



Mori Hills REIT Investment Corporation

Results of the 31st Fiscal Period ended January 31, 2022

Presentation Material

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

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

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

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

1. Executive summary	3		
2. Investment highlights	4		
Unit price performance	5		
Financial results	6		
Overview of new acquisition (Acquired as of August 2, 2021)	7		
Dividends per unit growth record	9		
Medium- to long-term disposition and acquisition policy (model)	10		
Increase in appraisal NAV per unit	11		
Forecasts	12		
Portfolio of premium properties in central Tokyo	13		
External growth	24		
Internal growth	27		
Financial management	31		
Sustainability initiatives	33		
TCFD summary	35		
MHR's representative property	39		
		3. Operation highlights	43
		Factors that led to changes in dividends per unit from the previous fiscal period	44
		Change in assets under management	45
		Change in unrealized capital gain/loss	46
		Appraisal value	47
		Change in the rent and occupancy rates	48
		Tenant status by month and major tenants	49
		Financial overview (as of January 31, 2022)	50
		Unitholders breakdown (as of January 31, 2022)	51
		4. Business environment recognition & MHR's policy/strategy	52
		Business environment recognition	53
		MHR's policy/strategy	54
		Market-related information	56
		5. Appendix	62

1. Executive summary

Financial summary 31st period (Jan. 2022)

- Operating revenue: 9,820 million yen, operating income: 6,085 million yen, net income: 5,513 million yen **Decreased revenue and income period-over-period**
- DPU: 2,927 yen (+0.5% from 30th period) **Increasing for 23 consecutive fiscal periods (Drawdown of reserve for reduction entry: 50 yen)**
- NAV per unit: 156,688 yen (+6.4% from 30th period) **Increasing for 22 consecutive fiscal periods**
- The impact of the contract renewal accompanying a rent decrease for the portfolio's only fixed-rent master lease with a large rent gap and the decrease in occupancy rates for pass-through-type properties was offset by the property acquisition and the utilization of internal reserves, resulting in continued consecutive increase in dividends.

External growth

- Additionally acquired "Toranomom Hills Mori Tower" (7.8 billion yen) at the beginning of the 31st period.
- 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, MHR's office occupancy rate for the 31st period maintained a high level of 98.0% due in part to the excellent location and quality of the properties.
- Although the occupancy rates and rents for some of the pass-through type offices were weaker, those properties account for only a small portion of the entire portfolio and thus the impact has been limited.
- The residential occupancy rate for the 31st period was 94.8%, which is the same level as that of the previous period.

Financial management

- The fund procurement environment has not changed despite the COVID-19 pandemic. MHR maintained the target level by book value basis LTV: 46.8%, appraisal value basis LTV: 37.7%, remaining duration of debt: 4.6 years.
- Green bonds were issued. (November 2021: 1.5 billion yen)

2. Investment highlights



2-2 Financial results

Although the 31st period (January 2022) saw decreased revenue and income compared with the 30th period, MHR realized a DPU increase for the twenty-third consecutive fiscal period with the utilization of internal reserves

- The impact of the contract renewal accompanying a rent decrease for the portfolio's only fixed-rent master lease with a large rent gap and the decrease in occupancy rates for pass-through-type properties was offset by the property acquisition and the utilization of internal reserves, resulting in continued consecutive increase in dividends.
- NAV per unit increased for the twenty-second consecutive period due to the effect of the property acquisition at a price significantly below the appraisal value and the increase in the appraisal values of owned properties.

	30th period	31st period		31st period
	Jul. 31, 2021	Jan. 31, 2022		Jan. 31, 2022
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	9,841	9,820	Δ 20	9,818
Rent revenues	9,609	9,626	+ 17	9,610
Other operating revenues	232	194	Δ 37	208
Operating expenses	3,683	3,735	+ 51	3,764
Expenses related to properties	3,325	3,401	+ 76	3,428
SG&A	357	333	Δ 24	335
Operating income	6,157	6,085	Δ 72	6,053
Non-operating income	1	1	+ 0	0
Non-operating expenses	575	571	Δ 3	572
Ordinary income	5,583	5,514	Δ 69	5,481
Net income	5,582	5,513	Δ 68	5,480
Reversal of reserve for reduction entry	—	95	+ 95	95
Total dividends	5,582	5,609	+ 26	5,576

DPU

Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	2,913	2,927	+ 14	2,910

Other Indices (million yen)

NOI	7,588	7,498	Δ 90	7,471
NOI yield	3.8%	3.6%	Δ 0.2PT	3.6%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	402,910	410,737	+ 7,827	410,737

Increase/decrease factor (30th – 31st)

• Operating revenue (Δ20 mn yen)	
- Property acquisition in 31st period	+169
- Utilities and other revenue	+10
- Office Rent (fixed rent master lease) (pass-through)	Δ92 Δ66
- Cancellation penalty	Δ44
• Operating expenses (+51 mn yen)	
- Property acquisition in 31st period	+40
- Property management fee	+18
- Utilities	+17
- Property taxes for property acquired in 29th period	+10
- Asset management fee	Δ21
- Depreciation	Δ14
• Non-operating expenses (Δ3 mn yen)	
- Interest expenses, etc. (Property acquisition in 31st period)	+18 Δ15
- Amortization of investment unit issuance cost	Δ6

Increase/decrease factor for 31st period (Forecasted - Actual)

• Operating income (+31 mn yen)	
- Maintenance and repairs	+23
- Office rent (pass-through)	+10
- Utilities	+8
- Utilities and other revenue	Δ12

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

2-3 Overview of new acquisition (Acquired as of August 2, 2021)

Toranomon Hills Mori Tower (Additional acquisition)

Office



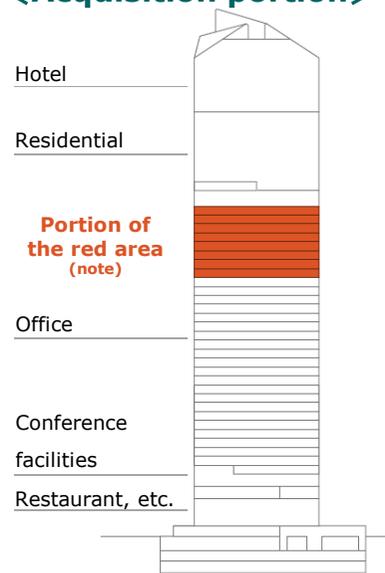
1. Super high rise tower - Tokyo's new landmark

- 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>

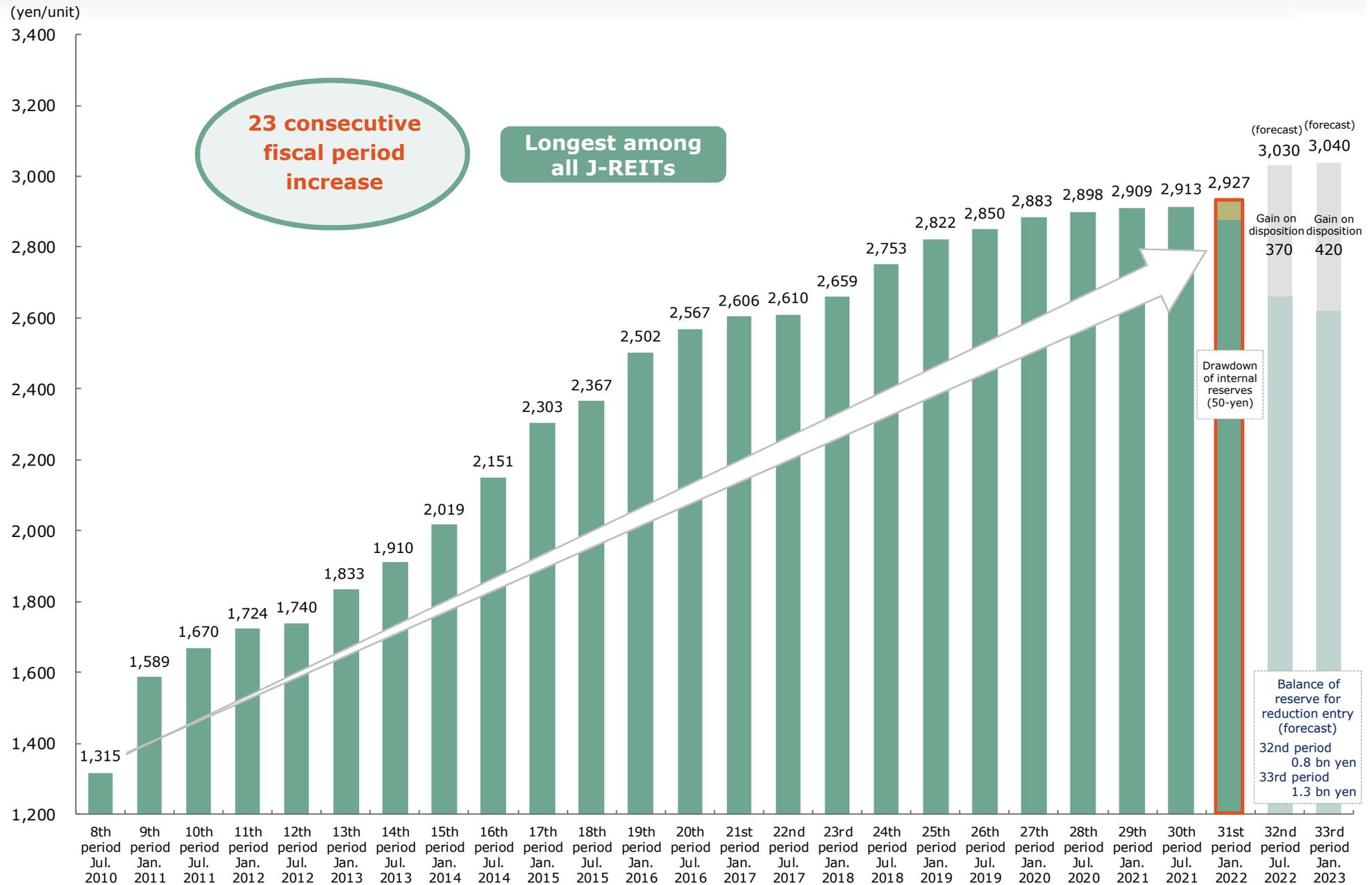


Location	23-1, Toranomon 1-chome, Minato-ku, Tokyo	Portions of acquisition	11% quasi-co-ownership interest in trust beneficial interests
Construction date	May 2014		
Total number of floors	52 floors above ground, 5 floors below ground		
Gross floor area	241,581.95 m ²		

	Acquisition price	Appraisal value	NOI yield	Total acquired: 78% quasi-co-ownership interest including past acquisition
Acquired as of September 1, 2020	12,220 mn yen	15,232 mn yen	3.4%	
Acquired as of August 2, 2021	7,870 mn yen	9,856 mn yen	3.4%	

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

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

32nd period
(Jul. 2022)

33rd period
(Jan. 2023)

Medium- to long-term direction

Disposition

Laforet Harajuku
(Land 7%)
(2.89 bn yen)

Laforet Harajuku
(Land 7%)
(2.89 bn yen)

NOI yield 2.7%
Yield after depreciation 2.7%
(based on disposition price)

Gain on disposition 2.69 bn yen
Dividends 1.51 bn yen
Internal reserve 1.17 bn yen
(※Dividends: 26.1% of the disposition price)

Medium- to long-term disposition in installments

A. Dispose all interest

B. Participate in redevelopment (minor interest)

Acquisition

Toranomon Hills Mori Tower
(7.87 bn yen)

Utilization of special provisions for taxation in cases of reinvestment of proceeds from disposition
(Acquisition in 31st period)

NOI yield 3.4%
Yield after depreciation 2.9%
(※Acquisition at the appraisal value less Δ20.2%)

New acquisition from the sponsor and third parties

Portfolio size expansion

DPU

(32nd period: previous forecast)

2,860 yen

(32nd period: new forecast)

3,030 yen

370
Gain on disposition

2,660
Excluding gain on disposition

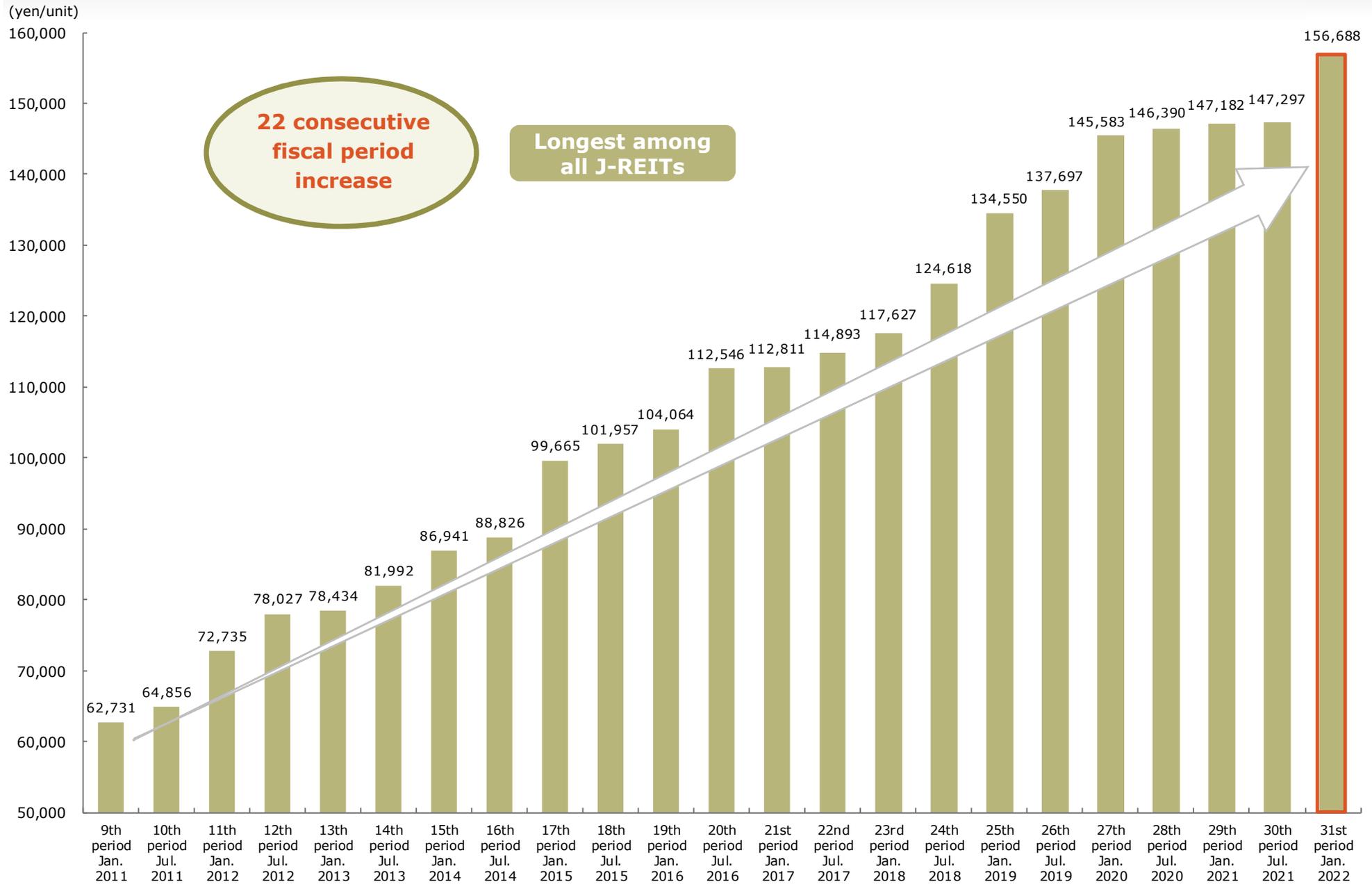
+5.9%

Impact of revising the level of the asset management fee
Utilize the funds for promotion of ESG and reinforcement of personnel development

Aim for continuous increase in DPU

- Push up DPU through gain on disposition while promoting growth of DPU in other ways as well
- Aim for increase in NAV by making up for impact of dispositions through external growth (acquisition at below appraisal value)

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 32nd period is forecast to have increased revenue and income compared with the 31st period due to the effect of property disposition, and DPU is forecast to be 3,030 yen (+3.5% compared with the 31st period). DPU for the 33rd period is forecast to be 3,040 yen

- Laforet Harajuku (Land) will be divided and the 7% ownership interest will be disposed in each of the 32nd period and 33rd period. While conducting disposition over the medium to long term, new acquisitions will be made at the same time to seek continuous growth in DPU.
- By revising the level of the asset management fee and utilizing the funds for promotion of ESG and reinforcement of personnel development, further contribution to the growth of MHR will be pursued.

