



# Mori Hills REIT Investment Corporation

Results of 17th Fiscal Period ended January 31, 2015

Presentation Material

March 18, 2015



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

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

<http://www.morifund.co.jp/>

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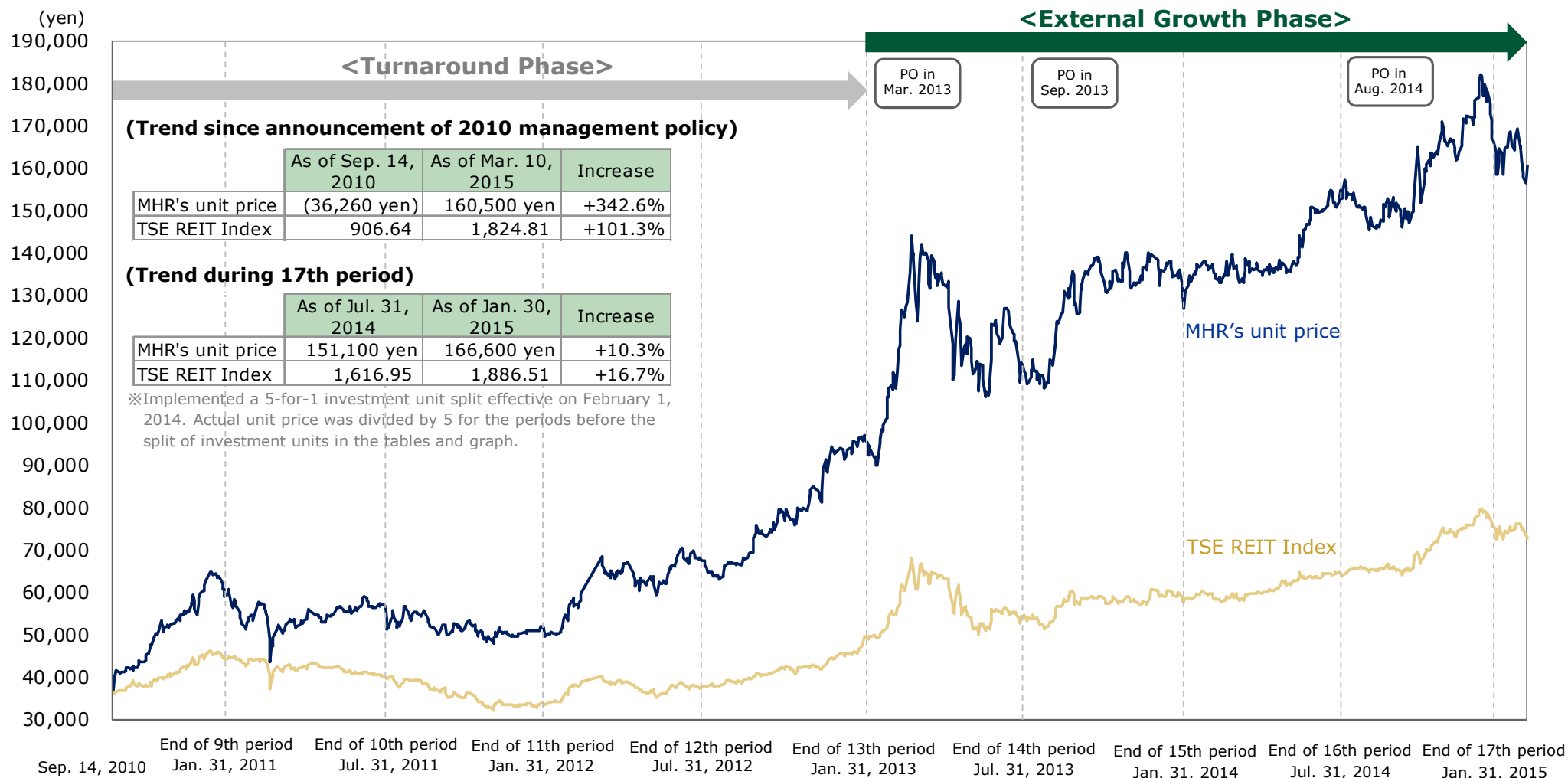
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# 1. Investment highlights

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# 1-1 Unit price performance



(Note 1) Unless otherwise stated in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below the decimal point.

(Note 2) TSE REIT Index is adjusted to MHR's unit price on the announcement date of the management policy (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

## (1) Pursue No. 1 Portfolio Quality in the Industry

- **Invest in premium properties in Central Tokyo**
  - ⇒ Ratio of Tokyo's Five Central Wards and their vicinity: 100%
  - ⇒ Ratio of Tokyo's Three Central Wards: 82.6%
- **Pursue top earthquake-resistant features**
  - ⇒ Lowest portfolio PML of all listed J-REITs: 1.12%
- **Superior environmental performance**
  - ⇒ Ratio of properties that acquired highest or next to highest ranks in Green Building Certification: 75.4%
  - ⇒ Ratio of properties that acquired highest rank in Green Building Certification: 64.9%



## (2) Dividend-driven Management

- **"Dividend-driven management" as the basic policy**
  - ⇒ Dividend per unit has been increasing for 9 consecutive fiscal periods since the 8th period (ended July 2010) (11 consecutive fiscal periods when forecasts are included)
  - ⇒ Annual average growth rate : +13.3% (From 8th period to 17th period)

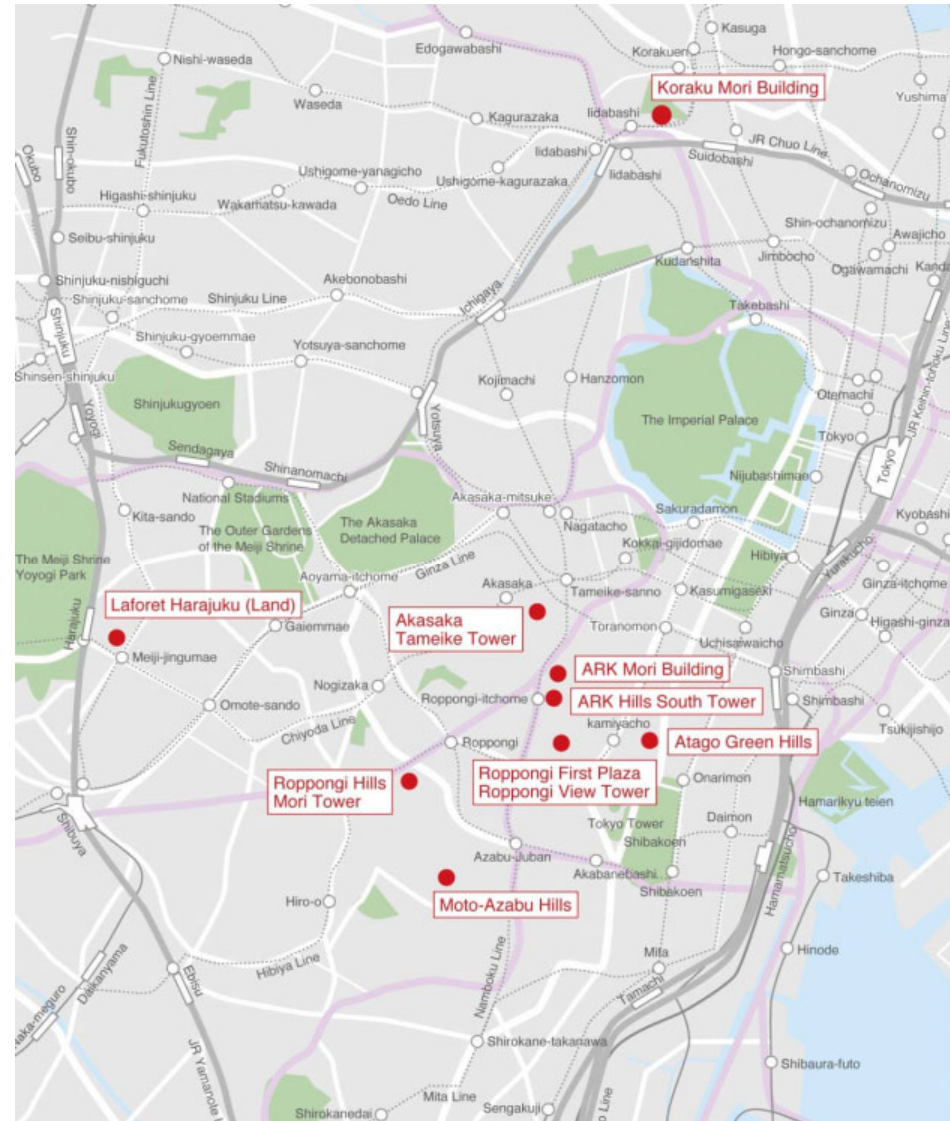
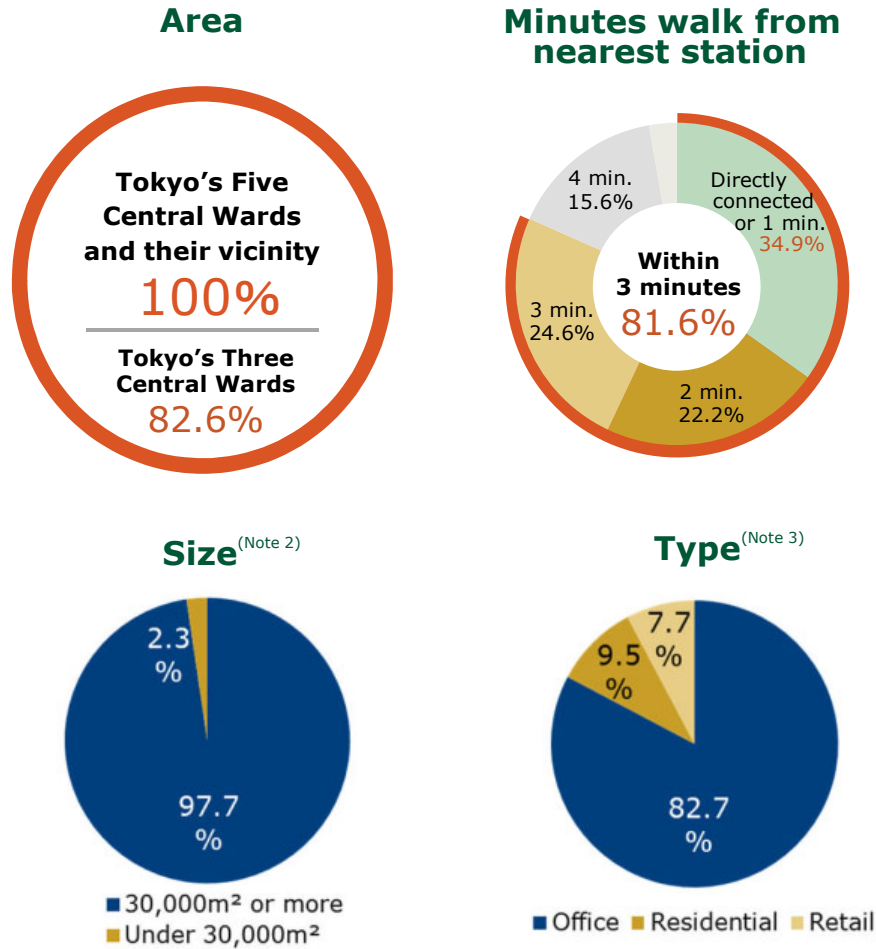
## (3) Utilize Strengths of Mori Building Group

- **Utilization of sponsor's extensive property pipeline**
  - ⇒ MHR has "preferential negotiation rights" on sponsor properties
  - ⇒ The sponsor plans various large-scale redevelopment projects in central Tokyo
- **Utilization of property management and operation capabilities of the Mori Building Group**

# 1-3 (1) Pursue No. 1 portfolio quality in the industry

Portfolio focused on premium properties in Central Tokyo

Portfolio breakdown (as of January 31, 2015)



(Note 1) The ratios represent proportion of acquisition price to total acquisition price.  
 (Note 2) Chart showing "Size" does not include Laforet Harajuku (Land).  
 (Note 3) For calculation of breakdown by type, acquisition price for Akasaka Tameike Tower and Atago Green Hills are divided into offices and residences.

# 1-4 (1) Pursue No. 1 portfolio quality in the industry

## MHR properties' PML and earthquake-resistant features (as of March 10, 2015)

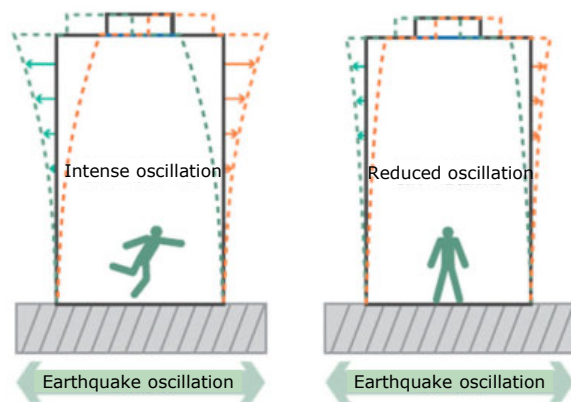
Lowest portfolio PML of all listed J-REITs : 1.12%

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

Property Name	Office building				Office building (Partly residential)				Residential			
	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	ARK Hills South Tower	Akasaka Tameike Tower	Atago Green Hills			Moto-Azabu Hills		Roppongi First Plaza	Roppongi View Tower
						MORI Tower	Forest Tower	Plaza	Forest Tower	Forest Terrace East		
PML	0.59%	0.78%	0.73%	1.56%	1.79%	2.35%	2.34%	5.94%	0.57%	1.27%	2.20%	2.20%
Earthquake-resistant feature	Seismic damping	Seismic damping	Seismic damping	Seismic damping	Seismic damping	Seismic damping	Seismic damping	-	Seismic isolators	Seismic isolators	-	-

### Seismic damping

Minimize the level of oscillation



Seismic damping reduces earthquake magnitude of oscillation by approx. 20%

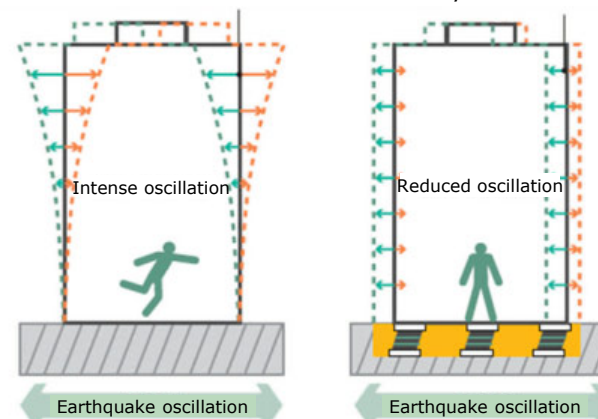


Viscous seismic damping wall

<Normal earthquake resistant building> <Building with seismic damping>

### Seismic isolators

Oscillate slowly and horizontally



Seismic Isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of large earthquakes

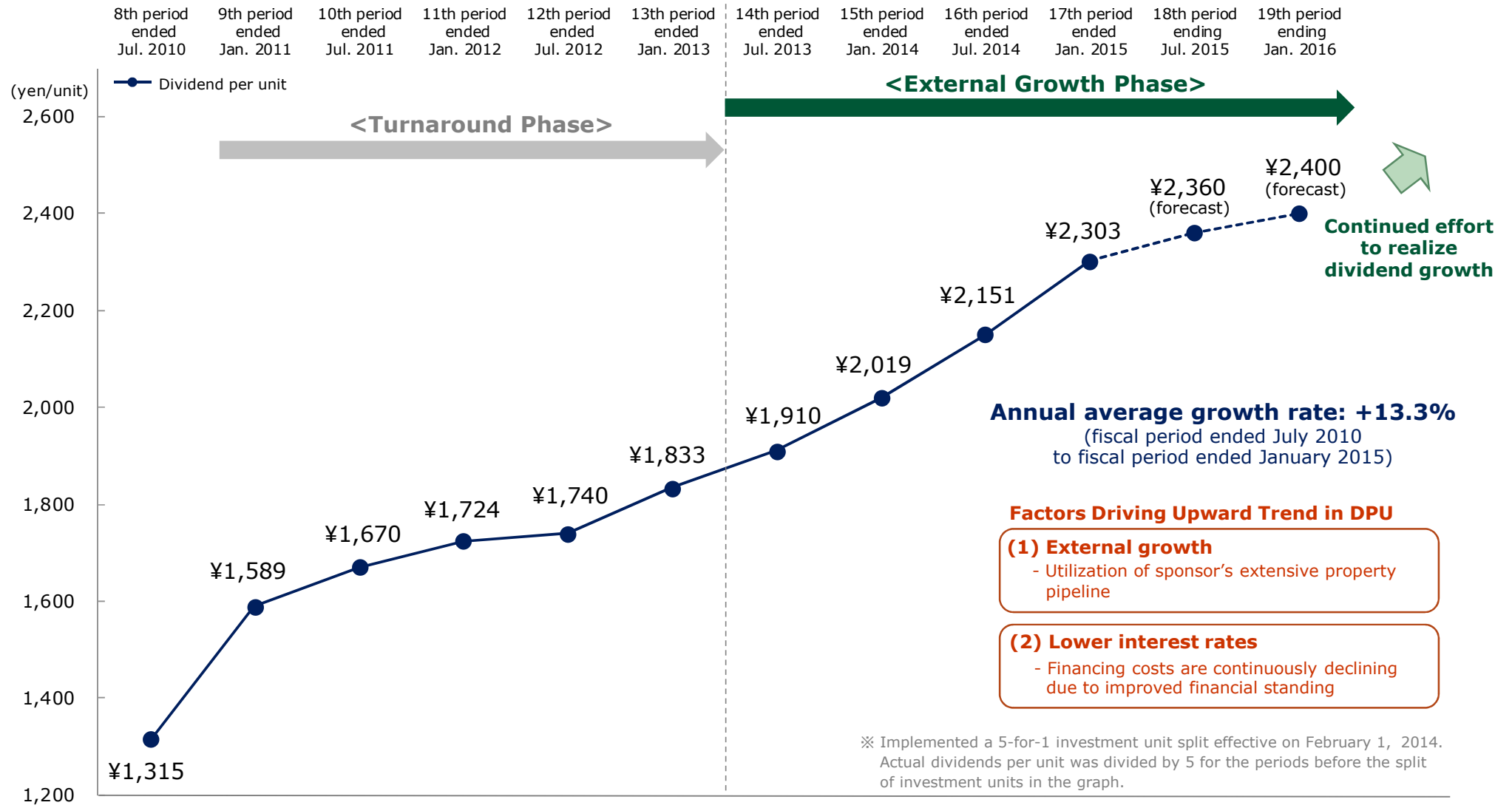


Seismic isolators

<Normal earthquake resistant building> <Building with Seismic Isolators>

# 1-5 (2) Dividend-driven management

## Change in dividends per unit

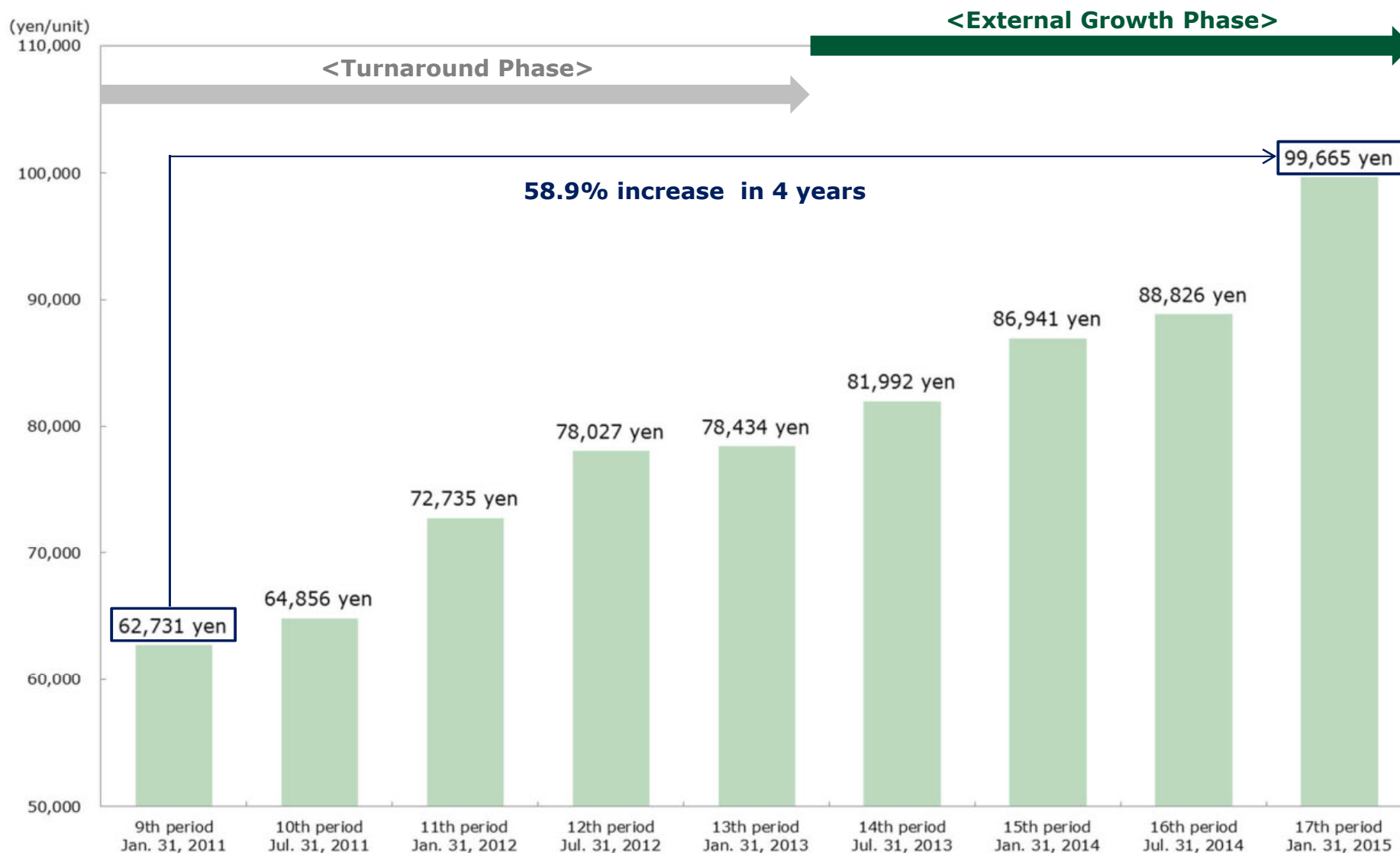


<b>PBR</b>	0.4x	1.1x	1.7x
<b>NOI yield</b>	3.7%	3.8%	4.0%



# 1-6 (2) Dividend-driven management

## (Reference) Change in Appraisal NAV per unit



※ Actual NAV was divided by 5 for the periods before the split of investment units in the graph.

