



Mori Hills REIT Investment Corporation

Results of the 29th Fiscal Period ended January 31, 2021

Presentation Material

March 18, 2021



TSE Code: 3234

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

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

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

This document has been prepared by Mori Hills REIT Investment Corporation (“MHR”) for informational purposes only and should not be construed as an offer of any transactions or the solicitation of an offer of any transactions. MHR is a publicly-offered real estate investment corporation (J-REIT) investing in real estate and related assets the prices of which may fluctuate. Unitholders of MHR may suffer loss when unit prices decline due to fluctuation of real estate value and profitability, aggravation of financial status of MHR and other reasons.

Please make investment decisions at your own discretion and responsibility, and contact securities company when purchasing investment units of MHR.

This document’s content includes forward-looking statements about business performance; however, no guarantees are implied concerning future business performance. Although the data and opinions contained in this document are derived from what we believe are reliable and accurate sources, we do not guarantee their accuracy or completeness. The contents contained herein may change or cease to exist without prior notice. Regardless of the purpose, any reproduction and/or use of this document in any shape or form without the prior written consent from MHR is prohibited.

This document contains charts, data, etc. that were prepared by Mori Building Investment Management Co., Ltd. (hereafter, the “Asset Manager”) based on charts, data, indicators, etc. released by third parties. Furthermore, this document includes statements based on analyses, judgments, and other observations concerning such matters by the asset manager as of the date of preparation.

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	37
2. Investment highlights	4	Factors that led to changes in dividends per unit from the previous fiscal period	38
Unit price performance	5	Change in assets under management	39
Financial results	6	Change in unrealized capital gain/loss	40
Overview of new acquisition (Scheduled as of August 2, 2021)	7	Appraisal value	41
Dividends per unit growth record	9	Change in the rent and occupancy rates	42
Strengths of continuous growth in DPU and NAV	10	Tenant status by month and major tenants	43
Increase in appraisal NAV per unit	11	Financial overview (as of January 31, 2021)	44
Forecasts	12	Debt status (as of January 31, 2021)	45
Highest quality portfolio among all J-REITs	13	Unitholders breakdown (as of January 31, 2021)	46
External growth	22	4. Business environment recognition & MHR's policy/strategy	47
Internal growth	25	Business environment recognition	48
Financial management	29	MHR's policy/strategy	49
Sustainability initiatives	31	Market-related information	51
MHR's representative property	33	5. Appendix	57

1. Executive summary

Financial summary 29th period (Jan. 2021)

- Operating revenue: 9,820 million yen, operating income: 6,173 million yen, net income: 5,575 million yen **Increased revenue and income period-over-period**
- DPU: 2,909 yen (+0.4% from 28th period) **Increasing for 21 consecutive fiscal periods**
- NAV per unit: 147,182 yen (+0.5% from 28th period) **Increasing for 20 consecutive fiscal periods**
- Conducted a public offering and additionally acquired Toranomon Hills Mori Tower. Due in part to the fact that the acquisition took place at a price significantly below the appraisal value, DPU and NAV per unit continued to increase.

External growth

- Additionally acquired Toranomon Hills Mori Tower for 12.2 billion yen as of September 1, 2020
- While the contract for the only master lease for which fixed rent significantly deviates from the market rent will be renewed at a lower level in the 31st period, because the Toranomon Hills Mori Tower (7.8 billion yen) will be additionally acquired at the same time, the DPU (forecast) will remain the same period-over-period.
- Going forward, premium properties in central Tokyo are expected to continuously demonstrate competitive advantages even after the spread of telecommuting, as these properties can capture office demand by functioning as headquarters.

Internal growth

- Even as office vacancy rates rise in central Tokyo, the office occupancy rate for the 29th period maintained a high level of 99.6% due in part to the excellent location and quality of MHR's properties. Rent increases have continued for both rent revision and tenant replacement.
- The residential occupancy rate for the current period was 94.9%, and while this was a slight decline from the previous period, the overall portfolio impact has been minimal.

Financial management

- The fund procurement environment has not changed despite the COVID-19 pandemic. Maintained the target level by book value basis LTV 45.8%, appraisal value basis LTV 38.1%, remaining duration of debt 4.6 years. (After the property acquisition in the 31st period, LTV based on book value is forecast at 46.8% and LTV based on appraisal value is forecast at 38.9%)
- New green bonds were issued. (November 2020: 3.5 billion yen, February 2021: 2.0 billion yen)

2. Investment highlights



2-2 Financial results

The 29th period (January 2021) saw increased revenue and income compared with the 28th period and posted a DPU increase for the 21st consecutive fiscal period

- A public offering was conducted, and Toranomori Hills Mori Tower (12.2 billion yen) was additionally acquired in September 2020. The acquisition took place at a price significantly below the appraisal value, and both DPU and NAV increased.
- A high occupancy rate has been maintained even as vacancy rates rise for offices in central Tokyo, and rent increases have continued for both rent revision and tenant replacement.

	28th period	29th period		29th period
	Jul. 31, 2020	Jan. 31, 2021	Difference	Jan. 31, 2021
	Actual	Actual		Forecasted
Operating Highlights (million yen)				
Operating revenue	9,602	9,820	+ 218	9,826
Rent revenues	9,389	9,614	+ 225	9,603
Other operating revenues	213	206	△ 6	222
Operating expenses	3,573	3,646	+ 73	3,665
Expenses related to properties	3,251	3,315	+ 63	3,354
SG&A	321	331	+ 9	310
Operating income	6,028	6,173	+ 145	6,160
Non-operating income	1	0	△ 0	0
Non-operating expenses	595	598	+ 3	603
Ordinary income	5,434	5,576	+ 141	5,558
Net income	5,433	5,575	+ 141	5,557
Total dividends	5,433	5,574	+ 140	5,557
DPU				
Total units outstanding (units)	1,874,960	1,916,330	41,370	1,916,330
DPU (yen)	2,898	2,909	+ 11	2,900
Other Indices (million yen)				
NOI	7,391	7,561	+ 170	7,531
NOI yield	3.8%	3.7%	△ 0.1PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	390,690	400,851	+ 10,161	400,851

Increase/decrease factor (28th – 29th)

•Operating revenue (+218 mn yen)

- Property acquisition in 29th period	+219
- Office rent (pass-through)	+9
- Utilities and other revenue	+4
- Residential Rent (pass-through)	△8
- Cancellation penalty	△8

•Operating expenses (+73 mn yen)

- Property acquisition in 29th period	+50
- Property management fee	+24
- Property taxes	+16
- Asset management fee	+4
- Maintenance and repairs	△13
- Depreciation	△9

•Non-operating expenses (+3 mn yen)

- Interest expenses, etc. (new borrowings in 29th period)	+11
- Amortization of investment unit issuance cost	+5
- Interest expenses, etc.	△13

Increase/decrease factor for 29th period (Forecasted - Actual)

•Operating income (+13 mn yen)

- Maintenance and repairs	+20
- Office rent (pass-through)	+7
- Residential rent (pass-through)	+4
- Depreciation	+3
- Asset management fee	△20

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

Toranomon Hills Mori Tower (Additional acquisition)

Office



Location	23-1, Toranomon 1-chome, Minato-ku, Tokyo
Construction date	May 2014
Total number of floors	52 floors above ground, 5 floors below ground
Gross floor area	241,581.95 m ²

Portions of acquisition 11% quasi-co-ownership interest in trust beneficial interests

	Acquisition price	Appraisal value	NOI yield
Acquired as of September 1, 2020	12,220 mn yen	15,232 mn yen	3.4%
To be acquired on August 2, 2021	7,870 mn yen	9,856 mn yen	3.4%

Total acquired: 78% quasi-co-ownership interest including past acquisition

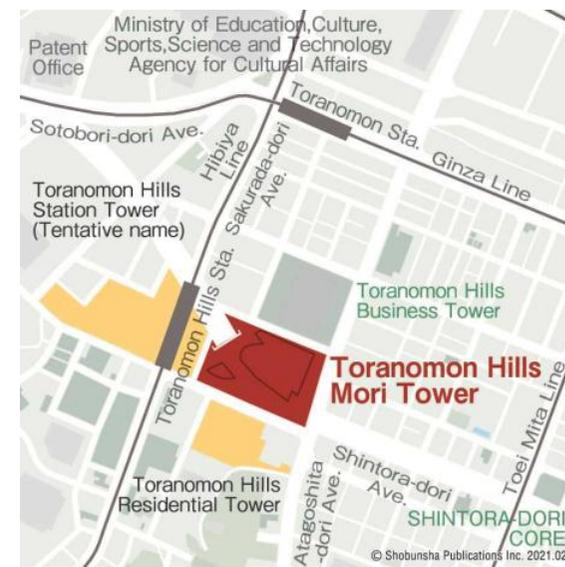
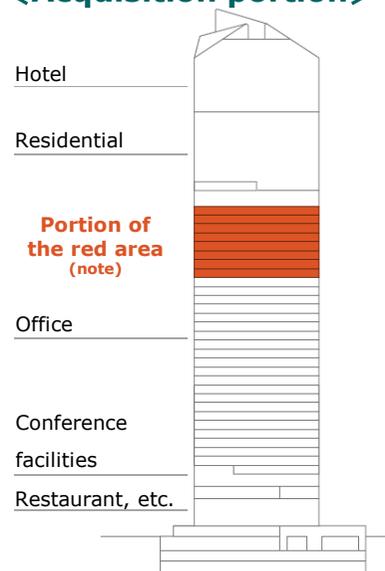
1. Super high rise tower - Tokyo's new landmark

- Quake-resistance structure with 52 floors and 247 meters above ground.
- High-specification offices with a broad floor plate of approx. 1,000 tsubo, international-standard conference facilities, Japan's first Andaz hotel "the Andaz Tokyo", retail facilities and residences.

2. Located in the center of the Toranomon area where further development is expected

- Directly connected to "Toranomon Hills Station" on the Hibiya subway line and 6 transit stations and 11 lines are nearby. It is easily accessible from Haneda Airport and ideal as a new hub for international business.
- As a result of a number of redevelopment projects currently in progress around the building, the Toranomon area has begun to rapidly evolve into an international urban center.

<Acquisition portion>



(Note) MHR acquired the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership of the 28-35th floors



Residence Toranomon Hills Residence

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



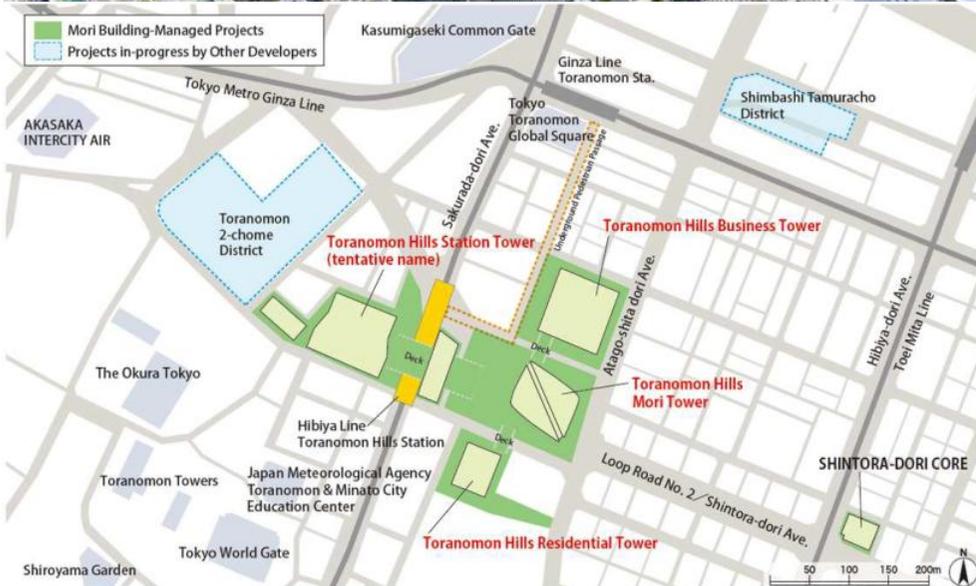
Retail Shops and Restaurants

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



Hotel Andaz Tokyo

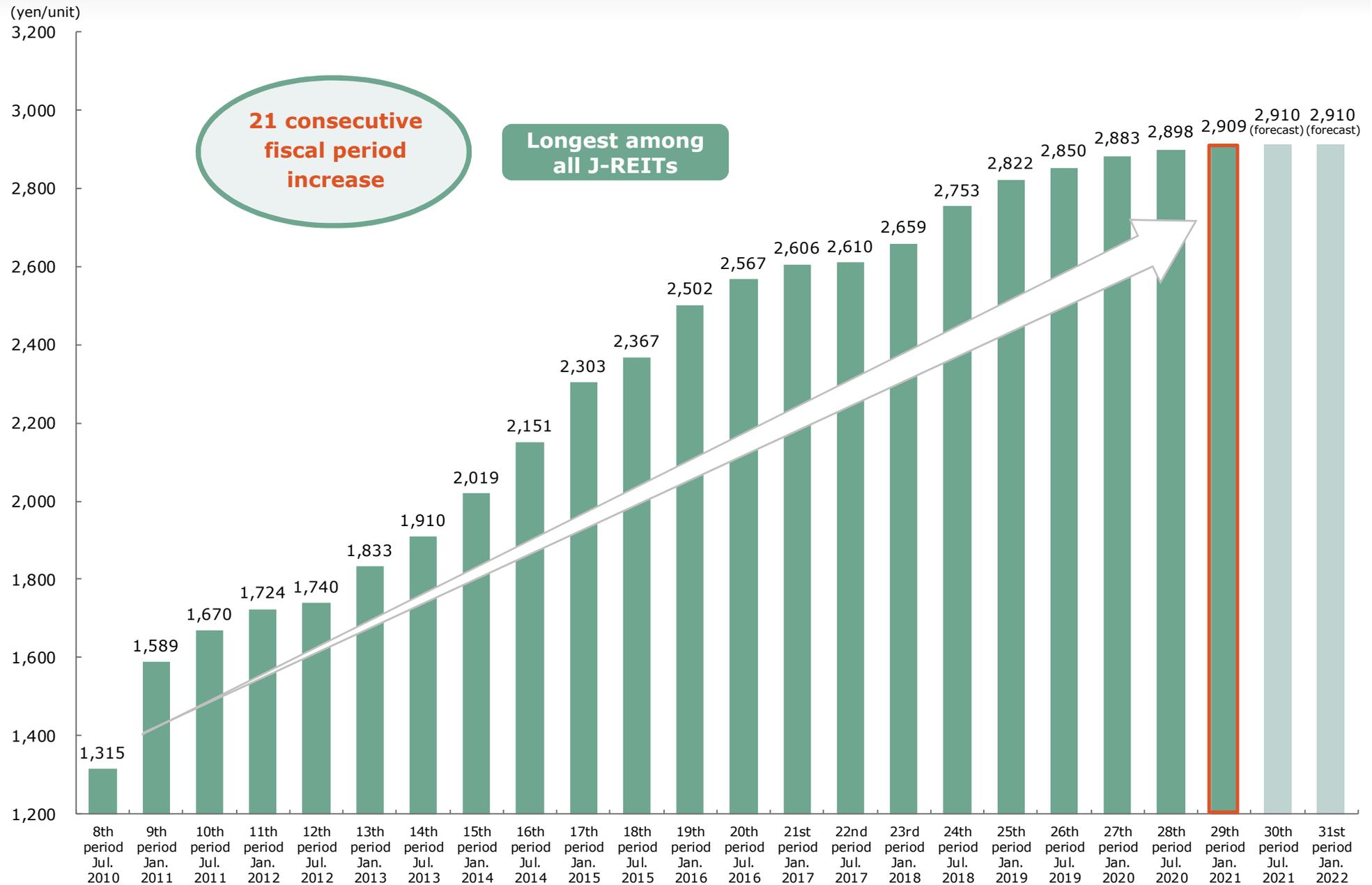
Hyatt's boutique lifestyle hotel "Andaz Tokyo" is Japan's first Andaz. Andaz means "personal style" in Hindi. The hotel values the individuality of the area and incorporates the charm of the land into design and its' service.



Evolving as an International Urban Center and a Global Business Hub

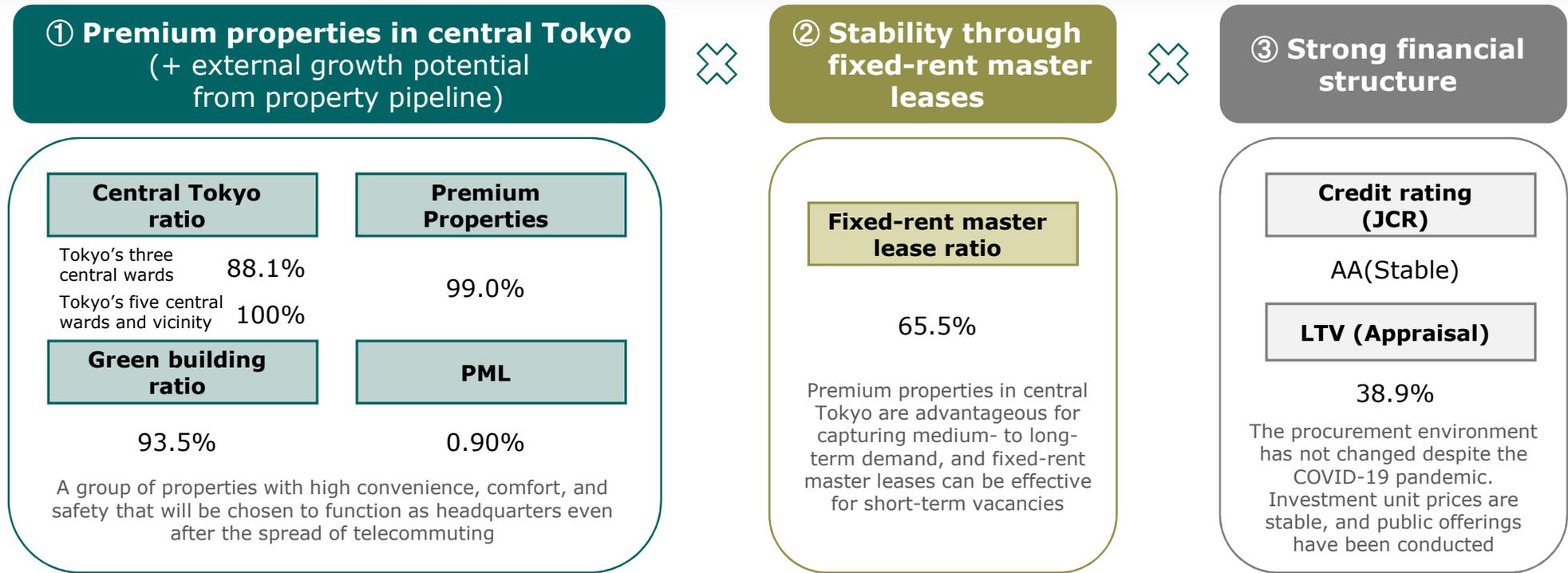
Upon completion of Toranomon Hills Business Tower, Toranomon Hills Residential Tower and the currently planned Toranomon Hills Station Tower (tentative name), the total area of the Toranomon Hills complex including Toranomon Hills Mori Tower will reach about 7.5 hectares and about 800,000m² of the total 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.