	31st period Jan. 31, 2022	32nd period Jul. 31, 2022		33rd period Jan. 31, 2023
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	9,820	11,178	+ 1,358	11,136
Rent revenues	9,626	9,633	+ 6	9,579
Other operating revenues	194	197	+ 3	211
Gain on sales of real estate properties	—	1,347	+ 1,347	1,345
Operating expenses	3,735	4,183	+ 447	4,215
Expenses related to properties	3,401	3,441	+ 39	3,471
SG&A	333	741	+ 408	743
Operating income	6,085	6,995	+ 910	6,921
Non-operating income	1	0	△0	0
Non-operating expenses	571	548	△ 23	554
Ordinary income	5,514	6,448	+ 933	6,368
Net income	5,513	6,447	+ 933	6,366
Reserve for reduction entry	—	638	+ 638	540
Reversal of reserve for reduction entry	95	—	△ 95	—
Total dividends	5,609	5,806	+ 197	5,825

DPU

Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	2,927	3,030	+ 103	3,040

Other Indices (million yen)

NOI	7,498	7,482	△ 15	7,420
NOI yield	3.6%	3.7%	0.1PT	3.6%
Acquisition price (weighted average based on the number of operating days during the period)	410,737	410,518	△ 218	408,737

Increase/decrease factor (31st – 32nd)

•Operating revenue (+1,358 mn yen)	
- Gain on disposition of Laforet Harajuku (32nd period)	+1,347
- Residential Rent (pass-through)	+8
- Office Rent (pass-through)	+6
- Rent on disp. part of Laforet Harajuku (32nd period)	△7
•Operating expenses (+447 mn yen)	
- Asset management fee	+390
- Other operating expenses	+18
- Property taxes	+14
- Depreciation	+13
- Property management fee	+10
- Property taxes for property acquired in 31st period	+7
- Maintenance and repairs	△8
•Non-operating expenses (△23 mn yen)	
- Interest expenses, etc.	△23

Increase/decrease factor (32nd – 33rd)

•Operating revenue (△42 mn yen)	
- Gain on disposition of Laforet Harajuku (33rd period)	+1,345
- Utilities and other revenue	+12
- Gain on disposition of Laforet Harajuku (32nd period)	△1,347
- Rent on disp. part of Laforet Harajuku (32nd period)	△38
(33rd period)	△15
•Operating expenses (+32 mn yen)	
- Property taxes	+14
- Depreciation	+7
- Property taxes for property acquired in 31st period	+7
- Utilities	+5
- Maintenance and repairs	+4
- Operating exp. for disp. part of Laforet Harajuku	
(32nd period)	△6
(33rd period)	△3
•Non-operating expenses (+5 mn yen)	
- Interest expenses, etc.	+5

2-8 Portfolio of premium properties in central Tokyo

Investment strategy based on long-term perspective

- Invest in properties that can be expected to maintain and improve asset value over the long run.
- True premium properties in central Tokyo are sure to capture office demand by functioning as headquarters, even after the 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 in work styles that have been triggered by COVID-19, premium properties in central Tokyo that are "truly central" and in "excellent locations" are sure to capture office demand by functioning as headquarters

Location

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

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

Quality of assets

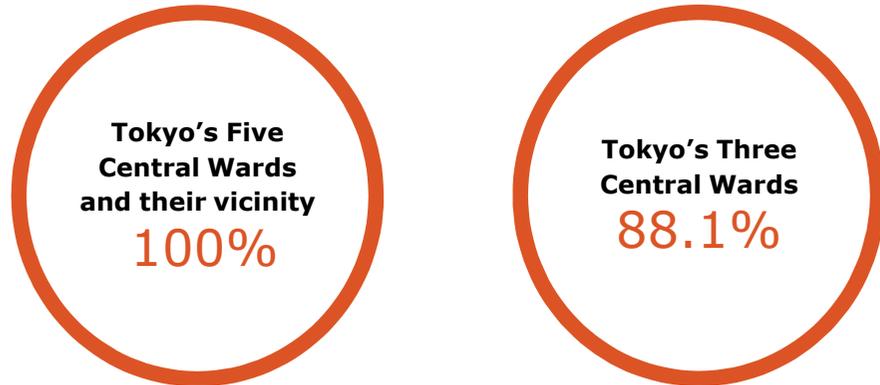
③ Value creation
Value improvement through regional development and area management

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

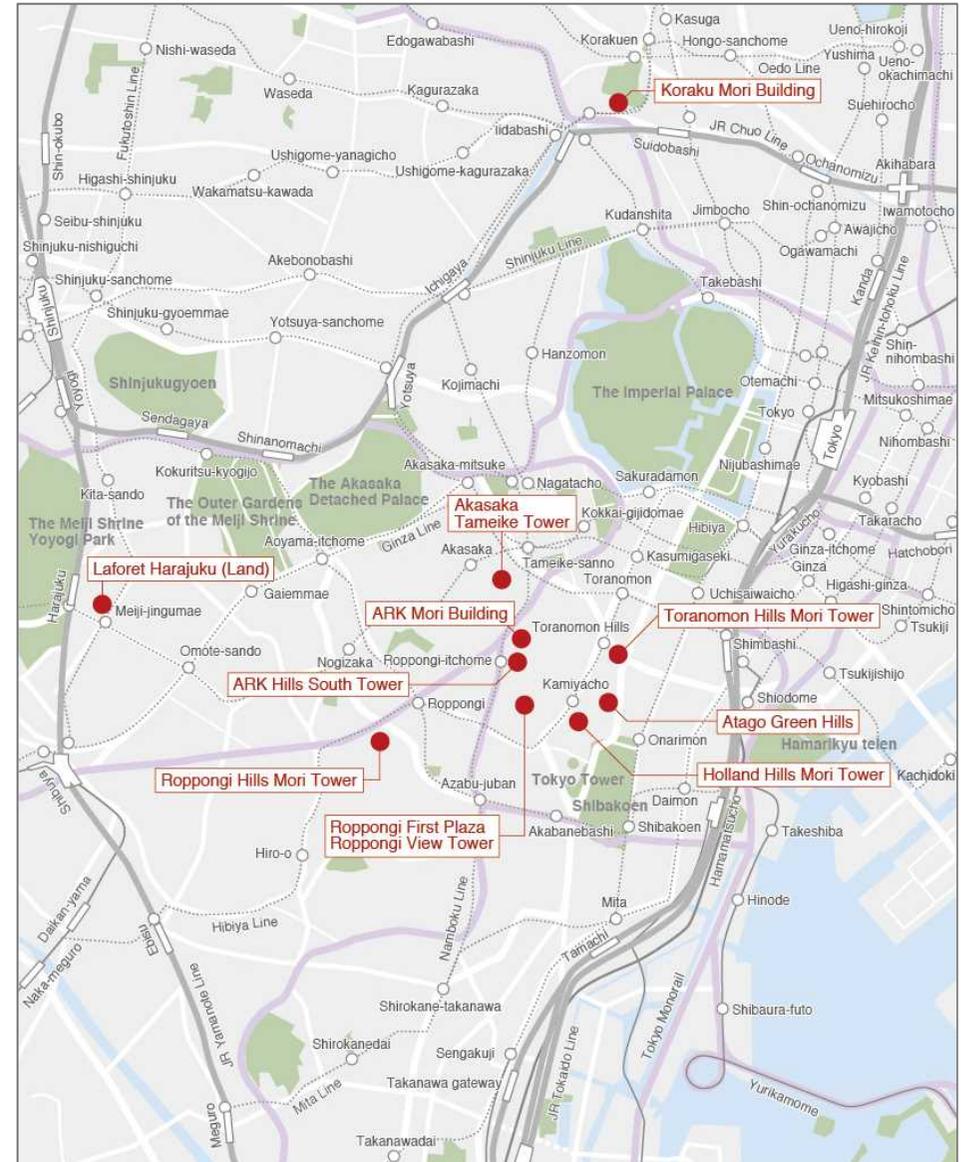


(Note) The ratios represent proportion of acquisition price to total acquisition price.

Estimated population in central Tokyo

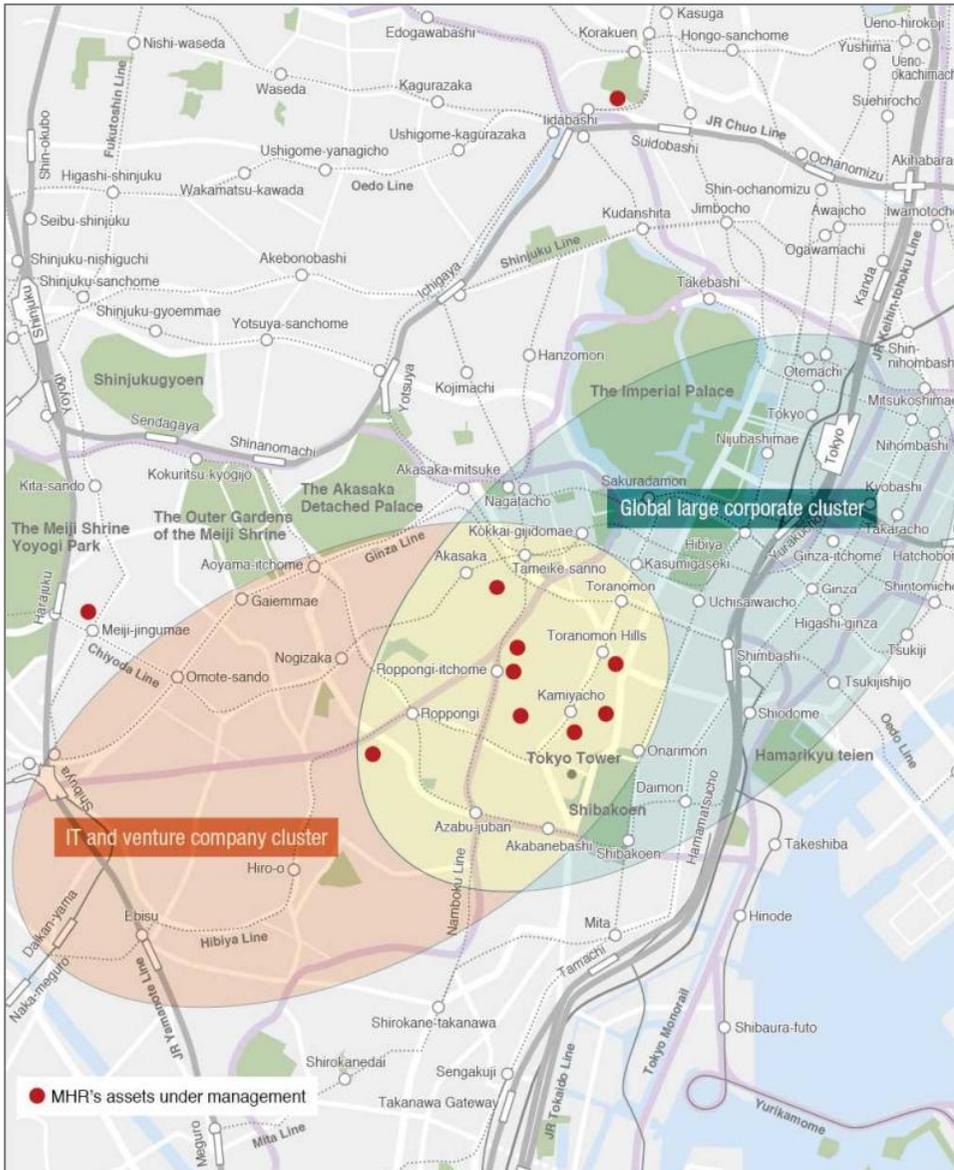
Area	Population in 2015	Estimated population in 2045	Change
3 central wards in Tokyo	442,000	594,000	+34.3%
5 central wards in Tokyo	1,000,000	1,175,000	+17.5%
Tokyo	13,515,000	13,606,000	+0.7%
Osaka	8,839,000	7,335,000	△ 17.0%
Aichi	7,483,000	6,899,000	△ 7.8%
Nationwide	127,094,000	106,421,000	△ 16.3%

(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.



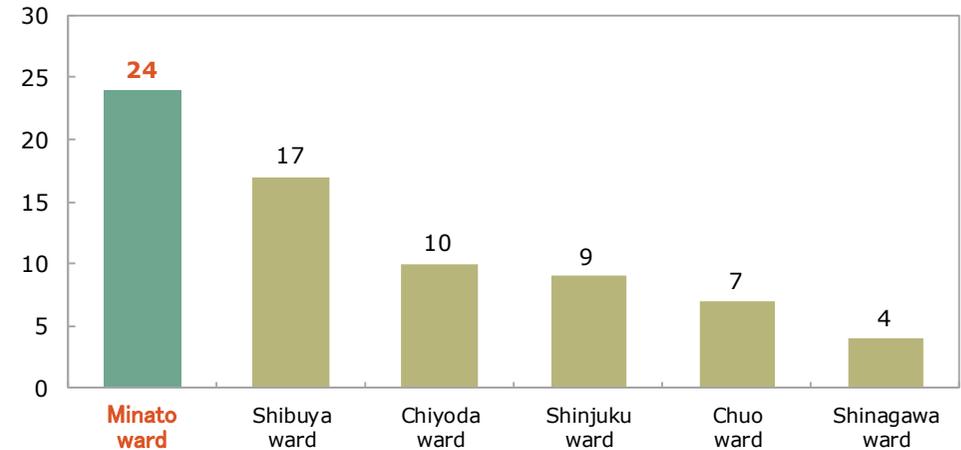
2-10 (1) Location

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



Head office location of IPO companies (2021)

(Companies)



(Source) Prepared by the Asset Manager based on the Securities Registration Statement (at the time of IPO) of companies newly listed in Japanese Market (TOKYO PRO Market excluded) from January to December 2021 those head offices are located in Tokyo.

IT firms located in Minato ward

- | | | |
|----------------|---------------|------------|
| Apple | Nexon | JTOWER |
| Microsoft | Oracle Japan | Medley |
| Meta Platforms | SBI Holdings | AirTrip |
| NVIDIA | Mercari | OpenDoor |
| Tencent | JMDC | ExaWizards |
| Cisco Systems | Money Forward | BASE |
| Qualcomm | GREE | WingArc1st |
| Netflix | Monex Group | Speee |
| Softbank | NHN JAPAN | Uzabase |
| Baidu | Appier Group | ZIGExN |
| m3 | Bengo4.com | Enigmo |

(Source) Prepared by the Asset Manager based on the disclosed data etc. as of February 28, 2022.

2-11 (2) Quality of assets

Premium Properties (Excellent comfort and safety with extensive facilities)

Strong demand for headquarter offices

<Overview and facilities of representative properties>

Property name	Gross floor area	Access from the nearest station	Number of shops & restaurants	Hotel (spa)	Conference Incubation Members' club	Cultural facility Observatory	Residential SA	Green coverage of the site
Roppongi Hills	758,203㎡	Connected to Roppongi Station	224	Grand Hyatt Tokyo (NAGOMI SPA AND FITNESS)	Academyhills Roppongi Hills Club	Mori Art Museum Tokyo City View TOHO Cinemas	Roppongi Hills Residence	29.8%
Toranomon Hills	791,495㎡ (After total completion)	Connected to Toranomon Hills Station	88 (Current)	Andaz Tokyo (AO SPA AND CLUB)	Toranomon Hills Forum ARCH	-	Toranomon Hills Residential Tower	30.6% (Mori Tower)
ARK Hills	310,979㎡	2-minute walk from Roppongi 1-chome Station	55	ANA InterContinental (THANN SANCTUARY SPA AKASAKA)	KaleidoWorks ARK Hills Club	Suntory Hall	ARK Towers	42.1%
Atago Green Hills	151,106㎡	3-minute walk from Onarimon Station	18	(Atago Green Hills SPA)	-	-	Atago Green Hills Forest Tower	51.5%

(Source) Prepared by the Asset Manager based on disclosed materials as of August 31, 2021.

(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..



Superior environmental performance



Highest quality among all J-REITs

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

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

Excellent earthquake resistance performance

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

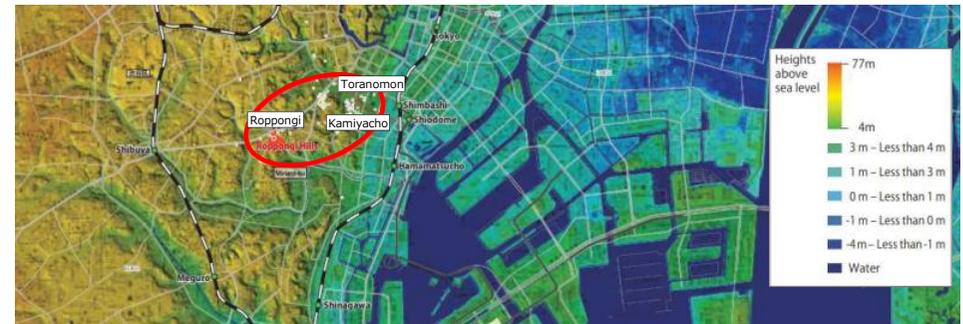
Property name	Level above the new earthquake resistance standard (Note)	PML
Roppongi Hills Mori Tower	◎	0.59%
ARK Mori Building	◎	0.78%
Koraku Mori Building	◎	0.73%
ARK Hills South Tower	◎	1.56%
Toranomon Hills Mori Tower	◎	0.50%
Holland Hills Mori Tower	◎	0.85%
Akasaka Tameike Tower	◎	1.79%
Atago Green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

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

Firm ground

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

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



(Source) Geographical Survey Institute

○ Area where the properties owned by MHR are located

Ecological Networks

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



Mohri Garden (Roppongi Hills)



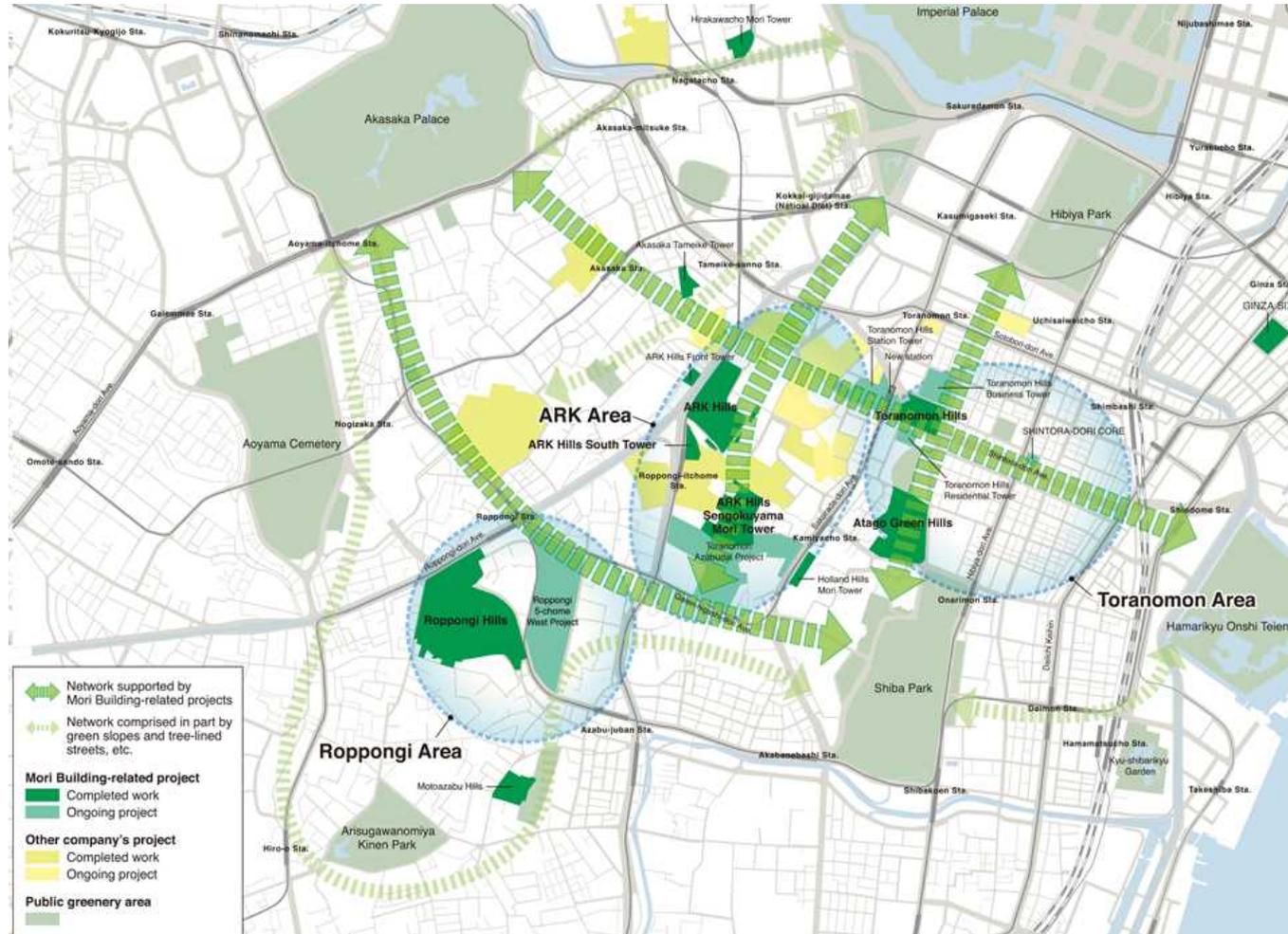
Japanese tit (Roppongi Hills)



