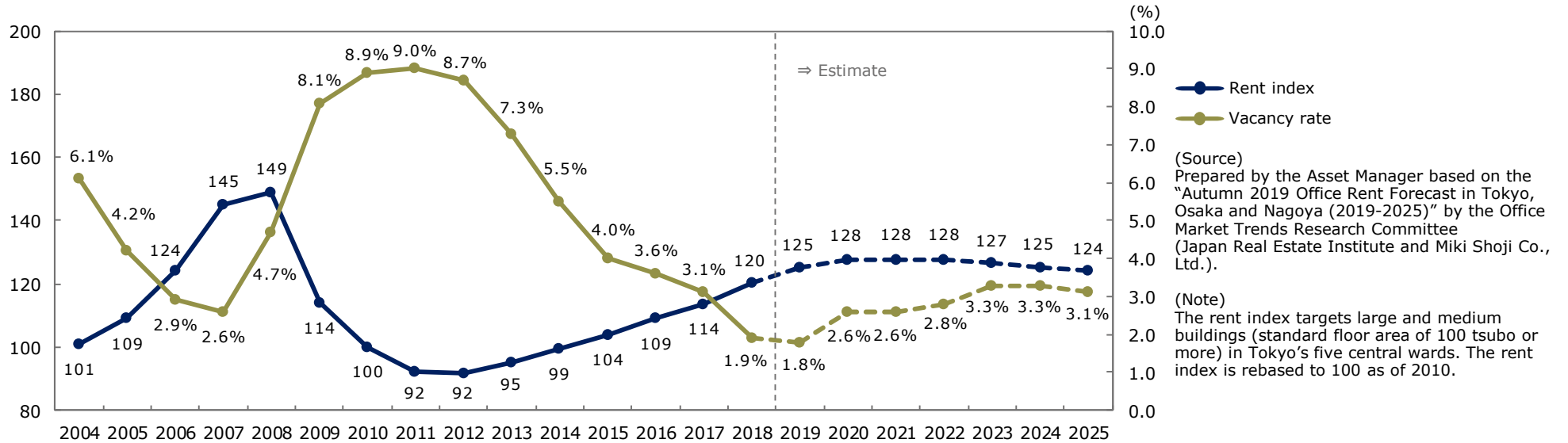
- Set the current LTV level (book value basis: in the mid 40% range; appraisal value basis: in the upper 30% range) as the target in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years or longer, and gradually increase the fixed rate ratio at the appropriate timing.
- Seek to raise ROA by utilizing free cash for property acquisition rather than reserving it more than necessary.

ESG policy

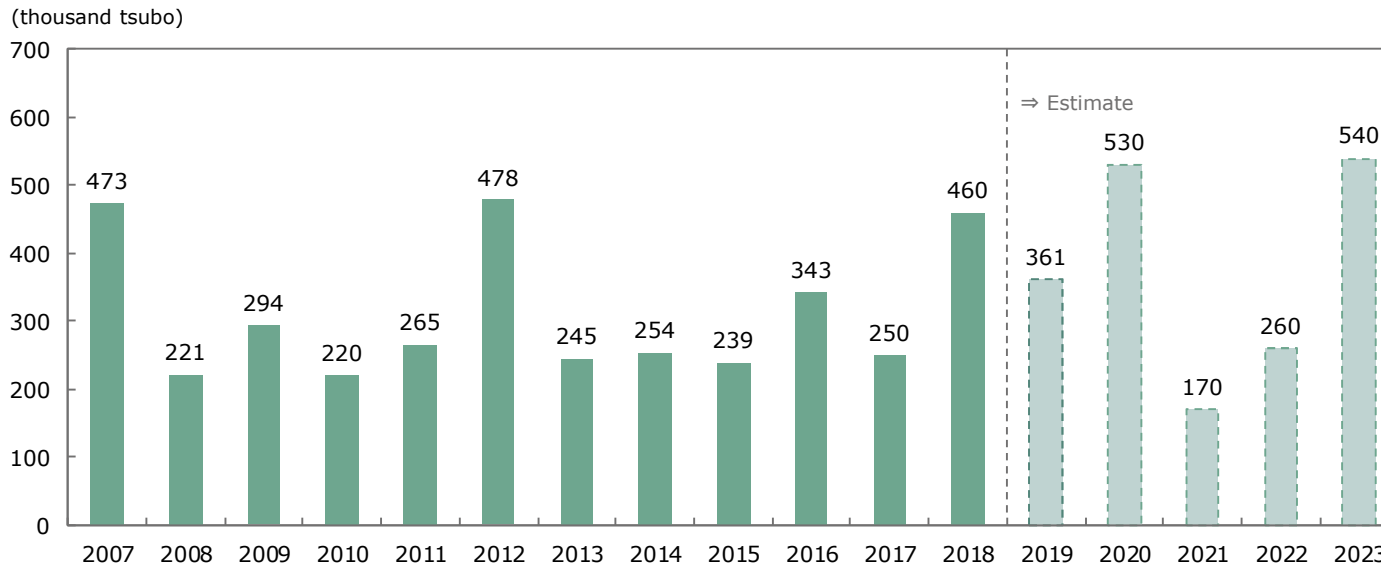
- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Implement proactive information disclosure through publication of ESG reports organizing various policies and efforts.

4-4 Market-related information (1)

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

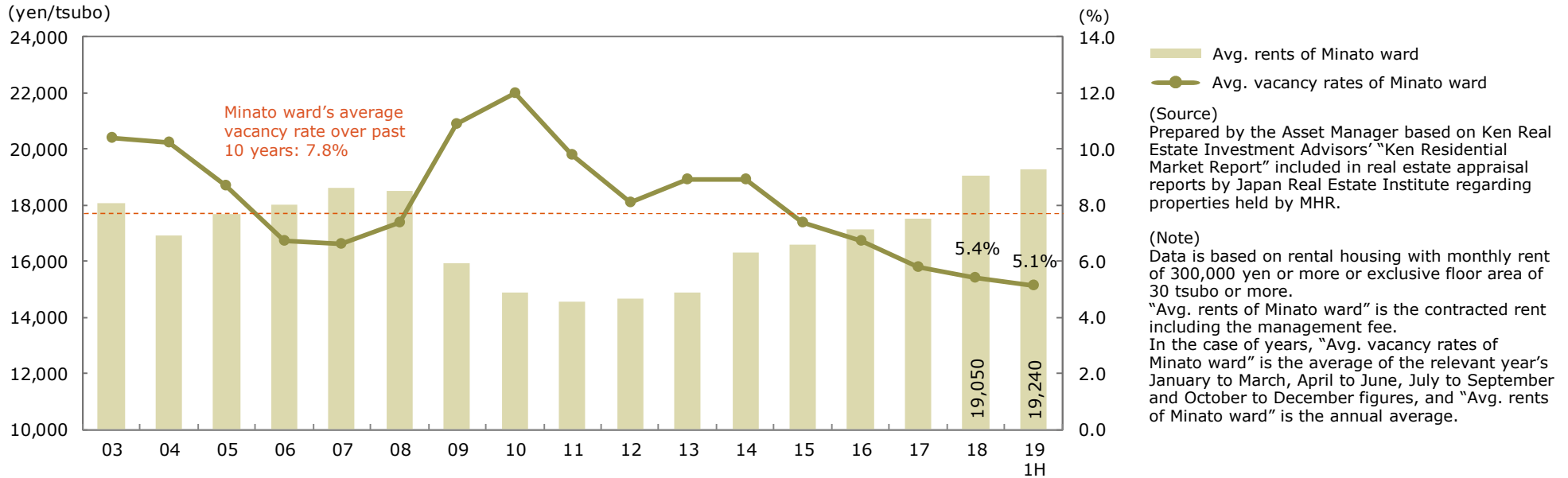


New supply of office buildings (Tokyo's five central wards)