2-4 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.

2-5 Strengths of continuous growth in DPU and NAV



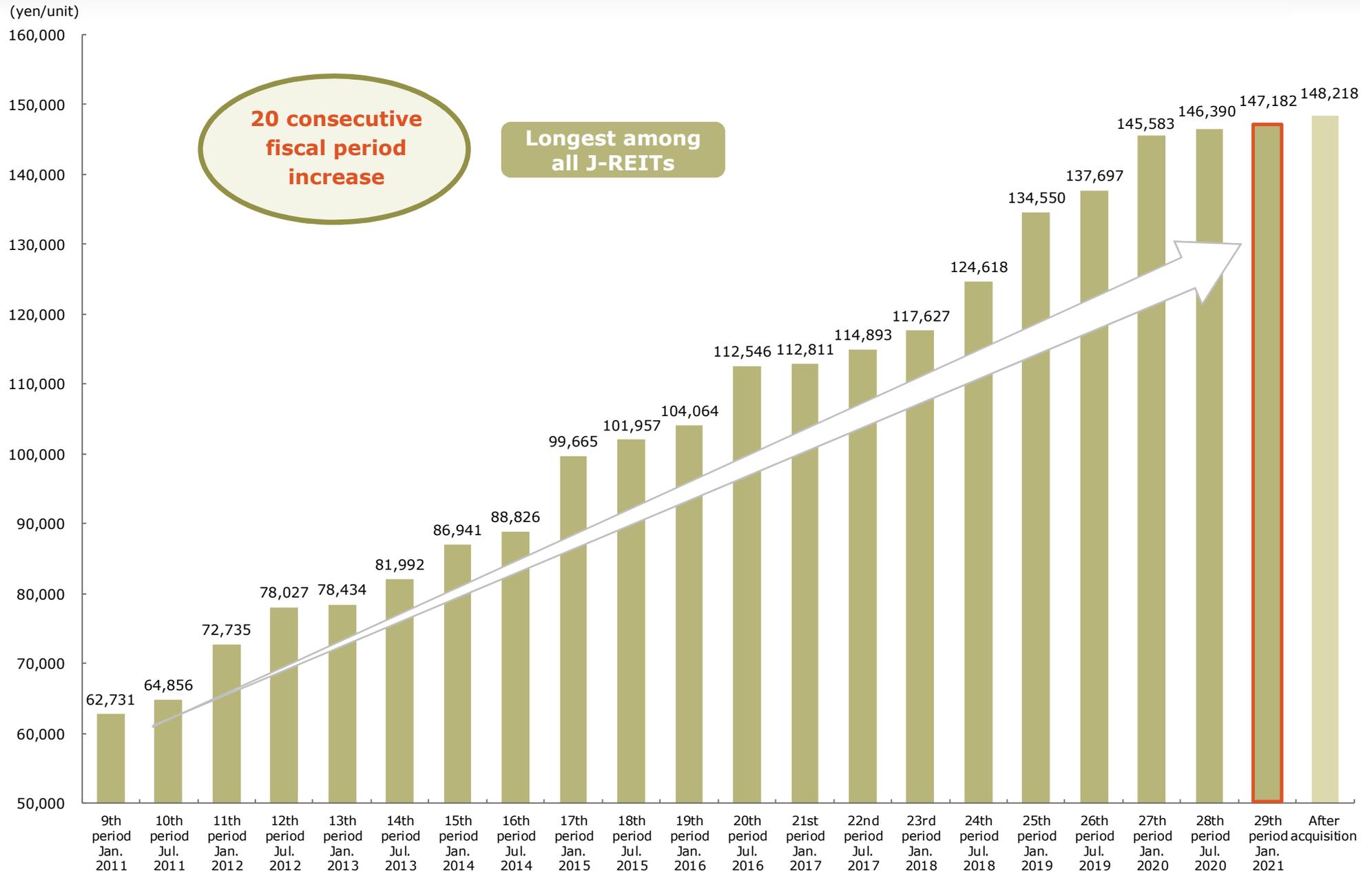
*The figure above is for after the acquisition of the new property

Impact of COVID-19 on business performance (29th period)

- Office: No significant impact. Maintained high occupancy rates**
- **Occupancy Rate** 99.7% in the 28th period and 99.6% in the 29th period
Even as office vacancy rates rose in the five central wards, including Minato Ward, a high occupancy rate was maintained due in part to the excellent location and quality of MHR's properties
 - **Rent trends**
Rent increases have continued for both rent revision and tenant replacement. As a result, the rent gap has narrowed
 - **Rent exemption and non-payment**
No incidents

- Residential: Occupancy rates have declined at some properties, but the impact has been minimal**
- **Occupancy Rate** decreased from 96.1% in the 28th period to 94.9% in the 29th period
While occupancy rates have declined at some properties, the overall portfolio impact has been minimal
 - **Rent trends**
Rent increase upon rent revision has continued to result in increases. New rents have declined temporarily at some properties where occupancy rates declined
 - **Rent exemption and non-payment**
No incidents

2-6 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.

2-7 Forecasts

The 30th period is forecast to have increased revenue, income, and DPU compared with the 29th period. The 31st period is expected to end at around the same level as the 30th period

- While the contract for the only master lease for which fixed rent significantly deviates from the market rent will be renewed at a lower level in the 31st period, a property acquisition will be conducted at the same time to maintain the DPU (forecast) at the same level of the 30th period
- Cancellations have not particularly increased due to COVID-19, and the occupancy rate is expected to remain at a high level

	29th period	30th period		31st period
	Jan. 31, 2021	Jul. 31, 2021		Jan. 31, 2022
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	9,820	9,820	+ 0	9,899
Rent revenues	9,614	9,620	+ 6	9,664
Other operating revenues	206	200	△ 6	235
Operating expenses	3,646	3,667	+ 20	3,736
Expenses related to properties	3,315	3,354	+ 38	3,420
SG&A	331	312	△ 18	315
Operating income	6,173	6,153	△ 20	6,163
Non-operating income	0	1	+ 0	0
Non-operating expenses	598	576	△ 22	585
Ordinary income	5,576	5,578	+ 2	5,579
Net income	5,575	5,577	+ 2	5,577
Total dividends	5,574	5,576	+ 1	5,576
DPU				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	2,909	2,910	+ 1	2,910
Other Indices (million yen)				
NOI	7,561	7,535	△ 26	7,564
NOI yield	3.7%	3.8%	0.0PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period)	400,851	402,910	+ 2,058	410,737

Increase/decrease factor (29th – 30th)

•Operating revenue (+0 mn yen)	
- Full period contribution of property acquired in 29th period	+43
- Office Rent (pass-through)	△25
- Residential (pass-through)	△7
- Cancellation penalty	△5
- Utilities and other revenue	△3
•Operating expenses (+20 mn yen)	
- Maintenance and repairs	+12
- Full period contribution of property acquired in 29th period	+10
- Property taxes for property acquired in 29th period	+10
- Depreciation	+7
- Asset management fee	△15
- Property management fee	△8
•Non-operating expenses (△22 mn yen)	
- Interest expenses, etc.	△18

Increase/decrease factor (30th – 31st)

•Operating revenue (+79 mn yen)	
- Property acquisition in 31st period	+169
- Utilities and other revenue	+32
- Residential Rent (pass-through)	+4
- Office Rent (fixed rent master lease)	△92
- Office Rent (pass-through)	△41
•Operating expenses (+69 mn yen)	
- Property acquisition in 31st period	+40
- Utilities	+28
- Property taxes for property acquired in 29th period	+10
- Property management fee	△11
•Non-operating expenses (+9 mn yen)	
- Interest expenses, etc. (new borrowings in 31st period)	+22
- Interest expenses, etc.	△5
- Amortization of investment unit issuance cost	△6

2-8 Highest quality portfolio among all J-REITs

Investment strategy based on long-term perspective

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

① Investment in central Tokyo
"Truly central and excellent location" even within central Tokyo

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

Location

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

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

Quality of assets

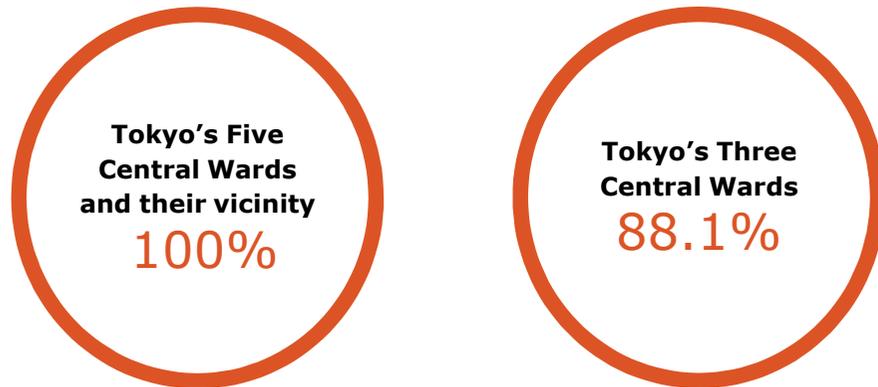
③ Value creation
Value improvement through regional development and area management

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

Value Creation

2-9 (1) Location

Highest property percentage in Central Tokyo among J-REITs

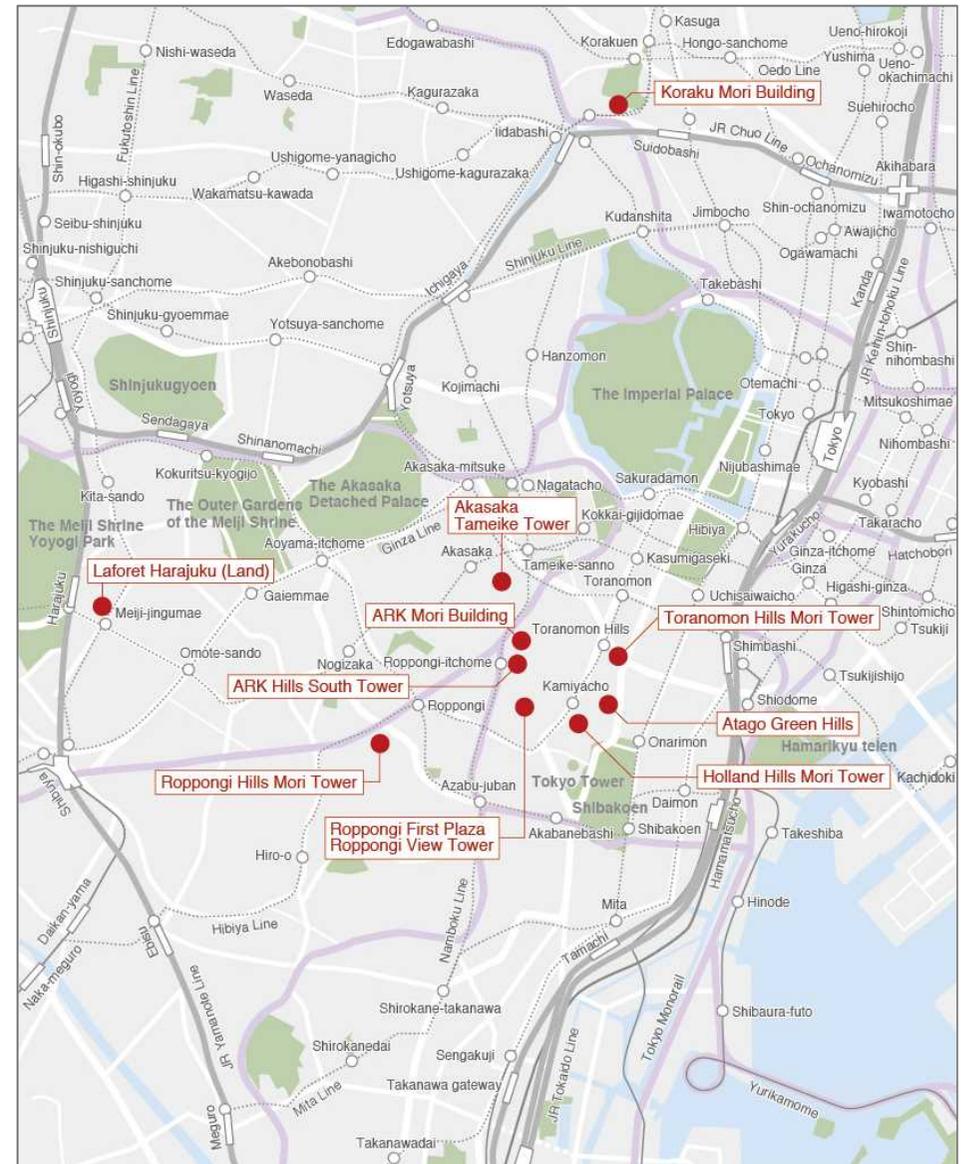


(Note) The ratios represent proportion of acquisition price to total acquisition price.

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.



2-10 (2) Quality of assets

Premium Properties (Excellent comfort and safety 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	228	Grand Hyatt Tokyo (NAGOMI SPA AND FITNESS)	Mori Art Museum Tokyo City View TOHO Cinemas	Academyhills Ropponngi Hills Club	○	○	30.1%
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	○	○	30.4%
ARK Hills	310,979㎡	2-minute walk from Roppongi 1-chome Station	55	ANA InterContinental (THANN SANCTUARY SPA AKASAKA)	Suntory Hall	ARK Hills Club	○	○	43.3%
Atago Green Hills	151,106㎡	3-minute walk from Onarimon Station	18	(Atago Green Hills SPA)	-	-	-	○	51.9%

(Source) Prepared by the Asset Manager based on disclosed materials as of August 31, 2020.

(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	
Toranomon 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



CASBEE for Existing Buildings: Rank A

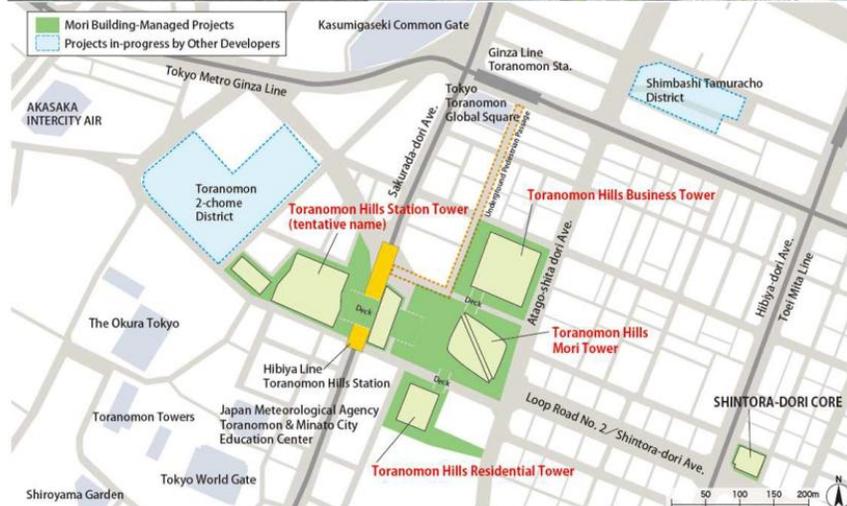


DBJ Green Building Certification: Four stars



2-12 (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
- Cafe/dining and event space "THE CORE KITCHEN/SPACE" which faces the Shintora-Dori aims to be a creator's hub where creative industry people gather, interact, and generate ideas.
- An "incubation center" with shared lounges and meeting rooms is located on the 3rd floor and start-ups expanding into Japan from overseas and venture companies have moved in.

Toranomon Hills Business Tower (Completed Jan. 2020)



(c) Mariko Mori «Cycloid V»

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

- Business Tower is a 36-story office tower, featuring international-standard, large-scale office space of approximately 96,000m², and retail facility area of approximately 7,600m².
- The tower is directly connected to Toranomon Hills station on the Hibiya subway line as well as 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 3,000m². Refreshment corners are provided in the common area on each floor aimed at promoting communication. In addition, preparation for an emergency has been arranged through a disaster stockpiling warehouse on each floor.
- An original energy plant that supplies electricity and heat is installed in the Toranomon Hills area on the third basement floor. It also provides the electricity and heat sufficient to continue urban functions even in the event of a disaster, contributing to the safety and security of the Global Business Center.



<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 3,800m² 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 861,500m², 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 landscaping 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)

Partnership with world's largest innovation center

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



TORANOMON FLOWER MART
(Toranomon Hills Mori Tower)

Community connected by flowers

"Toranomon Flower Mart," a new market unique to Toranomon Hills serves as an intersection connecting prominent greenery in central Tokyo including Atagoyama and Hibiya Park. Unique and popular flower shops that do not usually get together gather at the same place, and workshops, etc. are also held.



ARCH
(Toranomon Hills Business Tower)

Incubation Center "ARCH"

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



Touring stand
(Shintora-Dori)

Understanding attractiveness across Japan

"Touring Stand" is a collection of dining facilities standing side by side along the road where people can enjoy seasonal ingredients and local cuisine from across Japan including at the special event "Touring Ippinichi."

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.