# 1-7 (3) Utilize strengths of Mori Building Group

## Mori Building's extensive property pipeline

- Total assets of 1.7 trillion yen (as of March 2014)
- Property management for 112 buildings (as of March 2014)

When Mori Building sells properties,  
**MHR has "preferential negotiation rights"** (Note 1)

## New redevelopment projects by Mori Building Group

### A Toranomon Hills



- |    |  |
|----|--|
| a) | Approx. 17,069㎡  |
| b) | Approx. 244,360㎡                                       |
| c) | Office/Residential/Hotel/<br>Retail/Conference/Parking |
| d) | Tokyo Metropolitan Government<br>(Note 2)              |
| e) | May 2014   |

### B Ginza 6-chome District 10 Category 1 Urban Redevelopment Project



- |    |  |
|----|--|
| a) | Approx. 9,080㎡   |
| b) | Approx. 147,900㎡   |
| c) | Retail/Office/Cultural and exchange<br>facilities/District heating and cooling<br>facility/Parking |
| d) | Ginza 6-chome District 10 Urban<br>Redevelopment Consortium (Note 3)                               |
| e) | November 2016 (Anticipated)  |

a) Land area b) Total floor area c) Uses d) Operator e) Completion date

(Note 1) Some exceptions included.

(Note 2) Mori Building was appointed as a distinct developer.

(Note 3) Mori Building is investing in the "Special purpose company of Ginza 6-chome District 10 Category 1 Urban Redevelopment Project" which is comprised of the participating members of the association of the project.

## Properties owned by Mori Building Group

### 1 Roppongi Hills (Partly owned by MHR)



<Office/Residential/Retail, etc.>

### 2 ARK Hills (Partly owned by MHR)



<Office/Residential/Retail, etc.>

### 3 Atago Green Hills (Partly owned by MHR)



<Office/Residential/Retail>

### 4 Holland Hills



<Office/Residential/Retail>

### 5 Roppongi Hills Crosspoint



<Office/Residential/Retail>

### 6 Moto-Azabu Hills (Partly owned by MHR)



<Residential>

### 7 Roppongi Sakura- zaka Residence



<Residential>

### 8 Omotesando Hills



<Retail/Residential>

### 9 Laforet Harajuku (Land owned by MHR)



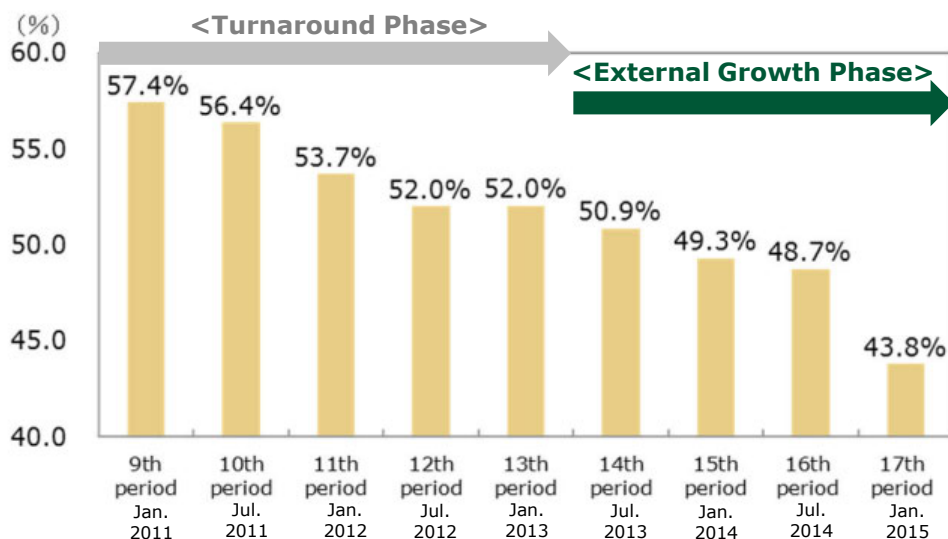
<Retail>



# 1-9 Promote strengthening of financial status

Improved LTV enabled MHR to negotiate lower interest rates

## Change in LTV (appraisal value basis)

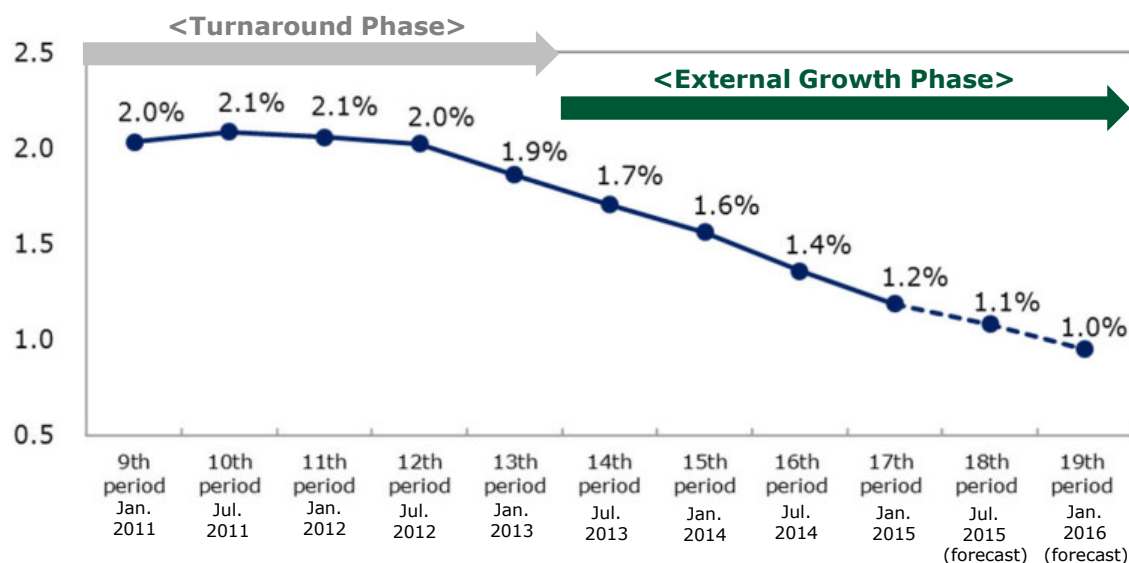


## Overview of debt financing

	End of 16th period Jul. 31, 2014	End of 17th period Jan. 31, 2015
Debt Balance	126,200mn yen	130,200mn yen
LTV(book value basis) <sup>(Note 1)</sup>	47.9%	44.1%
LTV(appraisal value basis) <sup>(Note 2)</sup>	48.7%	43.8%
Avg. remaining duration	2.6 years	3.2 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)]

## Change in total interest-bearing debt cost



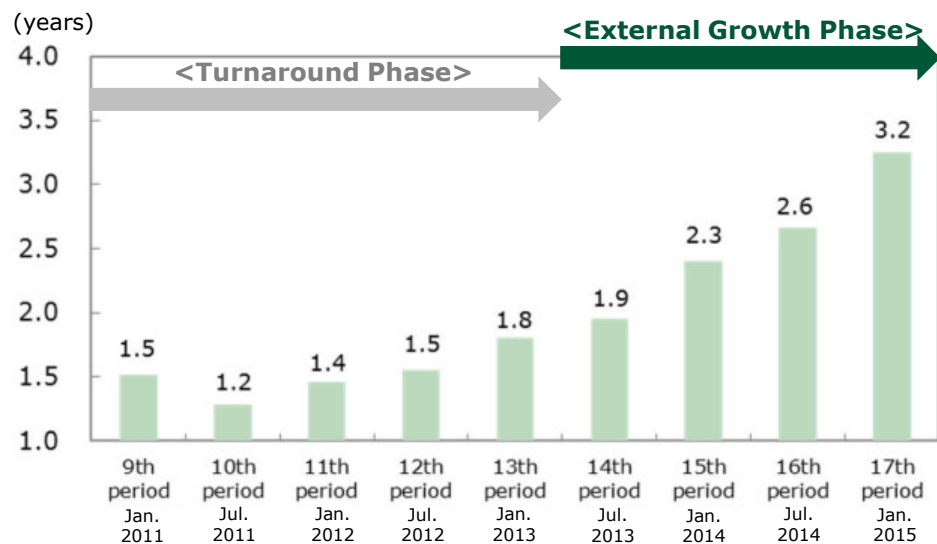
## Issuance status of the investment corporation bonds

Issue Date	Amount	Maturity	Rate of Interest
Nov. 2014	2,000mn yen	10 years	0.87%
Feb. 2014	2,000mn yen	7 years	0.69%
Feb. 2014	3,000mn yen	5 years	0.41%

(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]

# 1-10 Promote strengthening of financial status

## Change in remaining duration of debt

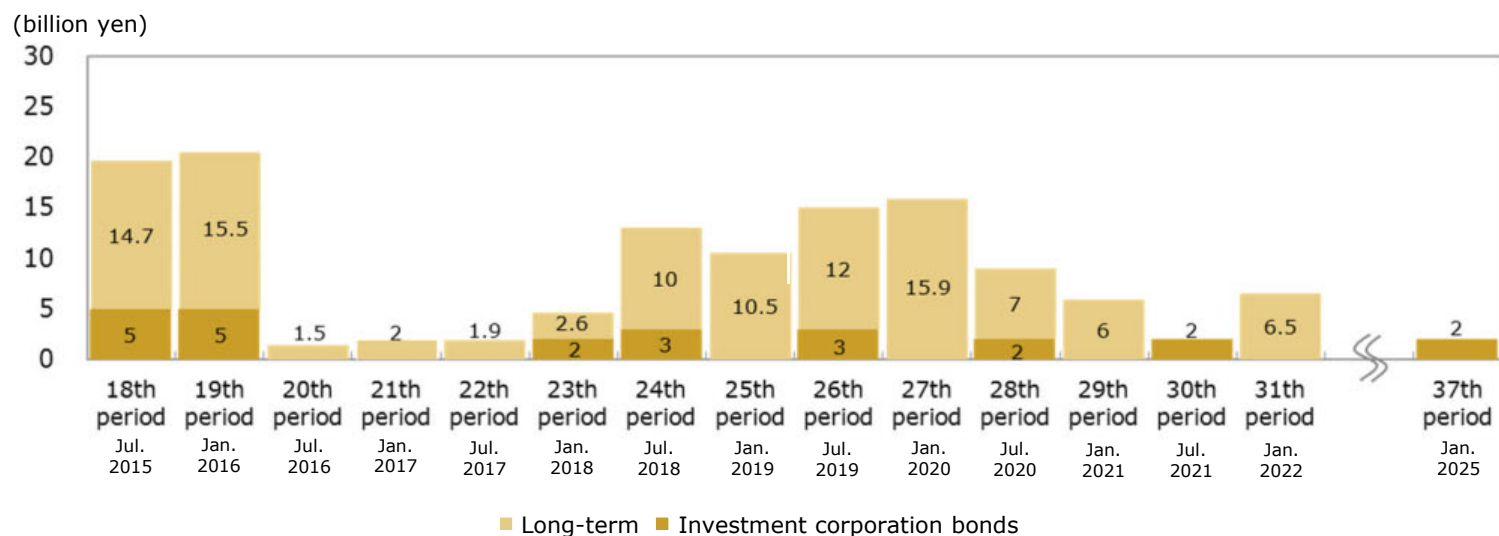


## Rating

Japan Credit Rating (JCR)

Long-term issuer rating:  
AA- (Stable)

## Overview of maturity (as of January 31, 2015)



# 1-11 Overview of Mori Hills REIT's policy

2010

2013

**2015**

## Turnaround Phase

## External Growth Phase

### 2010 Management Policy

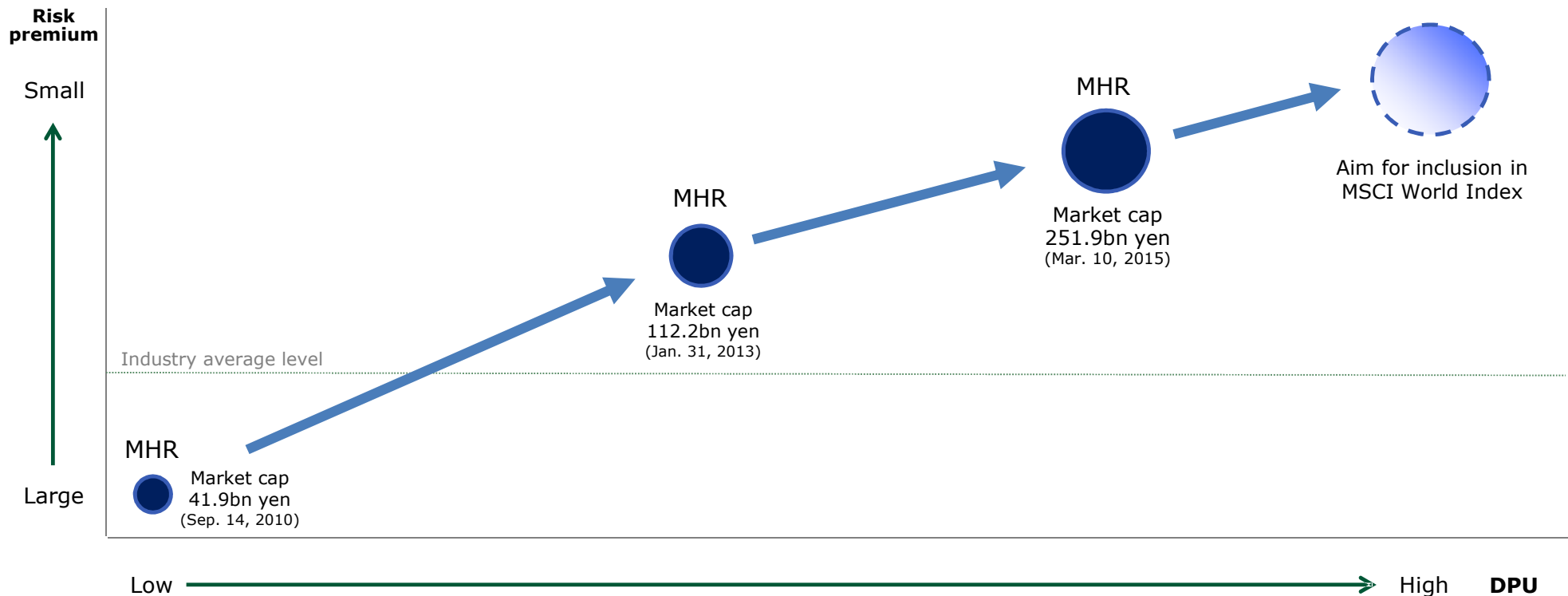
- Basic policy "Dividend-driven management"
1. Asset swaps with the sponsor
  2. Improved financial standing (lowered appraisal value basis LTV)
  3. Decreased various costs and concluded fixed-rent ML contracts

### New 2013 Management Policy \*Refer to page 33

- Basic policy "Dividend-driven management"
1. Strive for external growth
  2. Extend the average remaining duration of debt, reducing borrowing costs
  3. Continue increase of dividend per unit, NAV per unit and market value

External growth is key to maximizing DPU increase

**Aim for external growth**  
(utilization of sponsor's extensive property pipeline)



# 1-12 Overview of fixed rent master lease properties

## Overview of fixed rent master lease properties by the sponsor

- Contributes to stabilization of revenues
- Plan to reduce the ratio in the medium to long term while increasing the portfolio size

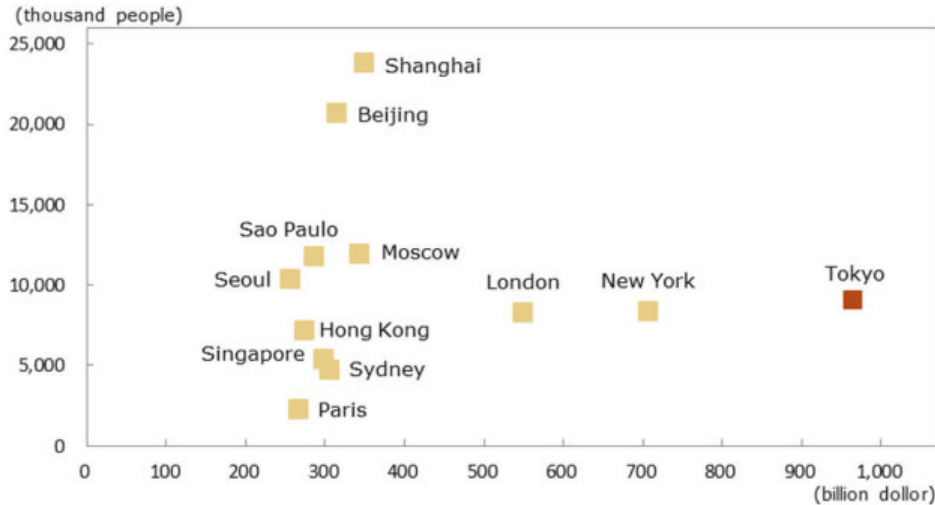
Property	Total monthly rent (mn yen)	% of portfolio total rent (Note 1)	Breakdown of property	Leased floor area (m <sup>2</sup> )	Monthly rent (mn yen)	Payer of the building management fee	Next rent revision	Expiration of the lease agreement
Roppongi Hills Mori Tower (5 floors)	238.5	22.6%	23th & 24th	8,993.45	100.6	Master lessee	Aug. 2016	Jul. 2021
			19th & 22th	8,609.47	95.0	MHR	-	Sep. 2018
			20th	3,879.19	42.8	MHR	-	Jul. 2019
ARK Mori Building (8 floors + DHC)	211.9	20.1%	13th / 12th & 22th	7,952.55	72.1	Master lessee	Feb. 2016	Jan. 2021
			23th & 25th	5,742.95	52.1	Master lessee	Apr. 2016	Jan. 2021
			4th & 15th & 24th	7,680.52	69.7	Master lessee	Aug. 2016	Jan. 2021
			DHC	3,212.41	17.9	Master lessee	Apr. 2018	Mar. 2023
Akasaka Tameike Tower (8 office floors + 88 residential units)	111.1	10.5%	Office	10,327.92	76.5	Master lessee	Aug. 2016	Mar. 2026
			Residential	9,370.62	34.5	Master lessee	Apr. 2016	Mar. 2021
Atago Green Hills (approx. 32.9% of entire property)	185.2	17.5%	Office/residential /retail	29,667.58	185.2	Master lessee	May 2017	Apr. 2022
ARK Hills South Tower (25% of entire property)	75.7	7.2%	Office/retail	9,007.33	75.7	MHR	- (Note 2)	Jul. 2015 (Note 2)
<b>Total</b>	<b>822.6</b>	<b>77.9%</b>	<b>▶ 70.7% (Excluding ARK Hills South Tower)</b>					

(Note 1) Figures are monthly rents as of January 31, 2015. In addition, figures reflect move outs confirmed as of January 31, 2015.

(Note 2) While the expiration date of the lease agreement is July 31, 2034, since it is a pass-through type agreement in which fixed rent is paid in the initial year up to July 31, 2015 regardless of the status of agreement with the end tenant and the rent in the remaining period starting August 1, 2015 shall be the same amount as the end tenant's rent, the end of the fixed-rent period in the initial year is indicated.