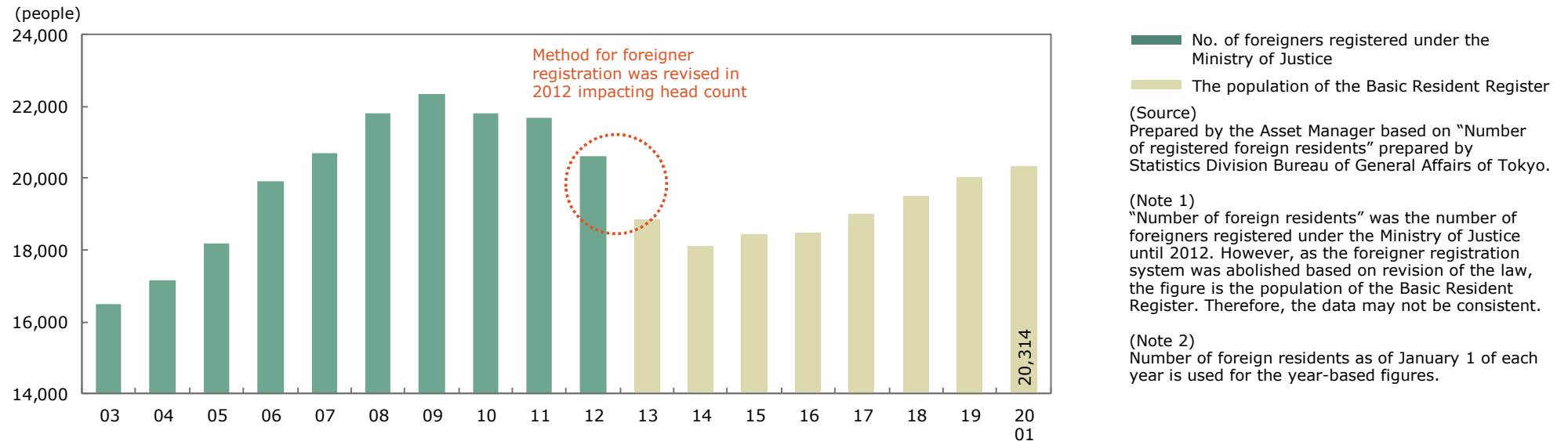


4-5 Market-related information (2)

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

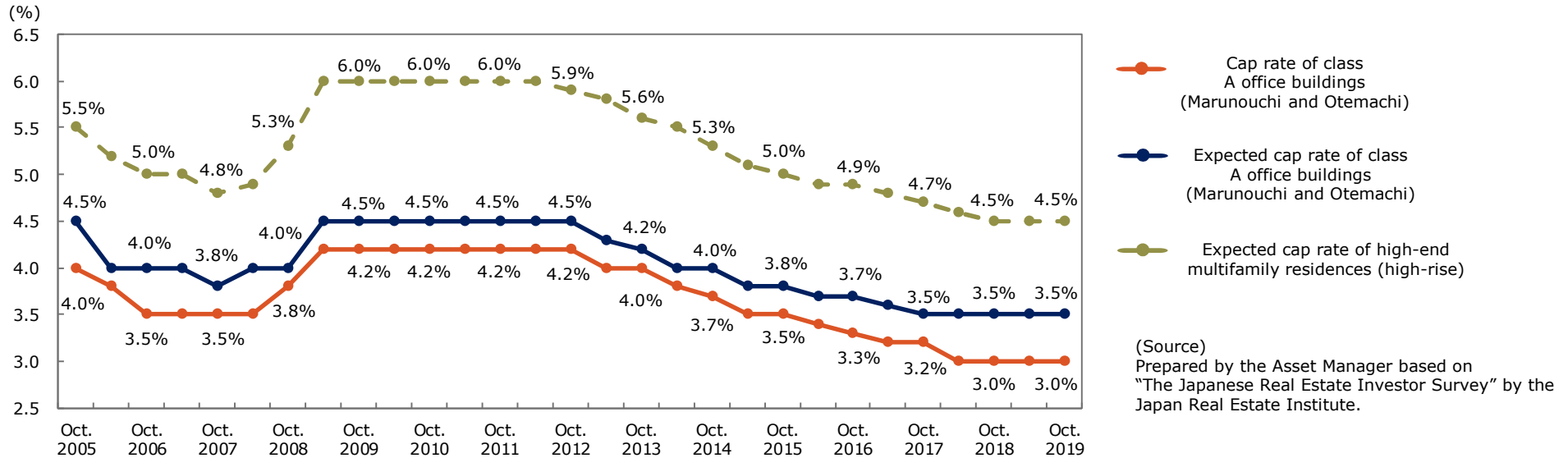


Change in number of foreign residents in Minato ward

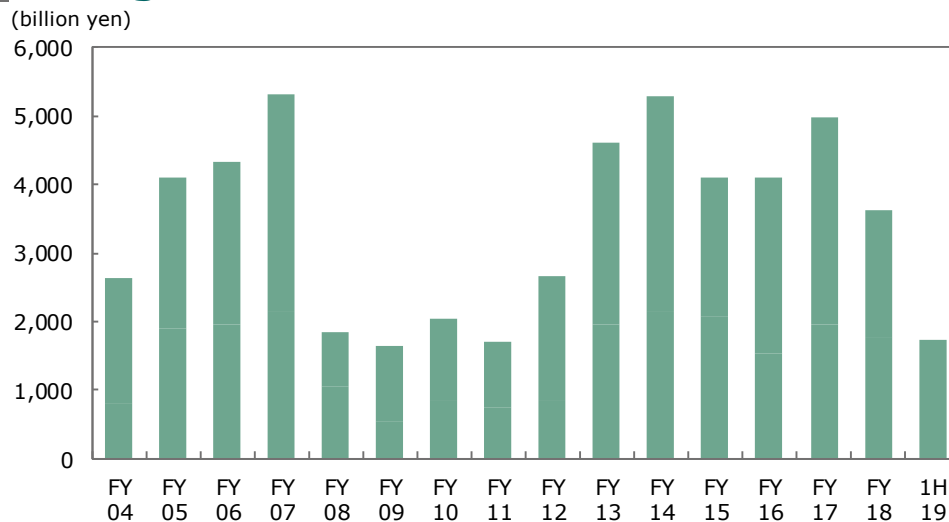


4-6 Market-related information (3)

Change in return on real estate investment

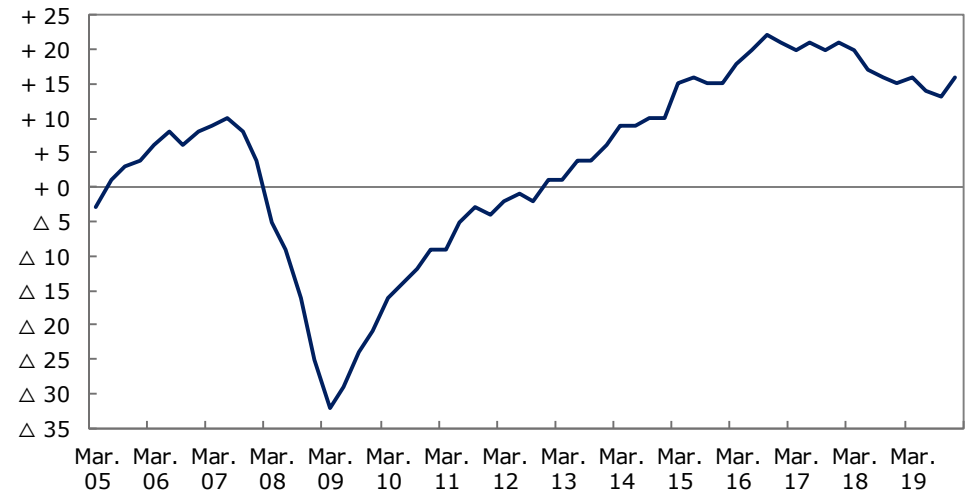


Change in real estate transaction amount



(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.

