



Mori Hills REIT Investment Corporation

Results of the 21st Fiscal Period ended January 31, 2017

Presentation Material

March 21, 2017



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

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

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

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21st period (Jan. 2017)

- **Operating revenue 8,248 million yen, operating income 5,207 million yen, net income 4,562 million yen** **Increased revenue and income period-over-period**
- **DPU: 2,606 yen (+39 yen from 20th period)** **Increasing for 13 consecutive fiscal periods**
- **NAV/unit: 112,811 yen (+265 yen from 20th period)** **79.8% increase in 6 years**

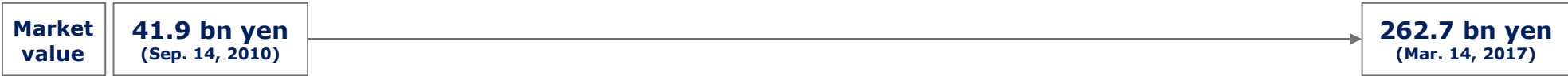
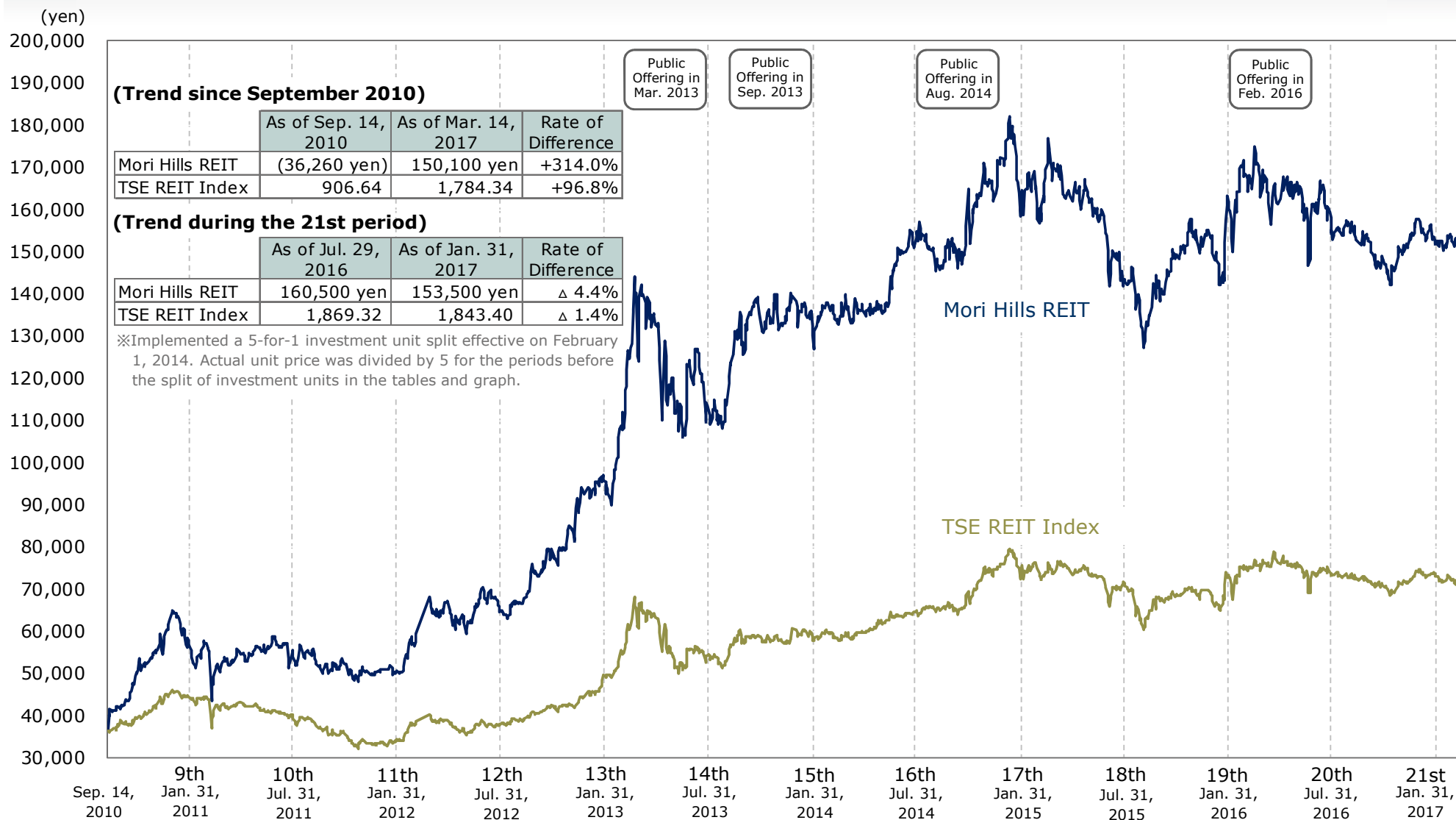
After 22nd period (Jul. 2017)

- **Scheduled to acquire Toranomori Hills Mori Tower for 5,070 million yen and Holland Hills Mori Tower for 9,330 million yen (As of August 1st)**
- **Scheduled to dispose of Moto-Azabu Hills for 2,030 million yen (As of July 31th)**
Estimated profit on disposition +410 million yen (Part of profit will be allocated to provision of reserve for reduction entry)
- **DPU (forecast): 2,610 yen (22nd period), 2,630 yen (23rd period)**
- **Progress in leasing the large-scale vacancy (11 floors) of ARK Hills South Tower**
About 4 floors left

2. Investment highlights



2-1 Unit price performance



(Note 1) Unless otherwise stated in this document, all amounts of less than a unit are omitted and all fractions are rounded up to one digit below the decimal point.
 (Note 2) TSE REIT Index is adjusted to MHR's unit price on the announcement date of the management policy (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

2-2 Financial results

20th period Jul. 31, 2016	21st period Jan. 31, 2017		21st period Jan. 31, 2017
Actual (Note 1)	Actual	Difference	Forecasted

Operating Highlights (million yen)

Operating revenue	7,760	8,248	+ 488	8,235
Rent revenues	7,638	8,056	+ 417	8,029
Other operating revenues	122	192	+ 70	206
Operating expenses	2,600	3,041	+ 440	3,040
Expenses related to properties	2,295	2,696	+ 400	2,730
SG&A	304	344	+ 39	310
Operating income	5,160	5,207	+ 47	5,195
Non-operating income	3	2	Δ 1	1
Non-operating expenses	648	643	Δ 5	643
Ordinary income	4,514	4,566	+ 51	4,552
Net income	4,507	4,562	+ 54	4,551

DPU

Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,567	2,606	+ 39	2,600

Other Indices (million yen)

Profit on real estate rental	5,464	5,552	+ 87	5,505
Depreciation	966	994	+ 28	996
NOI	6,431	6,546	+ 115	6,502
NOI yield	3.9%	3.8%	Δ 0.1PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period) (Note 2)	328,350	339,856	+ 11,505	339,856

Increase/decrease factor (20th - 21st)

- **Operating revenue (+488 mn yen)**
 - Full period contribution of property acquisition in 20th period +285
 - "Fixed rent ML" revision/change (21st period) +187
 - Full period contribution of "Fixed rent ML" revision/change (20th period) +33
- **Operating expenses (440 mn yen)**
 - Full period contribution of property acquisition in 20th period +83
 - "Fixed rent ML" revision/change (21st period) +261
 - Full period contribution of "Fixed rent ML" revision/change (20th period) +58
 - Asset management fee +24
- **Non-operating expenses (Δ5 mn yen)**
 - Interest expenses, etc. (Full period contribution of new borrowings in 20th period) +9
 - Amortization of investment corporation bonds issuance cost +3
 - Interest expenses, etc. (Existing borrowings) Δ18

Increase/decrease factor for 21st period (Forecasted - Actual)

- **Operating income (+12 mn yen)**
 - Residence (Pass-through) +36
 - Office (Pass-through) +9
 - Asset management fee Δ24

(Note 1) As the accounting policy for rent revenues was changed in the 21st period, rent revenues for the 20th period increased 19 million yen after retrospective application.

(Note 2) If properties are acquired during the period, the acquisition price is the weighted average based on the number of operating days.

2-3 Overview of new acquisitions (Scheduled as of August 1, 2017)

Toranomon Hills Mori Tower (Approx. 1.7% of the office area, approx. 1.0% of the total)



Acquisition price	Appraisal value	NOI yield
5,070 mn yen	5,440 mn yen	3.4%

Property Number	O-9
Location (Residential indication)	23-1, Toranomon 1-chome, Minato-ku, Tokyo
Construction date	May 2014
Total number of floors	52 floors above ground, 5 floors below ground
Gross floor area	241,581.95 m ²
Portions of acquisition	(Note)

Earthquake PML
0.50%

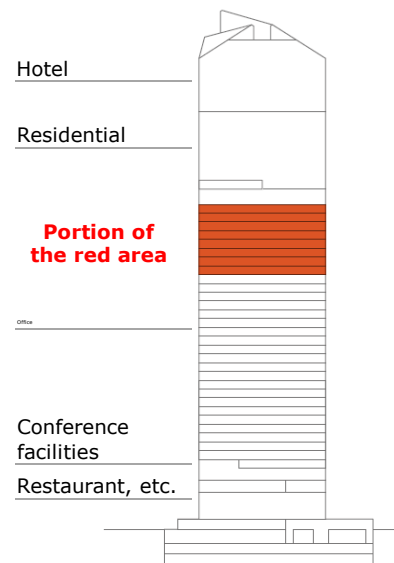
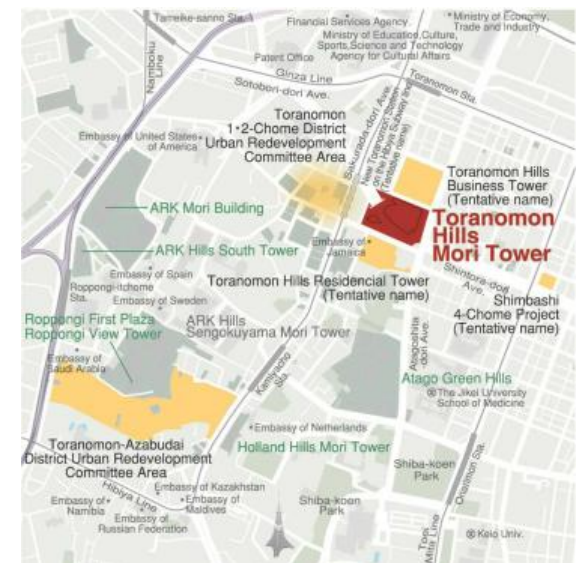
1. Super high rise tower - Tokyo's new landmark

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

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

- Six stations and 11 routes are nearby. With the expected completion of "New Toranomon Station (tentative name)" on the Tokyo Metro Hibiya subway line, further improvements in convenience will be realized.
- As a result of a number of redevelopment projects currently in progress around the building, the Toranomon area has begun to rapidly evolve into an international urban center.