Roppongi Sakurazaka (Roppongi Hills)



Slope green area (ARK Hills South Tower)



Rhythemis fuliginosa dragonfly (Toranomon Hills)



Oval Plaza (Toranomon Hills)



Along Atagoshita Avenue (Atago Green Hills)

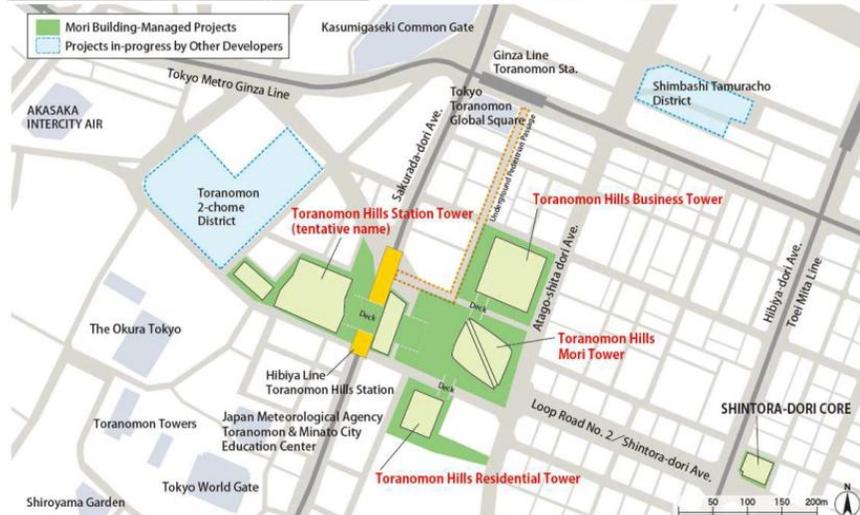


Suntory Hall rooftop (ARK Hills)

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

2-14 (3) Value creation

Developments around MHR's properties (Toranomon Hills area)



Toranomon Hills Business Tower (Completed January 2020)

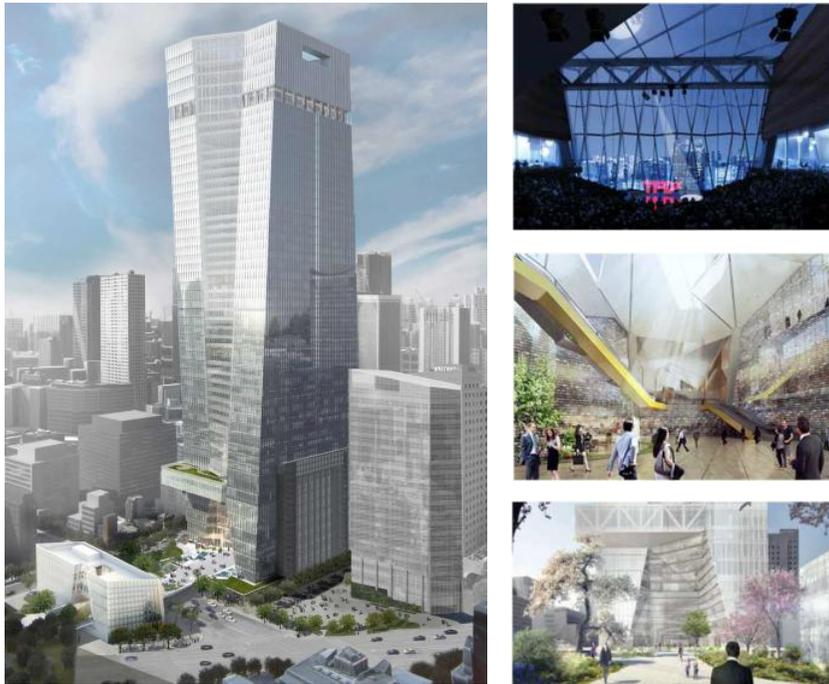


(c) Mariko Mori «Cycloid V»

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.
- On the 4th floor is a large membership-based incubation center "ARCH," which was established especially to support large enterprises' internal business restructuring and new business creation. It boasts around 3,800m² of office work space and has become a base for Japan's unique innovation ecosystem.
- From the first basement floor to the 3rd floor, commercial spaces with a total of 58 restaurants and stores support global lifestyles. The 3rd floor houses Toranomon Yokocho, a landmark dining facility featuring offerings from famous stores from all over Tokyo.

Toranomon Hills Station Tower (Projected completion July 2023)



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

- This project is developing a 49-story, approximately 265m super-high-rise tower with world-class 3,306m² office floors, retail facilities integrated into a plaza, and an international-standard hotel.
- The top floors will contain an extensive mixed-use facility with a forum for wide-ranging business events, a gallery and restaurants, forming a hub for new business and innovation.
- In addition to a bustling public plaza connected to the station, a pedestrian deck above Sakurada Avenue will create a multi-layer pedestrian network serving as a new transit hub for the Toranomon area.

Obtained LEED ND and WELL preliminary certification

Tokyo's first Platinum LEED ND, the highest rank



- The Toranomon Hills Area Project and Toranomon Azabudai Project have obtained preliminary certification for the top rank of Platinum of the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED) (Note1) certification in the Neighborhood Development (ND) category. Even on a global scale, it is rare for a city-center mixed-use development to obtain the rank of Platinum.
- Toranomon Hills Station Tower (Block A-1) and Toranomon Azabudai Project's Block A have obtained preliminary certification for the Council's WELL (Note2) certification and expect to obtain the top rank of Platinum after completion.



Oval Plaza at Toranomon Hills Mori Tower



Central square in Toranomon-Azabudai Project (image)

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

(Note 2) Also offered by the Council, WELL is the world's first building standard to focus on the effect of building environments on human health and wellness. It mainly evaluates interior environments and health-related facilities and services.

Development around MHR's properties (Toranomom-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 "Toranomom-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 Community, 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 is becoming a base for Japan's unique innovation ecosystem.



Touring stand
(Shintora-Dori)

Understanding attractiveness across Japan

"Touring Stand" was a collection of dining facilities standing side by side along the road where people could 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 Hills Marche reinforces 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

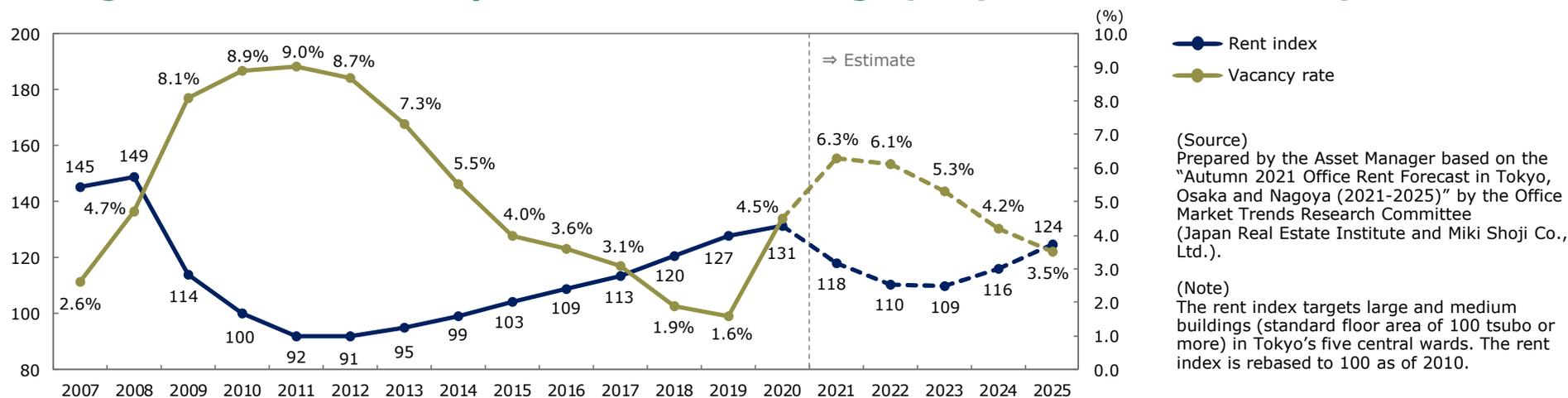
“Roppongi Art Night,” an art festival representing Tokyo, integrates art and the city to improve the cultural image of Roppongi and create a pioneering model of urban development through art in the metropolis Tokyo.

2-19 External growth

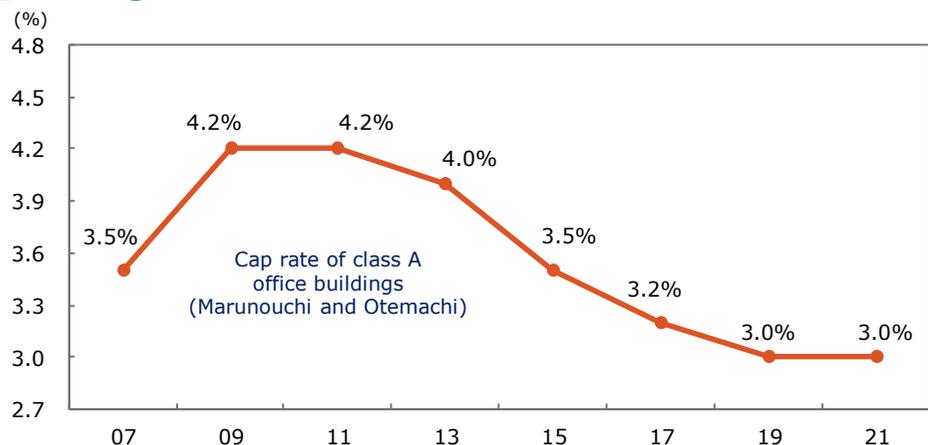
Contributed to the increase of DPU and NAV per unit by acquiring premium property in central Tokyo

- Additional acquisition of Toranomon Hills (August 2021: 7.8 billion yen). Acquisition made at a price significantly below the appraisal value, contributing to the increase 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.

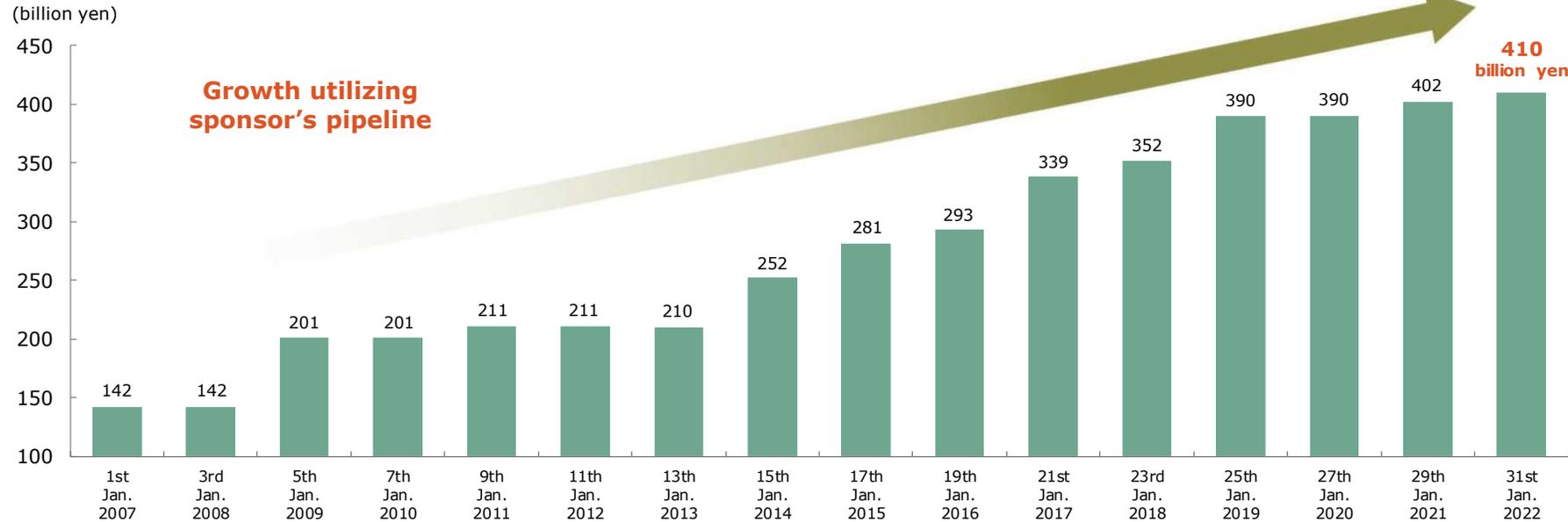
Mori Building's extensive property pipeline

Total assets: 2.2 trillion yen (as of the end of September, 2021)	Number of properties under management: 96 buildings (as of April, 2021)
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MHR has "preferential negotiation rights"

2-20 External growth

Trend in assets under management (based on acquisition price)



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

Toranomon Hills Mori Tower

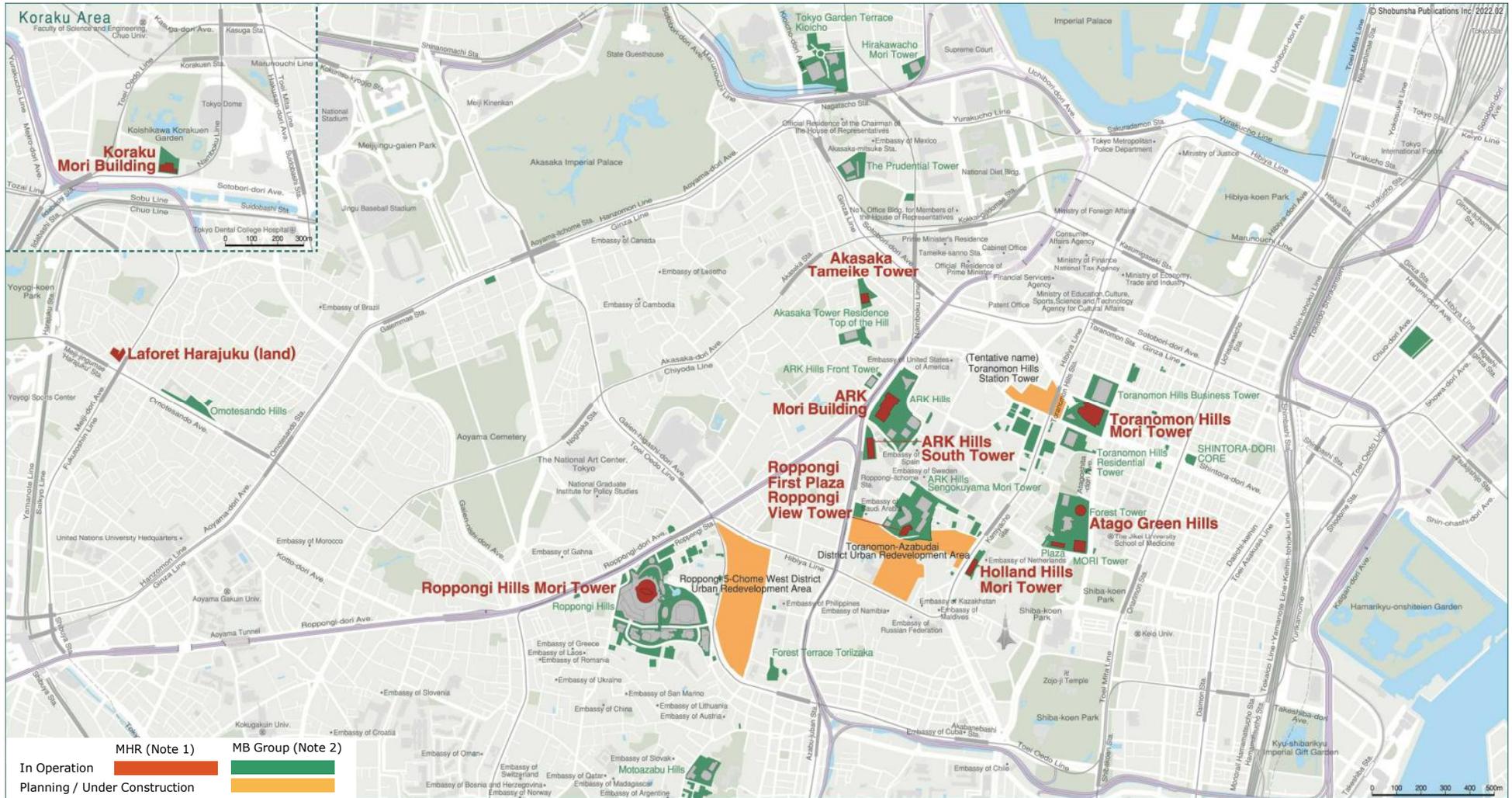


Anticipated acquisition price	7,870 million yen
Appraisal value	9,856 million yen
Location	Minato-ku, Tokyo

	Toranomon Hills Mori Tower	Recent office acquisition by listed REITs (Note 1)
Discount of acquisition price to appraisal value (Note 2)	Δ 20.2%	Δ 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 2022."

