

5. Appendix



5-1 Financial highlights

| Indices | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 | Calculation formula |
|---------------------------------------|---|---|--|
| Net income | 4,755 mn yen | 4,655 mn yen | |
| Depreciation and amortization | 1,000 mn yen | 1,032 mn yen | |
| CAPEX | 343 mn yen | 189 mn yen | |
| Total assets | 348,673 mn yen | 354,740 mn yen | |
| Total net assets | 179,115 mn yen | 179,202 mn yen | |
| Total net assets/unit (BPS) | 102,314 yen | 102,363 yen | Total net assets/Total units outstanding |
| Unit price (as of end of each period) | 138,900 yen | 137,100 yen | |
| Total units outstanding | 1,750,640 units | 1,750,640 units | |
| Total dividends | 4,569 mn yen | 4,654 mn yen | |
| Dividends/unit | 2,610 yen | 2,659 yen | |
| Dividend yield | 3.8% | 3.8% | Dividends per unit (annualized)/Unit price as of end of period |
| FFO | 5,343 mn yen | 5,688 mn yen | Net income + Depreciation and amortization - Gain or loss on sales of real estate properties |
| FFO/unit | 3,052 yen | 3,249 yen | FFO/Total units outstanding |
| Annualized | 6,154 yen | 6,445 yen | Based on a period of 365 days |
| FFO multiple | 22.6x | 21.3x | Unit price as of end of period/FFO per unit (annualized) |
| PER | 25.4x | 26.0x | Unit price as of end of period/Net income per unit (average during the periods, annualized) |
| PBR | 1.4x | 1.3x | Unit price as of end of period/Net assets per unit |
| ROA | 1.4% | 1.3% | Ordinary income/Average of total assets during the period |
| Annualized | 2.7% | 2.6% | Based on a period of 365 days |
| ROE | 2.7% | 2.6% | Net income/Average of total net assets during the period |
| Annualized | 5.4% | 5.2% | Based on a period of 365 days |
| NAV | 201,137 mn yen | 205,923 mn yen | Total net assets + Total appraisal value - Total book value - Total liabilities |
| NAV/unit | 114,893 yen | 117,627 yen | |
| NAV multiple | 1.2x | 1.2x | Unit price as of end of period/NAV per unit |
| Interest-bearing debt | 156,022 mn yen | 161,222 mn yen | |
| LTV (book value basis) | 44.7% | 45.4% | Interest-bearing debt/Total assets |
| LTV (appraisal value basis) | 42.1% | 42.3% | Interest-bearing debt/(Total assets + Total appraisal value - Total book value) |
| Operating days | 181 days | 184 days | |

5-2 Balance sheet

(thousand yen)

| | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 |
|-------------------------------|---|---|
| Assets | | |
| Current assets | 17,591,985 | 10,038,101 |
| Cash and deposits | 9,609,786 | 1,475,138 |
| Cash and deposits in trust | 7,321,280 | 7,596,522 |
| Other | 660,917 | 966,439 |
| Noncurrent assets | 330,895,097 | 344,551,694 |
| Property, plant and equipment | 299,414,737 | 313,071,395 |
| Intangible assets | 30,654,927 | 30,653,917 |
| Investments and other assets | 825,432 | 826,381 |
| Deferred assets | 186,550 | 150,953 |
| Total assets | 348,673,632 | 354,740,749 |

(thousand yen)

| | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 |
|---|---|---|
| Liabilities | | |
| Current liabilities | 19,335,284 | 25,117,041 |
| Current portion of investment corporation bonds | 5,000,000 | 3,000,000 |
| Current portion of long-term loans payable | 12,600,000 | 20,500,000 |
| Other | 1,735,284 | 1,617,041 |
| Noncurrent liabilities | 150,222,930 | 150,421,579 |
| Investment corporation bonds | 25,000,000 | 25,000,000 |
| Long-term loans payable | 113,422,000 | 112,722,000 |
| Lease and guarantee deposited in trust | 11,800,930 | 12,699,579 |
| Total liabilities | 169,558,214 | 175,538,621 |
| Net assets | | |
| Unitholders' equity | 179,115,418 | 179,202,125 |
| Unitholders' capital | 174,231,870 | 174,231,870 |
| Total surplus | 4,883,548 | 4,970,255 |
| Voluntary retained earnings | 105,244 | 291,944 |
| Unappropriated retained earnings | 4,778,304 | 4,678,311 |
| Valuation and translation adjustments | — | 1 |
| Deferred gains or losses on hedges | — | 1 |
| Total net assets | 179,115,418 | 179,202,127 |
| Total liabilities and net assets | 348,673,632 | 354,740,749 |

5-3 Income statement

(thousand yen)

| | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 | |
|--|---|---|--|
| Operating revenue | 8,491,973 | 8,495,797 | |
| Rent revenues | 7,853,452 | 8,284,596 | Office 6,822,002 Residential 740,601 Retail 87,441 Land 629,400 Other rent revenue 5,150 |
| Other operating revenues | 225,208 | 211,201 | |
| Gain on sales of real estate properties | 413,312 | — | |
| Operating expenses | 3,096,102 | 3,208,795 | |
| Expenses related to properties | 2,788,717 | 2,910,598 | Parking revenue 48,740 Utilities and other revenue 161,900 Cancellation penalty 502 Key-money income 57 |
| Asset management fee | 201,529 | 201,565 | |
| Directors' compensation | 5,200 | 4,200 | |
| Asset custody fee | 8,727 | 8,716 | |
| Administrative service fees | 19,899 | 19,264 | |
| Other operating expenses | 72,028 | 64,449 | Property management fees 980,712 Property taxes 555,906 Utilities 136,588 Maintenance and repairs 55,682 Insurance premium 15,597 Custodian fees 5,811 Depreciation 1,032,357 Rent expenses 112,673 Other lease business expenses 15,268 |
| Operating income | 5,395,871 | 5,287,002 | |
| Non-operating income | 919 | 1,649 | |
| Interest income | 58 | 67 | |
| Gain on forfeiture of unclaimed dividends | 861 | 1,549 | |
| Other | — | 32 | |
| Non-operating expenses | 640,124 | 631,420 | |
| Interest expenses | 316,623 | 329,221 | |
| Interest expenses on investment corporation bonds | 92,264 | 93,013 | |
| Amortization of investment corporation bonds issuance cost | 14,073 | 14,185 | |
| Borrowing expenses | 166,568 | 171,628 | |
| Amortization of investment unit issuance cost | 48,664 | 21,411 | |
| Other | 1,930 | 1,960 | |
| Ordinary income | 4,756,667 | 4,657,232 | |
| Income before income taxes | 4,756,667 | 4,657,232 | |
| Net income | 4,755,870 | 4,655,877 | |
| Unappropriated retained earnings | 4,778,304 | 4,678,311 | |

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

| | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 |
|--|---|---|
| Net cash provided by (used in) operating activities | 7,117,018 | 5,263,334 |
| Income before income taxes | 4,756,667 | 4,657,232 |
| Depreciation and amortization | 1,000,732 | 1,032,744 |
| Amortization of investment corporation bonds issuance cost | 14,073 | 14,185 |
| Amortization of investment unit issuance cost | 48,664 | 21,411 |
| Interest income | △ 58 | △ 67 |
| Gain on forfeiture of unclaimed dividends | △ 861 | △ 1,549 |
| Interest expenses | 408,887 | 422,234 |
| Decrease (increase) in accounts receivable | △ 145,505 | △ 294,041 |
| Increase (decrease) in accounts payable | △ 211,999 | △ 191,605 |
| Increase (decrease) in accrued expenses | △ 36,811 | 840 |
| Increase (decrease) in advances received | △ 31,409 | 31,127 |
| Decrease (increase) in prepaid expenses | 131,343 | △ 15,966 |
| Decrease in property, plant and equipment in trust due to sale | 1,608,849 | — |
| Other, net | △ 3,408 | 12,557 |
| Subtotal | 7,539,164 | 5,689,102 |
| Interest income received | 58 | 67 |
| Interest expenses paid | △ 408,061 | △ 425,229 |
| Income taxes paid | △ 14,143 | △ 606 |
| Net cash provided by (used in) investing activities | △ 686,980 | △ 13,754,595 |
| Purchase of property, plant and equipment in trust | △ 405,638 | △ 14,653,244 |
| Repayments of lease and guarantee deposited in trust | △ 780,144 | △ 31,978 |
| Proceeds from lease and guarantee deposited in trust | 498,801 | 930,628 |

(thousand yen)

| | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 |
|--|---|---|
| Net cash provided by (used in) financing activities | △ 4,556,105 | 631,854 |
| Proceeds from long-term loans payable | — | 9,800,000 |
| Repayments of long-term loans payable | △ 1,978,000 | △ 2,600,000 |
| Proceeds from issuance of investment corporation bonds | 1,983,845 | — |
| Redemption of investment corporation bonds | — | △ 2,000,000 |
| Dividends paid | △ 4,561,951 | △ 4,568,145 |
| Net increase (decrease) in cash and cash equivalents | 1,873,931 | △ 7,859,405 |
| Cash and cash equivalents at beginning of the period | 15,057,135 | 16,931,067 |
| Cash and cash equivalents at the end of the period | 16,931,067 | 9,071,661 |

Retained earnings

(yen)

| | 22nd period Period ended Jul. 31, 2017 | 23rd period Period ended Jan. 31, 2018 |
|---|---|---|
| I Unappropriated retained earnings | 4,778,304,094 | 4,678,311,114 |
| II Reversal of voluntary retained earnings | | |
| Reversal of reserve for special account for reduction entry | — | 186,700,069 |
| III Total dividends | 4,569,170,400 | 4,654,951,760 |
| Dividends per unit | 2,610 | 2,659 |
| IV Voluntary retained earnings | | |
| Reserve for special account for reduction entry | 186,700,069 | — |
| Reserve for reduction entry | — | 186,700,069 |
| V Retained earnings carried forward | 22,433,625 | 23,359,354 |

5-5 Status of income and expenditures (1)

(thousand yen)