<Acquisition portion>

(Note) 7% quasi-co-ownership interest in trust beneficial interests in the co-ownership (87.95%) of compartmentalized ownership for the 28th to the 35th floors

Luxury-grade office environments and ample facilities

- Office spaces occupy the 30 stories of the building that run from the 6th to the 35th floors. Standard floors have offices for lease at an average size of approx. 1,000 tsubo, providing flexible workspaces with a ceiling height of 2.8 meters.
- The building has three types of high seismic capacities and boasts an emergency power generator – a measure that ensures business services can resume under any conditions.
- CASBEE has awarded the building the highest rank "S".

Biodiversity-conscious open spaces

In the open space of about 6,000 m², there is the "Oval Plaza" garden that serves as an oasis in the city with the comfortable sound of a stream, and the "Step Garden" with greenery that provides an enjoyable seasonal atmosphere, that together form a rich urban space where people can gather.



Andaz Tokyo

Hyatt's boutique lifestyle hotel is tailored to the individual. Andaz means "Personal Style" in Hindi, helping guests to know their surroundings more intimately and leave feeling like a local.



Main Dining on the 51st floor
"Andaz Tavern"



47th to 50th floor guest rooms
offer panoramic Tokyo views

Toranomon Hills Forum

The Toranomon Hills Forum conference center includes three open-plan halls and meeting rooms and can be combined to host a variety of international conferences and symposia. The three halls can accommodate up to 2,000 people.



"Main Hall" with
7.2 meter ceiling height



"Hall A" provides brightness
and a sense of openness

2-5 Overview of new acquisitions (Scheduled as of August 1, 2017)

Holland Hills Mori Tower (Approx. 44.0% of the office area, approx. 27.6% of the total)



1. High rise tower integrating the greenery of the Embassy of the Netherlands

- Tower complex consisting of office, residences and retail with excellent quake-resistance.
- Office area is located on the upper floors (14th to 24th floors) and offers a business space with excellent views and a sense of openness.
- Landmarks representing Tokyo such as Tokyo Tower and Roppongi Hills can be viewed from the roof garden 100 meters above the ground.

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

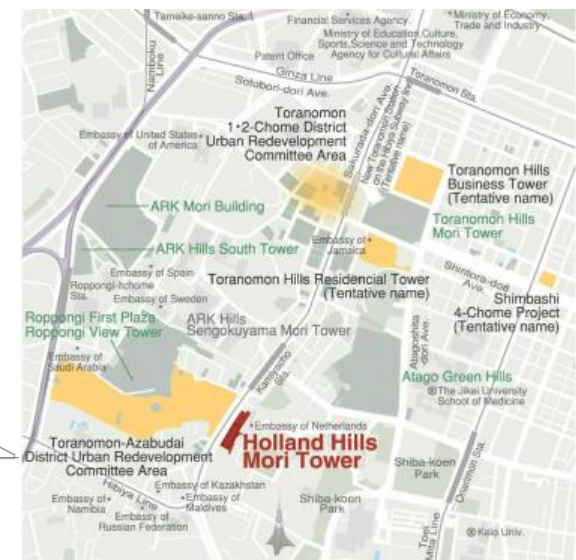
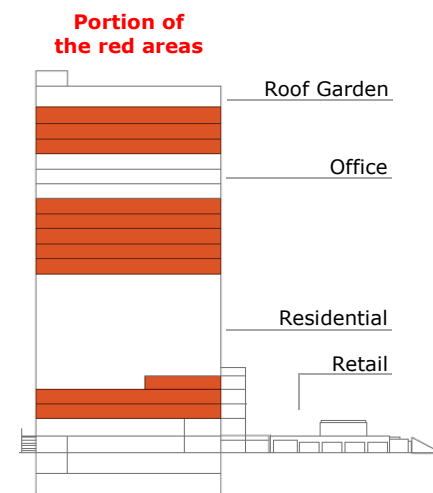
- An excellent location within a 1-minute walk from Tokyo Metro Hibiya Line Kamiyacho Station.
- As a result of a number of redevelopment projects currently in progress around the building, the Toranomon area has begun to rapidly evolve into an international urban center.

Acquisition price	Appraisal value	NOI yield
9,330 mn yen	10,430 mn yen	4.3%

Property Number	O-10
Location (Residential indication)	11-2, Toranomon 5-chome, Minato-ku, Tokyo
Construction date	January 2005
Total number of floors	24 floors above ground, 2 floors below ground
Gross floor area	35,076.12 m ²
Portions of acquisition	(Note)

Earthquake PML
0.85%

<Acquisition portion>



(Note) 57% quasi-co-ownership interest in trust beneficial interests in compartmentalized ownership for the 3rd and 4th floors; part of 5th floor, 14-18th floors and 22-24th floors.

2-6 Forecasts

21st period Jan. 31, 2017	22nd period Jul. 31, 2017		23rd period Jan. 31, 2018
Actual	Forecast	Difference	Forecast

Operating Highlights (million yen)

Operating revenue	8,248	8,491	+ 242	8,476
Rent revenues	8,056	7,838	Δ 217	8,249
Other operating revenues	192	241	+ 49	226
Gain on sales of real estate properties	—	411	+ 411	—
Operating expenses	3,041	3,186	+ 145	3,236
Expenses related to properties	2,696	2,877	+ 180	2,938
SG&A	344	308	Δ 35	297
Operating income	5,207	5,305	+ 97	5,240
Non-operating income	2	0	Δ 1	1
Non-operating expenses	643	640	Δ 3	636
Ordinary income	4,566	4,666	+ 99	4,605
Net income	4,562	4,664	+ 102	4,604
Provision of reserve for reduction entry	—	95	+ 95	—
Total dividends	4,562	4,569	+ 7	4,604

DPU

Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,606	2,610	+ 4	2,630

Other Indices (million yen)

Profit on real estate rental	5,552	5,202	Δ 349	5,537
Depreciation	994	1,006	+ 11	1,041
NOI	6,546	6,209	Δ 337	6,579
NOI yield	3.8%	3.7%	Δ 0.1PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period)	339,856	339,847	Δ 9	352,550

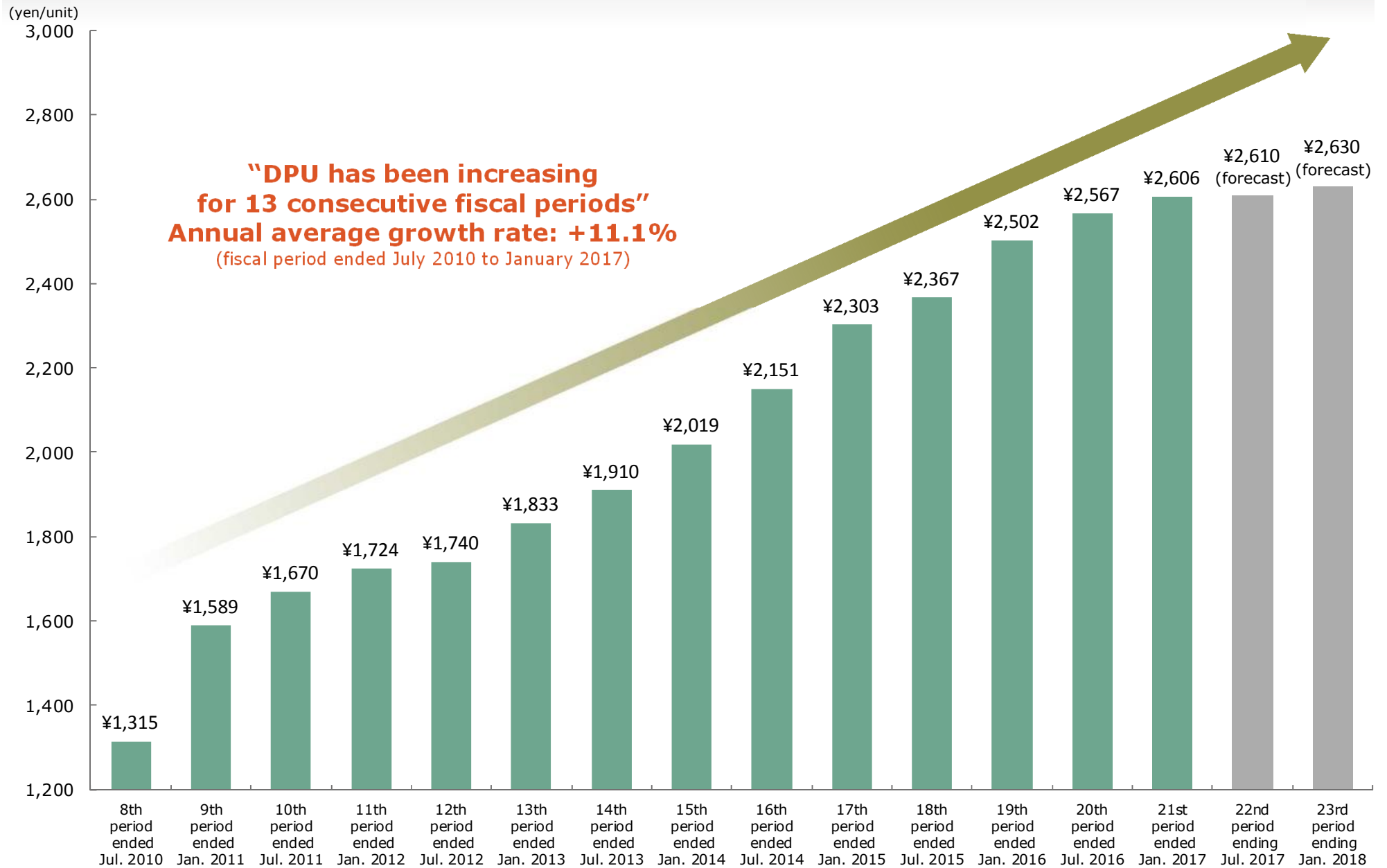
Increase/decrease factor (21st - 22nd)