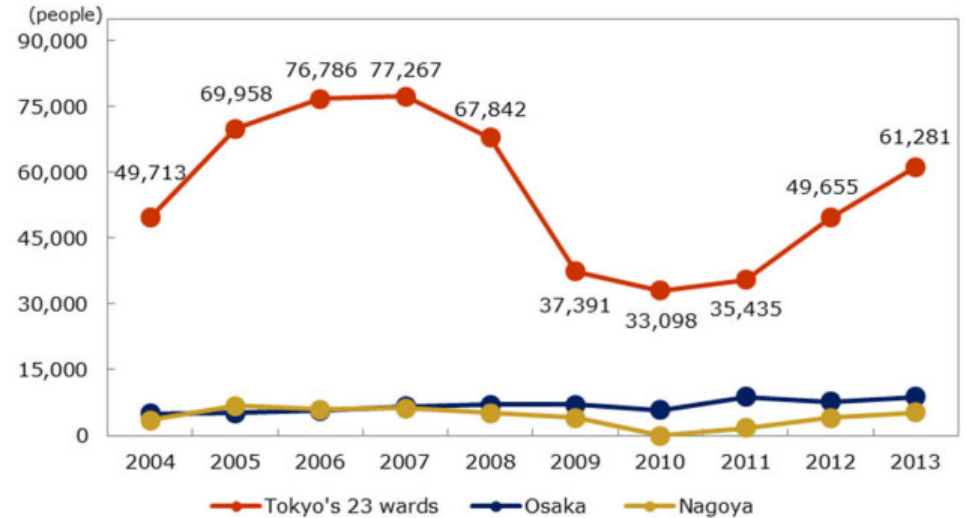
# 1-13 Competitive strength of Central Tokyo

## Comparison of GDP and population among major cities around the world



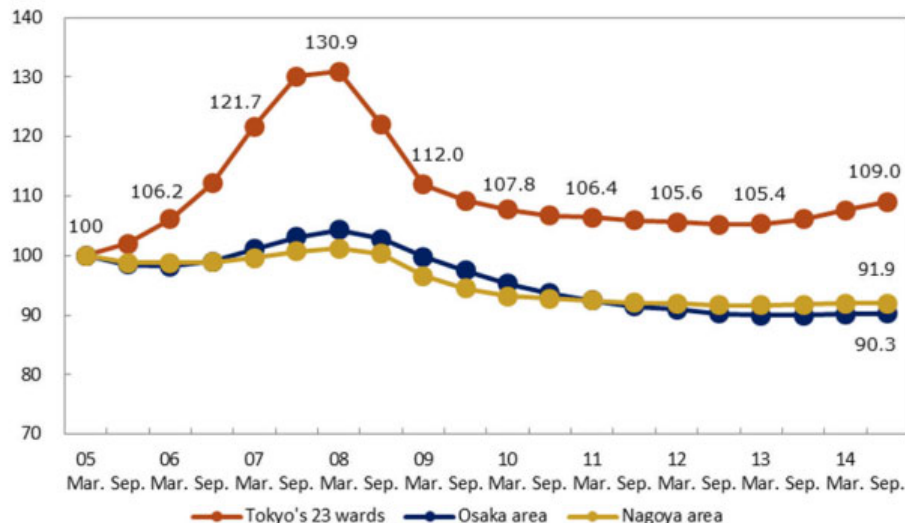
(Source) Prepared by the Asset Manager based on "Global Power City Index Yearbook 2014" by Institute for Urban Strategies, the Mori Memorial Foundation  
 (Note) Targeted areas of the cities are administrative districts and the "23 wards" for "Tokyo."

## Trend of net migration



(Source) Prepared by the Asset Manager based on "Report on Internal Migration in Japan" of Statistics Bureau, the Ministry of Internal Affairs and Communications

## Trend of urban land price index (average of all uses)



(Source) Prepared by the Asset Manager based on "Urban Land Price Index" of Japan Real Estate Institute

- Tokyo is one of the largest cities in the world in terms of GDP and population
- Tokyo's 23 wards consistently achieve net population growth and continue to attract migration from other parts of Japan
- However, caution is required when making investments at times of significant increase in asset prices and MHR intends to take a cautious acquisition stance



## Tokyo 2020 Olympic Economic Impact

Type of impact	New demand	Economic production generated	Added value generated
Analysis based on macro approach	—	—	36.0tn yen
Analysis based on integrated value of respective factor	23.8tn yen	60.0tn yen	28.9tn yen
Direct impact	1.0tn yen	2.5tn yen	1.3tn yen
Construction of facilities, operating costs of Olympic, etc.	0.7tn yen	1.7tn yen	0.9tn yen
Consumption by audience, household consumption, etc.	0.3tn yen	0.8tn yen	0.5tn yen
Associated impact	22.8tn yen	57.6tn yen	27.7tn yen
Urban infrastructure construction, etc.	12.3tn yen	32.4tn yen	15.2tn yen
Acceleration of barrier-free access and internationalization	0.9tn yen	2.7tn yen	1.1tn yen
Increase in sporting expenditure, etc.	0.5tn yen	1.2tn yen	0.5tn yen
Increase in tourism demand	6.8tn yen	14.9tn yen	7.8tn yen
Others	2.3tn yen	6.4tn yen	3.0tn yen

(Source) Prepared by the Asset Manager based on Figure 43: Summary table in "Mizuho Report: "Economic effect of holding 2020 Tokyo Olympic Games will be 30 trillion yen in scale (issued December 10, 2014)" by Mizuho Research Institute Ltd.

## Creation of National Strategic Special Zones

- ✓ As a breakthrough to force through bold regulatory reforms, etc. and to realize the Japanese government's growth strategy, the government created National Strategic Special Zones
- ✓ In May 2014, "Tokyo metropolitan area" including Tokyo's nine central wards was designated
- ✓ 2020 Tokyo Olympics targeted as a mid-term goal for government effort to create world's number one business-friendly environment

[Matters on specified business and related regulatory reform expected to be implemented]

- Development of buildings that contribute to the formation of an international business hub (floor area ratio)
- Provision of accommodations more in line with the duration of stay of foreigners (Hotel and Ryokan Management Law)
- Development of employment terms for global corporations, etc. (employment terms)
- Provision of medical care targeting foreigners (foreign doctors)
- Simplification and speeding up of incorporation procedures (English correspondence for documents, establishment of centralized office, etc.)

(Source) Prepared by the Asset Manager based on the website of Prime Minister of Japan and his Cabinet

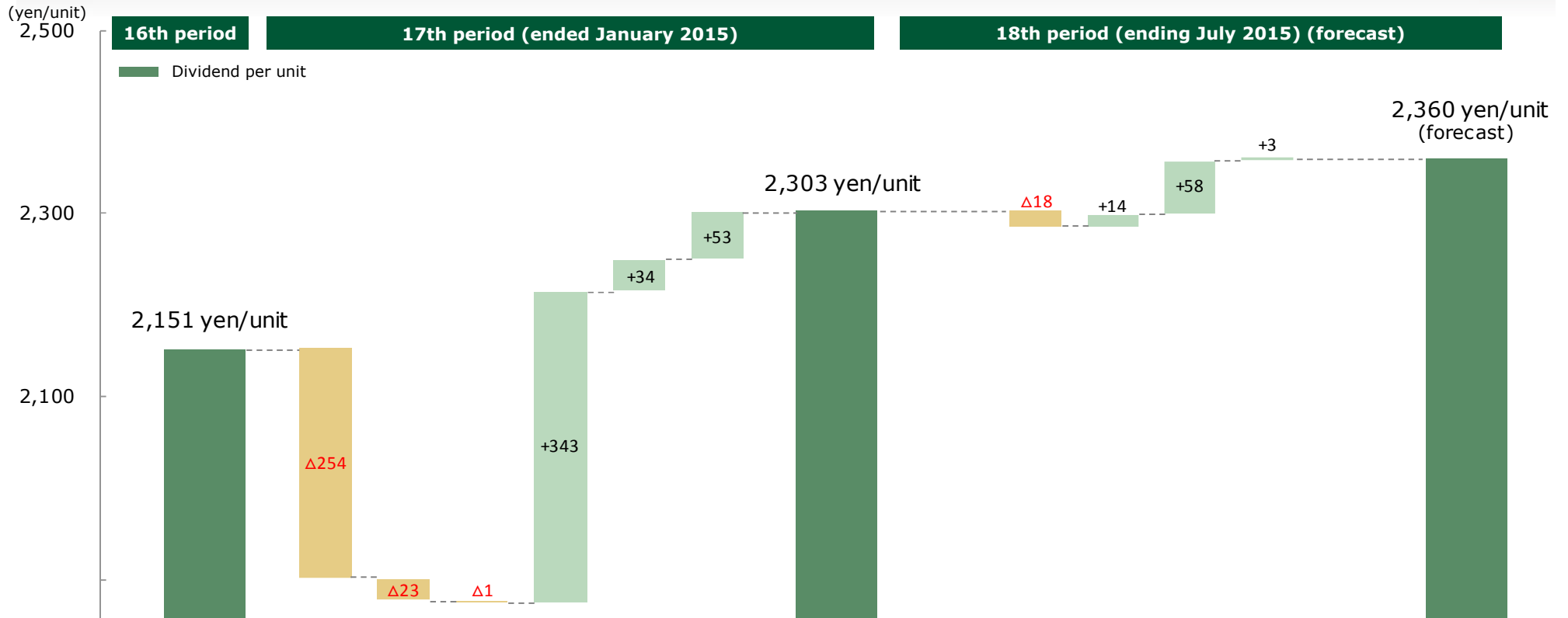
"30 trillion yen combined total economic impact for Japan"  
"Acceleration of infrastructure development in Central Tokyo"

Create platform for international business to attract capital, human resources and companies

## 2. 17th period (ended January 2015) financial highlights



# 2-1 Factors that led to changes in dividend per unit from the previous fiscal period



Dilution due to increase in number of units in accordance with capital increase  
 Property taxes for properties acquired in 14th and 15th periods recorded as expense (equivalent to 3 months)  
 Others  
 Contribution of properties acquired in 17th period  
 Change in NOI from existing properties  
 Decrease in financing costs  
 Property taxes for properties acquired in 17th period recorded as expense (equivalent to 3 months)  
 Change in NOI from existing properties  
 Decrease in financing costs  
 Others

### Major factors behind change in NOI from existing properties:

- + Moving in new tenant, end of free rent period and upward rent revision at Koraku Mori Building
- + Decrease in depreciation and amortization
- + Decrease in maintenance and repairs
- + Factoring out registration related expenses (Roppongi View Tower)
- Tenant lease cancellation at Koraku Mori Building

### Major factors behind change in NOI from existing properties:

- + End of free rent period and upward rent revision at Koraku Mori Building
- + Decrease in depreciation and amortization
- Increase in maintenance and repairs
- Increase property taxes, etc.

(Note 1) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,570,040 units and indicated as approximate figure in yen.

(Note 2) Dilution due to increase in number of units in accordance with the capital increase are arrived at by multiplying the dividend for the 16th period by the number of units newly issued in the 17th period (185,115 units) and dividing by 1,570,040 units and indicated as approximate figure in yen.

## 2-2 Financial summary

(million yen)

	Actual		Difference	
	16th period	17th period	17th - 16th period	
	181 days	184 days		
Operating revenue	5,788	6,506	718	12.4%
Rent revenue of real estate	5,670	6,391	721	12.7%
Rent and common area revenue	5,666	6,388	721	12.7%
Office	4,258	4,973	715	16.8%
Residential	730	736	6	0.9%
Retail	64	64	Δ 0	Δ 0.1%
Land	614	614	—	—
Other rent revenue	3	3	Δ 0	Δ 6.9%
Other rent revenue of real estate	117	115	Δ 2	Δ 2.2%
Operating expenses	1,955	2,072	116	6.0%
Expenses of real estate rent	1,641	1,783	141	8.6%
SG&A	314	288	Δ 25	Δ 8.1%
Operating income	3,832	4,434	602	15.7%
Non-operating income	2	2	Δ 0	Δ 24.9%
Non-operating expenses	855	819	Δ 36	Δ 4.2%
Interest expenses	616	564	Δ 51	Δ 8.3%
Other non-operating expenses	239	254	15	6.4%
Non-operating income/expenses	Δ 852	Δ 816	35	4.1%
Ordinary income	2,980	3,617	637	21.4%
Income before income taxes	2,980	3,617	637	21.4%
Total income taxes	1	1	0	14.6%
Net income	2,979	3,616	637	21.4%
Profit on real estate rental	4,146	4,723	576	13.9%
Depreciation and amortization (Expenses of real estate rent)	836	891	54	6.6%
NOI	4,983	5,614	631	12.7%
NOI yield	4.0%	4.0%	Δ 0.0PT	Δ 0.6%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	252,716	281,756	29,040	11.5%
Total units outstanding (units)	1,384,925	1,570,040	185,115	13.4%
Dividend/unit (yen)	2,151	2,303	152	7.1%

Acquisition of Roppongi Hills Mori Tower in 17<sup>th</sup> period +256  
 Acquisition of ARK Hills South Tower in 17<sup>th</sup> period +454

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Koraku Mori Building (Upward rent revision, etc.) +13  
 Koraku Mori Building (Tenant lease cancellation) Δ5

Roppongi First Plaza +5

Acquisition of Roppongi Hills Mori Tower in 17<sup>th</sup> period +73  
 Acquisition of ARK Hills South Tower in 17<sup>th</sup> period +78

---

Property taxes, etc. +38  
 (Properties acquired in 14<sup>th</sup> & 15<sup>th</sup> period +36)  
 Depreciation and amortization Δ24  
 Maintenance and repairs Δ13  
 Registration related expenses of Roppongi View Tower Δ13

Asset management fees Δ20

Interest expenses (New borrowings in 17<sup>th</sup> period) +13  
 Interest expenses (Existing borrowings) Δ55  
 Interest on investment corporation bonds Δ9

Borrowing expenses Δ9  
 Investment unit issuance expenses +27

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

## 2-3 Comparison between forecast and results

(million yen)

	17th period			
	Forecasted	Actual	Actual - Forecasted	
	184 days	184 days		
Operating revenue	6,511	6,506	△ 4	△ 0.1%
Rent revenue of real estate	6,385	6,391	5	0.1%
Rent and common area revenue	6,381	6,388	6	0.1%
Office	4,972	4,973	1	0.0%
Residential	730	736	5	0.7%
Retail	64	64	△ 0	△ 0.1%
Land	614	614	—	—
Other rent revenue	3	3	△ 0	△ 14.0%
Other rent revenue of real estate	125	115	△ 10	△ 8.3%
Operating expenses	2,098	2,072	△ 26	△ 1.2%
Expenses of real estate rent	1,795	1,783	△ 12	△ 0.7%
SG&A	302	288	△ 13	△ 4.5%
Operating income	4,413	4,434	21	0.5%
Non-operating income	2	2	0	10.7%
Non-operating expenses	834	819	△ 15	△ 1.8%
Interest expenses	574	564	△ 10	△ 1.8%
Other non-operating expenses	259	254	△ 5	△ 2.0%
Non-operating income/expenses	△ 832	△ 816	15	1.9%
Ordinary income	3,580	3,617	36	1.0%
Income before income taxes	3,580	3,617	36	1.0%
Total income taxes	1	1	0	14.7%
Net income	3,579	3,616	36	1.0%
Profit on real estate rental	4,715	4,723	7	0.2%
Depreciation and amortization (Expenses of real estate rent)	895	891	△ 3	△ 0.4%
NOI	5,610	5,614	4	0.1%
NOI yield	4.0%	4.0%	0.0PT	0.1%
Acquisition price (weighted average based on the number of operating days during the period)	281,756	281,756	—	—
Total units outstanding (units)	1,570,040	1,570,040	—	—
Dividend/unit (yen)	2,280	2,303	23	1.0%

Moto-Azabu Hills	+1
Roppongi First Plaza	+3
Utilities revenue, etc.	△8
Parking revenue	△2
Maintenance and repairs	△6
Depreciation and amortization	△3
Asset management fees	△16
Interest expenses	△7
Interest on investment corporation bonds	△2

# 2-4 Projection

(million yen)

	Actual	Forecast	Difference	
	17th period	18th period	18th - 17th period	
	184 days	181 days		
Operating revenue	6,506	6,514	8	0.1%
Rent revenue of real estate	6,391	6,405	13	0.2%
Other rent revenue of real estate	115	109	Δ 5	Δ 4.6%
Operating expenses	2,072	2,083	11	0.5%
Expenses of real estate rent	1,783	1,797	14	0.8%
SG&A	288	285	Δ 3	Δ 1.1%
Operating income	4,434	4,431	Δ 2	Δ 0.1%
Non-operating income	2	2	0	13.3%
Non-operating expenses	819	727	Δ 91	Δ 11.1%
Interest expenses	564	495	Δ 69	Δ 12.3%
Other non-operating expenses	254	232	Δ 21	Δ 8.5%
Non-operating income/expenses	Δ 816	Δ 725	91	11.2%
Ordinary income	3,617	3,706	88	2.5%
Income before income taxes	3,617	3,706	88	2.5%
Total income taxes	1	1	Δ 0	Δ 12.8%
Net income	3,616	3,705	88	2.5%
Profit on real estate rental	4,723	4,717	Δ 5	Δ 0.1%
Depreciation and amortization (Expenses of real estate rent)	891	861	Δ 30	Δ 3.4%
NOI	5,614	5,578	Δ 35	Δ 0.6%
NOI yield	4.0%	4.0%	0.0PT	1.0%
Acquisition price (weighted average based on the number of operating days during the period)	281,756	281,756	—	—
Total units outstanding (units)	1,570,040	1,570,040	—	—
Dividend/unit (yen)	2,303	2,360	57	2.5%

Koraku Mori Building +13

Utilities revenue, etc. Δ3

Property taxes, etc. +33  
(Properties acquired in 17<sup>th</sup> period +27)  
Maintenance and repairs +8  
Depreciation and amortization Δ30

Interest expenses Δ47  
Interest on investment corporation bonds Δ21

Borrowing expenses Δ21

	Forecast	Forecast	Difference	
	18th period	19th period	19th - 18th period	
	181 days	184 days		
Operating revenue	6,514	6,561	46	0.7%
Operating expenses	2,083	2,140	56	2.7%
Operating income	4,431	4,420	Δ 10	Δ 0.2%
Non-operating income	2	1	Δ 0	Δ 21.0%
Non-operating expenses	727	653	Δ 74	Δ 10.2%
Ordinary income	3,706	3,769	62	1.7%
Net income	3,705	3,768	62	1.7%
Total units outstanding (units)	1,570,040	1,570,040	—	—
Dividend/unit (yen)	2,360	2,400	40	1.7%

ARK Hills South Tower  
(Change to pass-through type agreement) +60

Koraku Mori Building Δ8  
Roppongi View Tower Δ3

ARK Hills South Tower  
(Change to pass-through type agreement) +52

Property taxes, etc. +32  
(Properties acquired in 17<sup>th</sup> period +27)  
Maintenance and repairs +10  
Depreciation and amortization Δ38

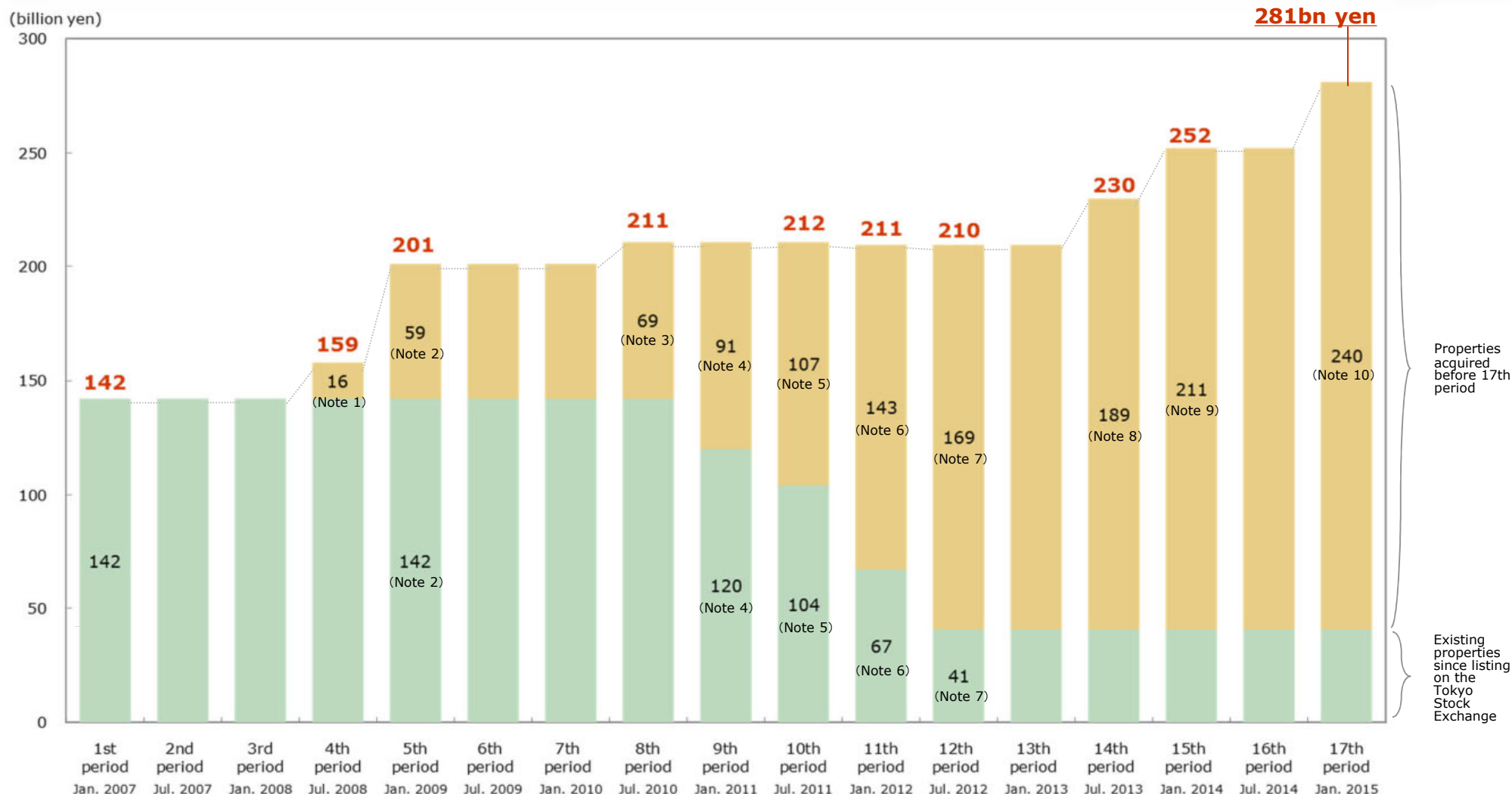
Interest expenses Δ36  
Interest on investment corporation bonds Δ17  
Borrowing expenses Δ19

### 3. Operation highlights

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# 3-1 Change in assets under management



(Note 1) MHR acquired ARK Mori Building in the 4th fiscal period.

(Note 2) MHR acquired ARK Mori Building and Akasaka Tameike Tower and sold Moto-Azabu Hills (one residential unit) in the 5th fiscal period.

(Note 3) MHR acquired Roppongi Hills Mori Tower and ARK Mori Building in the 8th fiscal period.