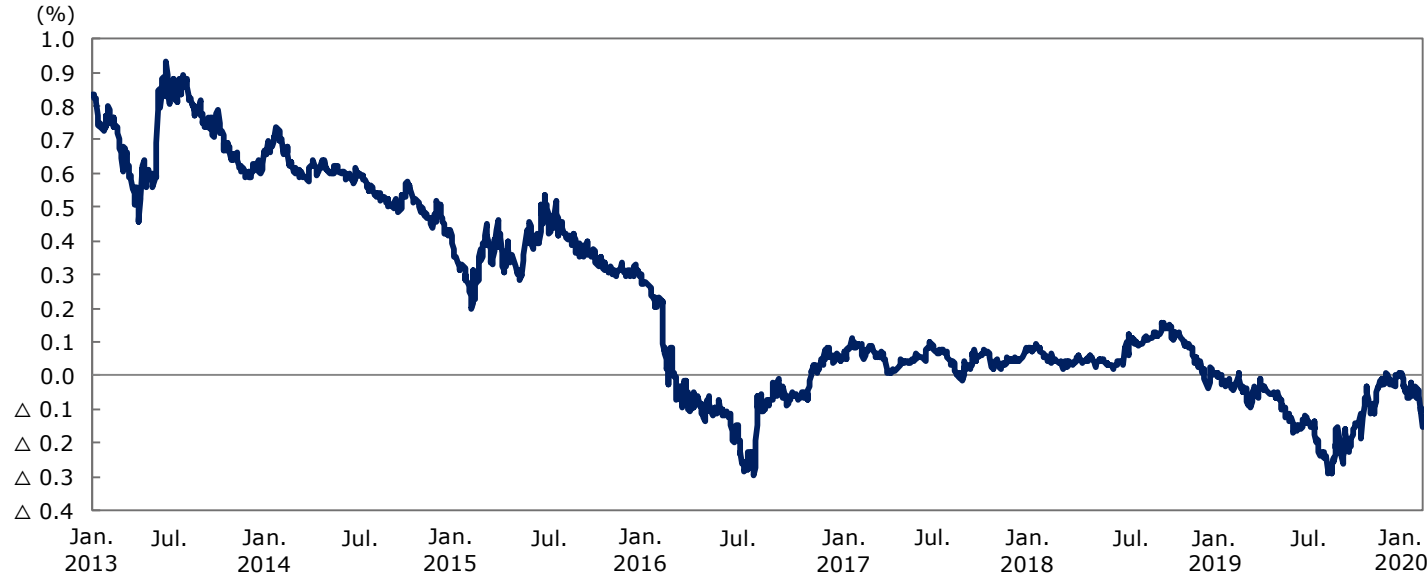
Lending attitude DI (Real estate industry)



(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.

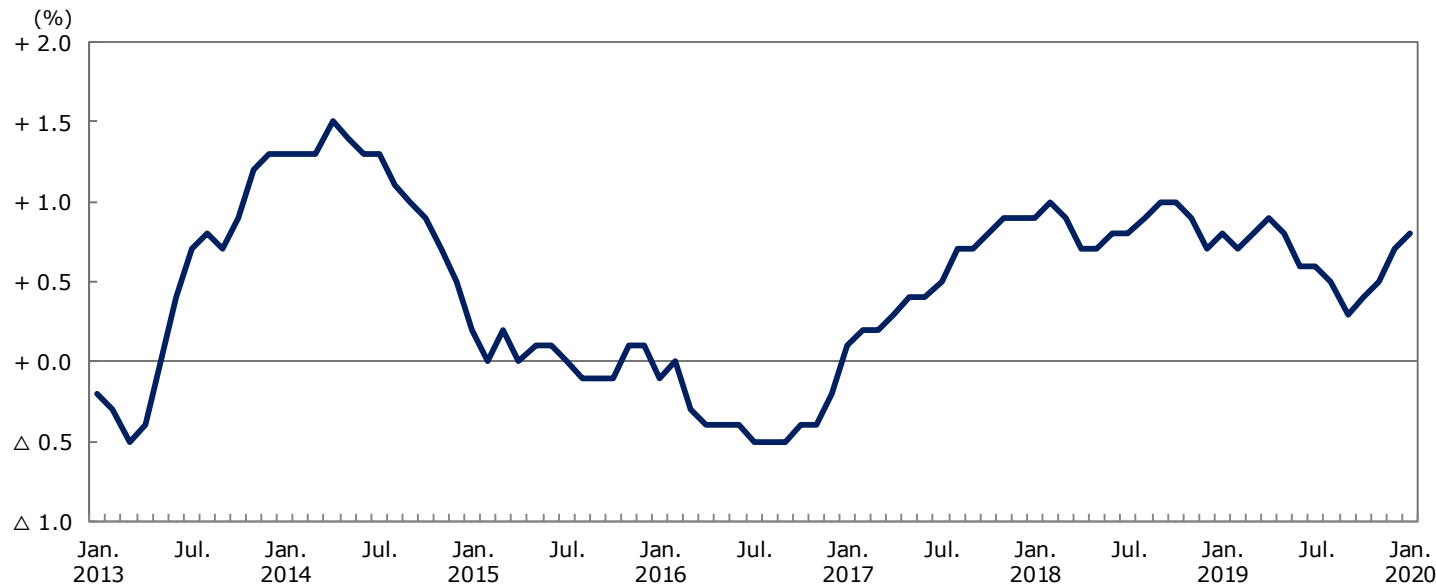
4-7 Market-related information (4)

Change in 10-year bond interest rates



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

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



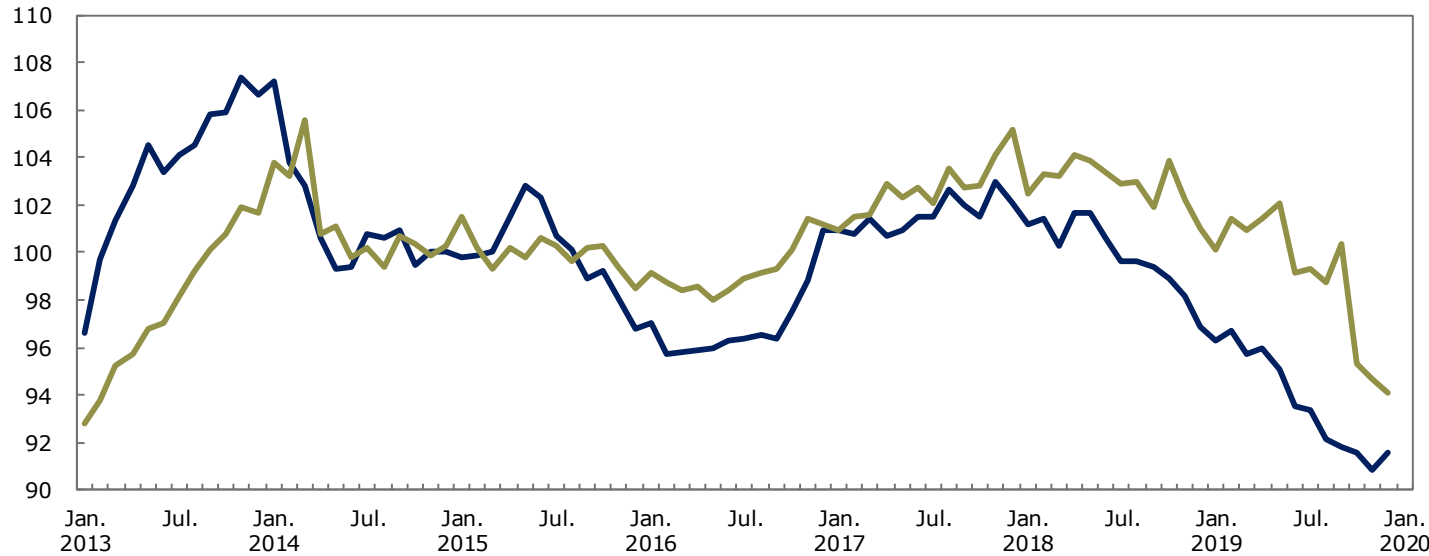
Based on figures excluding the direct effects of the consumption tax rate increase