| Property number | O-0 | | | O-1 | | | O-4 | | | O-6 | | |
|--|---------------------------|-------------------|------------|-------------------|-------------------|------------|----------------------|-------------------|------------|-----------------------|-------------------|------------|
| Property name | Roppongi Hills Mori Tower | | | ARK Mori Building | | | Koraku Mori Building | | | Akasaka Tameike Tower | | |
| Acquisition price | 115,380,000 | | | 62,480,000 | | | 27,200,000 | | | 43,930,000 | | |
| Period | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference |
| Operation days | 181 days | 184 days | 3 days | 181 days | 184 days | 3 days | 181 days | 184 days | 3 days | 181 days | 184 days | 3 days |
| Occupancy rate | 100% | 100% | 0.0PT | 100% | 100% | 0.0PT | 97.6% | 97.6% | 0.0PT | 94.0% | 95.4% | 1.4PT |
| Avg. Occupancy rate (during period) | 100% | 100% | 0.0PT | 100% | 100% | 0.0PT | 94.5% | 97.6% | 3.1PT | 91.4% | 94.4% | 3.0PT |
| Number of tenants | 1 | 1 | 0 | 1 | 1 | 0 | 22 | 22 | 0 | 134 | 136 | 2 |
| Rent revenues | 2,943,450 | 2,943,450 | — | 1,351,486 | 1,351,486 | — | 605,650 | 630,403 | 24,753 | 699,002 | 726,325 | 27,323 |
| Other operating revenues | — | — | — | — | — | — | 131,006 | 92,597 | △ 38,409 | 74,049 | 79,325 | 5,275 |
| Total property operating revenue | 2,943,450 | 2,943,450 | — | 1,351,486 | 1,351,486 | — | 736,656 | 723,000 | △ 13,656 | 773,051 | 805,650 | 32,599 |
| Property management | 412,351 | 412,351 | — | 181,872 | 181,872 | — | 71,730 | 60,418 | △ 11,312 | 160,855 | 163,544 | 2,689 |
| Property taxes (Note 1) | 178,071 | 221,761 | 43,689 | 73,601 | 74,177 | 576 | 32,894 | 30,669 | △ 2,225 | 41,710 | 41,705 | △ 4 |
| Utilities | — | — | — | — | — | — | 66,433 | 72,608 | 6,175 | 24,901 | 28,329 | 3,427 |
| Maintenance and repairs | — | — | — | — | 370 | 370 | 17,938 | 19,756 | 1,818 | 34,786 | 27,729 | △ 7,056 |
| Insurance premium | 4,053 | 4,179 | 126 | 1,882 | 1,873 | △ 9 | 1,720 | 1,714 | △ 6 | 2,010 | 2,027 | 17 |
| Depreciation (1) | 444,416 | 437,774 | △ 6,641 | 59,973 | 60,214 | 241 | 97,560 | 97,048 | △ 512 | 135,206 | 136,517 | 1,311 |
| Other expenses (Note 2) | 377 | 377 | 0 | 3,297 | 2,795 | △ 502 | 75,376 | 75,412 | 36 | 11,695 | 11,082 | △ 612 |
| Total property operating expenses | 1,039,269 | 1,076,445 | 37,175 | 320,627 | 321,302 | 675 | 363,654 | 357,627 | △ 6,026 | 411,165 | 410,937 | △ 228 |
| Property operating income (2) | 1,904,180 | 1,867,005 | △ 37,175 | 1,030,859 | 1,030,184 | △ 675 | 373,002 | 365,372 | △ 7,629 | 361,885 | 394,712 | 32,827 |
| NOI (3) ((1)+(2)) | 2,348,596 | 2,304,780 | △ 43,816 | 1,090,832 | 1,090,399 | △ 433 | 470,563 | 462,421 | △ 8,142 | 497,092 | 531,230 | 34,138 |
| Annualized NOI | 4,736,120 | 4,571,982 | △ 164,137 | 2,199,745 | 2,163,019 | △ 36,726 | 948,925 | 917,302 | △ 31,622 | 1,002,423 | 1,053,799 | 51,376 |
| Annualized NOI/ Acquisition price | 4.1% | 4.0% | △ 0.1PT | 3.5% | 3.5% | △ 0.1PT | 3.5% | 3.4% | △ 0.1PT | 2.3% | 2.4% | 0.1PT |
| CAPEX (4) | 129,568 | 15,597 | △ 113,971 | 32,918 | 11,782 | △ 21,136 | 56,386 | 71,907 | 15,521 | 48,436 | 45,024 | △ 3,411 |
| NCF (3)-(4) | 2,219,028 | 2,289,183 | 70,155 | 1,057,914 | 1,078,616 | 20,702 | 414,176 | 390,513 | △ 23,663 | 448,655 | 486,205 | 37,550 |

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

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

(Note 3) Property disposed during the relevant period. "Annualized NOI/ Acquisition price" was calculated by taking into consideration the changes in acquisition price during the relevant period.

"Annualized NOI" denotes the value which is based on the acquisition price as of the end of the relevant period.

5-6 Status of income and expenditures (2)

(thousand yen)