(Note 4) MHR acquired Laforet Harajuku (Land) and sold Toranomon 35 Mori Building and Moto-Azabu Hills (42 residential units) in the 9th fiscal period.

(Note 5) MHR acquired ARK Mori Building and Akasaka Tameike Tower (residential) and sold Moto-Azabu Hills (86 residential units) in the 10th fiscal period.

(Note 6) MHR acquired Roppongi Hills Mori Tower and ARK Mori Building and sold Roppongi Hills Gate Tower in the 11th fiscal period.

(Note 7) MHR acquired Atago Green Hills and sold Roppongi First Building and ARK Forest Terrace in the 12th fiscal period.

(Note 8) MHR acquired ARK Mori Building and Atago Green Hills in the 14th fiscal period.

(Note 9) MHR acquired Roppongi Hills Mori Tower in the 15th fiscal period.

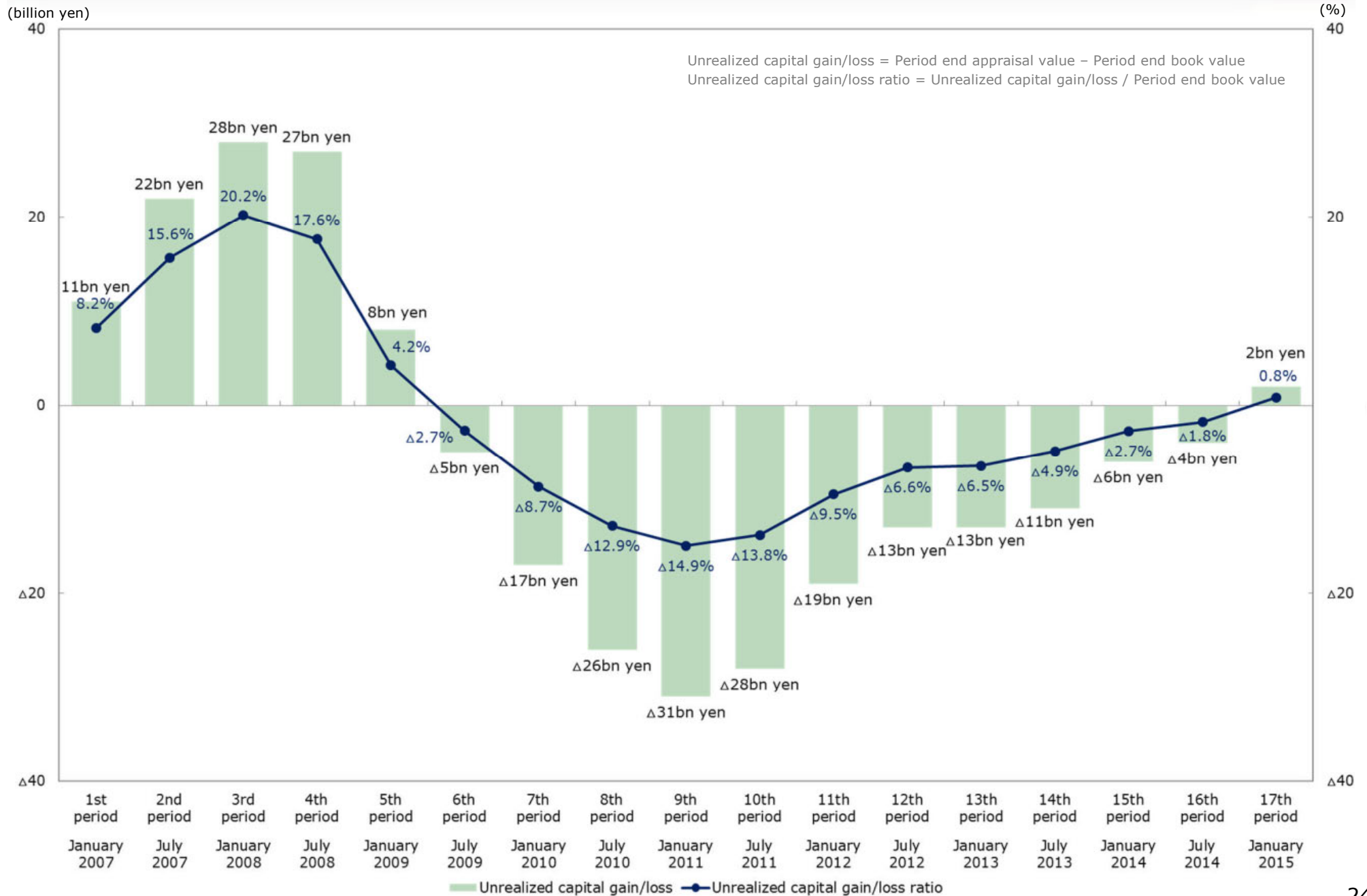
(Note 10) MHR acquired Roppongi Hills Mori Tower and ARK Hills South Tower in the 17th period.



# 3-2 Change in unrealized capital gain/loss



HILLS REIT



# 3-3 Appraisal value

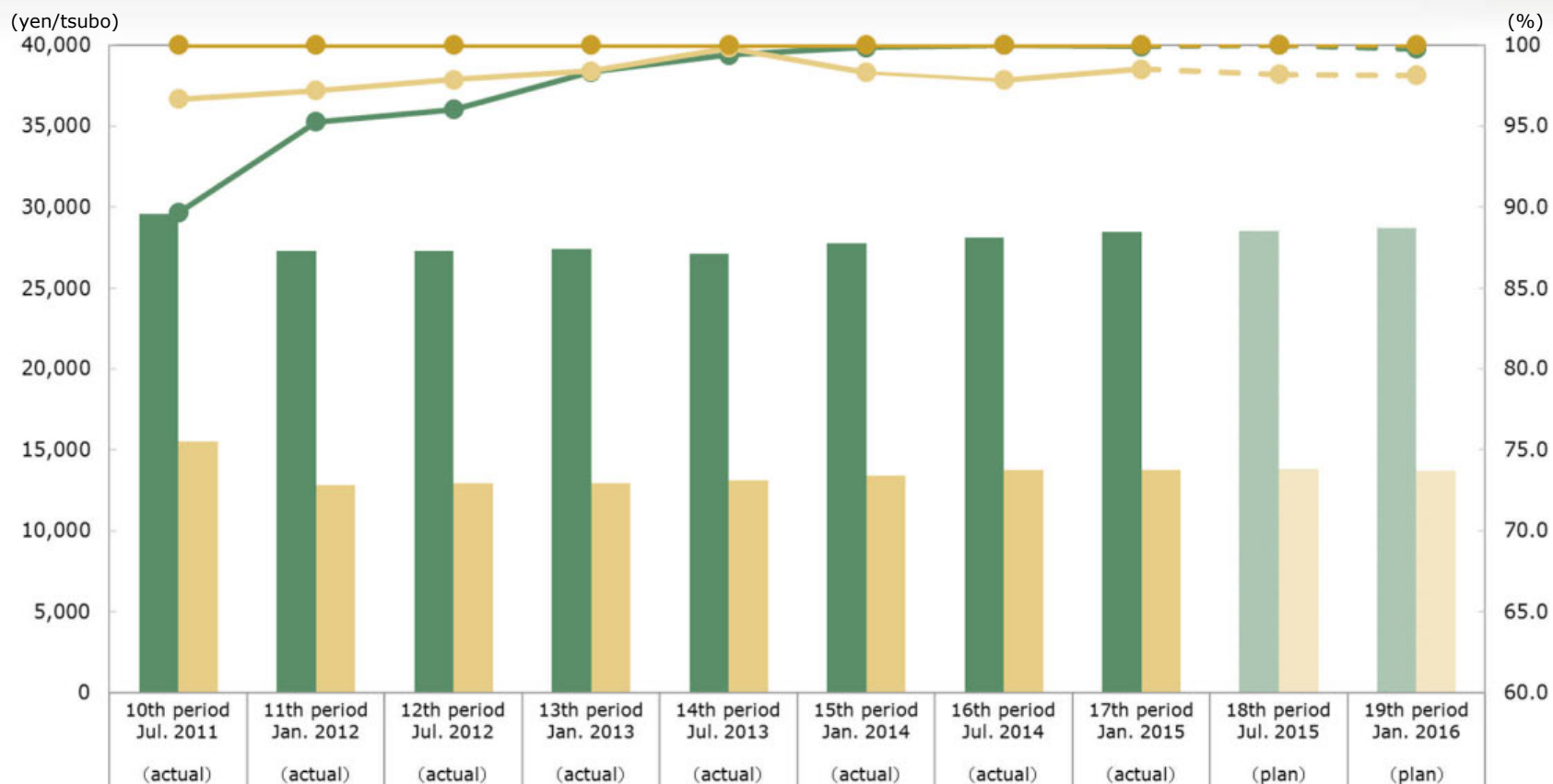
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 16th period (Jul. 31, 2014)		As of end of 17th period (Jan. 31, 2015)				Difference (B) - (A)	Difference (B)/(A) - 1	Unrealized capital gain (B) - book value
					(A) Appraisal value	Yield (direct capitalization method)	(B) Appraisal value	Yield (direct capitalization method)	Discount (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	57,280	56,531	53,900	3.7%	66,400	3.6%	3.3%	3.8%	12,500	23.2%	9,868
	ARK Mori Building	O-1	62,480	61,626	59,000	3.9%	59,000	3.9%	3.6%	4.1%	0	0.0%	△ 2,626
	Koraku Mori Building	O-4	27,200	25,373	22,200	4.3%	22,300	4.2%	3.8%	4.5%	100	0.5%	△ 3,073
	Akasaka Tameike Tower	O-6	43,930	42,436	30,200	4.0%	30,100	4.0%	3.7%	4.2%	△ 100	△ 0.3%	△ 12,336
	Atago Green Hills	O-7	42,090	41,657	45,800	4.1%	45,800	4.1%	3.6%	4.3%	0	0.0%	4,142
	ARK Hills South Tower	O-8	19,150	19,177	-	-	21,000	3.8%	3.6%	4.0%	21,000	-	1,822
	Sub total			252,130	246,802	211,100	-	244,600	-	-	-	33,500	15.9%
Residential	Moto-Azabu Hills	R-1	1,706	1,636	1,800	4.4%	1,890	4.2%	3.8%	4.4%	90	5.0%	253
	Roppongi First Plaza	R-3	2,100	2,243	1,560	4.9%	1,630	4.7%	4.5%	4.9%	70	4.5%	△ 613
	Roppongi View Tower	R-4	4,000	3,864	2,330	5.0%	2,440	4.8%	4.6%	5.0%	110	4.7%	△ 1,424
	Sub total			7,806	7,744	5,690	-	5,960	-	-	-	270	4.7%
Retail and other	Laforet Harajuku (land) (Note 2)	S-1	21,820	22,074	27,100	4.6%	28,400	-	4.5%	-	1,300	4.8%	6,325
	Sub total			21,820	22,074	27,100	-	28,400	-	-	-	1,300	4.8%
Total			281,756	276,620	243,890	-	278,960	-	-	-	35,070	14.4%	2,339

(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 figure in the property appraisal report created by Daiwa Real Estate Appraisal Co., Ltd. is indicated for ARK Hills South Tower, respectively.

(Note 2) For Laforet Harajuku (Land), value in the "Yield (direct capitalization method)" column for the 16th period shows the discount rate used in the DCF analysis.

# 3-4 Changes in the rent and occupancy rates



	10th period Jul. 2011 (actual)	11th period Jan. 2012 (actual)	12th period Jul. 2012 (actual)	13th period Jan. 2013 (actual)	14th period Jul. 2013 (actual)	15th period Jan. 2014 (actual)	16th period Jul. 2014 (actual)	17th period Jan. 2015 (actual)	18th period Jul. 2015 (plan)	19th period Jan. 2016 (plan)
Office rent (yen/tsubo)	29,555	27,314	27,323	27,440	27,116	27,788	28,119	28,482	28,536	28,713
Residential rent (yen/tsubo)	15,492	12,833	12,957	12,944	13,105	13,432	13,763	13,782	13,806	13,693
Office occupancy	89.6%	95.3%	96.0%	98.3%	99.4%	99.8%	100%	99.9%	100%	99.8%
Residential occupancy	96.7%	97.2%	97.9%	98.4%	99.8%	98.3%	97.8%	98.5%	98.2%	98.1%
Retail occupancy	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(Reference: Actual results in 9th period and before)

	1st period Jan. 2007	2nd period Jul. 2007	3rd period Jan. 2008	4th period Jul. 2008	5th period Jan. 2009	6th period Jul. 2009	7th period Jan. 2010	8th period Jul. 2010	9th period Jan. 2011
Office rent (yen/tsubo)	31,450	32,068	32,462	33,648	34,118	34,725	34,554	33,187	31,901
Residential rent (yen/tsubo)	20,625	20,674	20,964	21,157	21,234	20,664	19,658	18,959	17,648
Office occupancy	99.9%	100%	99.1%	97.4%	98.1%	97.8%	93.7%	92.7%	88.9%
Residential occupancy	94.4%	93.4%	93.1%	94.2%	93.5%	89.6%	90.1%	91.5%	93.8%
Retail occupancy	—	—	—	—	—	—	—	—	100%

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

# 3-5 Breakdown of rent income and office leasing overview

## Result of rent revision - Office

	Monthly rent prior to rent change	Monthly rent after rent change	Increase/ decrease in monthly rent	Rate of revision
13th (ended Jan. 2013)	N/A	-	-	-
14th (ended Jul. 2013)	36.5mn yen	34.3mn yen	Δ2.1mn yen	Δ 6.0%
15th (ended Jan. 2014)	12.9mn yen	12.1mn yen	Δ0.7mn yen	Δ 6.0%
16th (ended Jul. 2014)	18.1mn yen	19.6mn yen	+1.4mn yen	8.1%
17th (ended Jan. 2015)	21.0mn yen	21.6mn yen	+0.5mn yen	2.8%
18th (ending Jul. 2015) or after	19.8mn yen	21.4mn yen	+1.5mn yen	7.8%

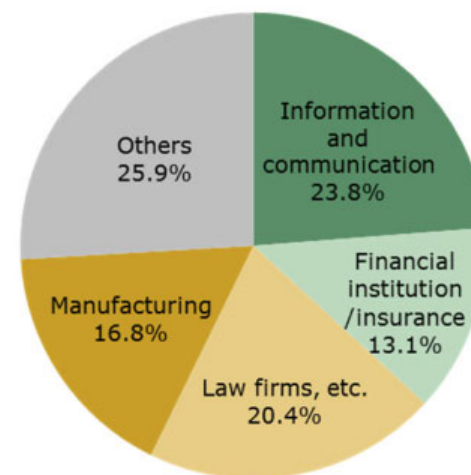
## Breakdown of monthly rent revenue and agreement renewal timing

(million yen)

Tenant	Type of lease contract	Total rent per month	Ratio	Agreement renewal timing				
				18th period	19th period	20th period	21th period	22th period-
Office tenant	Limited term	91.3	8.7%	19.8	5.4	23.0	14.8	28.0
	Traditional	709.5	67.2%	-	75.7	124.2	246.9	262.6
	Total	800.8	75.8%	19.8	81.1	147.3	261.7	290.7
Residential tenant	Limited term	31.2	3.0%	4.7	2.3	2.9	9.0	12.1
	Traditional	90.5	8.6%	1.5	2.9	34.5	-	51.4
	Total	121.8	11.5%	6.3	5.2	37.5	9.0	63.6
Retail tenant	Corporate land	102.4	9.7%	-	-	-	102.4	-
	Traditional	17.9	1.7%	-	-	-	-	17.9
	Total	120.3	11.4%	-	-	-	102.4	17.9
Sub total		1,043.0	98.8%	26.2	86.4	184.9	373.2	372.2
Retail, parking, and others		12.8	1.2%					
Total		1,055.9	100%					

(Note) Figures are monthly rents as of January 31, 2015. In addition, figures reflect move outs confirmed as of January 31, 2015.

## Tenant Contribution by Industry Type (Office)



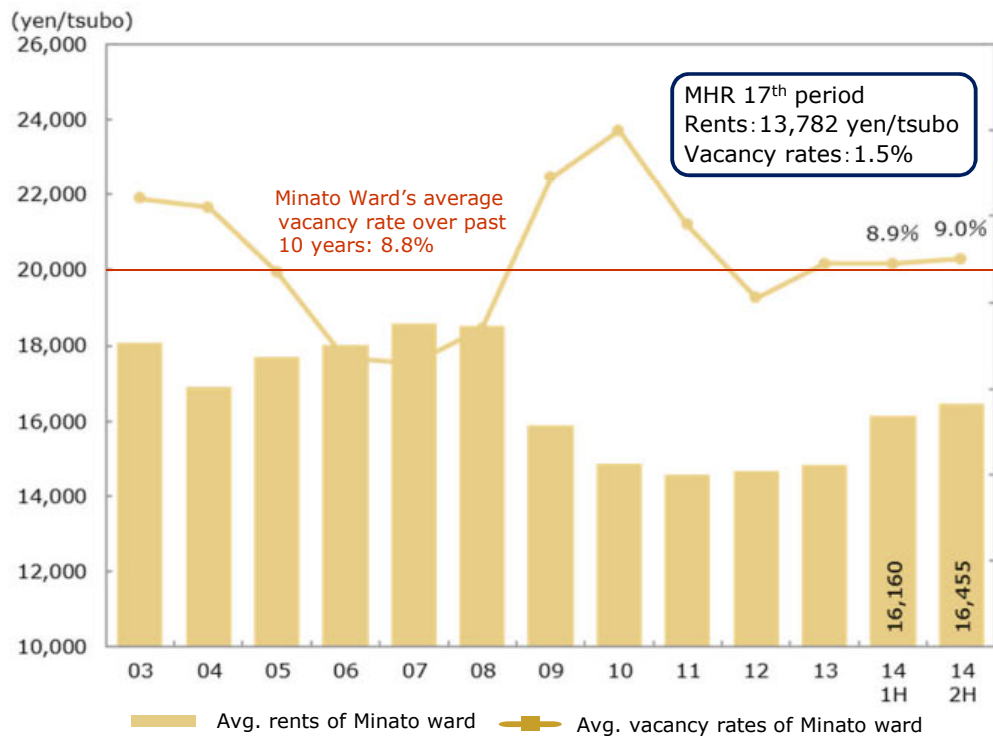
(Note 1) Figures are monthly rents as of January 31, 2015. In addition, figures reflect move outs confirmed as of January 31, 2015.

(Note 2) 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, 2015. As for properties jointly owned with third parties, ratios are calculated by multiplying by co-ownership interest.

(Note 3) Business types are classified by the Asset Manager.

# 3-6 Luxury residential market

## Change in rents and vacancy rates of luxury housing

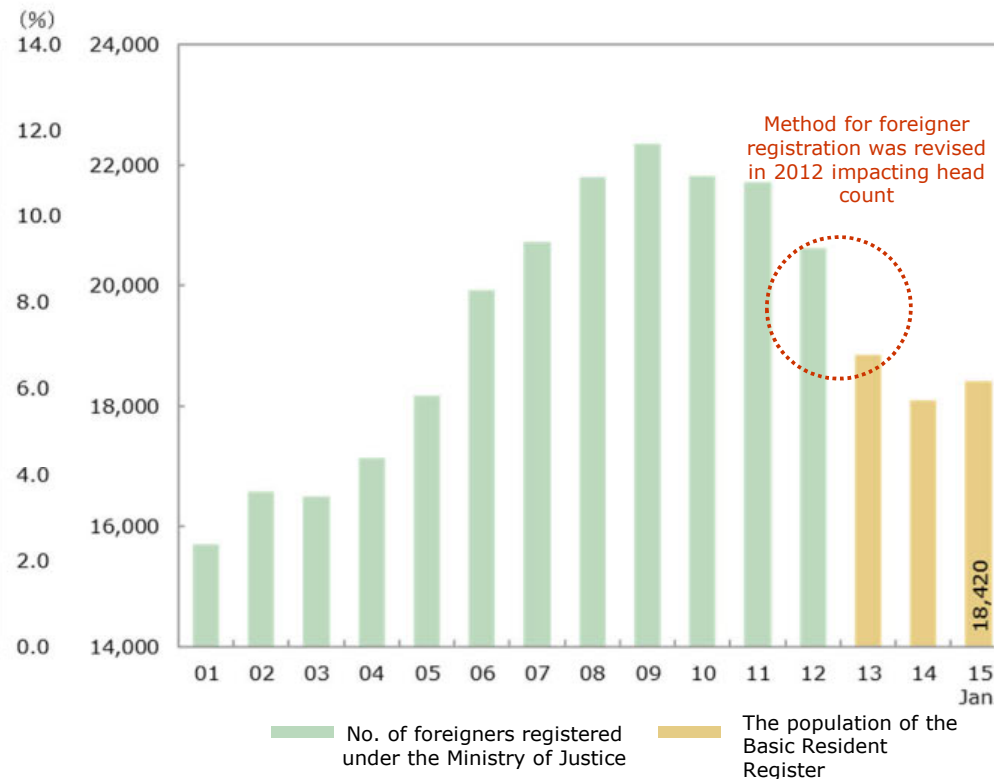


(Source) Created by the asset manager based on Ken Real Estate Investment Advisors' "Ken Residential Market Report" included in real estate appraisal reports by Japan Real Estate Institute regarding properties held by MHR.

(Note 1) Includes data on rental housing with monthly rent of more than JPY 300,000 or exclusively owned area of more than 30 tsubo. Average vacancy rate of Minato ward (annualized) indicates the average during the period from Jan. to Mar., from Apr. to Jun., from Jul. to Sep., and from Oct. to Dec. each year. Average contracted rent of Minato ward indicates annual average. As for average rent and average vacancy rate of Minato ward on a half-year basis, the period from Jan. to Jun. is indicated as 1H, and the period from Jul. to Dec. as 2H. As for 1H, average of the period from Jan. to Mar. and that of the period from Apr. to Jun. is indicated, and as for 2H, average of the period from Jul. to Sep. and that of the period from Oct. to Dec. is indicated.