- **Operating revenue (+242 mn yen)**
 - Profit on disposition of Moto-Azabu Hills +411
 - Office (Pass-through) Δ115
 - "Fixed rent ML" revision in 22nd period Δ49
- **Operating expenses (+145 mn yen)**
 - Maintenance and repairs +79
 - Property taxes for property acquired in 20th period +44
 - Leasing fee +35
- **Non-operating expenses (Δ3 mn yen)**
 - Interest on investment corporation bonds +6
 - Interest expenses, etc. Δ9

Increase/decrease factor (22nd - 23rd)

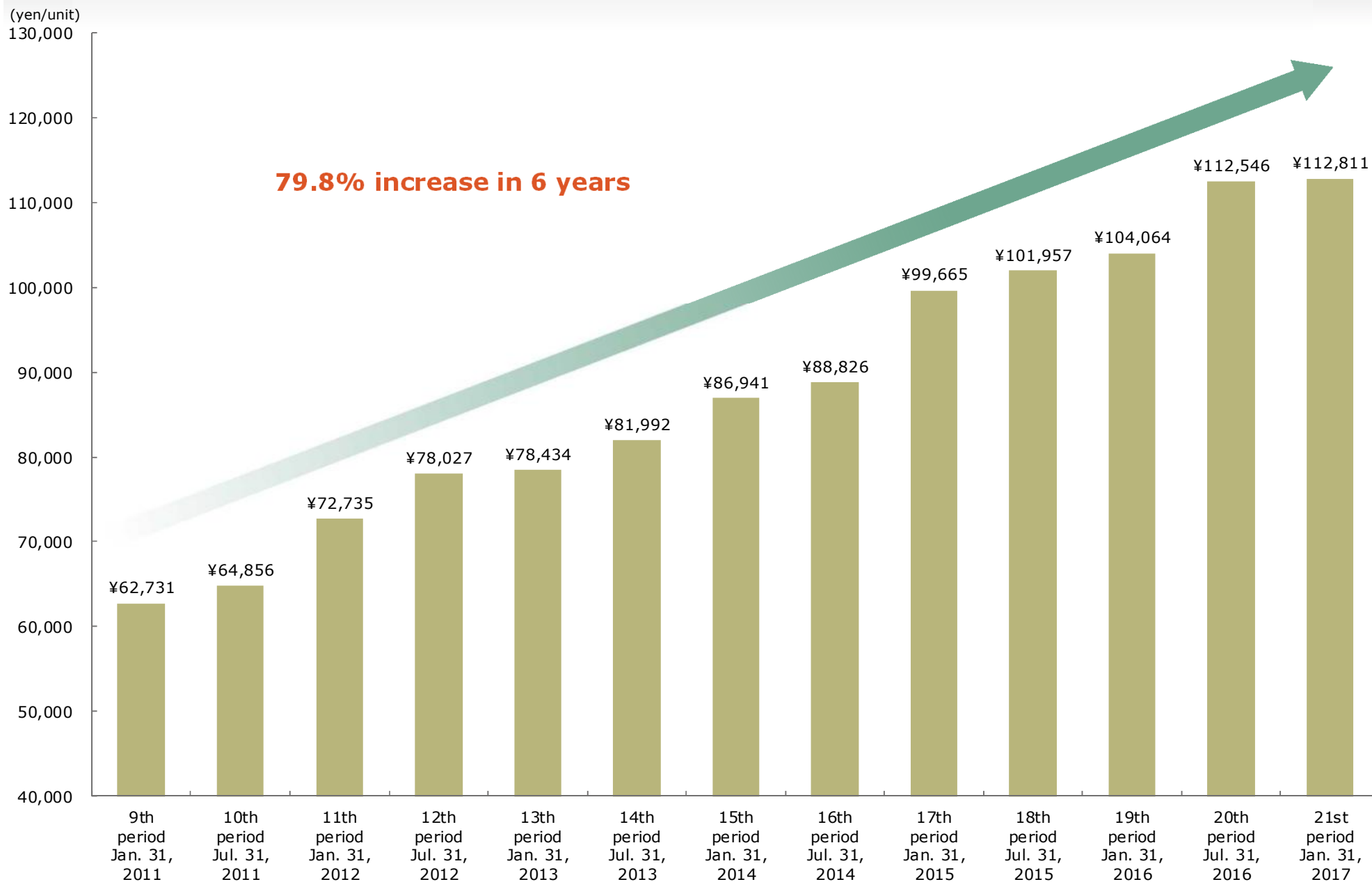
- **Operating revenue (Δ14 mn yen)**
 - Property acquisition in 23rd period +408
 - Office (Pass-through) +93
 - Profit on disposition and rent revenue of Moto-Azabu Hills Δ472
 - Full period contribution of "fixed rent ML" revision in 22nd period Δ49
- **Operating expenses (+49 mn yen)**
 - Property acquisition in 23rd period +136
 - Property taxes for property acquired in 20th period +44
 - Maintenance and repairs Δ70
 - Rent revenue of Moto-Azabu Hills Δ27
 - Leasing fee Δ24
- **Non-operating expenses (Δ3 mn yen)**
 - Interest expenses, etc. (New borrowings in 23rd period) +24
 - Amortization of investment unit issuance cost Δ27

2-7 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.

2-8 Increase in appraisal NAV per unit

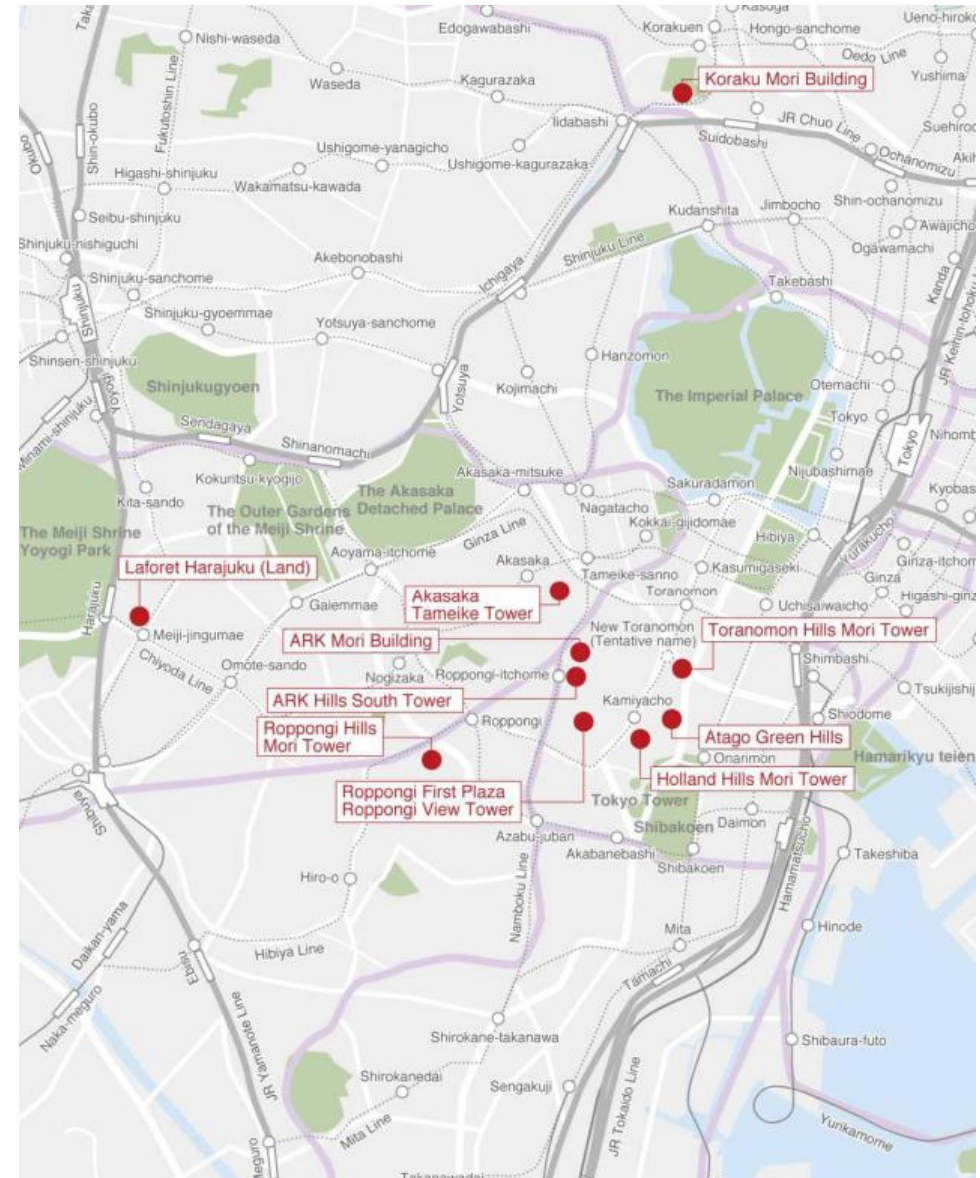
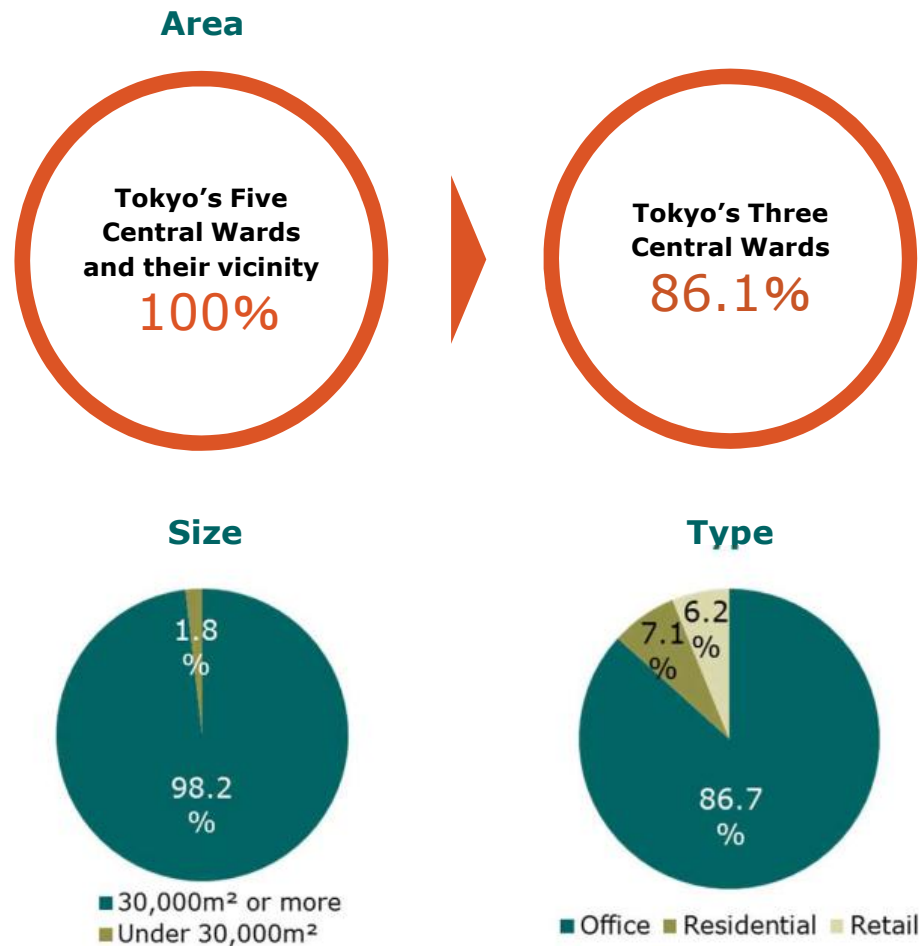


