



# Mori Hills REIT Investment Corporation

Results of the 35th Fiscal Period ended January 31, 2024

Presentation Material

March 15, 2024



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

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

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

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Asset Management Company : Mori Building Investment Management Co., Ltd.  
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# 1. Executive summary

## Financial summary 35th period (Jan. 2024)

- Operating revenue: 11,176 million yen, operating income: 6,803 million yen, net income: 6,289 million yen
- DPU: 3,282 yen ( $\Delta 2.1\%$  from 34th period)  
Decreased period-over-period but maintained a high level thanks to gain on disposition
- NAV per unit: 161,825 yen ( $\Delta 0.2\%$  from 34th period)  
Decreased period-over-period due to the impact of the distribution of gain on disposition, etc.
- Disposed of a 7% ownership interest in Laforet Harajuku (Land) (a 1,373 million yen gain was realized on the disposition, all of this gain will be distributed)

## External growth

- While disposing of Laforet Harajuku (Land) over the medium to long term, new acquisitions will be made concurrently to further improve DPU.
- Premium properties in central Tokyo have maintained high occupancy rates by capturing the demand for headquarter offices of many blue-chip companies and are expected to demonstrate competitive advantages.

## Internal growth

- Even as office vacancy rates rise in central Tokyo, MHR's office occupancy rate for the 35th period maintained a high level of 99.0% due in part to the excellent location and quality of the properties.
- Although the occupancy rates and rents for several pass-through-type offices have weakened, these properties account for only a small portion of the entire portfolio and thus the impact was minimal.
- The residential occupancy rate for the 35th period was 96.4%, and continues to maintain a high level.

## Financial management

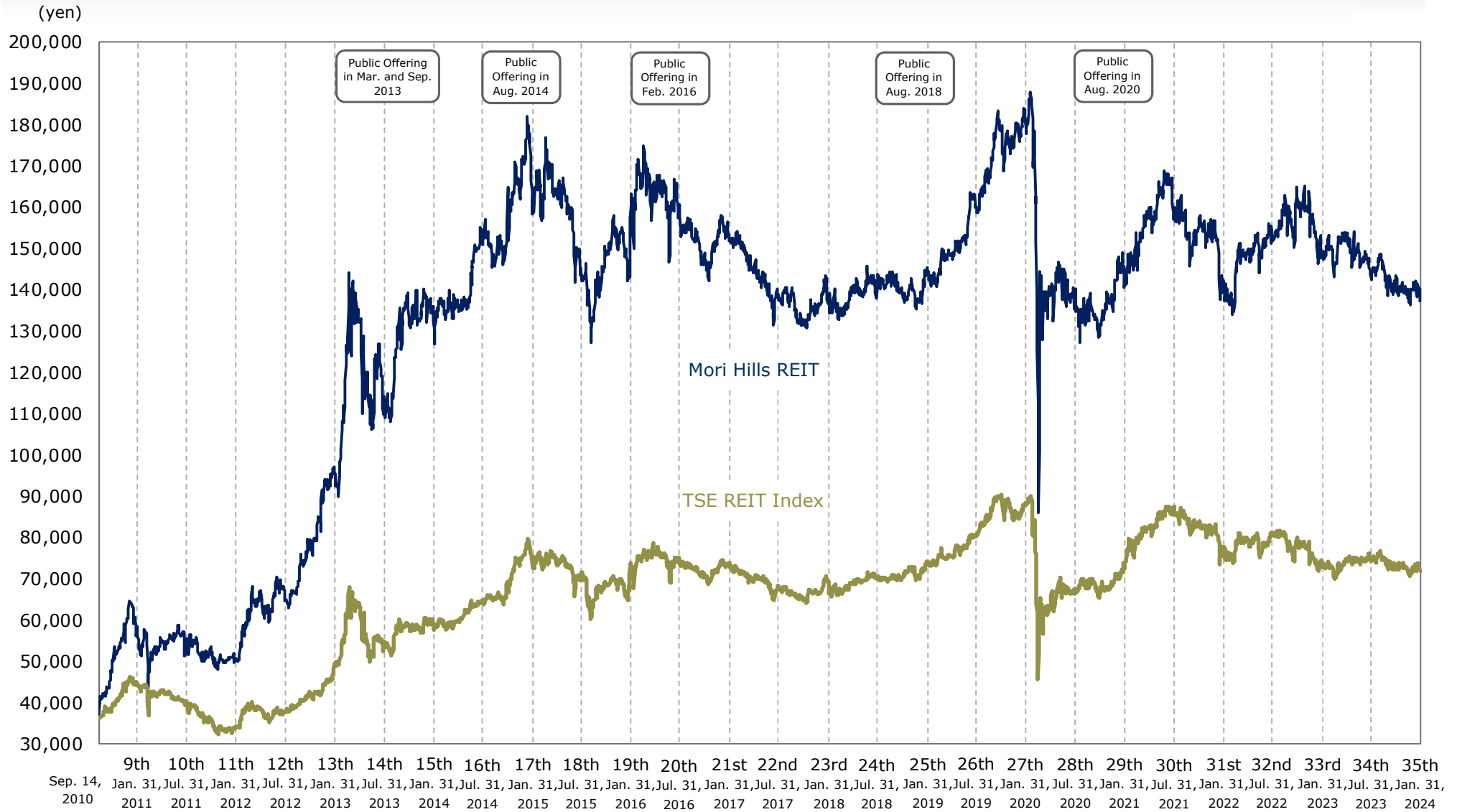
- As of the end of the 35th period, MHR maintained the target level by book-value-basis LTV: 46.1%, appraisal-value-basis LTV: 36.7%, and remaining duration of debt: 4.0 years.
- MHR also maintained a credit rating (JCR) of AA (stable).

## 2. Investment highlights

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# 2-1 Unit price performance



**Market value** **41.9 bn yen**  
(Sep. 14, 2010)

**262.9 bn yen**  
(Jan. 31, 2024)

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



## 2-2 Financial results

**MHR experienced decreased revenue and income in the 35th period. DPU was maintained at a high level thanks to gain on disposition.**

- Disposed of a 7% ownership interest in Laforet Harajuku (Land). There were no new acquisitions of properties and thus MHR was not able to utilize the special tax treatment for property replacement, therefore DPU increased compared to the forecast due to the distribution of the entire amount of 1,373 million yen of gain on disposition.
- Owned properties boast excellent location and quality, therefore high occupancy rates were maintained for both offices and residences.

	34th period	35th period		35th period
	Jul. 31, 2023	Jan. 31, 2024		Jan. 31, 2024
	Actual	Actual	Difference	Forecasted
<b>Operating Highlights (million yen)</b>				
Operating revenue	11,215	11,176	△ 38	11,163
Rent revenues	9,625	9,538	△ 86	9,544
Other operating revenues	213	264	+ 51	244
Gain on sales of real estate properties	1,376	1,373	△ 2	1,373
Operating expenses	4,259	4,373	+ 113	4,297
Expenses related to properties	3,516	3,628	+ 111	3,546
SG&A	742	744	+ 2	751
Operating income	6,955	6,803	△ 152	6,865
Non-operating income	1	1	+ 0	1
Non-operating expenses	531	513	△ 18	518
Ordinary income	6,424	6,291	△ 133	6,348
Net income	6,423	6,289	△ 133	6,346
Reserve for reduction entry	—	—	—	482
Total dividends	6,423	6,289	△ 134	5,863
<b>DPU</b>				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,352	3,282	△ 70	3,060
<b>Other Indices (million yen)</b>				
NOI	7,419	7,257	△ 161	7,329
NOI yield	3.7%	3.5%	△ 0.1PT	3.6%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	407,455	405,683	△ 1,772	405,683

### Increase/decrease factor (34th - 35th)

#### • Operating revenue (△38 mn yen)

- Gain on disposition part of LF Harajuku (35th period)	+1,373
- Cancellation penalty	+59
- Gain on disposition part of LF Harajuku (34th period)	△1,376
- Rent on disposition part of LF Harajuku (34th period)	△38
(35th period)	△15
- Office Rent (pass-through)	△25
- Residential Rent (pass-through)	△9
- Parking revenue	△3
- Utilities	△2

#### • Operating expenses (+113 mn yen)

- Maintenance and repairs	+57
- Loss on retirement of noncurrent assets	+45
- Property management fee	+24
- Property taxes	+21
- Depreciation	△13
- Utilities	△10
- Operating exp. for disposition part of LF Harajuku (34th period)	△7

#### • Non-operating expenses (△18 mn yen)

- Interest expenses, etc.	△13
- Amortization of investment unit issuance cost	△5

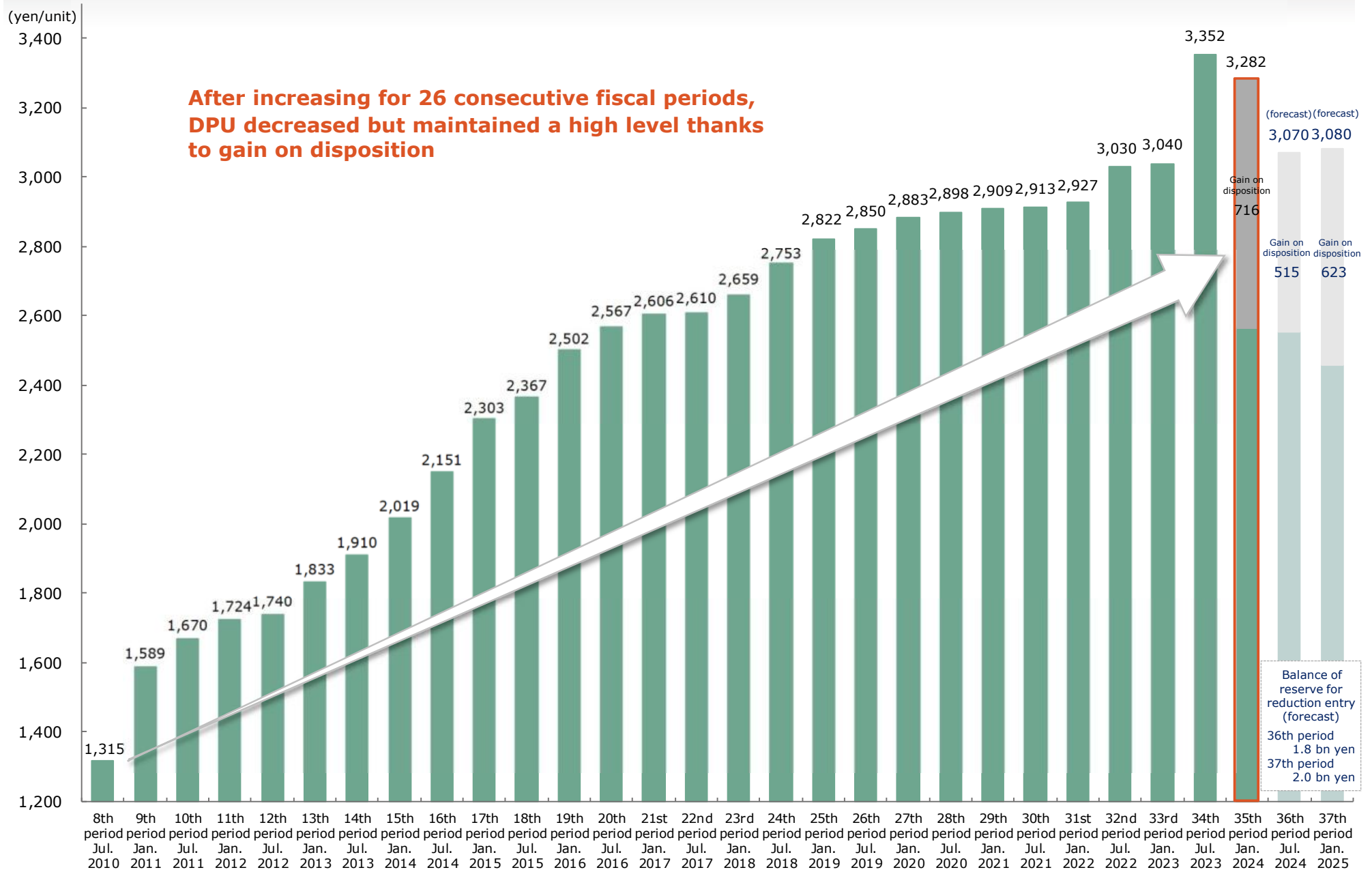
### Increase/decrease factor for 35th period (Forecasted - Actual)

#### • Operating income (△62 mn yen)

- Increase in cancellation penalty	+16
- Increase in loss on retirement of noncurrent assets	△45
- Increase in maintenance and repairs	△34

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

# 2-3 Dividends per unit growth record



※ Implemented a 5-for-1 investment unit split effective on February 1, 2014. Actual dividends per unit was divided by 5 for the periods before the split of investment units in the graph.



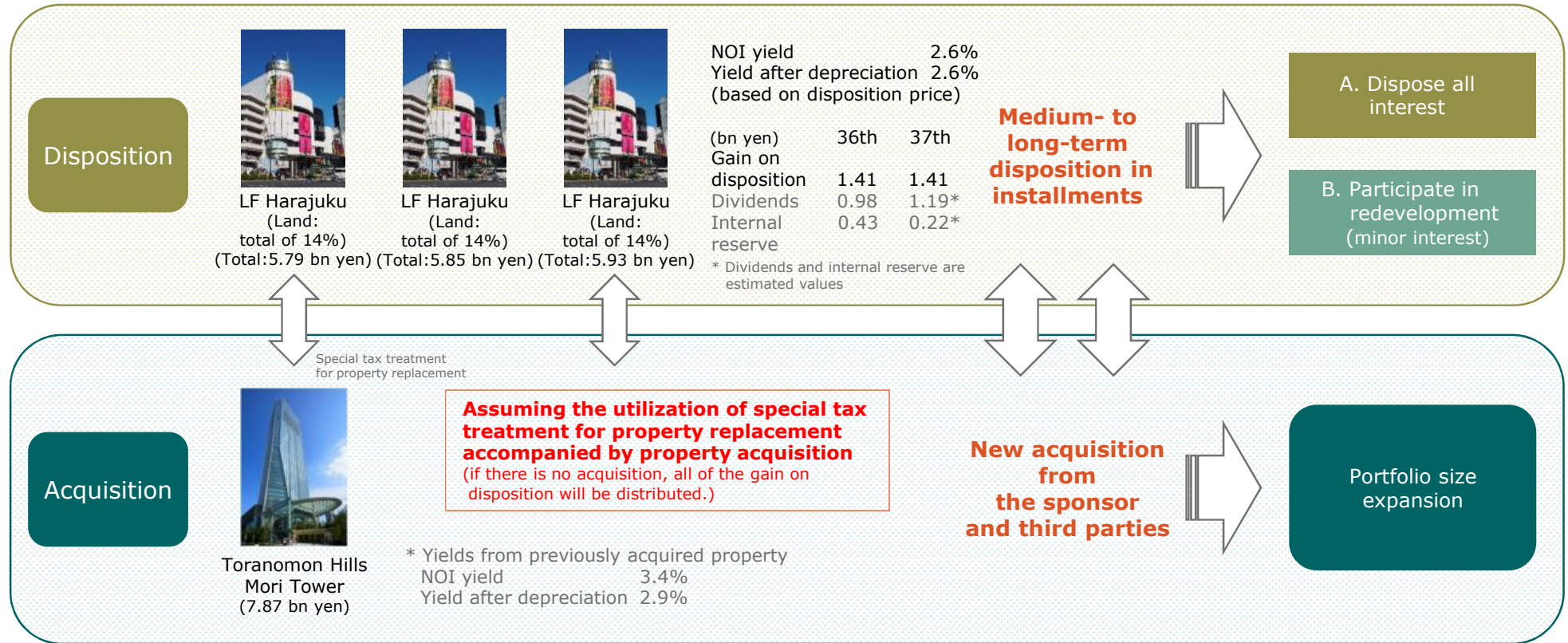
# 2-4 Medium- to long-term disposition and acquisition policy (model)

32nd-33rd

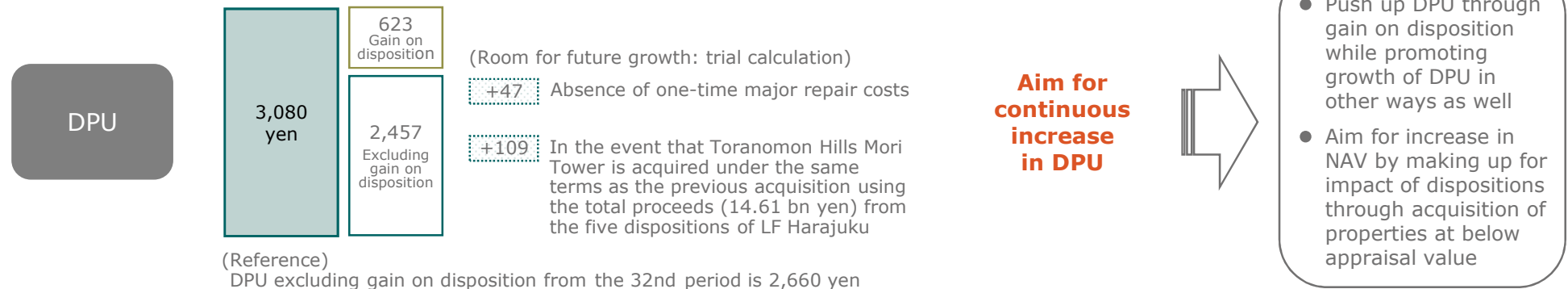
34th-35th

36th-37th  
(Jul. 2024 - Jan. 2025)

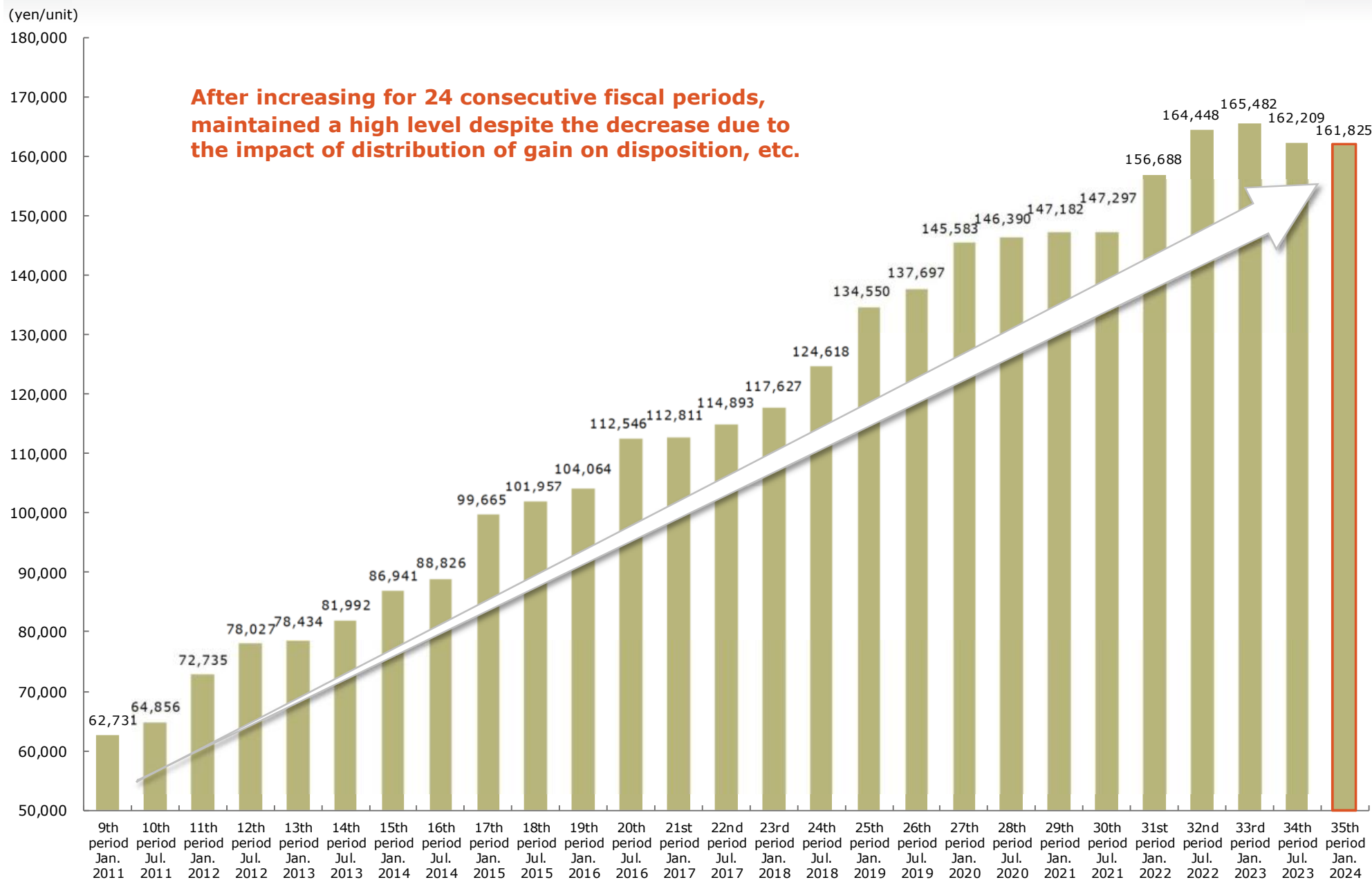
Medium- to long-term direction



(37th period: forecast)



# 2-5 Increase in appraisal NAV per unit



※ Implemented a 5-for-1 investment unit split effective on February 1, 2014. Actual dividends per unit was divided by 5 for the periods before the split of investment units in the graph.

## 2-6 Forecasts

**Prompt refilling of space after large cancellation along with the gain on disposition, resulted in DPU forecast to be 3,070 yen in the 36th period and 3,080 yen in the 37th period.**

- In the 36th and 37th periods, 7% ownership interest in Laforet Harajuku (Land) will be disposed of. It is assumed that a portion of the gain on disposition will be internally reserved by utilizing special treatment for property replacement (if there is no new acquisition of properties, all of the gain on disposition will be distributed).
- The decline in DPU excluding gain on disposition is because mainly new property acquisitions with funds from the disposition of Laforet Harajuku have not yet been factored in at this time as well as due to other temporary factors.

	35th period	36th period		37th period
	Jan. 31, 2024	Jul. 31, 2024		Jan. 31, 2025
	Actual	Forecast	Difference	Forecast
<b>Operating Highlights (million yen)</b>				
Operating revenue	11,176	11,155	△ 20	11,040
Rent revenues	9,538	9,416	△ 122	9,424
Other operating revenues	264	321	+ 57	200
Gain on sales of real estate properties	1,373	1,417	+ 44	1,414
Operating expenses	4,373	4,320	△ 52	4,381
Expenses related to properties	3,628	3,570	△ 58	3,628
SG&A	744	750	+ 5	752
Operating income	6,803	6,834	+ 31	6,658
Non-operating income	1	1	△ 0	1
Non-operating expenses	513	519	+ 6	533
Ordinary income	6,291	6,316	+ 24	6,126
Net income	6,289	6,314	+ 24	6,125
Reserve for reduction entry	—	430	+ 430	221
Total dividends	6,289	5,883	△ 406	5,902
<b>DPU</b>				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,282	3,070	△ 212	3,080
<b>Other Indices (million yen)</b>				
NOI	7,257	7,251	△ 6	7,068
NOI yield	3.5%	3.6%	0.0PT	3.5%
Acquisition price (weighted average based on the number of operating days during the period)	405,683	404,410	△ 1,272	402,611

### Increase/decrease factor (35th - 36th)

<b>• Operating revenue (△20 mn yen)</b>	
- Gain on disposition part of LF Harajuku (36th period)	+1,417
- Cancellation penalty	+80
- Gain on disposition part of LF Harajuku (35th period)	△1,373
- Office Rent (pass-through)	△88
- Rent on disposition part of LF Harajuku (35th period)	△31
(36th period)	△7
- Utilities	△20
<b>• Operating expenses (△52 mn yen)</b>	
- Property management fee	+27
- Property taxes	+17
- Loss on retirement of noncurrent assets	△45
- Maintenance and repairs	△40
- Utilities	△19
- Operating exp. for disposition part of LF Harajuku (35th period)	△3
<b>• Non-operating expenses (+6 mn yen)</b>	

### Increase/decrease factor (36th - 37th)

<b>• Operating revenue (△115 mn yen)</b>	
- Gain on disposition part of LF Harajuku (37th period)	+1,414
- Office Rent (pass-through)	+61
- Utilities	+14
- Gain on disposition part of LF Harajuku (36th period)	△1,417
- Cancellation penalty	△140
- Rent on disposition part of LF Harajuku (36th period)	△38
(37th period)	△15
<b>• Operating expenses (+60 mn yen)</b>	
- Maintenance and repairs	+85
- Property taxes	+16
- Utilities	+15
- Property management fee	△40
- Depreciation	△11
- Operating exp. for disposition part of LF Harajuku (36th period)	△7
<b>• Non-operating expenses (+13 mn yen)</b>	



# 2-7 Portfolio of premium properties in central Tokyo

## Investment strategy based on long-term perspective

- Invest in properties that can be expected to maintain and improve asset value over the long run.
- True premium properties in central Tokyo are sure to capture office demand of many blue-chip companies by functioning as headquarters.
- Invest in properties that are located in areas that can expect improved asset value for the entire vicinity based on area development and neighborhood management, instead of only focusing on the value of individual properties.