Hills Marche
(ARK Karajan Place)

Pioneer of urban markets: Hills Marche

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

Roppongi Hills Area



ARK Hills Music Week
(ARK Karajan Place)

Close experience of high-quality music

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



(c) Roppongi Art Night Execution Committee

Roppongi Art Night
(Roppongi Hills Arena)

Art Festival representing Tokyo

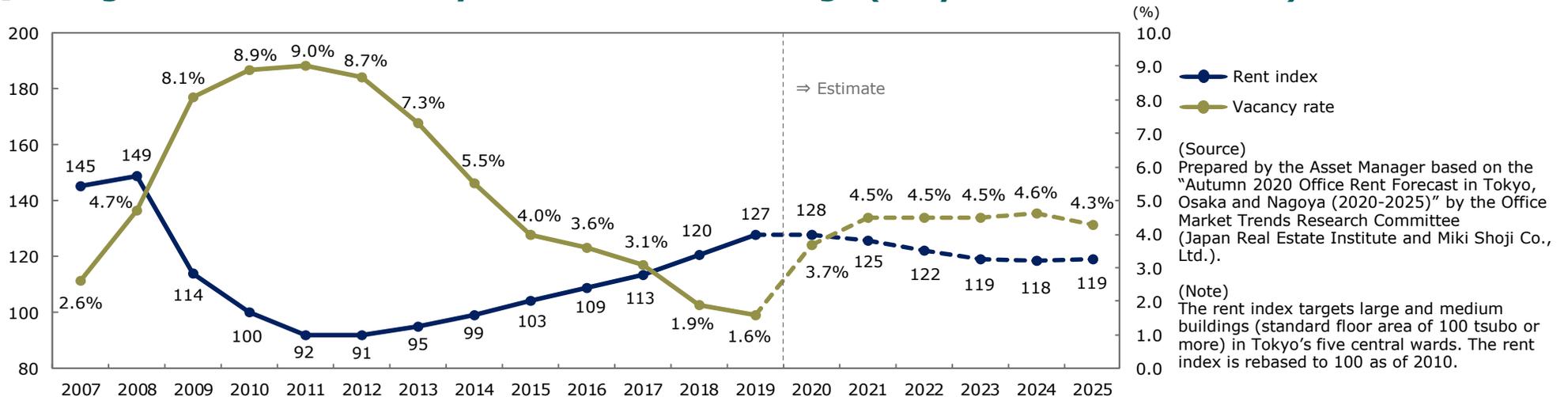
“Roppongi Art Night,” an art festival representing Tokyo, integrates art and the city to improve the cultural image of Roppongi and create a pioneering model of urban development through art in the metropolis Tokyo.

2-17 External growth

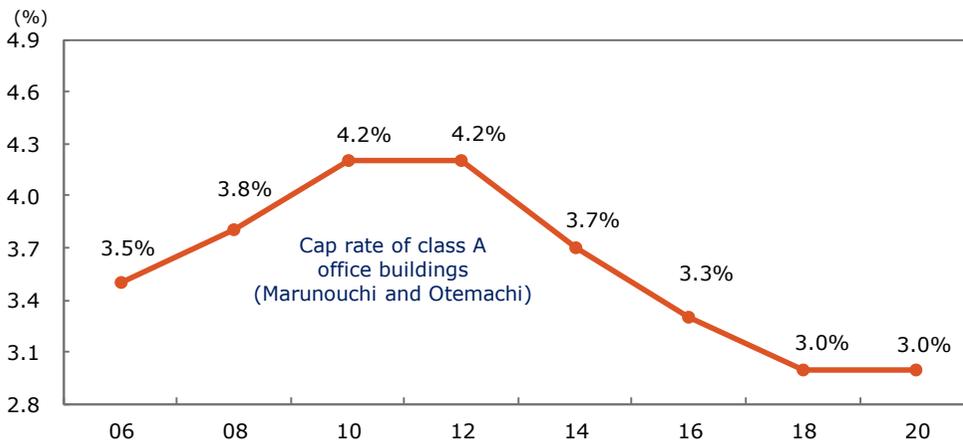
Realized growth in DPU and NAV by acquiring premium property in central Tokyo

- Additional acquisition of Toranomon Hills (September 2020, 12.2 billion yen), with additional acquisition planned (August 2021, 7.8 billion yen). Acquisitions made at a cost lower than appraisal value, leading to growth in DPU and NAV
- Ability to acquire premium properties in central Tokyo without competitive bidding by utilizing the abundant and extensive property pipeline of Mori Building, the sponsor

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



Change in return on real estate investment



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

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

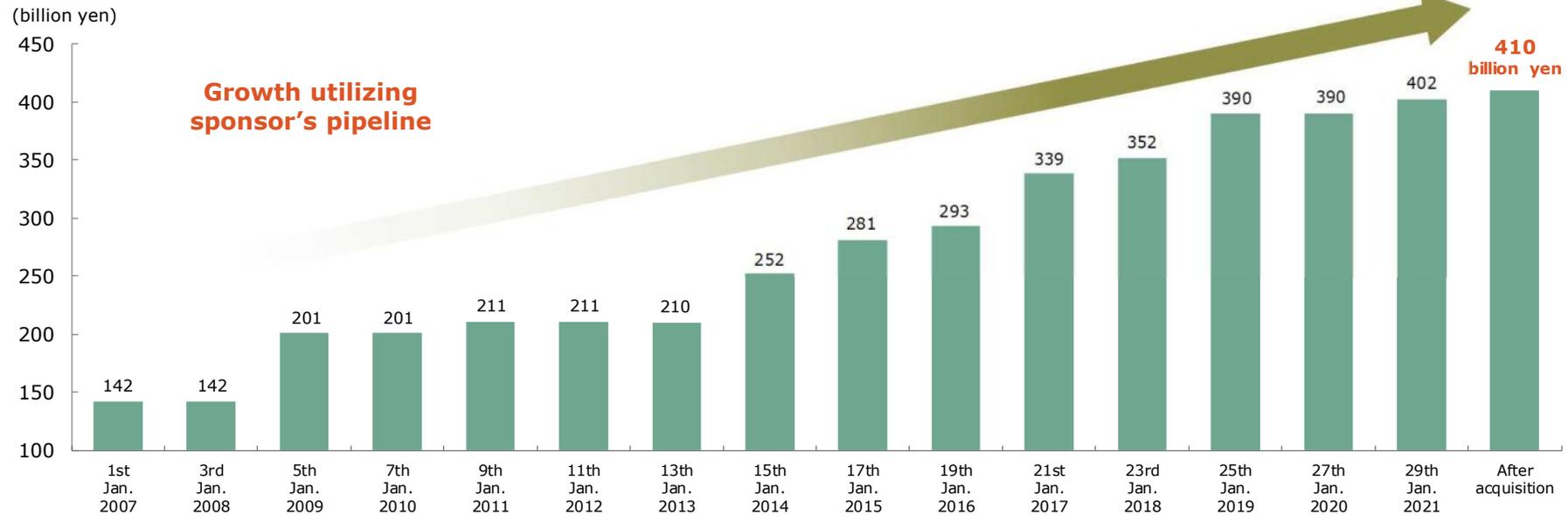
Mori Building's extensive property pipeline

Total assets: 2.2 trillion yen (as of the end of September, 2020)	Number of properties under management: 96 buildings (as of April, 2020)
--	---

MHR has "preferential negotiation rights"

2-18 External growth

Trend in assets under management (based on acquisition price)



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

Toranomon Hills Mori Tower

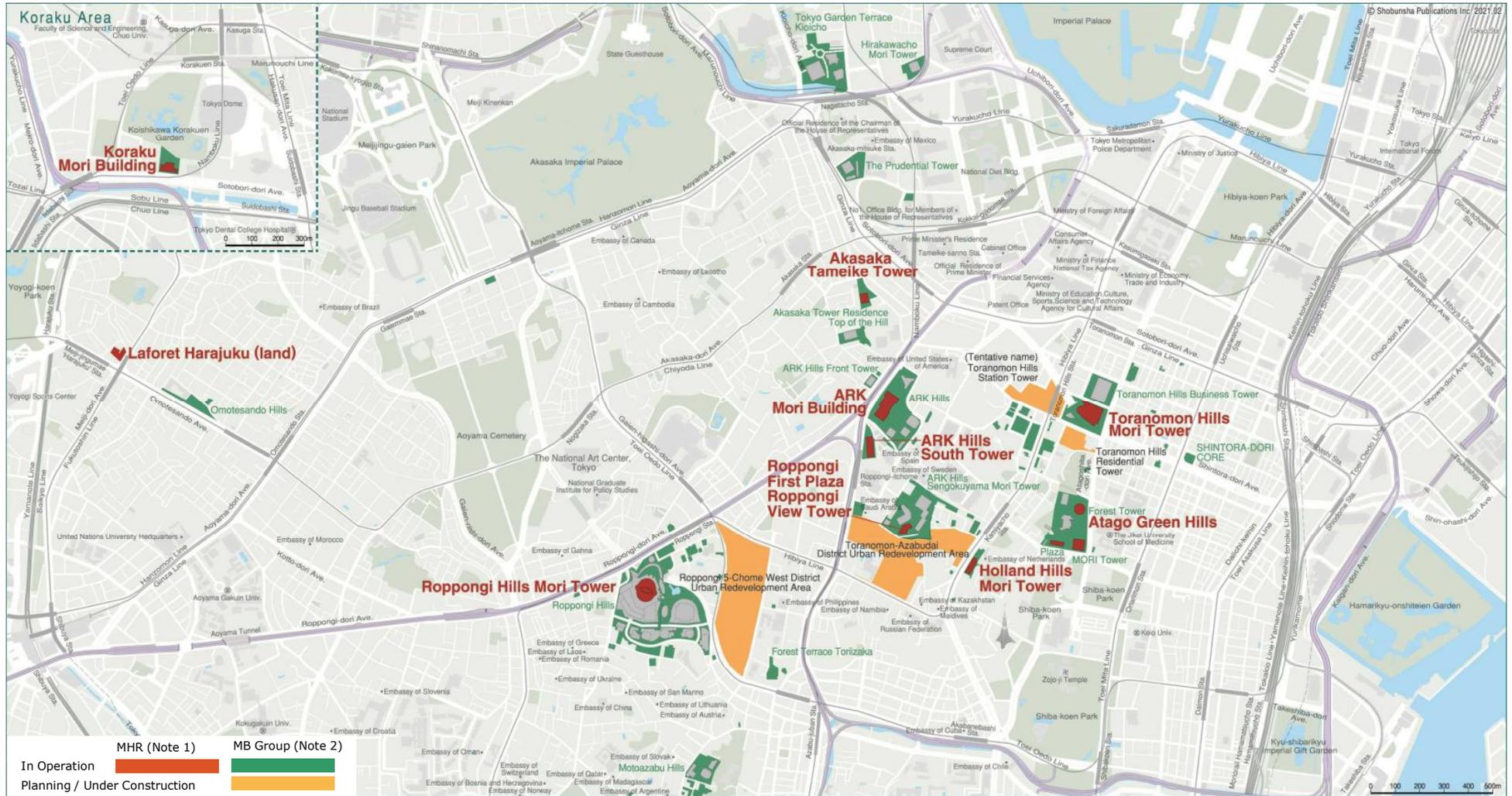


Anticipated acquisition price	7,870 million yen
Appraisal value	9,856 million yen
Location	Minato-ku, Tokyo

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

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

Mori Building Group's involvement



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2021."

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

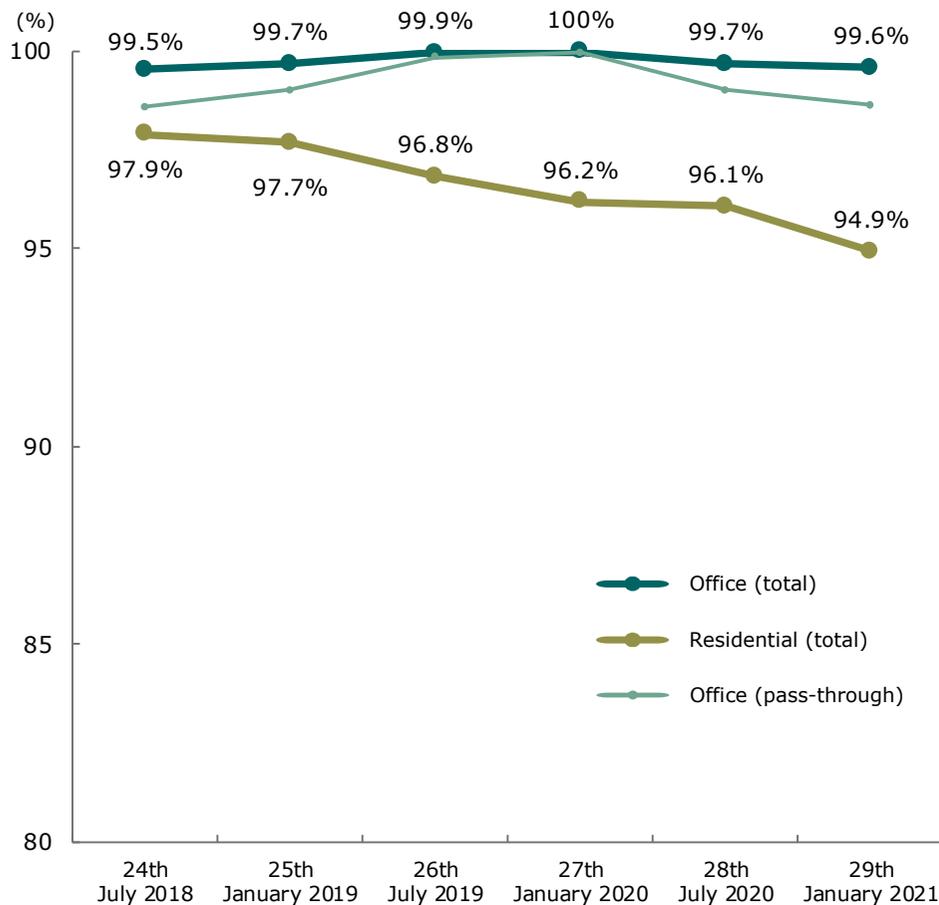
(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

2-20 Internal growth

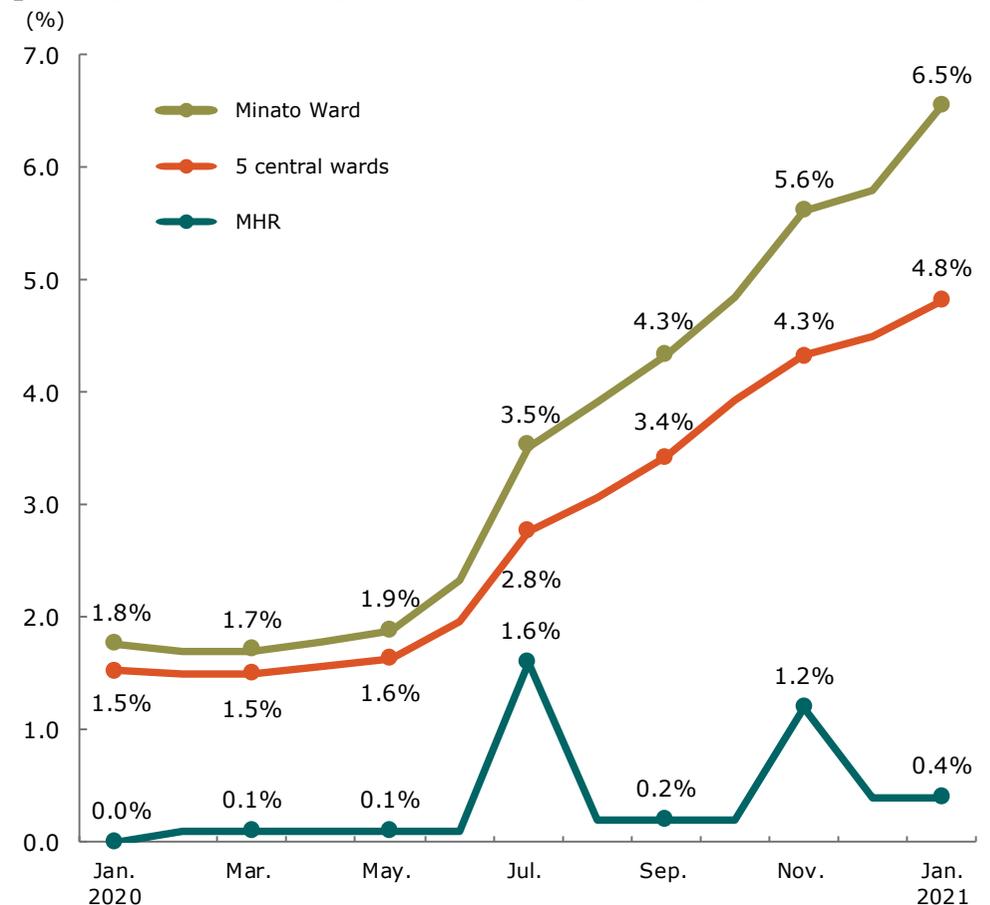
Maintained high occupancy rate amidst COVID-19 pandemic

- Even as office vacancy rates rose in the five central wards, including Minato Ward, MHR's properties have not been impacted due to their excellent location and quality
- Office rents (pass-through type) in the 29th period have continued to increase for both rent revision and tenant replacement. While the occupancy rates for some residential properties decreased, the overall portfolio impact has been minimal

Trend in occupancy rates



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

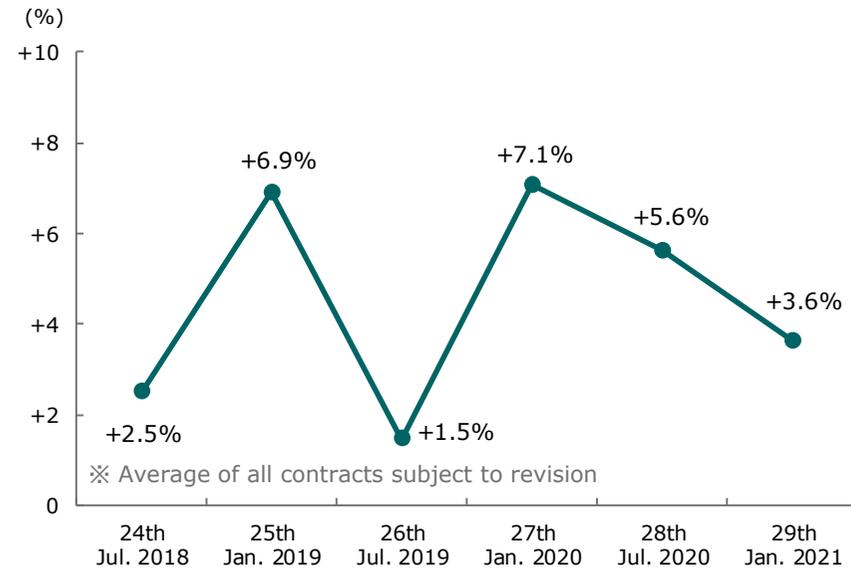


(Source) Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.