- The vacancy rate of the luxury housing rental market in Minato Ward has gravitated to around the average of the past 10 years, and rents are increasing.

## Change in number of foreign residents in Minato ward



(Source) Created by the asset manager based on "Number of registered foreign residents" prepared by Statistics Division Bureau of General Affairs of Tokyo

(Note 1) "Number of foreign residents" was the number of foreigners registered under the Ministry of Justice until July 2012. However, as the foreigner registration system was abolished based on revision of the law, the figure is the population of the Basic Resident Register from October 2012. Therefore, the data may not be consistent.

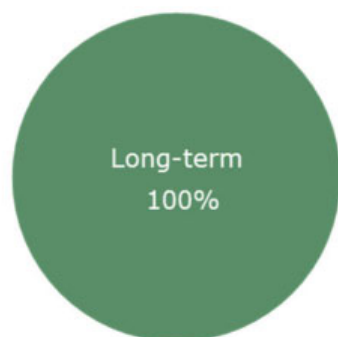
(Note 2) Number of foreign residents as of January 1 of each year is used for the year-based figures.

- Decrease in the population of foreigners is turning around after the global financial crisis.

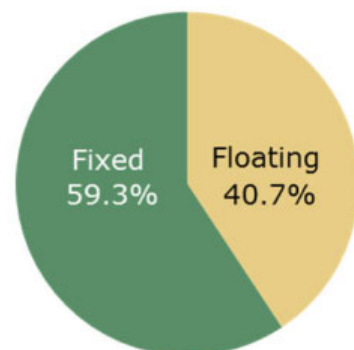
# 3-7 Financial overview (as of January 31, 2015)

## Long and short-term debt ratio/Fixed rate ratio

Long and short-term  
debt ratio  
(End of 17th period)



Fixed rate ratio  
(End of 17th period)



## Major financial indicator

	End of 16th period July 31, 2014	End of 17th period January 31, 2015
Debt Balance	126,200mn yen	130,200mn yen
Short-term loan	—	—
Long-term loan	101,200mn yen	106,200mn yen
Investment corporation bonds	25,000mn yen	24,000mn yen
LTV (book value basis) (Note 1)	47.9%	44.1%
LTV (appraisal value basis) (Note 2)	48.7%	43.8%
DSCR (Note 3)	7.2x	9.0x
Avg. remaining duration	2.6 years	3.2 years
Weighted avg. interest rate	0.93%	0.79%

## Outstanding balances

Lenders	Balance	Ratio
Mizuho Bank, Ltd.	15,698mn yen	14.8%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,698mn yen	14.8%
Mitsubishi UFJ Trust and Banking Corporation	15,698mn yen	14.8%
Sumitomo Mitsui Banking Corporation	15,075mn yen	14.2%
Sumitomo Mitsui Trust Bank, Limited	12,901mn yen	12.1%
Aozora Bank, Ltd.	5,250mn yen	4.9%
Development Bank of Japan, Inc.	4,950mn yen	4.7%
The Norinchukin Bank	4,700mn yen	4.4%
The Bank of Fukuoka, Ltd.	4,500mn yen	4.2%
Resona Bank, Limited.	3,830mn yen	3.6%
Shinsei Bank, Limited	2,900mn yen	2.7%
The Hiroshima Bank, Ltd.	1,500mn yen	1.4%
Mizuho Trust & Banking Co., Ltd.	1,500mn yen	1.4%
Oita Bank Co. Ltd.	1,000mn yen	0.9%
ORIX Bank Corporation	1,000mn yen	0.9%
<b>Total borrowings</b>	<b>106,200mn yen</b>	<b>100%</b>
<b>Investment corporation bonds</b>	<b>24,000mn yen</b>	
<b>Total interest-bearing debt</b>	<b>130,200mn yen</b>	

(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)]

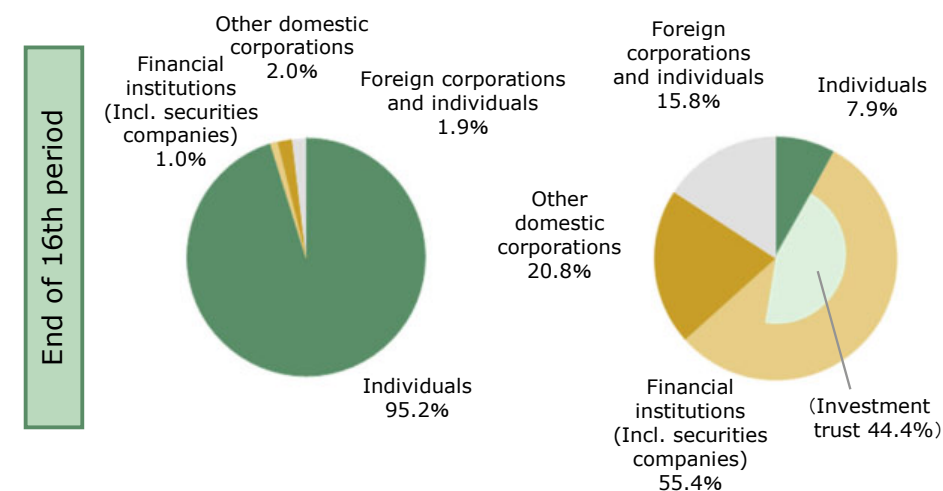
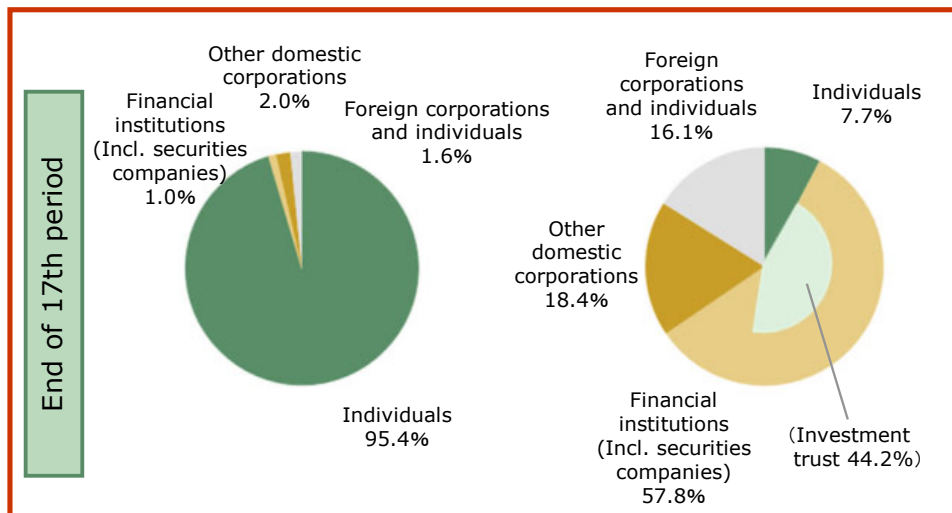
(Note 3) DSCR is calculated as [Net income before interest expenses + Depreciation/Interest expenses]

# 3-8 Unitholders breakdown (As of January 31, 2015)

## Unitholders breakdown

Number of unitholders

Number of investment units



## Top 10 unitholders

Rank	Name	No. of units held	Ratio
1	Japan Trustee Service Bank (Trust account)	353,811	22.5%
2	Mori Building Co., Ltd.	244,590	15.6%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	198,478	12.6%
4	Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust account)	118,087	7.5%
5	The Nomura Trust & Banking (Trust account)	63,834	4.1%
6	State Street Bank and Trust Company Standing proxy : Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited	20,410	1.3%
7	Trust & Custody Service Bank of Japan, Ltd. (Taxable money trust account)	16,973	1.1%
8	Shikoku Railway Company	16,620	1.1%
9	Nomura Securities Co., Ltd. Standing proxy : Sumitomo Mitsui Banking Corporation	14,370	0.9%
10	STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT Standing proxy : Settlement & Clearing Services Division, Mizuho Bank, Ltd.	13,528	0.9%
Top 10 unitholders total		1,060,701	67.6%

## 4. Business environment recognition & MHR's strategy

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## Real estate market / Lending attitude

- Decrease of vacancy rate and gradual increase of rents of office buildings in central Tokyo is ongoing  
(Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
  - ⇒ Vacancy rate: 4.6% in 2015 → 4.5% in 2018
  - ⇒ Rent index: 112 in 2015 → 123 in 2018
- Cap rate is on a downward trend but not as overheated as before the global financial crisis  
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
  - ⇒ Class A buildings in Marunouchi  
Cap rate: 3.8% in April 2014 → 3.7% in October 2014
- Lending attitude toward the real estate industry continues to be at a high positive level

- Rents of office buildings in central Tokyo are forecast to continue increasing gradually for the time being
- With regard to property acquisitions, selective investment is necessary with the highly competitive acquisition market

## Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and CPI increase rate temporally lowered partly due to impact of decrease in crude oil prices.
  - ⇒ 10-year bond rates: 0.33% (February 27, 2015)
  - ⇒ Core CPI: +0.2% excluding impact of consumption tax rate increase (January 2015)
- In the January 2015 preliminary business conditions composite index, the leading index was at 105.1 (0.2 PT decrease from previous month) and the coincident index was at 113.0 (2.4PT increase from previous month) . Figures recovering after decline due to consumption tax rate increase.
- The growth of money stock is slightly slowing down. Moreover, the issue of wage increases can be seen from the consumer confidence survey and the monthly labor survey. Future trends will be scrutinized.

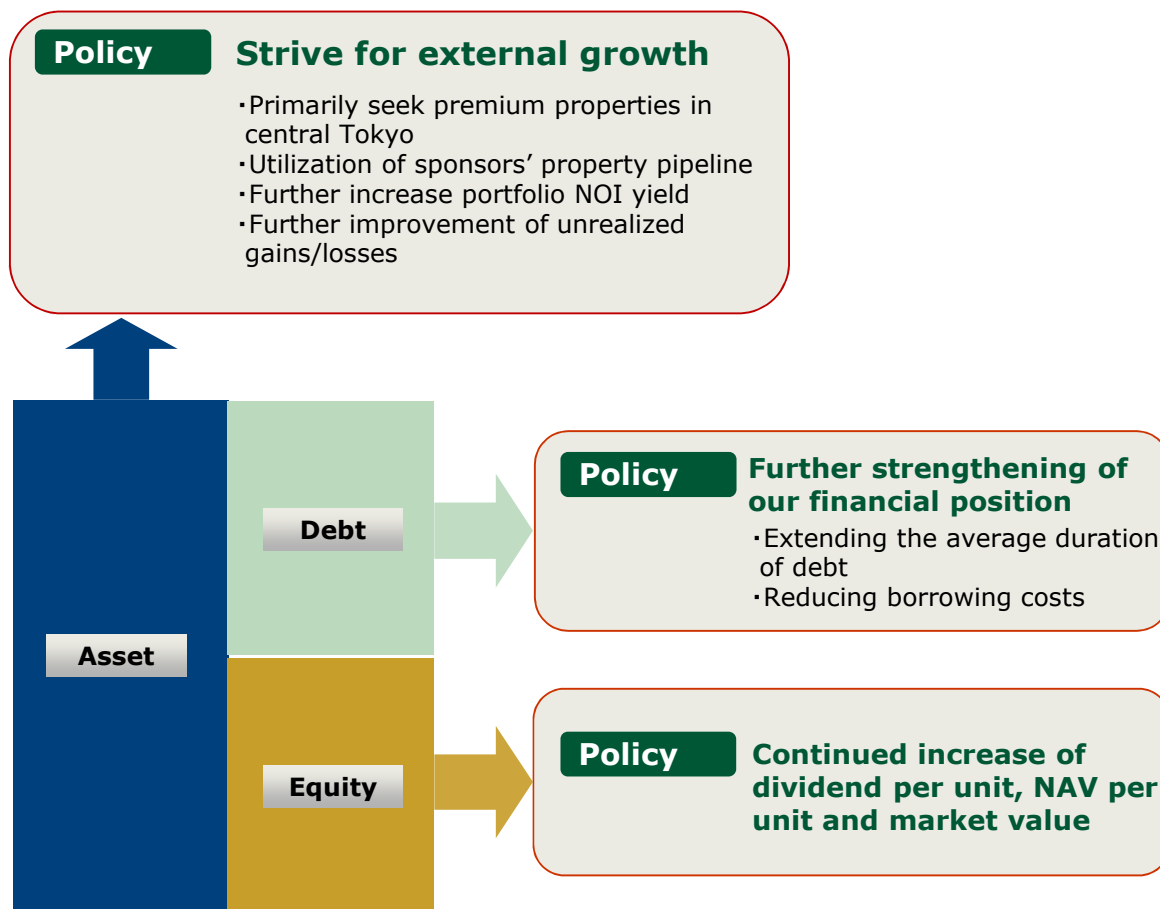
- CPI increase likely to require additional time to reach and maintain a certain level and be accompanied by a sustained increase in wages. Increase in long-term interest rates are also forecast to be limited for the time being.  
(→positive environment for strengthening MHR's financial status.)

## MHR's strategy ⇒ Continue "New 2013 Management Policy"

- Actively pursue external growth utilizing sponsors' property pipeline
- Promote the extending of average duration of debt; Gradually increase the fixed rate ratio
- Maintain emphasis on the "continued increase" of dividend/NAV per unit and market value

## New 2013 Management Policy

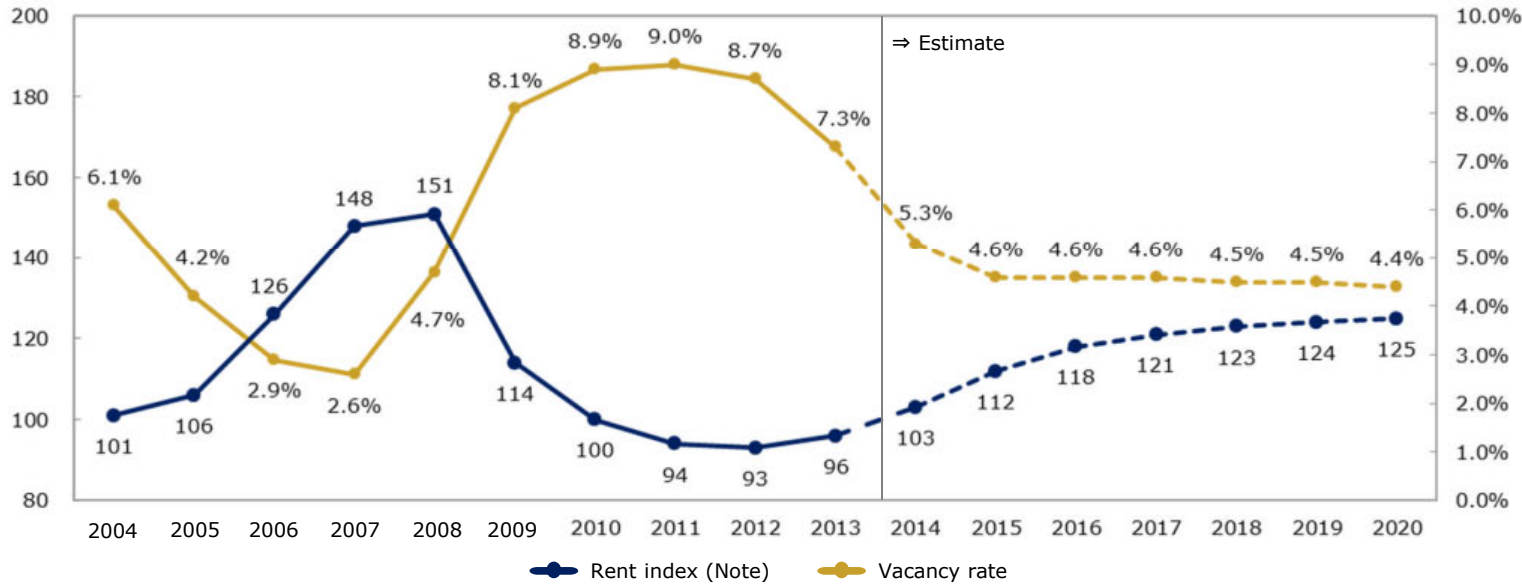
### Basic policy "Dividend-driven management"



	At start of New 2013 Management Policy 13 <sup>th</sup> period (ended Jan. 2013)	17 <sup>th</sup> period (ended Jan. 2015)
<b>Total assets (acquisition basis)</b>	210.8bn yen	281.7bn yen
<b>Portfolio NOI yield</b>	3.8%	4.0%
<b>Unrealized gains/losses</b>	△13.4bn yen	2.3bn yen
<b>Remaining duration of debt</b>	1.8 years	3.2 years
<b>Interest-bearing debt costs</b>	1.9%	1.2%
<b>Dividend per unit</b>	1,833 yen/unit	2,400 yen/unit <small>Forecast: 19<sup>th</sup> period (ending Jan. 2016)</small>
<b>NAV per unit</b>	78,434 yen	99,665 yen
<b>Market value</b>	112.2bn yen	251.9bn yen <small>(Mar. 10, 2015)</small>

# 4-3 Market-related information (1)

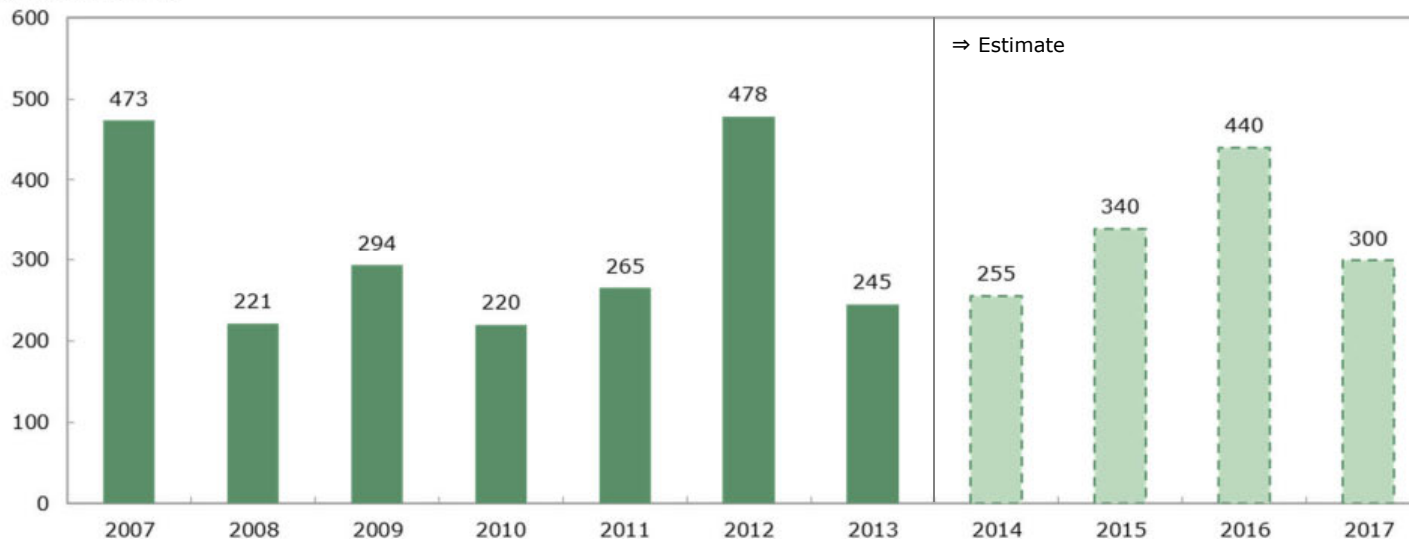
## Change in rent and vacancy rate of office buildings (Tokyo's five central wards)



(Source)  
 Prepared by the Asset Manager based on the "Autumn 2014 Office Rent Forecast in Tokyo, Osaka and Nagoya (2014-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).  
 (Note)  
 The rent index targets large and medium buildings (standard floor area of 100 tsubo or more) in Tokyo's five central wards. The rent index is rebased to 100 as of 2010.