### ① Investment in central Tokyo

“Truly central and excellent location” even within central Tokyo

Even amidst Japan’s declining population and changes in work styles including the expansion of remote working, premium properties in central Tokyo that are “truly central” and in “excellent locations” are sure to capture office demand by functioning as headquarters

**Location**

### ② Investing in premium properties

Property with excellent facilities, earthquake resistance and environmental performance

Premium properties with excellent facilities, high earthquake resistance, and environmental performance that offer excellent convenience, comfort, and safety will provide competitive advantages, regardless of economic trends or changes in work styles including the expansion of remote working

**Quality of assets**

### ③ Value creation

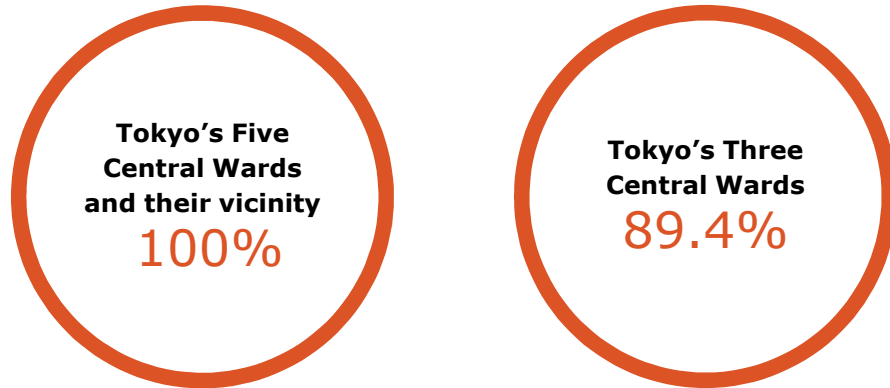
Value improvement through area development and neighborhood management

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

**Value Creation**

# 2-8 (1) Location

## Highest property percentage in Central Tokyo among J-REITs

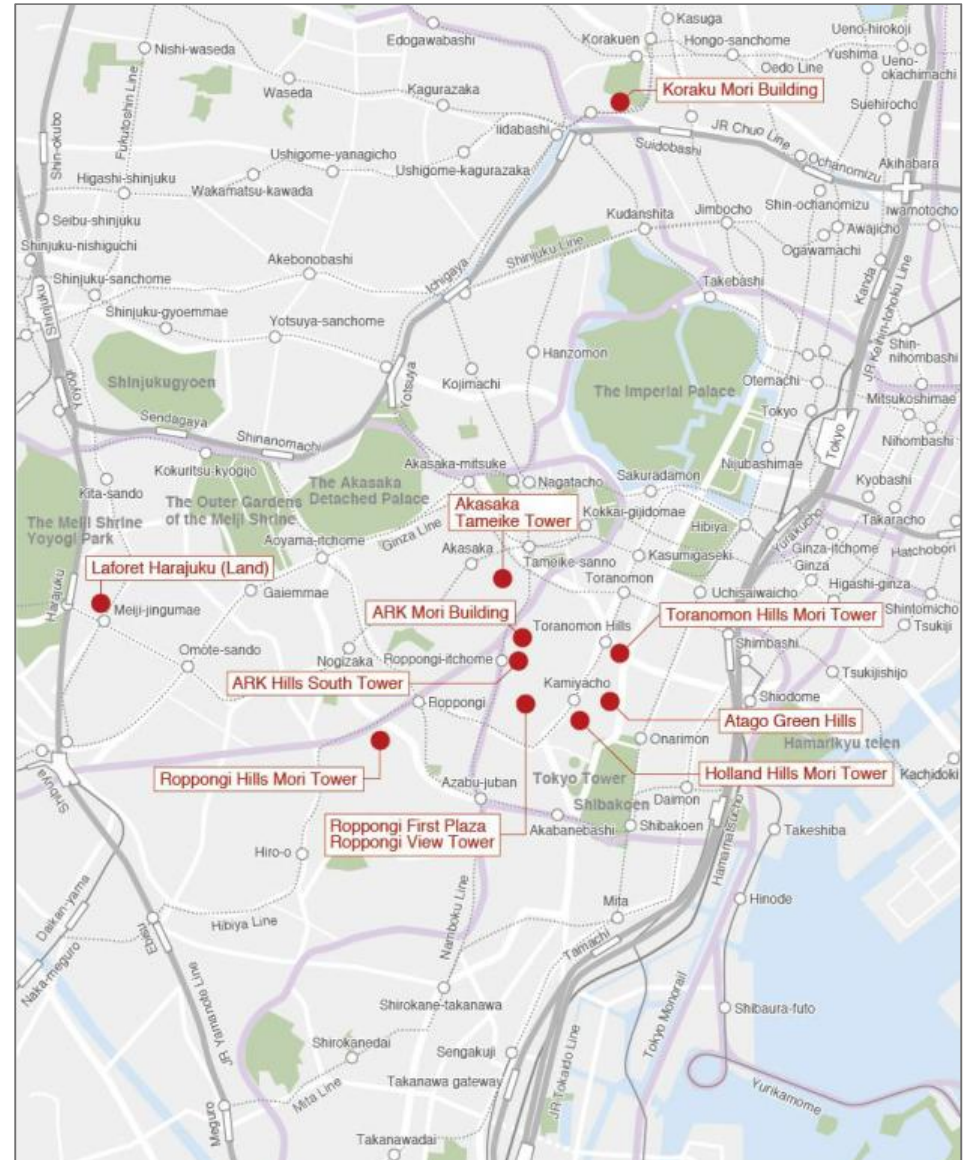


(Note) The ratios represent proportion of acquisition price to total acquisition price.

## Estimated population in central Tokyo

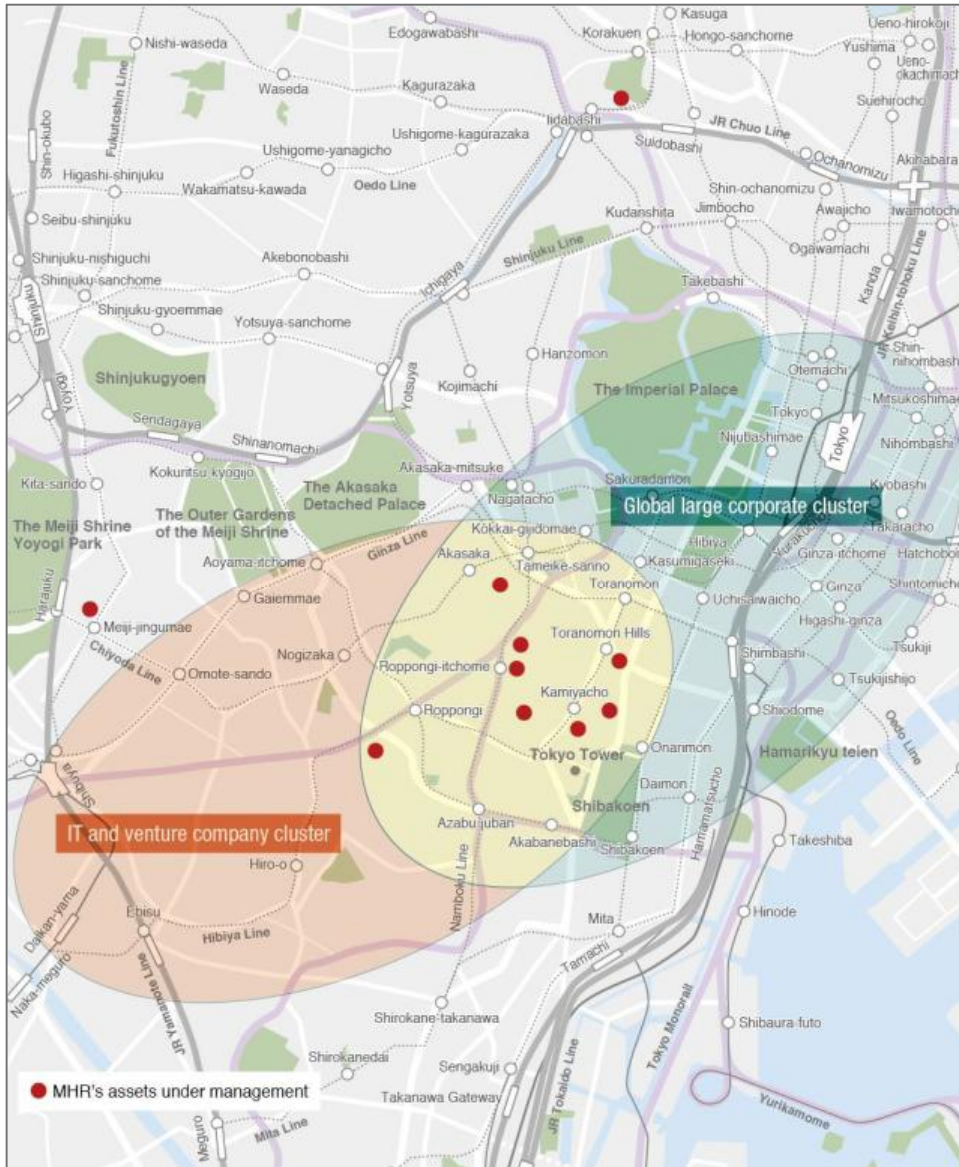
Area	Population in 2020	Estimated population in 2050	Change
3 central wards in Tokyo	496,000	603,000	+21.5%
5 central wards in Tokyo	1,089,000	1,234,000	+13.3%
Tokyo	14,047,000	14,399,000	+2.5%
Osaka	8,837,000	7,263,000	△ 17.8%
Aichi	7,542,000	6,676,000	△ 11.5%
Nationwide	126,146,000	104,686,000	△ 17.0%

(Source) Prepared by the Asset Manager based on the "Regional Population Projections for Japan (estimated in 2023)" by the National Institute of Population and Social Security Research.

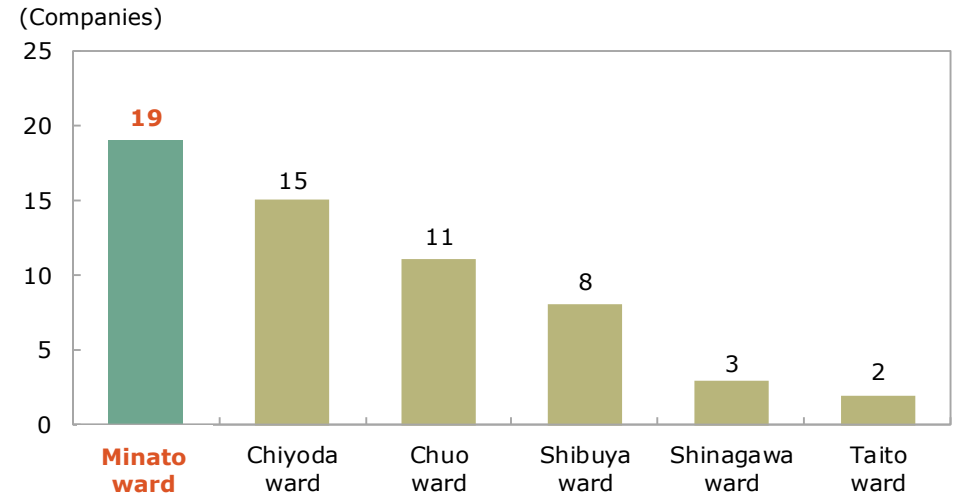


# 2-9 (1) Location

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



## Head office location of IPO companies (2023)



(Source) Prepared by the Asset Manager based on the Securities Registration Statement (at the time of IPO) of companies newly listed in Japanese Market (TOKYO PRO Market excluded) from January to December 2023 whose head offices are located in Tokyo.

## IT firms located in Minato ward

- |                |               |               |
|----------------|---------------|---------------|
| Microsoft      | ExpediaGroup  | Medley        |
| Apple          | Nexon         | JTOWER        |
| NVIDIA         | Oracle Japan  | WingArc1st    |
| Meta Platforms | m3            | Bengo4.com    |
| Netflix        | SBI Holdings  | GREE          |
| Cisco Systems  | Money Forward | JBS           |
| Qualcomm       | Mercari       | AnyMind Group |
| Softbank       | JMDC          | ZIGEXN        |
| Baidu          | Monex Group   | Istyle        |
| Nokia          | ANYCOLOR      | AirTrip       |
| Ericsson       | Appier Group  | OpenDoor      |

(Source) Prepared by the Asset Manager based on the disclosed data etc. as of February 29, 2024.



# 2-10 (2) Quality of assets

## Premium Properties (Excellent comfort and safety with extensive facilities)

**Strong demand for headquarter offices**

### <Overview and facilities of representative properties>

Property name	Gross floor area	Access from the nearest station	Number of shops & restaurants	Hotel (spa)	Conference Incubation Members' club	Cultural facility Observatory Interactive communication facility	Residential SA	Green coverage of the site
Roppongi Hills	758,203㎡	Connected to Roppongi Station	229	Grand Hyatt Tokyo (NAGOMI SPA AND FITNESS)	Academyhills Ropponngi Hills Club	Mori Art Museum Tokyo City View TOHO Cinemas	Ropponngi Hills Residence	30.7%
Toranomon Hills	791,825㎡	Connected to Toranomon Hills Station	175	Hotel Toranomon Hills Andaz Tokyo (AO SPA AND CLUB)	Toranomon Hills Forum ARCH	TOKYO NODE	Toranomon Hills Residential Tower	30.6% (Mori Tower)
ARK Hills	310,979㎡	2-minute walk from Roppongi 1-chome Station	52	ANA InterContinental (THANN SANCTUARY SPA AKASAKA)	ARK Hills Club	Suntory Hall	ARK Towers	41.9%
Atago Green Hills	151,106㎡	3-minute walk from Onarimon Station	18	(Atago Green Hills SPA)	-	-	Atago Green Hills Forest Tower	52.9%

(Source) Prepared by the Asset Manager based on disclosed materials as of February 29, 2024.

(Note 1) Describes the outline of the entire areas and facilities including properties owned by MHR.

(Note 2) "Connected" under the "Access from the nearest station" describes the possible direct connection by concourse etc.



## Superior environmental performance



**Highest quality among all J-REITs**

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

**CASBEE for Real Estate: Rank S**



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

**CASBEE for Real Estate : Rank A**



**Akasaka Tameike Tower**

**DBJ Green Building Certification: Four stars**



**ARK Hills South Tower**

## Excellent earthquake resistance performance

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

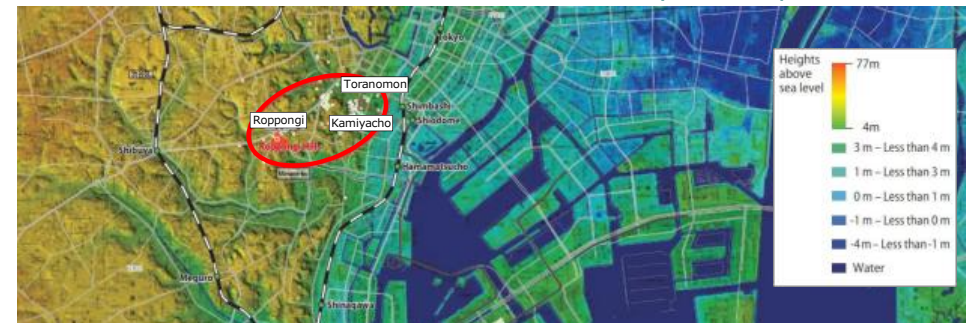
Property name	Level above the new earthquake resistance standard <sup>(Note)</sup>	PML
Roppongi Hills Mori Tower	◎	0.59%
ARK Mori Building	◎	0.78%
Koraku Mori Building	◎	0.73%
ARK Hills South Tower	◎	1.56%
Toranomon Hills Mori Tower	◎	0.50%
Holland Hills Mori Tower	◎	0.85%
Akasaka Tameike Tower	◎	1.79%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

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

## Firm ground

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

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



(Source) Geographical Survey Institute

○ Area where the properties owned by MHR are located



## Ecological Networks

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



Mohri Garden (Roppongi Hills)



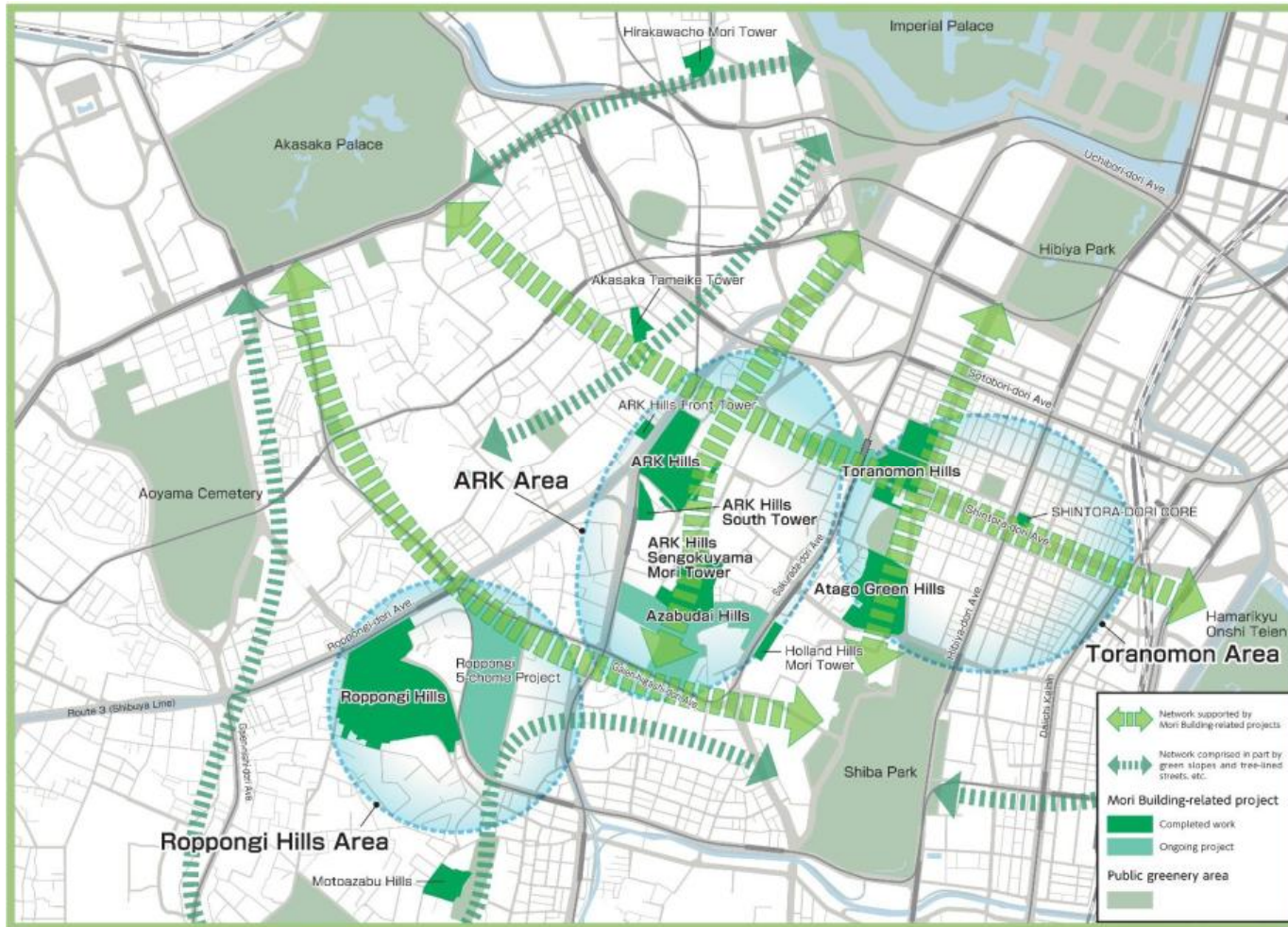
Japanese tit (Roppongi Hills)



Roppongi Sakurazaka (Roppongi Hills)



Slope green area (ARK Hills South Tower)



Rhythemis fuliginosa dragonfly (Toranomon Hills)



Oval Plaza (Toranomon Hills)



Along Atagoshita Avenue (Atago Green Hills)



Suntory Hall rooftop (ARK Hills)

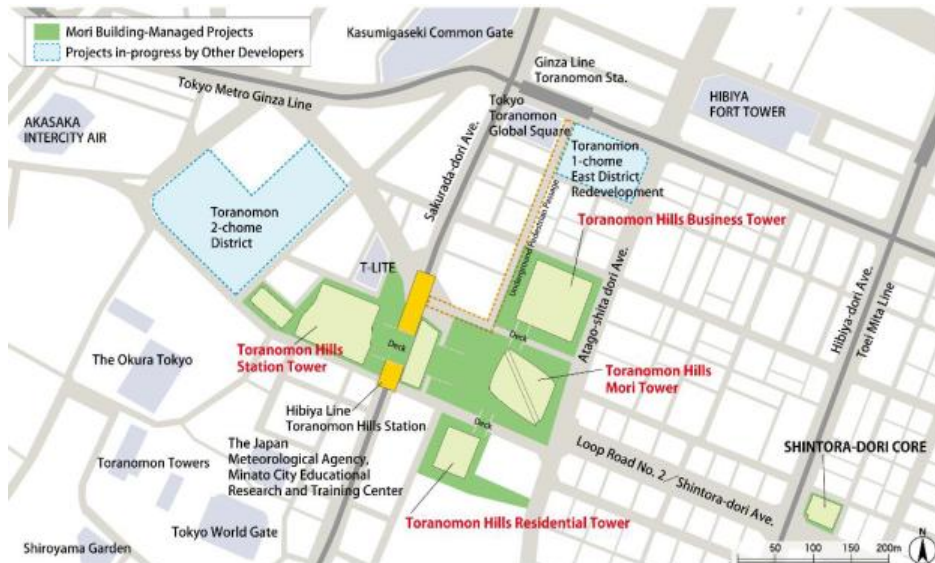
(Note) There is a need to create conditions under which living things can live easily, allowing movement by linking green areas that form the living bases for creatures with small-scale green areas and roadside trees. Such a network of habitats is referred to as an ecological network (extracted from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



## Developments around MHR's properties (Toranomon Hills area)



©The Boundary



## Toranomon Hills Station Tower (Completed July 2023)



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

- Toranomon Hills Station Tower is a 49-story, approximately 266-meter super-high-rise tower with world-class offices on approx. 3,306m<sup>2</sup> floor plates, retail facilities that support the lives of global leaders, and hotels that are making their Tokyo debut.
- TOKYO NODE, an interactive communication base with halls, galleries, an infinity pool, restaurants, and other facilities, is opened on the top floors.
- A large 20-meter-wide pedestrian deck has been constructed above Sakurada Avenue. Toranomon Hills' transport hub functions have been greatly enhanced by strengthening and expanding the multi-layered transportation network at the ground, underground, and deck levels.



## Toranomon Hills Business Tower (Completed January 2020)



©Mariko Mori◀Cycloid V ▶

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

- Business Tower is a 36-story office tower, featuring international-standard, large-scale office space of approximately 96,000m<sup>2</sup>, and retail facility area of approximately 7,600m<sup>2</sup>.
- On the 4th floor is a large membership-based incubation center "ARCH," which was established especially to support large enterprises' internal business restructuring and new business creation. It boasts around 3,800m<sup>2</sup> of office work space and has become a base for Japan's unique innovation ecosystem.
- From the first basement floor to the 3rd floor, commercial spaces with a total of 58 restaurants and stores support global lifestyles. The 3rd floor houses Toranomon Yokocho, a landmark dining facility featuring offerings from famous stores from all over Tokyo.