| Property number | O-7 | | | O-8 | | | O-9 | | | O-10 | | |
|--|-------------------|-------------------|------------|-----------------------|-------------------|------------|----------------------------|----------------------------|------------|--------------------------|----------------------------|------------|
| Property name | Atago Green Hills | | | ARK Hills South Tower | | | Toranomon Hills Mori Tower | | | Holland Hills Mori Tower | | |
| Acquisition price | 42,090,000 | | | 19,150,000 | | | 5,070,000 | | | 9,330,000 | | |
| Period | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd (Note 3) Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd (Note 3) Jan. 2018 | Difference |
| Operation days | 181 days | 184 days | 3 days | 181 days | 184 days | 3 days | — | 184 days | 184 days | — | 184 days | 184 days |
| Occupancy rate | 100% | 100% | 0.0PT | 73.8% | 92.8% | 19.0PT | — | 100% | 100PT | — | 96.3% | 96.3PT |
| Avg. Occupancy rate (during period) | 100% | 100% | 0.0PT | 68.4% | 87.9% | 19.5PT | — | 100% | 100PT | — | 98.8% | 98.8PT |
| Number of tenants | 1 | 1 | 0 | 36 | 39 | 3 | — | 1 | 1 | — | 23 | 23 |
| Rent revenues | 1,062,042 | 1,012,320 | △ 49,722 | 334,011 | 419,036 | 85,025 | — | 108,581 | 108,581 | — | 288,486 | 288,486 |
| Other operating revenues | — | — | — | 18,396 | 25,844 | 7,448 | — | — | — | — | 13,234 | 13,234 |
| Total property operating revenue | 1,062,042 | 1,012,320 | △ 49,722 | 352,407 | 444,881 | 92,474 | — | 108,581 | 108,581 | — | 301,721 | 301,721 |
| Property management | 2,664 | 2,664 | — | 72,138 | 60,749 | △ 11,388 | — | 12,652 | 12,652 | — | 59,560 | 59,560 |
| Property taxes (Note 1) | 69,124 | 68,889 | △ 235 | 33,360 | 32,741 | △ 619 | — | — | — | — | — | — |
| Utilities | — | — | — | 23,866 | 29,824 | 5,957 | — | — | — | — | 3,559 | 3,559 |
| Maintenance and repairs | — | — | — | 1,806 | 2,214 | 407 | — | — | — | — | 399 | 399 |
| Insurance premium | 3,436 | 3,426 | △ 9 | 1,055 | 1,048 | △ 7 | — | 174 | 174 | — | 565 | 565 |
| Depreciation (1) | 183,263 | 183,660 | 397 | 44,120 | 44,142 | 21 | — | 16,537 | 16,537 | — | 27,453 | 27,453 |
| Other expenses (Note 2) | 37,825 | 37,825 | △ 0 | 1,481 | 1,621 | 139 | — | 9 | 9 | — | 117 | 117 |
| Total property operating expenses | 296,313 | 296,465 | 151 | 177,830 | 172,341 | △ 5,489 | — | 29,374 | 29,374 | — | 91,657 | 91,657 |
| Property operating income (2) | 765,729 | 715,854 | △ 49,874 | 174,577 | 272,540 | 97,963 | — | 79,206 | 79,206 | — | 210,064 | 210,064 |
| NOI (3) ((1)+(2)) | 948,992 | 899,515 | △ 49,477 | 218,697 | 316,682 | 97,985 | — | 95,744 | 95,744 | — | 237,517 | 237,517 |
| Annualized NOI | 1,913,714 | 1,784,364 | △ 129,349 | 441,020 | 628,202 | 187,182 | — | 189,928 | 189,928 | — | 471,162 | 471,162 |
| Annualized NOI/ Acquisition price | 4.5% | 4.2% | △ 0.3PT | 2.3% | 3.3% | 1.0PT | — | 3.7% | 3.7PT | — | 5.0% | 5.0PT |
| CAPEX (4) | 32,713 | 11,765 | △ 20,947 | 1,313 | 1,900 | 586 | — | 0 | 0 | — | 6,012 | 6,012 |
| NCF (3)-(4) | 916,279 | 887,749 | △ 28,529 | 217,384 | 314,782 | 97,398 | — | 95,744 | 95,744 | — | 231,504 | 231,504 |

5-7 Status of income and expenditures (3)

(thousand yen)

| Property number | R-1 | | | R-3 | | | R-4 | | |
|--|---------------------------------|-------------------|------------|----------------------|-------------------|------------|---------------------|-------------------|------------|
| Property name | Moto-Azabu Hills | | | Roppongi First Plaza | | | Roppongi View Tower | | |
| Acquisition price | -(before disposition 1,706,440) | | | 2,100,000 | | | 4,000,000 | | |
| Period | 22nd (Note 3) Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference |
| Operation days | 180 days | — | △ 180 days | 181 days | 184 days | 3 days | 181 days | 184 days | 3 days |
| Occupancy rate | — | — | — | 100% | 98.3% | △ 1.7PT | 93.3% | 95.8% | 2.5PT |
| Avg. Occupancy rate (during period) | 86.9% | — | △ 86.9PT | 97.6% | 96.3% | △ 1.3PT | 94.1% | 93.9% | △ 0.2PT |
| Number of tenants | — | — | — | 42 | 41 | △ 1 | 86 | 88 | 2 |
| Rent revenues | 56,581 | — | △ 56,581 | 77,965 | 79,990 | 2,025 | 93,862 | 95,114 | 1,251 |
| Other operating revenues | 1,596 | — | △ 1,596 | — | — | — | 160 | 200 | 40 |
| Total property operating revenue | 58,178 | — | △ 58,178 | 77,965 | 79,990 | 2,025 | 94,022 | 95,314 | 1,291 |
| Property management | 8,176 | — | △ 8,176 | 13,229 | 13,229 | 0 | 13,572 | 13,669 | 96 |
| Property taxes (Note 1) | 2,282 | — | △ 2,282 | 7,126 | 7,126 | △ 0 | 10,870 | 10,879 | 9 |
| Utilities | 57 | — | △ 57 | 1,002 | 1,251 | 249 | 910 | 1,015 | 104 |
| Maintenance and repairs | 2,427 | — | △ 2,427 | 6,615 | 4,191 | △ 2,424 | 434 | 1,020 | 585 |
| Insurance premium | 247 | — | △ 247 | 245 | 235 | △ 10 | 332 | 352 | 19 |
| Depreciation (1) | 7,109 | — | △ 7,109 | 12,456 | 12,414 | △ 41 | 16,238 | 16,592 | 354 |
| Other expenses (Note 2) | 4,197 | — | △ 4,197 | 3,773 | 3,820 | 47 | 591 | 690 | 99 |
| Total property operating expenses | 24,498 | — | △ 24,498 | 44,450 | 42,271 | △ 2,178 | 42,950 | 44,219 | 1,269 |
| Property operating income (2) | 33,680 | — | △ 33,680 | 33,514 | 37,719 | 4,204 | 51,072 | 51,094 | 22 |
| NOI (3) ((1)+(2)) | 40,789 | — | △ 40,789 | 45,971 | 50,134 | 4,162 | 67,311 | 67,687 | 376 |
| Annualized NOI | — | — | — | 92,704 | 99,451 | 6,746 | 135,737 | 134,271 | △ 1,465 |
| Annualized NOI/ Acquisition price | 4.8% | — | △ 4.8PT | 4.4% | 4.7% | 0.3PT | 3.4% | 3.4% | △ 0.0PT |
| CAPEX (4) | — | — | — | 2,636 | 1,181 | △ 1,454 | 39,844 | 24,304 | △ 15,540 |
| NCF (3)-(4) | 40,789 | — | △ 40,789 | 43,335 | 48,952 | 5,617 | 27,466 | 43,383 | 15,917 |