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

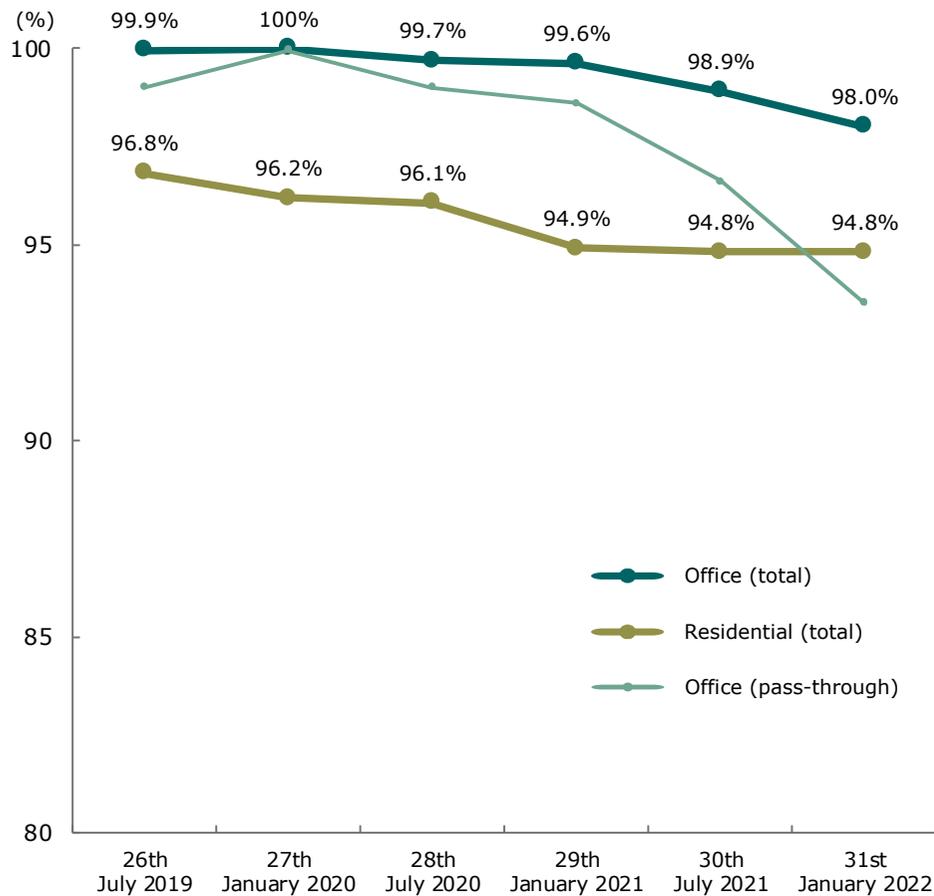
(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

2-22 Internal growth

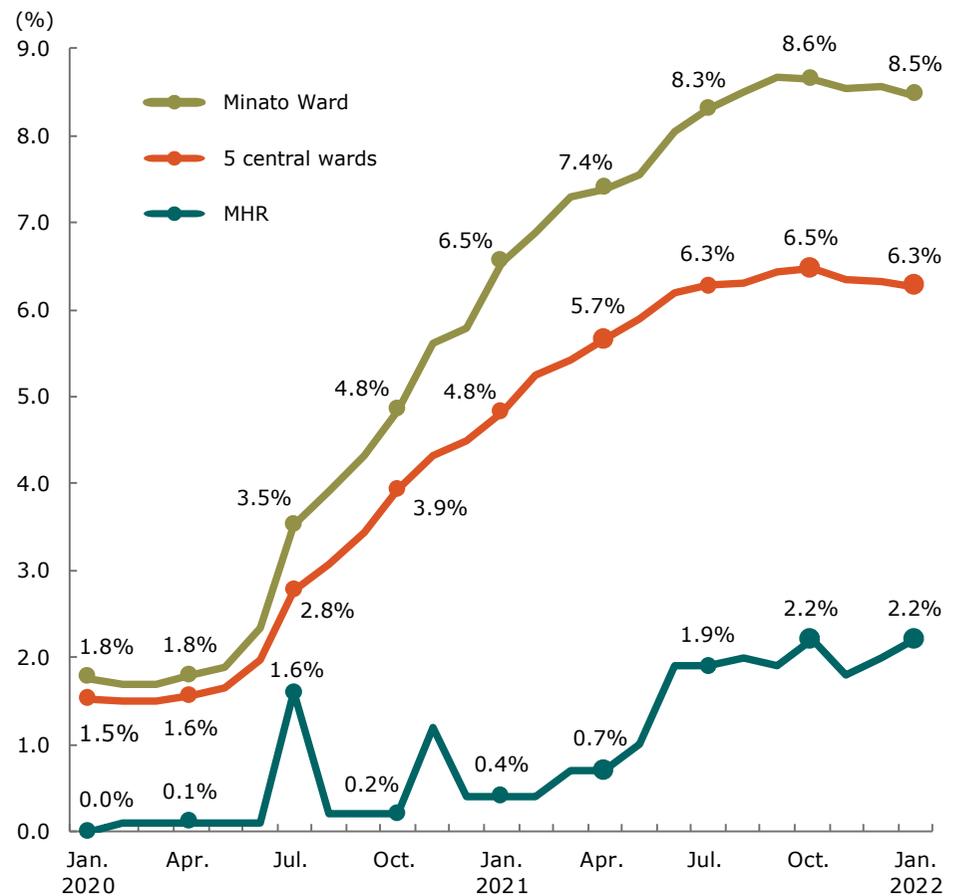
Maintained high occupancy rate amidst COVID-19 pandemic

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

Trend in occupancy rates



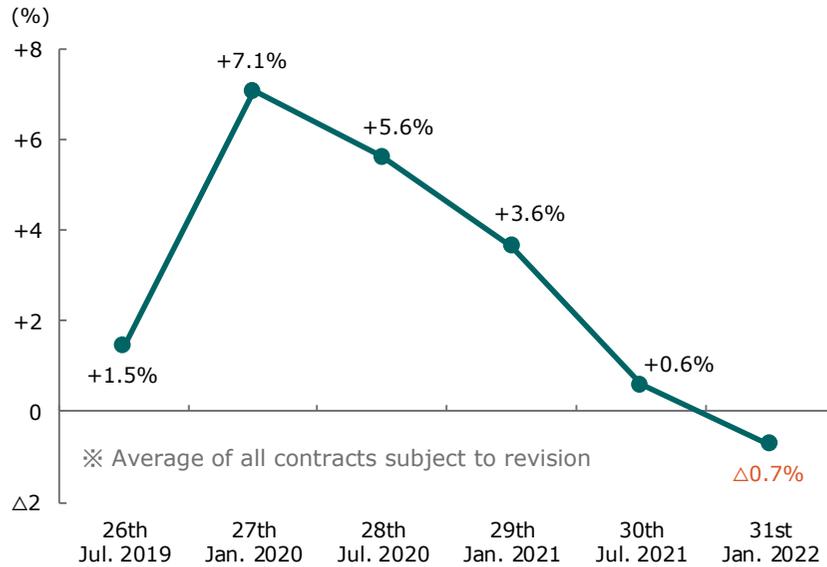
Comparison of Vacancy Rates in Central Tokyo Offices (since January 2020)



(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)

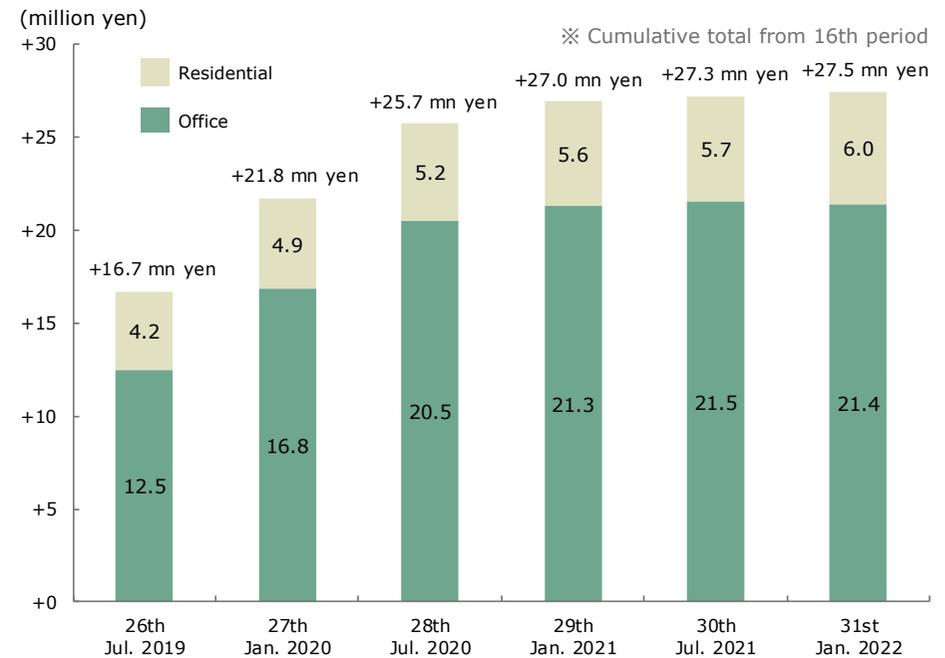
Rent revision rate (Office)



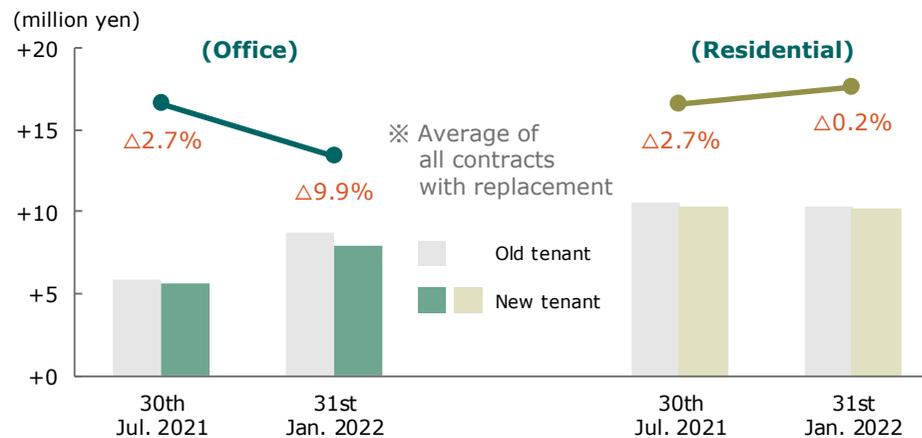
Rent revision rate (Residential)



Net impact of rent revisions accumulated since 26th period (Monthly rent basis)

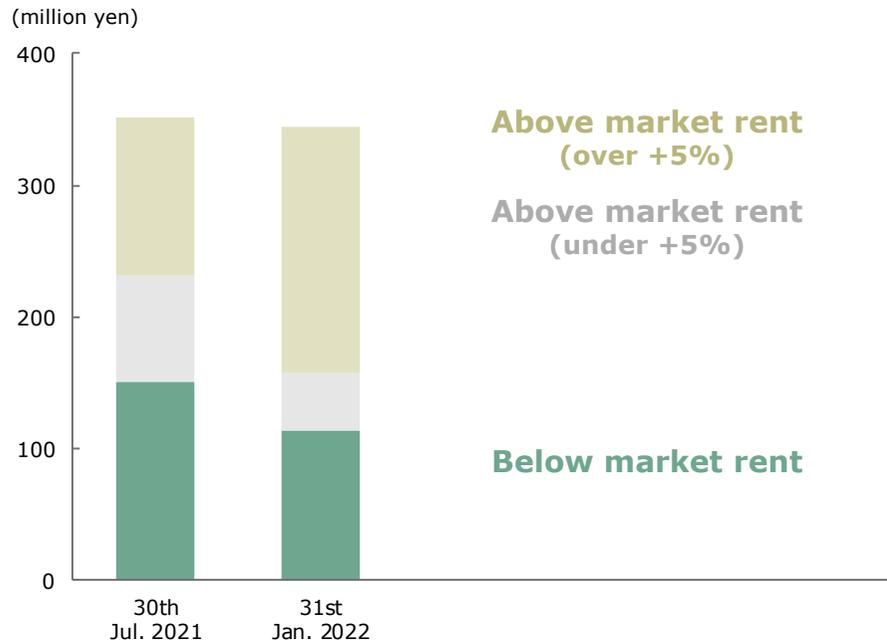


Net impact on increase/decrease of tenant replacement (Monthly rent basis)

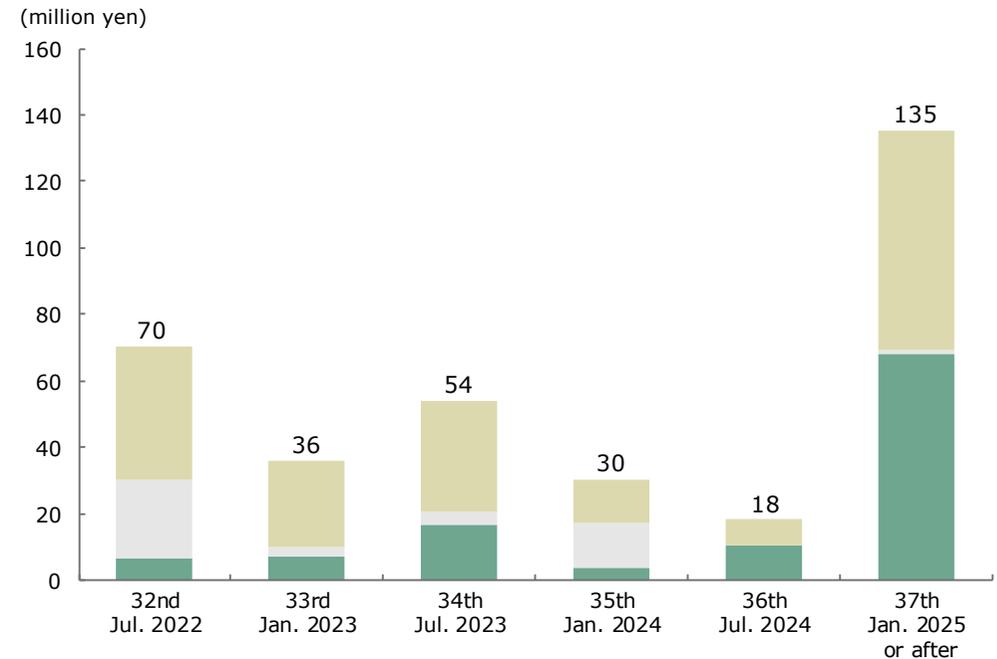


Comparison with office market rent (pass-through type)

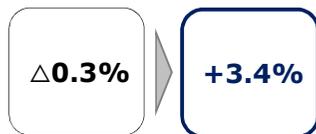
Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap



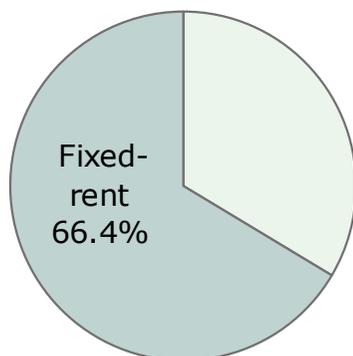
This indicates that current rents are above market rents

- Rents for some of the pass-through type offices decreased both upon rent revision and tenant replacement. However, the impact has been minimal because those properties account for only a small portion of the entire portfolio.
- Offices (fixed rent master lease type) have even higher quality and occupancy rates of their end tenants have continued to remain high, so MHR has no concerns regarding contract renewals.

(Note 1) Market rent is based on the report by CBRE K.K.
 (Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1
 (Note 3) Figures reflect move outs of end tenants confirmed as of January 31, 2022

Overview of fixed rent master lease

Ratio of fixed rent master lease



Realize stable cash flow

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

● Display a defensive posture to the temporary uptick in vacancy

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

Monthly rent by contract expiration

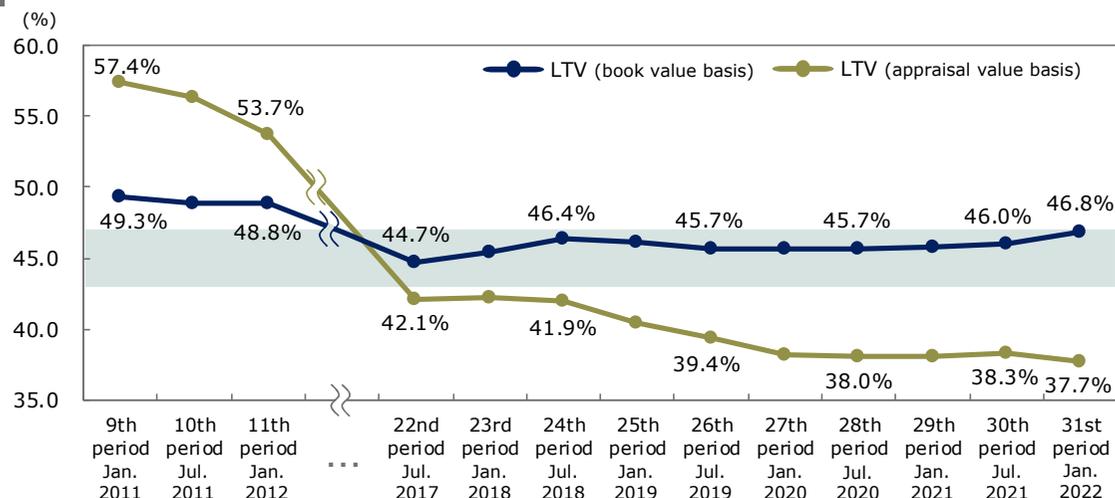
Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (m ²)	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2023	2024	2025	2026 or after	
Roppongi Hills Mori Tower (10 floors)	475.2	29.5%	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	14.0%	13th/12th & 22nd	7,952.55	MHR	—	—	—	77.9	Jan. 2026
			23rd & 25th	5,742.95		—	—	—	55.5	Jan. 2026
			4th, 15th & 24th	7,680.52		—	—	—	73.8	Jan. 2026
			DHC	3,212.41	Master lessee	17.9	—	—	—	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.5%	Office, residential & retail	29,667.58	Master lessee	—	—	—	168.7	Apr. 2027
Toranomon Hills Mori Tower (approx. 10.8% of entire property)	201.6	12.5%	Part of 28th to 35th floors	19,046.16	MHR	—	—	—	201.6	Jul. 2027
Total	1,070.8	66.4%				113.0 (10.6%)	42.8 (4.0%)	49.2 (4.6%)	865.7 (80.8%)	

2-26 Financial management

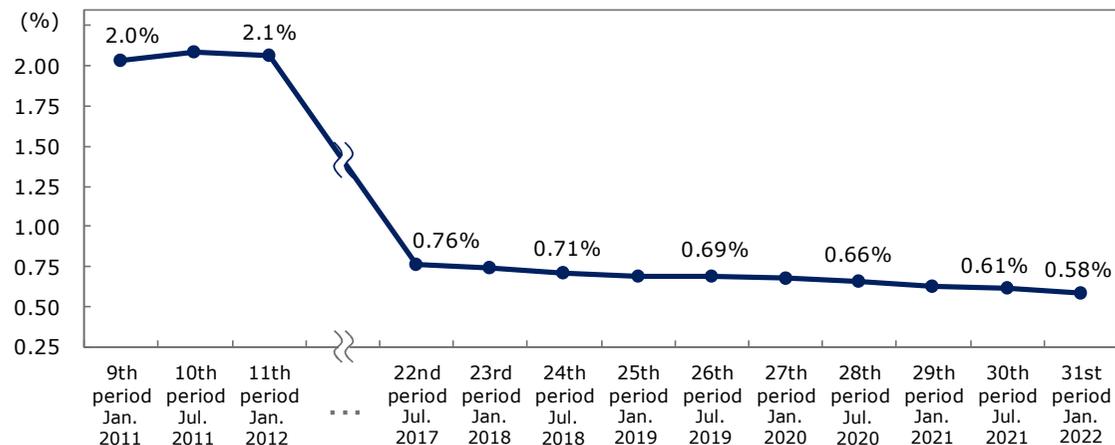
Maintaining a strong financial structure with a credit rating (JCR) of AA (stable), and LTV (appraisal-value basis) of 37.7%

- 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. Green bonds have been issued (November 2021: 1.5 billion yen).