## Obtained LEED ND and WELL preliminary certification

### Tokyo's first Platinum LEED ND, the highest rank



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



Oval Plaza at Toranomon Hills Mori Tower



Central square in Azabudai Hills (image)

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

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

## Development around MHR's properties (Azabudai Hills: Opened on November 24, 2023)



### The futurized version of "Hills" boasts an astonishing scale and impact

- Large central square of approx. 6,000m<sup>2</sup> is set in the center of the city and various city functions such as offices, residences, hotel, an international school, retail facilities and cultural facilities will be tightly integrated.
- Total floor area will be approx. 861,700m<sup>2</sup>, with approx. 214,500m<sup>2</sup> of office space, approx. 1,400 residential units. Approx. 20,000 office workers and approx. 30 million people per year are expected to visit.
- Mori JP Tower soars 64 stories and approx. 330m in height. Offices in Mori JP Tower, the Residence B and the Garden Plaza B encourage free and creative work.



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

- Embracing the core concept of "Modern Urban Village", Azabudai Hills is becoming a "Green & Wellness" community, where people live harmoniously with nature and lead healthy and fulfilling lives. It covers an area of approx. 8.1 ha and features extensive landscaping totaling approx. 2.4 ha including an approx. 6,000m<sup>2</sup> central square.





## Creating community and innovation through Area Management by sponsor

### Toranomon Hills Area



Thursday Gathering  
(Toranomon Hills)

#### Innovation Program developed in the U.S.

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



Meet up @ TORANOMON HILLS  
(Toranomon Hills Mori Tower & Business Tower, etc.)

#### Meet up @ TORANOMON HILLS

Sponsor hosted this event to expose the various communities formed by Toranomon Hills to a wide range of visitors with the hope that people would build new connections, experience new ideas, and deepen connections with people beyond the community.

### Roppongi Hills Area



ARCH  
(Toranomon Hills Business Tower)

#### Incubation Center “ARCH”

“ARCH,” a large membership-based incubation center was established especially to support large enterprises' internal business reforms and new business creation. It boasts around 3,800 m<sup>2</sup> of office work space and is becoming a base for Japan's unique innovation ecosystem.



(c) Roppongi Art Night Execution Committee

Roppongi Art Night  
(Roppongi Hills Arena)

#### Art Festival representing Tokyo

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

## Creating community and innovation through Area Management by sponsor

### ARK Hills Area



Hills Marche  
(ARK Karajan Place)

#### Pioneer of urban markets: Hills Marche

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



GREEN WORKSHOP  
(ARK Garden)

#### ARK Hills Kids Community

Based on the idea of creating "a city that is friendly to kids and families," this project provides formative experiences to children that will help set them up for a fulfilling future, including exposure to lush nature, top-class music and art, and cutting-edge technology.

### Azabudai Hills Area



ARK Hills Music Week  
(ARK Karajan Place)

#### Close experience of high-quality music

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



Tokyo Venture Capital Hub  
(Azabudai Hills Garden Plaza B)

#### Large-scale hub for venture capitalists

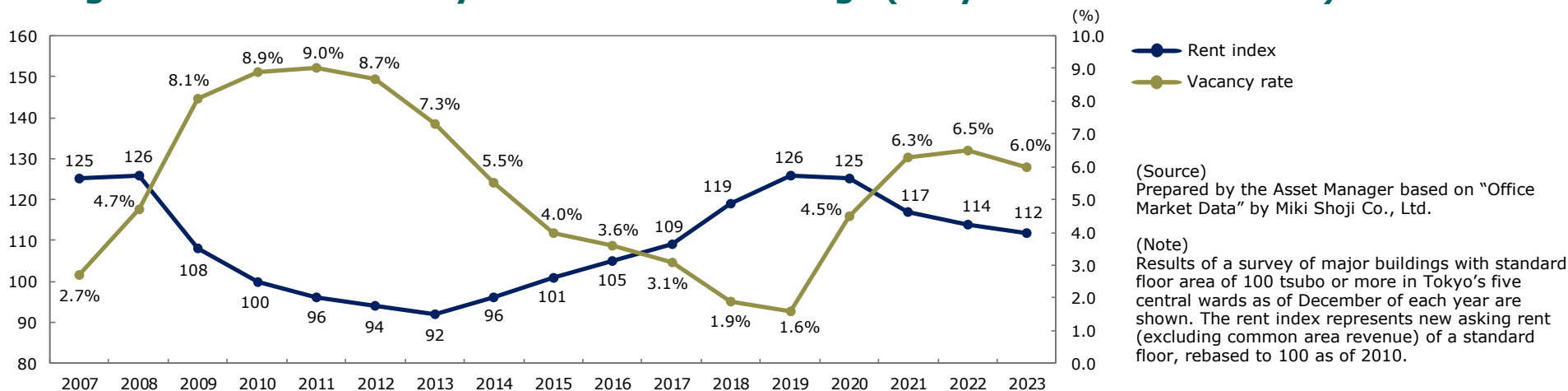
"Tokyo Venture Capital Hub," Japan's first large-scale, start-up hub, brings together independent venture capitalists (VCs) and some 70 firms, including corporate VCs backed by large Japanese corporations. This new VC cluster will supply risk-money indispensable for the growth of startups, helping to revitalize the Japanese economy.

# 2-18 External growth

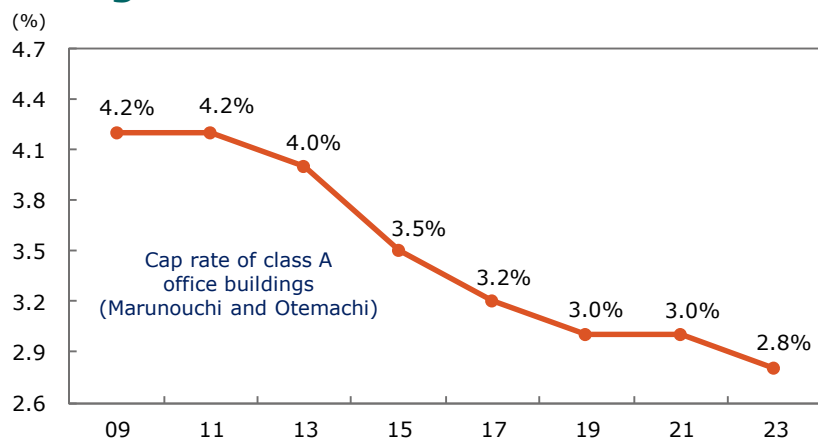
## Aim to continuously increase DPU and NAV per unit through external growth that focuses on premium properties in central Tokyo

- While disposing of parts of Laforet Harajuku (Land), make new acquisitions concurrently to expand portfolio size and continuously increase DPU over the medium to long term.
- Acquisition of premium properties in central Tokyo without competitive bidding is possible by utilizing the abundant and extensive property pipeline of Mori Building, the sponsor.

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



## Change in return on real estate investment



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

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

## Mori Building's extensive property pipeline

Total assets:  
**2.6 trillion yen**

(as of the end of September, 2023)

Number of properties under management: **93 buildings**

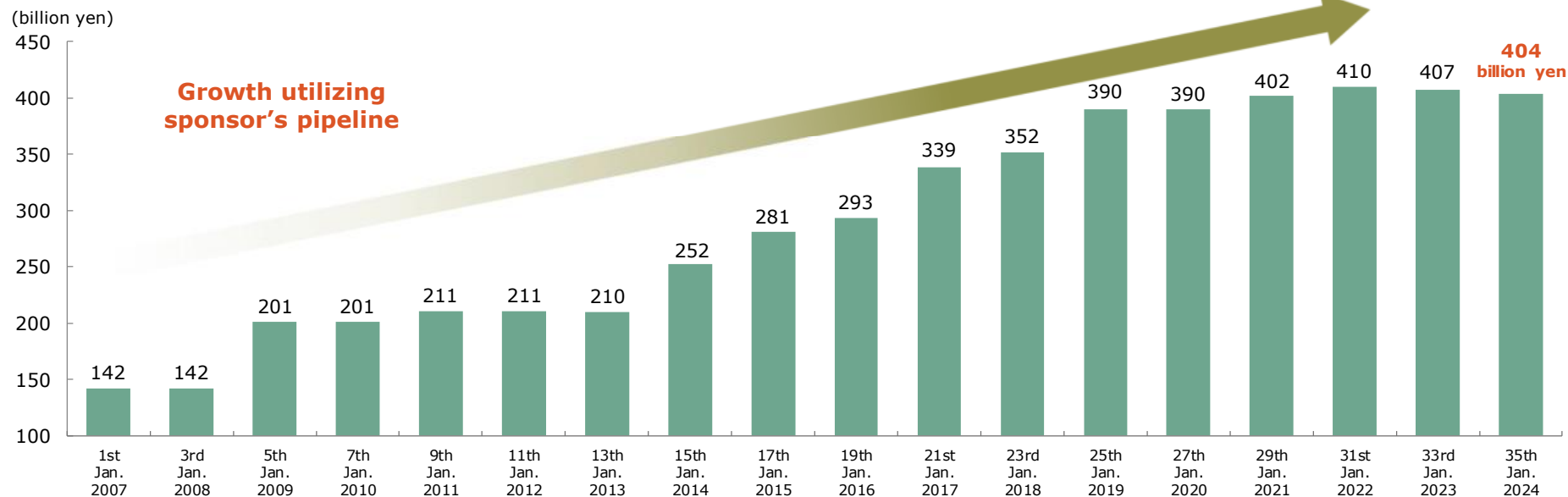
(as of April, 2023)

MHR has "preferential negotiation rights"



# 2-19 External growth

## Trend in assets under management (based on acquisition price)



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

Toranomon Hills Mori Tower

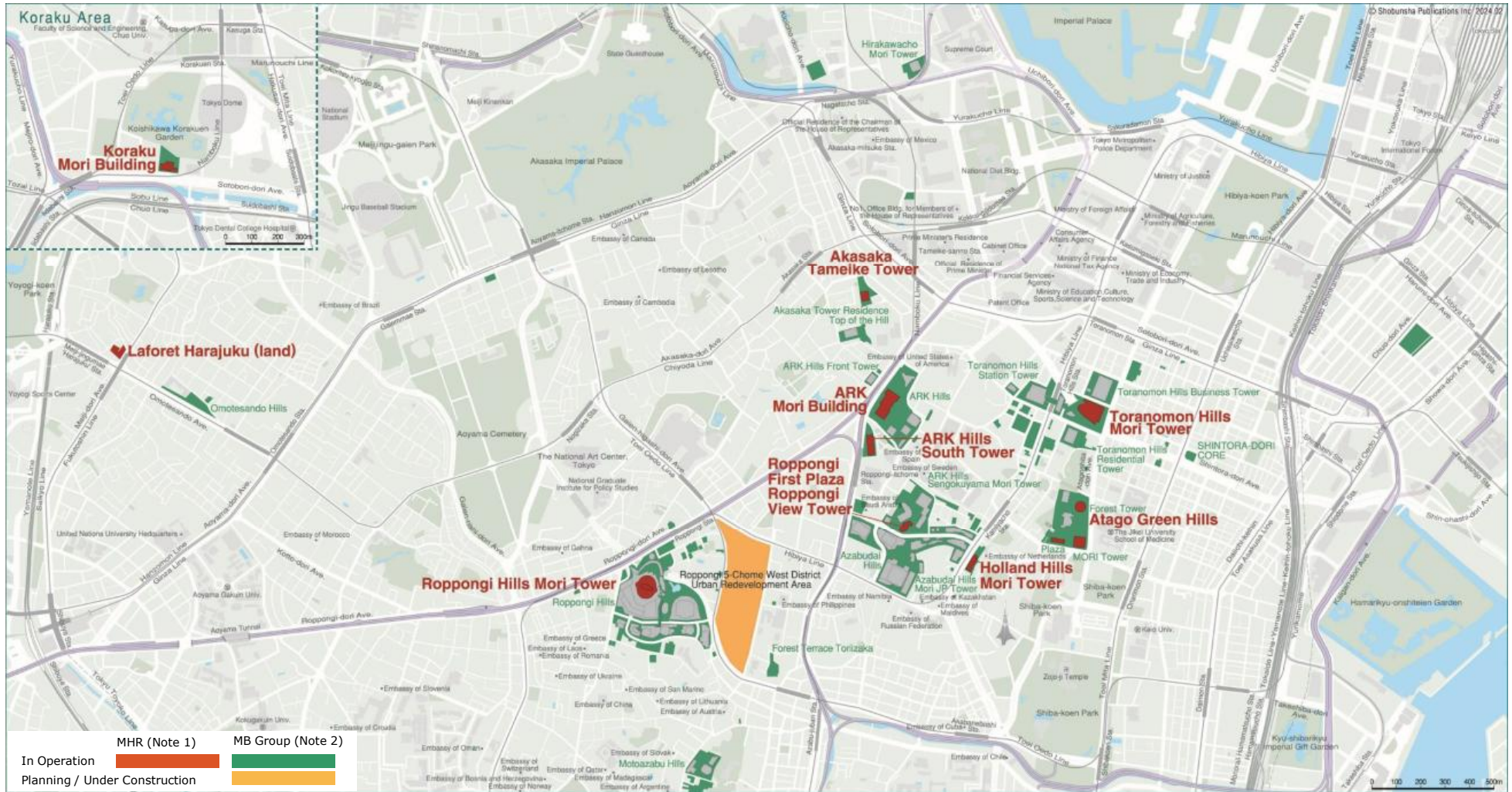


Acquisition price	7,870 million yen
Appraisal value	9,856 million yen
Location	Minato-ku, Tokyo

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

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

## Mori Building Group's involvement



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2024."

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

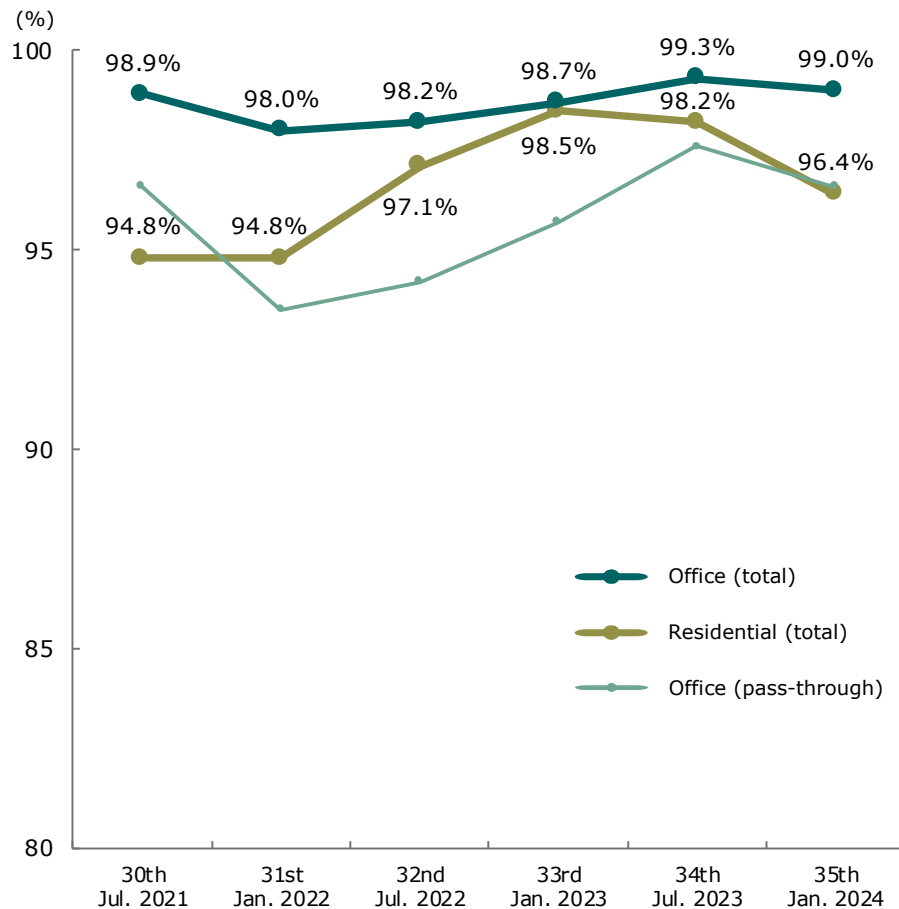
(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

# 2-21 Internal growth

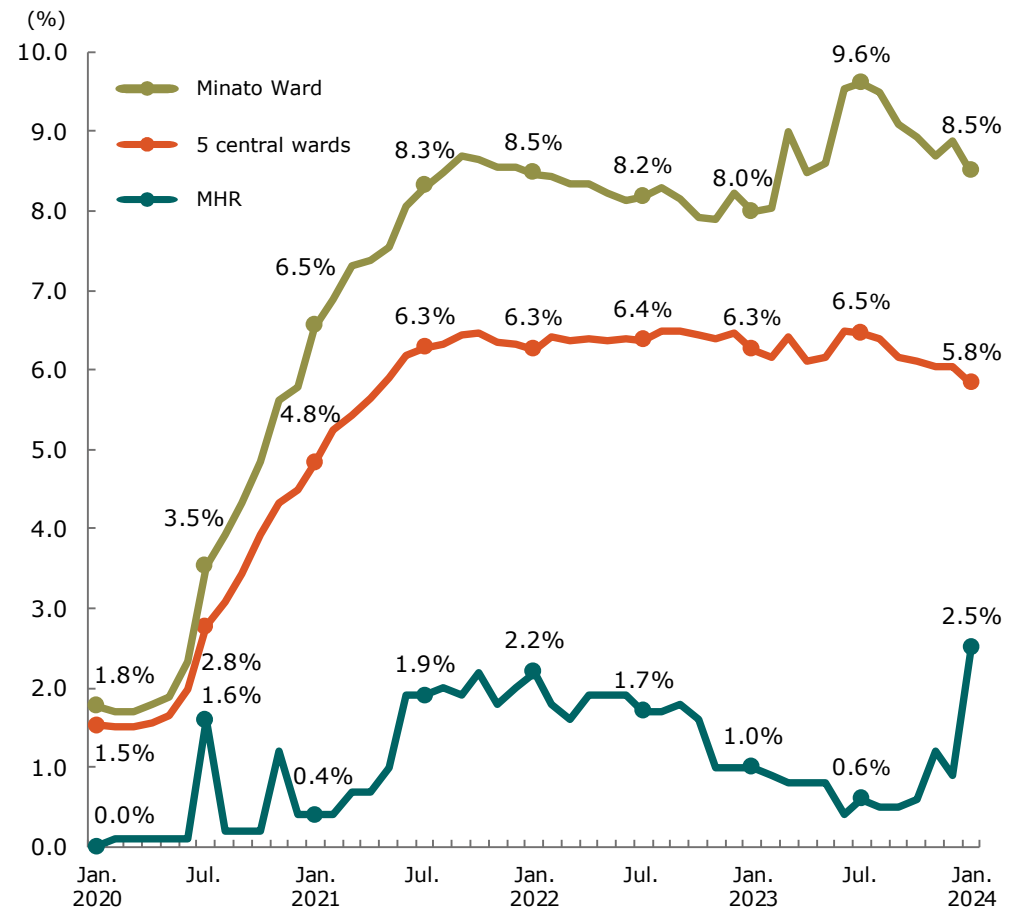
## Portfolio consisting of premium properties in central Tokyo maintained high occupancy rate

- Even as office vacancy rates rose in the five central wards, including Minato Ward, a high occupancy rate was maintained due to the excellent location and quality of MHR's properties.
- In January 2024 a large cancellation occurred in pass-through-type offices which was then promptly refilled.

### Trend in occupancy rates



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



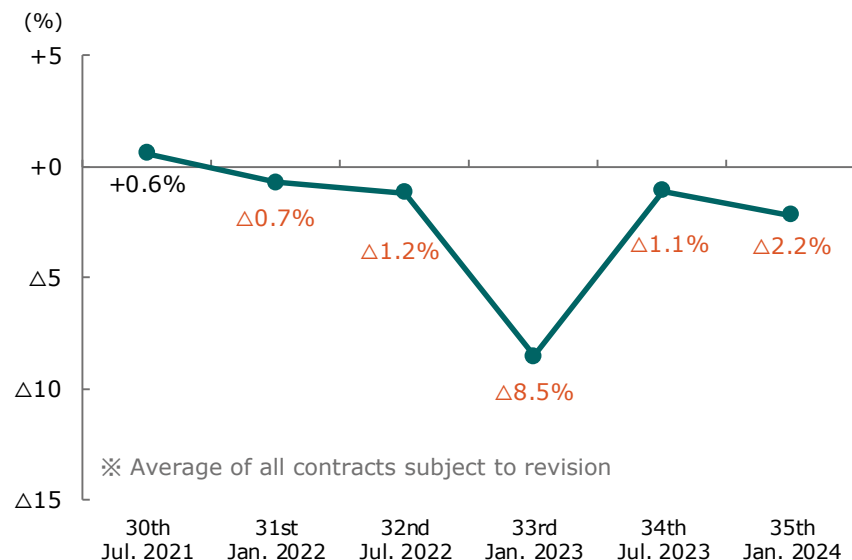
(Source) Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.  
 (Note) Figures of "Mori Hills REIT" are the total figures for the office sections of all owned properties.