※ Implemented a 5-for-1 investment unit split effective on February 1, 2014.
Actual NAV was divided by 5 for the periods before the split of investment units in the graph.

2-9 Invest in premium properties in Central Tokyo

(1) Location

No. 1 property percentage in Central Tokyo (Total assets after new acquisitions: 352.5 bn yen)



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

2-10 Invest in premium properties in Central Tokyo

(2) Earthquake-resistance capability

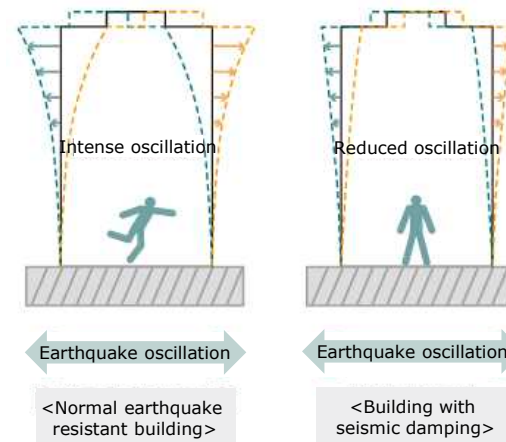
Pursue No. 1 earthquake-resistance capability (Total assets after new acquisitions)

**Lowest portfolio
PML of all listed
J-REITs**
0.98%

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

Property name		Type	PML	Earthquake-resistant feature
Roppongi Hills Mori Tower		Office	0.59%	Seismic damping
ARK Mori Building			0.78%	Seismic damping
Koraku Mori Building			0.73%	Seismic damping
ARK Hills South Tower			1.56%	Seismic damping
Toranomori Hills Mori Tower			0.50%	Seismic damping
Holland Hills Mori Tower			0.85%	Seismic damping
Akasaka Tameike Tower		Office (Partly residential)	1.79%	Seismic damping
Atago Green Hills	MORI Tower		2.35%	Seismic damping
	Forest Tower		2.34%	Seismic damping
	Plaza	5.94%	—	
Roppongi First Plaza		Residential	2.20%	—
Roppongi View Tower			2.20%	—

Seismic damping

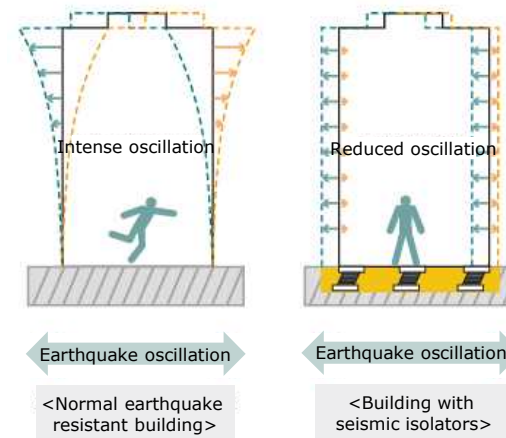


Seismic damping reduces earthquake magnitude of oscillation by approx. 20%



Viscous seismic damping wall

Seismic isolators



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



Seismic isolators

2-11 Invest in premium properties in Central Tokyo

(3) Environmental performance

Pursue No. 1 environmental performance (Total assets after new acquisitions)

Highest ratings
in green building
certifications
70.1%

CASBEE for Market Promotion: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (Mori Tower)

CASBEE for Buildings
(New Construction): Rank S



Toranomon Hills Mori Tower

DBJ Green Buildings
Certification: Five stars



ARK Hills South Tower

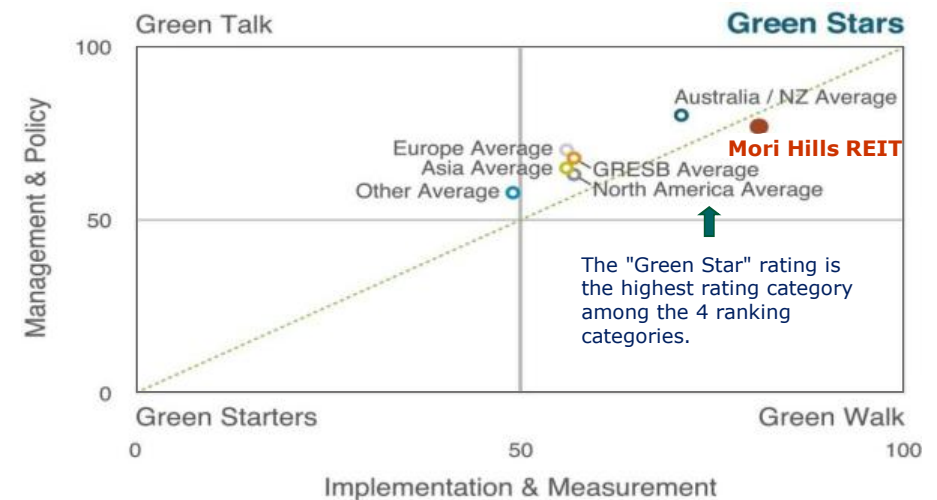
<Acquired GRESB Green Star Rating>

In the 2016 GRESB Survey, MHR received a Green Star rating for the fifth consecutive year, and earned a score that ranks it No. 1 out of the participants investing mainly in offices in Japan. In addition, MHR received 5 Stars in the GRESB Rating (note).



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

GRESB Four-Quadrant Model Scores by Region



(Source) Prepared by the Asset Manager based on the "2016 GRESB Report" of the Global Real Estate Sustainability Benchmark (GRESB).

(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).

2-12 External growth

Business environment recognition

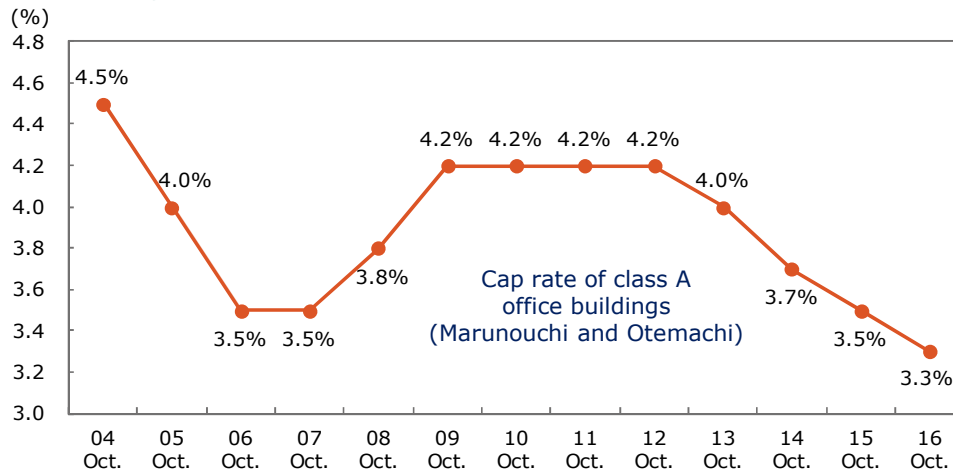
Closely watching the acquisition price level as property acquisition competitions are overheated

(Note) Please refer to "4. Business environment recognition and MHR's policy/strategy" for details.