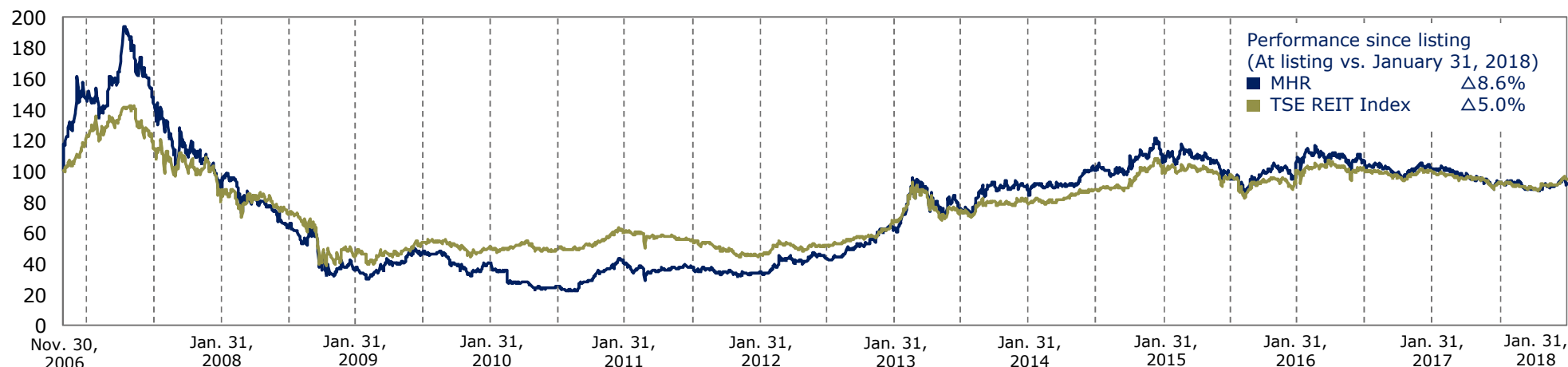
5-8 Status of income and expenditures (4)

(thousand yen)

| Property number | S-1 | | | Portfolio total | | |
|--|-------------------------|-------------------|------------|---|----------------------------|------------|
| Property name | Laforet Harajuku (Land) | | | | | |
| Acquisition price | 21,820,000 | | | 352,550,000 (before transactions 339,856,440) | | |
| Period | 22nd Jul. 2017 | 23rd Jan. 2018 | Difference | 22nd (Note 3) Jul. 2017 | 23rd (Note 3) Jan. 2018 | Difference |
| Operation days | 181 days | 184 days | 3 days | 181 days | 184 days | 3 days |
| Occupancy rate | 100% | 100% | 0.0PT | 97.2% | 98.5% | 1.3PT |
| Avg. Occupancy rate (during period) | 100% | 100% | 0.0PT | 96.1% | 98.1% | 2.0PT |
| Number of tenants | 1 | 1 | 0 | 324 | 354 | 30 |
| Rent revenues | 629,400 | 629,400 | — | 7,853,452 | 8,284,596 | 431,143 |
| Other operating revenues | — | — | — | 225,208 | 211,201 | △ 14,007 |
| Total property operating revenue | 629,400 | 629,400 | — | 8,078,661 | 8,495,797 | 417,136 |
| Property management | — | — | — | 936,590 | 980,712 | 44,122 |
| Property taxes (Note 1) | 67,957 | 67,956 | △ 1 | 516,999 | 555,906 | 38,907 |
| Utilities | — | — | — | 117,171 | 136,588 | 19,417 |
| Maintenance and repairs | — | — | — | 64,009 | 55,682 | △ 8,327 |
| Insurance premium | — | — | — | 14,985 | 15,597 | 612 |
| Depreciation (1) | — | — | — | 1,000,345 | 1,032,357 | 32,012 |
| Other expenses (Note 2) | — | — | — | 138,616 | 133,753 | △ 4,863 |
| Total property operating expenses | 67,957 | 67,956 | △ 1 | 2,788,717 | 2,910,598 | 121,880 |
| Property operating income (2) | 561,442 | 561,444 | 1 | 5,289,944 | 5,585,199 | 295,255 |
| NOI (3) ((1)+(2)) | 561,442 | 561,444 | 1 | 6,290,289 | 6,617,557 | 327,267 |
| Annualized NOI | 1,132,190 | 1,113,734 | △ 18,456 | 12,621,496 | 13,127,219 | 505,722 |
| Annualized NOI/ Acquisition price | 5.2% | 5.1% | △ 0.1PT | 3.7% | 3.7% | △ 0.0PT |
| CAPEX (4) | — | — | — | 343,817 | 189,475 | △ 154,342 |
| NCF (3)-(4) | 561,442 | 561,444 | 1 | 5,946,472 | 6,428,082 | 481,609 |

5-9 Unit price performance since IPO

Relative price performance (Since IPO~January 31, 2018)



(Source) Prepared by the Asset Manager based on Thomson Reuters.
 (Note) Rebased to 100 as per IPO price

Unit price per period-end (closing price)

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

| Accounting period | Unit price |
|---------------------|-------------|
| 11th (January 2012) | 252,200 yen |
| 12th (July 2012) | 330,500 yen |
| 13th (January 2013) | 485,000 yen |
| 14th (July 2013) | 548,000 yen |
| 15th (January 2014) | 135,900 yen |
| 16th (July 2014) | 151,100 yen |
| 17th (January 2015) | 166,600 yen |
| 18th (July 2015) | 145,300 yen |
| 19th (January 2016) | 152,100 yen |
| 20th (July 2016) | 160,500 yen |

| Accounting period | Unit price |
|---------------------|-------------|
| 21st (January 2017) | 153,500 yen |
| 22nd (July 2017) | 138,900 yen |
| 23rd (January 2018) | 137,100 yen |