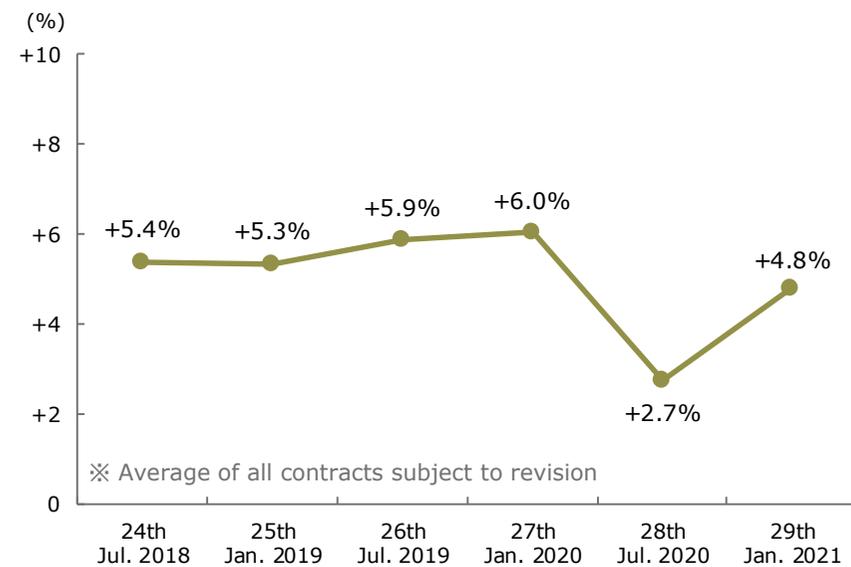
(Note) Figures of "Mori Hills REIT" are the total figures for the office sections of all owned properties.

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

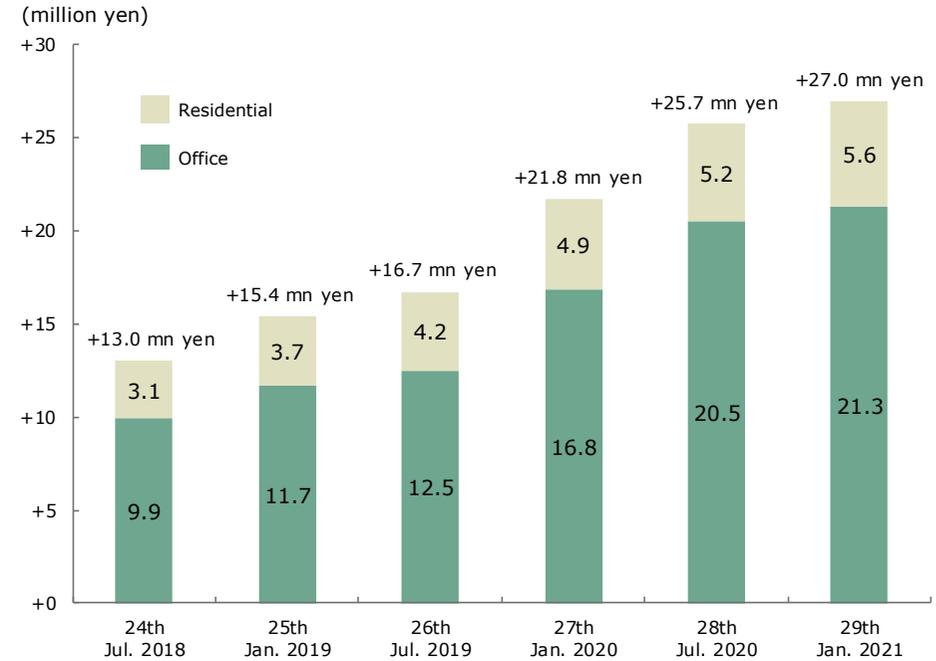
Rent revision rate (Office)



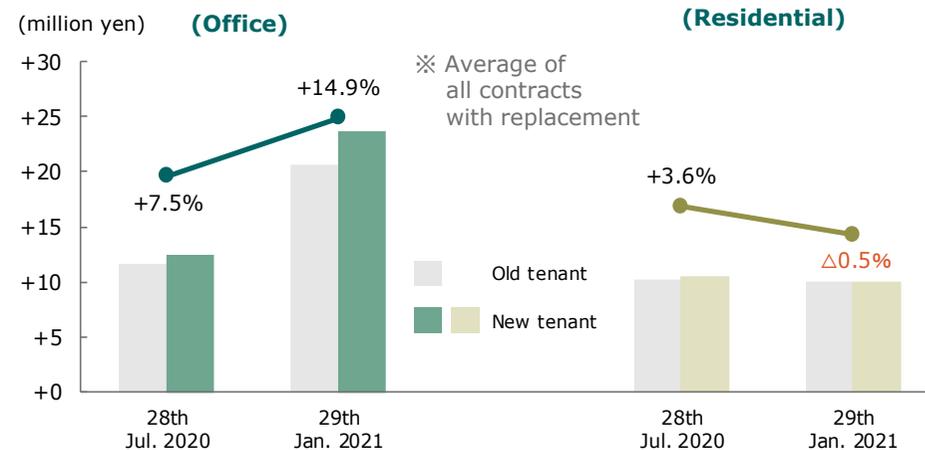
Rent revision rate (Residential)



Net impact of rent revisions accumulated since 24th period (Monthly rent basis)

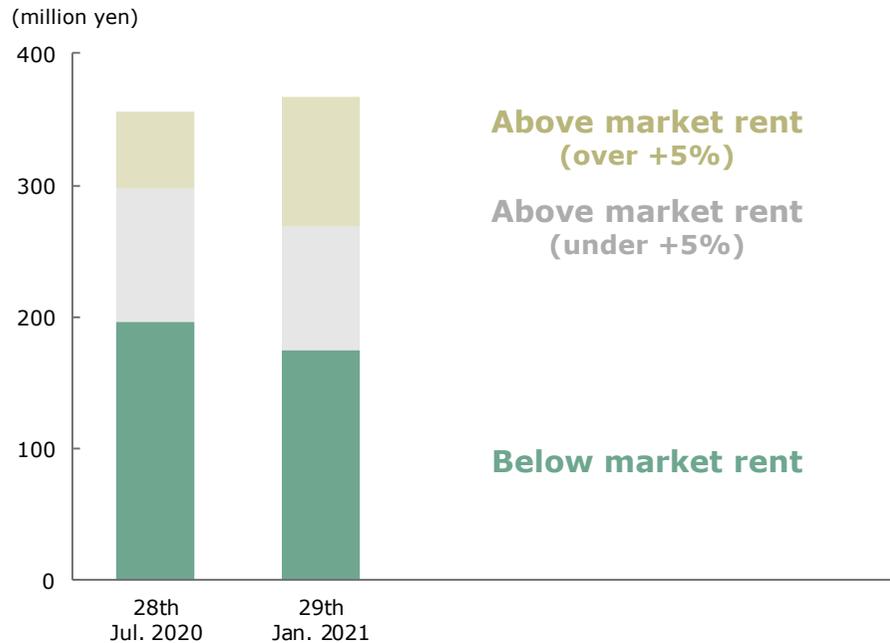


Net impact on increase/decrease of tenant replacement (Monthly rent basis)

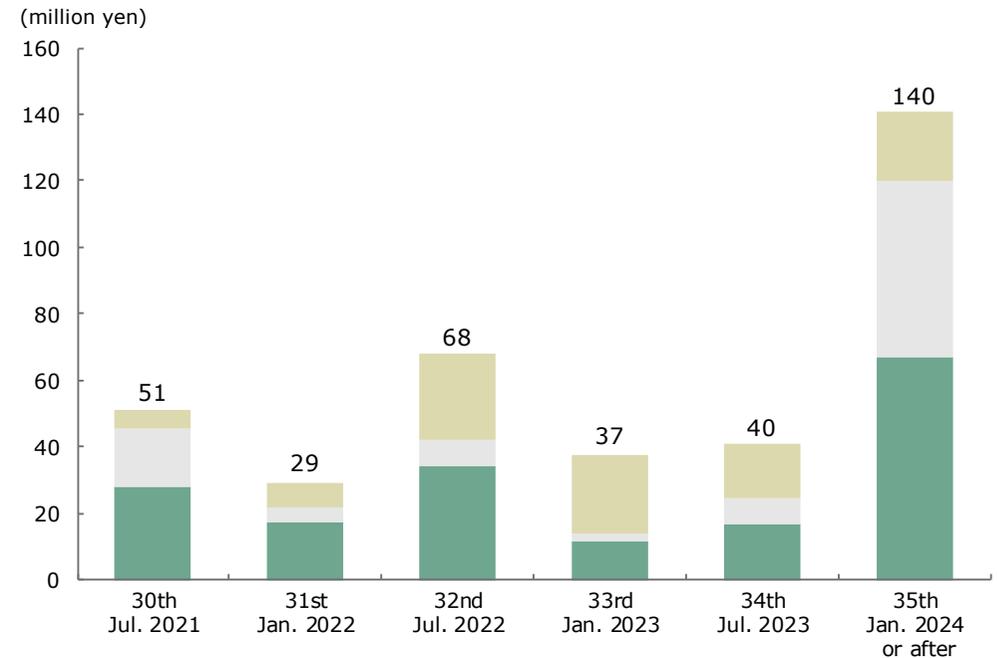


Comparison with office market rent (pass-through type)

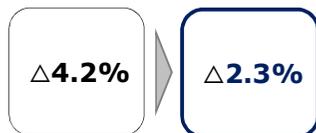
Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap



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

- The rent gap has narrowed due to the continued rent increases for both rent revision and tenant replacement and only the slight decrease in new rents at some properties
- Aim for the maintenance and improvement of overall rental income, while considering the upward revision of rents for tenants with a large rent gap

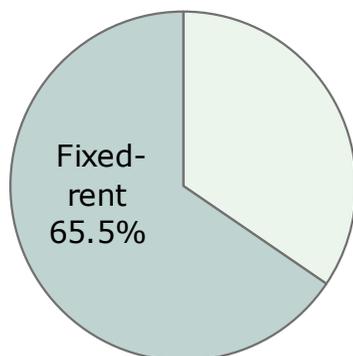
(Note 1) Market rent is based on the report by CBRE K.K.

(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, 2021

Overview of fixed rent master lease

Ratio of fixed rent master lease (after new acquisition)



Realize stable
cash flow

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

● Display a defensive posture to the temporary uptick in vacancy

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

Monthly rent by contract expiration

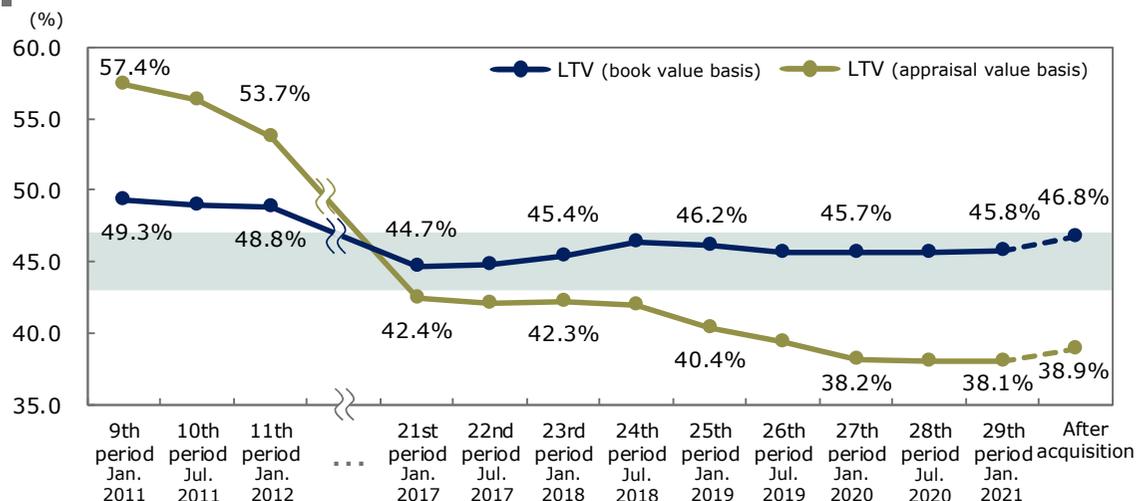
Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (m ²)	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2022	2023	2024	2025 or after	
Roppongi Hills Mori Tower (10 floors)	475.2	29.1%	23rd & 24th	8,993.45	MHR	—	—	—	99.2	Jul. 2026
			19th & 22nd	8,609.47		—	95.0	—	Sep. 2023	
			20th	3,879.19		—	—	42.8	—	Jul. 2024
			28th	4,460.13		—	—	—	49.2	Sep. 2025
			25th	4,156.66		—	—	—	45.8	Jan. 2026
			26th, 27th & 29th	12,942.64		—	—	—	142.9	Mar. 2026
ARK Mori Building (8 floors + DHC)	225.2	13.8%	13th/12th & 22nd	7,952.55	MHR	—	—	—	77.9	Jan. 2026
			23rd & 25th	5,742.95		—	—	—	55.5	Jan. 2026
			4th, 15th & 24th	7,680.52		—	—	—	73.8	Jan. 2026
			DHC	3,212.41	Master lessee	—	17.9	—	—	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.3%	Office, residential & retail	29,667.58	Master lessee	168.7	—	—	—	Apr. 2022
Toranomon Hills Mori Tower (approx. 10.8% of entire property)	201.6	12.3%	Part of 28th to 35th floors	19,046.16	MHR	201.6	—	—	—	Jul. 2022
Total	1,070.8	65.5%				370.3 (34.6%)	113.0 (10.6%)	42.8 (4.0%)	544.6 (50.9%)	

(Note) Figures reflect the acquisition as of August 2, 2021.

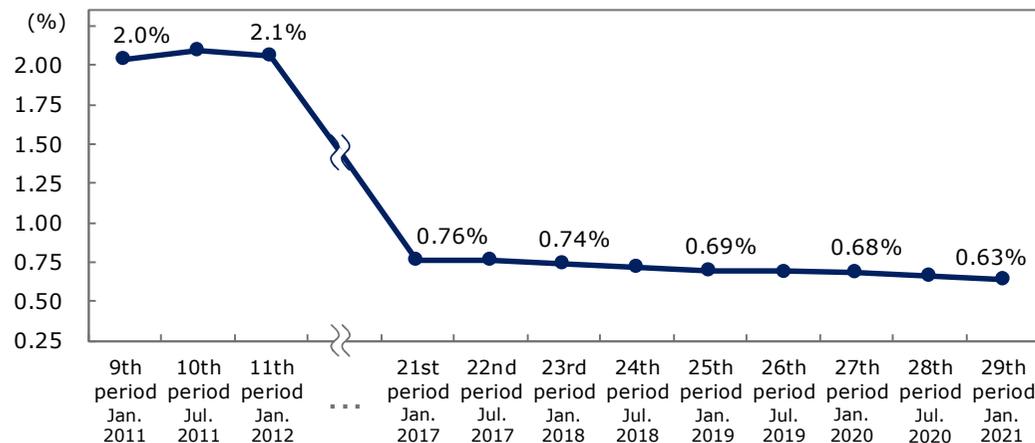
Maintaining a strong financial structure with a credit rating (JCR) of AA (stable), and LTV (appraisal-value basis) of 38.1%

- The fund procurement environment has not changed despite the COVID-19 pandemic, and because the interest rate for new debt is below the interest rates of existing debt, financial costs are expected to decline upon refinancing
- The policy is to continue to maintain LTV (book-value basis) in the mid-40% range and the average remaining duration of debt at 4.0 years or longer. New green bonds have been issued (November 2020: 3.5 billion yen, February 2021: 2.0 billion yen)

Reduction in LTV



Reduction in average interest rate (including borrowing expenses)



Overview of debt financing

	End of 28th period Jul. 31, 2020	End of 29th period Jan. 31, 2021
Debt Balance	179,222 mn yen	184,422 mn yen
LTV (book value basis) ^(Note 1)	45.7%	45.8%
LTV (appraisal value basis) ^(Note 2)	38.0%	38.1%
Avg. remaining duration	4.7 years	4.6 years

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

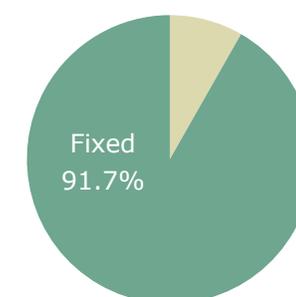
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio / Fixed rate ratio