(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

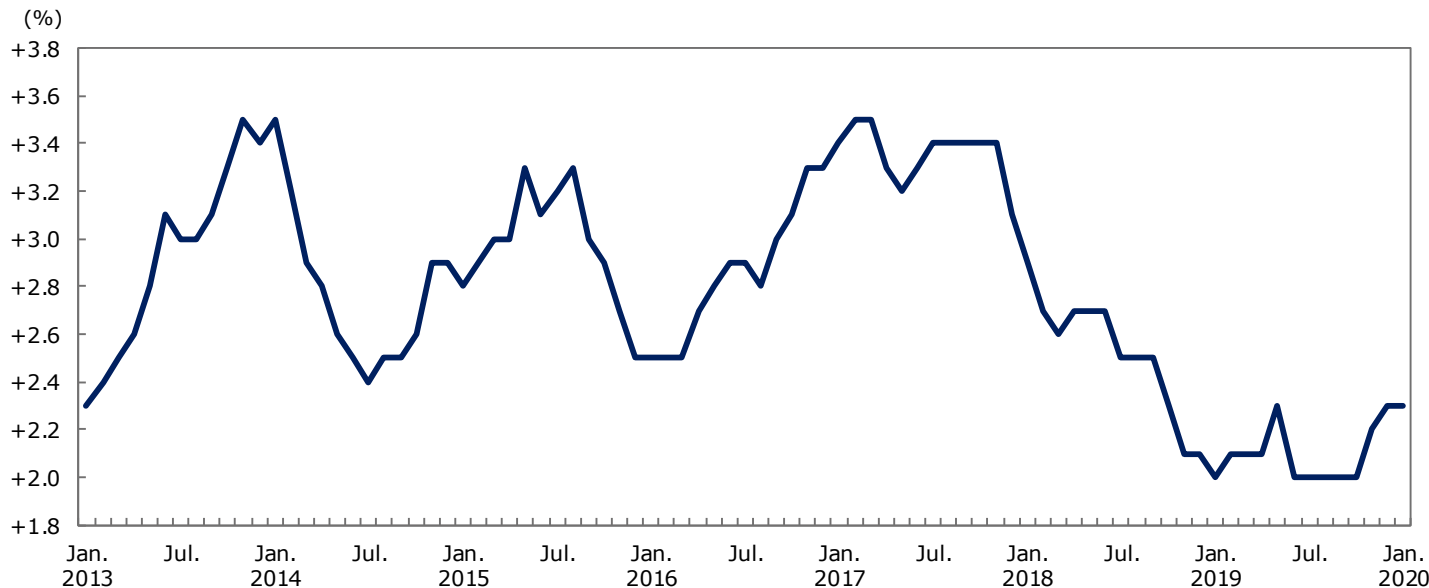


● Leading index
● Coincident index

(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 2015.

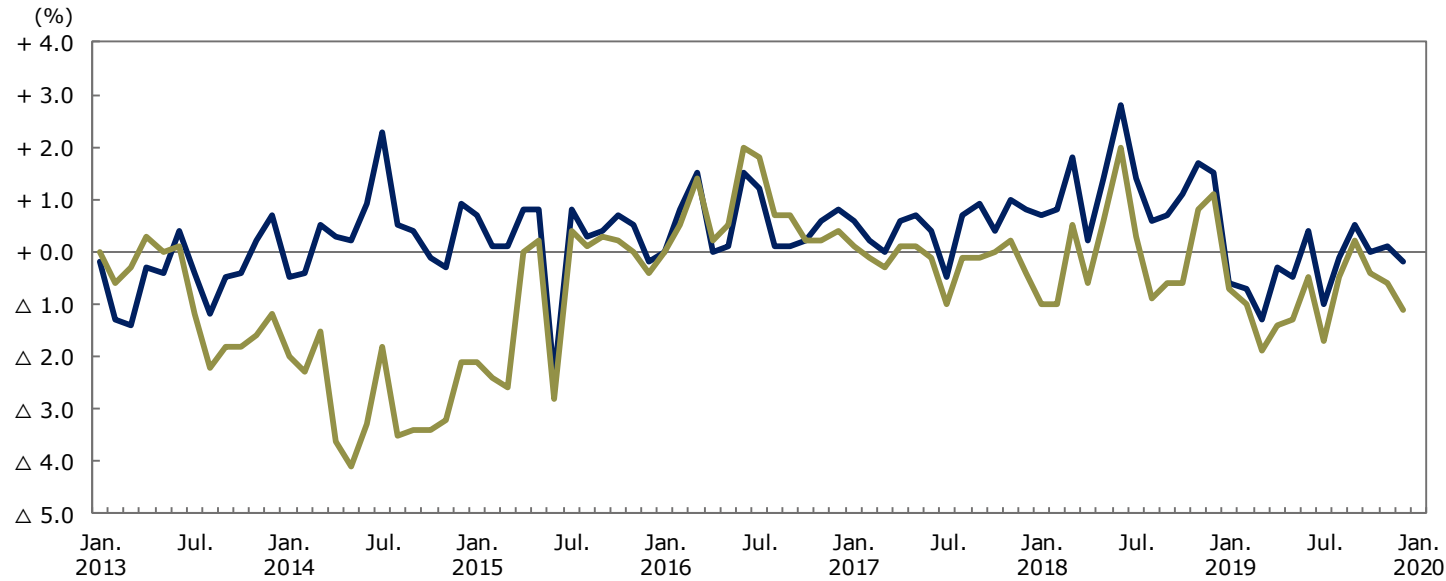
Money stock (M3: year-on-year comparison)