Reduction in LTV



Reduction in average interest rate (including borrowing expenses)



Overview of debt financing

	End of 30th period Jul. 31, 2021	End of 31st period Jan. 31, 2022
Debt Balance	186,222 mn yen	192,422 mn yen
LTV (book value basis) ^(Note 1)	46.0%	46.8%
LTV (appraisal value basis) ^(Note 2)	38.3%	37.7%
Avg. remaining duration	4.5 years	4.6 years

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

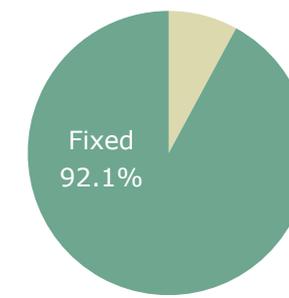
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio / Fixed rate ratio

<Long-term debt ratio>

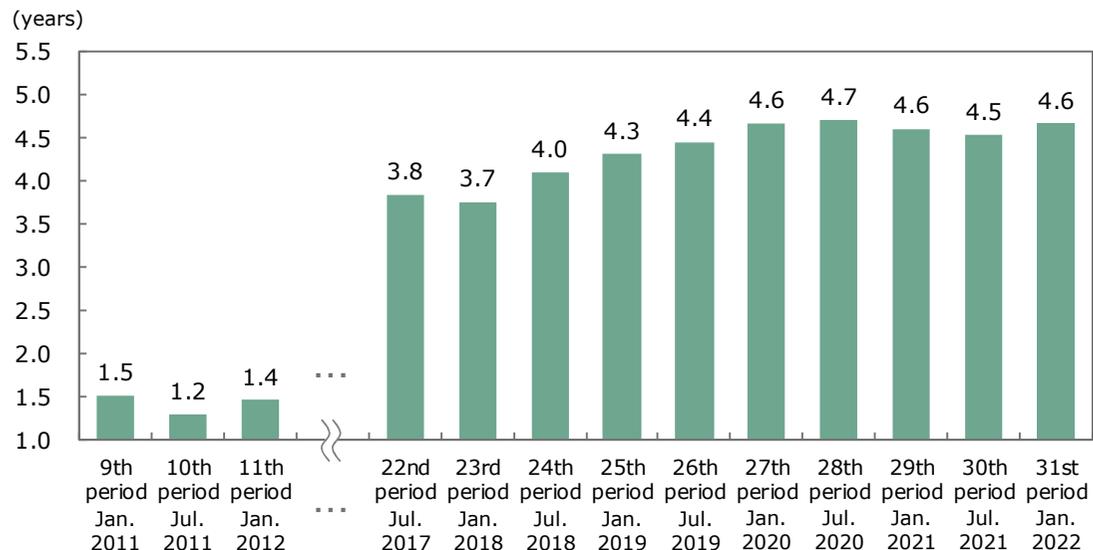


<Fixed rate ratio>



(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

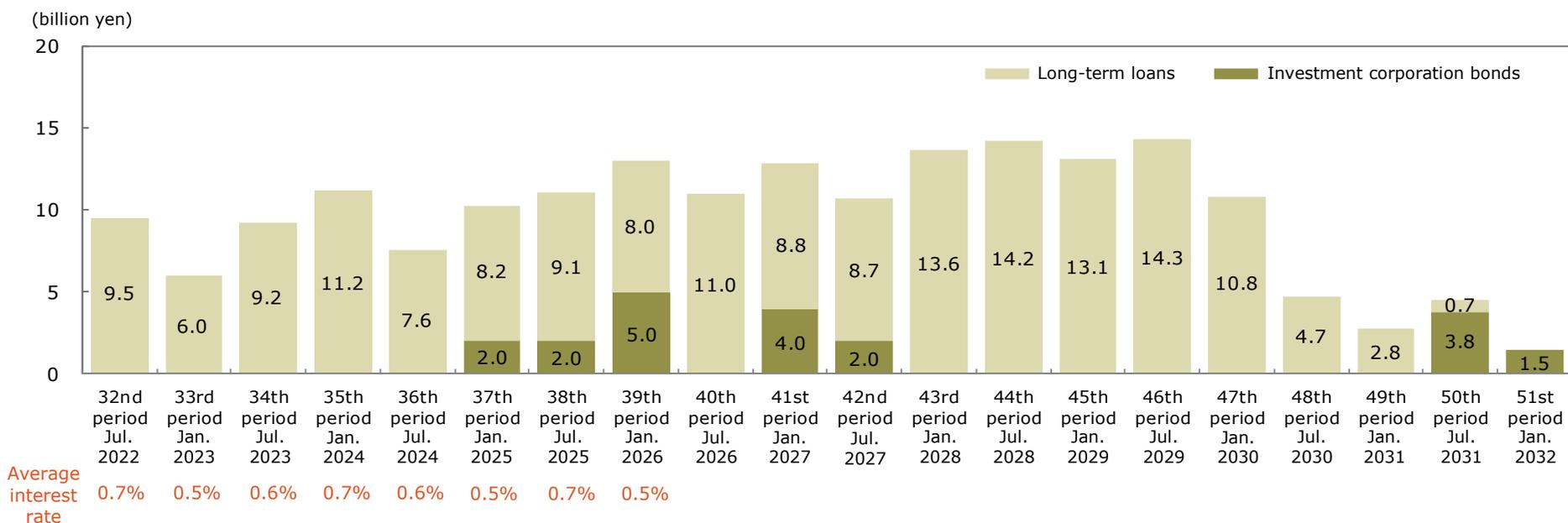


Rating

Japan Credit Rating (JCR)

Long-term issuer rating:
AA (Stable)

Overview of maturity (as of January 31, 2022)



2-28 Sustainability initiatives

Important ESG Issues (Materiality)

	Materiality	Main Initiatives	Main related SDGs
E Environment 	<ul style="list-style-type: none"> ● Reduce greenhouse gas emissions and promote energy saving at owned properties ● Use of renewable energy 	<ul style="list-style-type: none"> ● Participate in Japan Climate Initiative ● Support the TCFD recommendations ● Promote energy savings (such as introducing the energy saving technologies) ● Expand use of renewable energy 	   
	<ul style="list-style-type: none"> ● Coexist with nature 	<ul style="list-style-type: none"> ● Promote greenery and take measures against heat island ● Protection of biodiversity 	 
	<ul style="list-style-type: none"> ● Response to sustainability certifications 	<ul style="list-style-type: none"> ● Various initiatives to obtain Green Building certifications and make improvements ● Implement training regarding Green Building 	   
S Social 	<ul style="list-style-type: none"> ● BCP measures (disaster prevention and building resilience) ● Tenants' health, comfort and convenience 	<ul style="list-style-type: none"> ● Enhance BCP Measures ● Strengthen emergency management systems and implement general disaster-readiness training ● Initiative for barrier-free access ● Due diligence when acquiring real estate ● Conduct Tenant Satisfaction Survey 	  
	<ul style="list-style-type: none"> ● Respect for human rights ● Promote diversity 	<ul style="list-style-type: none"> ● Create an appropriate environment for a whistleblower system ● Implement human rights and diversity training (including LGBT) ● Create a pleasant working environment for women 	 
	<ul style="list-style-type: none"> ● Talent development 	<ul style="list-style-type: none"> ● Provide personnel evaluations and feedback from diverse perspectives including compliance and ESG initiatives ● Provide various course-based training and qualification acquisition systems 	 
	<ul style="list-style-type: none"> ● Promote a healthy and comfortable work environment and improve employee's work/life balance ● Increase employee's satisfaction 	<ul style="list-style-type: none"> ● Promote paid holiday acquisition and overtime work reduction ● Maintain systems for employee safety and health management ● Implement health checks ● Conduct Employee Satisfaction Survey 	 
	<ul style="list-style-type: none"> ● Mutual communication with Stakeholders 	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 2021 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the tenth 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



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/en/ir/library/esg_report/tabid/456/Default.aspx

MHR's Website



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

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

Information reporting based on TCFD recommendations

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

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



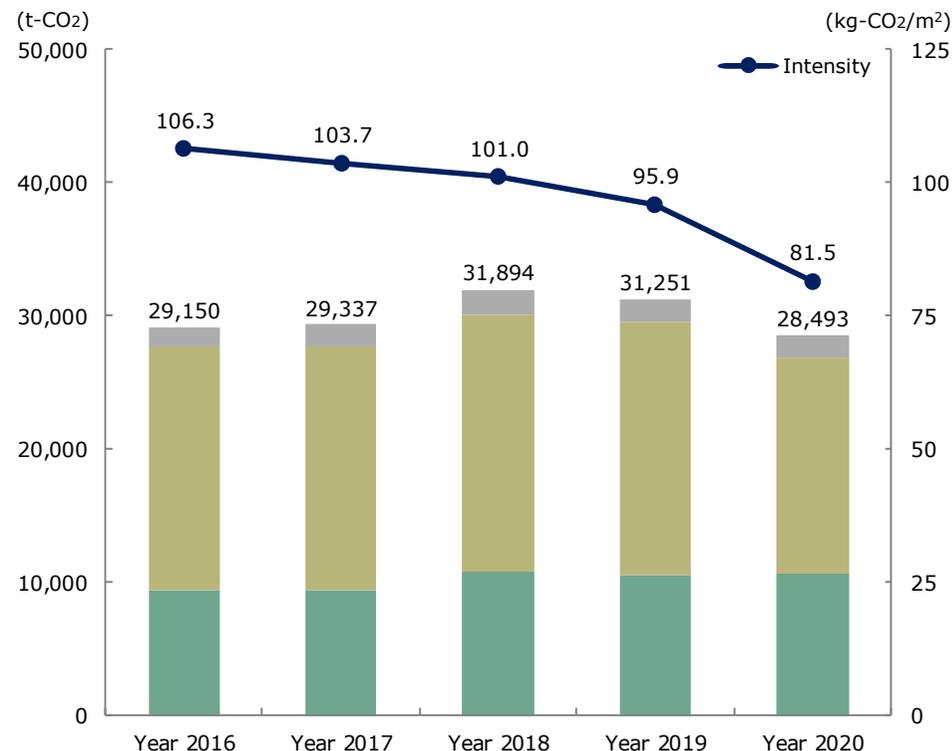
Indicators and Targets

We set the targets of a 25% reduction by 2024 and a 30% reduction by 2030 in CO2 emission intensity for the total calculated floor area of MHR and MIM’s offices and properties owned by MHR (with 2013 as the baseline year). The targeted intensity is for the total of Scope 1 and Scope 2. The amount of CO2 emission decreased temporarily in 2020 due to the decline in the number of workers and visitors as a result of the spread of COVID-19.

<Carbon Dioxide Emission and Intensity>

Short-range objective (year 2024)	Long-range objective (year 2030)	Performance (year 2020)
25% reduction (intensity basis: vs year 2013)	30% reduction (intensity basis: vs year 2013)	32.6% reduction (intensity basis: vs year 2013)

	(Unit: t-CO ₂)				
	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
Scope 1	1,487	1,626	1,843	1,767	1,718
Scope 2	18,321	18,376	19,285	18,952	16,151
Scope 3	9,341	9,335	10,766	10,531	10,624
Total	29,150	29,337	31,894	31,251	28,493
Verification/Guarantee rate	80.7%	78.9%	77.4%	77.4%	77.7%
Cover rate	86.8%	87.0%	87.4%	87.6%	87.8%



Strategy

Climate-Related Scenario Analysis

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

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

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

<Analysis Result>

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

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

Weather

Generally, stay the same

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



Government

Aggressive climate change policy

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



Investors/lenders

Increased ESG investment/lending

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



MHR

Limited increase in energy-saving investment

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



Clients (tenants)

Focus on energy saving in office selection

- More tenant demand for highly energy-saving properties



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

< Analysis Result >

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

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

Weather

Increase in extreme weather frequency

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



Government

Passive climate change policy

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



Investors/lenders

Increase in importance of physical risk

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



MHR

Limited natural disaster countermeasures/energy-saving investment

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



Clients (tenants)

Focus on disaster response in office selection

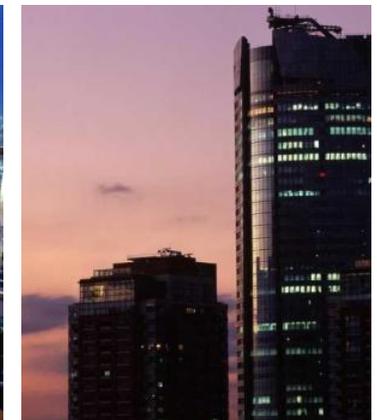
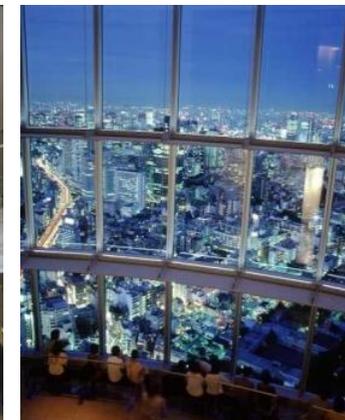
- More tenant demand for highly resilient properties



2-34 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.

2-35 MHR's representative property (2) Toranomom Hills



Toranomom Hills Mori Tower



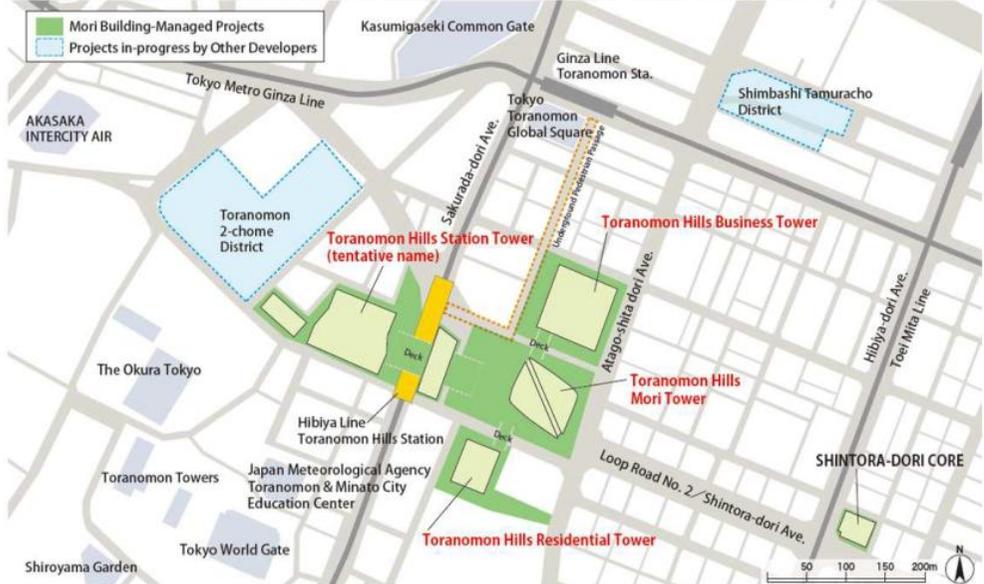
Toranomom Hills

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

Office

Toranomom Hills Mori Tower

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



Residence Toranomon Hills Residence

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



Retail Shops and Restaurants

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



Hotel Andaz Tokyo

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



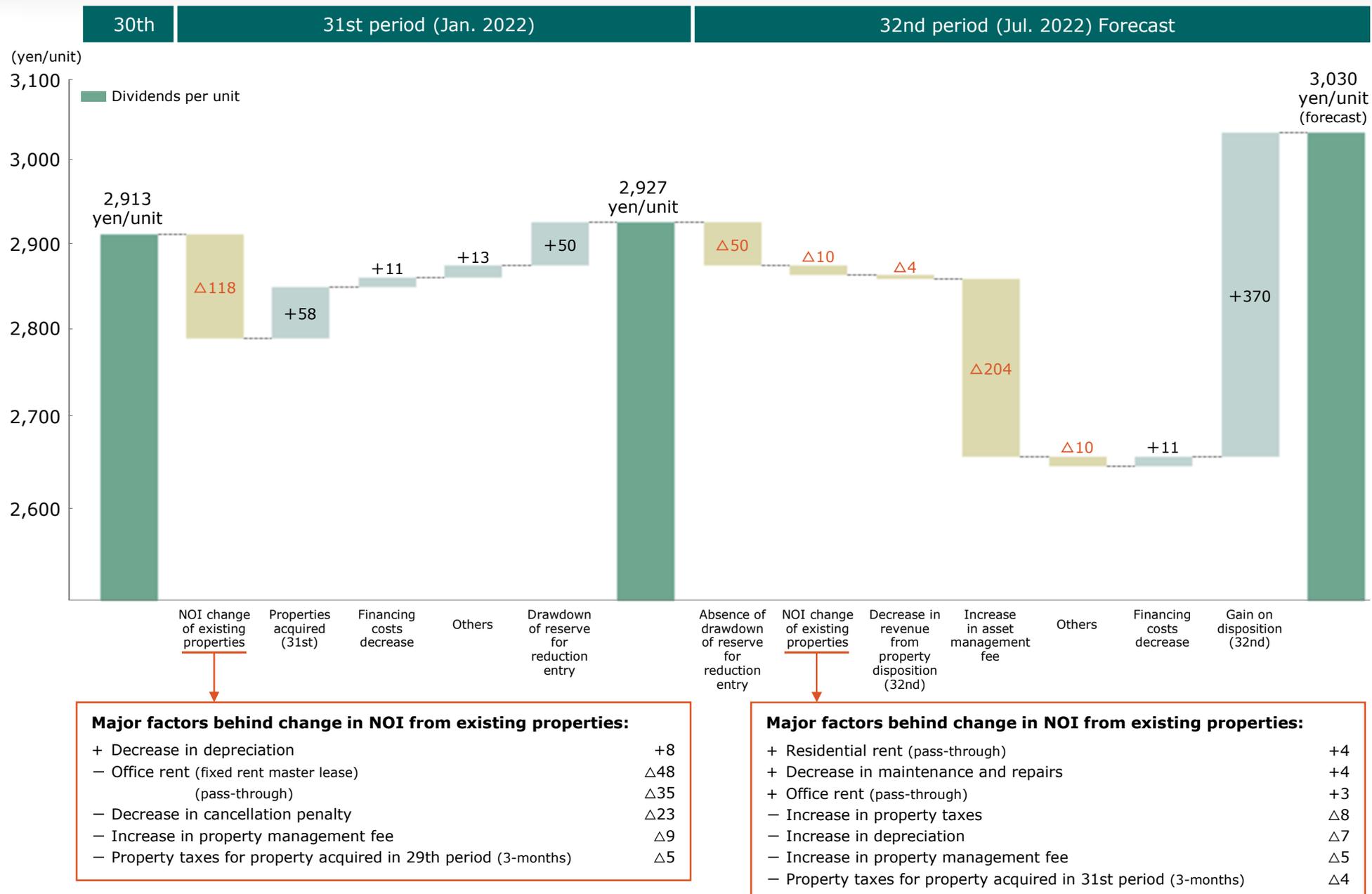
Evolving as an International Urban Center and a Global Business Hub