External growth policy

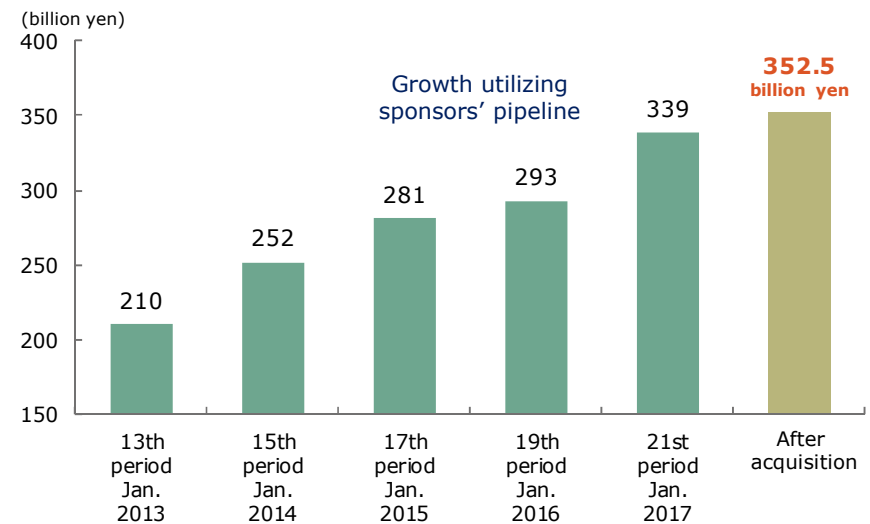
Focus on external growth utilizing sponsors' abundant property pipeline

Change in return on real estate investment

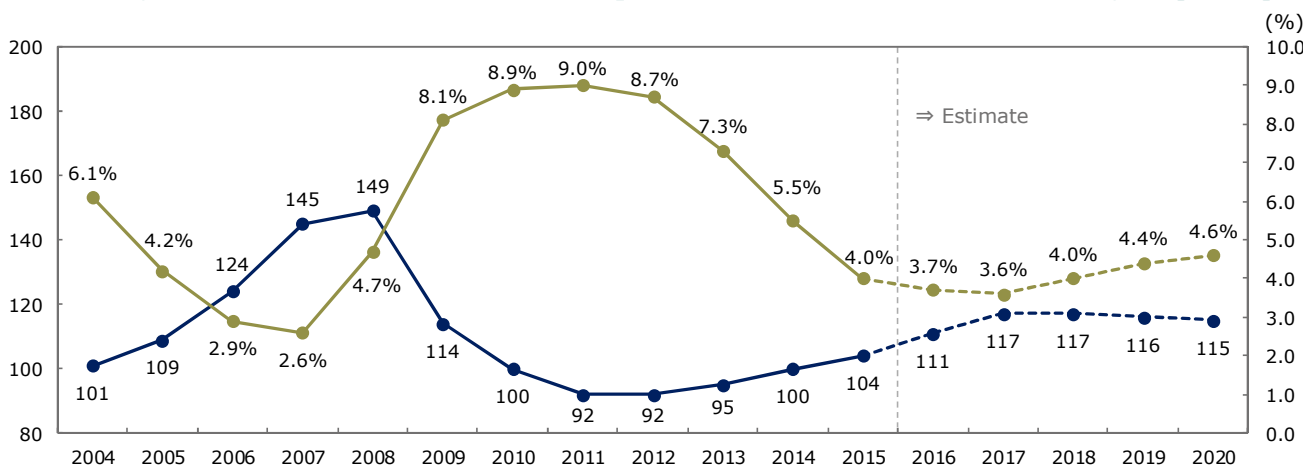


(Source) Prepared by the Asset Manager based on "The Japanese Real Estate Investor Survey" by the Japan Real Estate Institute.

Change in assets under management



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



(Source) Prepared by the Asset Manager based on the "Autumn 2016 Office Rent Forecast in Tokyo, Osaka and Nagoya (2016-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

(Note) The rent index targets large and medium buildings (standard floor area of 100 tsubo or more) in Tokyo's five central wards. The rent index is rebased to 100 as of 2010.

2-13 External growth

Mori Building's extensive property pipeline

- Total assets:
1.8 trillion yen (as of March 31, 2016)
- Number of properties under management:
108 buildings (as of April, 2016)



MHR has "preferential negotiation rights" ^(Note 1)

Recent redevelopment projects (Toranomon Hills area)

A Toranomon Hills Business Tower (Tentative name)



- a) Approx. 10,100m²
- b) Approx. 173,000m²
- c) Office/Retail/Business support facility/Parking
- d) Toranomon 1-chome District Urban Redevelopment Association (Note 2)
- e) December 2019 (Anticipated)

B Toranomon Hills Residential Tower (Tentative name)



- a) Approx. 6,530m²
- b) Approx. 121,000m²
- c) Residential/Retail/Parenting support facility/SPA and others
- d) Mori Building Co., Ltd.
- e) April 2020 (Anticipated)

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

(Note 1) Some exceptions included.

(Note 2) Mori Building Co., Ltd. is participating in the project as one of participating consortium members.

Properties owned by Mori Building Group

1 Roppongi Hills (Partly owned by MHR)



〈Office/Residential/Retail, etc.〉

2 Toranomon Hills (To be partly owned by MHR)



〈Office/Residential/Hotel, etc.〉

3 ARK Hills (Partly owned by MHR)



〈Office/Residential/Retail, etc.〉

4 Atago Green Hills (Partly owned by MHR)



〈Office/Residential/Retail〉

5 Holland Hills (To be partly owned by MHR)



〈Office/Residential/Retail〉

6 Roppongi Hills Crosspoint



〈Office/Retail/Residential〉

7 Forest Terrace Toriizaka



〈Residential〉

8 Omotesando Hills



〈Retail/Residential〉

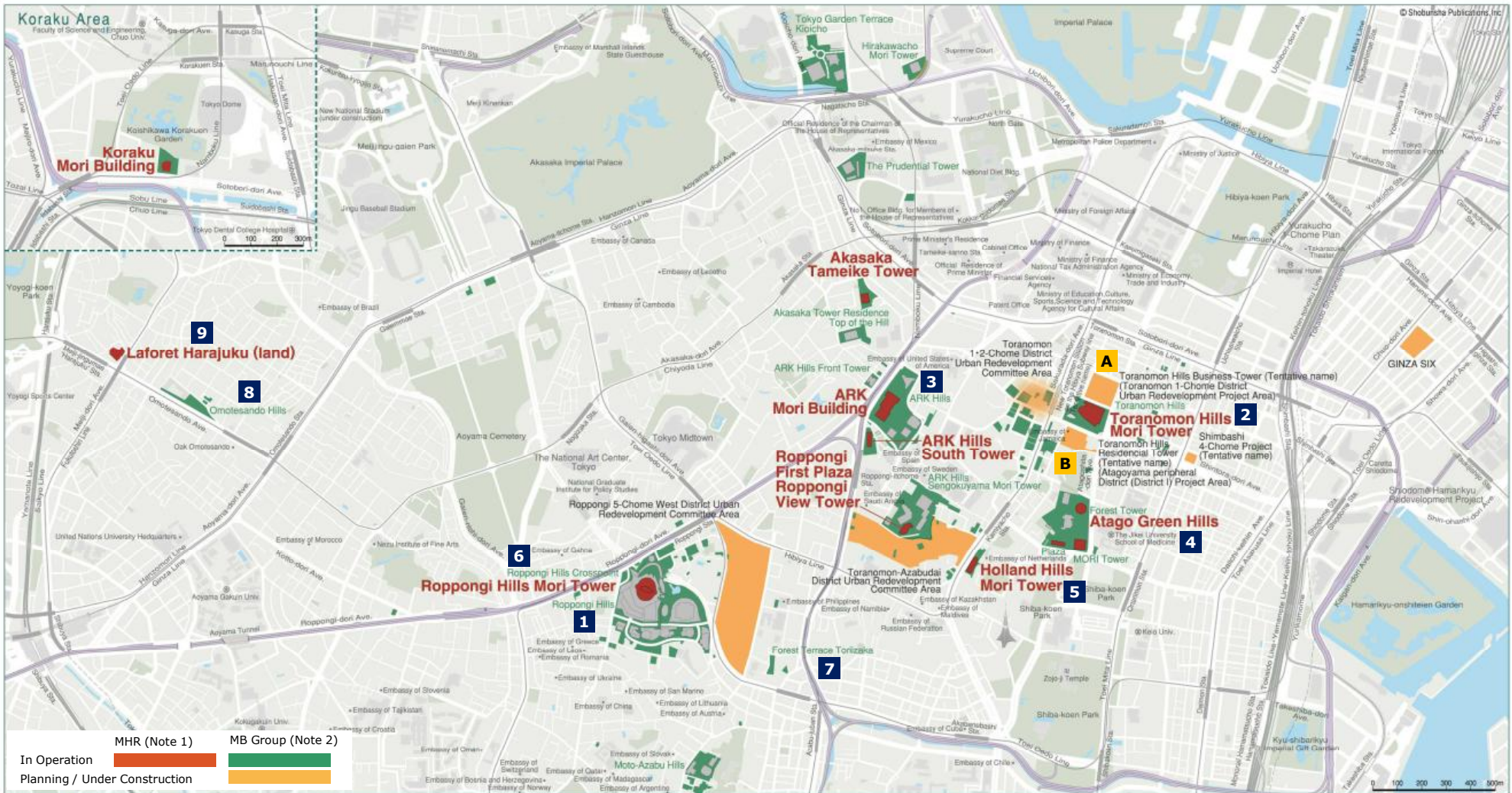
9 Laforet Harajuku (Land owned by MHR)



〈Retail〉

2-14 External growth

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 2017."

(Note 1) Some of the properties have been partially acquired and held by MHR. Alternatively, the properties scheduled to acquire as of August 1, 2017 are also included.

(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.

2-15 Internal growth

Business environment recognition

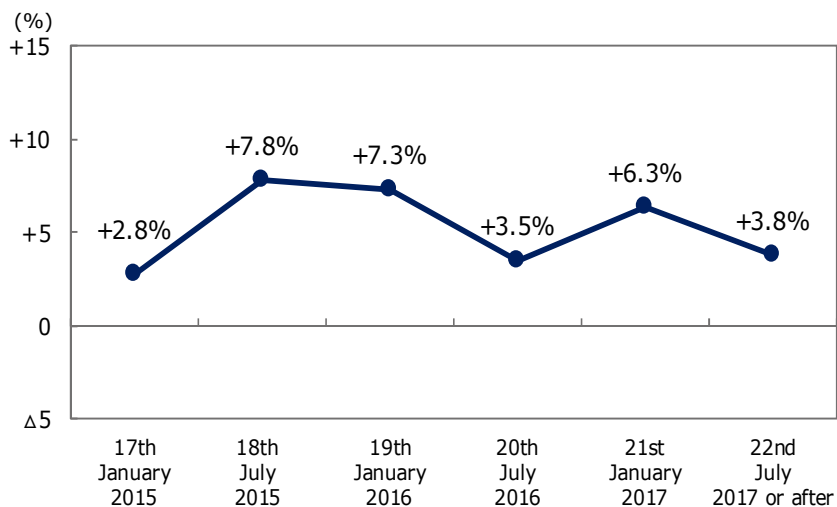
Central Tokyo office rents forecast to continue moderate rise, but as supply increases, the rate of rent increase likely to moderate

(Note) Please refer to "4. Business environment recognition and MHR's policy/strategy" for details.