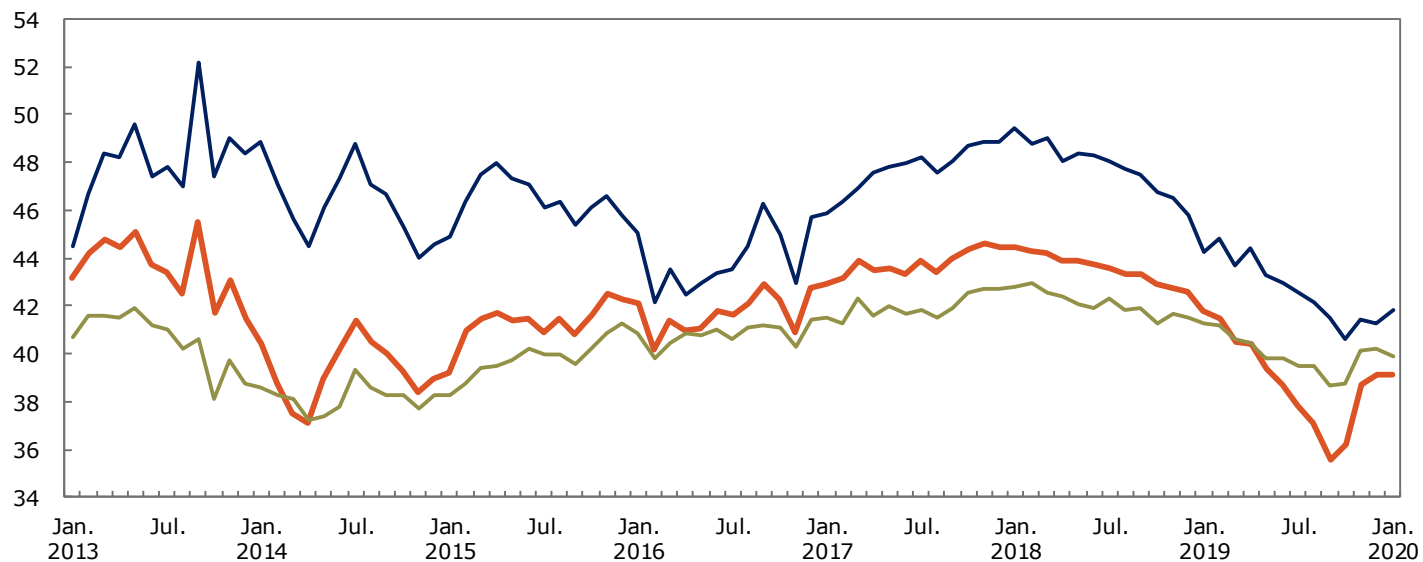
(Source)
Prepared by the Asset Manager based on "Money Stock Statistics" by the Bank of Japan.

4-9 Market-related information (6)

Total cash earnings (Year-on-year comparison)



Consumer confidence survey



5. Appendix



5-1 Financial highlights

Indices	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020	Calculation formula
Net income	5,344 mn yen	5,406 mn yen	
Depreciation and amortization	1,058 mn yen	1,034 mn yen	
CAPEX	635 mn yen	149 mn yen	
Total assets	392,256 mn yen	392,217 mn yen	
Total net assets	195,336 mn yen	195,459 mn yen	
Total net assets/unit (BPS)	104,181 yen	104,247 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	160,300 yen	181,700 yen	
Total units outstanding	1,874,960 units	1,874,960 units	
Total dividends	5,343 mn yen	5,405 mn yen	
Dividends/unit	2,850 yen	2,883 yen	
Dividend yield	3.6%	3.1%	Dividends per unit (annualized)/Unit price as of end of period
FFO	6,402 mn yen	6,440 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,414 yen	3,435 yen	FFO/Total units outstanding
Annualized	6,886 yen	6,814 yen	Based on a period of 365 days
FFO multiple	23.3x	26.7x	Unit price as of end of period/FFO per unit (annualized)
PER	27.9x	31.8x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.5x	1.7x	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%	2.7%	Based on a period of 365 days
ROE	2.7%	2.8%	Net income/Average of total net assets during the period
Annualized	5.5%	5.5%	Based on a period of 365 days
NAV	258,176 mn yen	272,963 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	137,697 yen	145,583 yen	
NAV multiple	1.2x	1.2x	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)	39.4%	38.2%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	181 days	184 days	

5-2 Balance sheet

(thousand yen)

	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020
Assets		
Current assets	11,021,912	11,875,571
Cash and deposits	3,923,970	5,646,194
Cash and deposits in trust	6,295,543	5,461,338
Other	802,398	768,037
Noncurrent assets	381,133,241	380,257,896
Property, plant and equipment	349,458,688	348,575,213
Intangible assets	30,651,335	30,650,962
Investments and other assets	1,023,217	1,031,720
Deferred assets	101,365	84,503
Total assets	392,256,519	392,217,971

(thousand yen)

	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020
Liabilities		
Current liabilities	30,265,364	23,586,464
Current portion of investment corporation bonds	5,000,000	8,500,000
Current portion of long-term loans payable	22,922,000	13,022,000
Other	2,343,364	2,064,464
Noncurrent liabilities	166,654,327	173,171,584
Investment corporation bonds	17,000,000	13,500,000
Long-term loans payable	134,300,000	144,200,000
Lease and guarantee deposited in trust	14,570,283	14,727,643
Other	784,044	743,940
Total liabilities	196,919,691	196,758,048
Net assets		
Unitholders' equity	196,121,658	196,184,506
Unitholders' capital, net	(Note) 190,285,734	(Note) 189,991,366
Total surplus	5,835,924	6,193,140
Voluntary retained earnings	291,944	291,944
Unappropriated retained earnings	5,543,979	5,901,196
Valuation and translation adjustments	△ 784,831	△ 724,583
Deferred gains or losses on hedges	△ 784,831	△ 724,583
Total net assets	195,336,827	195,459,922
Total liabilities and net assets	392,256,519	392,217,971

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

5-3 Income statement

(thousand yen)

	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020		
Operating revenue	9,561,876	9,631,462		
Rent revenues	9,323,944	9,377,544	Office	7,852,808
Other operating revenues	237,931	253,917	Residential	780,882
Operating expenses	3,589,931	3,605,057	Retail	82,874
Expenses related to properties	3,225,332	3,224,074	Land	655,000
Asset management fee	260,906	266,704	Other rent revenue	5,979
Directors' compensation	4,200	4,200		
Asset custody fee	9,863	9,806		
Administrative service fees	19,861	18,799		
Other operating expenses	69,767	81,473		
Operating income	5,971,944	6,026,404		
Non-operating income	1,985	1,079		
Interest income	58	44	Parking revenue	57,844
Gain on forfeiture of unclaimed dividends	979	1,035	Utilities and other revenue	194,906
Other	947	—	Cancellation penalty	1,166
Non-operating expenses	627,646	619,654		
Interest expenses	375,336	377,420	Property management fees	1,104,176
Interest expenses on investment corporation bonds	68,555	67,755	Property taxes	705,466
Amortization of investment corporation bonds issuance cost	10,193	9,909	Utilities	152,625
Borrowing expenses	164,678	155,732	Maintenance and repairs	60,700
Amortization of investment unit issuance cost	6,952	6,952	Insurance premium	17,503
Other	1,930	1,885	Custodian fees	6,703
Ordinary income	5,346,284	5,407,830	Depreciation	1,034,455
Income before income taxes	5,346,284	5,407,830	Rent expenses	127,661
Net income	5,344,831	5,406,483	Other lease business expenses	14,781
Unappropriated retained earnings	5,543,979	5,901,196		

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020
Net cash provided by (used in) operating activities	7,147,955	6,240,351
Income before income taxes	5,346,284	5,407,830
Depreciation and amortization	1,058,120	1,034,455
Amortization of investment corporation bonds issuance cost	10,193	9,909
Amortization of investment unit issuance cost	6,952	6,952
Interest income	△ 58	△ 44
Gain on forfeiture of unclaimed dividends	△ 979	△ 1,035
Interest expenses	443,892	445,175
Decrease (increase) in accounts receivable	279,706	40,505
Increase (decrease) in accounts payable	421,879	△ 237,457
Increase (decrease) in accrued expenses	15,761	12,285
Increase (decrease) in advances received	△ 4,105	1,697
Decrease (increase) in prepaid expenses	△ 20,520	7,564
Other, net	41,479	△ 40,881
Subtotal	7,598,606	6,686,957
Interest income received	58	44
Interest expenses paid	△ 449,279	△ 445,198
Income taxes paid	△ 1,430	△ 1,452