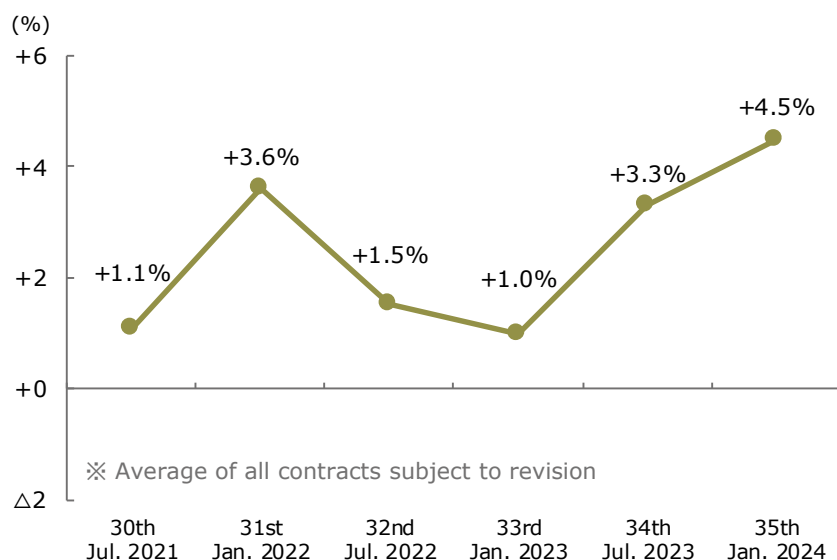
# 2-22 Internal growth

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

### Rent revision rate (Office)



### Rent revision rate (Residential)



### Result of rent revision

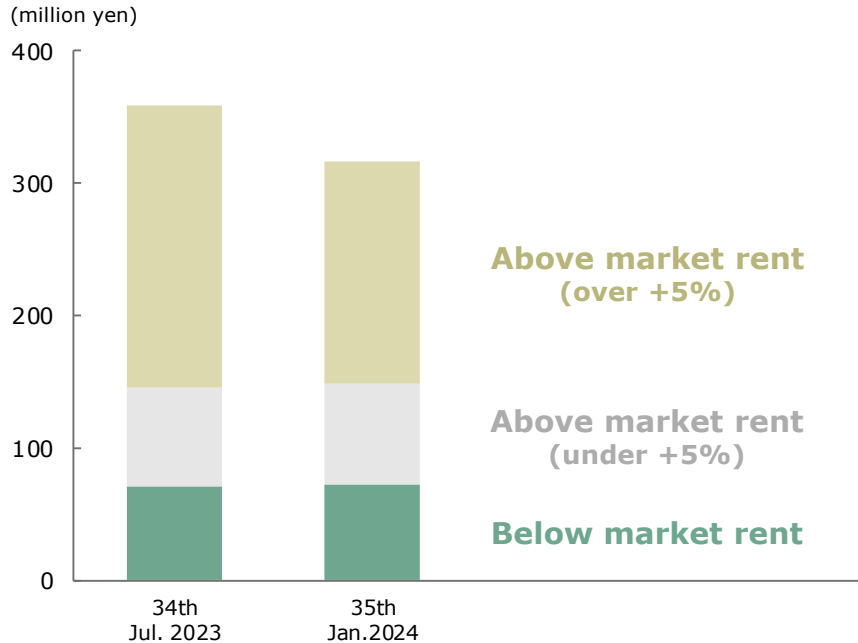
	Office		Residential	
	34th Jul. 2023	35th Jan. 2024	34th Jul. 2023	35th Jan. 2024
Floor area of contract revision	6,476.46㎡	3,272.65㎡	2,664.20㎡	1,705.10㎡
Rate of total leasable floor area (Pass-through type)	14.5%	7.3%	15.9%	10.2%
Amount of rent increase/decrease (Monthly rent basis)	△535 thousand yen	△577 thousand yen	+428 thousand yen	+376 thousand yen
Rent revision rate	△1.1%	△2.2%	+3.3%	+4.5%

### Result of tenant replacement

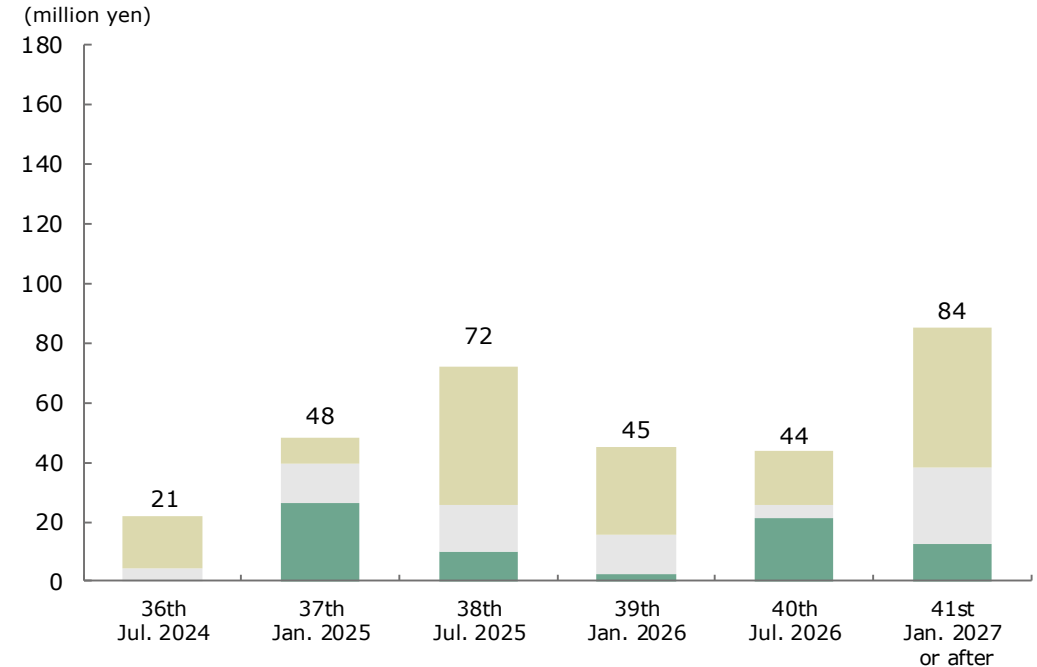
	Office		Residential	
	34th Jul. 2023	35th Jan. 2024	34th Jul. 2023	35th Jan. 2024
Floor area of tenants moving in	1,147.56㎡	1,125.90㎡	1,068.51㎡	1,305.28㎡
Rate of total leasable floor area (Pass-through type)	2.6%	2.5%	6.4%	7.8%
Floor area of tenants moving out	570.33㎡	3,926.71㎡	1,304.72㎡	1,601.36㎡
Rate of total leasable floor area (Pass-through type)	1.3%	8.8%	7.8%	9.5%
Amount of rent increase/decrease (Monthly rent basis)	△1,218 thousand yen	△421 thousand yen	+747 thousand yen	+1,224 thousand yen
Rent increase/decrease rate	△11.0%	△3.9%	+12.7%	+17.7%

## Comparison with office market rent (pass-through type)

### Rent gap (Total monthly rent)



### Rent gap by revision (Total monthly rent)



### Rate of rent gap



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

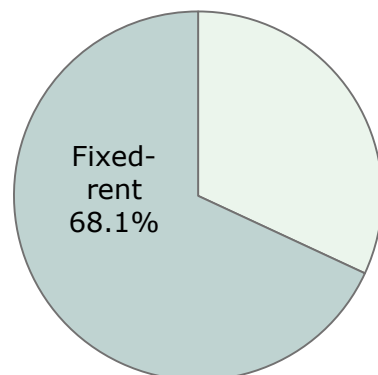
(Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1

(Note 3) Figures reflect move outs of end tenants confirmed as of January 31, 2024

- The rent gap for pass-through-type offices narrowed due to the progress of revisions and replacements. Despite a large cancellation in the 35th period, refilling of these offices occurred promptly, and rents are expected to gradually become stable.
- Offices (fixed rent master lease type) have even higher quality, and occupancy rates of their end tenants have continued to remain high, so MHR has no concerns regarding contract renewals.

## Overview of fixed rent master lease

### Ratio of fixed rent master lease



**Realize stable cash flow**

- Premium properties in central Tokyo have abundant office demand by functioning as headquarters

- Display a defensive posture to the temporary uptick in vacancy

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

### Monthly rent by contract expiration

Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (m <sup>2</sup> )	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2025	2026	2027	2028 or after	
Roppongi Hills Mori Tower (10 floors)	475.2	30.2%	23rd & 24th	8,993.45	MHR	—	99.2	—	—	Jul. 2026
			19th & 22nd	8,609.47		—	—	—	95.0	Sep. 2028
			20th	3,879.19		—	—	—	42.8	Jul. 2029
			28th	4,460.13		49.2	—	—	—	Sep. 2025
			25th	4,156.66		—	45.8	—	—	Jan. 2026
			26th, 27th & 29th	12,942.64		—	142.9	—	—	Mar. 2026
ARK Mori Building (8 floors + DHC)	225.2	14.3%	13th/12th & 22nd	7,952.55	MHR	—	77.9	—	—	Jan. 2026
			23rd & 25th	5,742.95		—	55.5	—	—	Jan. 2026
			4th, 15th & 24th	7,680.52		—	73.8	—	—	Jan. 2026
			DHC	3,212.41	Master lessee	—	—	—	17.9	Mar. 2028
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.7%	Office, residential & retail	29,667.58	Master lessee	—	—	168.7	—	Apr. 2027
Toranomon Hills Mori Tower (approx. 10.8% of entire property)	201.6	12.8%	Part of 28th to 35th floors	19,046.16	MHR	—	—	201.6	—	Jul. 2027
<b>Total</b>	<b>1,070.8</b>	<b>68.1%</b>				<b>49.2</b> (4.6%)	<b>495.3</b> (46.3%)	<b>370.3</b> (34.6%)	<b>155.8</b> (14.6%)	

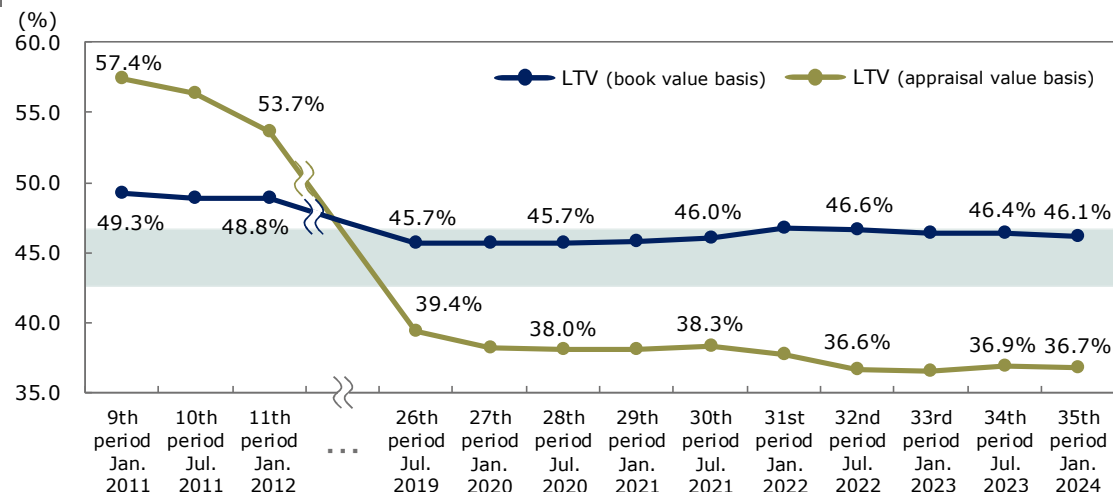


# 2-25 Financial management

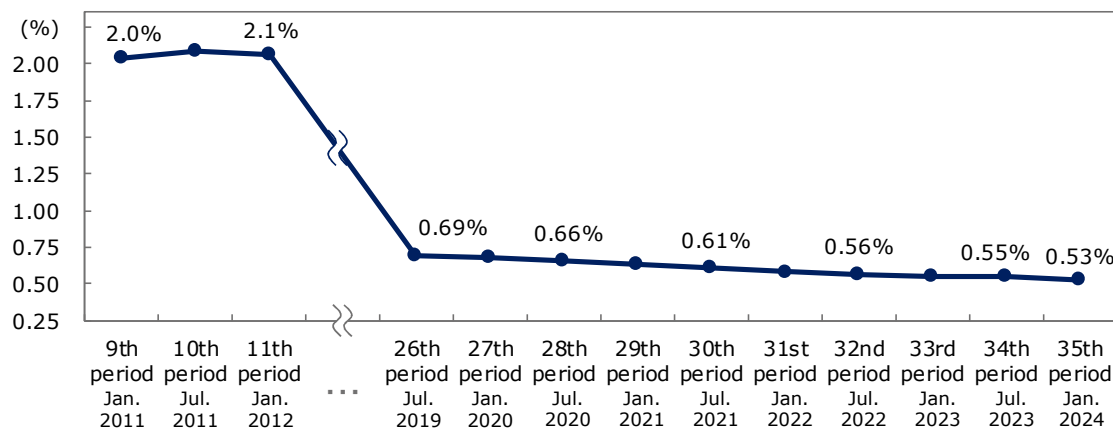
## Maintaining a strong financial structure with a credit rating (JCR) of AA (stable), and LTV (appraisal-value basis) of 36.7%

- MHR's policy is to continue to maintain LTV (book-value basis) in the mid-40% range and the average remaining duration of debt at approximately 4.0 years or longer.
- Anticipate interest rate fluctuation risk over the medium to long term by constantly monitoring economic conditions and interest rate trends, taking appropriate measures when necessary.

### Reduction in LTV



### Reduction in average interest rate (including borrowing expenses)



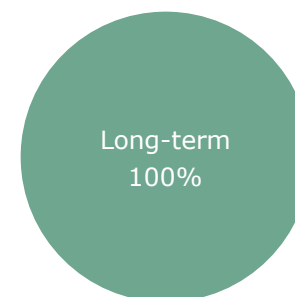
### Overview of debt financing

	End of 34th period Jul. 31, 2023	End of 35th period Jan. 31, 2024
Debt Balance	192,422 mn yen	190,422 mn yen
LTV (book value basis) <sup>(Note 1)</sup>	46.4%	46.1%
LTV (appraisal value basis) <sup>(Note 2)</sup>	36.9%	36.7%
Avg. remaining duration	4.2 years	4.0 years

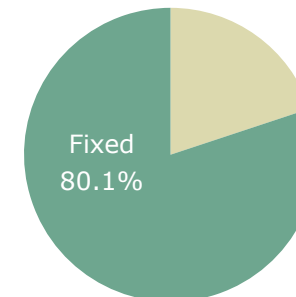
(Note 1) LTV (book value basis) is calculated as [Interest bearing debt / Total assets].  
 (Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

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

<Long-term debt ratio>

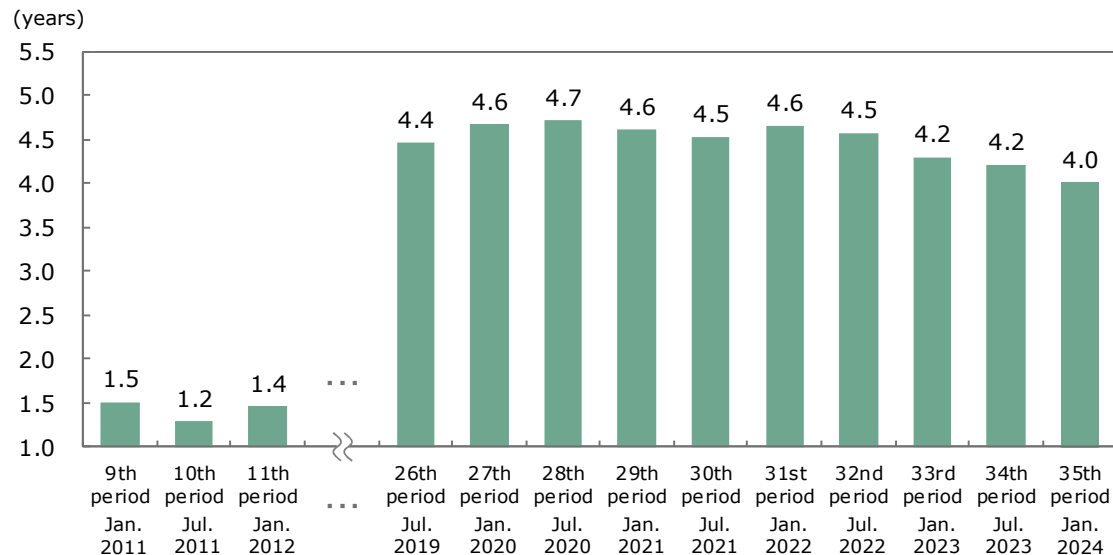


<Fixed rate ratio>



(Note) Total interest-bearing debt cost is calculated as [(interest expenses + interest expenses on investment corporation bonds + borrowing expenses + amortization of investment corporation bond issuance costs) × 365 ÷ operating days during each period ÷ average interest-bearing debt balance during each period].

## Extension in remaining duration of debt

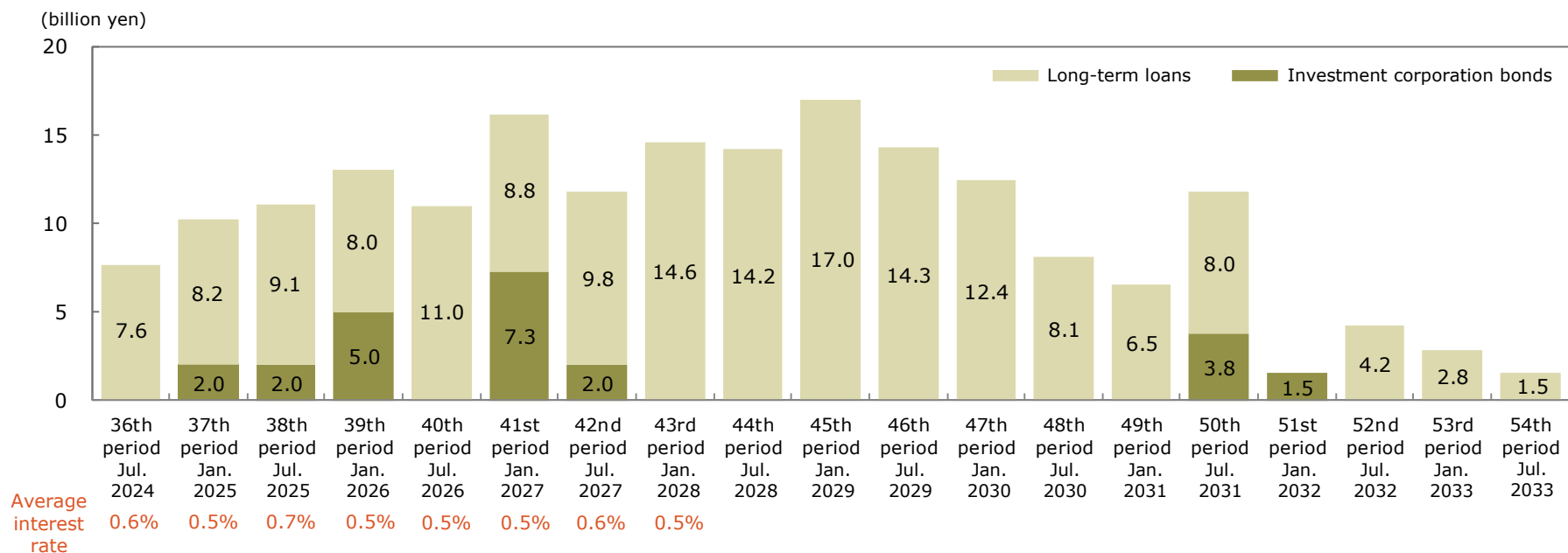


## Rating

Japan Credit Rating (JCR)

























Long-term issuer rating:  
AA (Stable)

## Overview of maturity (as of January 31, 2024)



# 2-27 Sustainability initiatives

## Important ESG Issues (Materiality)

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



# 2-28 Sustainability initiatives

## MSCI ESG

MHR has been selected as a constituent of the MSCI Japan ESG Select Leaders Index, provided by MSCI. This index is composed of companies selected by MSCI from among the constituents of the MSCI Japan IMI Index for excellence in ESG initiatives.

### 2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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## Integrated Report



This report describes the overall efforts of MHR and MIM to contribute to the realization of a sustainable society and to maximize unitholder value over the medium to long term.

**URL:** <https://www.mori-hills-reit.co.jp/en/ir/library/tabid/477/Default.aspx>

## GRESB Assessment

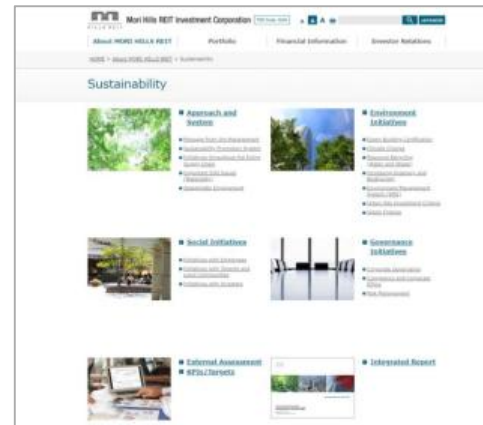


In the 2023 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the twelfth consecutive year, and received a “4 Stars” in the GRESB Rating (Note).

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

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

## MHR’s Website



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

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

## Information reporting based on TCFD recommendations

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

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



## Indicators and Targets

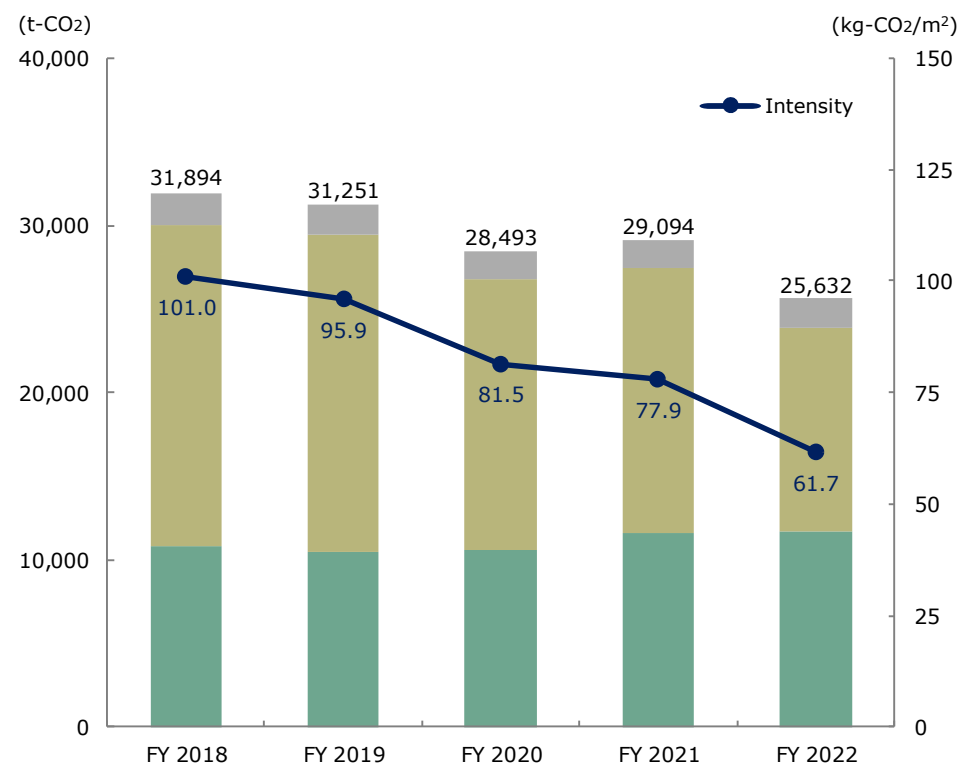
MHR revised its targets in June 2022 to promote further reduction.

We aim to reduce CO2 emissions of MHR and MIM’s offices and properties owned by MHR (total emissions; Scopes 1, 2 and 3) by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050.

### <Carbon Dioxide Emission and Intensity>

Medium-term target (FY 2030)	Long-term target (FY 2050)	Performance (FY 2022)
50% reduction (total amount basis: vs FY 2019)	Net-Zero	18.0% reduction (total amount basis: vs FY 2019)

	(Unit:t-CO2)				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Scope 1	1,843	1,767	1,718	1,696	1,755
Scope 2	19,285	18,952	16,151	15,770	12,145
Scope 3	10,766	10,531	10,624	11,627	11,732
Total	31,894	31,251	28,493	29,094	25,632
Verification/Guarantee rate	77.4%	77.4%	77.7%	78.2%	78.3%
Cover rate	87.4%	87.6%	87.8%	88.0%	88.1%



## Strategy

### Climate-Related Scenario Analysis

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

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



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

### <Analysis Result>

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

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

#### Weather

##### Generally, stay the same

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



#### Government

##### Aggressive climate change policy

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



#### Investors/lenders

##### Increased ESG investment/lending

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



#### MHR

##### Limited increase in energy-saving investment

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



#### Clients (tenants)

##### Focus on energy saving in office selection

- More tenant demand for highly energy-saving properties



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

### < Analysis Result >

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

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

#### Weather

##### Increase in extreme weather frequency

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



#### Government

##### Passive climate change policy

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



#### Investors/lenders

##### Increase in importance of physical risk

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



#### MHR

##### Limited natural disaster countermeasures/energy-saving investment

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



#### Clients (tenants)

##### Focus on disaster response in office selection

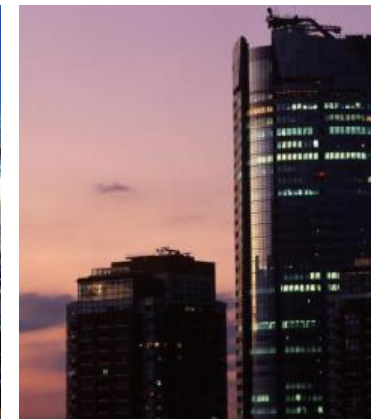
- More tenant demand for highly resilient properties



# 2-33 MHR's representative property (1) Roppongi Hills



Roppongi Hills Mori Tower



## Roppongi Hills

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

## Office

## Roppongi Hills Mori Tower

Roppongi Hills Mori Tower is the main tower of Roppongi Hills and is 54 floors above ground and 238 meters high and has established itself as a landmark of Tokyo. Offices located from the 8th floor to the 48th floor boast floor plates of approximately 1,360 tsubo (approximately 4,500m<sup>2</sup>), among the largest floor areas of skyscrapers in Japan. It is a state-of-the-art office building with an ultra high-speed network, outstanding earthquake resistance performance and thorough security.





## Residence Roppongi Hills Residence

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



## Retail Shops and Restaurants

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



## Hotel Grand Hyatt Tokyo

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



## Cinema TOHO Cinemas Roppongi Hills

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



## Museum Mori Art Museum

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



## Stable Supply of Power from Independent Power Station

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



# 2-34 MHR's representative property (2) Toranomon Hills



Toranomon Hills Mori Tower



## Toranomon Hills

Toranomon Hills is located in the "Special Zone for Asian Headquarters" where Tokyo Metropolitan Government seeks to attract foreign companies. This building is Tokyo's new landmark and consists of Japan's first Andaz hotel "Andaz Tokyo", high-specification offices, a high class residential area with outstanding views where hotel services are available, international-standard conference facilities and commercial facilities to supports various urban functions, along with an open space of approximately 6,000m<sup>2</sup>.

## Office

## Toranomon Hills Mori Tower

Offices occupy the 6th to the 35th floors of "Toranomon Hills Mori Tower", a super high rise tower with 52 floors rising 247 meters above ground with a gross floor area of 30,000 tsubo. Standard rent floors' average size are approximately 1,000 tsubo (approximately 3,300m<sup>2</sup>) with a ceiling height of 2.8 meters and they provide flexible and comfortable workspaces without pillars. Six transit stations and 11 lines are nearby and provide access to Haneda Airport which makes this building an optimal global business base.