Internal growth policy

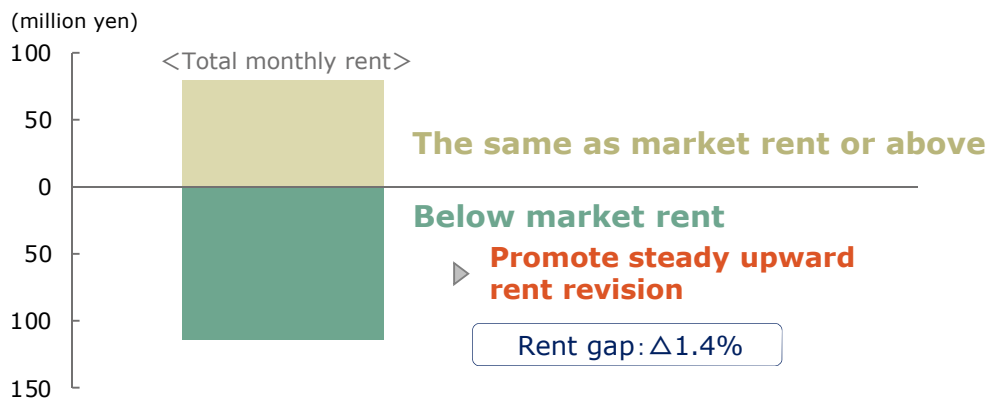
Maintain stability of cash flow through fixed rent master leases, while achieving revenue growth with pass-through type leases

Result of office tenants' rent revision (pass-through)



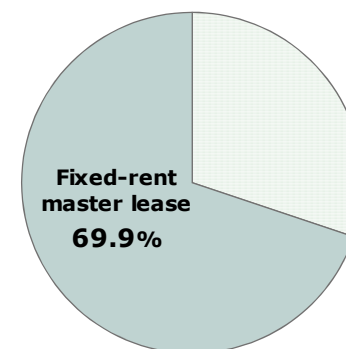
	Monthly rent prior to rent change	Monthly rent after rent change	Increase/decrease in monthly rent	Rate of revision
17th (ended Jan. 2015)	21.0 mn yen	21.6 mn yen	+0.5 mn yen	+ 2.8%
18th (ended Jul. 2015)	19.8 mn yen	21.4 mn yen	+1.5 mn yen	+ 7.8%
19th (ended Jan. 2016)	2.8 mn yen	3.1 mn yen	+0.2 mn yen	+ 7.3%
20th (ended Jul. 2016)	23.7 mn yen	24.6 mn yen	+0.8 mn yen	+ 3.5%
21st (ended Jan. 2017)	26.2 mn yen	27.9 mn yen	+1.6 mn yen	+ 6.3%
22nd (ending Jul. 2017) or after	59.1 mn yen	61.3 mn yen	+2.2 mn yen	+ 3.8%

Comparison with office market rent (pass-through)



(Note 1) Market rent is based on the report by Sanko Estate Co., Ltd.
 (Note 2) Rent gap = Total tenants' rent \div "Total market rent" - 1
 (Note 3) The figures reflect move outs of end tenants confirmed as of January 31, 2017.

Ratio of fixed rent master lease (July 2017)



(Note 1) Figures reflect the rent revision of Atago Green Hills, the disposition of Moto-Azabu Hills.
 (Note 2) The figures reflect move outs of end tenants confirmed as of January 31, 2017.

2-16 Internal growth

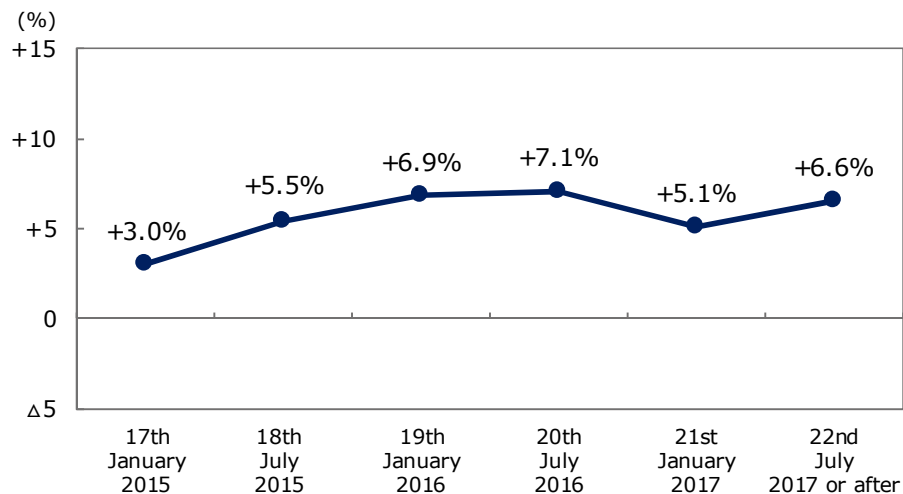
Breakdown of monthly rent revenue and agreement renewal timing

(million yen)

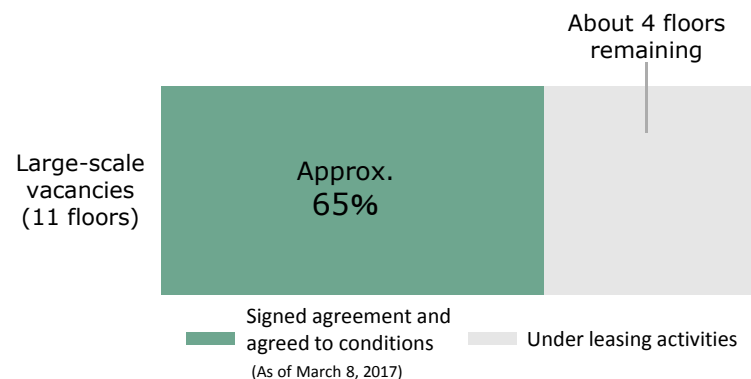
Tenant	Type of lease contract	Total rent per month	Ratio	Agreement renewal timing				
				22nd period	23rd period	24th period	25th period	26th period-
Office	Limited term	184.8	14.4%	51.2	29.2	35.2	4.3	64.6
	Traditional	833.0	64.9%	124.7	—	—	105.0	603.3
	Total	1,017.9	79.4%	176.0	29.2	35.2	109.3	667.9
Residential	Limited term	66.6	5.2%	9.4	11.7	5.7	16.3	23.3
	Traditional	54.9	4.3%	53.2	1.6	—	—	—
	Total	121.5	9.5%	62.7	13.4	5.7	16.3	23.3
Retail	Limited term (Land)	104.9	8.2%	—	—	—	—	104.9
	Traditional	17.9	1.4%	—	—	17.9	—	—
	Total	122.8	9.6%	—	—	17.9	—	104.9
Sub total		1,262.3	98.4%	238.7	42.6	59.0	125.6	796.2
Retail, parking and others		20.4	1.6%					
Total		1,282.7	100.0%					

(Note) Figures reflect the disposition of Moto-Azabu Hills and move outs of end tenants confirmed as of January 31, 2017.

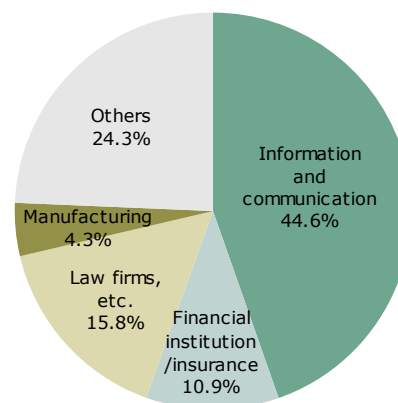
Result of residential tenants' rent revision (pass-through)



Status in leasing the large-scale vacancies at ARK Hills South Tower



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, 2017.

As for properties jointly owned with third parties, ratios are calculated by multiplying by co-ownership interest.

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

2-17 Financial management

Business environment recognition

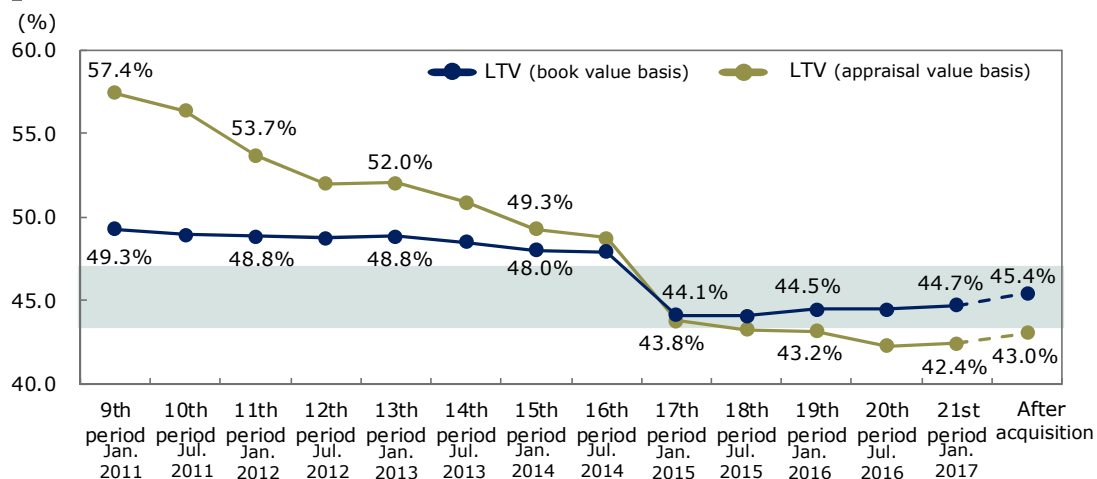
Interest rate level is expected to remain low considering economic conditions and monetary policies

(Note) Please refer to “4. Business environment recognition and MHR’s policy/strategy” for details.