(Reference)

| | |
|--|------------------------------|
| IPO Price (November 30, 2006) (Split adjusted) | 750,000 yen (150,000 yen) |
|--|------------------------------|

| | |
|---|--------------------------------|
| High (May 8, 2007: in trade) (Split adjusted) | 1,460,000 yen (292,000 yen) |
|---|--------------------------------|

| | |
|--|-----------------------------|
| Low (August 12, 2010: in trade) (Split adjusted) | 168,200 yen (33,640 yen) |
|--|-----------------------------|

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

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

Investments focusing on Premium Properties

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

| Focus on Premium Properties |
|--|
| <p>Premium properties</p> <p>50% or more</p> <p>〈Office buildings〉 〈Residential properties〉 〈Retail facilities〉</p> |

Premium Properties

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

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

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

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

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

| Office building focus |
|--|
| <p>Office building</p> <p>50% or more</p> |

| Tokyo's five central wards focus |
|--|
| <p>Tokyo's five central wards and their vicinity</p> <p>50% or more</p> <p>(Tokyo Metropolitan Area: 80% or more)</p> |

| Earthquake-resistance focus |
|--|
| <p>Investment focused on properties' earthquake resistance, the safety of the area, disaster countermeasures, etc.</p> |

Approach and system of sustainability

MHR and its Asset Manager, Mori Building Investment Management Co., Ltd. (MIM), aim to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by emphasizing ESG (Environment, Social and Governance) and investing in high-quality urban assets while endeavoring to improve various environmental and social matters.

Our operations connected to sustainability will be promoted primarily by the Sustainability Committee to be established by MIM. Under the supervision of the President & CEO, various initiatives are implemented based on the Sustainability Promotion Program which is conducted every fiscal year.

Environment initiatives

MHR places great value on the concept of "Vertical Garden City" of Mori Building Group's urban development and transact real estate investment management with consideration for the environment.

<Environmental policies>

1. Increasing greenery and biodiversity

We create surface microenvironments where humans live in harmony with nature and which provide spaces that excel in biodiversity and are rich in vibrant greenery. We seek to foster environmental communities through these spaces.

2. Climate change

We aim to match compact cities incorporating multifaceted urban functions with the various high energy-efficient systems to realize cities with optimal environmental efficiency. Through comprehensive and high-quality management of the areas, we will continue our efforts to reduce carbon emissions and engage in initiatives to counter global warming and climate change.

3. Resource recycling and anti-pollution measures

We promote the 3R activities (reduce, reuse and recycle) for water resources, waste, materials to reduce the burden on the environment. We aim for the formation of recycling-oriented cities as well as observe environment-related laws and regulations, and thorough measures against pollution.

4. Collaborating with Suppliers

With respect to the environmental performance of assets under management, various measures such as additional environmental countermeasures are examined and monitored based on reports from the PM company. External relative environmental performance evaluation is also carried out through the GRESB real estate evaluation and other measures.

○ Toranomon Hills certified as "SEGES (Social and Environmental Green Evaluation System): Urban Oasis 2017"

SEGES (Social and Environmental Green Evaluation System) is a system to evaluate and certify outstanding efforts of companies which contribute to society and the environment through the protection and nurturing of green space.



"Oval Plaza" garden

Social Initiatives

We aim to contribute to the realization of a sustainable society by actively encouraging interactive communication to cooperate and strengthen relations with various stakeholders such as tenants, local residents, property management companies and our sponsor Mori Building.

<Social policies>

1. Initiatives with Tenants and Local Communities

We aim to provide safe, convenient and comfortable spaces to our tenants. We will emphasize BCP (business continuity planning) through enhancing tangible aspects such as earthquake resistance performance and emergency power supply as well as intangible aspects such as administrative structure for disasters. Additionally, in working on cooperation with local communities we aim to enhance relationships, revitalize the entire region and maintain and improve asset value.

2. Initiatives with Employees

We respect human rights and it is our policy to not discriminate against employees based on their beliefs, religion, age, gender, origin, mental and physical disabilities, etc. We will work to establish a diversity-oriented working environment where our human resources can be engaged. We will introduce multifaceted systems and measures so that each and every employee with diverse lifestyles and values can maximize their abilities and continue their career in a healthy and safe manner as they themselves grow.

3. Initiatives with Investors

It is our policy to make fair and accurate disclosure of information in a timely manner that contributes to investment decisions. We communicate policies and management conditions to unitholders to establish a long-term relationship based on trust while actively seeking bi-directional communication by incorporating the opinions of unitholders into our business activities.

○ All Japanese Listed Companies' Website Ranking

Nikko Investor Relations Co., Ltd. announces a valuation of websites of all listed companies by investigating the degree of information disclosure based on objective evaluation criteria from its unique perspective. The website of MHR won the "Highest grade: AAA Website" ranking for the third consecutive year.

"AAA Website" in 2017

"AAA Website" in 2016

"AAA Website" in 2015



Governance Initiatives

We are contributing to the realization of a sustainable society and aim to maximize unitholder value over the medium to long term. We work on building fair and effective corporate governance and strive to enhance internal control through thorough compliance and risk management based on an appropriate compliance and internal control structure.

<Governance policies>

1. Corporate Governance

We aim to maximize unitholder value over the medium to long term by contributing to the realization of a sustainable society. We believe that it is absolutely imperative to remain a company that is trusted by society. Therefore, we work on building fair and effective corporate governance and strive to enhance internal control through comprehensive compliance and risk management based on an exacting compliance and internal control structure.