<Long-term debt ratio>

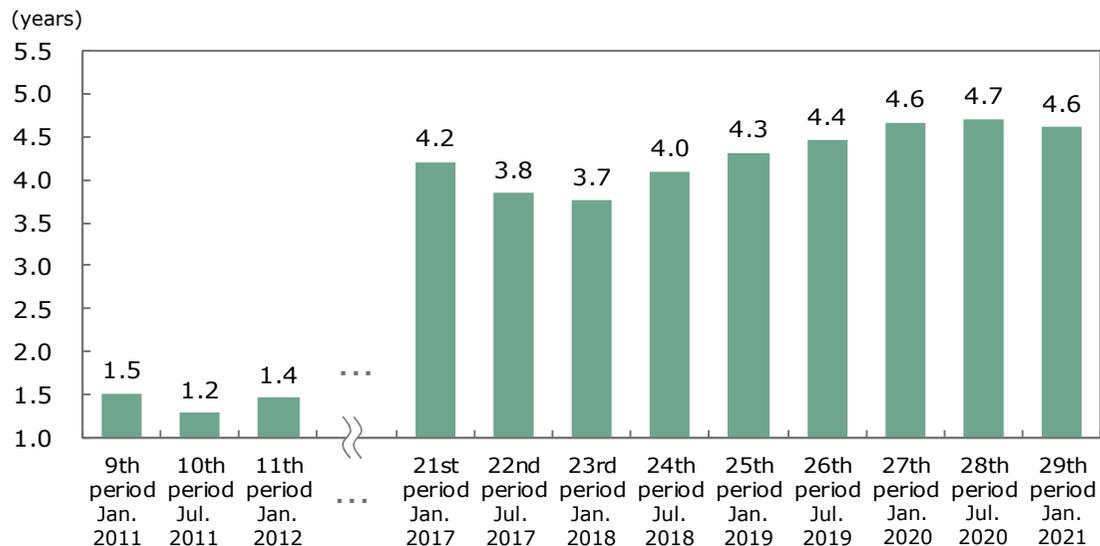


<Fixed rate ratio>



(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

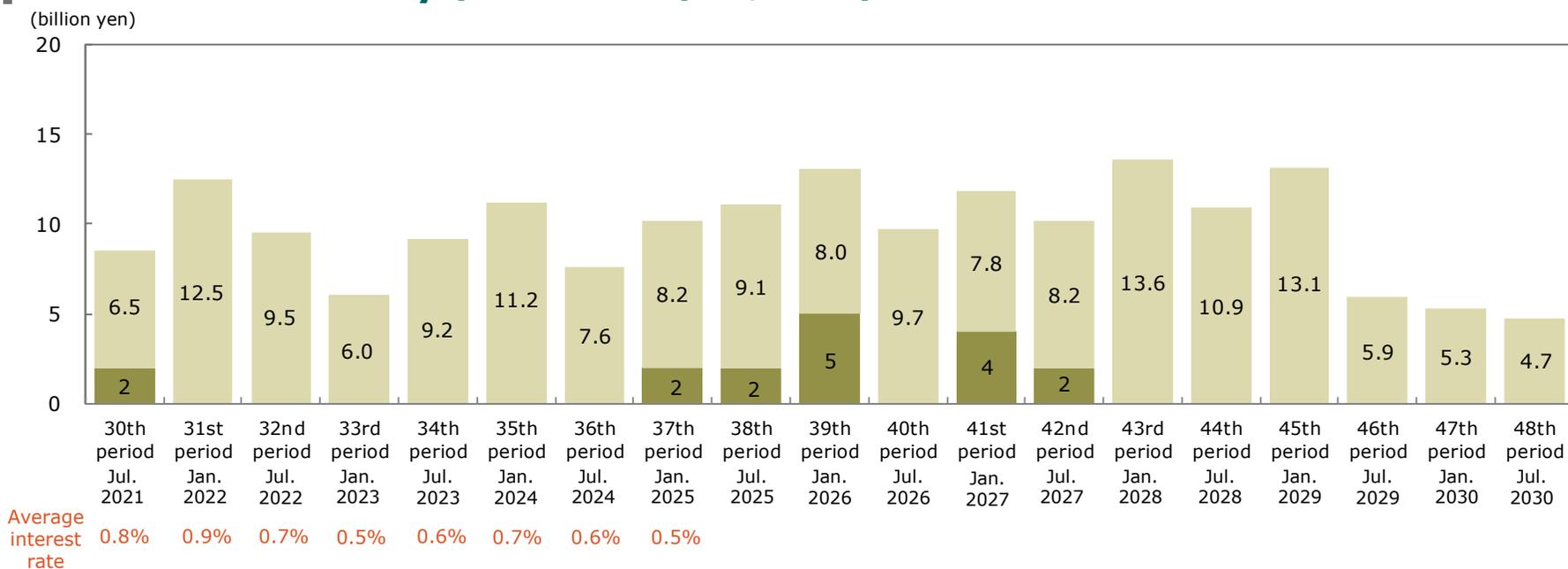


Rating

Japan Credit Rating (JCR)

Long-term issuer rating:
AA (Stable)

Overview of maturity (as of January 31, 2021)



2-26 Sustainability initiatives

Important ESG Issues (Materiality)

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

GRESB Assessment



In the 2020 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the ninth consecutive year, and received the highest evaluation of “5 Stars” in the GRESB Rating (Note).

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

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

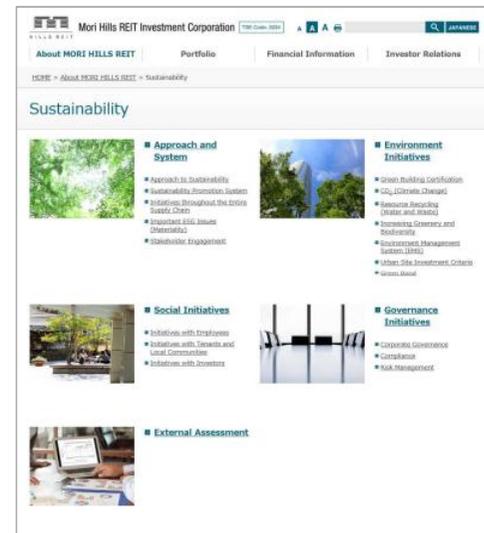
ESG Report (Japanese)



This report describes the overall efforts of MHR and the Asset Manager Mori Building Investment Management Co., Ltd. to contribute to the realization of a sustainable society and to maximize unitholder value over the medium to long term.

URL: https://www.mori-hills-reit.co.jp/Portals/0/images/ir/ir_pdf/ESG_Report_2020.pdf

MHR’s Website



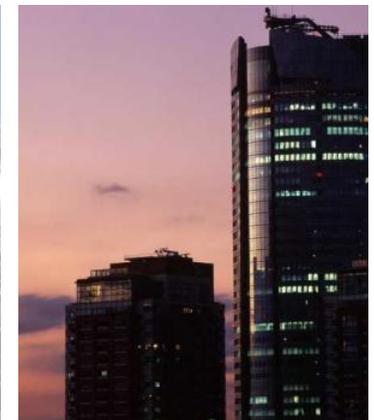
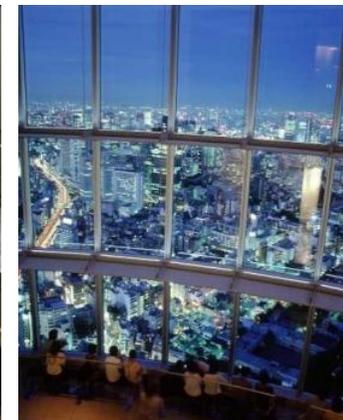
The pages dedicated to ESG have expanded, and information is proactively disclosed.

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

2-28 MHR's representative property (1) Roppongi Hills



Roppongi Hills Mori Tower



Roppongi Hills

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

Office

Roppongi Hills Mori Tower

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



Residence Roppongi Hills Residence

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



Retail Shops and Restaurants

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



Hotel Grand Hyatt Tokyo

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



Cinema TOHO Cinemas Roppongi Hills

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



Museum Mori Art Museum

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



Stable Supply of Power from Independent Power Station

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

2-29 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 landmarks such as Tokyo Tower, Rainbow Bridge, Tokyo Sky Tree and the open green space of the Imperial Palace can be viewed from residences located on the 37th to 46th floors. Hotel services in cooperation with Andaz Tokyo are available.



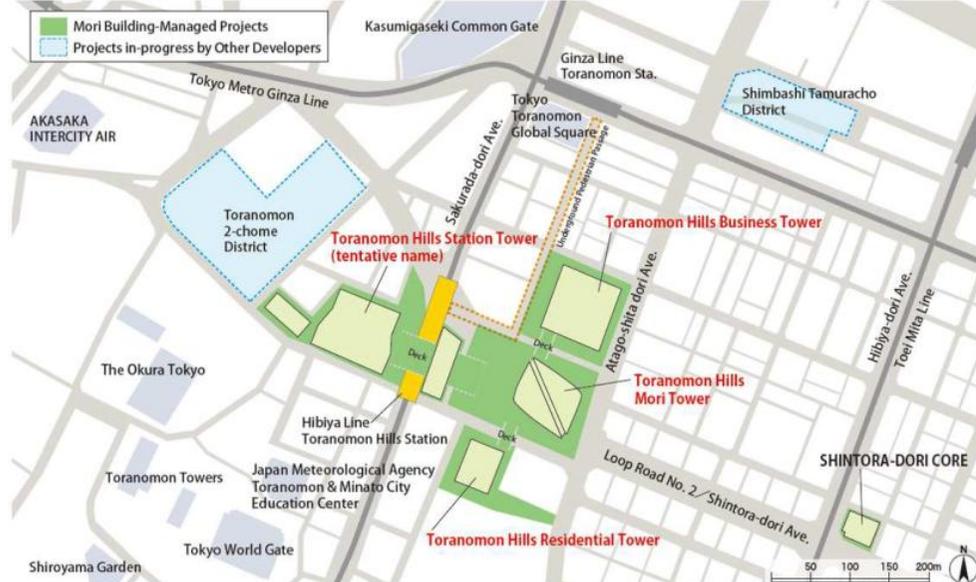
Retail Shops and Restaurants

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



Hotel Andaz Tokyo

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



Evolving as an International Urban Center and a Global Business Hub

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:

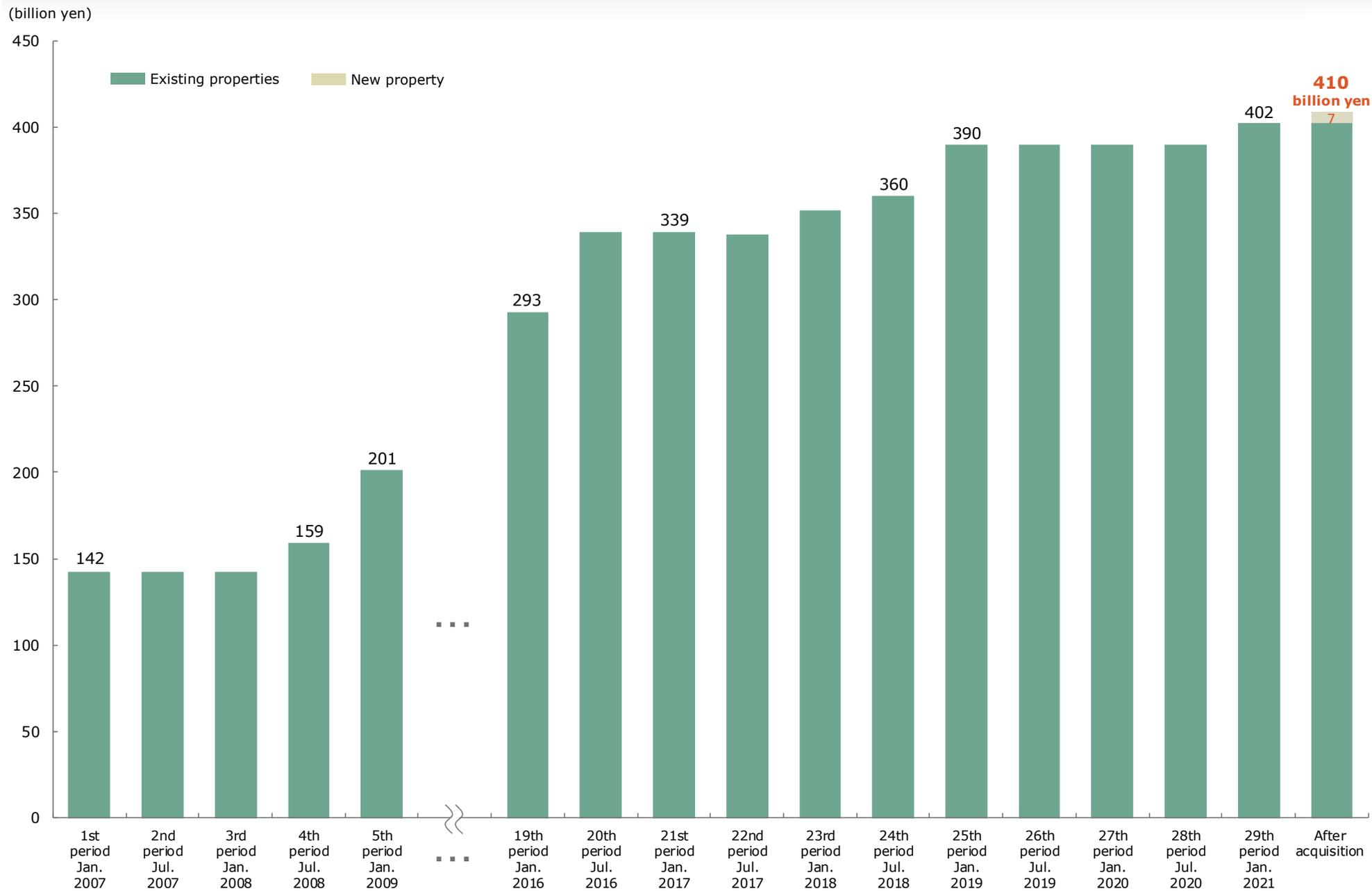
+ Decrease in maintenance and repairs	+7
+ Decrease in depreciation	+5
+ Office rent (pass-through)	+5
+ Utilities and other revenue (net)	+2
- Increase in property management fee	△13
- Increase in property taxes	△8
- Residential rent (pass-through)	△5

Major factors behind change in NOI from existing properties:

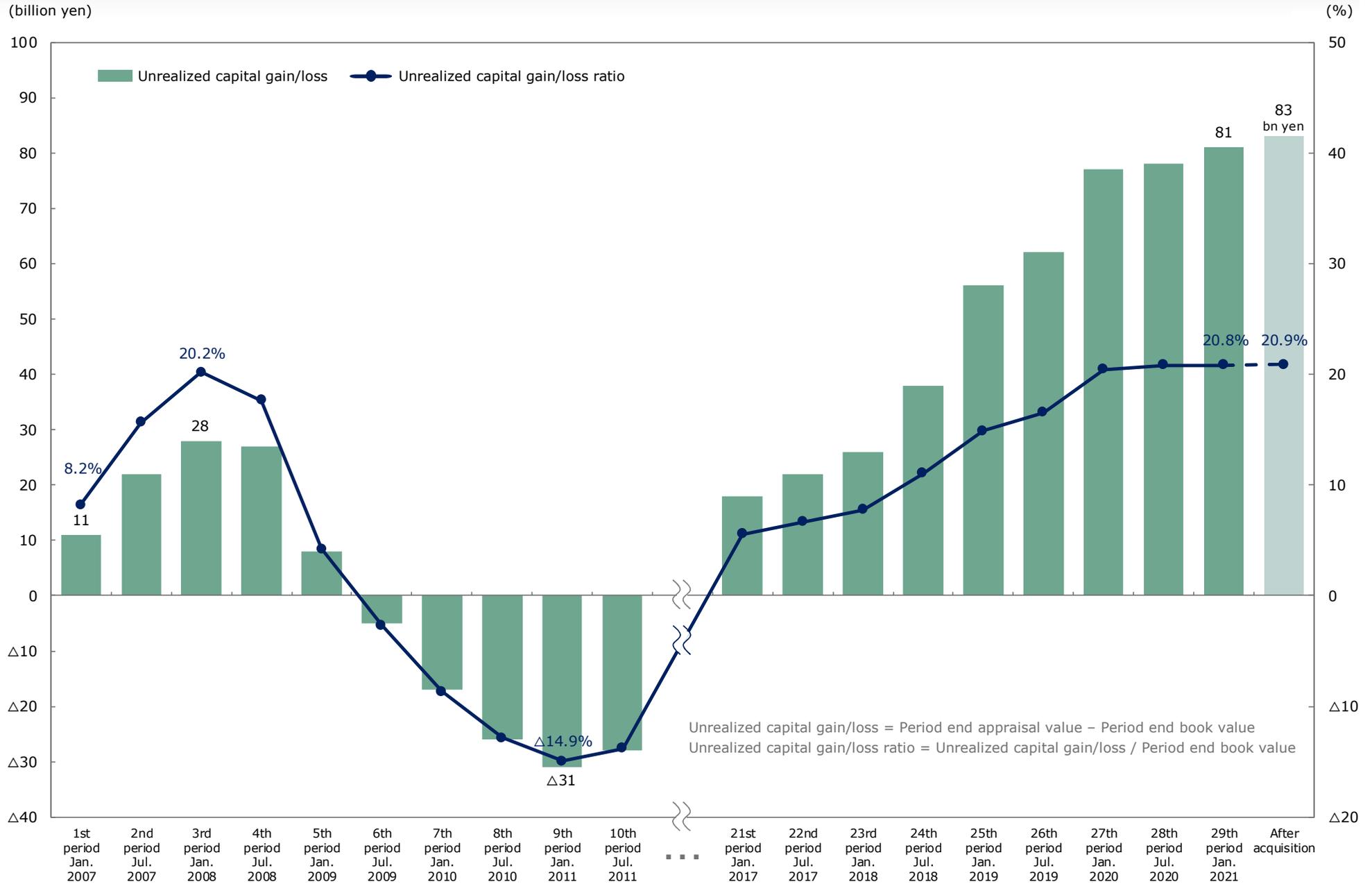
+ Decrease in property management fee	+4
- Office rent (pass-through)	△13
- Increase in maintenance and repairs	△7
- Increase in depreciation	△4
- Residential rent (pass-through)	△4
- Decrease in cancellation penalty	△3