With the completion of Toranomon Hills Business Tower, Toranomon Hills Residential Tower and the currently under construction 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

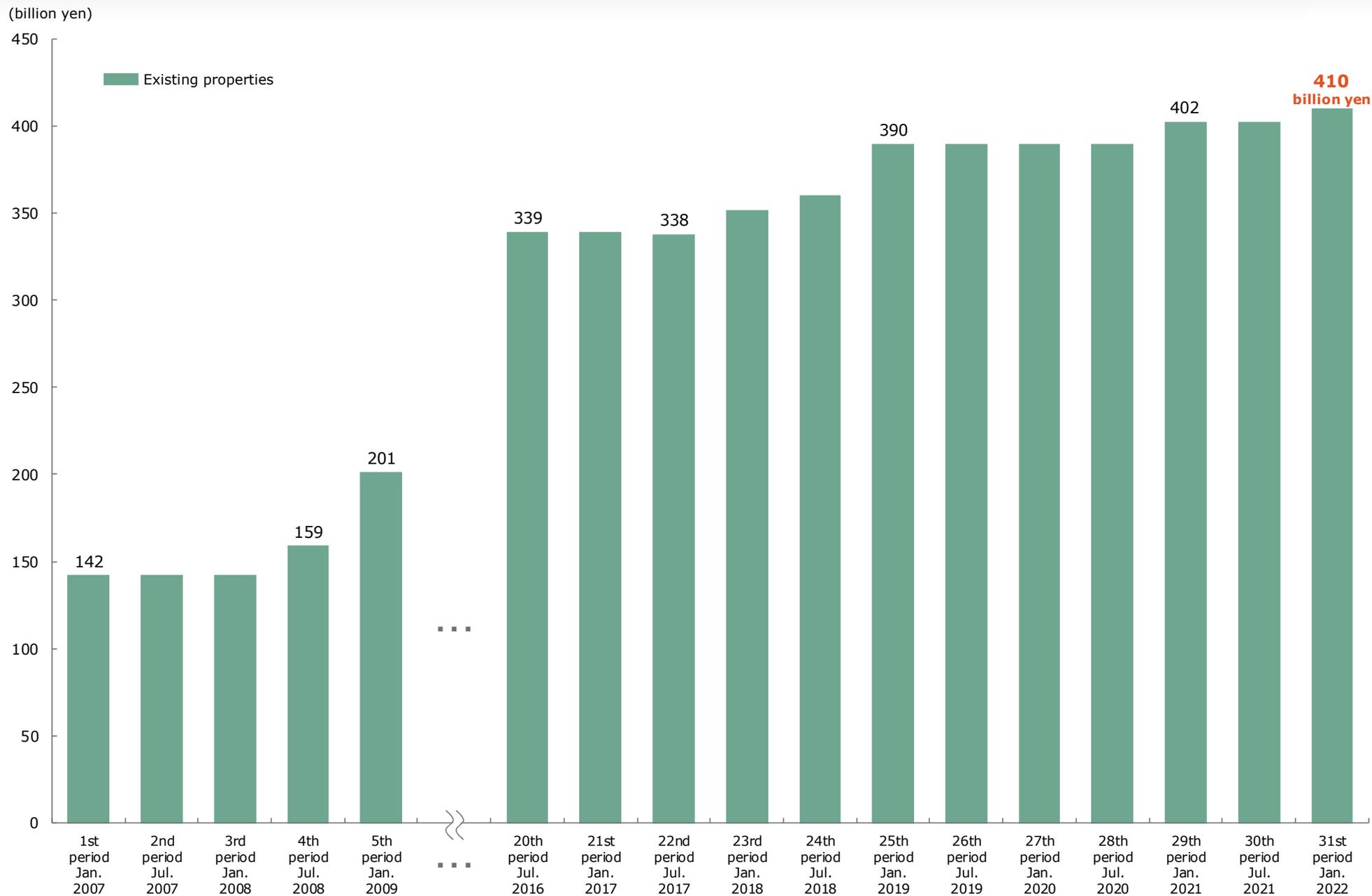


3-1 Factors that led to changes in dividends per unit from the previous fiscal period

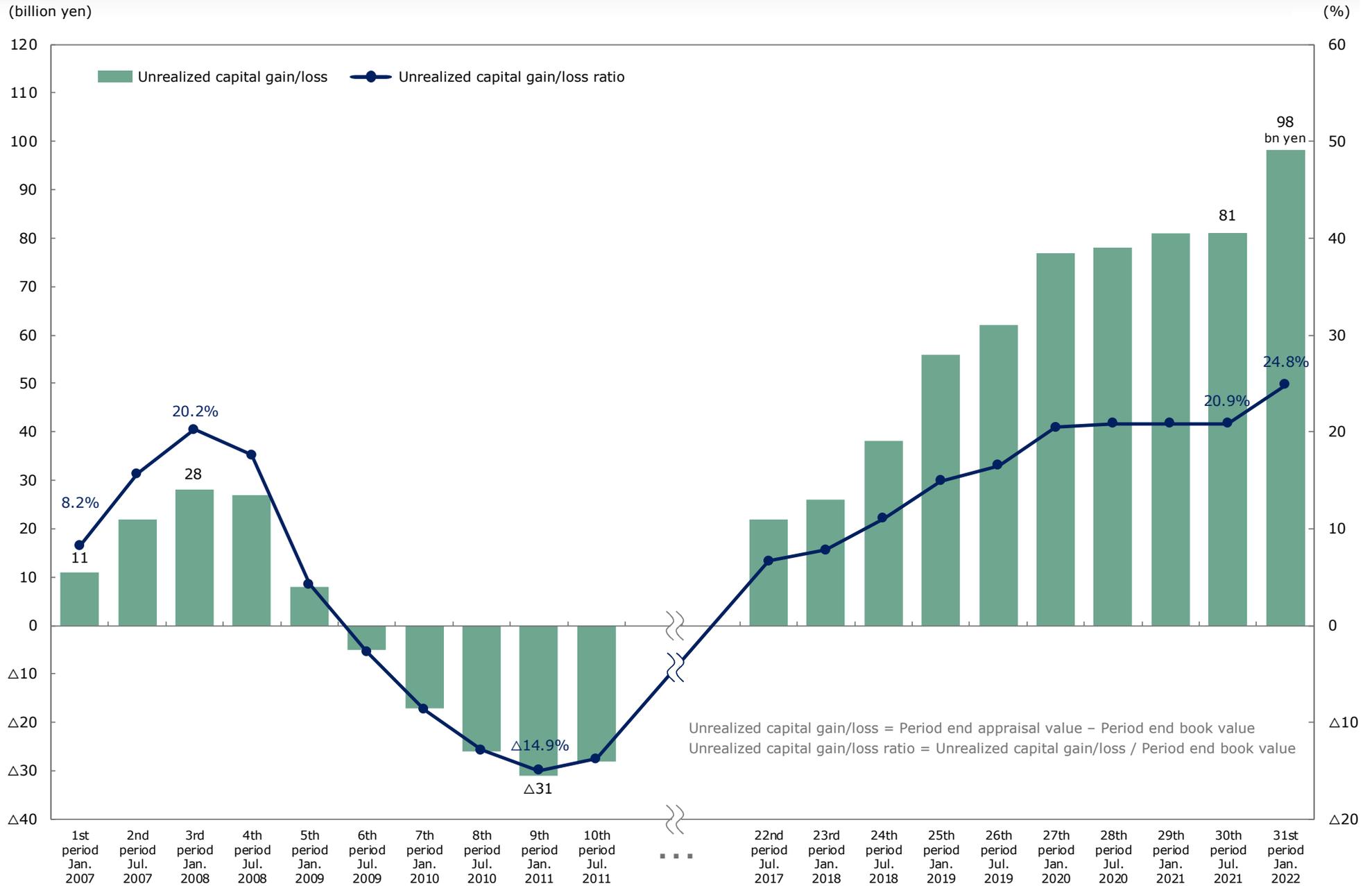


(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,916,330 units and indicated as an approximate figure in yen.

3-2 Change in assets under management



3-3 Change in unrealized capital gain/loss



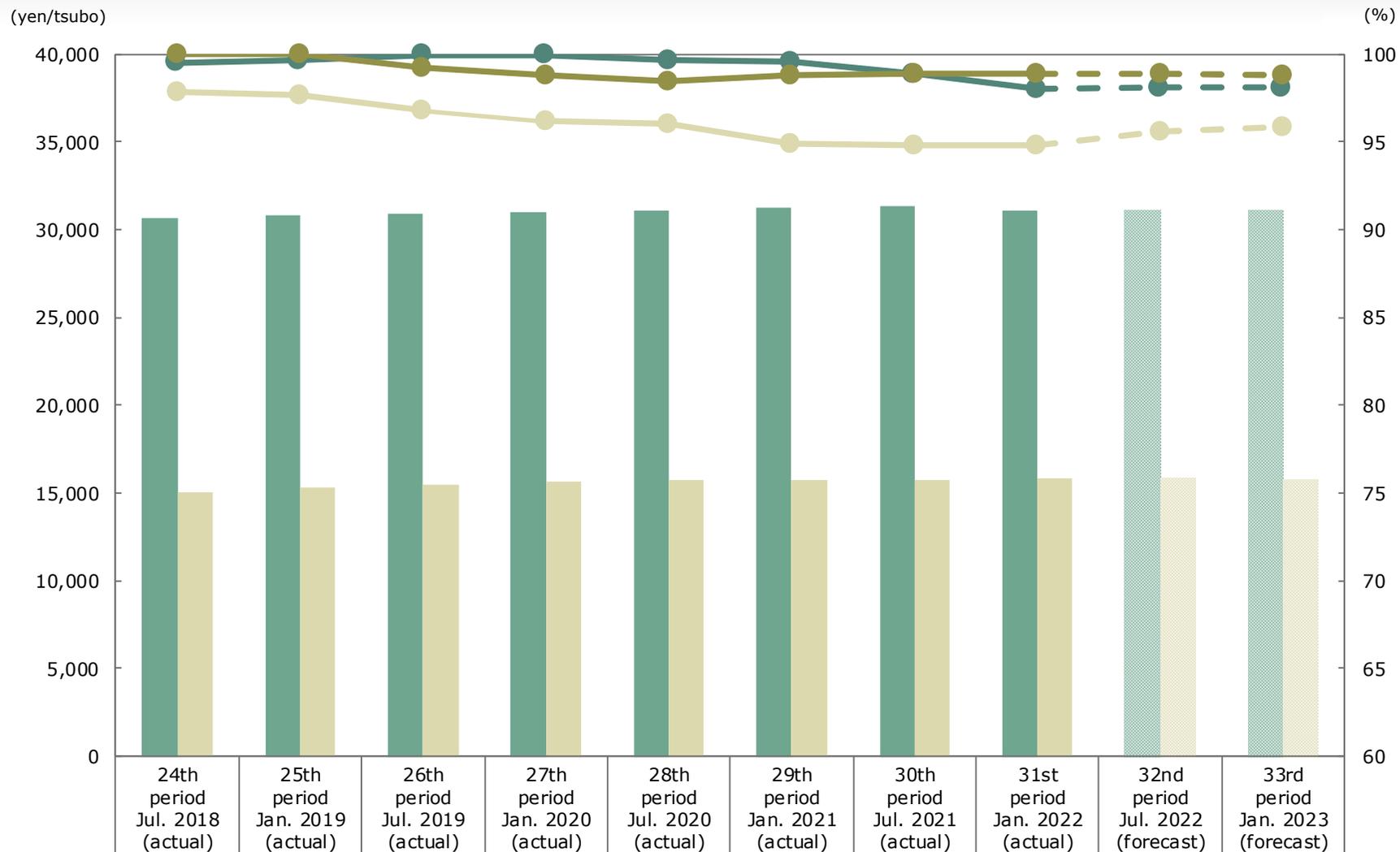
3-4 Appraisal value

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 30th period Jul. 31, 2021		As of end of 31st period Jan. 31, 2022				Reflects the impact of additional acquisition (million yen)		
					(A) Appraisal value (Note 1)	Yield (Direct capitalization method)	(B) Appraisal value (Note 1)	Yield (Direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)	Difference (B) – (A)	Difference (B)/(A) – 1	Unrealized capital gain/loss (B)-book value
Office	Roppongi Hills Mori Tower	O-0	115,380	111,048	146,700	2.8%	154,300	2.7%	2.4%	2.8%	7,600	5.2%	43,251
	ARK Mori Building	O-1	62,480	61,425	63,900	3.2%	66,800	3.1%	2.8%	3.2%	2,900	4.5%	5,374
	Koraku Mori Building	O-4	27,200	24,632	25,440	3.4%	24,240	3.3%	2.9%	3.6%	△ 1,200	△ 4.7%	△ 392
	Akasaka Tameike Tower	O-6	43,930	41,426	34,800	3.2%	34,300	3.1%	2.8%	3.2%	△ 500	△ 1.4%	△ 7,126
	Atago Green Hills	O-7	42,090	39,938	46,102	3.4%	47,582	3.3%	2.8%	3.5%	1,480	3.2%	7,643
	ARK Hills South Tower	O-8	19,150	18,577	25,100	3.0%	24,800	3.0%	2.8%	3.2%	△ 300	△ 1.2%	6,222
	Toranomon Hills Mori Tower	O-9	56,300	55,611	60,367	2.6%	73,944	2.5%	2.2%	2.6%	13,577	22.5%	18,332
	Holland Hills Mori Tower	O-10	16,330	16,246	21,900	3.2%	22,200	3.1%	2.7%	3.3%	300	1.4%	5,953
Sub total			382,860	368,906	424,309	—	448,166	—	—	—	23,857	5.6%	79,259
Residential	Roppongi First Plaza	R-3	2,100	2,232	2,680	3.7%	2,730	3.6%	3.4%	3.7%	50	1.9%	497
	Roppongi View Tower	R-4	4,000	4,061	3,520	3.8%	3,590	3.7%	3.5%	3.8%	70	2.0%	△ 471
	Sub total			6,100	6,294	6,200	—	6,320	—	—	—	120	1.9%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	41,200	3.8%	41,400	—	3.8%	—	200	0.5%	19,325
	Sub total			21,820	22,074	41,200	—	41,400	—	—	—	200	0.5%
Total			410,780	397,275	471,709	—	495,886	—	—	—	24,177	5.1%	98,610

(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 30th period shows the discount rate used in the DCF analysis.

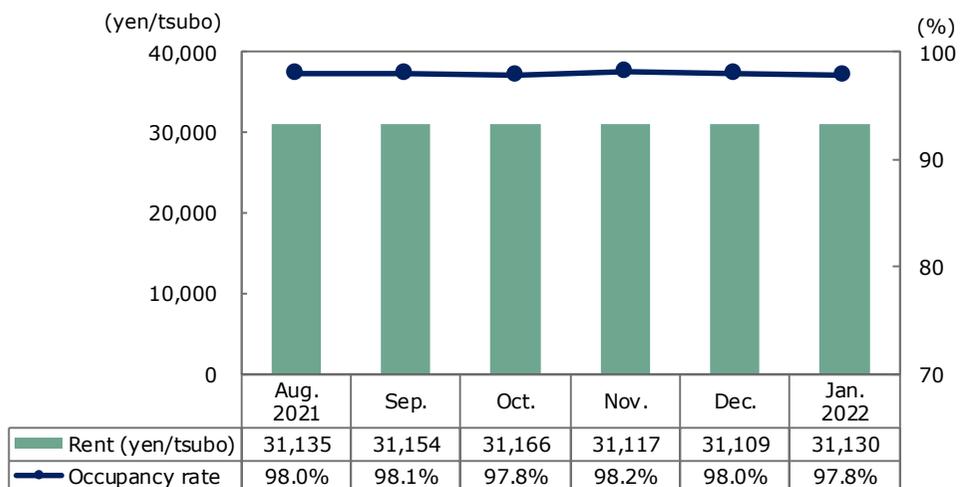
3-5 Changes in the rent and occupancy rates



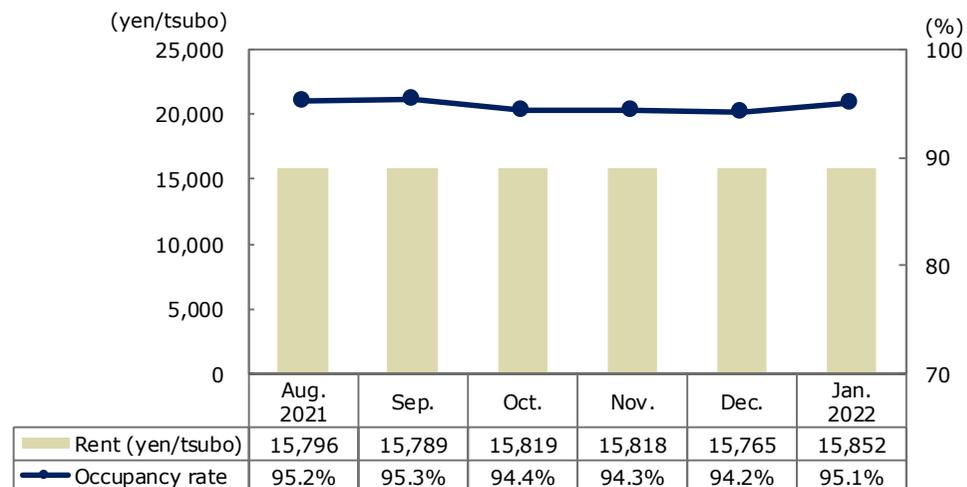
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-6 Tenant status by month and major tenants

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



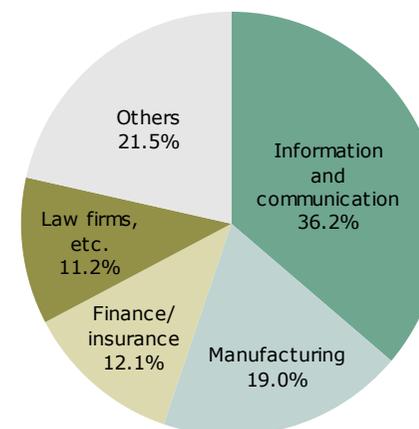
Top 5 tenants

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 Toranomom Hills Mori Tower	116,635.93 m ²	66.0%
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%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m ²	1.0%
SoldOut, Inc.	Koraku Mori Building	1,851.87 m ²	1.0%
Total of top 5 tenants		129,800.16 m ²	73.4%

(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, 2022.

Tenant Contribution by Industry Type-Office



(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, 2022.