2. Compliance

We are well aware that failure to ensure compliance could diminish our public confidence and business base. By firmly acknowledging this fact, we strive for thorough compliance, holding to high ethical standards in our operations, and complying with various laws and ordinances.

3. Risk Management

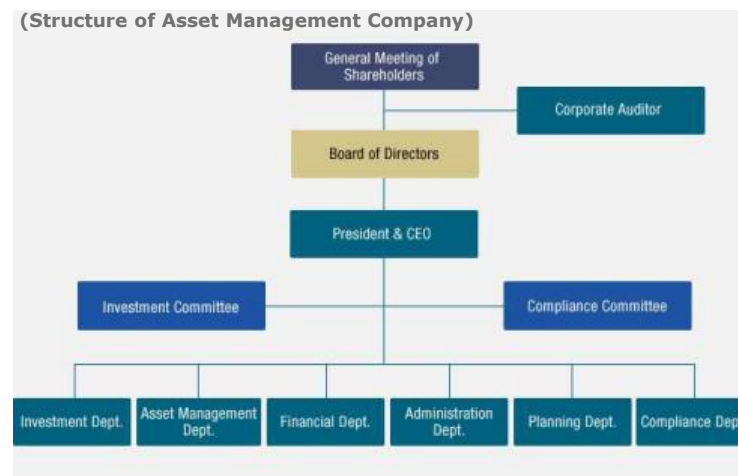
We are well aware that various risks in business execution may undermine our corporate value. We identify risks according to changes in public perceptions and the business environment, and we implement appropriate monitoring and responses to prevent and minimize damage at the time of occurrence of the incident.

○ Corporate Governance and Structure of Asset Management

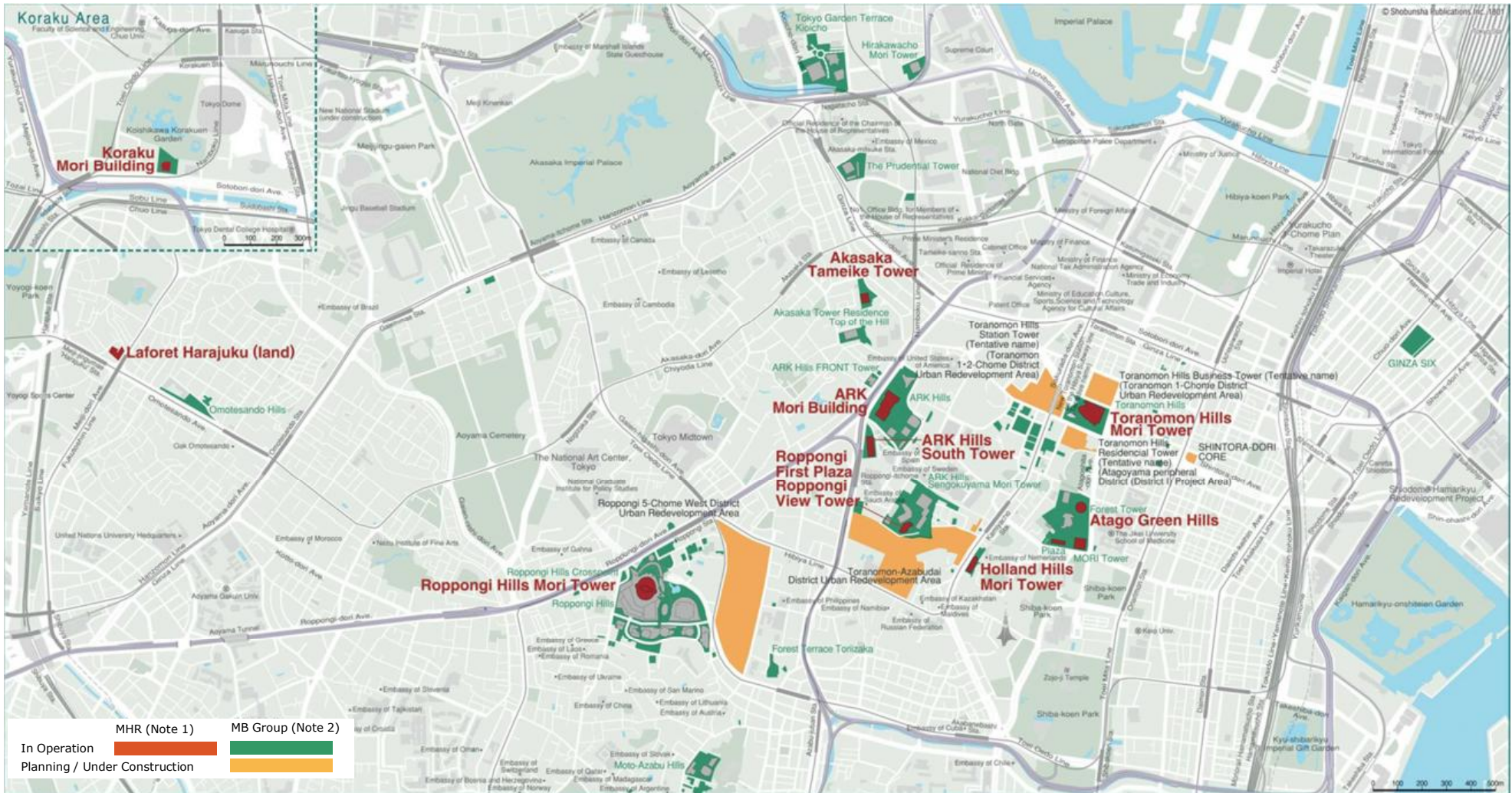
MHR shall have at least one executive director and at least two supervisory directors (or, at least one more than the number of the executive directors), and the board of directors shall be comprised of the executive directors and supervisory directors.