## Residence **Toranomon Hills Residence**

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



## Retail **Shops and Restaurants**

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



## Hotel **Andaz Tokyo**

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



## Evolving as an International Urban Center and a Global Business Hub

With the addition of Toranomon Hills Business Tower, Toranomon Hills Residential Tower, and Toranomon Hills Station Tower to Toranomon Hills Mori Tower, Toranomon Hills will expand to a total area of approximately 7.5 ha and a total floor area of approximately 790,000m<sup>2</sup>. The area will evolve into a true "international urban center and a global business hub" with integrated functions such as international-class offices, residences, hotels, retail facilities and transportation infrastructure.

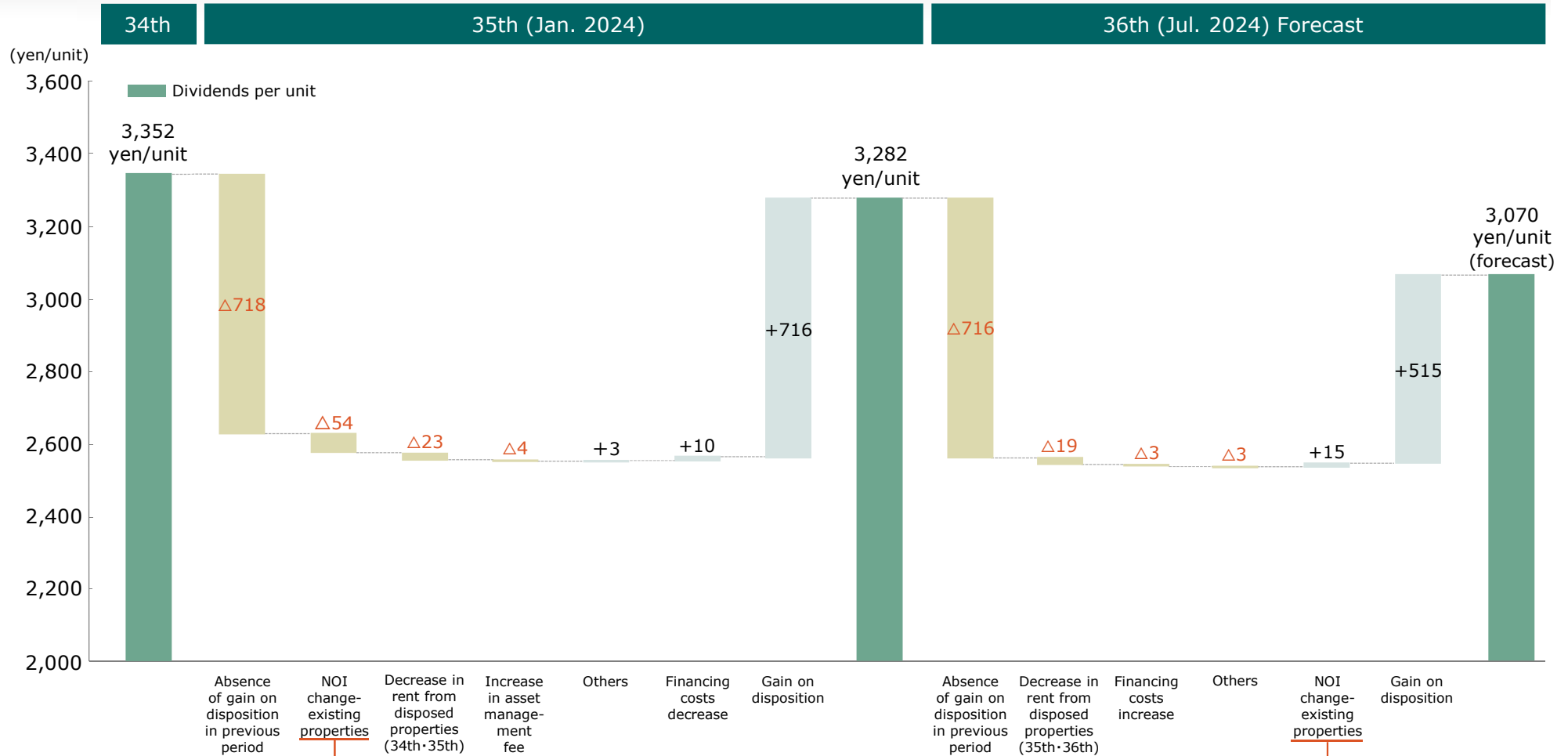


### 3. Operation highlights

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



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

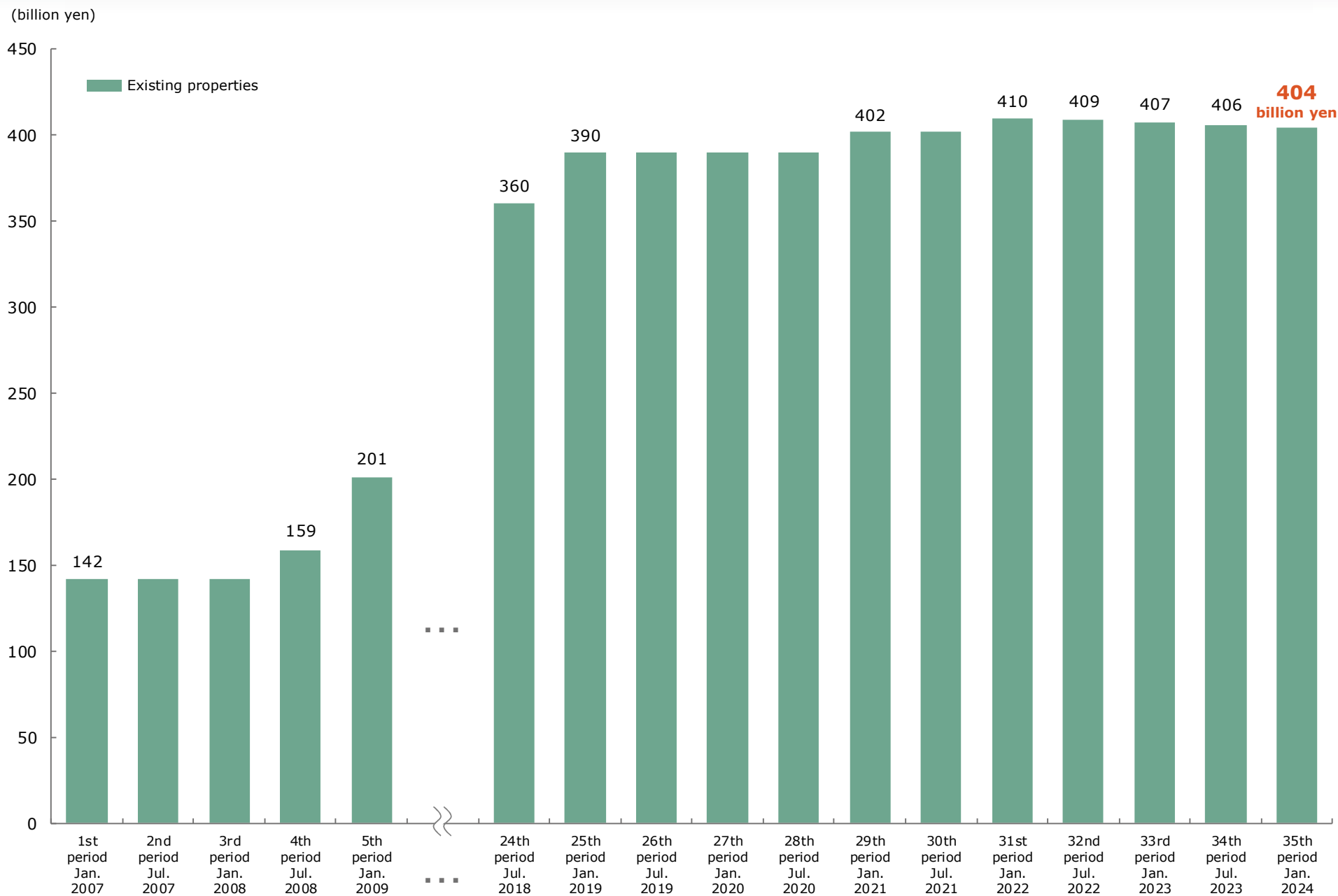
+ Increase in cancellation penalty	+31
+ Decrease in depreciation	+7
- Increase in maintenance and repairs	△30
- Increase in loss on retirement of noncurrent assets	△24
- Office rent (pass-through)	△13
- Increase in property management fee	△13
- Increase in property taxes	△11

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

+ Increase in cancellation penalty	+42
+ Decrease in loss on retirement of noncurrent assets	+24
+ Decrease in maintenance and repairs	+21
- Office rent (pass-through)	△46
- Increase in property management fee	△14
- Increase in property taxes	△9

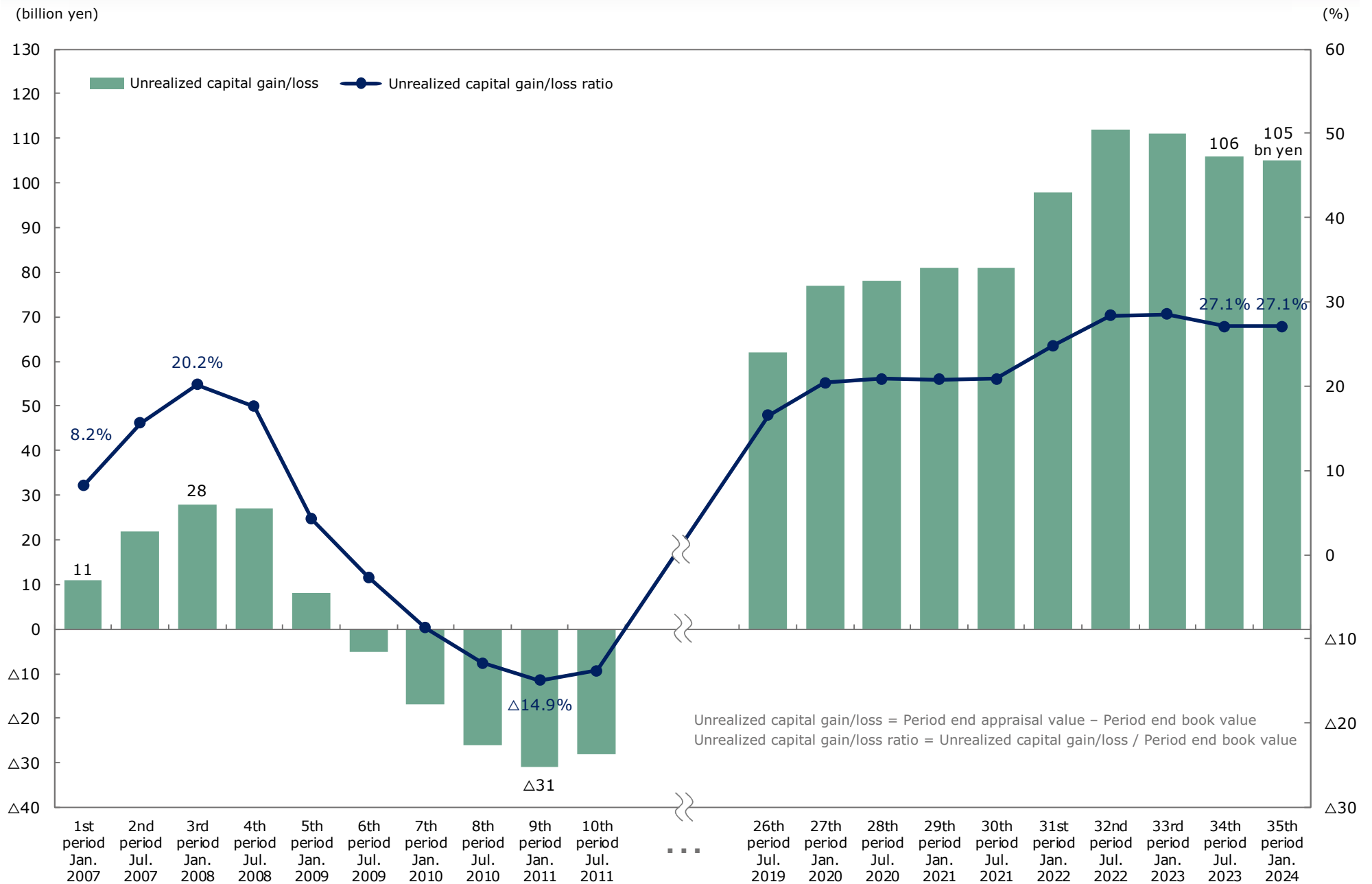
(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,916,330 units and indicated as an approximate figure in yen.

# 3-2 Change in assets under management





# 3-3 Change in unrealized capital gain/loss



# 3-4 Appraisal value

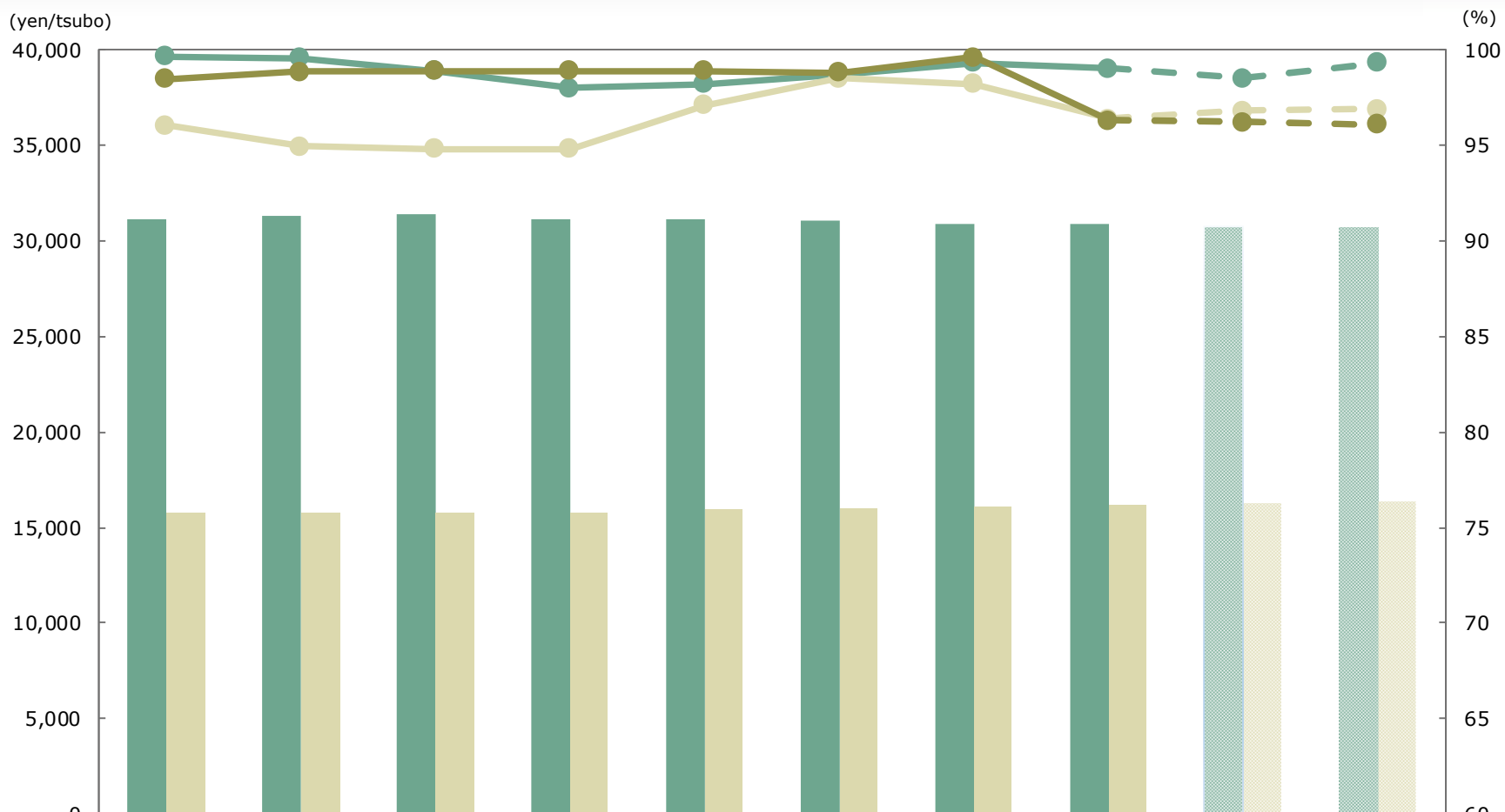
Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 34th period Jul. 31, 2023		As of end of 35th period Jan. 31, 2024				Difference (B) - (A)	Difference (B)/(A) - 1	Unrealized capital gain/loss (B)-book value
					(A) Appraisal value (Note 1)	Yield (Direct capitalization method)	(B) Appraisal value (Note 1)	Yield (Direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	110,182	159,400	2.6%	159,300	2.6%	2.3%	2.7%	△ 100	△ 0.1%	49,117
	ARK Mori Building	O-1	62,480	61,559	67,400	3.0%	67,400	3.0%	2.7%	3.1%	0	0.0%	5,840
	Koraku Mori Building	O-4	27,200	24,360	24,720	3.2%	24,720	3.2%	2.8%	3.5%	0	0.0%	359
	Akasaka Tameike Tower	O-6	43,930	41,000	34,800	3.0%	34,900	3.0%	2.7%	3.1%	100	0.3%	△ 6,100
	Atago Green Hills	O-7	42,090	39,478	46,102	3.2%	46,102	3.2%	2.7%	3.4%	0	0.0%	6,623
	ARK Hills South Tower	O-8	19,150	18,424	24,300	3.0%	24,200	3.0%	2.8%	3.2%	△ 100	△ 0.4%	5,775
	Toranomon Hills Mori Tower	O-9	56,300	55,019	77,220	2.4%	77,142	2.4%	2.1%	2.5%	△ 78	△ 0.1%	22,122
	Holland Hills Mori Tower	O-10	16,330	16,223	22,900	3.0%	22,600	3.0%	2.6%	3.2%	△ 300	△ 1.3%	6,376
Sub total			382,860	366,249	456,842	—	456,364	—	—	—	△ 478	△ 0.1%	90,114
Residential	Roppongi First Plaza	R-3	2,100	2,201	3,000	3.4%	3,020	3.4%	3.2%	3.5%	20	0.7%	818
	Roppongi View Tower	R-4	4,000	4,064	3,760	3.5%	3,830	3.5%	3.3%	3.6%	70	1.9%	△ 234
	Sub total			6,100	6,265	6,760	—	6,850	—	—	—	90	1.3%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	15,710	15,893	33,338	3.7%	30,528	—	3.7%	—	△ 2,810	△ 8.4%	14,634
	Sub total			15,710	15,893	33,338	—	30,528	—	—	—	△ 2,810	△ 8.4%
Total			404,670	388,408	496,940	—	493,742	—	—	—	△ 3,198	△ 0.6%	105,333

Reflects the impact of partial disposition (million yen)

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

(Note 2) For Laforet Harajuku (Land), value in the "Yield (Direct capitalization method)" column for the 34th period shows the discount rate used in the DCF analysis.

# 3-5 Changes in the rent and occupancy rates



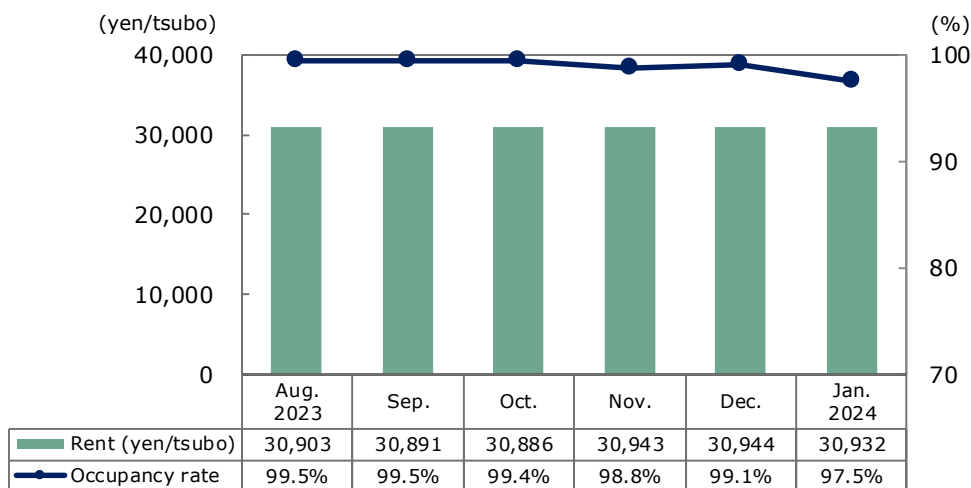
	28th period Jul. 2020 (actual)	29th period Jan. 2021 (actual)	30th period Jul. 2021 (actual)	31st period Jan. 2022 (actual)	32nd period Jul. 2022 (actual)	33rd period Jan. 2023 (actual)	34th period Jul. 2023 (actual)	35th period Jan. 2024 (actual)	36th period Jul. 2024 (forecast)	37th period Jan. 2025 (forecast)
Office rent (yen/tsubo)	31,139	31,309	31,372	31,135	31,109	31,044	30,922	30,916	30,775	30,691
Residential rent (yen/tsubo)	15,766	15,741	15,772	15,807	15,901	16,054	16,092	16,216	16,317	16,321
Office occupancy	99.7%	99.6%	98.9%	98.0%	98.2%	98.7%	99.3%	99.0%	98.5%	99.3%
Residential occupancy	96.1%	94.9%	94.8%	94.8%	97.1%	98.5%	98.2%	96.4%	96.8%	96.9%
Retail occupancy	98.5%	98.9%	98.9%	98.9%	98.9%	98.8%	99.6%	96.3%	96.2%	96.1%

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

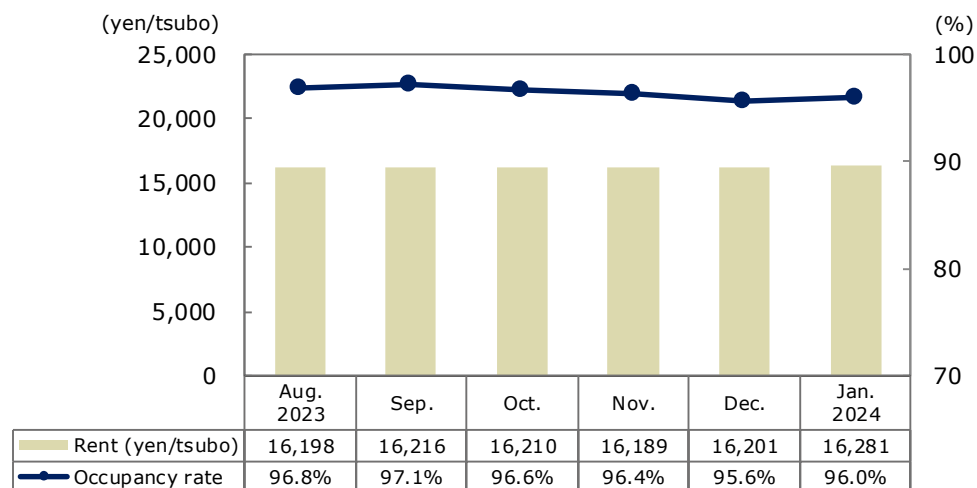


# 3-6 Tenant status by month and major tenants

## Office: Rent and occupancy rate



## Residential: Rent and occupancy rate



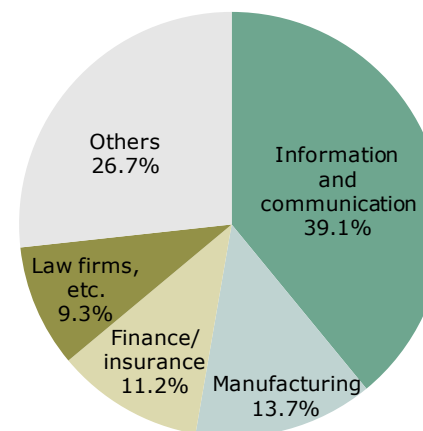
## Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Atago Green Hills Toranomom Hills Mori Tower	116,343.71 m <sup>2</sup>	66.2%
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,436.90 m <sup>2</sup>	2.0%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m <sup>2</sup>	1.1%
SoldOut, Inc.	Koraku Mori Building	1,851.87 m <sup>2</sup>	1.1%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	1,846.84 m <sup>2</sup>	1.1%
Total of top 5 tenants		125,331.19 m <sup>2</sup>	71.3%

(Note 1) Leased space is the lease area stated in the lease contract with the end tenant. It is multiplied by the relevant percentage of ownership for each properties.