## New supply area for office buildings (Tokyo's five central wards)

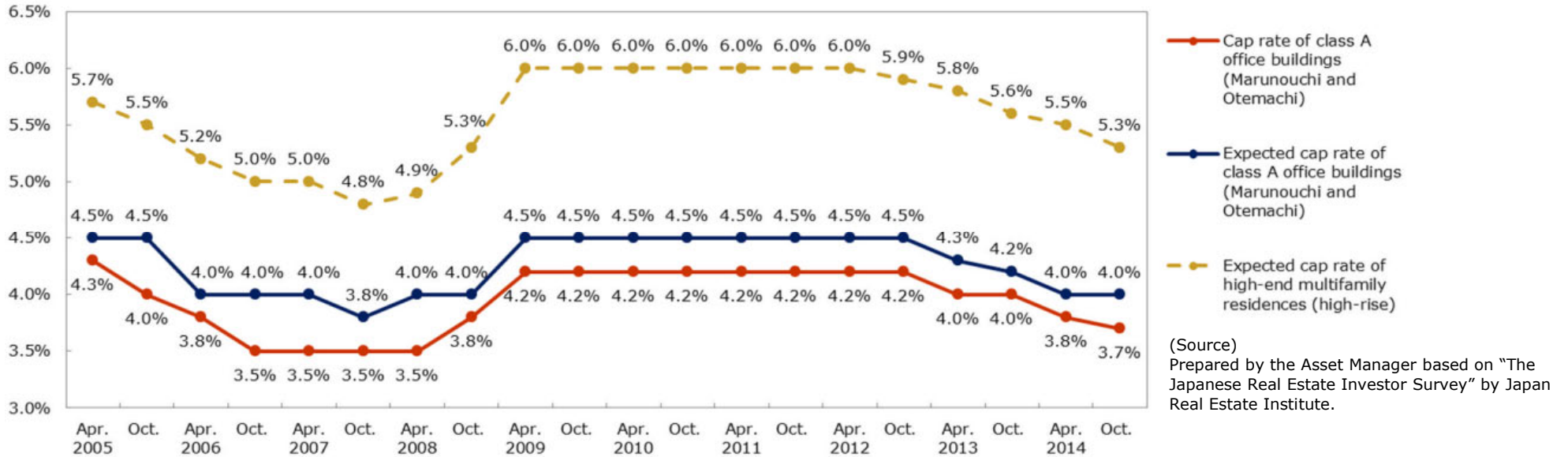
(thousand tsubo)



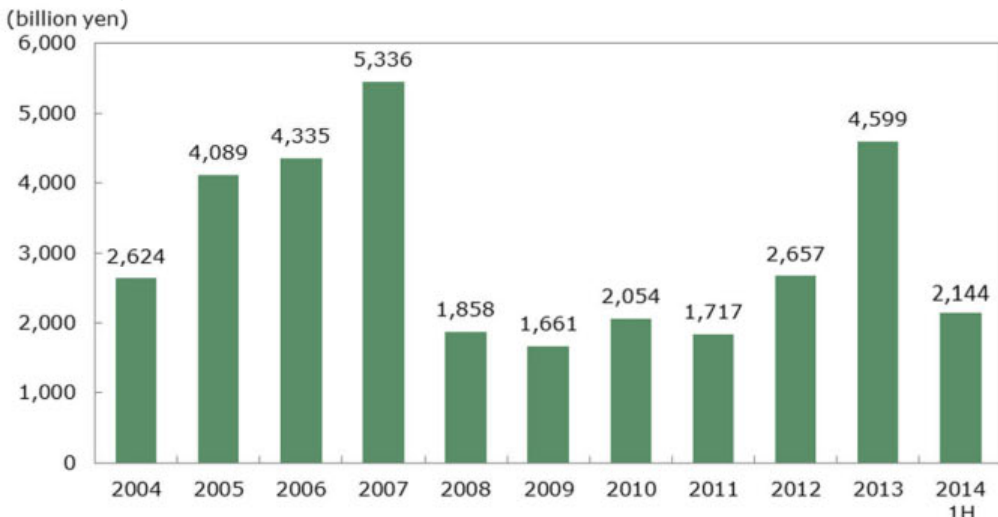
(Source)  
 Prepared by the Asset Manager based on the "Autumn 2014 Office Rent Forecast in Tokyo, Osaka and Nagoya (2014-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

# 4-4 Market-related information (2)

## Change in return on real estate investment

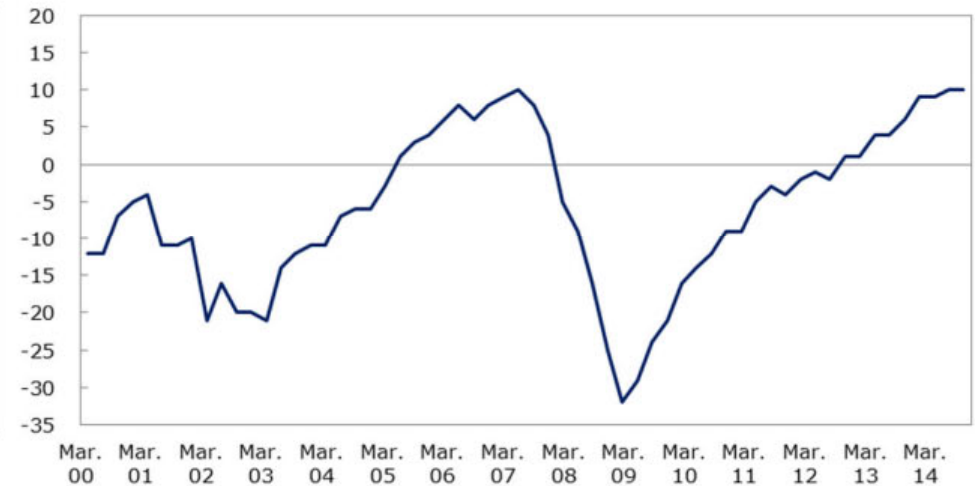


## Change in real estate transaction amount



(Source) Prepared by the Asset Manager based on the "Real Estate Transaction Survey" by the Urban Research Institute.

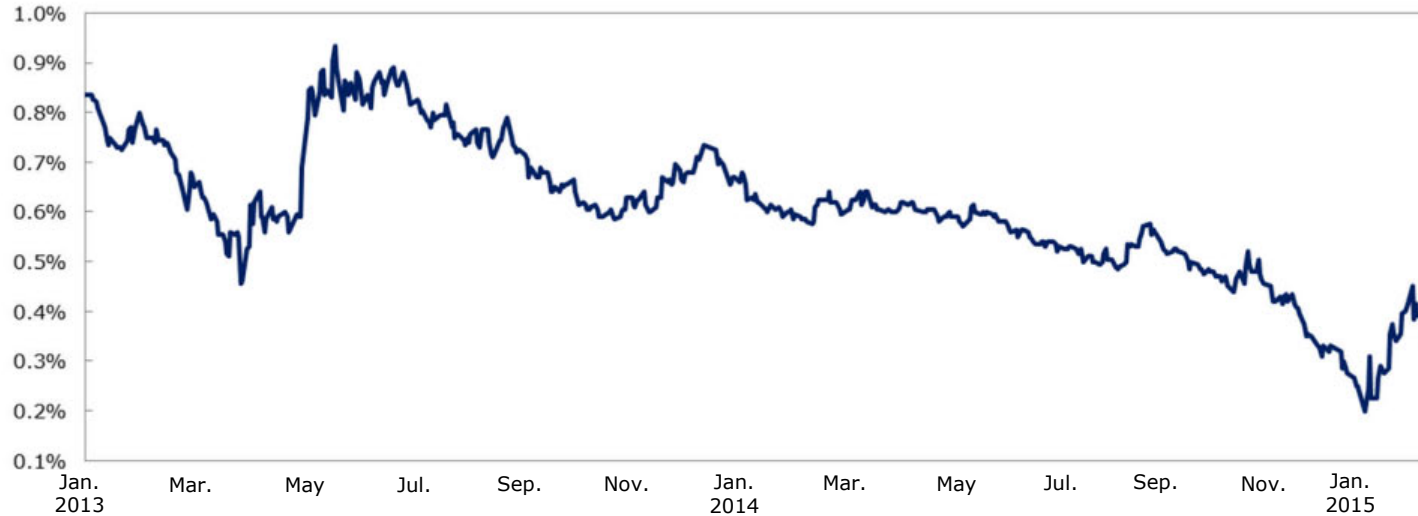
## Lending attitude DI (real estate industry)



(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.

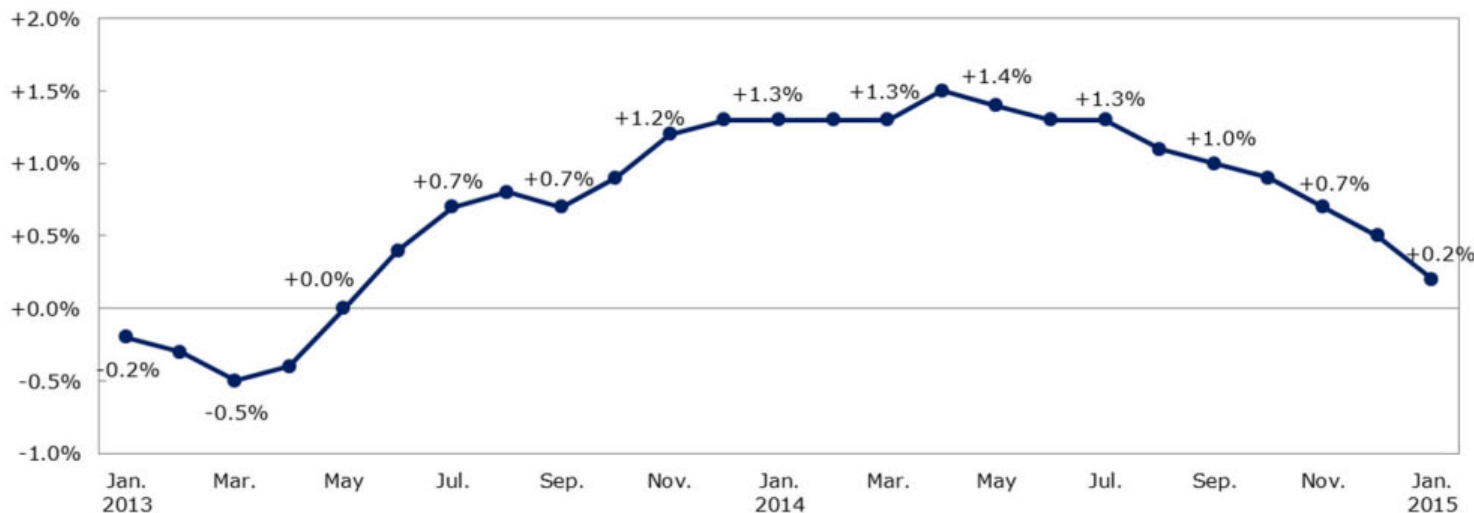
# 4-5 Market-related information (3)

## Change in 10-year bond interest rates



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

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

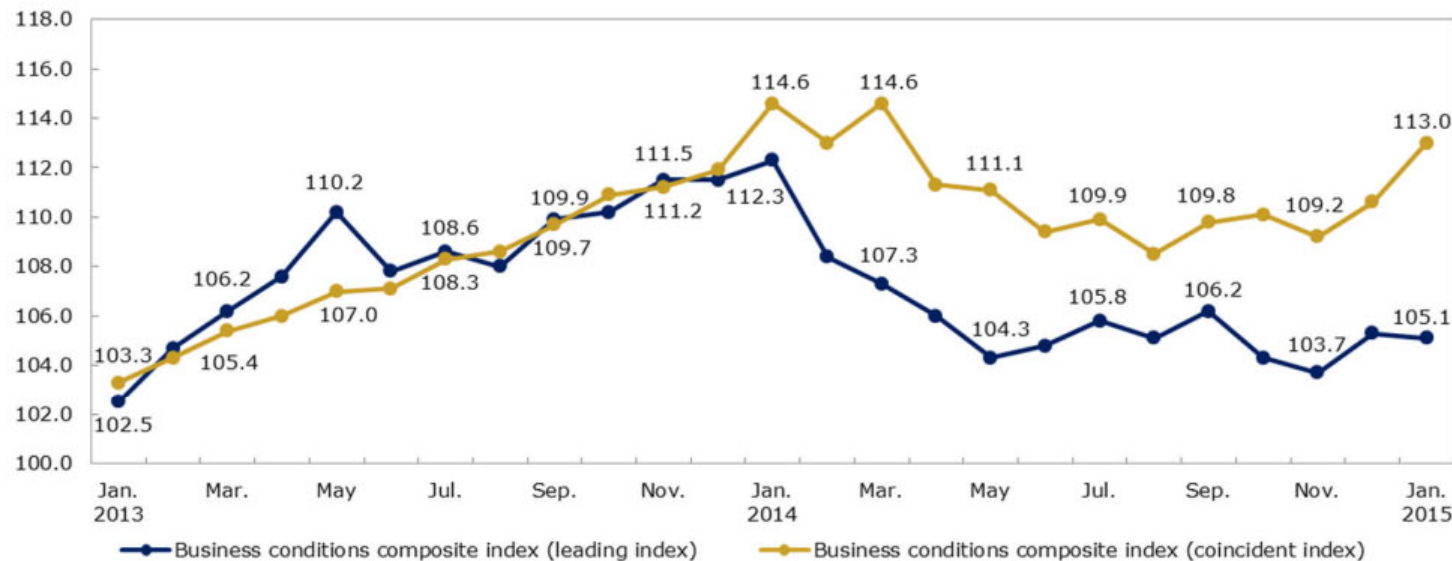


Based on figures excluding the direct effects of the consumption tax rate increase

(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 for April 2014 forward are derived on "the basis of excluding the direct impact of the consumption tax rate increase" (Bank of Japan's "Economic Statistics Monthly").

# 4-6 Market-related information (4)

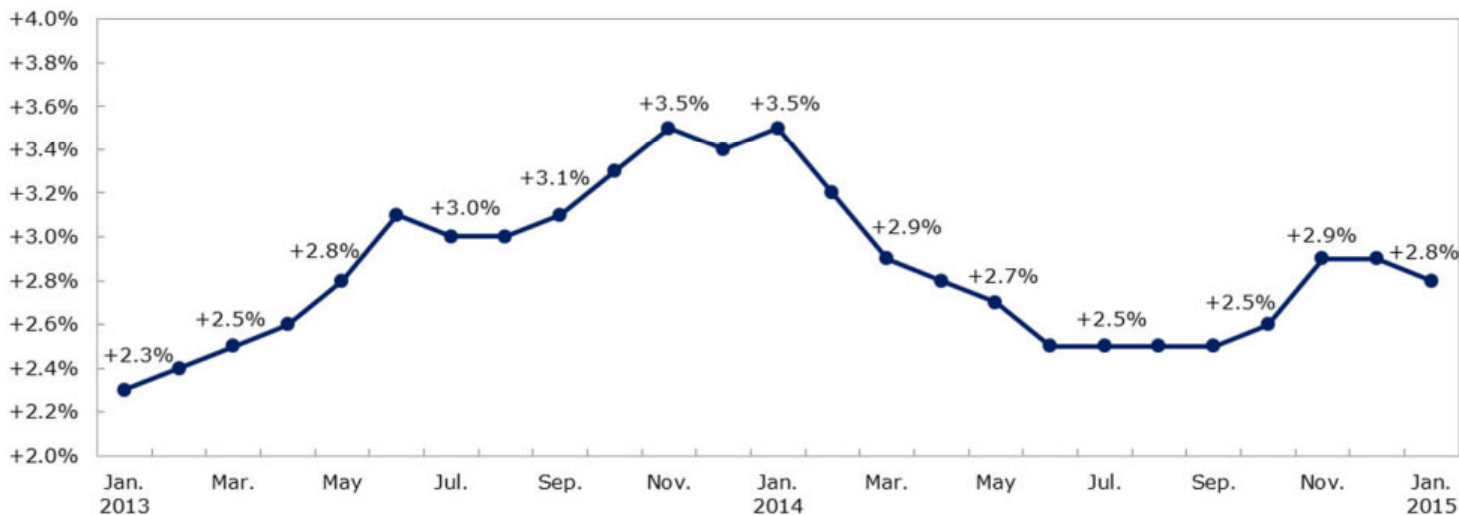
## Business conditions composite index



January 2015 figures are based on preliminary data

(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 2010.

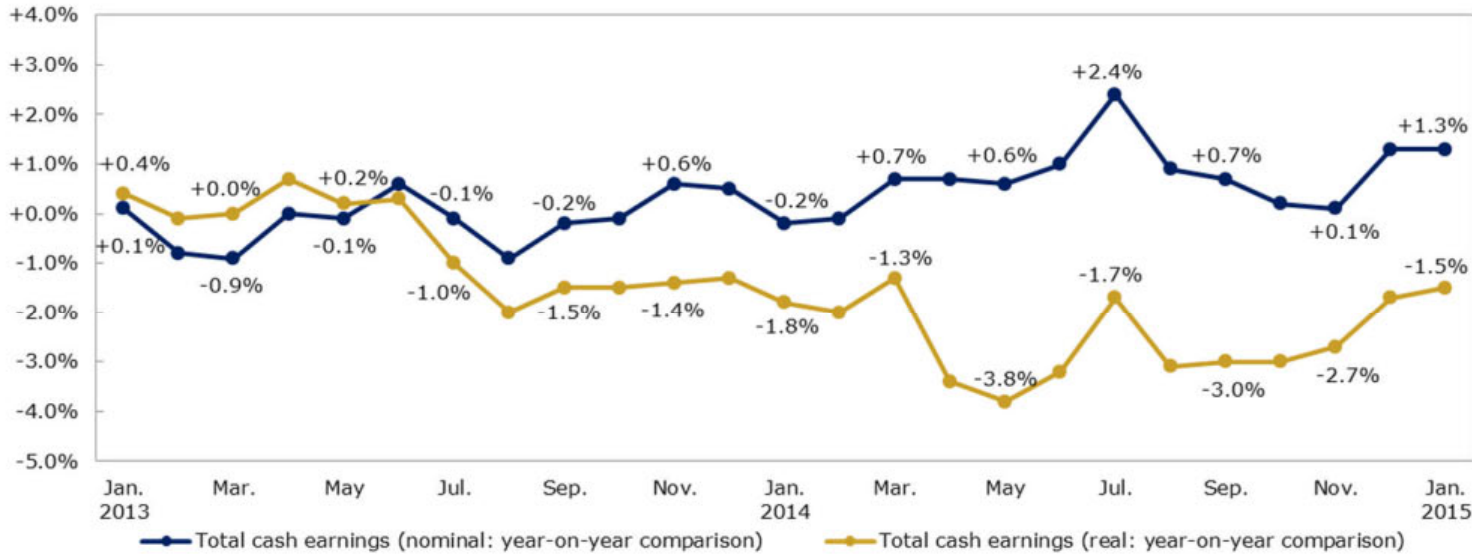
## Money stock (M3: year-on-year comparison)



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

# 4-7 Market-related information (5)

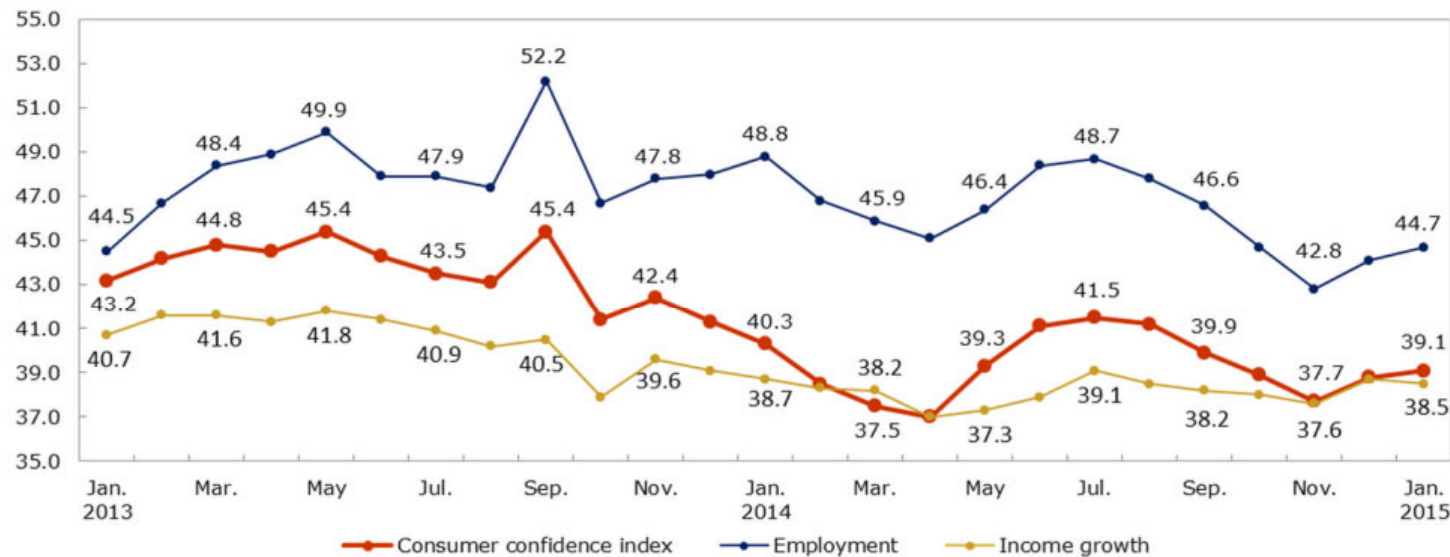
## Total cash earnings



January 2015 figures are based on preliminary data

(Source)  
Prepared by the Asset Manager based on "Monthly Labour Survey (establishments with 5 or more employees)" by the Ministry of Health, Labour and Welfare.

## Consumer confidence survey



(Source)  
Prepared by the Asset Manager based on "Consumer Confidence Survey" by the Cabinet Office.

# 5. Appendix

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## Sustainability Policy

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

### The environment

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

### Business continuity planning ("BCP")

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

### Maintaining and enhancing asset value

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

### Common policies

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

### Roppongi Hills and ARK Hills certified as "urban oasis" in inaugural year

Roppongi Hills and ARK Hills were selected as certified greenery areas under the "urban oasis" certification system of Organization for Landscape and Urban Green Infrastructure, which evaluates openness, community and contribution to the environment, in the first fiscal year of the system.



### <Environmental Policy >

#### 1. Cities and nature existing in harmony

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

#### 2. Low carbon cities

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

#### 3. Resource recycling

We aim to build resource-recycling cities by promoting the 3Rs (reduce, reuse, and recycle).

#### 4. Compliance and maintenance of an environmental management system

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

#### 5. Environmental education and awareness building activities

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

#### 6. Disclosure of environmental information

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

# 5-2 Superior environmental performance

## Acquisition of Highest Rank in CASBEE Real Estate Certification System

- The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) was established under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism to appropriately identify and evaluate profit-oriented real estate such as office buildings which have high environmental performance and value.
- MHR acquired rank S (the highest rank) ratings for Roppongi Hills Mori Tower, ARK Mori Building and Atago Green Hills (MORI Tower) and a rank A rating for Koraku Mori Building.



Roppongi Hills Mori Tower  
Rank S: ★★★★★



ARK Mori Building  
Rank S: ★★★★★



Atago Green Hills MORI Tower  
Rank S: ★★★★★

## Acquired highest rank in DBJ Green Building Certification

- DBJ Green Building Certification is a certification system of Development Bank of Japan Inc. to evaluate advanced measures by businesses that provide real estate having both high environmental and social awareness.
- ARK Hills South Tower acquired certification ranking of "Properties with the best class environmental & social awareness," the highest rank.