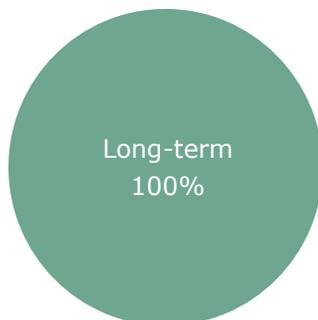
It is multiplied by the relevant percentage of ownership for each property.

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

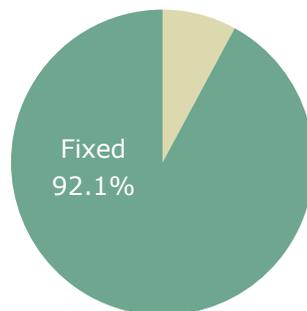
3-7 Financial overview (as of January 31, 2022)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 30th period Jul. 31, 2021	End of 31st period Jan. 31, 2022
Debt balance	186,222 mn yen	192,422 mn yen
Long-term loan	167,422 mn yen	172,122 mn yen
Investment corporation bonds	18,800 mn yen	20,300 mn yen
LTV (Book value basis) ^(Note 1)	46.0%	46.8%
LTV (Appraisal value basis) ^(Note 2)	38.3%	37.7%
DSCR ^(Note 3)	17.0x	16.6x
Avg. remaining duration	4.5 years	4.6 years
Weighted avg. interest rate	0.45%	0.43%

(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

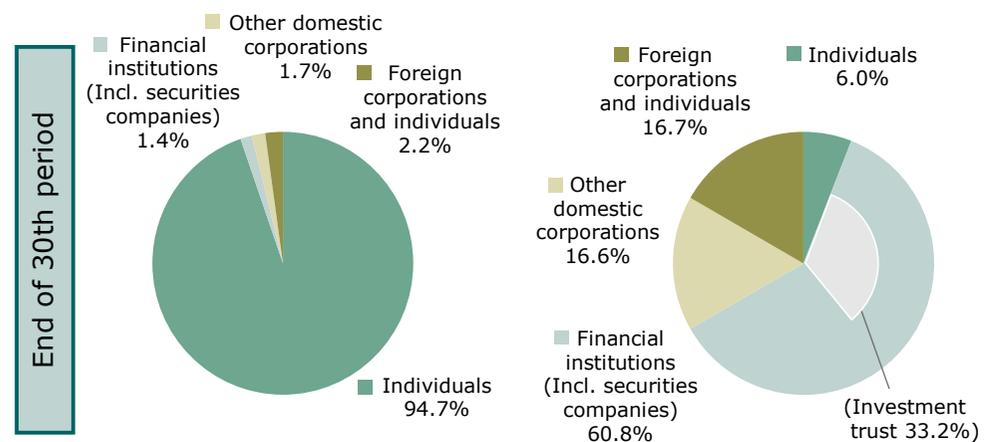
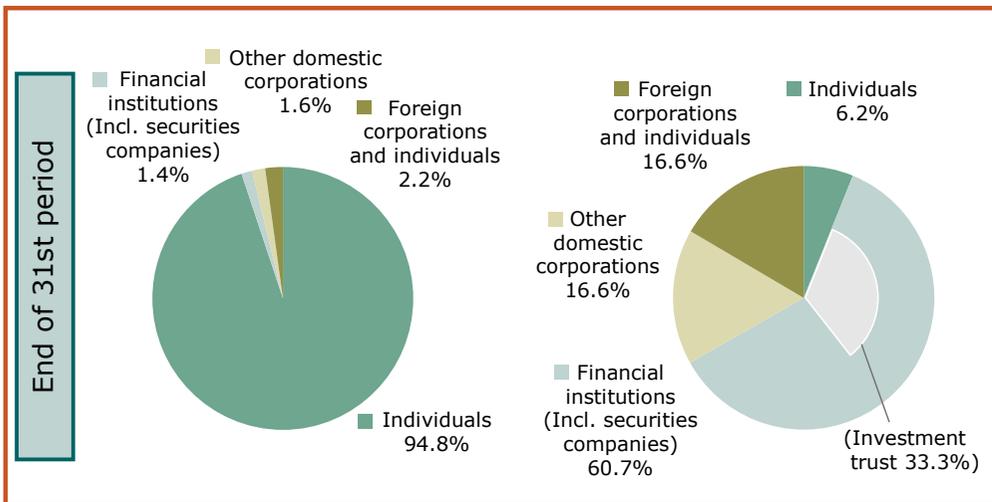
Lenders	Balance	Ratio
MUFG Bank, Ltd.	42,196 mn yen	24.5%
Mizuho Bank, Ltd.	29,898 mn yen	17.4%
Sumitomo Mitsui Banking Corporation	24,425 mn yen	14.2%
Sumitomo Mitsui Trust Bank, Limited	20,923 mn yen	12.2%
The Bank of Fukuoka	8,800 mn yen	5.1%
The Norinchukin Bank	8,000 mn yen	4.6%
Resona Bank, Limited.	7,430 mn yen	4.3%
Shinsei Bank, Limited	6,200 mn yen	3.6%
Development Bank of Japan Inc.	5,950 mn yen	3.5%
Mizuho Trust & Banking Co., Ltd.	4,800 mn yen	2.8%
The Nishi-Nippon City Bank, Ltd.	4,000 mn yen	2.3%
The Chugoku Bank, Limited.	2,500 mn yen	1.5%
Aozora Bank, Ltd.	2,000 mn yen	1.2%
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%
Mitsui Sumitomo Insurance Company, Limited	1,000 mn yen	0.6%
Total borrowings	172,122 mn yen	100%
Investment corporation bonds	20,300 mn yen	
Total interest-bearing debt	192,422 mn yen	

3-8 Unitholders breakdown (as of January 31, 2022)

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)	423,803	22.1%
2	Mori Building Co., Ltd.	287,472	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	266,805	13.9%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	74,614	3.9%
5	Custody Bank of Japan, Ltd. (Securities investment trust account)	49,159	2.6%
6	STATE STREET BANK WEST CLIENT - TREATY 505234	23,985	1.3%
7	Custody Bank of Japan, Ltd. (Money trust taxable account)	21,868	1.1%
8	JP MORGAN CHASE BANK 385781	21,164	1.1%
9	LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	20,388	1.1%
10	JP MORGAN CHASE BANK 385771	17,674	0.9%
Total of top 10 unitholders		1,206,932	63.0%

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



Real estate market / Lending attitude

- Vacancy rates for office buildings in central Tokyo have been on an upward trend and rents continued to fall.
(Office Market Trends Research Committee: Tokyo's five central wards)
 - ⇒ Vacancy rate: 4.5% (2020) → 6.3% (2021)
 - ⇒ Rent index: 131 (2020) → 118 (2021)
- 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% (April 2021) → 3.0% (October 2021)
- Lending attitude toward the real estate industry has temporarily weakened but remains at a highly positive level.

- The rise in the vacancy rates for office buildings in central Tokyo has been slowing down, but the office market is expected to remain weak for the time being partly due to an increase in supply in 2023 and after.
- Even under such an environment, genuine premium properties in central Tokyo are expected to demonstrate continued competitive advantages.

Interest rate trends / Macro environment

- Amid the global interest rate hike, Japan's long-term interest rates, which had remained low due to the monetary policy of the Bank of Japan, have also seen a rising trend. The core CPI rate of increase is also on an upward trend albeit at a low level.
 - ⇒ 10-year bond rates: 0.17% (January 31, 2022)
 - ⇒ Core CPI: +0.5% (December 2021)
- In the December 2021 preliminary business conditions composite index, the leading index was at 104.3 (+0.4 PT increase from previous month) and the coincident index was at 92.6 (Δ0.2 PT increase from previous month).
Business sentiment has been on a recovery trend although effect of COVID-19 pandemic has persisted.
- 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.

- Business sentiment is expected to continue recovery trend although COVID-19 is likely to have impact for some time.
- Pressure to raise interest rates has been mounting globally, and interest rates in Japan, which had been kept low by the monetary policy of the Bank of Japan, are expected to rise by a certain degree as well.
- Inflow of funds to companies with high ESG ratings is expected to continue 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 new acquisition of properties for tens of billions of 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.)
- 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.
- While conducting disposition of parts of Laforet Harajuku (Land), make new acquisitions concurrently to expand portfolio size over the medium to long term.

Internal growth policy

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

Financial management policy

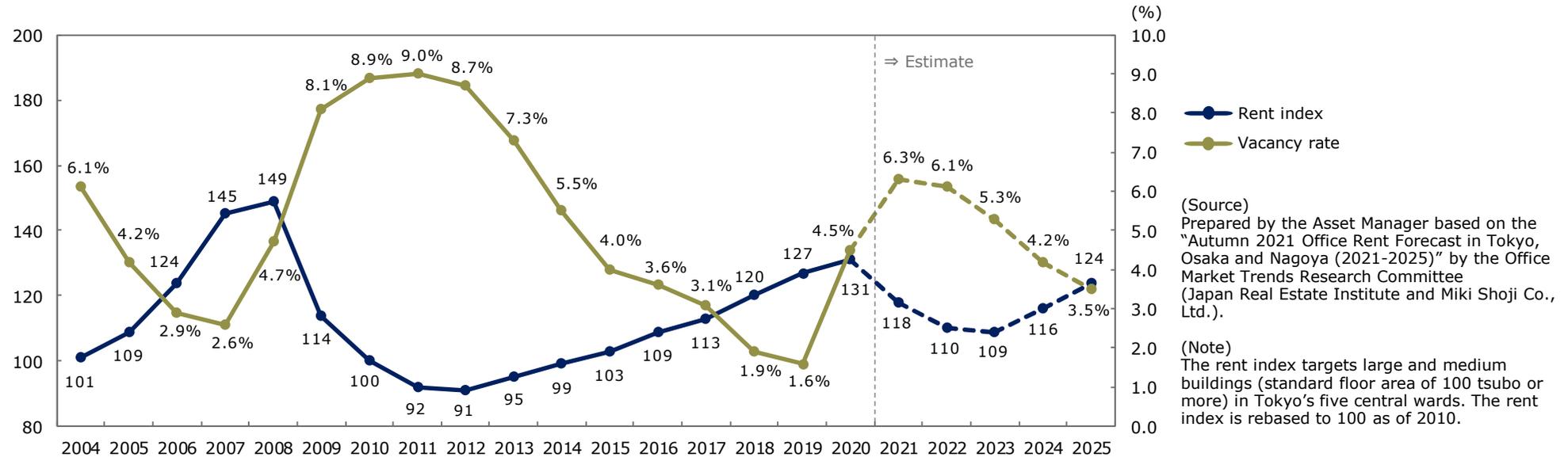
- Set the current LTV level (book value: in the mid-40% range; appraisal value: in the upper 30% range) as the target in order to maintain a durable position for times of economic slowdown, and target average remaining duration of debt of 4 years or longer.
- Anticipate interest rate fluctuation risk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

ESG policy

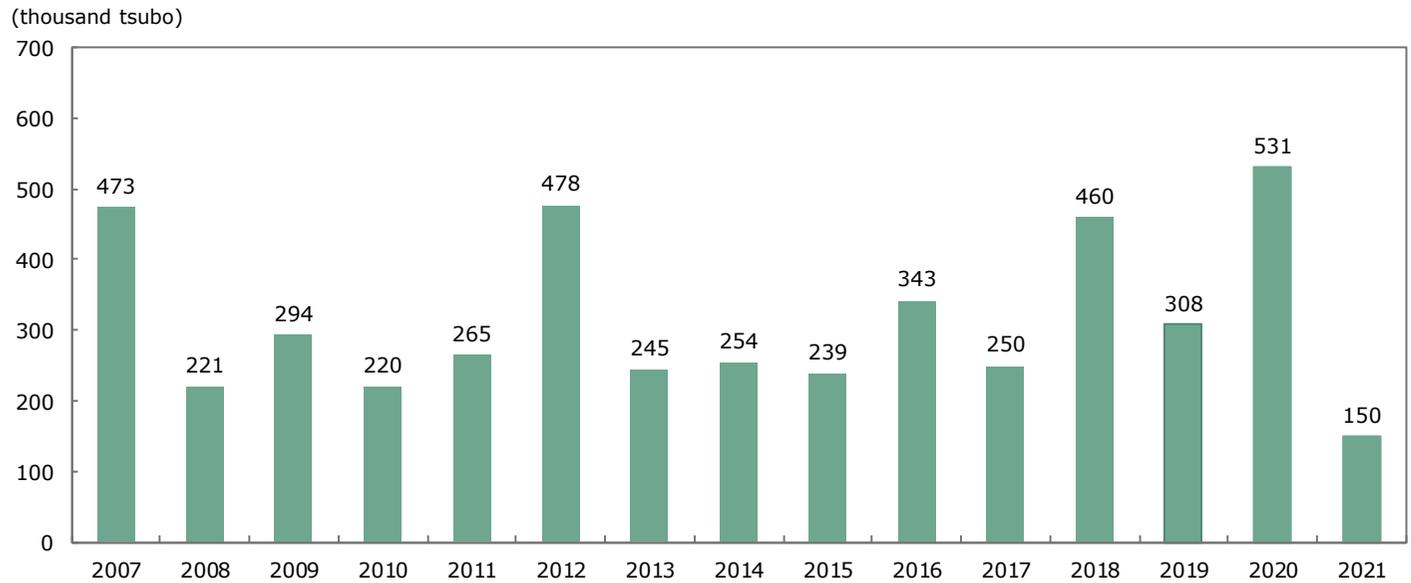
- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Implement proactive information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



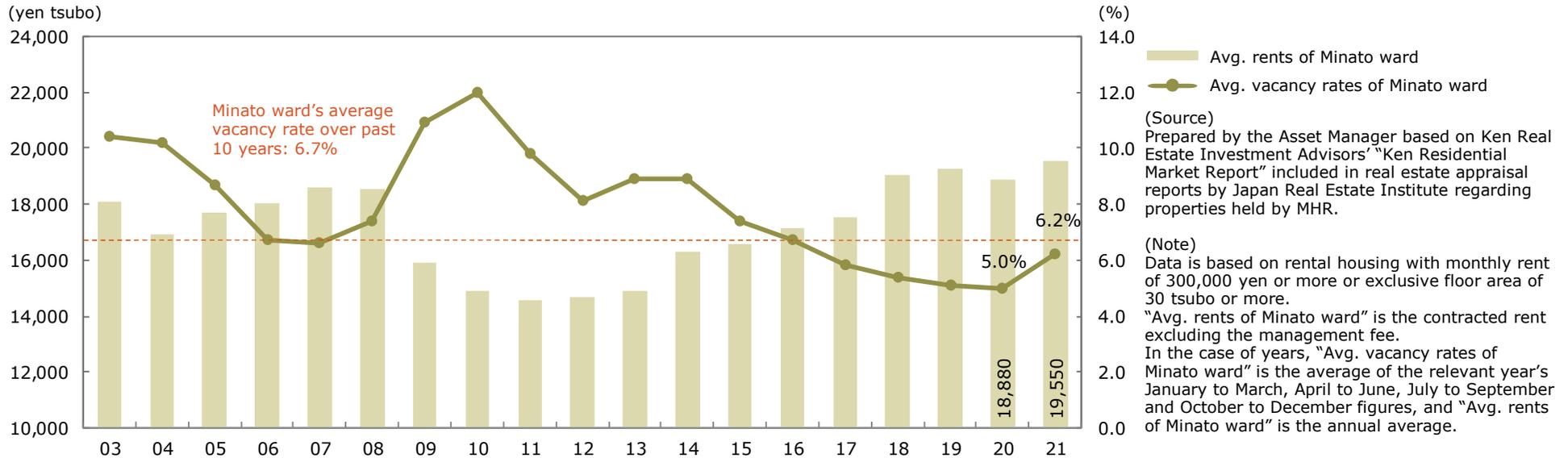
New supply of office buildings (Tokyo's five central wards)



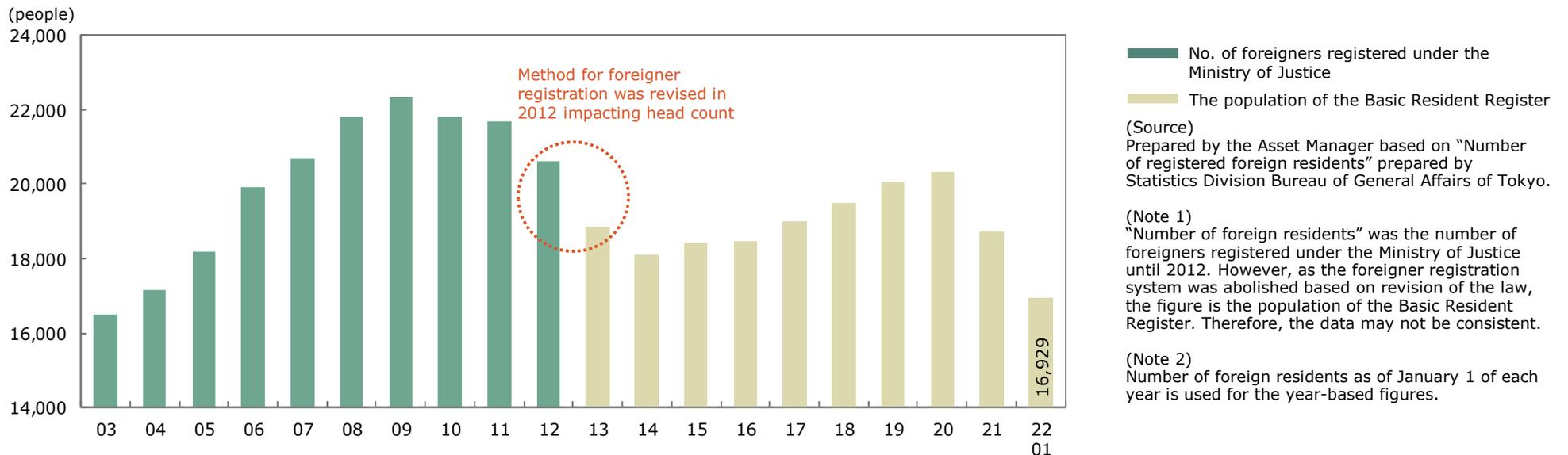
(Source) Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.