(Note 2) This indicates the figures as of January 31, 2024.

## Tenant Contribution by Industry Type-Office



(Note 1) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of January 31, 2024.

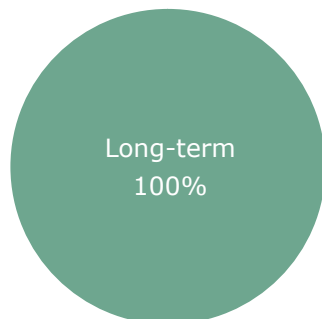
It is multiplied by the relevant percentage of ownership for each property.

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

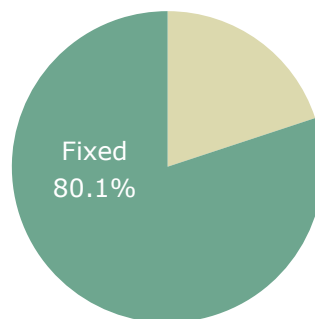
# 3-7 Financial overview (as of January 31, 2024)

## Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



## Major financial indicator

	End of 34th period Jul. 31, 2023	End of 35th period Jan. 31, 2024
Debt balance	192,422 mn yen	190,422 mn yen
Long-term loan	172,122 mn yen	166,822 mn yen
Investment corporation bonds	20,300 mn yen	23,600 mn yen
LTV (Book value basis) <sup>(Note 1)</sup>	46.4%	46.1%
LTV (Appraisal value basis) <sup>(Note 2)</sup>	36.9%	36.7%
DSCR <sup>(Note 3)</sup>	19.9x	19.6x
Avg. remaining duration	4.2 years	4.0 years
Weighted avg. interest rate	0.41%	0.42%

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

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

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

## Outstanding balances

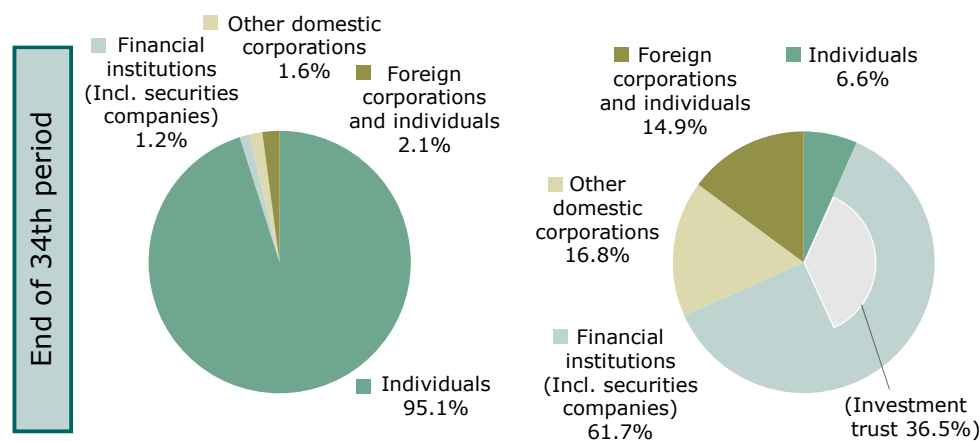
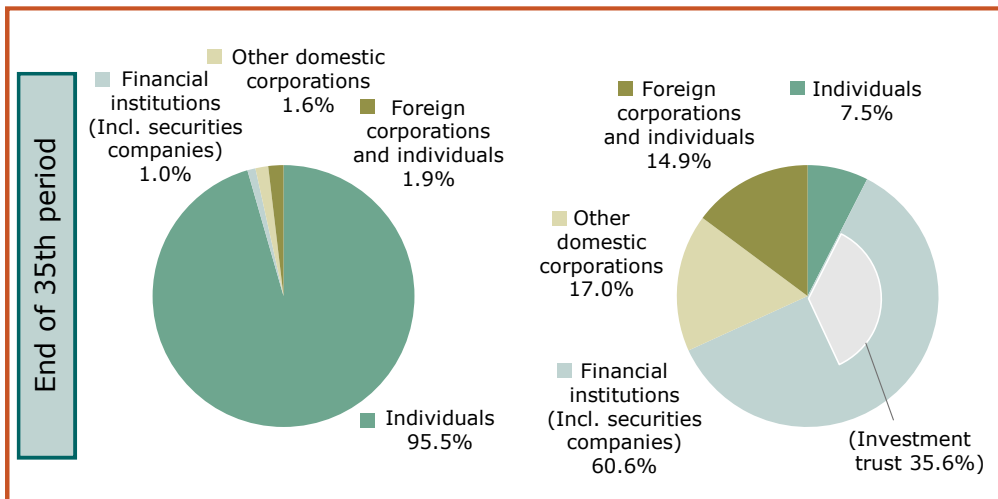
Lenders	Balance	Ratio
MUFG Bank, Ltd.	37,137 mn yen	22.3%
Mizuho Bank, Ltd.	28,043 mn yen	16.8%
Sumitomo Mitsui Banking Corporation	23,717 mn yen	14.2%
Sumitomo Mitsui Trust Bank, Limited	19,145 mn yen	11.5%
The Bank of Fukuoka	8,800 mn yen	5.3%
The Norinchukin Bank	8,000 mn yen	4.8%
Resona Bank, Limited.	7,430 mn yen	4.5%
SBI Shinsei Bank, Limited	6,200 mn yen	3.7%
Development Bank of Japan Inc.	5,950 mn yen	3.6%
Mizuho Trust & Banking Co., Ltd.	4,800 mn yen	2.9%
The Nishi-Nippon City Bank, Ltd.	4,000 mn yen	2.4%
Shinkin Central Bank	2,600 mn yen	1.6%
The Chugoku Bank, Limited.	2,500 mn yen	1.5%
Aozora Bank, Ltd.	2,000 mn yen	1.2%
Mitsubishi UFJ Trust and Banking Corporation (Trust account)	1,500 mn yen	0.9%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.6%
THE OITA BANK, LTD.	1,000 mn yen	0.6%
Nippon Life Insurance Company	1,000 mn yen	0.6%
Mitsui Sumitomo Insurance Company, Limited	1,000 mn yen	0.6%
The Bank of Yokohama, Ltd.	1,000 mn yen	0.6%
<b>Total borrowings</b>	<b>166,822 mn yen</b>	<b>100%</b>
Investment corporation bonds	23,600 mn yen	
<b>Total interest-bearing debt</b>	<b>190,422 mn yen</b>	

# 3-8 Unitholders breakdown (as of January 31, 2024)

## Unitholders breakdown

<Number of unitholders>

<Number of investment units>



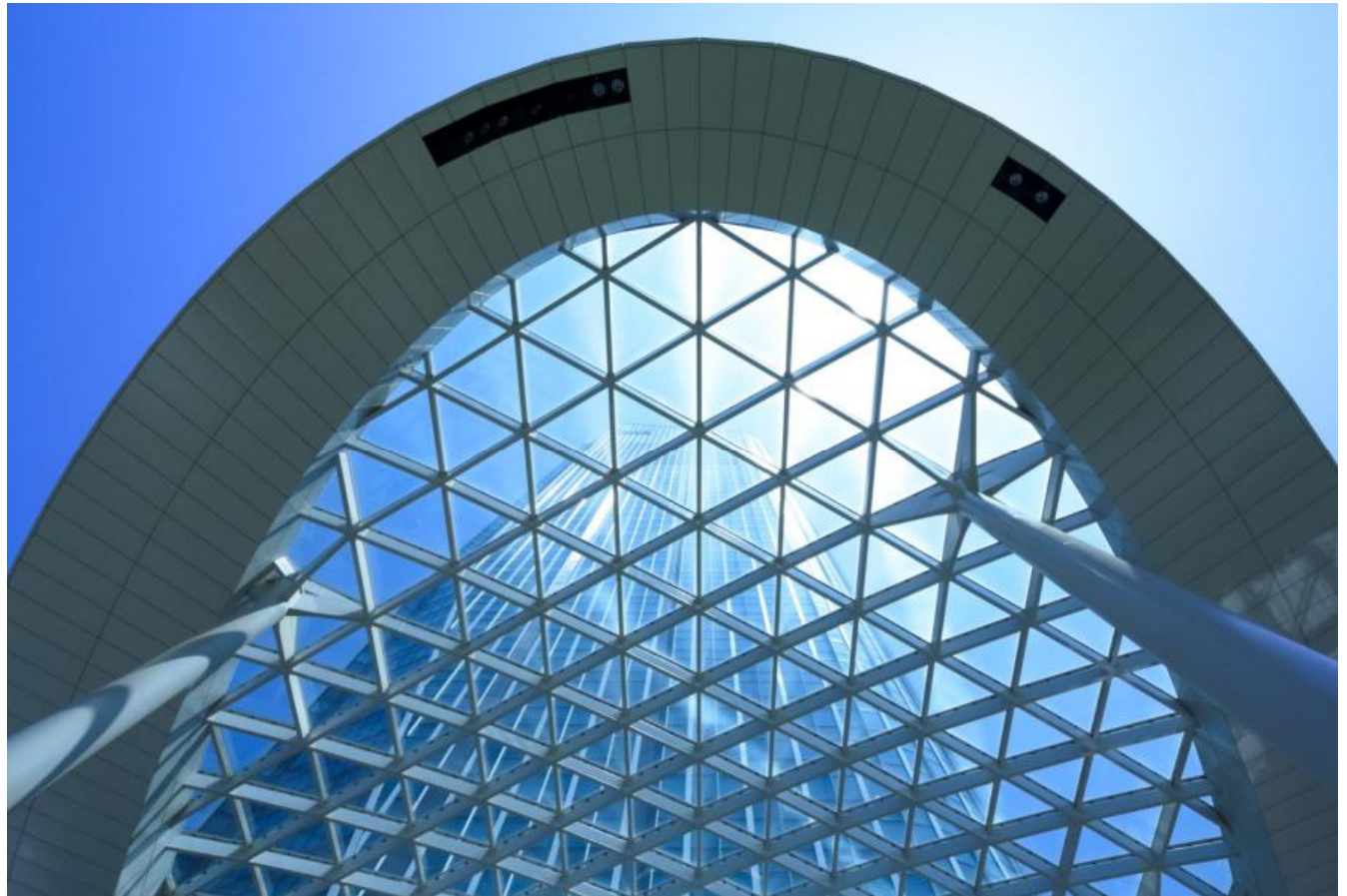
## Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Custody Bank of Japan, Ltd. (Trust account)	496,337	25.9%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	292,522	15.3%
3	Mori Building Co., Ltd.	287,472	15.0%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	80,930	4.2%
5	STATE STREET BANK WEST CLIENT - TREATY 505234	25,086	1.3%
6	JP MORGAN CHASE BANK 385771	22,141	1.2%
7	Custody Bank of Japan, Ltd. (Money trust taxable account)	21,868	1.1%
8	LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	19,684	1.0%
9	SMBC Nikko Securities Inc.	19,498	1.0%
10	The Shinkumi Federation Bank	18,756	1.0%
Total of top 10 unitholders		1,284,294	67.0%



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

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# 4-1 Business environment recognition

## Real estate market / Lending attitude

- Vacancy rates for office buildings in central Tokyo remained relatively high and rents continued to trend downward.  
(“Office Market Data” by Miki Shoji Co., Ltd. for Tokyo’s five central wards)
  - ⇒ Vacancy rate: 6.5% (December 2022) → 6.0% (December 2023)
  - ⇒ Rent index: 114 (December 2022) → 112 (December 2023)
- Cap rates have remained at historically low levels.  
(Japan Real Estate Institute’s “The Japanese Real Estate Investor Survey”)
  - ⇒ Class A buildings in Marunouchi  
Cap rate: 2.9% (April 2023) → 2.8% (October 2023)
- Lending attitude toward the real estate industry has temporarily weakened but remains strong.

## Interest rate trends / Macro environment

- Although long-term interest rates rose due to the change in the monetary policy of the Bank of Japan, they are currently within expectations, and there is limited impact on real estate prices and investment unit prices.
  - ⇒ 10-year bond rates: 0.73% (January 31, 2024)
  - ⇒ Core CPI: +2.3% (December 2023)
- In the December 2023 preliminary business conditions composite index, the leading index was at 110.0 (increased 1.9 PT from previous month) and the coincident index was at 116.2 (increased 1.6 PT from previous month).  
Business sentiment continues to improve.
- Awareness of ESG issues among companies has increased, with steady progress in pursuing ESG initiatives.

- Although the office leasing market is sluggish, recent strong corporate performance may lead to increased demand, and it is then believed that rent may gradually become stable.
- Even amidst the increase in average market vacancy rate, premium properties in central Tokyo have maintained high occupancy rates and are expected to demonstrate competitive advantages in the future.

- Business sentiment is improving with the expansion of global economic activities, but there is a need for caution about the negative impacts resulting from interest rate hikes.
- Interest rates are expected to increase moderately over the medium to long term partially due to the change in the monetary policy of the Bank of Japan.
- The fundamental importance of ESG is believed to remain unchanged even in the future.

Continues to “MHR’s policy/strategy” on the next page

## MHR's Medium- to Long-Term Vision

**The best portfolio quality**

By focusing primarily on premium properties in central Tokyo developed by the sponsor, MHR seeks to maintain highly competitive portfolio quality while further expanding the scale of the portfolio.

**The highest ESG assessment**

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

**Dividend-driven management**

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

**Optimal REIT investment**



# 4-3 MHR's policy/strategy

## External growth policy

- Aim to expand portfolio size by effectively utilizing the sponsor pipeline, targeting premium properties in central Tokyo.
- Premium properties in central Tokyo have maintained high occupancy rates by capturing the demand for headquarter offices of many blue-chip companies and are expected to demonstrate competitive advantages.
- While disposing of parts of Laforet Harajuku (Land), make new acquisitions concurrently to expand portfolio size over the medium to long term.

## Internal growth policy

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

## Financial management policy

- Set the current LTV level (book value: in the mid-40% range; appraisal value: in the upper 30% range) as the target in order to maintain a durable position for times of economic slowdown, and target average remaining duration of debt at approximately 4.0 years or longer.
- Anticipate interest rate fluctuation risk over the medium to long term by constantly monitoring economic conditions and interest rate trends, and then when necessary take appropriate measures.

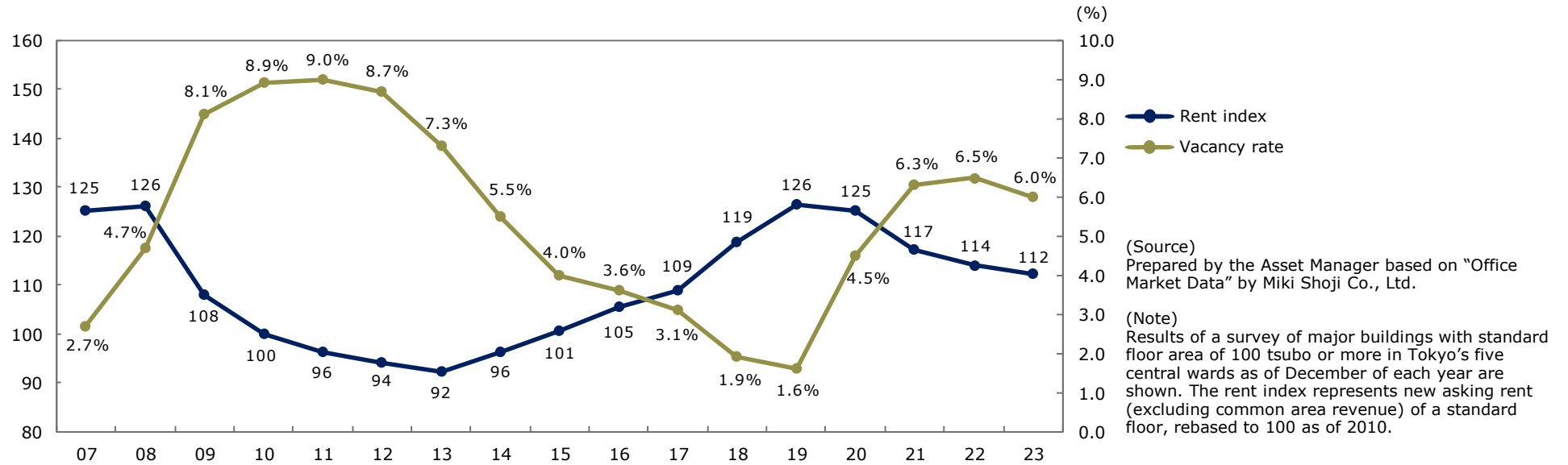
## ESG policy

- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Regularly publish integrated reports to proactively disclose information upon organizing a variety of information material clearly and effectively.

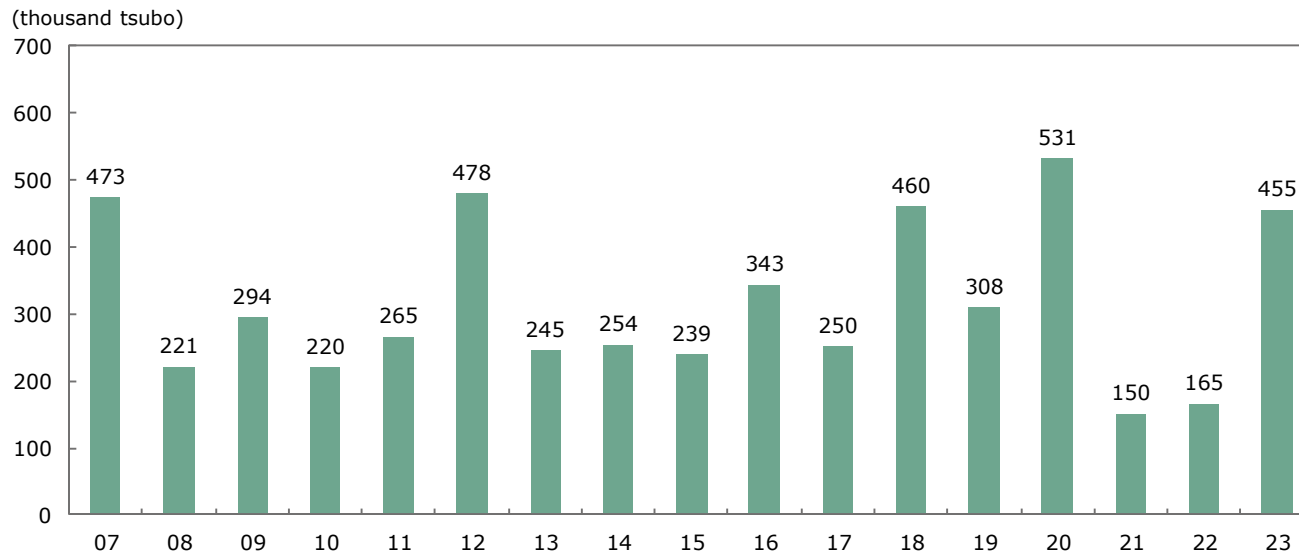


# 4-4 Market-related information (1)

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



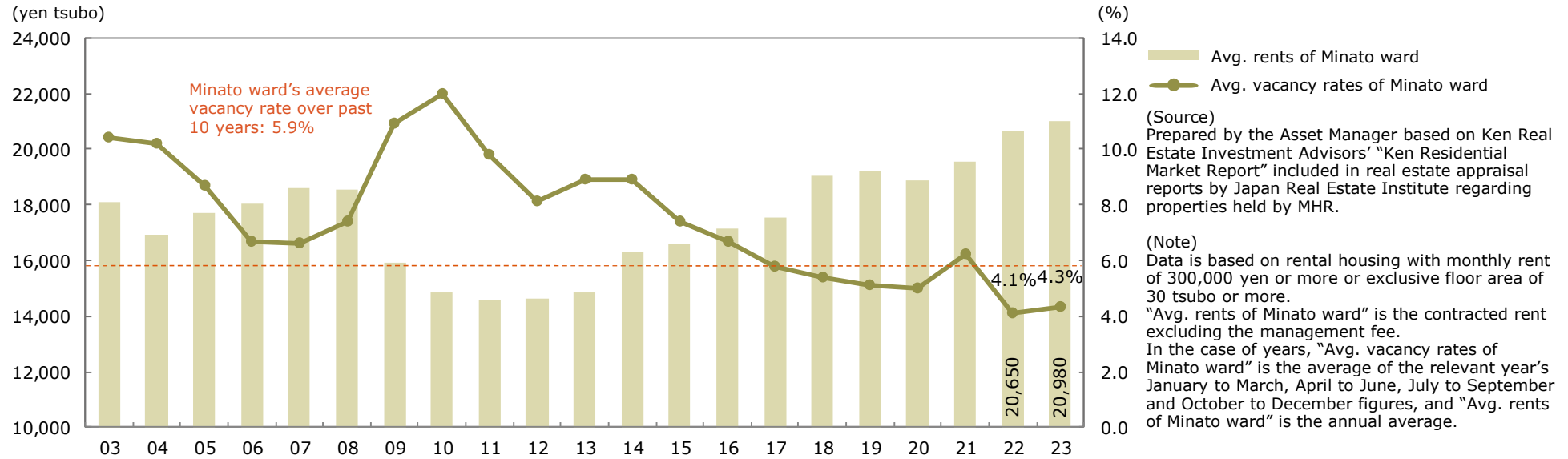
## New supply of office buildings (Tokyo's five central wards)



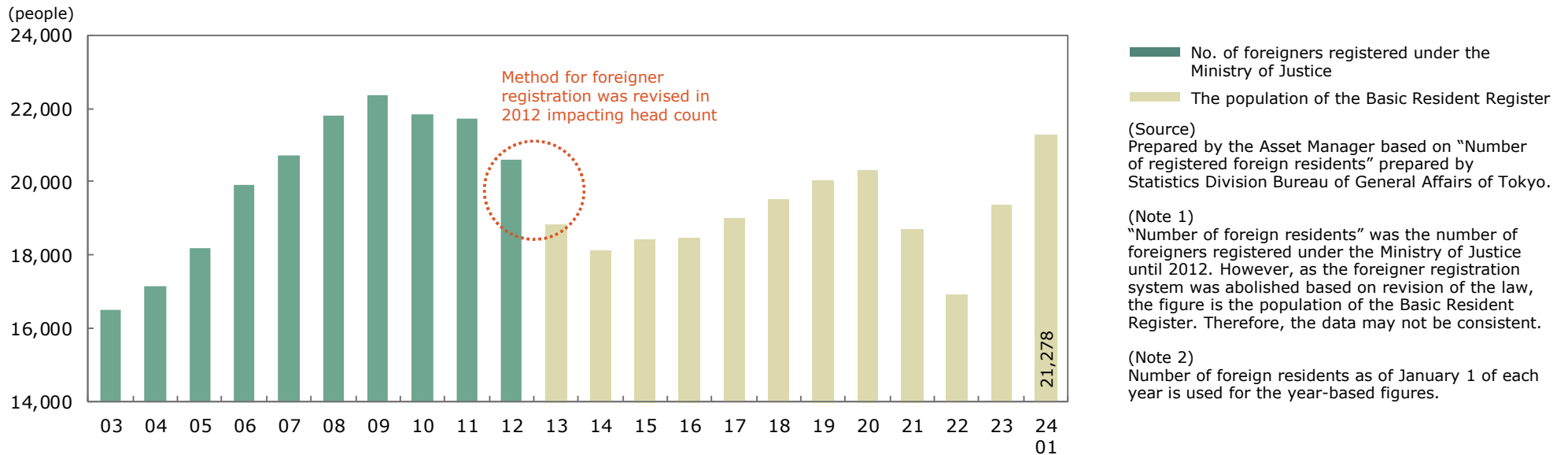
(Source)  
Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.