Net cash provided by (used in) investing activities	△ 445,080	△ 10,461
Purchase of property, plant and equipment in trust	△ 620,364	△ 205,905
Repayments of lease and guarantee deposited in trust	△ 66,699	△ 26,233
Proceeds from lease and guarantee deposited in trust	241,984	221,677

(thousand yen)

	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020
Net cash provided by (used in) financing activities	△ 8,289,514	△ 5,341,870
Proceeds from long-term loans payable	12,000,000	15,900,000
Repayments of long-term loans payable	△ 12,000,000	△ 15,900,000
Redemption of investment corporation bonds	△ 3,000,000	—
Dividends paid	△ 5,289,514	△ 5,341,870
Net increase (decrease) in cash and cash equivalents	△ 1,586,638	888,019
Cash and cash equivalents at beginning of the period	11,806,152	10,219,514
Cash and cash equivalents at the end of the period	10,219,514	11,107,533

Retained earnings

(yen)

	26th period Period ended Jul. 31, 2019	27th period Period ended Jan. 31, 2020
I Unappropriated retained earnings	5,543,979,968	5,901,196,611
II Addition of dividends in excess of earnings	294,368,720	—
Allowance for temporary difference adjustments	294,368,720	—
III Capitalization	—	60,247,403
Reversal of allowance for temporary difference adjustments	—	60,247,403
IV Amount of Dividends	5,343,636,000	5,405,509,680
Amount of dividends per unit	2,850	2,883
Dividends of earnings	5,049,267,280	5,405,509,680
Dividends of earnings per unit	2,693	2,883
Allowance for temporary difference adjustments	^(Note) 294,368,720	—
Dividends in excess of earnings per unit (allowance for temporary difference adjustments)	157	—
V Retained earnings carried forward	494,712,688	435,439,528

(Note) Due to consideration of the impact of the items of deduction from net assets (deferred gains or losses on hedges).

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	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	99.4%	99.4%	0.0PT	98.0%	96.7%	△ 1.3PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	99.6%	99.4%	△ 0.2PT	98.6%	97.6%	△ 1.0PT
Number of tenants	1	1	0	1	1	0	22	22	0	141	138	△ 3
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	652,669	654,930	2,261	782,237	783,923	1,685
Other operating revenues	—	—	—	—	—	—	90,364	97,217	6,852	83,093	86,447	3,354
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	743,033	752,147	9,113	865,330	870,370	5,040
Property management	412,351	436,029	23,677	167,795	165,834	△ 1,961	68,904	61,679	△ 7,224	160,883	166,546	5,662
Property taxes (Note 1)	240,650	247,825	7,174	80,724	83,506	2,781	32,902	30,716	△ 2,186	42,330	42,282	△ 47
Utilities	—	—	—	—	—	—	69,855	74,146	4,291	29,679	30,929	1,250
Maintenance and repairs	—	—	—	—	—	—	5,221	9,819	4,597	89,917	34,461	△ 55,456
Insurance premium	4,083	4,094	11	1,889	1,933	44	1,675	1,679	4	2,084	2,091	7
Depreciation (1)	352,789	326,258	△ 26,531	64,946	65,771	825	96,017	96,318	301	140,814	141,676	862
Other expenses (Note 2)	377	558	181	2,794	3,322	527	83,954	83,951	△ 3	10,605	10,853	247
Total property operating expenses	1,010,253	1,014,766	4,513	318,150	320,368	2,217	358,532	358,312	△ 219	476,315	428,841	△ 47,473
Property operating income (2)	1,933,197	1,928,684	△ 4,513	1,033,336	1,031,118	△ 2,217	384,501	393,835	9,333	389,015	441,529	52,513
NOI (3) ((1)+(2))	2,285,986	2,254,942	△ 31,044	1,098,282	1,096,890	△ 1,392	480,519	490,153	9,634	529,829	583,205	53,376
Annualized NOI	4,609,863	4,473,119	△ 136,743	2,214,768	2,175,896	△ 38,872	969,003	972,315	3,312	1,068,440	1,156,902	88,461
Annualized NOI/ Acquisition price	4.0%	3.9%	△ 0.1PT	3.5%	3.5%	△ 0.1PT	3.6%	3.6%	0.0PT	2.4%	2.6%	0.2PT
CAPEX (4)	173,176	—	△ 173,176	47,086	36,271	△ 10,815	43,668	13,642	△ 30,026	109,503	22,512	△ 86,990
NCF (3)-(4)	2,112,810	2,254,942	142,131	1,051,195	1,060,619	9,423	436,850	476,511	39,661	420,326	560,693	140,366

(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			Toranomori Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price	42,090,000			19,150,000			36,210,000			16,330,000		
Period	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	99.9%	100%	0.1PT	100%	100%	0.0PT	100%	100%	0.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	99.1%	100%	0.9PT	100%	100%	0.0PT	100%	99.7%	△ 0.3PT
Number of tenants	1	1	0	43	43	0	1	1	0	24	23	△ 1
Rent revenues	1,012,320	1,012,320	—	480,659	487,104	6,445	775,581	775,581	—	516,131	529,958	13,826
Other operating revenues	—	—	—	31,746	33,849	2,103	—	—	—	30,451	36,013	5,562
Total property operating revenue	1,012,320	1,012,320	—	512,405	520,953	8,548	775,581	775,581	—	546,583	565,972	19,389
Property management	2,664	2,664	—	48,709	49,820	1,111	90,374	89,286	△ 1,088	102,029	104,494	2,464
Property taxes (Note 1)	68,806	68,953	146	34,563	34,798	235	33,818	59,600	25,782	27,732	35,569	7,836
Utilities	—	—	—	32,097	35,934	3,836	—	—	—	8,113	9,203	1,089
Maintenance and repairs	—	—	—	3,799	4,419	620	—	—	—	6,925	7,090	165
Insurance premium	3,533	3,667	134	1,026	1,030	3	1,267	1,319	52	1,047	1,110	63
Depreciation (1)	181,625	181,821	196	44,225	44,219	△ 6	101,038	101,038	—	47,308	47,356	47
Other expenses (Note 2)	43,477	44,274	796	2,941	1,494	△ 1,447	71	71	△ 0	209	209	△ 0
Total property operating expenses	300,106	301,380	1,274	167,362	171,717	4,355	226,569	251,315	24,746	193,366	205,034	11,667
Property operating income (2)	712,213	710,939	△ 1,274	345,042	349,236	4,193	549,012	524,265	△ 24,746	353,216	360,938	7,721
NOI (3) ((1)+(2))	893,839	892,761	△ 1,077	389,268	393,456	4,187	650,050	625,303	△ 24,746	400,524	408,294	7,769
Annualized NOI	1,802,493	1,770,967	△ 31,526	784,989	780,497	△ 4,492	1,310,875	1,240,412	△ 70,462	807,687	809,931	2,243
Annualized NOI/ Acquisition price	4.3%	4.2%	△ 0.1PT	4.1%	4.1%	△ 0.0PT	3.6%	3.4%	△ 0.2PT	4.9%	5.0%	0.0PT
CAPEX (4)	186,454	31,468	△ 154,986	2,167	3,106	939	—	—	—	19,751	5,124	△ 14,627
NCF (3)-(4)	707,385	861,293	153,908	387,101	390,349	3,248	650,050	625,303	△ 24,746	380,772	403,169	22,396