ARK Hills South Tower

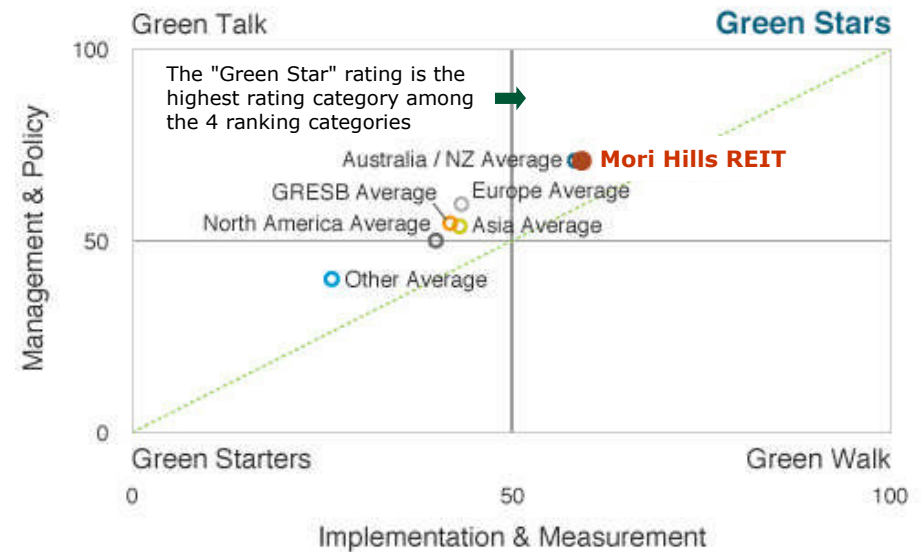
## Acquired GRESB Green Star Rating

For the third consecutive year, MHR received the Green Star rating in the Global Real Estate Sustainability Benchmark (GRESB) survey.



GRESB is a benchmark that measures the sustainability performance of real estate companies and real estate management institutions based on a questionnaire survey conducted by the GRESB foundation, composed primarily of European pension fund groups.

### <GRESB Four-Quadrant Model Scores by Region>



(Source) Created by the Asset Manager based on the "2014 GRESB Report" of the Global Real Estate Sustainability Benchmark (GRESB)

# 5-3 Financial highlights

Indices	Previous period (16th period) From February 1, 2014 to July 31, 2014	Current period (17th period) From August 1, 2014 to January 31, 2015	
Net income	2,979mn yen	3,616mn yen	
Depreciation and amortization	837mn yen	892mn yen	
CAPEX	100mn yen	35mn yen	
Total assets	263,310mn yen	295,026mn yen	
Total net assets	127,415mn yen	154,140mn yen	
Total net assets/unit (BPS)	92,001 yen	98,175 yen	Total net assets/Total units outstanding
Unit price (as of end of period)	151,100 yen	166,600 yen	
Total units outstanding	1,384,925units	1,570,040units	
Total dividends	2,978mn yen	3,615mn yen	
Dividend/unit	2,151 yen	2,303 yen	
Dividend yield	2.9%	2.7%	Dividend per unit (annualized)/Unit price as of end of period
FFO	3,816mn yen	4,508mn yen	Net income + Depreciation and amortization
FFO/unit	2,755 yen	2,871 yen	(Net income + Depreciation and amortization)/Total units outstanding
Annualized	5,557 yen	5,696 yen	
FFO multiple	27.2x	29.2x	Unit price as of end of period/FFO per unit (annualized)
PER	34.8x	36.4x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.6x	1.7x	Unit price as of end of period/Net assets per unit
ROA	1.1%	1.3%	Ordinary income/Average of total assets during the period
Annualized	2.3%	2.6%	
ROE	2.3%	2.6%	Net income/Average of total net assets during the period
Annualized	4.7%	5.1%	
NAV	123,017mn yen	156,479mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	88,826 yen	99,665 yen	
NAV multiple	1.7x	1.7x	Unit price as of end of period/NAV per unit
Interest-bearing debt	126,200mn yen	130,200mn yen	
LTV (book value basis)	47.9%	44.1%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	48.7%	43.8%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	181 days	184 days	

(Note) Annualized values are calculated based on a period of 365 days.

# 5-4 Balance sheet

(thousand yen)

	Previous period (16th period) As of July 31, 2014	Current period (17th period) As of January 31, 2015
<b>Assets</b>		
Current assets	14,378,067	17,439,832
Cash and deposits	4,767,774	5,871,909
Cash and deposits in trust	9,217,094	10,802,256
Other	393,198	765,666
Noncurrent assets	248,855,850	277,370,241
Property, plant and equipment	217,635,641	245,968,092
Intangible assets	30,656,554	30,656,475
Investments and other assets	563,654	745,673
Deferred assets	76,143	216,053
<b>Total assets</b>	<b>263,310,061</b>	<b>295,026,127</b>

(thousand yen)

	Previous period (16th period) As of July 31, 2014	Current period (17th period) As of January 31, 2015
<b>Liabilities</b>		
Current liabilities	41,333,123	41,640,681
Current portion of investment corporation bonds	8,000,000	10,000,000
Current portion of long-term loans payable	31,700,000	30,200,000
Other	1,633,123	1,440,681
Noncurrent liabilities	94,561,446	99,245,319
Investment corporation bonds	17,000,000	14,000,000
Long-term loans payable	69,500,000	76,000,000
Lease and guarantee deposited in trust	8,061,446	9,245,319
<b>Total liabilities</b>	<b>135,894,570</b>	<b>140,886,000</b>
<b>Net assets</b>		
Unitholders' equity	127,415,490	154,140,126
Unitholders' capital	124,330,988	150,418,135
Total surplus	3,084,501	3,721,991
Voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	2,979,257	3,616,747
<b>Total net assets</b>	<b>127,415,490</b>	<b>154,140,126</b>
<b>Total liabilities and net assets</b>	<b>263,310,061</b>	<b>295,026,127</b>

# 5-5 Income statement

(thousand yen)

	Previous period (16th period) From February 1, 2014 to July 31, 2014	Current period (17th period) From August 1, 2014 to January 31, 2015		
Operating revenue	5,788,116	6,506,600		
Rent revenue of real estate	5,670,408	6,391,443		
Other rent revenue of real estate	117,707	115,157	Parking revenue	17,112
Operating expenses	1,955,650	2,072,052	Utilities and other revenue	97,573
Expenses of real estate rent	1,641,610	1,783,510	Cancellation penalty	142
Asset management fee	216,982	196,803	Key money income	330
Directors' compensation	5,400	5,400		
Asset custody fee	6,572	6,582		
Administrative service fees	15,405	17,484		
Other operating expenses	69,680	62,270	Property management fees	267,187
Operating income	3,832,466	4,434,548	Property taxes	387,091
Non-operating income	2,958	2,221	Utilities	92,167
Interest income	1,287	1,265	Maintenance and repairs	14,162
Exclusion gain of unpaid dividend	1,596	956	Insurance premium	13,264
Interest on refund	74	—	Custodian fees	5,918
Non-operating expenses	855,099	819,044	Depreciation and amortization	891,561
Interest expenses	470,283	427,978	Rent expenses	103,816
Interest expenses on investment corporation bonds	145,793	136,711	Other lease business expenses	8,342
Amortization of investment corporation bonds issuance cost	15,202	14,479		
Borrowing expenses	220,154	210,774		
Amortization of investment unit issuance cost	—	27,253		
Other	3,664	1,848		
Ordinary income	2,980,324	3,617,725		
Income before income taxes	2,980,324	3,617,725		
Net income	2,979,224	3,616,463		
Unappropriated retained earnings	2,979,257	3,616,747		

# 5-6 Statement of cash flows/Retained earnings

## Statement of cash flows

(thousand yen)

	Previous period (16th period) From February 1, 2014 to July 31, 2014	Current period (17th period) From August 1, 2014 to January 31, 2015
Net cash provided by (used in) operating activities	4,216,668	3,821,596
Income before income taxes	2,980,324	3,617,725
Depreciation and amortization	837,243	892,290
Amortization of investment corporation bonds issuance cost	15,202	14,479
Amortization of investment unit issuance cost	—	27,253
Interest income	△ 1,287	△ 1,265
Exclusion gain of unpaid dividend	△ 1,596	△ 956
Interest expenses	616,077	564,689
Decrease (increase) in operating accounts receivable	18,872	4,156
Decrease (increase) in consumption taxes refund receivable	67,754	△ 403,028
Increase (decrease) in operating accounts payable	15,353	△ 14,133
Increase (decrease) in accounts payable—other	11,921	△ 10,723
Increase (decrease) in accrued expenses	14,804	△ 20,884
Increase (decrease) in accrued consumption taxes	200,785	△ 166,894
Increase (decrease) in advances received	21,725	41,904
Increase (decrease) in deposits received	△ 1,792	1,045
Decrease (increase) in prepaid expenses	55,831	26,413
Decrease (increase) in long-term prepaid expenses	△ 2,356	△ 182,019
Other, net	30	53
Subtotal	4,848,895	4,390,105
Interest income received	1,287	1,265
Interest expenses paid	△ 632,552	△ 568,671
Income taxes paid	△ 961	△ 1,103

(thousand yen)

	Previous period (16th period) From February 1, 2014 to July 31, 2014	Current period (17th period) From August 1, 2014 to January 31, 2015
Net cash provided by (used in) investing activities	△ 100,576	△ 28,061,555
Purchase of intangible assets	—	△ 3,870
Purchase of property, plant and equipment in trust	△ 108,542	△ 29,227,037
Purchase of intangible assets in trust	△ 446	△ 904
Repayments of lease and guarantee deposited in trust	△ 14,502	△ 61,079
Proceeds from lease and guarantee deposited in trust	22,914	1,231,336
Net cash provided by (used in) financing activities	△ 2,827,827	26,929,256
Proceeds from short-term loans payable	—	2,000,000
Repayments of short-term loans payable	—	△ 2,000,000
Proceeds from long-term loans payable	13,022,000	22,000,000
Repayments of long-term loans payable	△ 13,022,000	△ 17,000,000
Proceeds from issuance of investment corporation bonds	4,969,527	1,981,879
Redemption of investment corporation bonds	△ 5,000,000	△ 3,000,000
Proceeds from issuance of investment units	—	25,923,627
Dividends paid	△ 2,797,354	△ 2,976,250
Net increase (decrease) in cash and cash equivalents	1,288,264	2,689,297
Cash and cash equivalents at beginning of the period	12,696,604	13,984,868
Cash and cash equivalents at the end of the period	13,984,868	16,674,166

## Retained earnings

(yen)

	Previous period (16th period) From February 1, 2014 to July 31, 2014	Current period (17th period) From August 1, 2014 to January 31, 2015
I Unappropriated retained earnings	2,979,257,797	3,616,747,766
II Amount of dividends	2,978,973,675	3,615,802,120
Amount of dividends per unit	2,151	2,303
III Retained earnings carried forward	284,122	945,646

# 5-7 Status of income and expenditures (1)

(thousand yen)

Property number	O-0			O-1			O-4			O-6		
Property name	Roppongi Hills Mori Tower			ARK Mori Building			Koraku Mori Building			Akasaka Tameike Tower		
Period	16th Jul. 2014	17th (Note 3) Jan. 2015	Difference	16th Jul. 2014	17th Jan. 2015	Difference	16th Jul. 2014	17th Jan. 2015	Difference	16th Jul. 2014	17th Jan. 2015	Difference
Operation days	181days	184days	3days	181days	184days	3days	181days	184days	3days	181days	184days	3days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	100%	100%	0.0PT	100%	100%	0.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	100%	99.4%	△ 0.6PT	100%	100%	0.0PT
Total end tenants	1	1	0	1	1	0	18	18	0	1	1	0
Acquisition price	57,280,000 (before acquisition: 47,390,000)			62,480,000			27,200,000			43,930,000		
Rent revenue of real estate	1,174,311	1,431,297	256,986	1,271,693	1,271,693	—	616,903	621,068	4,165	666,446	666,446	—
Other rent revenue of real estate	—	—	—	—	—	—	115,488	113,565	△ 1,923	289	289	—
Total property operating revenue	1,174,311	1,431,297	256,986	1,271,693	1,271,693	—	732,392	734,633	2,241	666,735	666,735	—
Property management fees	84,982	122,722	37,740	6,000	6,000	—	64,089	62,116	△ 1,973	3,000	3,000	—
Property taxes (Note 1)	64,385	86,793	22,407	72,258	74,092	1,834	31,390	31,343	△ 47	42,560	42,547	△ 13
Utilities	—	—	—	—	—	—	83,756	88,918	5,161	—	—	—
Maintenance and repairs	—	—	—	—	370	370	11,737	1,029	△ 10,707	—	—	—
Insurance premium	1,624	2,025	400	1,788	1,817	29	1,744	1,773	28	2,039	2,073	33
Depreciation and amortization ①	193,785	229,004	35,219	112,852	89,783	△ 23,069	128,920	129,379	458	175,513	173,256	△ 2,257
Other lease business expenses (Note 2)	71	140	69	2,747	2,745	△ 1	68,749	68,795	46	906	905	△ 0
Total property operating expense	344,849	440,686	95,837	195,646	174,809	△ 20,837	390,387	383,354	△ 7,032	224,020	221,783	△ 2,237
Property operating income ②	829,461	990,611	161,149	1,076,046	1,096,883	20,837	342,004	351,279	9,274	442,715	444,952	2,237
NOI ③ (①+②)	1,023,246	1,219,615	196,368	1,188,898	1,186,666	△ 2,232	470,925	480,658	9,733	618,229	618,209	△ 19
Annualized NOI	2,063,453	2,419,346	355,892	2,397,503	2,353,985	△ 43,517	949,655	953,479	3,824	1,246,705	1,226,339	△ 20,365
Annualized NOI/ Acquisition price	4.4%	4.2%	△ 0.1PT	3.8%	3.8%	△ 0.1PT	3.5%	3.5%	0.0PT	2.8%	2.8%	0.0PT
Capex ④	22,468	—	△ 22,468	19,916	2,122	△ 17,793	19,177	1,320	△ 17,856	8,051	22,333	14,282
NCF ③-④	1,000,778	1,219,615	218,836	1,168,982	1,184,543	15,561	451,747	479,337	27,589	610,177	595,875	△ 14,302

(Note 1) For property tax, city planning tax and depreciable assets tax, the Company charges the amount of property taxes assessed and determined applicable to the fiscal period to expenses of real estate rent. Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to the Company were liable for property taxes for the calendar year, including the period from the date of the acquisition by the Company until the end of the year. The Company reimbursed sellers of properties for the equivalent amount of property taxes and included the amount in the acquisition cost of real estate.

(Note 2) "Other expenses" denotes the sum of rent expenses, custodian fees, and other lease business expenses (residential property management costs, and other property-related miscellaneous expenses) in aggregate.

(Note 3) Properties acquired during the relevant period. "Annualized NOI/ Acquisition price" was calculated by taking into consideration the changes in acquisition price during the relevant period. "Annualized NOI" denotes the value which is based on the acquisition price as of end of relevant period.

# 5-8 Status of income and expenditures (2)

(thousand yen)

Property number	O-7			O-8			R-1			R-3		
Property name	Atago Green Hills			ARK Hills South Tower			Moto-Azabu Hills			Roppongi First Plaza		
Period	16th Jul. 2014	17th Jan. 2015	Difference	16th Jul. 2014	17th (Note 3) Jan. 2015	Difference	16th Jul. 2014	17th Jan. 2015	Difference	16th Jul. 2014	17th Jan. 2015	Difference
Operation days	181days	184days	3days	—	184days	184days	181days	184days	3days	181days	184days	3days
Occupancy rate	100%	100%	0.0PT	—	100%	100PT	100%	100%	0.0PT	95.5%	100%	4.5PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	—	100%	100PT	100%	95.4%	△ 4.6PT	91.7%	97.1%	5.4PT
Total end tenants	1	1	0	—	1	1	7	7	0	40	42	2
Acquisition price	42,090,000			19,150,000			1,706,440			2,100,000		
Rent revenue of real estate	1,111,765	1,111,765	—	—	454,287	454,287	62,948	61,738	△ 1,209	67,193	71,679	4,485
Other rent revenue of real estate	—	—	—	—	—	—	871	831	△ 40	1,057	—	△ 1,057
Total property operating revenue	1,111,765	1,111,765	—	—	454,287	454,287	63,819	62,569	△ 1,250	68,251	71,679	3,427
Property management fees	2,664	2,664	—	—	33,078	33,078	9,904	9,650	△ 253	13,742	14,423	680
Property taxes(Note 1)	57,091	70,459	13,368	—	0	0	2,069	2,081	12	7,016	7,043	27
Utilities	—	—	—	—	—	—	0	65	65	981	1,752	770
Maintenance and repairs	—	—	—	—	—	—	4,632	2,669	△ 1,963	5,914	6,748	834
Insurance premium	3,714	3,775	61	—	1,076	1,076	125	127	2	254	258	4
Depreciation and amortization ①	195,408	195,471	62	—	44,277	44,277	6,680	6,855	174	11,288	11,074	△ 213
Other lease business expenses (Note 2)	37,031	37,053	21	—	86	86	3,730	3,735	4	4,380	3,873	△ 506
Total property operating expense	295,910	309,423	13,513	—	78,518	78,518	27,145	25,186	△ 1,958	43,577	45,174	1,597
Property operating income ②	815,855	802,341	△ 13,513	—	375,768	375,768	36,674	37,382	708	24,673	26,504	1,830
NOI ③ (①+②)	1,011,264	997,812	△ 13,451	—	420,046	420,046	43,355	44,238	883	35,962	37,579	1,616
Annualized NOI	2,039,289	1,979,356	△ 59,933	—	833,243	833,243	87,429	87,755	326	72,521	74,545	2,024
Annualized NOI/ Acquisition price	4.8%	4.7%	△ 0.1PT	—	4.4%	4.4PT	5.1%	5.1%	0.0PT	3.5%	3.5%	0.1PT
Capex ④	13,536	1,497	△ 12,039	—	800	800	3,146	442	△ 2,703	6,790	2,786	△ 4,003
NCF ③-④	997,727	996,315	△ 1,411	—	419,246	419,246	40,209	43,795	3,586	29,172	34,792	5,620



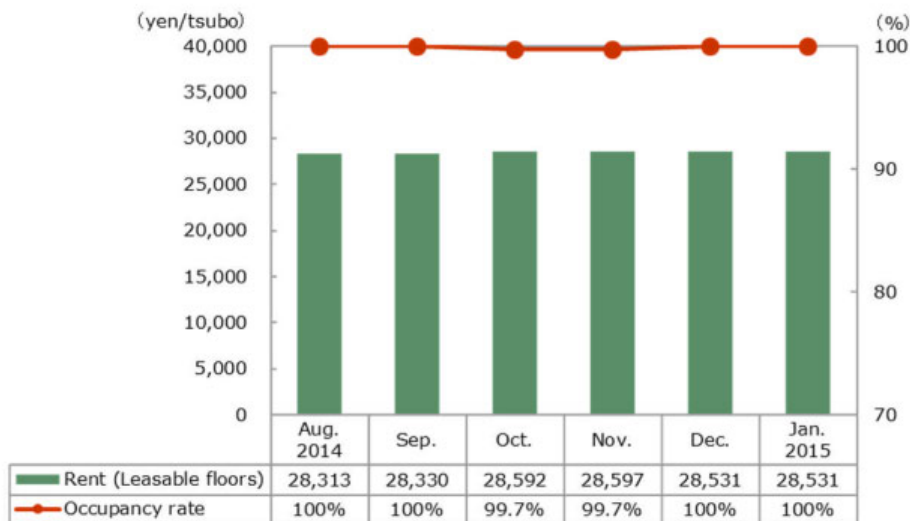
# 5-9 Status of income and expenditures (3)

(thousand yen)

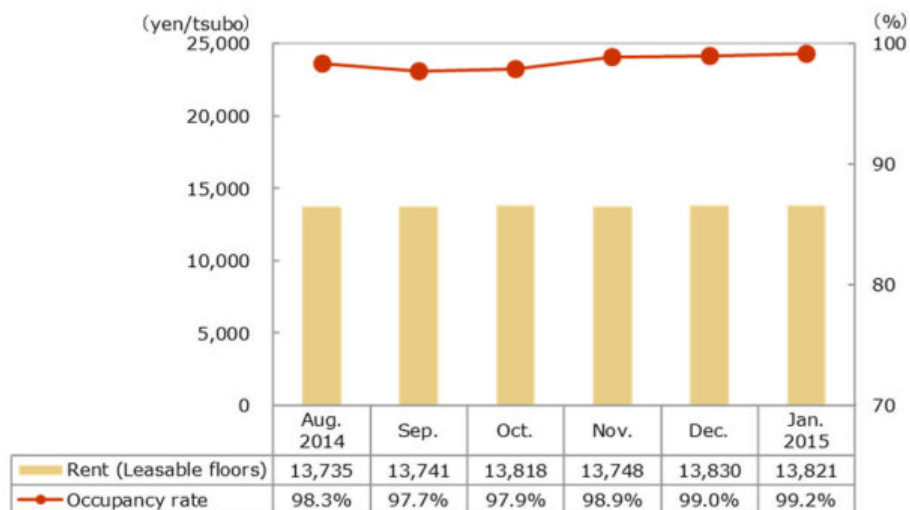
Property number	R-4			S-1			Total		
Property name	Roppongi View Tower			Laforet Harajuku (Land)					
Period	16th Jul. 2014	17th Jan. 2015	Difference	16th Jul. 2014	17th Jan. 2015	Difference	16th Jul. 2014	17th (Note 3) Jan. 2015	Difference
Operation days	181days	184days	3days	181days	184days	3days	181days	184days	3days
Occupancy rate	91.1%	94.5%	3.4PT	100%	100%	0.0PT	99.5%	99.8%	0.3PT
Avg. Occupancy rate (during period)	91.0%	93.2%	2.2PT	100%	100%	0.0PT	99.5%	99.6%	0.1PT
Total end tenants	84	87	3	1	1	0	154	160	6
Acquisition price	4,000,000			21,820,000			281,756,440 (before acquisition: 252,716,440)		
Rent revenue of real estate	84,747	87,066	2,319	614,400	614,400	—	5,670,408	6,391,443	721,034
Other rent revenue of real estate	—	472	472	—	—	—	117,707	115,157	△ 2,550
Total property operating revenue	84,747	87,538	2,791	614,400	614,400	—	5,788,116	6,506,600	718,484
Property management fees	14,892	13,532	△ 1,360	—	—	—	199,275	267,187	67,911
Property taxes (Note 1)	13,912	10,802	△ 3,110	61,193	61,926	732	351,879	387,091	35,211
Utilities	752	1,430	678	—	—	—	85,490	92,167	6,676
Maintenance and repairs	5,348	3,343	△ 2,004	—	—	—	27,632	14,162	△ 13,470
Insurance premium	329	335	5	—	—	—	11,621	13,264	1,642
Depreciation and amortization ①	12,228	12,459	231	—	—	—	836,678	891,561	54,882
Other lease business expenses (Note 2)	11,415	743	△ 10,671	—	—	—	129,031	118,077	△ 10,953
Total property operating expense	58,879	42,647	△ 16,232	61,193	61,926	732	1,641,610	1,783,510	141,900
Property operating income ②	25,867	44,891	19,023	553,206	552,474	△ 732	4,146,505	4,723,089	576,583
NOI ③ (①+②)	38,096	57,351	19,254	553,206	552,474	△ 732	4,983,184	5,614,651	631,466
Annualized NOI	76,824	113,766	36,942	1,115,581	1,095,940	△ 19,641	10,048,963	11,137,759	1,088,796
Annualized NOI/ Acquisition price	1.9%	2.8%	0.9PT	5.1%	5.0%	△ 0.1PT	4.0%	4.0%	0.0PT
Capex ④	3,048	3,961	913	—	—	—	96,135	35,265	△ 60,869
NCF ③-④	35,048	53,389	18,341	553,206	552,474	△ 732	4,887,049	5,579,385	692,336

# 5-10 Tenant status

## Office: Rent and occupancy rate



## Residential: Rent and occupancy rate



## Top 5 tenants (as of January 31, 2015)

End tenants	Property name	Leased space (Note)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Akasaka Tameike Tower Atago Green Hills ARK Hills South Tower	104,736.21 m <sup>2</sup>	79.5%
Syowa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 m <sup>2</sup>	2.0%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 m <sup>2</sup>	1.9%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m <sup>2</sup>	1.6%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m <sup>2</sup>	1.4%
Total of top 5 tenants		113,953.92 m <sup>2</sup>	86.5%

(Note) Leased space is the lease area stated in the lease contract with the end tenant. Leased space for co-owned properties is calculated by multiplying by the relevant percentage of co-ownership interest.