# 4-5 Market-related information (2)

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

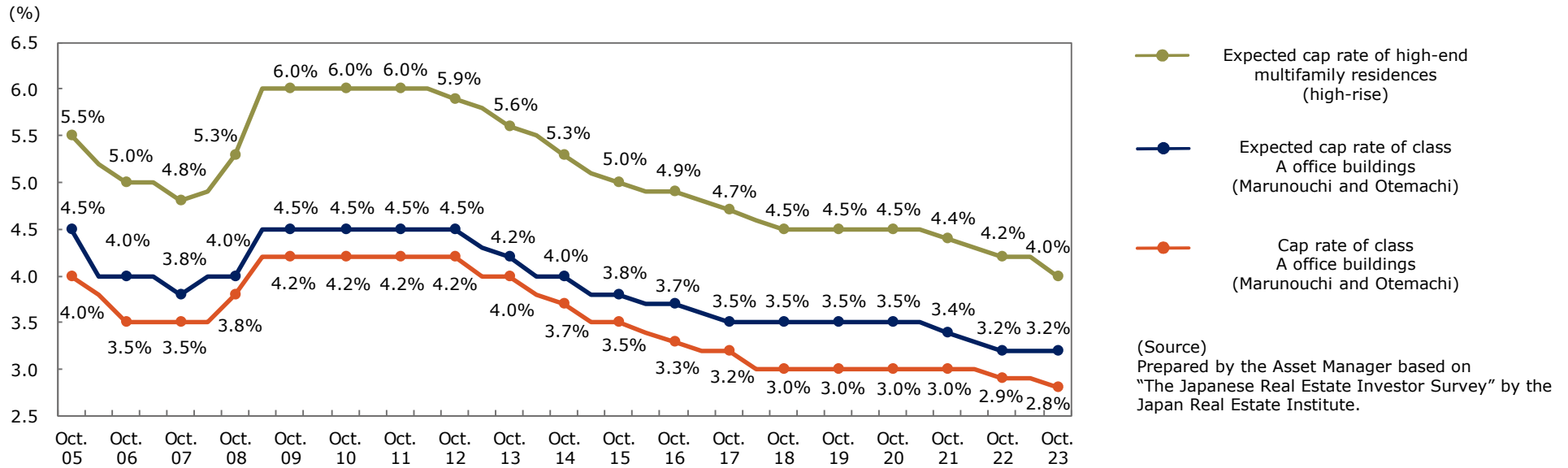


## Change in number of foreign residents in Minato ward

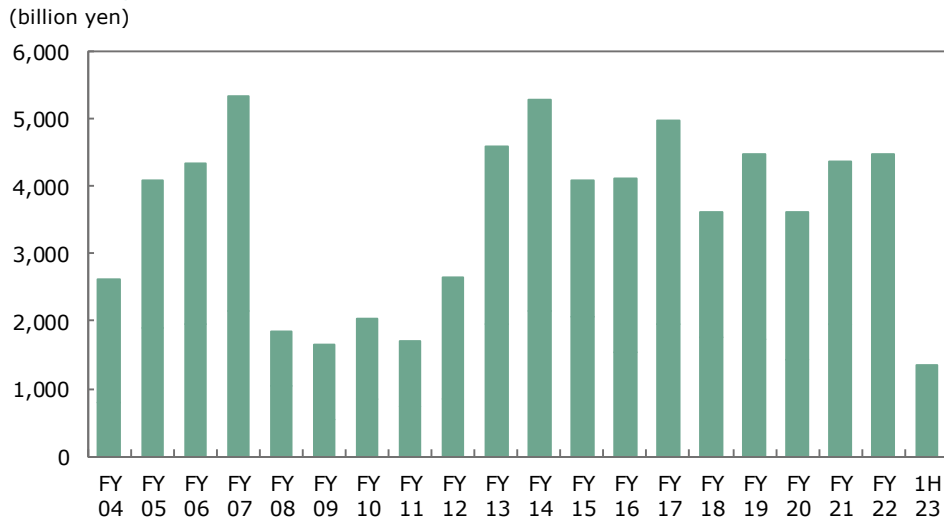


# 4-6 Market-related information (3)

## Change in return on real estate investment

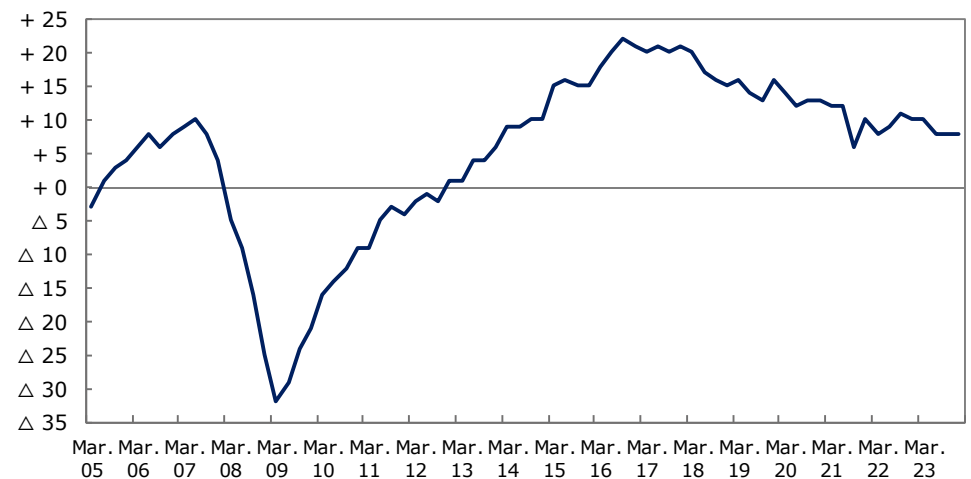


## Change in real estate transaction amount



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

## Lending attitude DI (Real estate industry)



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

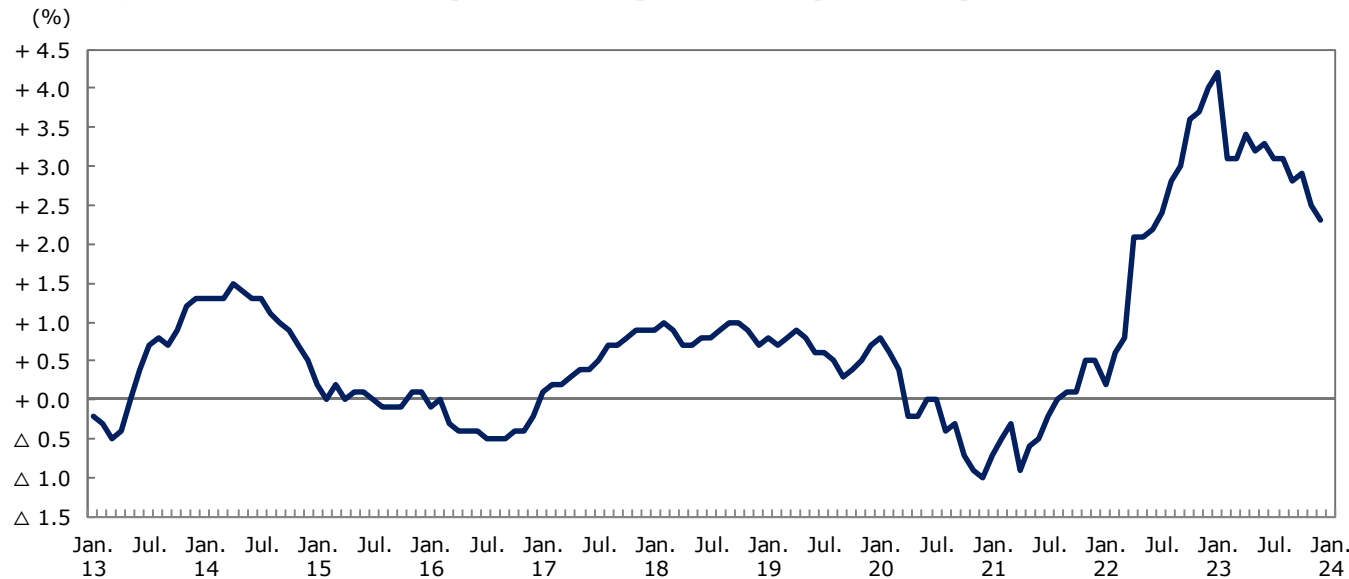
# 4-7 Market-related information (4)

## Change in 10-year bond interest rates



(Source)  
Prepared by the Asset Manager based on QUICK Qr1.

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



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

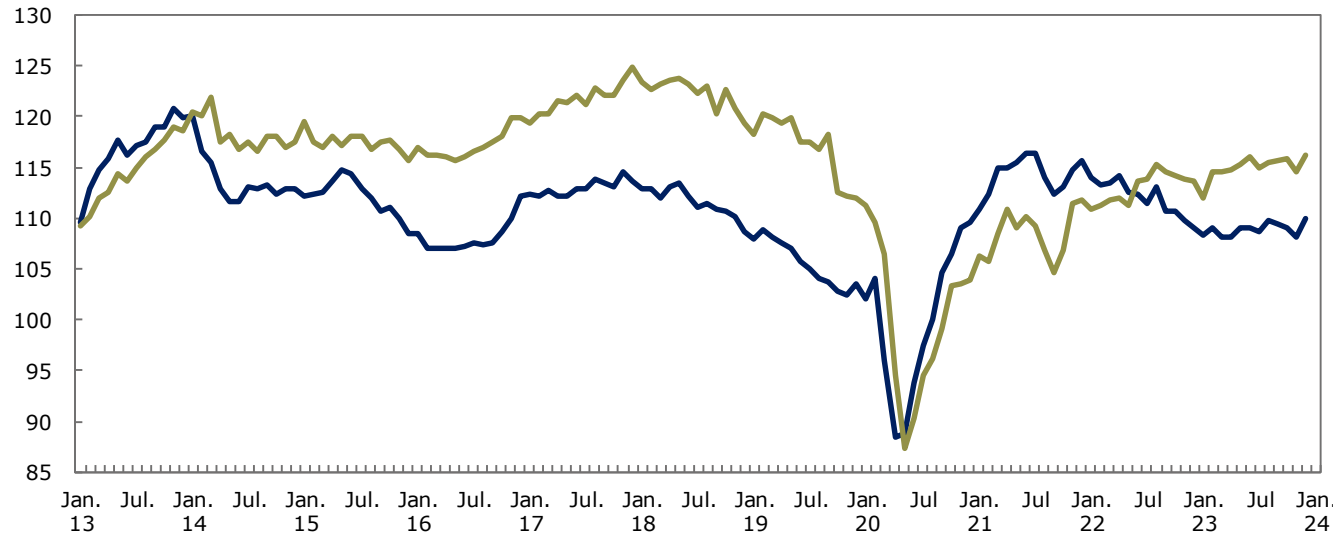
(Source)  
Prepared by the Asset Manager based on "Consumer Price Index" by Statistic Bureau, Ministry of Internal Affairs and Communications and "Economic Statistics Monthly" by the Bank of Japan.

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



# 4-8 Market-related information (5)

## Business conditions composite index

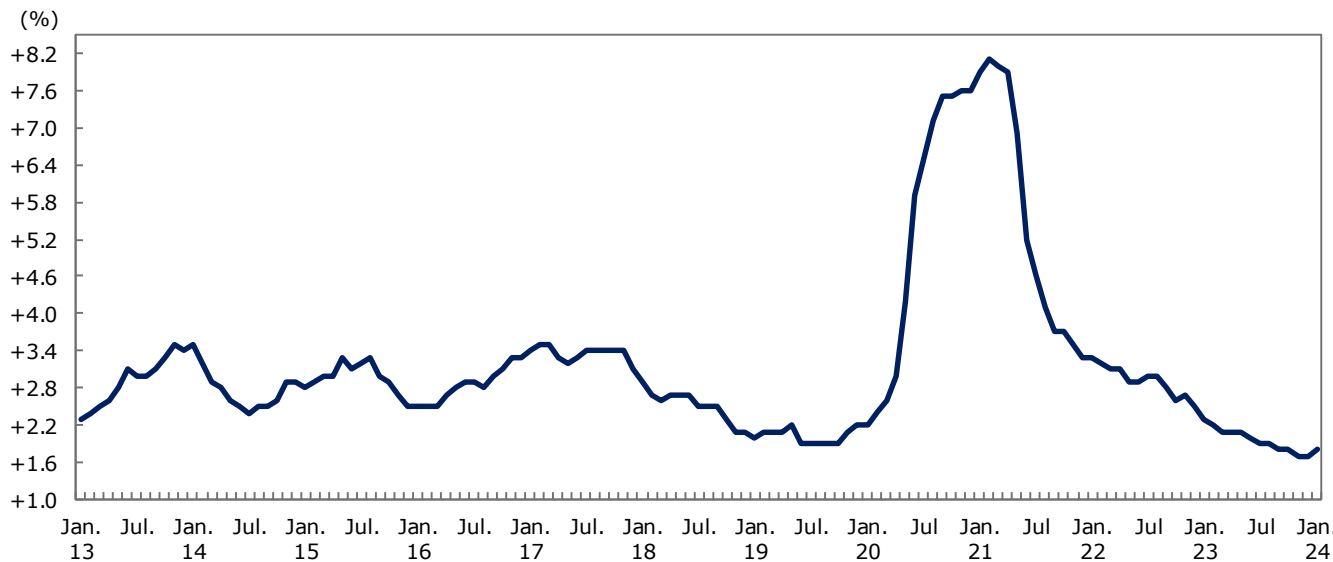


- Leading index
- Coincident index

(Source)  
Prepared by the Asset Manager based on the "Business Conditions Composite Index" by the Cabinet Office.

(Note)  
The index is rebased to 100 as of 2020.

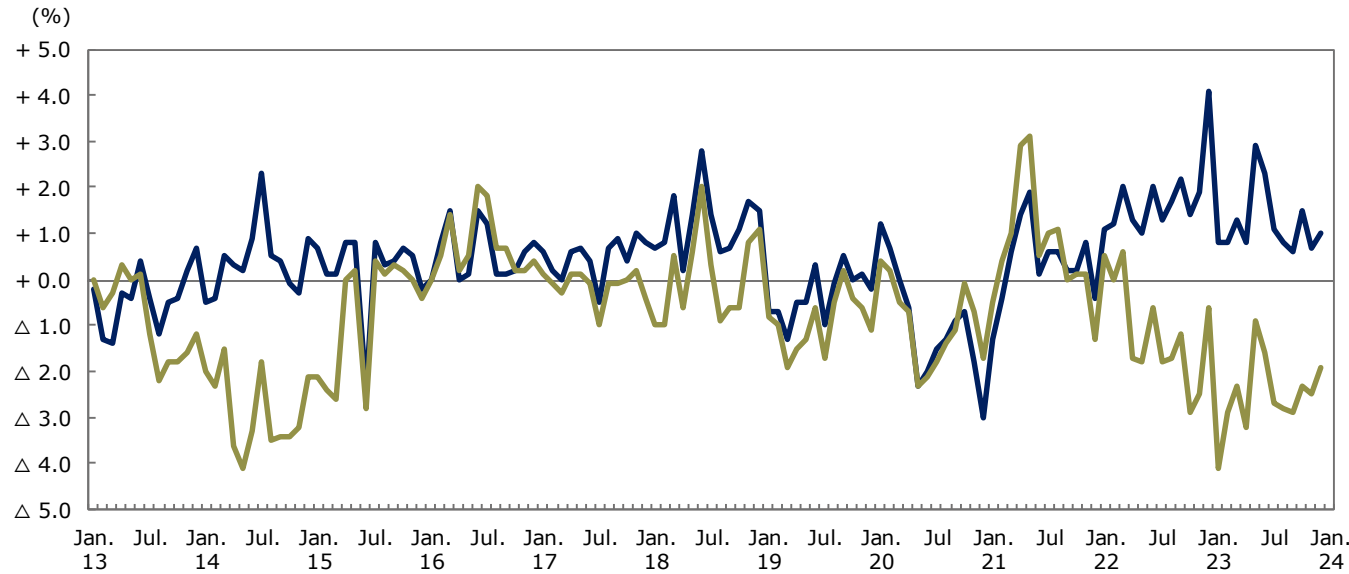
## Money stock (M3: year-on-year comparison)



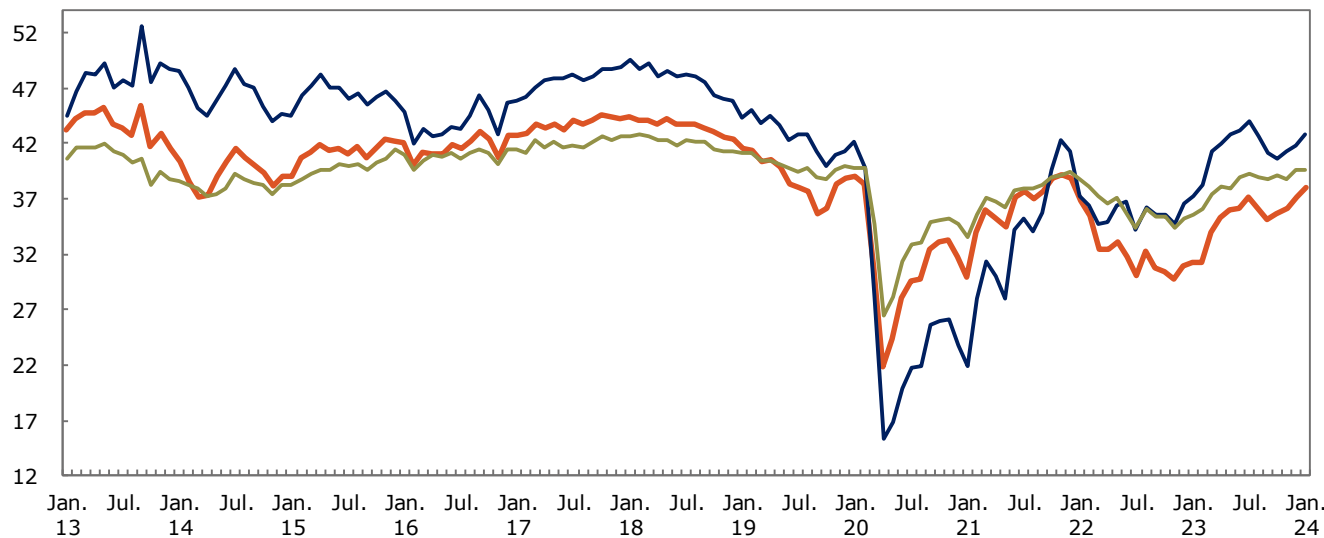
(Source)  
Prepared by the Asset Manager based on "Money Stock Statistics" by the Bank of Japan.

# 4-9 Market-related information (6)

## Total cash earnings (Year-on-year comparison)

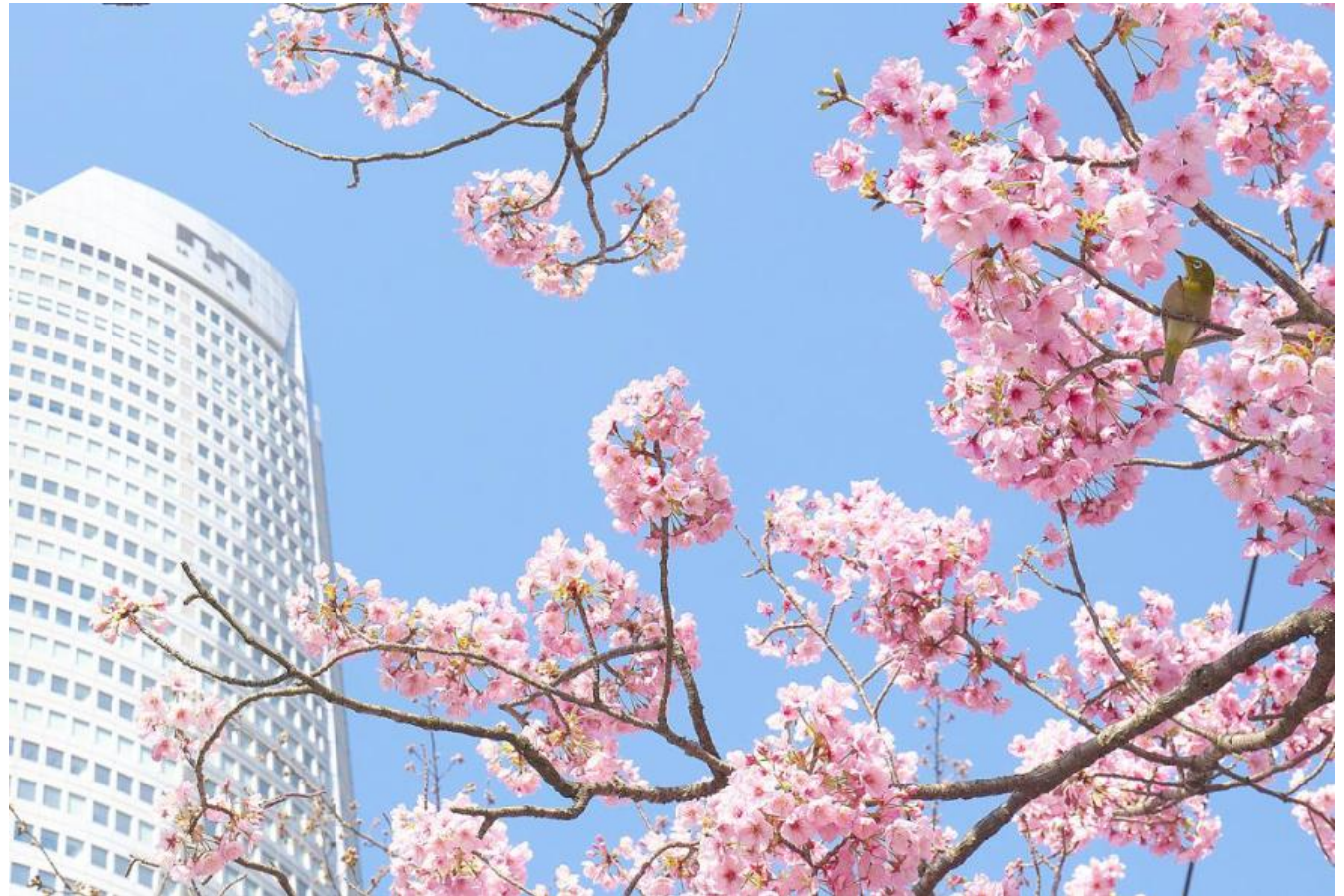


## Consumer confidence survey



## 5. Appendix

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# 5-1 Financial highlights

Indices	34th period Period ended Jul. 31, 2023	35th period Period ended Jan. 31, 2024	Calculation formula
Net income	6,423 mn yen	6,289 mn yen	
Depreciation and amortization	1,097 mn yen	1,083 mn yen	
CAPEX	717 mn yen	191 mn yen	
Total assets	414,888 mn yen	413,064 mn yen	
Total net assets	204,797 mn yen	204,778 mn yen	
Total net assets/unit (BPS)	106,869 yen	106,859 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	144,700 yen	137,200 yen	
Total units outstanding	1,916,330 units	1,916,330 units	
Total dividends	6,423 mn yen	6,289 mn yen	
Dividends/unit	3,352 yen	3,282 yen	
Dividend yield	4.7%	4.7%	Dividends per unit (annualized)/Unit price as of end of period
FFO	6,144 mn yen	5,999 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,206 yen	3,130 yen	FFO/Total units outstanding
Annualized	6,466 yen	6,210 yen	Based on a period of 365 days
FFO multiple	22.4x	22.1x	Unit price as of end of period/FFO per unit (annualized)
PER	21.4x	21.1x	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	1.5%	1.5%	Ordinary income/Average of total assets during the period
Annualized	3.1%	3.0%	Based on a period of 365 days
ROE	3.1%	3.1%	Net income/Average of total net assets during the period
Annualized	6.3%	6.1%	Based on a period of 365 days
NAV	310,846 mn yen	310,111 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	162,209 yen	161,825 yen	
NAV multiple	0.9x	0.8x	Unit price as of end of period/NAV per unit
Interest-bearing debt	192,422 mn yen	190,422 mn yen	
LTV (book value basis)	46.4%	46.1%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	36.9%	36.7%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	181 days	184 days	



# 5-2 Balance sheet

(thousand yen)

	34th period Period ended Jul. 31, 2023	35th period Period ended Jan. 31, 2024
<b>Assets</b>		
Current assets	21,985,841	22,650,603
Cash and deposits	16,049,336	16,334,764
Cash and deposits in trust	5,332,444	5,657,110
Other	604,061	658,728
Noncurrent assets	392,834,017	390,337,800
Property, plant and equipment	360,239,443	357,757,060
Intangible assets	30,651,709	30,651,599
Investments and other assets	1,942,864	1,929,140
Deferred assets	68,265	76,033
<b>Total assets</b>	<b>414,888,123</b>	<b>413,064,436</b>

(thousand yen)