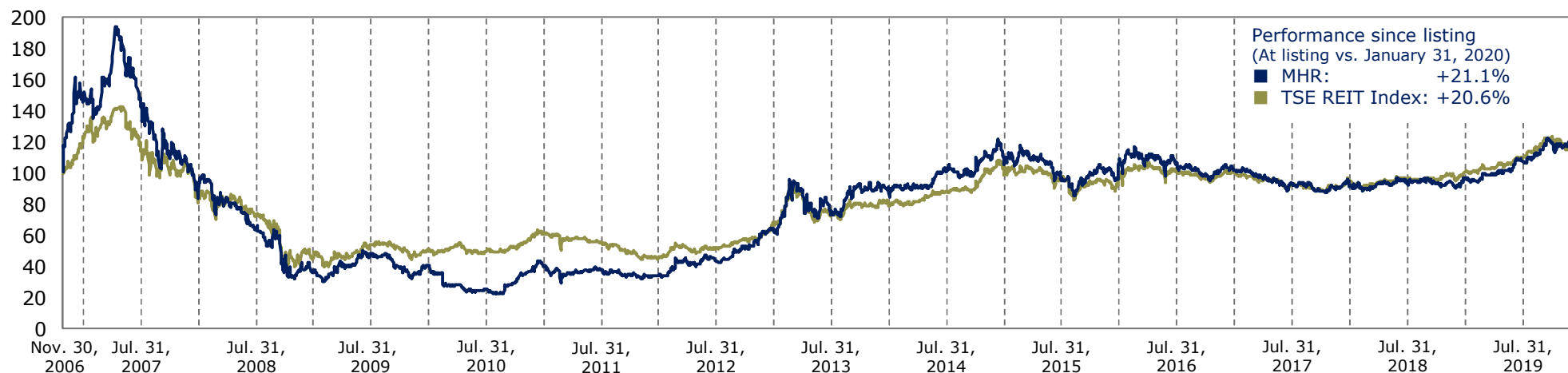
5-7 Status of income and expenditures (3)

(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	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference	26th Jul. 2019	27th Jan. 2020	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	87.4%	82.0%	△ 5.4PT	95.1%	98.1%	3.0PT	100%	100%	0.0PT	99.4%	99.2%	△ 0.2PT
Avg. Occupancy rate (during period)	87.8%	87.0%	△ 0.8PT	93.9%	95.0%	1.1PT	100%	100%	0.0PT	99.4%	99.3%	△ 0.1PT
Number of tenants	37	35	△ 2	87	90	3	1	1	0	359	356	△ 3
Rent revenues	78,796	79,639	842	101,211	104,148	2,937	629,400	655,000	25,600	9,323,944	9,377,544	53,599
Other operating revenues	—	—	—	2,276	390	△ 1,886	—	—	—	237,931	253,917	15,985
Total property operating revenue	78,796	79,639	842	103,487	104,538	1,051	629,400	655,000	25,600	9,561,876	9,631,462	69,585
Property management	13,165	13,080	△ 85	15,671	14,741	△ 930	—	—	—	1,082,549	1,104,176	21,627
Property taxes (Note 1)	7,718	7,941	222	11,739	12,046	306	78,492	82,226	3,733	659,480	705,466	45,986
Utilities	1,326	1,360	33	1,156	1,050	△ 105	—	—	—	142,229	152,625	10,396
Maintenance and repairs	10,020	3,690	△ 6,330	1,268	1,218	△ 50	—	—	—	117,152	60,700	△ 56,452
Insurance premium	230	230	0	343	344	0	—	—	—	17,180	17,503	322
Depreciation (1)	12,017	12,164	147	17,015	17,829	814	—	—	—	1,057,798	1,034,455	△ 23,343
Other expenses (Note 2)	3,822	3,821	△ 1	686	590	△ 95	—	—	—	148,941	149,146	204
Total property operating expenses	48,302	42,289	△ 6,012	47,881	47,821	△ 59	78,492	82,226	3,733	3,225,332	3,224,074	△ 1,257
Property operating income (2)	30,494	37,349	6,855	55,606	56,717	1,110	550,907	572,774	21,866	6,336,544	6,407,387	70,843
NOI (3) ((1)+(2))	42,512	49,514	7,002	72,621	74,546	1,925	550,907	572,774	21,866	7,394,342	7,441,842	47,500
Annualized NOI	85,728	98,222	12,493	146,447	147,878	1,431	1,110,946	1,136,209	25,263	14,911,243	14,762,351	△ 148,891
Annualized NOI/ Acquisition price	4.1%	4.7%	0.6PT	3.7%	3.7%	0.0PT	5.1%	5.2%	0.1PT	3.8%	3.8%	△ 0.0PT
CAPEX (4)	5,840	7,410	1,570	48,039	29,783	△ 18,256	—	—	—	635,687	149,319	△ 486,368
NCF (3)-(4)	36,671	42,103	5,431	24,582	44,763	20,181	550,907	572,774	21,866	6,758,654	7,292,523	533,868

5-8 Unit price performance since IPO

Relative price performance (Since IPO - January 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

(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
<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 to be 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 of 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	343.7 bn yen	368.8 bn yen	93.2%
In leasable floor area	143,592m ²	172,136m ²	83.4%
In number of properties	8 properties	10 properties	80.0%

※ Excluding Laforet Harajuku (Land)

○ GRESB Real Estate Rating



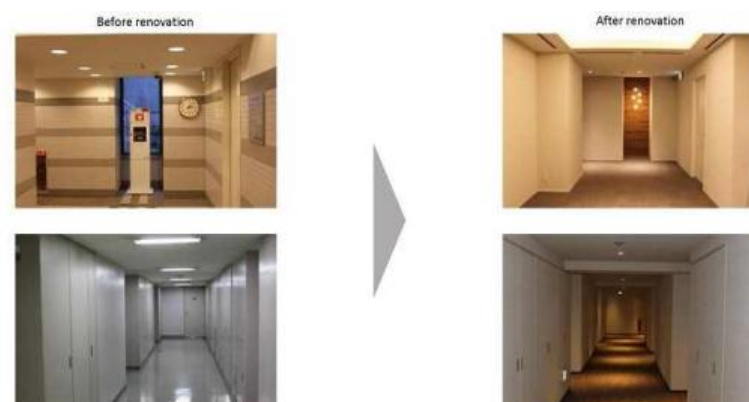
In the 2019 GRESB Survey, MHR received a **"Green Star"** rating for the eighth consecutive year, and received **"4 Stars"** in the GRESB Rating.

<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 February 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 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 aim 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 years.