Financial management policy

Move to lower interest rates targeting mid 40% range LTV (book value basis) and 4 years or longer average remaining duration of debt

Reduction in LTV



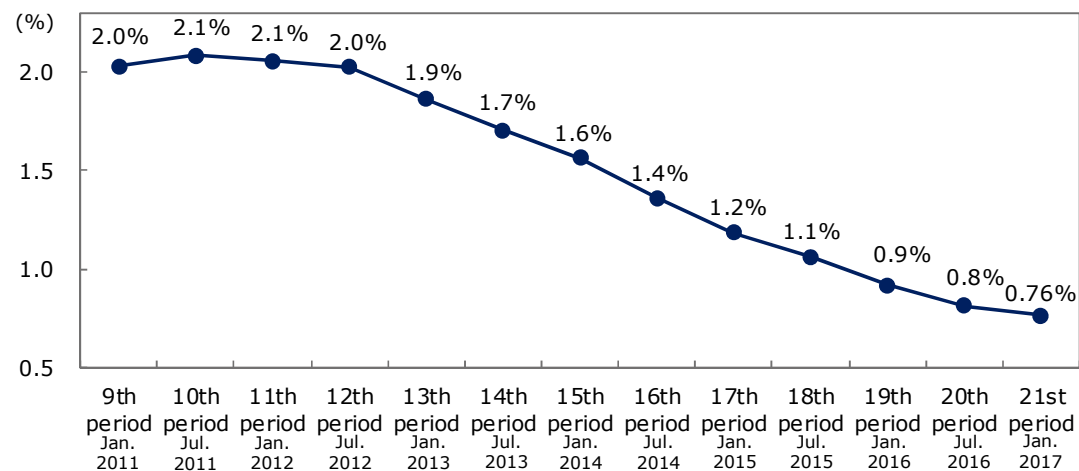
Overview of debt financing

	End of 20th period Jul. 31, 2016	End of 21st period Jan. 31, 2017
Debt Balance	154,000 mn yen	156,000 mn yen
LTV (book value basis) ^(Note 1)	44.5%	44.7%
LTV (appraisal value basis) ^(Note 2)	42.3%	42.4%
Avg. remaining duration	4.5 years	4.2 years

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

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

Reduction in average interest rate (including borrowing expenses)

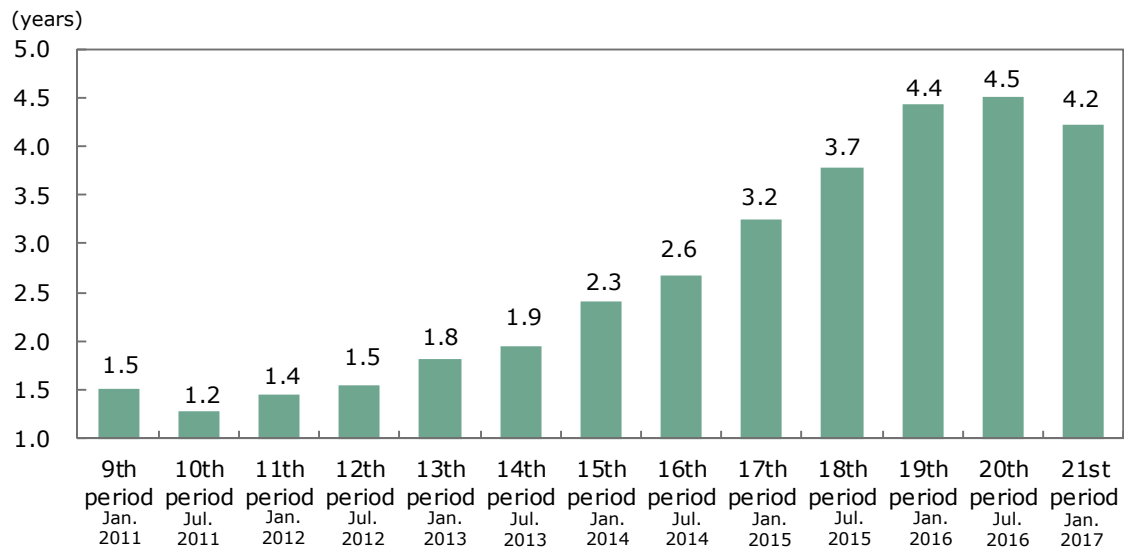


Issuance status of investment corporation bonds

Issue Date	Amount	Maturity	Rate of Interest
Aug. 2016	2,000 mn yen	10 years	0.34%
Jan. 2017	2,000 mn yen	10 years	0.49%

(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

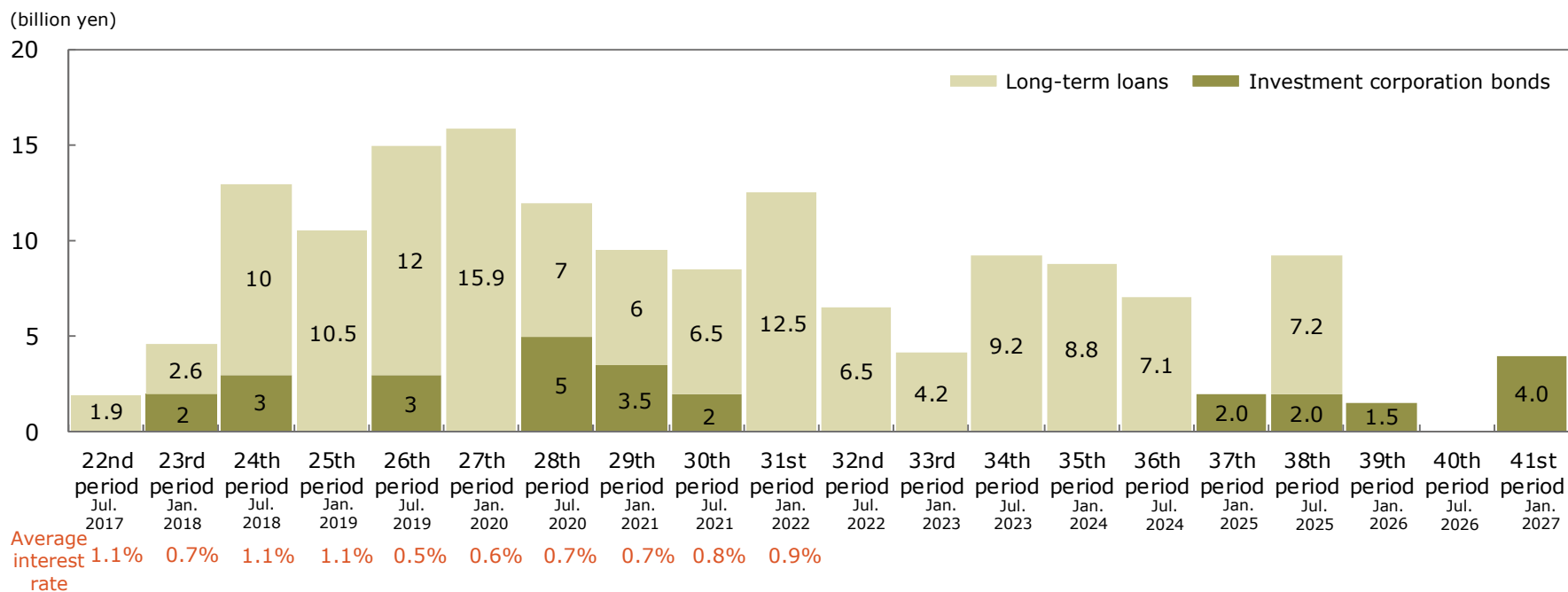


Rating

Japan Credit Rating (JCR)

Long-term issuer rating:
AA- (Positive)

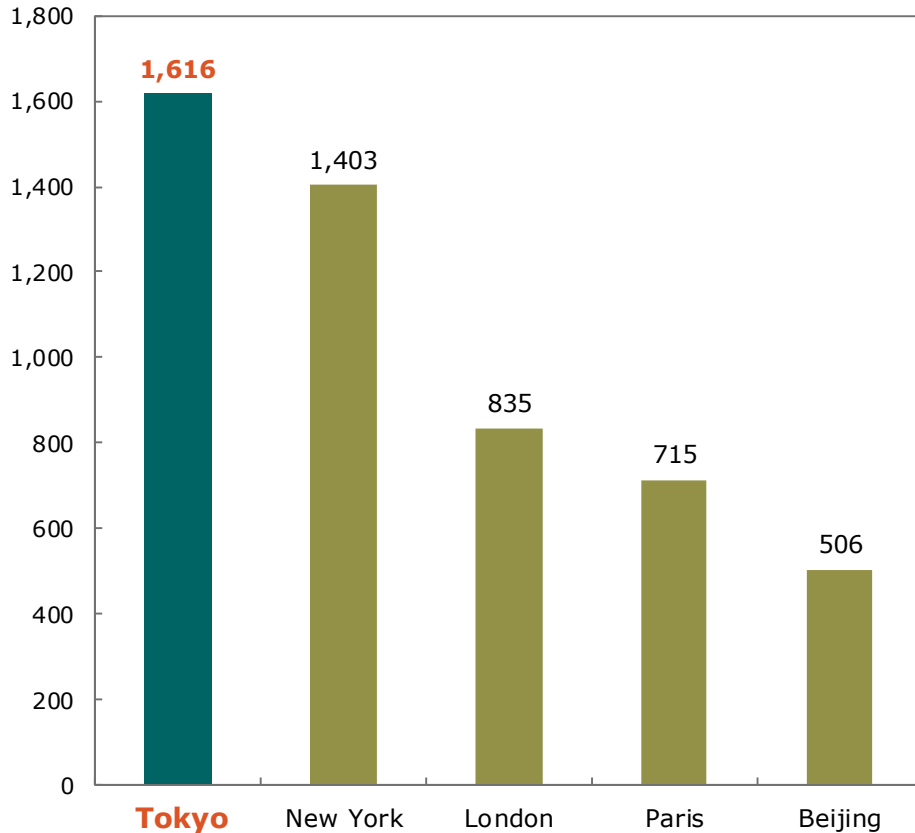
Overview of maturity (as of January 31, 2017)



2-19 Competitive strength of Central Tokyo

GDP of major metropolitan areas

(billion, PPP)



(Source) Prepared by the Asset Manager based on "Global Metro Monitor 2014" published by the Brookings Institution

Population of urban concentration areas

(in thousands)