4-5 Market-related information (2)

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

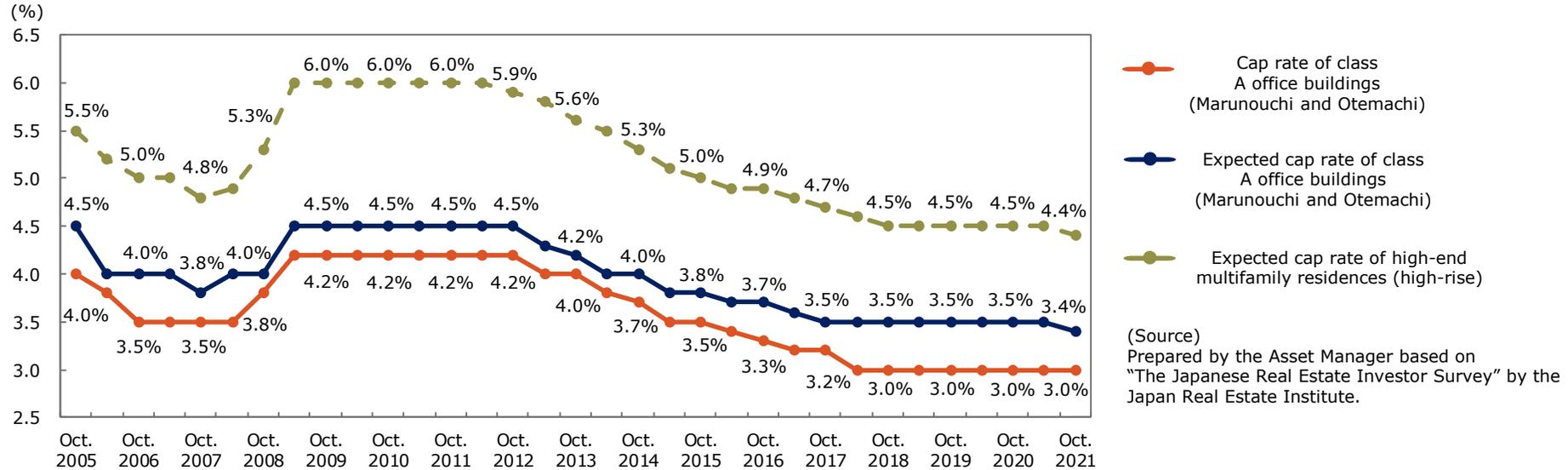


Change in number of foreign residents in Minato ward

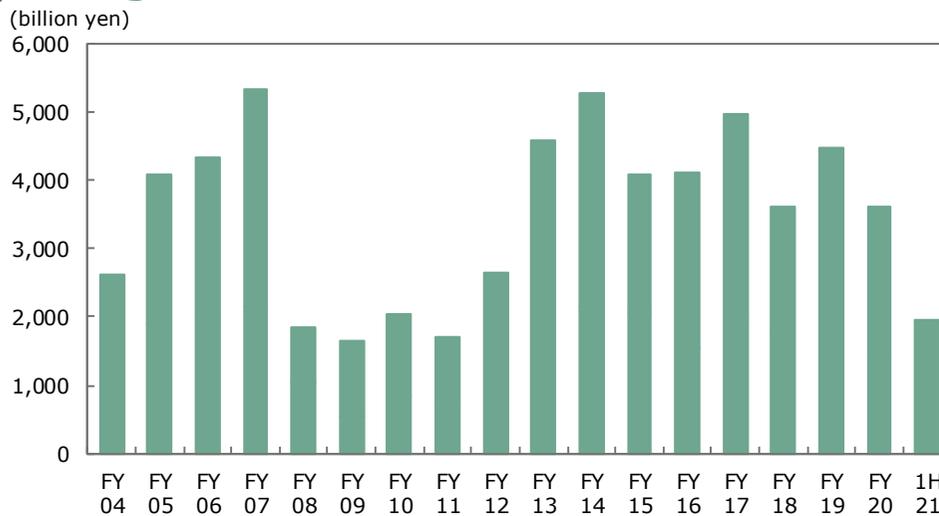


4-6 Market-related information (3)

Change in return on real estate investment

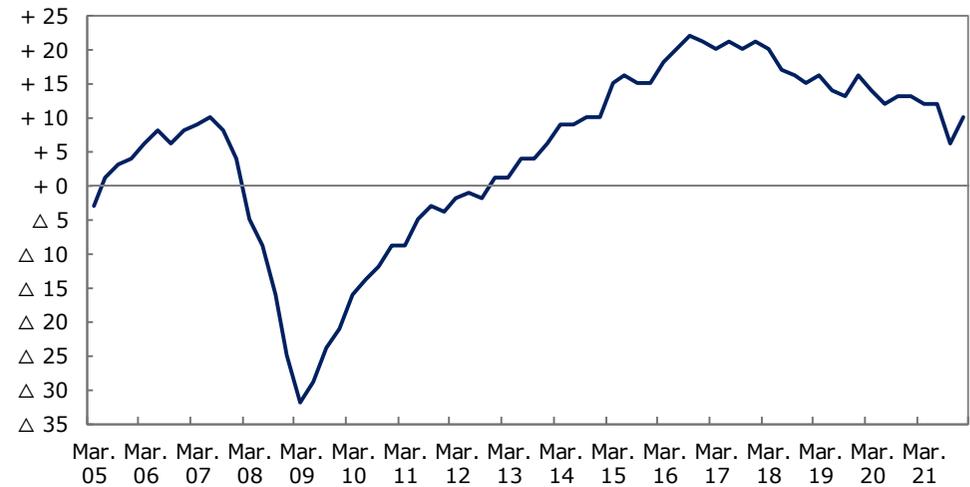


Change in real estate transaction amount



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

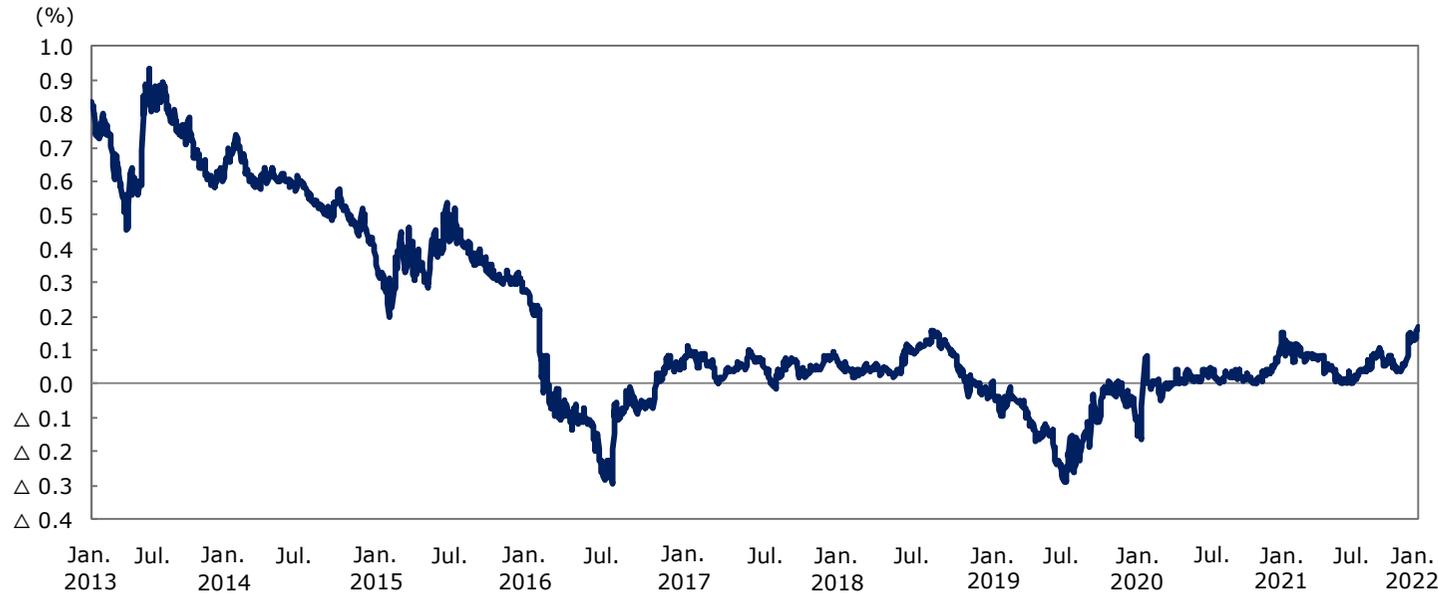
Lending attitude DI (Real estate industry)



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

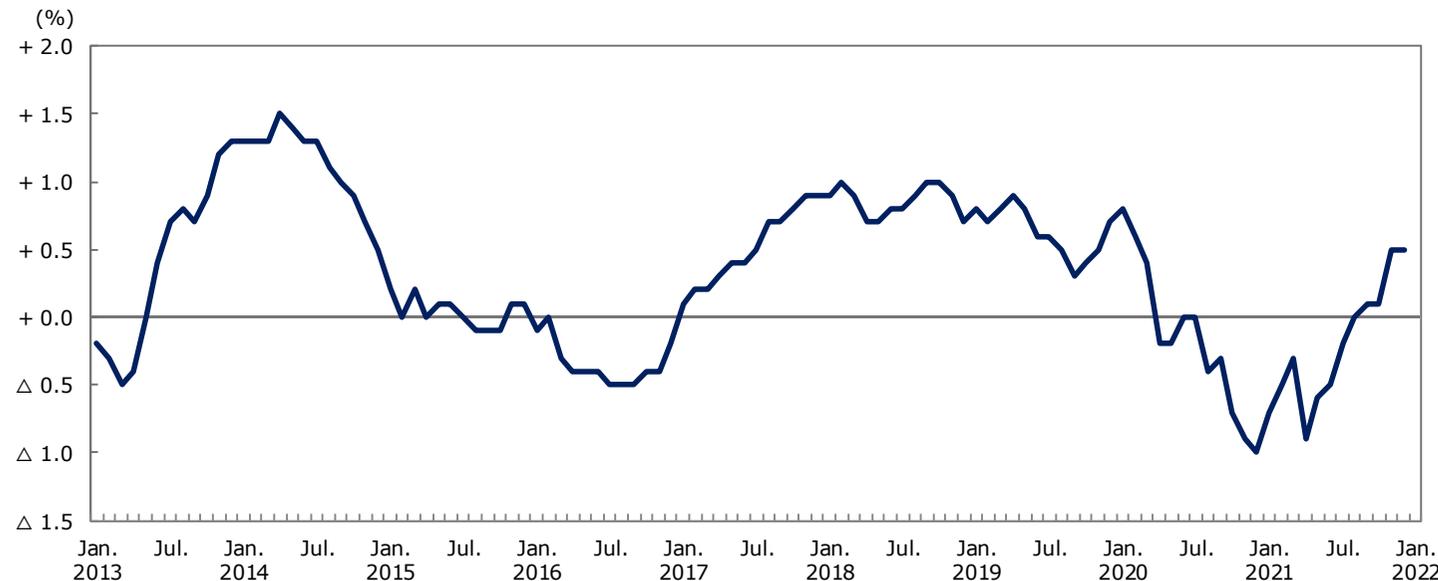
4-7 Market-related information (4)

Change in 10-year bond interest rates



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

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



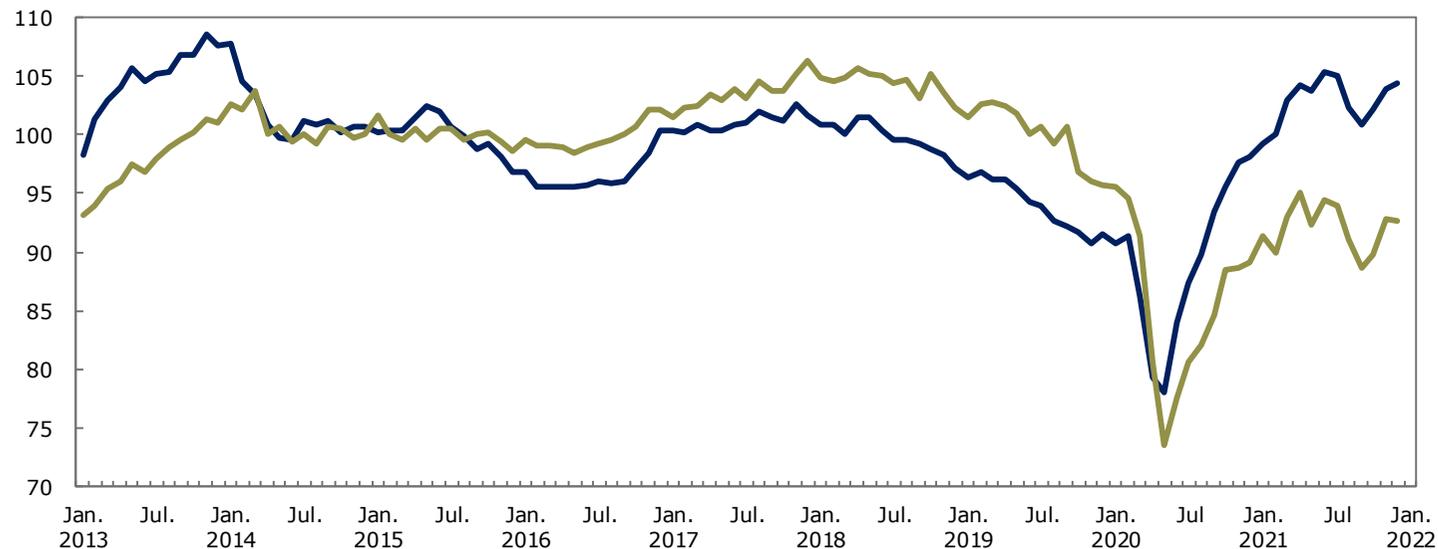
Based on figures excluding the direct effects of the consumption tax rate increase

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

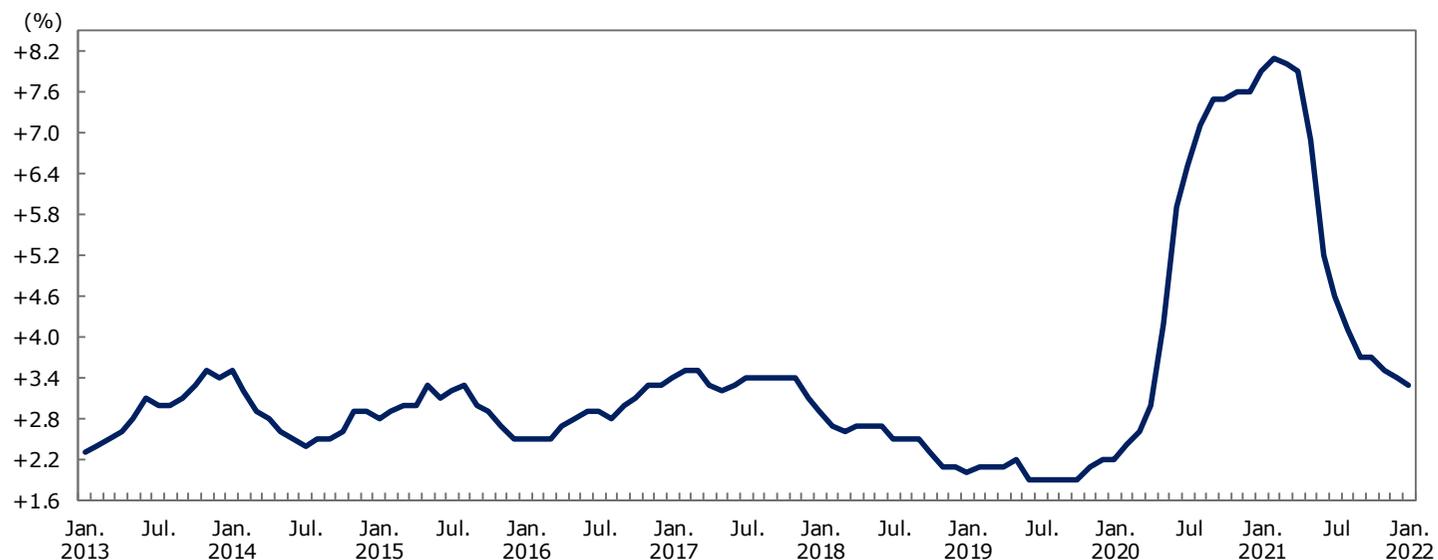
(Note)
Figures from April 2014 to April 2015 are derived on "the basis of excluding the direct impact of the consumption tax rate increase" (Bank of Japan's "Economic Statistics Monthly").

4-8 Market-related information (5)

Business conditions composite index

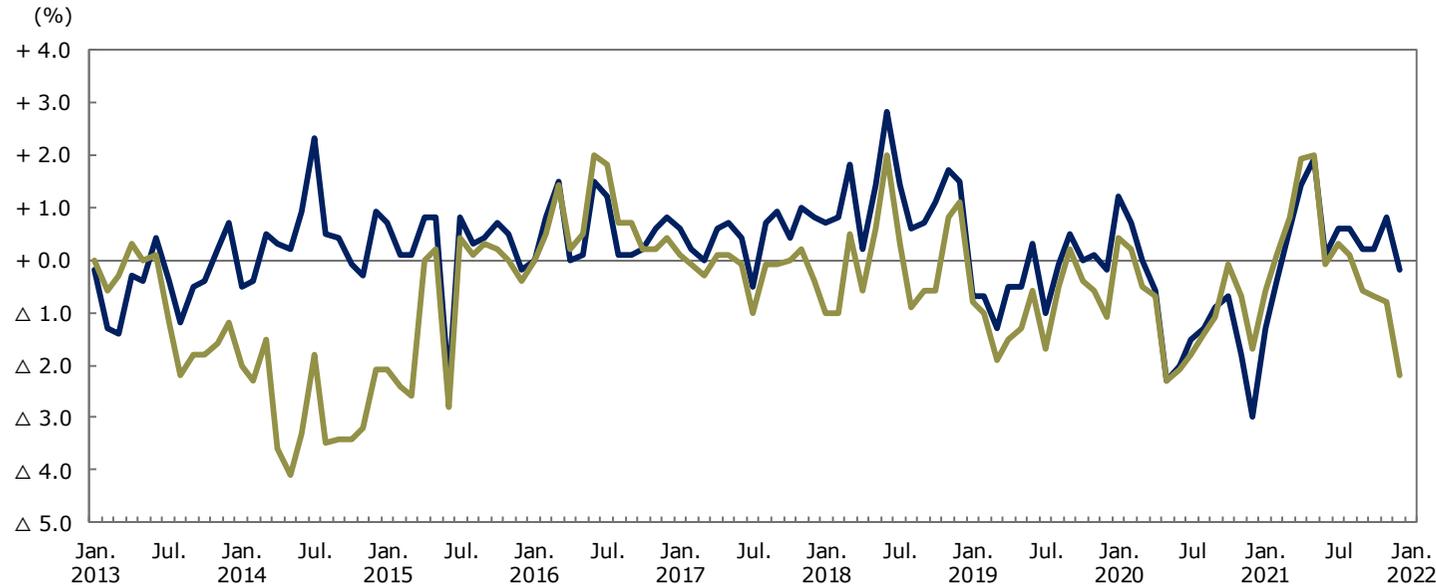


Money stock (M3: year-on-year comparison)



4-9 Market-related information (6)

Total cash earnings (Year-on-year comparison)



Consumer confidence survey