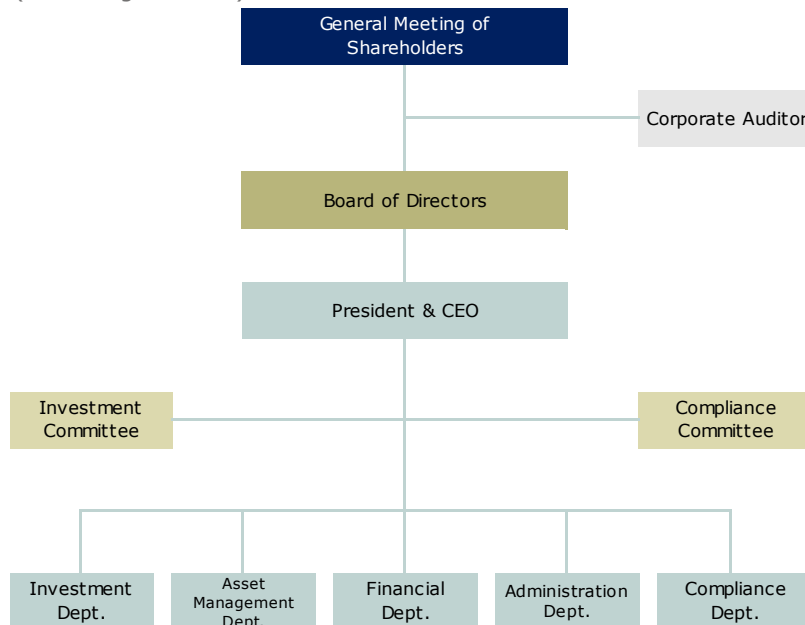
5-13 Sustainability initiatives: Governance

<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 sincere 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.

(MIM's organization)

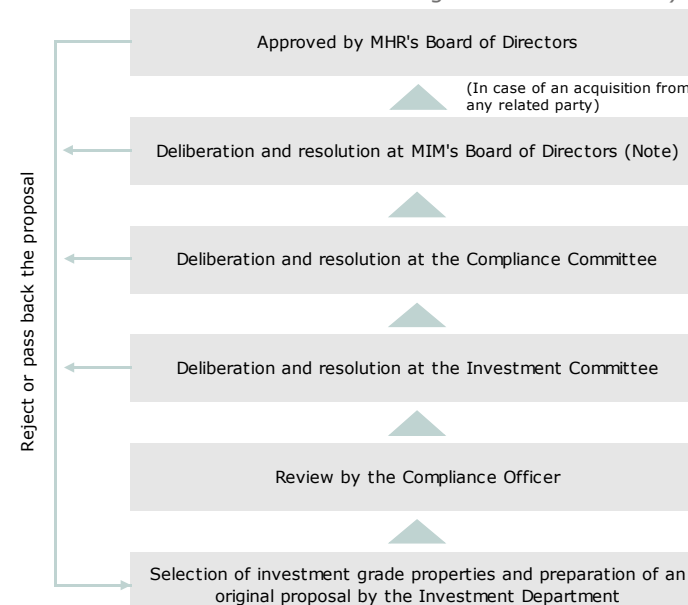


<Compliance>

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)

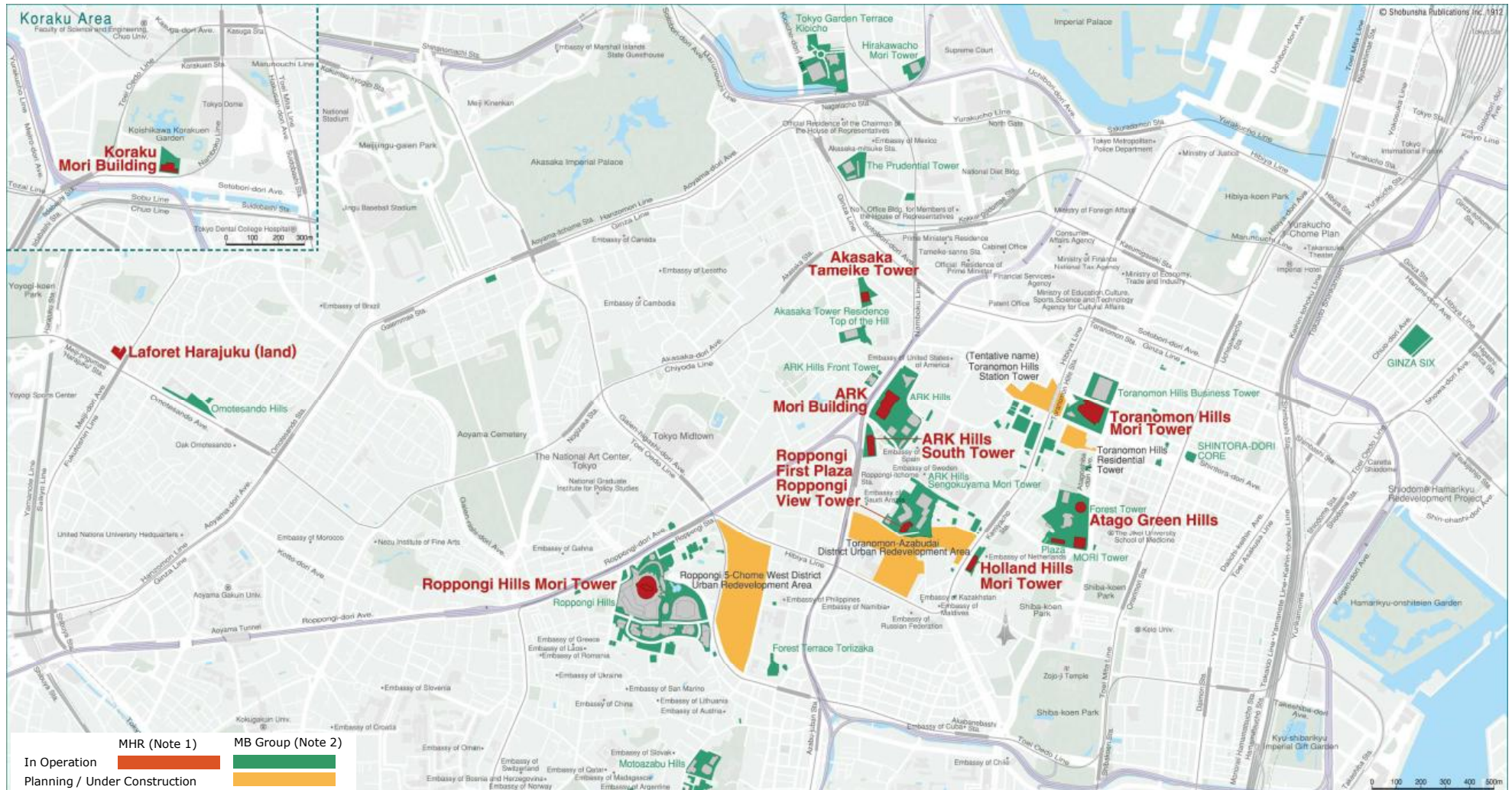


(Note) Director who are classified as a related party officer is not able to participate in the resolution when acquiring asset from a related party.

5-14 Portfolio map (As of January 31, 2020)



HILLS REIT













(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 January 31, 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 <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	16 years 9 months	33 years 10 months	19 years 10 months	6 years 6 months	5 years 8 months	15 years 0 month	19 years 4 months	18 years 6 months	18 years 3 months	18 years 6 months	26 years 3 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. 442,150m ²	approx. 177,486m ²	approx. 46,154m ²	approx. 53,043m ²	approx. 241,581m ²	approx. 35,076m ²	approx. 46,971m ²	approx. 85,266m ²	approx. 60,815m ²	approx. 2,083m ²	approx. 22,906m ²		-	
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (approx. 25%)	Co-ownership (approx. 12.7%)	Co-ownership (approx. 62.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			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%)	Co-ownership (approx. 25%)	Co-ownership (approx. 6.9%)	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	36,210	16,330	43,930	42,090			2,100	4,000	21,820	
Occupancy rate (Note 4)	100%	100%	99.4%	100%	100%	100%	96.7%	100%			82.0%	98.1%	100%	

Average building age
18.9 years (Note 5)

Portfolio PML
0.93% (Note 2)

Total acquisition price
390,690 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 June 4, 2018 by Sompoo Risk Management & Health Care Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of January 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.