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

3-2 Change in assets under management



3-3 Change in unrealized capital gain/loss



3-4 Appraisal value

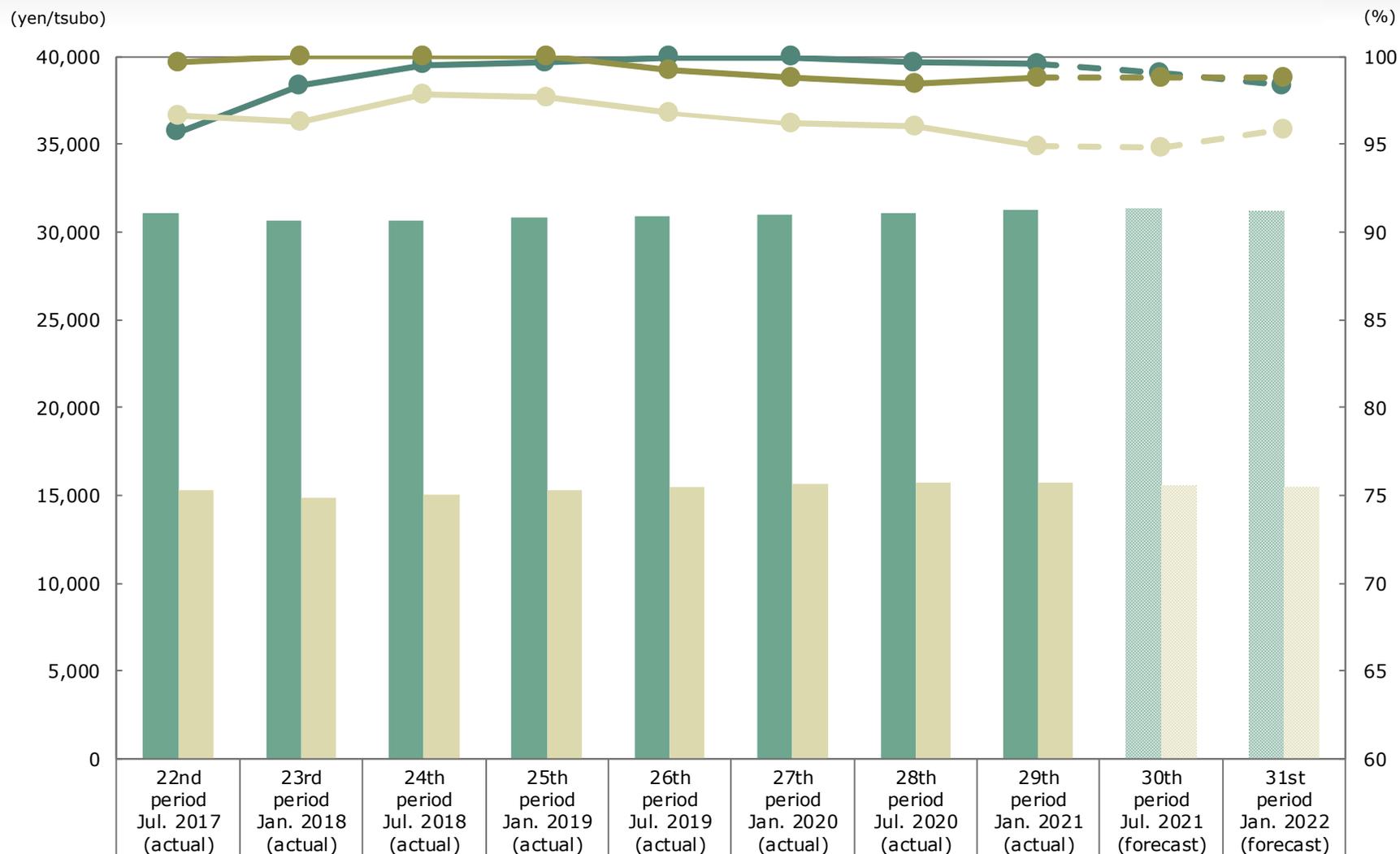
Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 28th period Jul. 31, 2020		As of end of 29th period Jan. 31, 2021				Difference (B) – (A)	Difference (B)/(A) – 1	Unrealized capital gain/loss (B)-book value
					(A) Appraisal value (Note 1)	Yield (Direct capitalization method)	(B) Appraisal value (Note 1)	Yield (Direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	111,330	148,100	2.9%	146,300	2.8%	2.5%	3.0%	△ 1,800	△ 1.2%	34,969
	ARK Mori Building	O-1	62,480	61,479	63,700	3.2%	63,900	3.2%	2.9%	3.4%	200	0.3%	2,420
	Koraku Mori Building	O-4	27,200	24,728	26,500	3.4%	25,500	3.4%	3.0%	3.7%	△ 1,000	△ 3.8%	771
	Akasaka Tameike Tower	O-6	43,930	41,453	34,500	3.2%	34,800	3.2%	2.9%	3.4%	300	0.9%	△ 6,653
	Atago Green Hills	O-7	42,090	40,085	46,900	3.4%	47,100	3.4%	2.9%	3.6%	200	0.4%	7,014
	ARK Hills South Tower	O-8	19,150	18,663	25,200	3.0%	25,200	3.0%	2.8%	3.2%	0	0.0%	6,536
	Toranomon Hills Mori Tower	O-9	48,430	47,998	44,800	2.6%	60,032	2.6%	2.3%	2.8%	15,232	34.0%	12,033
	Holland Hills Mori Tower	O-10	16,330	16,239	21,800	3.2%	21,800	3.2%	2.8%	3.4%	0	0.0%	5,560
Sub total			374,990	361,979	411,500	—	424,632	—	—	—	13,132	3.2%	62,652
Residential	Roppongi First Plaza	R-3	2,100	2,228	2,530	3.9%	2,610	3.8%	3.6%	4.0%	80	3.2%	381
	Roppongi View Tower	R-4	4,000	4,074	3,260	4.0%	3,400	3.9%	3.7%	4.1%	140	4.3%	△ 674
Sub total			6,100	6,302	5,790	—	6,010	—	—	—	220	3.8%	△ 292
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	40,600	3.8%	41,000	—	3.8%	—	400	1.0%	18,925
	Sub total			21,820	22,074	40,600	—	41,000	—	—	—	400	1.0%
Total			402,910	390,355	457,890	—	471,642	—	—	—	13,752	3.0%	81,286

Reflects the impact of additional acquisition (million yen)

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

(Note 2) For Laforet Harajuku (Land), value in the "Yield (Direct capitalization method)" column for the 28th period shows the discount rate used in the DCF analysis.

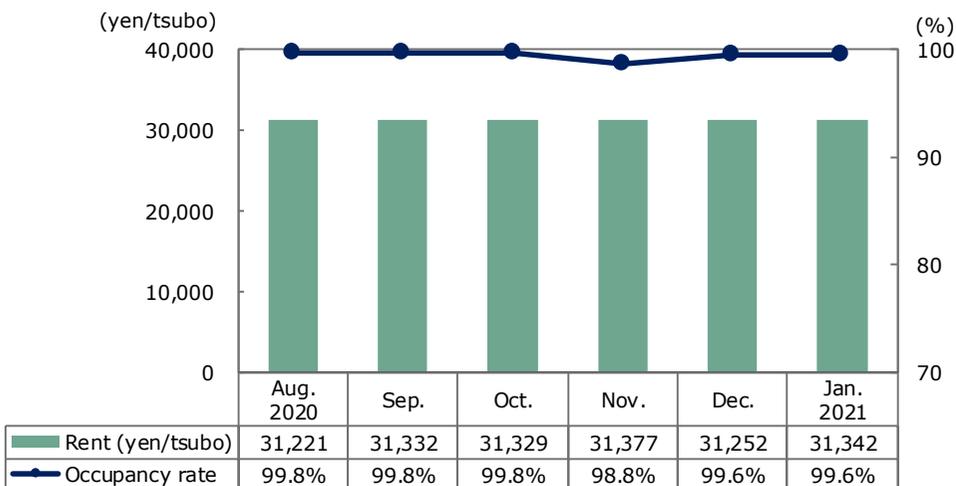
3-5 Changes in the rent and occupancy rates



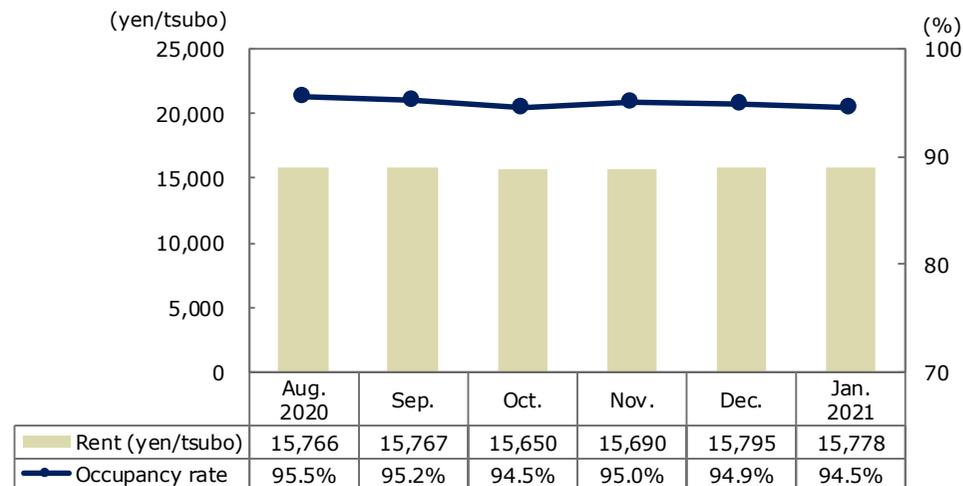
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-6 Tenant status by month and major tenants

Office: Rent and occupancy rate



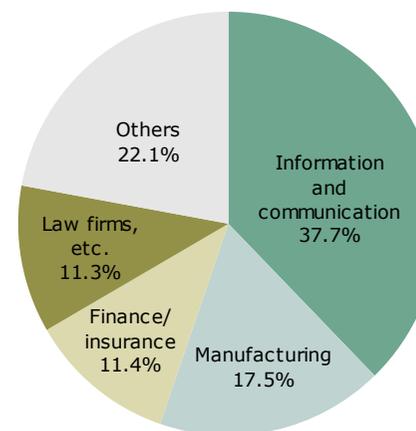
Residential: Rent and occupancy rate



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 Toranomon Hills Mori Tower	113,996.81 m ²	64.5%
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53 m ²	2.0%
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,436.90 m ²	1.9%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 m ²	1.5%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m ²	1.2%
Total of top 5 tenants		125,574.18 m ²	71.1%

Tenant Contribution by Industry Type-Office



(Note 1) Leased space is the lease area stated in the lease contract with the end tenant.

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

(Note 2) This indicates the figures as of January 31, 2021.

(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, 2021.

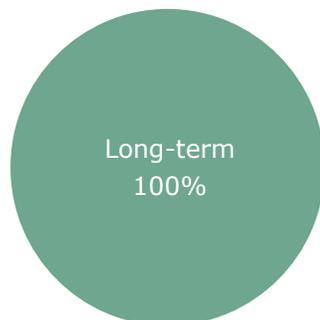
It is multiplied by the relevant percentage of ownership for each property.

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

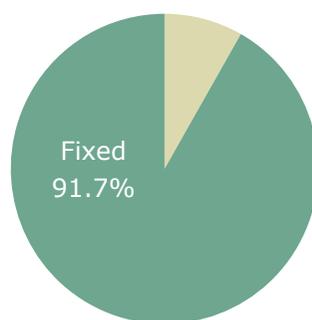
3-7 Financial overview (as of January 31, 2021)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 28th period Jul. 31, 2020	End of 29th period Jan. 31, 2021
Debt balance	179,222 mn yen	184,422 mn yen
Long-term loan	162,222 mn yen	167,422 mn yen
Investment corporation bonds	17,000 mn yen	17,000 mn yen
LTV (Book value basis) ^(Note 1)	45.7%	45.8%
LTV (Appraisal value basis) ^(Note 2)	38.0%	38.1%
DSCR ^(Note 3)	16.0x	16.3x
Avg. remaining duration	4.7 years	4.6 years
Weighted avg. interest rate	0.48%	0.46%

(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.	43,696 mn yen	26.1%
Mizuho Bank, Ltd.	29,898 mn yen	17.9%
Sumitomo Mitsui Banking Corporation	24,425 mn yen	14.6%
Sumitomo Mitsui Trust Bank, Limited	20,923 mn yen	12.5%
The Bank of Fukuoka	8,300 mn yen	5.0%
Resona Bank, Limited.	7,430 mn yen	4.4%
The Norinchukin Bank	7,000 mn yen	4.2%
Development Bank of Japan Inc.	5,950 mn yen	3.6%
Shinsei Bank, Limited	5,200 mn yen	3.1%
Mizuho Trust & Banking Co., Ltd.	4,800 mn yen	2.9%
The Nishi-Nippon City Bank, Ltd.	3,300 mn yen	2.0%
The Chugoku Bank, Limited.	1,500 mn yen	0.9%
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%
Nippon Life Insurance Company	1,000 mn yen	0.6%
Total borrowings	167,422 mn yen	100%
Investment corporation bonds	17,000 mn yen	
Total interest-bearing debt	184,422 mn yen	

3-8 Debt status (as of January 31, 2021)

Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc.	6,500	0.75%	2014/11/28	2021/11/30
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited 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 Development Bank of Japan Inc.	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 Development Bank of Japan Inc.	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 Development Bank of Japan Inc.	2,500	0.65%	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited	3,200	0.50%	2015/11/30	2022/11/30
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
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	0.43%	2018/8/31	2029/8/31

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
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	0.30%	2019/5/31	2028/11/30
Mizuho Bank, Ltd.	1,952	0.43%	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	0.33%	2019/8/30	2029/8/31
Sumitomo Mitsui Trust Bank, Limited	1,000	0.14%	2019/11/29	2024/11/30
The Norinchukin Bank	600	0.26%	2019/11/29	2026/5/31
MUFG Bank, Ltd.	2,200	0.19%	2019/11/29	2026/11/30
Mizuho Bank, Ltd.	1,100	0.33%	2019/11/29	2027/5/31
Shinsei Bank, Limited	900	0.36%	2019/11/29	2027/11/30
Sumitomo Mitsui Banking Corporation	1,600	0.47%	2019/11/29	2028/5/31
The Bank of Fukuoka	2,000	0.28%	2019/11/29	2028/11/30
Development Bank of Japan Inc.	2,000	0.43%	2019/11/29	2028/11/30
The Chugoku Bank, Limited.	500	0.32%	2020/5/20	2027/5/20
Shinsei Bank, Limited	500	0.38%	2020/5/20	2028/5/20
Nippon Life Insurance Company	1,000	0.48%	2020/5/20	2028/5/20
Mizuho Trust & Banking Co., Ltd.	1,000	0.45%	2020/5/20	2029/5/20
The Bank of Fukuoka	1,000	0.31%	2020/5/20	2030/5/20
The Nishi-Nippon City Bank, Ltd.	1,000	0.57%	2020/5/20	2030/5/20
Sumitomo Mitsui Trust Bank, Limited	834	0.27%	2020/5/29	2025/5/31
MUFG Bank, Ltd.	2,816	0.26%	2020/5/29	2027/5/31
Resona Bank, Limited.	830	0.30%	2020/5/29	2028/5/31
Sumitomo Mitsui Banking Corporation	1,134	0.48%	2020/5/29	2028/11/30
Mizuho Bank, Ltd.	1,408	0.40%	2020/5/29	2029/5/31
Resona Bank, Limited.	1,000	0.24%	2020/8/31	2026/8/31
MUFG Bank, Ltd.	1,400	0.21%	2020/8/31	2027/8/31
Sumitomo Mitsui Banking Corporation	1,400	0.38%	2020/8/31	2028/8/31
Mizuho Bank, Ltd.	1,400	0.36%	2020/8/31	2029/8/31
Sumitomo Mitsui Trust Bank, Limited	960	0.21%	2020/11/30	2025/11/30
MUFG Bank, Ltd.	2,400	0.22%	2020/11/30	2027/11/30
Mizuho Bank, Ltd.	1,200	0.24%	2020/11/30	2027/11/30
Sumitomo Mitsui Banking Corporation	1,440	0.39%	2020/11/30	2028/11/30
Total	167,422			

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

Investment corporation bonds

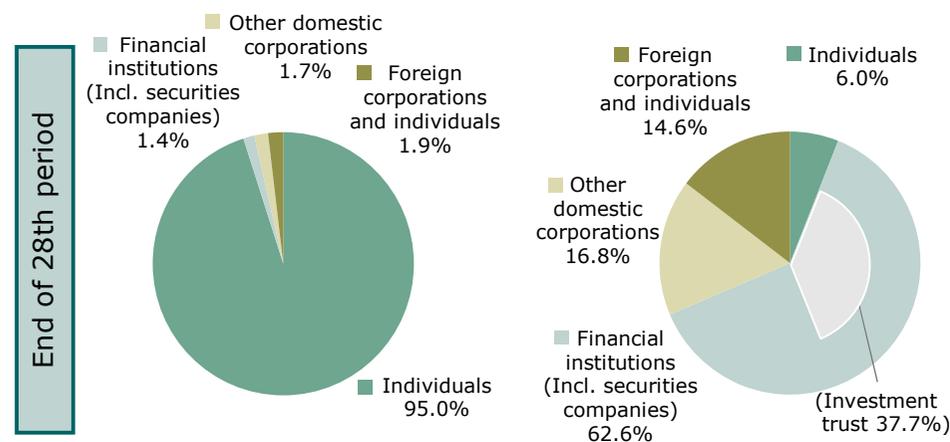
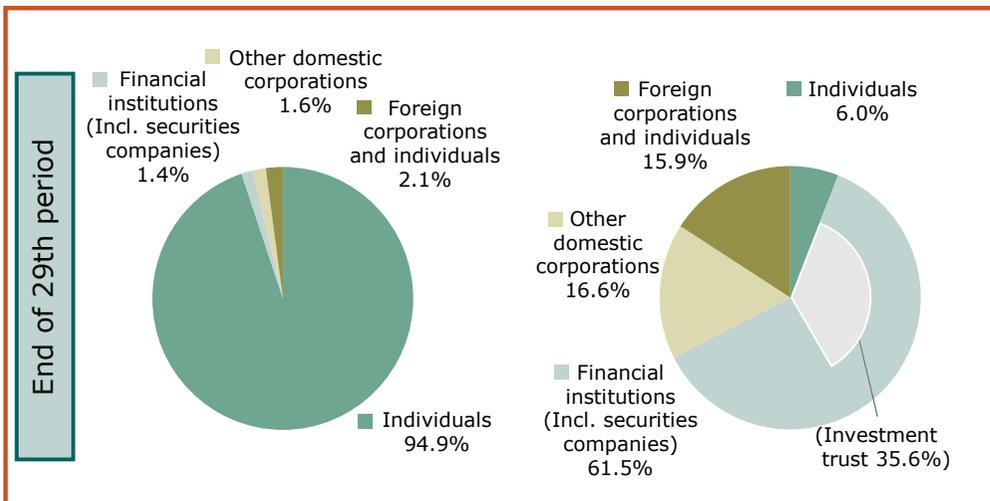
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
11th Series Unsecured Corporation Bond (7 years)	2,000	0.69%	2014/2/24	2021/2/24
12th Series Unsecured Corporation Bond (10 years)	2,000	0.87%	2014/11/27	2024/11/27
14th Series Unsecured Corporation Bond (10 years)	2,000	0.82%	2015/5/26	2025/5/26
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
20th Series Unsecured Corporation Bond (5 years) (Green Bond)	3,500	0.25%	2020/11/25	2025/11/25
Total	17,000			