In addition to a general meeting of unitholders, which shall be composed of unitholders, MHR's structure consists of one executive director, two supervisory directors, the board of directors and an accounting auditor. MHR entrusts the management of its assets to the asset manager.

The asset manager shall perform its business in good faith and with the due care of a prudent manager for MHR in line with the purpose of the investment management business, and will use its efforts to prevent any negative impact from transactions involving conflicts of interest and carry out strict compliance.



5-14 Portfolio Map (As of March 1, 2018)














(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2018."

(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 March 1, 2018)

| Type | Office building | | | | | | Office building (Partly residential) | | | | Residential | | Retail | |
|---------------------------------------|---|---|---|---|--|---|---|---|------------------------------|-----------------------------|---|---|---|-----------|
| Property name | Roppongi Hills Mori Tower | ARK Mori Building | Koraku Mori Building | ARK Hills South Tower | Toranomon Hills Mori Tower | Holland Hills Mori Tower | Akasaka Tameike Tower | Atago Green Hills | | | Roppongi First Plaza | Roppongi View Tower | Laforet Harajuku (Land) | |
| | O-0 | O-1 | O-4 | O-8 | O-9 | O-10 | O-6 | MORI Tower | Forest Tower | Plaza | R-3 | R-4 | S-1 | |
| Photo |  |  |  |  |  |  |  |  | | |  |  |  | |
| Premium | Premium | Premium | Premium | Premium | Premium | Premium | Premium | Premium | | | Premium | - | Premium | |
| Location | Roppongi, Minato-ku, Tokyo | Akasaka, Minato-ku, Tokyo | Koraku, Bunkyo-ku, Tokyo | Roppongi, Minato-ku, Tokyo | Toranomon, Minato-ku, Tokyo | Toranomon, Minato-ku, Tokyo | Akasaka, Minato-ku, Tokyo | Atago, Minato-ku, Tokyo | | Toranomon, Minato-ku, Tokyo | Roppongi, Minato-ku, Tokyo | | Jingumae, Shibuya-ku, Tokyo | |
| Completion | Apr. 2003 | Mar. 1986 (Large-scale renovation in 2005) | Mar. 2000 | Jul. 2013 | May. 2014 | Jan. 2005 | Sep. 2000 | Jul. 2001 | Oct. 2001 | Jul. 2001 | Oct. 1993 | | - | |
| Building age | 14 years 11 months | 31 years 11 months | 17 years 11 months | 4 years 7 months | 3 years 9 months | 13 years 1 month | 17 years 5 months | 16 years 7 months | 16 years 4 months | 16 years 7 months | 24 years 4 months | | - | |
| Total number of floors | 54 above ground, 6 below | 37 above ground, 4 below | 19 above ground, 6 below | 20 above ground, 4 below | 52 above ground, 5 below | 24 above ground, 2 below | 25 above ground, 2 below | 42 above ground, 2 below | 43 above ground, 4 below | 2 above ground, 1 below | 20 above ground, 1 below | | - | |
| Gross floor area | approx. 442,150m ² | approx. 177,486m ² | approx. 46,154m ² | approx. 53,043m ² | approx. 241,581m ² | approx. 35,076m ² | approx. 46,971m ² | approx. 85,266m ² | approx. 60,815m ² | approx. 2,083m ² | approx. 22,906m ² | | - | |
| Ownership (Note 1) | Land | Co-ownership (approx. 17.7%) | Co-ownership (approx. 10.9%) | Leased | Co-ownership (approx. 25%) | Co-ownership (approx. 3.6%) | Co-ownership (approx. 45.3%) | Co-ownership (approx. 56.4%) | Co-ownership (approx. 28.8%) | | | Co-ownership (approx. 47%) | Co-ownership (approx. 46%) | Ownership |
| | Building | Compartmentalized ownership (approx. 13.6%) | Compartmentalized ownership (approx. 17.9%) | Compartmentalized ownership (approx. 57.9%) | Co-ownership (approx. 25%) | Co-ownership (approx. 1.9%) | Compartmentalized ownership (approx. 34.9%) | Compartmentalized ownership (approx. 65.5%) | Co-ownership (approx. 32.9%) | | | Compartmentalized ownership (approx. 46.4%) | Compartmentalized ownership (approx. 44.7%) | - |
| PML (Note 2) | 0.59% | 0.78% | 0.73% | 1.56% | 0.50% | 0.85% | 1.79% | 2.35% | 2.34% | 5.94% | 2.20% | 2.20% | - | |
| Earthquake-resistant feature (Note 3) | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | Seismic Damping | - | - | - | |
| Acquisition price (mn yen) | 115,380 | 62,480 | 27,200 | 19,150 | 10,140 | 11,760 | 43,930 | 42,090 | | | 2,100 | 4,000 | 21,820 | |
| Occupancy rate (Note 4) | 100% | 100% | 97.6% | 92.8% | 100% | 96.3% | 95.4% | 100% | | | 98.3% | 95.8% | 100% | |

Average building age
18.0 years (Note 5)

Portfolio PML
0.97% (Note 2)

Total acquisition price
360,050 mn yen

5-15 Portfolio overview (Note)

- (Note 1) "Type of ownership" denotes the type of rights held by MHR or the Trustee. "Ownership" stands for ownership, "Co-ownership" stands for the ownership of beneficiary interests, "Compartmentalized ownership" denotes ownership and 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 August 18, 2017 by Sompo Japan Nipponkoa Risk Management Inc. (Presently, Sompo Risk Management & Health Care Inc.)
- (Note 3) ARK Mori Building adopts "slitwall" as earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of January 31, 2018.
- (Note 5) For calculation of the "Average building age" of Atago Green Hills, we have assumed that construction of the building was completed on July 30, 2001.