	34th period Period ended Jul. 31, 2023	35th period Period ended Jan. 31, 2024
<b>Liabilities</b>		
Current liabilities	21,281,381	20,501,429
Current portion of investment corporation bonds	—	2,000,000
Current portion of long-term loans payable	18,800,000	15,800,000
Other	2,481,381	2,701,429
Noncurrent liabilities	188,809,003	187,784,956
Investment corporation bonds	20,300,000	21,600,000
Long-term loans payable	153,322,000	151,022,000
Lease and guarantee deposited in trust	15,147,763	15,152,472
Other	39,240	10,484
<b>Total liabilities</b>	<b>210,090,385</b>	<b>208,286,386</b>
<b>Net assets</b>		
Unitholders' equity	203,582,607	203,449,058
Unitholders' capital, net	195,718,191	195,718,191
Total surplus	7,864,416	7,730,866
Voluntary retained earnings	1,412,588	1,412,588
Unappropriated retained earnings	6,451,828	6,318,278
Valuation and translation adjustments	1,215,130	1,328,991
Deferred gains or losses on hedges	1,215,130	1,328,991
<b>Total net assets</b>	<b>204,797,738</b>	<b>204,778,050</b>
<b>Total liabilities and net assets</b>	<b>414,888,123</b>	<b>413,064,436</b>

# 5-3 Income statement

(thousand yen)

	34th period Period ended Jul. 31, 2023	35h period Period ended Jan. 31, 2024	
Operating revenue	11,215,192	11,176,568	
Rent revenues	9,625,377	9,538,463	Office 8,131,755
Other operating revenues	213,524	264,526	Residential 809,212
Gain on sales of real estate properties	1,376,290	1,373,579	Retail 79,708
Operating expenses	4,259,350	4,373,146	Land 511,980
Expenses related to properties	3,516,964	3,628,677	Other rent revenue 5,806
Asset management fee	619,720	626,906	
Directors' compensation	8,400	8,400	
Asset custody fee	10,381	10,372	
Administrative service fees	16,162	16,037	
Other operating expenses	87,721	82,752	
Operating income	6,955,842	6,803,422	
Non-operating income	1,023	1,304	
Interest income	80	93	
Gain on forfeiture of unclaimed dividends	942	1,211	
Non-operating expenses	531,981	513,573	
Interest expenses	344,405	339,877	
Interest expenses on investment corporation bonds	52,950	55,740	
Amortization of investment corporation bonds issuance cost	8,790	10,251	
Borrowing expenses	118,569	105,796	
Amortization of investment unit issuance cost	5,358	—	
Other	1,907	1,907	
Ordinary income	6,424,883	6,291,153	
Income before income taxes	6,424,883	6,291,153	
Net income	6,423,836	6,289,988	
Unappropriated retained earnings	6,451,828	6,318,278	

Parking revenue	53,266
Utilities and other revenue	152,146
Cancellation penalty	59,113
Property management fees	1,220,986
Property taxes	814,603
Utilities	148,292
Maintenance and repairs	119,066
Insurance premium	22,171
Custodian fees	5,912
Depreciation	1,083,376
Rent expenses	153,299
Other lease business expenses	60,968

# 5-4 Statement of cash flows / Retained earnings

## Statement of cash flows

(thousand yen)

	34th period Period ended Jul. 31, 2023	35th period Period ended Jan. 31, 2024
Net cash provided by (used in) operating activities	8,899,147	9,233,484
Income before income taxes	6,424,883	6,291,153
Depreciation and amortization	1,097,092	1,083,376
Amortization of investment corporation bonds issuance cost	8,790	10,251
Amortization of investment unit issuance cost	5,358	—
Interest income	△ 80	△ 93
Gain on forfeiture of unclaimed dividends	△ 942	△ 1,211
Interest expenses	397,355	395,618
Decrease (increase) in operating accounts receivable	△ 6,382	1,517
Increase (decrease) in operating accounts payable	△ 6,826	45,338
Increase (decrease) in accounts payable—other	537	△ 1,103
Increase (decrease) in accrued expenses	△ 52,928	8,557
Increase (decrease) in accrued consumption taxes	△ 107,972	160,166
Increase (decrease) in advances received	13,776	△ 5,793
Increase (decrease) in deposits received	△ 3,517	△ 2,213
Decrease (increase) in prepaid expenses	△ 22,642	8,542
Decrease (increase) in long-term prepaid expenses	7,967	99,499
Decrease in property, plant and equipment in trust due to sale	1,545,191	1,545,191
Other, net	145	△ 17,915
Subtotal	9,299,807	9,620,883
Interest income received	80	93
Interest expenses paid	△ 399,856	△ 386,434
Income taxes paid	△ 884	△ 1,057

(thousand yen)

	34th period Period ended Jul. 31, 2023	35th period Period ended Jan. 31, 2024
Net cash provided by (used in) investing activities	△ 606,729	△ 183,073
Purchase of property, plant and equipment in trust	△ 691,698	△ 186,943
Repayments of lease and guarantee deposited in trust	△ 56,290	△ 170,633
Proceeds from lease and guarantee deposited in trust	141,259	174,502
Net cash provided by (used in) financing activities	△ 5,824,808	△ 8,440,316
Proceeds from long-term loans payable	9,200,000	5,900,000
Repayments of long-term loans payable	△ 9,200,000	△ 11,200,000
Proceeds from issuance of investment corporation bonds	—	3,281,980
Dividends paid	△ 5,824,808	△ 6,422,296
Net increase (decrease) in cash and cash equivalents	2,467,609	610,094
Cash and cash equivalents at beginning of the period	18,914,170	21,381,780
Cash and cash equivalents at the end of the period	21,381,780	21,991,874

## Retained earnings

(yen)

	34th period Period ended Jul. 31, 2023	35th period Period ended Jan. 31, 2024
I Unappropriated retained earnings	6,451,828,092	6,318,278,661
II Amount of Dividends	6,423,538,160	6,289,395,060
Amount of dividends per unit	3,352	3,282
III Retained earnings carried forward	28,289,932	28,883,601

# 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	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	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	100%	92.5%	△ 7.5PT	97.6%	94.6%	△ 3.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	99.8%	95.3%	△ 4.5PT	98.2%	95.6%	△ 2.6PT
Number of tenants	1	1	0	1	1	0	23	21	△ 2	139	132	△ 7
Rent revenues	2,851,394	2,851,394	—	1,351,486	1,351,486	—	672,431	656,213	△ 16,217	811,944	798,591	△ 13,353
Other operating revenues	—	—	—	—	—	—	85,707	109,870	24,163	81,237	78,076	△ 3,161
Total property operating revenue	2,851,394	2,851,394	—	1,351,486	1,351,486	—	758,138	766,084	7,945	893,181	876,667	△ 16,514
Property management fees	426,426	426,426	—	185,961	202,169	16,207	85,199	82,065	△ 3,133	174,117	188,870	14,753
Property taxes (Note 1)	280,066	288,834	8,768	89,636	92,666	3,030	32,560	30,275	△ 2,284	45,011	44,073	△ 937
Utilities	—	—	—	—	—	—	73,170	64,921	△ 8,248	39,968	36,557	△ 3,411
Maintenance and repairs	—	—	—	355	—	△ 355	13,700	43,192	29,492	31,259	59,929	28,670
Insurance premium	5,263	5,460	197	2,273	2,305	32	1,827	1,873	46	2,441	2,633	191
Depreciation (1)	323,782	304,695	△ 19,087	80,339	82,870	2,530	99,095	99,954	859	138,352	138,796	444
Other expenses (Note 2)	376	374	△ 1	2,788	2,785	△ 2	87,717	132,635	44,917	10,622	10,694	72
Total property operating expenses	1,035,916	1,025,792	△ 10,123	361,353	382,797	21,443	393,272	454,920	61,647	441,773	481,557	39,783
Property operating income (2)	1,815,478	1,825,601	10,123	990,132	968,689	△ 21,443	364,866	311,164	△ 53,701	451,408	395,110	△ 56,297
NOI (3) ((1)+(2))	2,139,261	2,130,297	△ 8,963	1,070,472	1,051,559	△ 18,912	463,962	411,119	△ 52,842	589,760	533,907	△ 55,853
Annualized NOI	4,313,979	4,225,861	△ 88,117	2,158,687	2,085,974	△ 72,713	935,614	815,535	△ 120,078	1,189,295	1,059,109	△ 130,186
Annualized NOI/ Acquisition price	3.7%	3.7%	△ 0.1PT	3.5%	3.3%	△ 0.1PT	3.4%	3.0%	△ 0.4PT	2.7%	2.4%	△ 0.3PT
CAPEX (4)	160,125	—	△ 160,125	273,036	56,959	△ 216,077	109,385	3,612	△ 105,773	35,641	50,645	15,003
NCF (3)-(4)	1,979,135	2,130,297	151,161	797,435	994,600	197,164	354,576	407,507	52,930	554,118	483,261	△ 70,857

(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			Toranomori Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price	42,090,000			19,150,000			56,300,000			16,330,000		
Period	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	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	93.7%	99.1%	5.4PT	100%	100%	0.0PT	97.4%	76.2%	△ 21.2PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	89.3%	96.0%	6.7PT	100%	100%	0.0PT	99.0%	94.5%	△ 4.5PT
Number of tenants	1	1	0	49	52	3	1	1	0	21	22	1
Rent revenues	1,012,320	1,012,320	—	425,963	451,113	25,149	1,209,907	1,209,907	—	525,166	499,770	△ 25,396
Other operating revenues	—	—	—	24,678	28,325	3,647	—	—	—	21,901	48,007	26,106
Total property operating revenue	1,012,320	1,012,320	—	450,642	479,439	28,796	1,209,907	1,209,907	—	547,067	547,778	710
Property management fees	2,664	2,664	—	54,015	50,569	△ 3,445	138,430	134,403	△ 4,027	103,164	103,697	533
Property taxes (Note 1)	69,507	69,809	302	38,614	38,854	240	103,278	105,740	2,461	37,551	38,459	907
Utilities	—	—	—	36,417	38,494	2,077	—	—	—	6,861	6,055	△ 805
Maintenance and repairs	—	—	—	2,929	3,021	91	—	—	—	8,452	3,019	△ 5,433
Insurance premium	3,917	4,056	139	1,218	1,249	30	2,458	2,568	110	1,268	1,313	45
Depreciation (1)	183,899	184,375	475	45,061	45,222	160	151,365	151,485	119	45,882	46,487	604
Other expenses (Note 2)	61,762	66,824	5,061	958	1,477	519	110	109	△ 0	209	208	△ 0
Total property operating expenses	321,751	327,729	5,978	179,215	178,890	△ 325	395,644	394,307	△ 1,336	203,388	199,240	△ 4,148
Property operating income (2)	690,568	684,590	△ 5,978	271,426	300,548	29,121	814,262	815,599	1,336	343,678	348,537	4,858
NOI (3) ((1)+(2))	874,468	868,965	△ 5,502	316,488	345,771	29,282	965,628	967,084	1,456	389,561	395,024	5,462
Annualized NOI	1,763,430	1,723,763	△ 39,667	638,223	685,905	47,682	1,947,262	1,918,402	△ 28,860	785,579	783,607	△ 1,971
Annualized NOI/ Acquisition price	4.2%	4.1%	△ 0.1PT	3.3%	3.6%	0.2PT	3.5%	3.4%	△ 0.1PT	4.8%	4.8%	△ 0.0PT
CAPEX (4)	79,740	19,468	△ 60,271	13,106	4,107	△ 8,999	9,921	2,978	△ 6,943	28,030	24,324	△ 3,706
NCF (3)-(4)	794,727	849,496	54,769	303,382	341,664	38,281	955,707	964,106	8,399	361,530	370,699	9,169

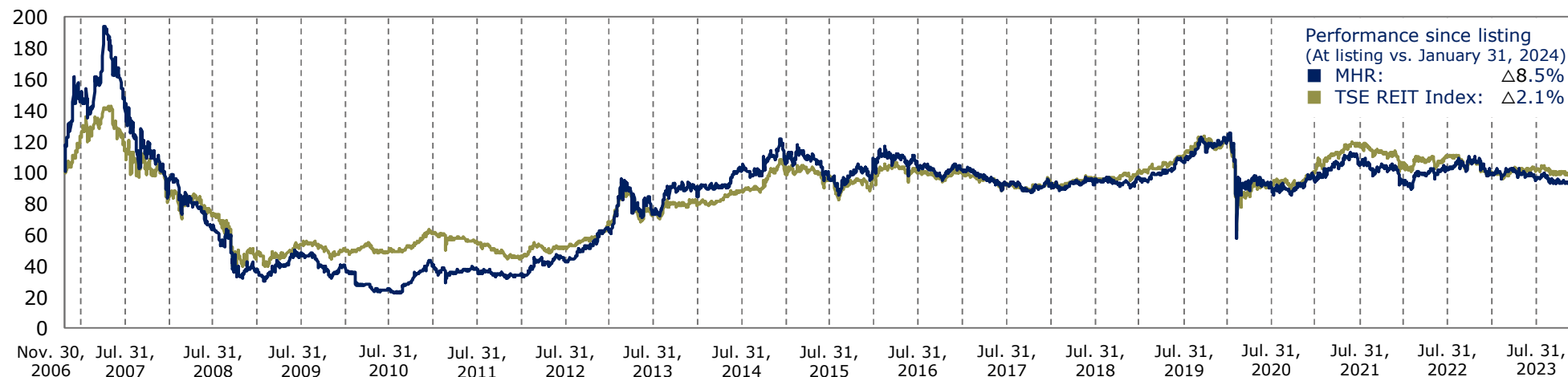
# 5-7 Status of income and expenditures (3)

(thousand yen)

Property number	R-3			R-4			S-1			Portfolio total		
Property name	Roppongi First Plaza			Roppongi View Tower			Laforet Harajuku (Land)					
Acquisition price	2,100,000			4,000,000			15,710,400 (as of the end of Jul. 2023: 17,237,800)			404,670,400 (as of the end of Jul. 2023: 406,197,800)		
Period	34th Jul. 2023	35th Jan. 2024	Difference	34th Jul. 2023	35th Jan. 2024	Difference	34th (Note3) Jul. 2023	35th (Note3) Jan. 2024	Difference	34th (Note3) Jul. 2023	35th (Note3) Jan. 2024	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	94.6%	94.8%	0.2PT	95.3%	97.0%	1.7PT	100%	100%	0.0PT	99.1%	97.2%	△ 1.9PT
Avg. Occupancy rate (during period)	98.7%	96.0%	△ 2.7PT	97.2%	96.3%	△ 0.9PT	100%	100%	0.0PT	99.1%	98.4%	△ 0.7PT
Number of tenants	40	41	1	87	89	2	1	1	0	364	362	△ 2
Rent revenues	88,726	88,031	△ 695	109,519	107,655	△ 1,864	566,517	511,980	△ 54,537	9,625,377	9,538,463	△ 86,913
Other operating revenues	—	—	—	—	246	246	—	—	—	213,524	264,526	51,001
Total property operating revenue	88,726	88,031	△ 695	109,519	107,901	△ 1,618	566,517	511,980	△ 54,537	9,838,901	9,802,989	△ 35,912
Property management fees	12,858	15,443	2,584	13,877	14,675	797	—	—	—	1,196,715	1,220,986	24,270
Property taxes (Note 1)	9,121	9,216	94	14,118	14,041	△ 77	89,843	82,631	△ 7,212	809,311	814,603	5,292
Utilities	1,433	1,180	△ 252	1,386	1,082	△ 303	—	—	—	159,236	148,292	△ 10,944
Maintenance and repairs	2,110	7,200	5,089	2,406	2,702	295	—	—	—	61,214	119,066	57,851
Insurance premium	270	290	20	392	419	27	—	—	—	21,331	22,171	840
Depreciation (1)	12,114	12,145	31	17,198	17,342	144	—	—	—	1,097,092	1,083,376	△ 13,716
Other expenses (Note 2)	4,947	3,940	△ 1,006	2,472	1,042	△ 1,429	96	87	△ 8	172,061	220,180	48,119
Total property operating expenses	42,856	49,417	6,561	51,851	51,306	△ 545	89,940	82,718	△ 7,221	3,516,964	3,628,677	111,713
Property operating income (2)	45,870	38,613	△ 7,256	57,667	56,594	△ 1,072	476,576	429,261	△ 47,315	6,321,937	6,174,311	△ 147,625
NOI (3) ((1)+(2))	57,985	50,759	△ 7,225	74,865	73,937	△ 928	476,576	429,261	△ 47,315	7,419,030	7,257,687	△ 161,342
Annualized NOI	116,931	100,692	△ 16,239	150,972	146,668	△ 4,303	895,716	799,956	△ 95,760	14,914,859	14,361,103	△ 553,756
Annualized NOI/ Acquisition price	5.6%	4.8%	△ 0.8PT	3.8%	3.7%	△ 0.1PT	5.2%	5.1%	△ 0.1PT	3.7%	3.5%	△ 0.1PT
CAPEX (4)	495	6,574	6,079	7,565	23,062	15,497	—	—	—	717,049	191,733	△ 525,315
NCF (3)-(4)	57,490	44,185	△ 13,305	67,300	50,874	△ 16,425	476,576	429,261	△ 47,315	6,701,980	7,065,954	363,973

# 5-8 Unit price performance since IPO

## Relative price performance (Since IPO - January 31, 2024)



(Source) Prepared by the Asset Manager based on QUICK Qr1  
 (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
※ 5-for-1 investment unit split (February 1, 2014)	
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

Accounting period	Unit price
26th (July 2019)	160,300 yen
27th (January 2020)	181,700 yen
28th (July 2020)	137,100 yen
29th (January 2021)	145,800 yen
30th (July 2021)	161,100 yen
31st (January 2022)	141,000 yen
32nd (July 2022)	153,000 yen
33rd (January 2023)	147,600 yen
34th (July 2023)	144,700 yen
35th (January 2024)	137,200 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)

## 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

Principal Use	Location	Scale
Office buildings	Tokyo's five central wards and their vicinity	Gross floor area of 10,000m <sup>2</sup> or more per building Standard leasable floor area of 1,000m <sup>2</sup> or more
Residential properties	Tokyo's five central wards and their vicinity (Primarily in the "three-A" area)	Gross floor area of 2,000m <sup>2</sup> 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 10,000m <sup>2</sup> or more per building
	〈Street front luxury brand shops, etc.〉	
	Exclusive, well-known destinations such as the Ginza area and the Aoyama and Omotesando area	Gross floor area of 1,000m <sup>2</sup> 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

Office building  
**50%** or more

#### Tokyo's five central wards focus

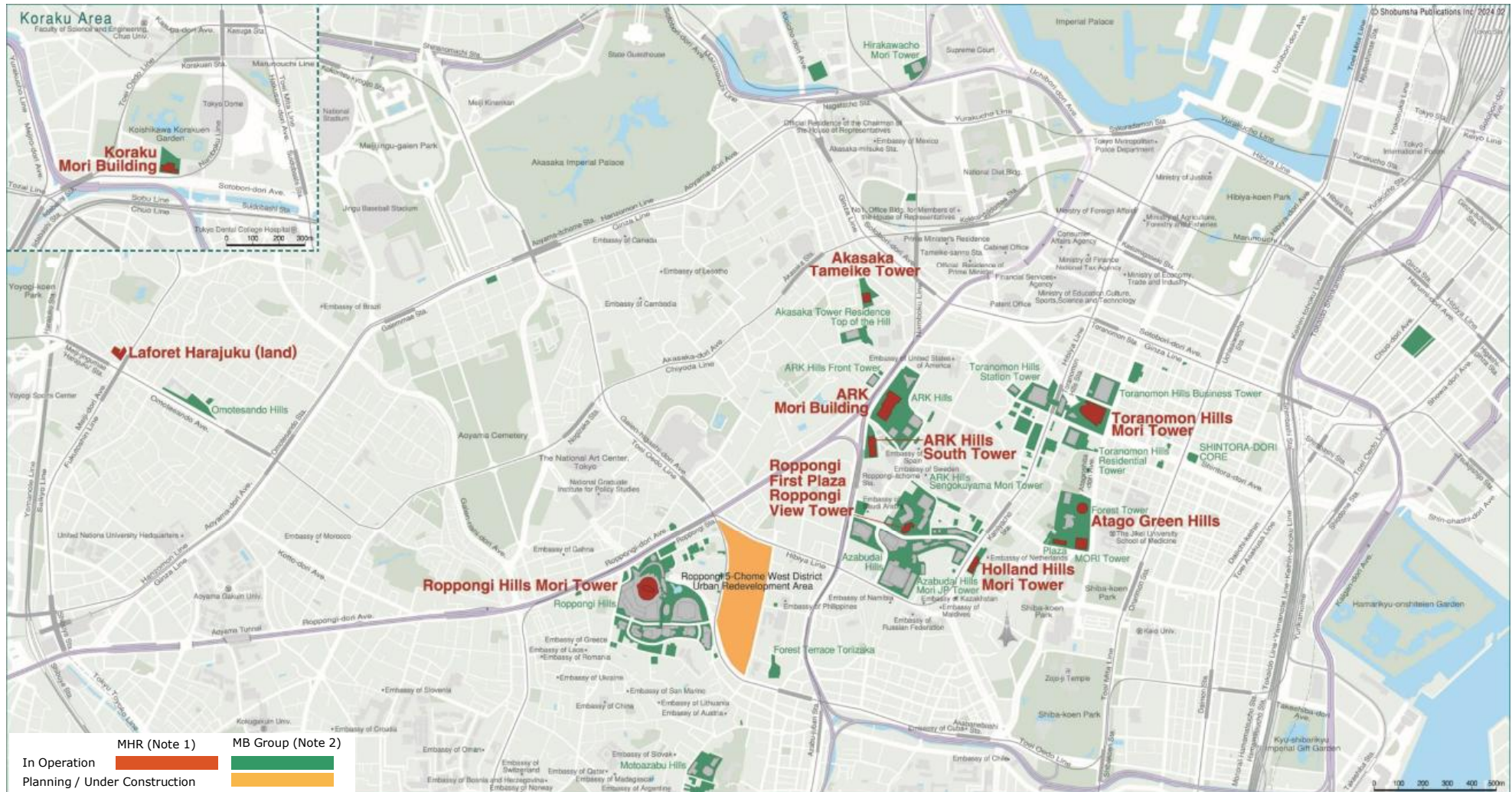
Tokyo's five central wards and their vicinity  
**50%** or more  
(Tokyo Metropolitan Area: 80% or more)

#### Earthquake-resistance focus

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



# 5-10 Portfolio map (as of January 31, 2024)














(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Route Support Map 2024."

(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.

# 5-11 Portfolio overview (as of January 31, 2024)

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 MORI Tower   Forest Tower   Plaza			Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)	
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	20 years 9 months	37 years 10 months	23 years 10 months	10 years 6 months	9 years 8 months	19 years 0 months	23 years 4 months	22 years 6 months	22 years 3 months	22 year 6 months	30 years 3 months		-	
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	20 above ground, 4 below	52 above ground, 5 below	24 above ground, 2 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 1 below		-	
Gross floor area	approx. 442,150m <sup>2</sup>	approx. 177,486m <sup>2</sup>	approx. 46,154m <sup>2</sup>	approx. 53,043m <sup>2</sup>	approx. 241,581m <sup>2</sup>	approx. 35,076m <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. 22,906m <sup>2</sup>		-	
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (25%)	Co-ownership (approx. 19.8%)	Co-ownership (approx. 54.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (47%)	Co-ownership (46%)	Ownership (72%)
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (25%)	Co-ownership (approx. 10.8%)	Compartmentalized ownership (approx. 48.5%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)			Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-
PML (Note 2)	0.59%	0.78%	0.73%	1.56%	0.50%	0.85%	1.79%	2.35%	2.34%	5.94%	2.20%	2.20%	-	
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	-	-	-	-	
Acquisition price (mn yen)	115,380	62,480	27,200	19,150	56,300	16,330	43,930	42,090			2,100	4,000	15,710	
Occupancy rate (Note 4)	100%	100%	92.5%	99.1%	100%	76.2%	94.6%	100%			94.8%	97.0%	100%	

**Average building age**  
22.2 years (Note 5)

**Portfolio PML**  
0.90% (Note 2)

**Total acquisition price**  
404,670 mn yen

## 5-12 Portfolio overview (Note)

- (Note 1) "Type of ownership" denotes the type of rights held by MHR or the Trustee. "Ownership" stands for ownership, "Co-ownership" stands for the ownership of beneficiary interests, "Compartmentalized ownership" denotes ownership and the rights for exclusive use in or over parts of a building, and "Leased land" denotes Leasehold land. The land site of Atago Green Hills includes joint ownership in quasi-undivided interests of leasehold land and easement.
- (Note 2) This indicates the figure described in the "Report on evaluation of seismic PML for portfolio" dated February 15, 2021 by Sompo Risk Management Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of January 31, 2024.
- (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.