3-9 Unitholders breakdown (as of January 31, 2021)

Unitholders breakdown

<Number of unitholders>

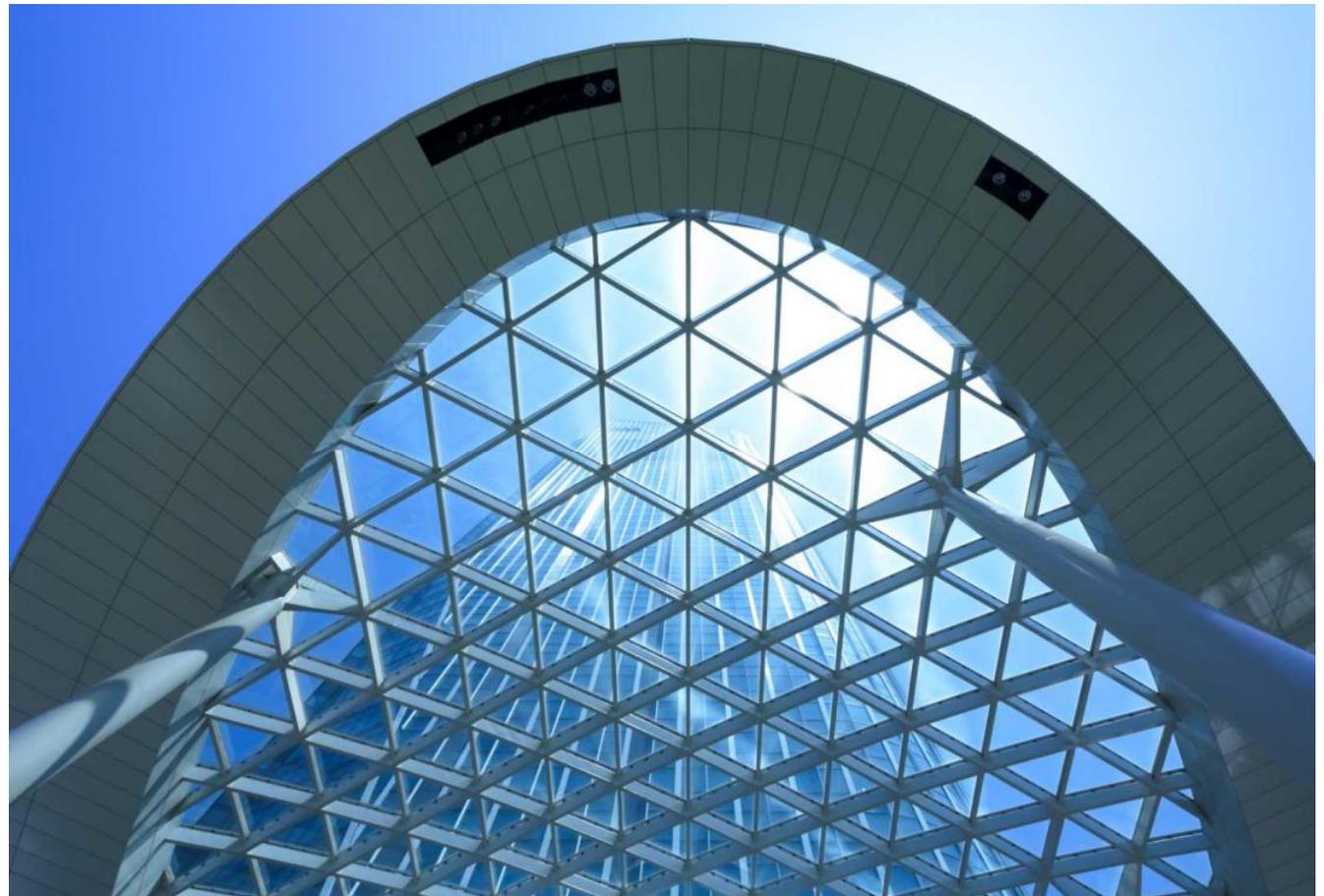
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Custody Bank of Japan, Ltd. (Trust account)	424,199	22.1%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	301,227	15.7%
3	Mori Building Co., Ltd.	287,472	15.0%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	74,557	3.9%
5	Custody Bank of Japan, Ltd. (Securities investment trust account)	44,095	2.3%
6	Custody Bank of Japan, Ltd. (Money trust taxable account)	23,874	1.2%
7	STATE STREET BANK WEST CLIENT - TREATY 505234	23,203	1.2%
8	JAPAN SECURITIES FINANCE CO., LTD.	19,146	1.0%
9	LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	17,699	0.9%
10	The Gunma Bank, Ltd.	16,986	0.9%
Total of top 10 unitholders		1,232,458	64.3%

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



Real estate market / Lending attitude

- Vacancy rates for office buildings in central Tokyo turned upwards while new rents trended down.
(Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
 - ⇒ Vacancy rate (forecast): 4.5% in 2021 → 4.5% in 2022
 - ⇒ Rent index (forecast): 125 in 2021 → 122 in 2022
- Cap rates have remained at historically low levels.
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
 - ⇒ Class A buildings in Marunouchi
Cap rate: 3.0% in Apr. 2020 → 3.0% in Oct. 2020
- Lending attitude toward the real estate industry has temporarily soured but remains at a highly positive level.

- The office market is expected to remain weak for the time being due to the impact of the proliferation of telecommuting and the downturn in business sentiment.
- On the other hand, premium properties in central Tokyo are expected to demonstrate continued competitive advantages even after the proliferation of telecommuting, as these properties can capture office demand by functioning as headquarters.

Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy, and although the money supply grew significantly amid carrying out countermeasures against COVID-19, the core CPI rate of increase remains at a low level.
 - ⇒ 10-year bond rates: 0.15% (February 26, 2021)
 - ⇒ Core CPI: $\Delta 0.6\%$ (January 2021)
- In the December 2020 preliminary business conditions composite index, the leading index was at 95.3 ($\Delta 0.8$ PT decrease from previous month) and the coincident index was at 88.3 ($\Delta 0.7$ PT decrease from previous month).
While both leading and coincidental indices deteriorated significantly after the spread of COVID-19, these are currently on a recovery trend.
- 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 deteriorated significantly due to COVID-19, but is now on a recovery trend due to various policies.
- 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 primarily on premium properties in central Tokyo developed by the sponsor, MHR seeks to maintain highly competitive portfolio quality while further expanding the scale of the portfolio.

The highest ESG assessment

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

Dividend-driven Management

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

Optimal REIT investment

4-3 MHR's policy/strategy

External growth policy

- 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.)
- Going forward, premium properties in central Tokyo are expected to continuously demonstrate competitive advantages even after the spread of telecommuting, as these properties can capture office demand by functioning as headquarters.
- 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

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

Financial management policy

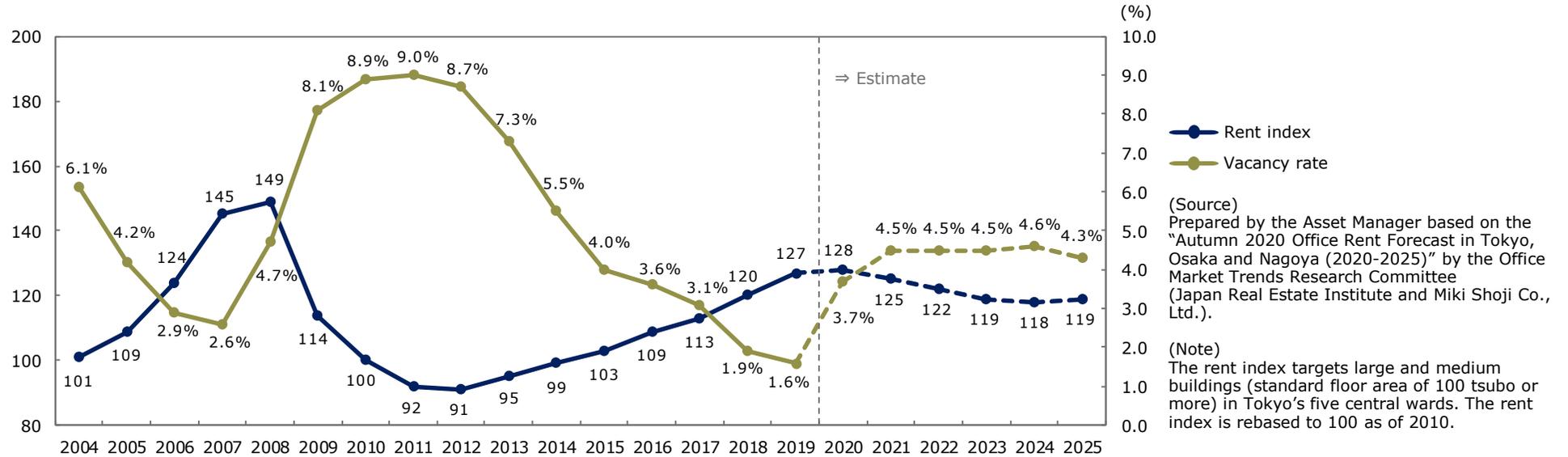
- Set the current LTV level (book value basis: in the mid 40% range; appraisal value basis: in the upper 30% range) as the target in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years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

ESG policy

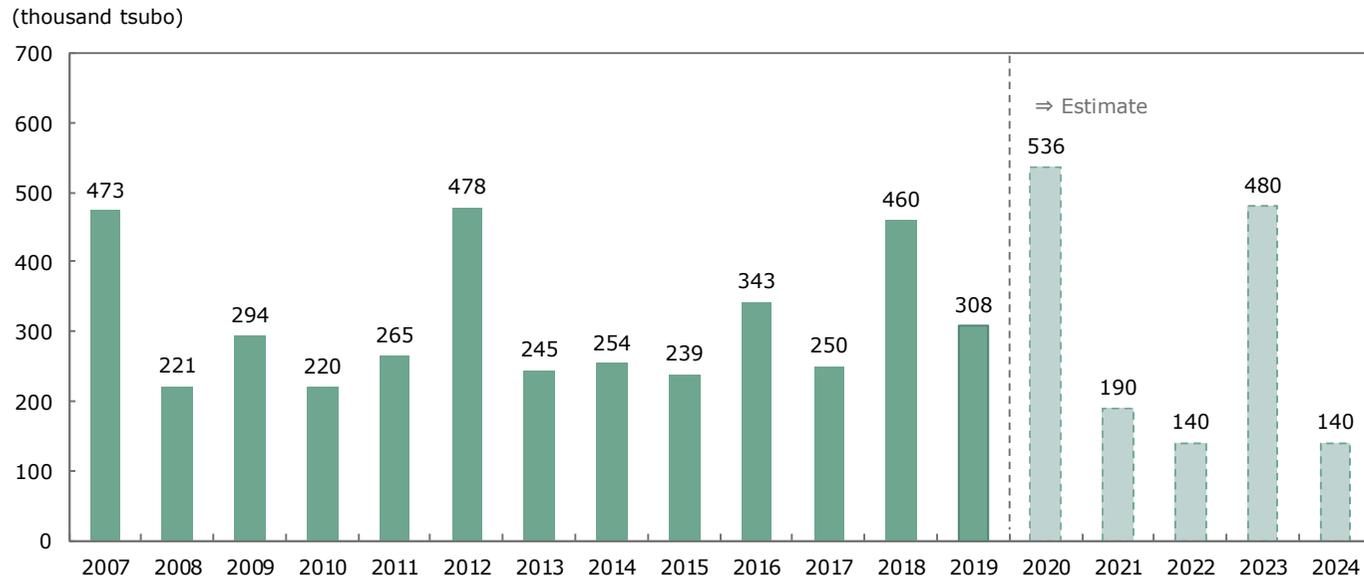
- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Implement proactive information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

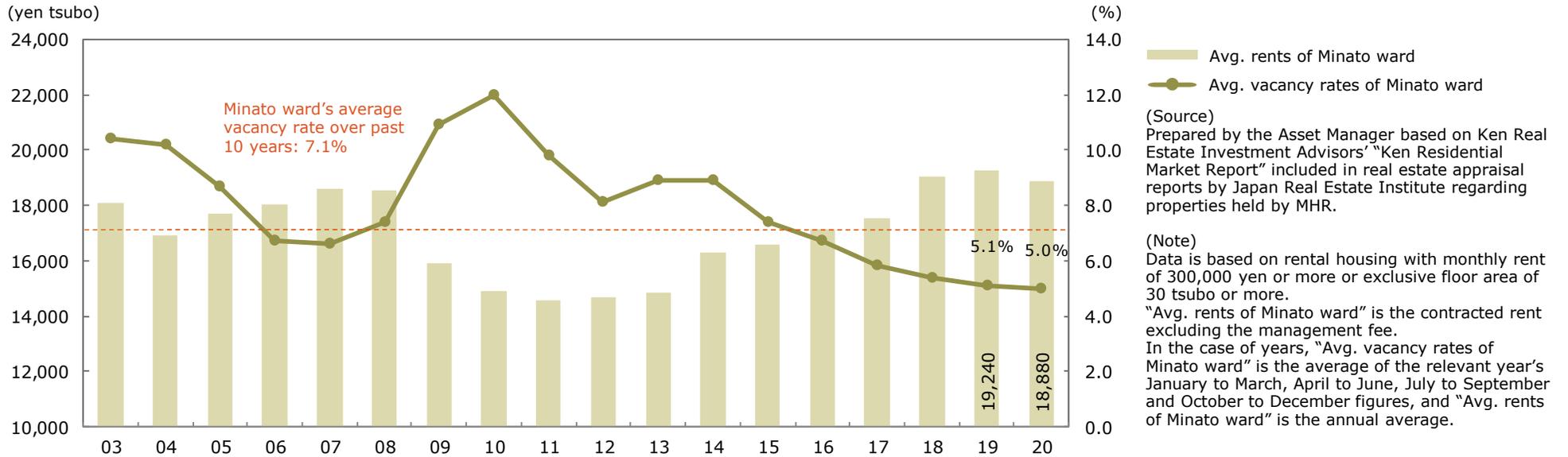


New supply of office buildings (Tokyo's five central wards)

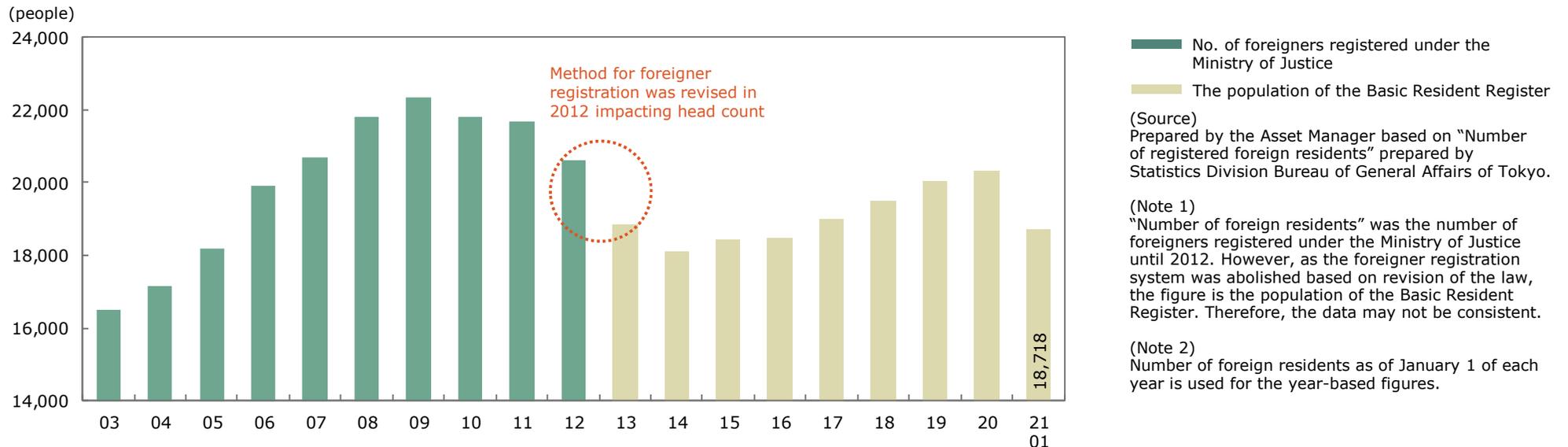


4-5 Market-related information (2)