# 5-11 Debt status (as of January 31, 2015)

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Long-term	Development Bank of Japan, Inc.	1,700	1.43%	Mar. 27,2012	Mar. 27,2015
	Sumitomo Mitsui Banking Corporation	8,000	0.98%	May 31, 2012	May 31, 2015
	Mizuho Bank, Ltd.				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.				
	Mitsubishi UFJ Trust and Banking Corporation	5,000	1.23% (Note)	May 31, 2012	May 31, 2015
	Sumitomo Mitsui Trust Bank, Limited				
	Sumitomo Mitsui Banking Corporation				
	Mizuho Bank, Ltd.	6,000	0.98%	Aug. 31, 2012	Aug. 31, 2015
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.				
	Mitsubishi UFJ Trust and Banking Corporation				
	Sumitomo Mitsui Banking Corporation	2,000	1.19% (Note)	Aug. 31, 2012	Aug. 31, 2016
	Aozora Bank, Ltd.				
	Shinsei Bank, Limited				
	Mizuho Bank, Ltd.	9,500	1.04% (Note)	Nov. 30, 2012	Nov. 30, 2015
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.				
	Mitsubishi UFJ Trust and Banking Corporation				
	Sumitomo Mitsui Banking Corporation	10,000	0.84% (Note)	Mar. 29, 2013	Mar. 31, 2018
	Sumitomo Mitsui Trust Bank, Limited				
	Sumitomo Mitsui Banking Corporation				
	Mizuho Bank, Ltd.	1,000	0.58%	Mar. 29,2013	Mar. 31,2016
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.				
	Mitsubishi UFJ Trust and Banking Corporation				
	Sumitomo Mitsui Trust Bank, Limited	500	0.58%	Mar. 29,2013	Mar. 31,2016
	Aozora Bank, Ltd.	1,978	0.75% (Note)	May 31, 2013	May 31, 2017
	Development Bank of Japan, Inc.				
	Mizuho Trust & Banking Co., Ltd.				
	ORIX Bank Corporation	10,500	0.78% (Note)	Sep. 30, 2013	Sep. 30, 2018
	The Hiroshima Bank, Ltd.				
	Sumitomo Mitsui Trust Bank, Limited				
	Sumitomo Mitsui Banking Corporation	2,600	0.38%	Nov. 29, 2013	Nov. 30, 2017
	Mizuho Bank, Ltd.				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.				
Mitsubishi UFJ Trust and Banking Corporation	1,000	0.43%	Nov. 29, 2013	May 31, 2019	
Sumitomo Mitsui Trust Bank, Limited					
Aozora Bank, Ltd.					
Development Bank of Japan, Inc.	1,000	0.43%	Nov. 29, 2013	May 31, 2019	
The Norinchukin Bank					
The Bank of Fukuoka, Ltd.					
Resona Bank, Limited.	1,000	0.43%	Nov. 29, 2013	May 31, 2019	
Shinsei Bank, Limited					
Mizuho Trust & Banking Co., Ltd.					
The Norinchukin Bank	1,000	0.43%	Nov. 29, 2013	May 31, 2019	
The Hiroshima Bank, Ltd.					
Oita Bank Co. Ltd.					
Sumitomo Mitsui Banking Corporation	1,000	0.43%	Nov. 29, 2013	May 31, 2019	
Mizuho Bank, Ltd.					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
Mitsubishi UFJ Trust and Banking Corporation					

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date	
Long-term	Sumitomo Mitsui Banking Corporation	11,400	0.48%	Nov. 29, 2013	Nov. 30, 2019	
	Mizuho Bank, Ltd.					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation	11,000	0.38%	May 30, 2014	May 31, 2019	
	Sumitomo Mitsui Trust Bank, Limited					
	Development Bank of Japan, Inc.					
	The Norinchukin Bank	2,022	0.43%	May 30, 2014	May 31, 2020	
	The Bank of Fukuoka, Ltd.					
	Shinsei Bank, Limited					
	Mizuho Bank, Ltd.	5,000	0.43%	Aug. 1,2014	May 31, 2020	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	Sumitomo Mitsui Banking Corporation	2,000	0.38%	Aug. 29,2014	Aug. 31,2019	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation					
	Sumitomo Mitsui Trust Bank, Limited	2,500	0.38%	Aug. 29,2014	Aug. 31,2019	
	Sumitomo Mitsui Banking Corporation	6,000	0.62% (Note)	Nov. 28, 2014	Nov. 30, 2020	
	Mizuho Bank, Ltd.					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
	Mitsubishi UFJ Trust and Banking Corporation	6,500	0.75% (Note)	Nov. 28, 2014	Nov. 30, 2021	
	Sumitomo Mitsui Trust Bank, Limited					
	Sumitomo Mitsui Banking Corporation					
	Mizuho Bank, Ltd.					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.					
Mitsubishi UFJ Trust and Banking Corporation						
Sumitomo Mitsui Trust Bank, Limited						
Sumitomo Mitsui Trust Bank, Limited						
Total		106,200	-	-	-	

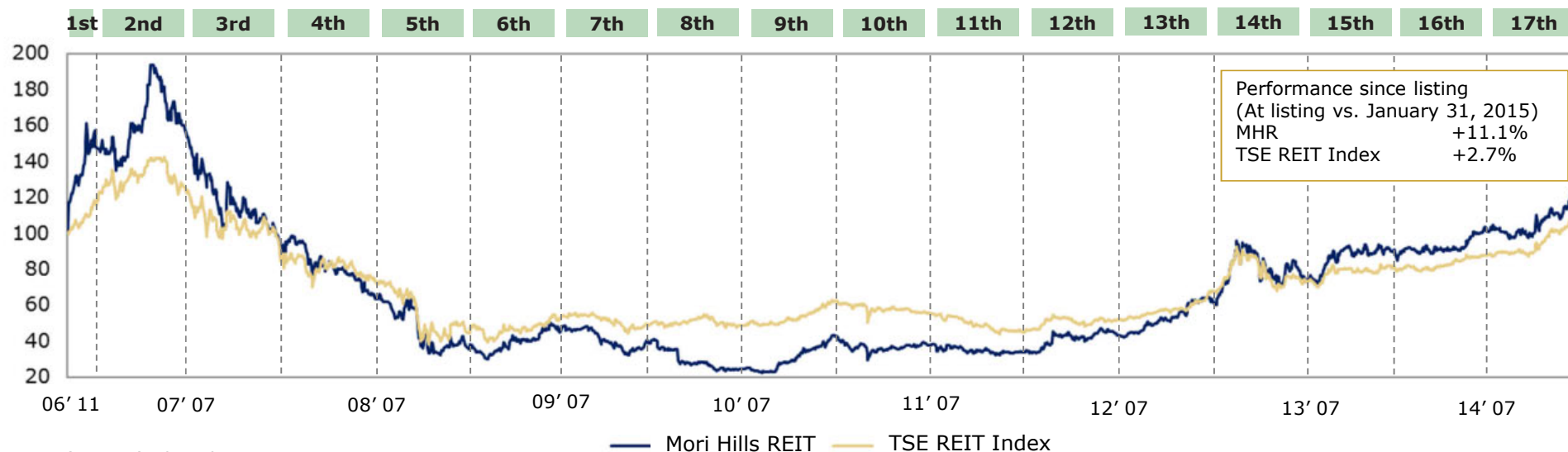
(Note) MHR has entered an interest swap agreement with a floating rate for a notional principal. The interest rates above are the actual fixed interest rates that will be paid.

## Investment corporation bonds

	Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
Investment Corporation Bonds	4th Series (Unsecured)	5,000	1.95%	May 27, 2010	May 27, 2015
	6th Series (Unsecured)	5,000	0.78%	Nov. 28, 2012	Nov. 27, 2015
	7th Series (Unsecured)	2,000	0.97%	Nov. 28, 2012	Nov. 28, 2017
	8th Series (Unsecured)	3,000	0.85%	May 24, 2013	May 24, 2018
	9th Series (Unsecured)	2,000	1.26%	May 24, 2013	May 22, 2020
	10th Series (Unsecured)	3,000	0.41%	Feb 24, 2014	Feb 22, 2019
	11th Series (Unsecured)	2,000	0.69%	Feb 24, 2014	Feb 24, 2021
	12th Series (Unsecured)	2,000	0.87%	Nov. 27, 2014	Nov. 27, 2024
Total		24,000	-	-	-

# 5-12 Unit price performance since IPO

## Relative price performance (Since IPO~January 31, 2015)



(Source) Bloomberg

(Note) Rebased to 100 as per IPO price

## Since IPO ~ January 31, 2015

Period	Unit price
1st (January 2007)	1,100,000 yen
2nd (July 2007)	1,080,000 yen
3rd (January 2008)	716,000 yen
4th (July 2008)	465,000 yen
5th (January 2009)	265,000 yen
6th (July 2009)	352,000 yen
7th (January 2010)	264,900 yen
8th (July 2010)	177,300 yen
9th (January 2011)	281,000 yen
10th (July 2011)	258,100 yen

Period	Unit price
11th (January 2012)	252,200 yen
12th (July 2012)	330,500 yen
13th (January 2013)	485,000 yen
14th (July 2013)	548,000 yen
15th (January 2014)	135,900 yen
16th (July 2014)	151,100 yen
17th (January 2015)	166,600 yen

### (Reference: before split of investment units)

IPO Price	750,000 yen
Opening price at listing	874,000 yen

High (in trade)	1,460,000 yen (May 8, 2007)
Low (in trade)	168,200 yen (August 12, 2010)

### (Reference: after split of investment units)

High (in trade)	183,600 yen (January 15, 2015)
Low (in trade)	122,300 yen (February 6, 2014)

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

## Investments focusing on Premium Properties for development of urban-type portfolio

### Investments focusing on Premium Properties

Among properties that are located in Tokyo's five central wards and in surrounding areas, our investments mainly focus on "Premium Properties" that are able to maintain their competitiveness going forward based on their quality, size and specification

Focus on Premium Properties

Premium properties  
**50%** or more

〈Office Buildings〉  
〈Residential Properties〉  
〈Retail Facilities〉

#### Premium Properties

Type	Location	Scale
Office Buildings	Tokyo's five central wards and their vicinity	Gross floor area of 10,000㎡ or more per building Standard leasable floor area of 1,000㎡ or more
Residential Properties	Tokyo's five central wards and their vicinity (Primarily in the "three-A" area)	Gross floor area of 2,000㎡ or more per building
Retail Facilities	〈Department stores, downtown shopping centers, large specialty stores & retail complexes, etc.〉	
	Flourishing areas of Tokyo's five central wards and their vicinity	Gross floor area of 10,000㎡ or more per-building
	〈Street front luxury brand shops, etc.〉	
	Exclusive, well-known retail destinations such as Ginza area, Aoyama area, and Omotesando area	Gross floor area of 1,000㎡ or more per building

(Note 1) Tokyo's five central wards: Minato, Chiyoda, Chuo, Shinjuku and Shibuya ward

(Note 2) Three-A area: Akasaka and Roppongi area, Aoyama and Harajuku area and Azabu and Hiroo area

(Note 3) Ratios are based on the acquisition prices.

(Note 4) Tokyo Metropolitan Area: Tokyo Metropolis, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture

(Note 5) Principal Regional Cities: Government-designated cities outside the Tokyo metropolitan area and other major cities nationwide

#### Office building focus

Office building  
**50%** or more

#### Tokyo's five central wards focus

Tokyo's five central wards and their vicinity  
**50%** or more  
(Tokyo Metropolitan Area: 80% or more)

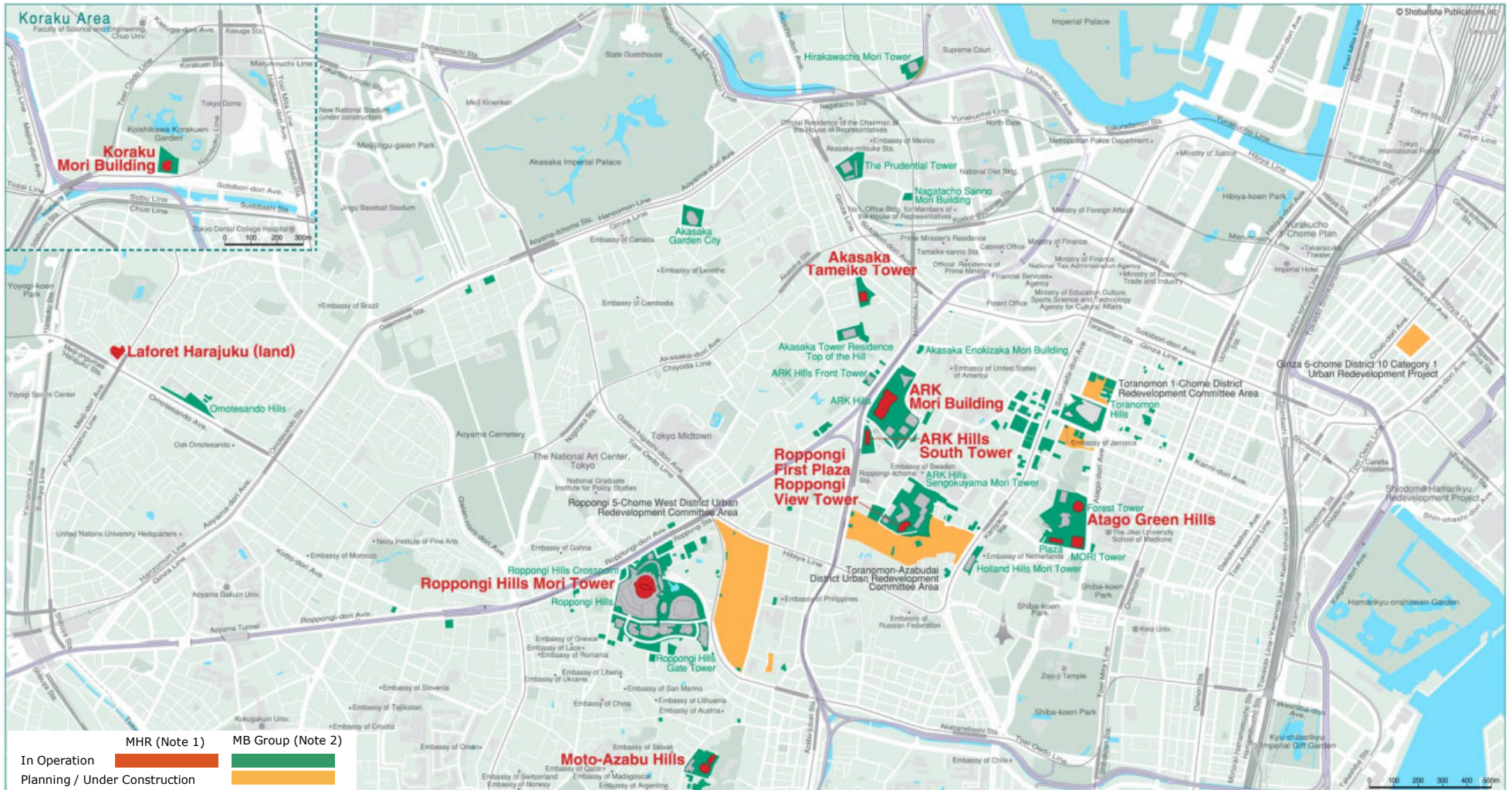
#### Earthquake-resistance focus

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

# 5-14 Portfolio Map



HILLS REIT












(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2015."

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

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

# 5-15 Portfolio overview (as of January 31, 2015)

Type	Office building			Office building (Partly residential)			Office building	Residential		Retail			
Photo													
Premium	Premium	Premium	Premium	Premium	Premium			Premium	Premium	-	Premium		
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	Akasaka Tameike Tower	Atago Green Hills			ARK Hills South Tower	Moto-Azabu Hills	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)	
	O-0	O-1	O-4	O-6	MORI Tower	Forest Tower	Plaza	O-8	Forest Tower	Forest Terrace	R-3	R-4	S-1
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Sibuya-ku, Tokyo	
Completion	Apr.2003	Mar.1986 <small>(large-scale renovation in 2005)</small>	Mar.2000	Sep.2000	Jul.2001	Oct.2001	Jul.2001	Jul.2013	May.2002	Oct.1993		-	
Building age	11years9months	28years10months	14years10months	14years4months	13years6months	13years3months	13years6months	1years6months	12years8months	21years3months		-	
Number of stories	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 4 below	29 above ground, 3 below	6 above ground, 1 below	20 above ground, 1 below	-	
Gross floor area	approx. 442,150m <sup>2</sup>	approx. 177,486m <sup>2</sup>	approx. 46,154m <sup>2</sup>	approx. 46,971m <sup>2</sup>	approx. 85,266m <sup>2</sup>	approx. 60,815m <sup>2</sup>	approx. 2,083m <sup>2</sup>	approx. 53,043m <sup>2</sup>	approx. 54,006m <sup>2</sup>	approx. 22,906m <sup>2</sup>		-	
Ownership (Note 1)	Land	Co-ownership (approx.8.8%)	Co-ownership (approx.10.9%)	Leased	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)		Co-ownership (approx. 25%)	Co-ownership (approx. 3.9%)	Co-ownership (approx. 47%)	Co-ownership (approx. 46%)	Ownership	
	Building	Compartmentalized ownership (approx. 6.8%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)		Co-ownership (approx. 25%)	Compartmentalized ownership (approx. 3.2%)	Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-	
PML (Note 2)	0.59%	0.78%	0.73%	1.79%	2.35%	2.34%	5.94%	1.56%	0.57%	1.27%	2.20%	2.20%	-
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	-	Seismic Damping	Seismic Isolators	Seismic Isolators	-	-	-
Acquisition price (mn yen)	57,280	62,480	27,200	43,930	42,090			19,150	1,706	2,100	4,000	21,820	
Occupancy rate	100%	100%	100%	100%	100%			100%	100%	100%	94.5%	100%	

**Average building age**  
**16.4 years** (Note 4)

**Portfolio PML**  
**1.12%**

**Total acquisition price**  
**281,756mn yen**

(Note 1) "Type of ownership" denotes the type of rights held by MHR or the Trustee. "Ownership" stands for ownership, "Co-ownership" stands for the ownership of beneficiary interests, "Compartmentalized ownership" denotes ownership and right for exclusive use in or over parts of a building, and "Leased land" denotes Leasehold land. The land site of Atago Green Hills includes joint ownership in quasi-undivided interests of leasehold land and easement.

(Note 2) This indicates the figure described in the "Report on evaluation of seismic PML for portfolio" dated March, 2015 by Sompo Japan Nipponkoa Risk Management Inc.

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

(Note 4) For calculation of the "Average building age" of Atago Green Hills, we have assumed that construction of the building was completed on Jul. 30, 2001.