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

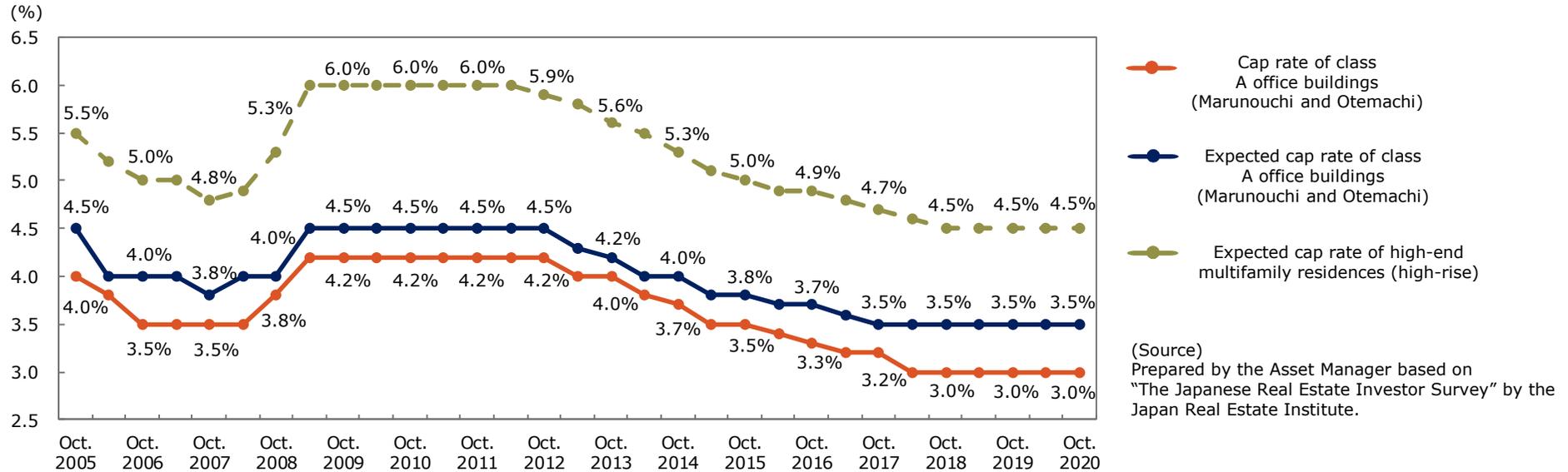


Change in number of foreign residents in Minato ward

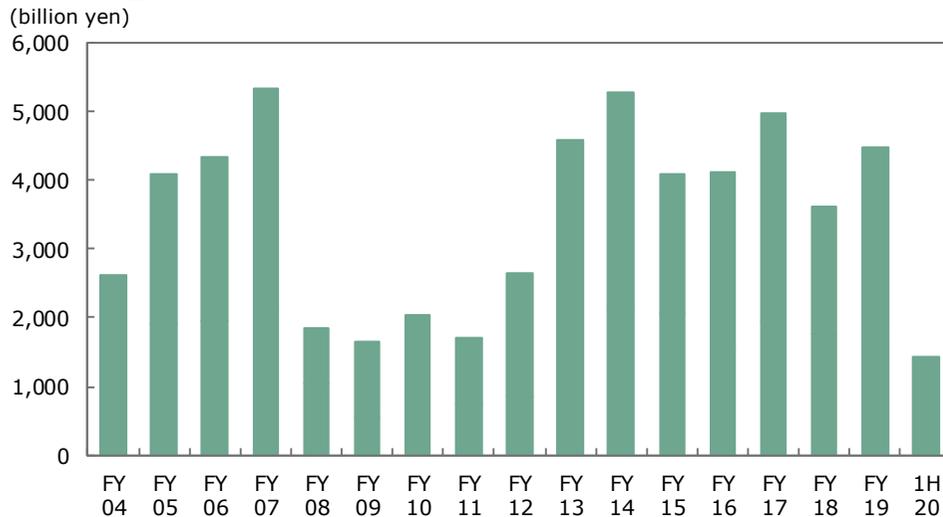


4-6 Market-related information (3)

Change in return on real estate investment

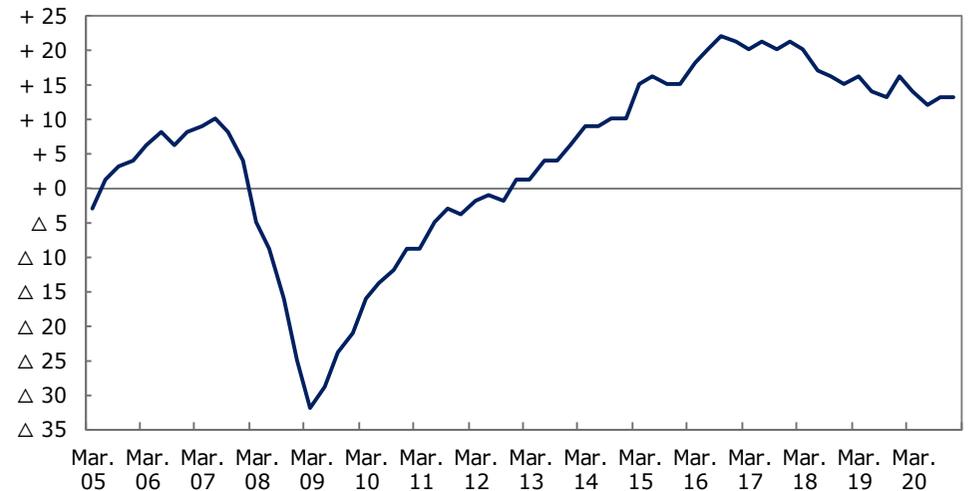


Change in real estate transaction amount



(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.

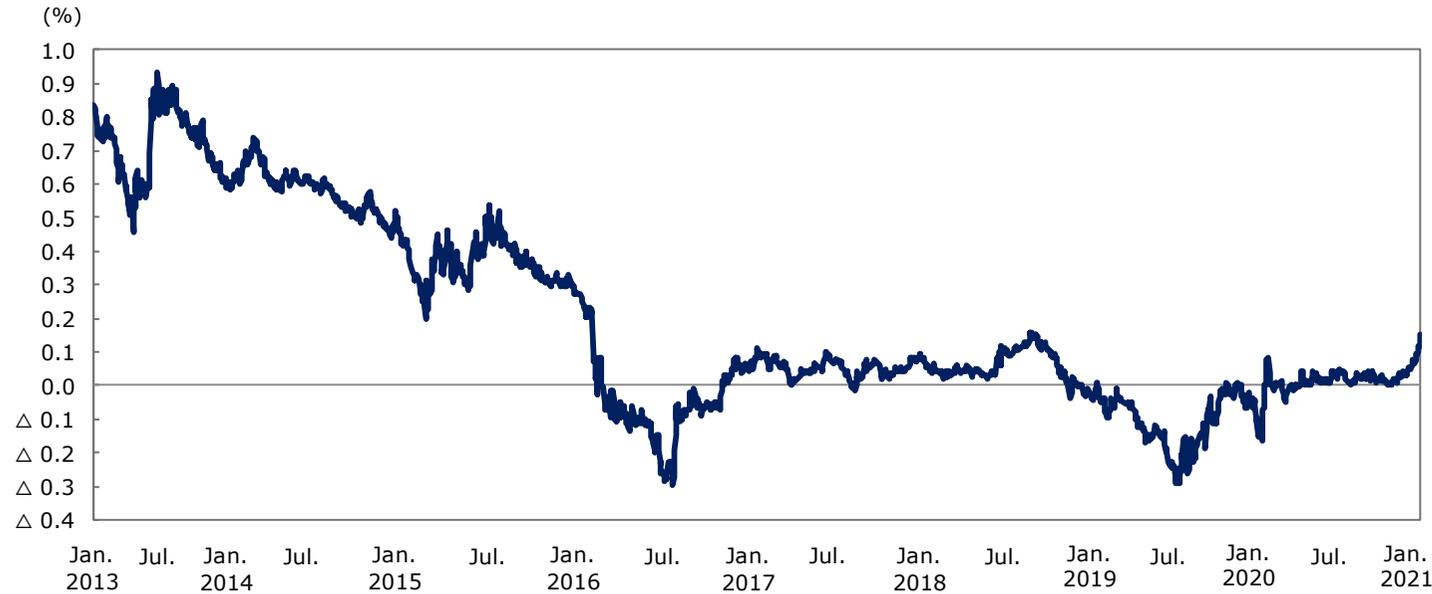
Lending attitude DI (Real estate industry)



(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.

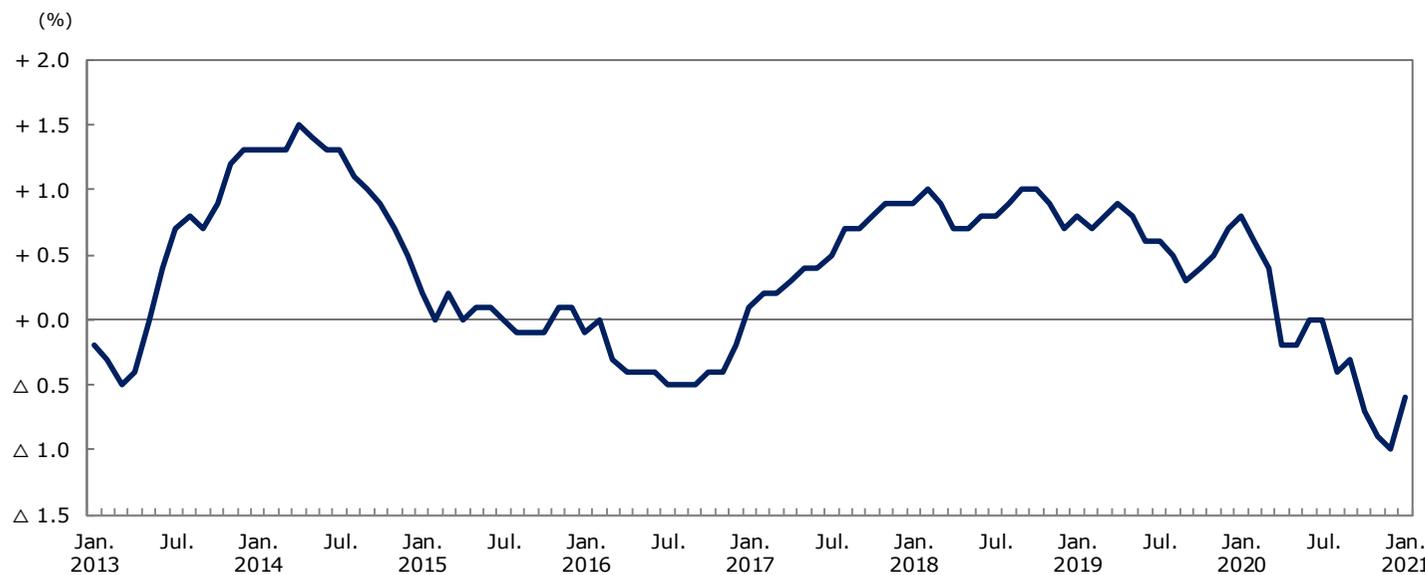
4-7 Market-related information (4)

Change in 10-year bond interest rates



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

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



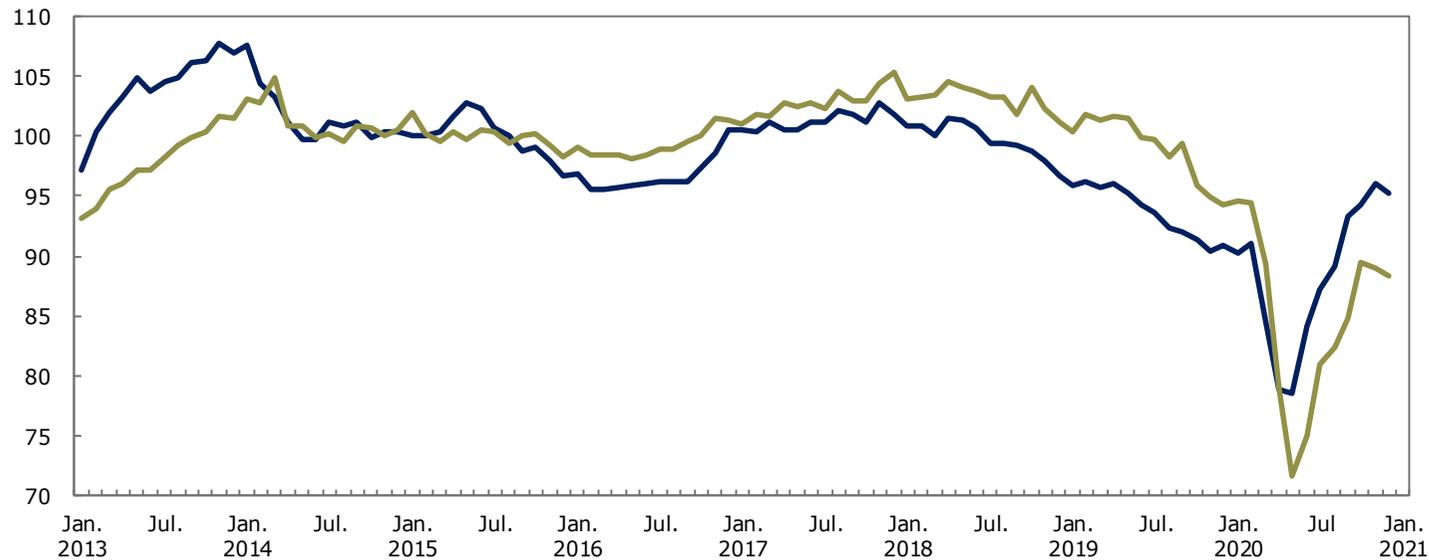
Based on figures excluding the direct effects of the consumption tax rate increase

(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

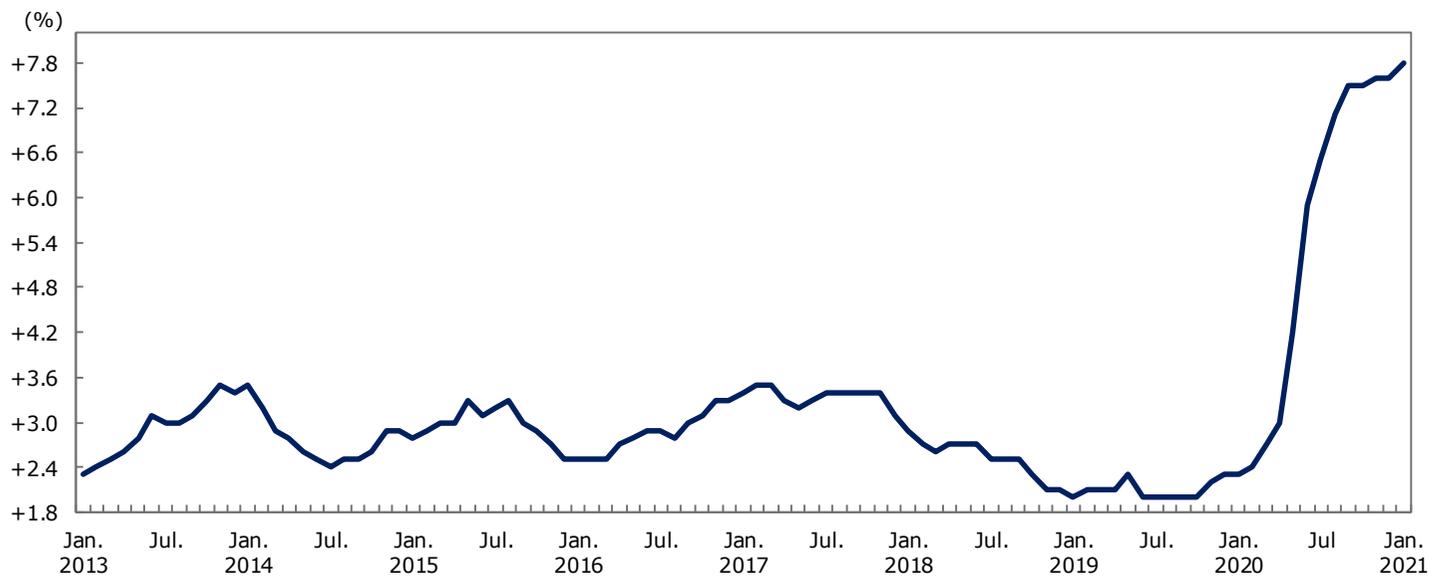


● Leading index
● Coincident index

(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.

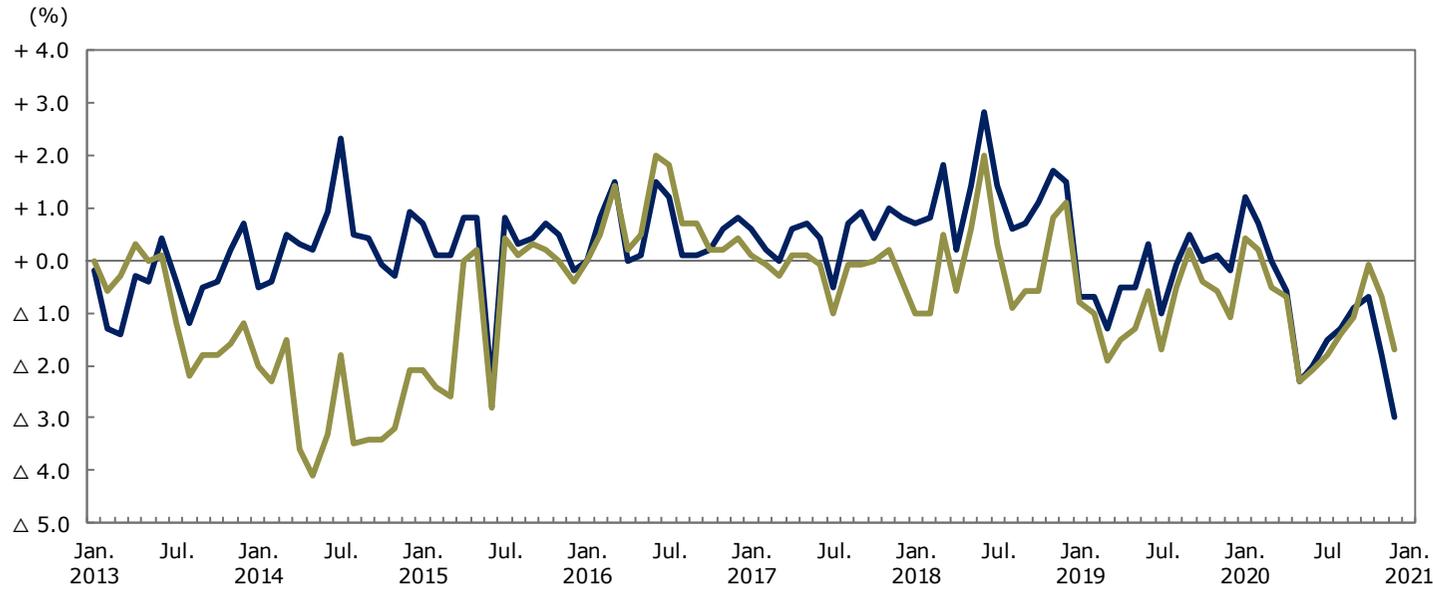
Money stock (M3: year-on-year comparison)



(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