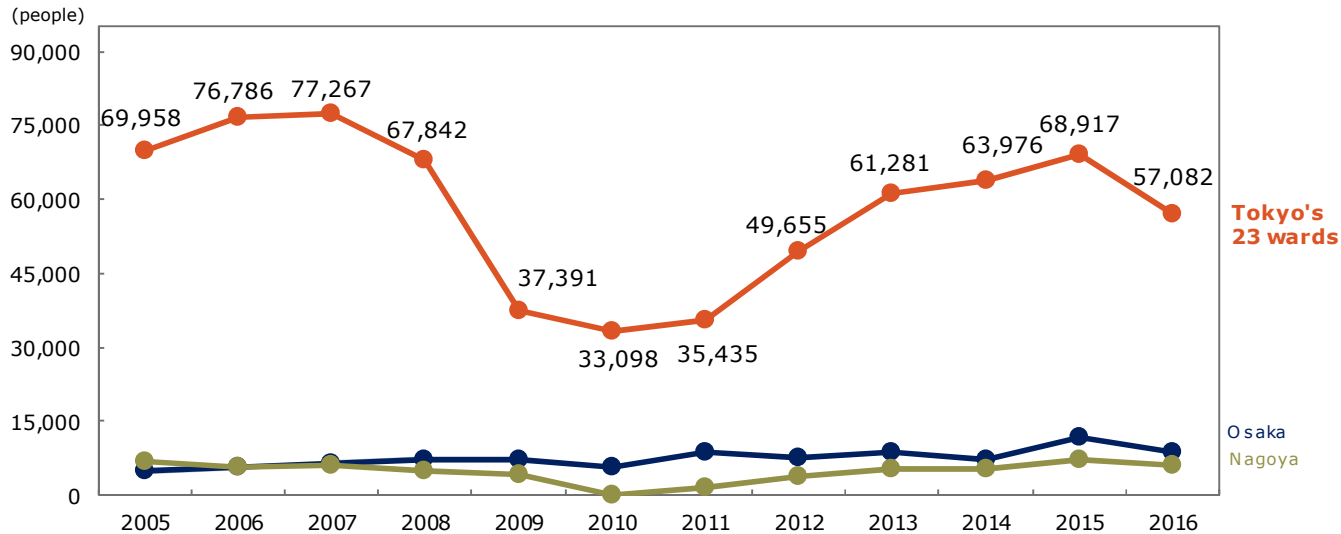
2014			2030		
Rank	Urban concentration area	Population	Rank	Urban concentration area	Population
1	Tokyo (Japan)	37,833	1	Tokyo (Japan)	37,190
2	Delhi (India)	24,953	2	Delhi (India)	36,060
3	Shanghai (China)	22,991	3	Shanghai (China)	30,751
4	Mexico City (Mexico)	20,843	4	Mumbai (India)	27,797
5	São Paulo (Brazil)	20,831	5	Beijing (China)	27,706
6	Mumbai (India)	20,741	6	Dhaka (Bangladesh)	27,374
7	Osaka (Japan)	20,123	7	Karachi (Pakistan)	24,838
8	Beijing (China)	19,520	8	Cairo (Egypt)	24,502
9	New York (USA)	18,591	9	Lagos (Nigeria)	24,239
10	Cairo (Egypt)	18,419	10	Mexico City (Mexico)	23,865

(Source) Prepared by the Asset Manager based on "World Urbanization Prospects: The 2014 Revision" by the Population Division of the Department of Economic and Social Affairs of the United Nations.

- In a comparison of GDP among the world's metropolitan areas, Tokyo outperformed New York and London to rank as the world's largest.
- In terms of the world's urban population, Tokyo is projected to maintain its rank as the world's largest metropolitan area.

2-20 Competitive strength of Central Tokyo

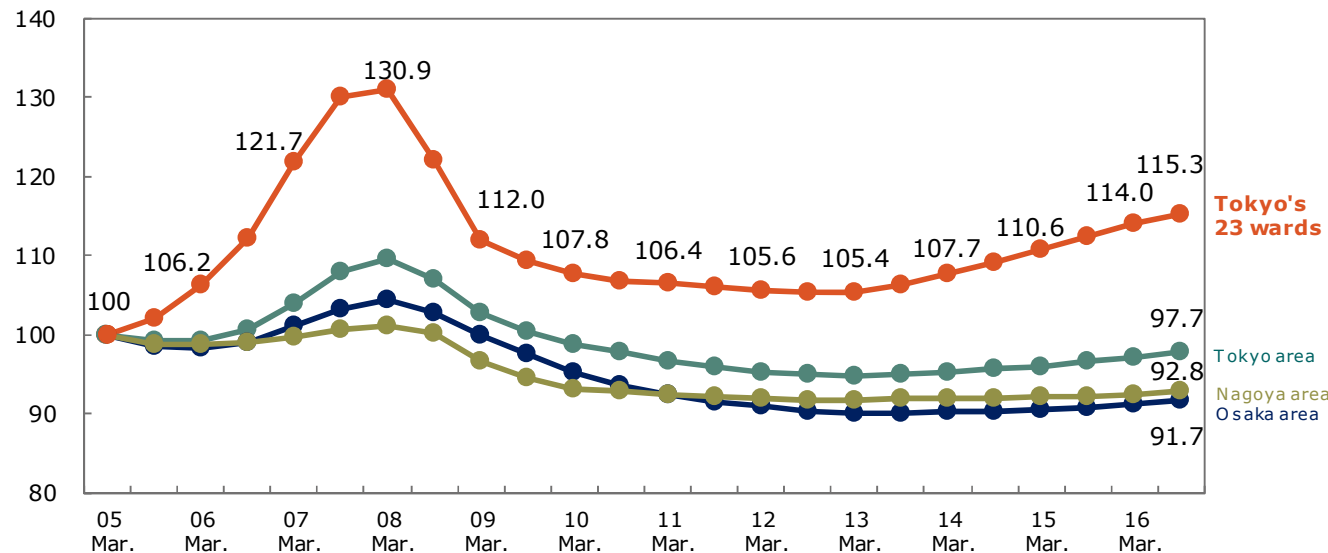
Trend of net migration



- Tokyo's 23 wards have experienced net population growth for 20 consecutive years since 1997, indicating a high level of consistent net population growth even in comparison with the other major cities in Japan.

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

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



- Land price level of central Tokyo has consistently surpassed the level of March 2005, showing a clear difference from those of other metropolitan areas in Japan that have been on a declining trend.

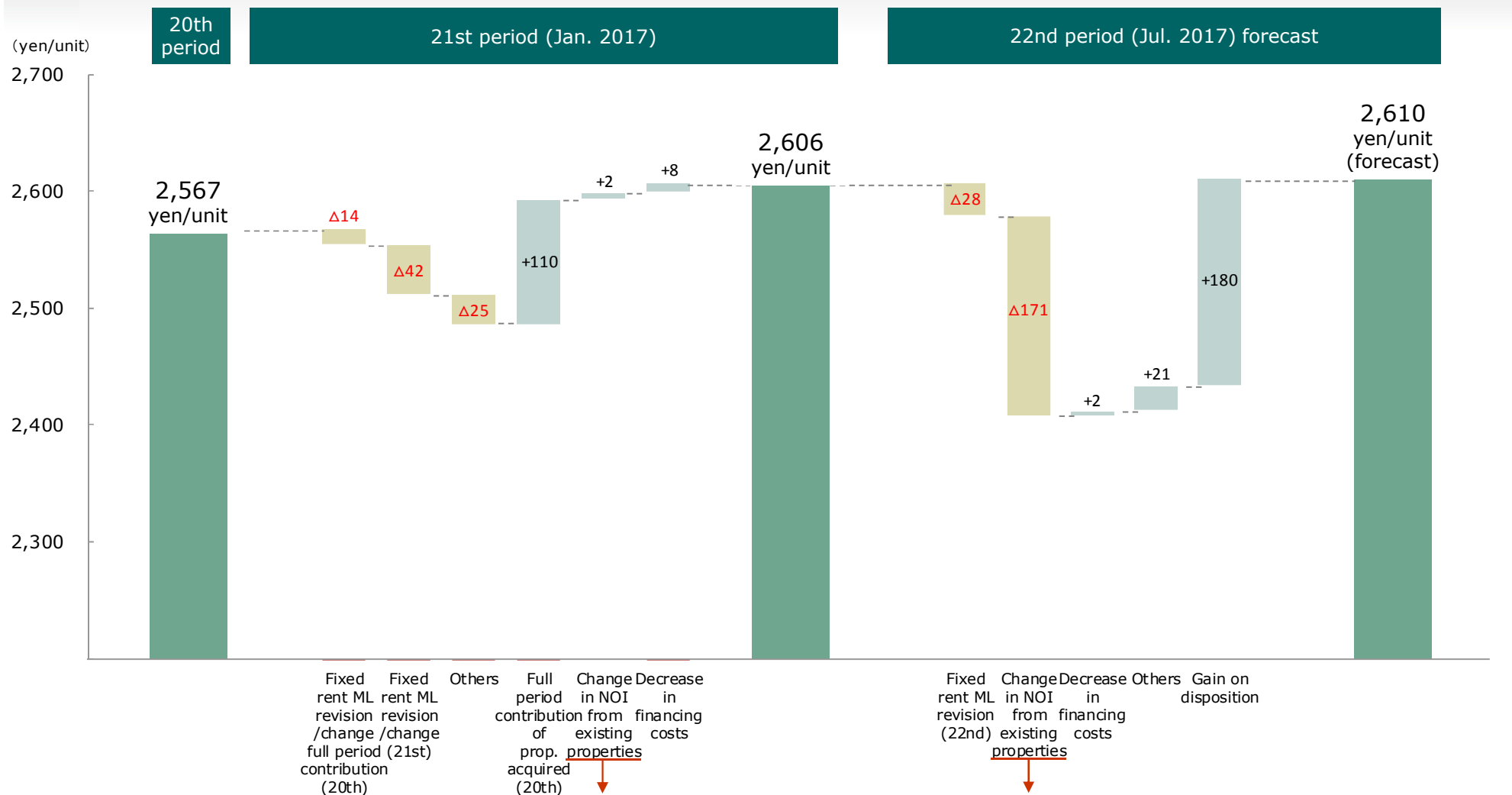
- However, since investment should be made carefully after asset values have surged, we intend to exercise prudence concerning investment prices.

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

3. Operation highlights



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



Major factors behind change in NOI from existing properties:

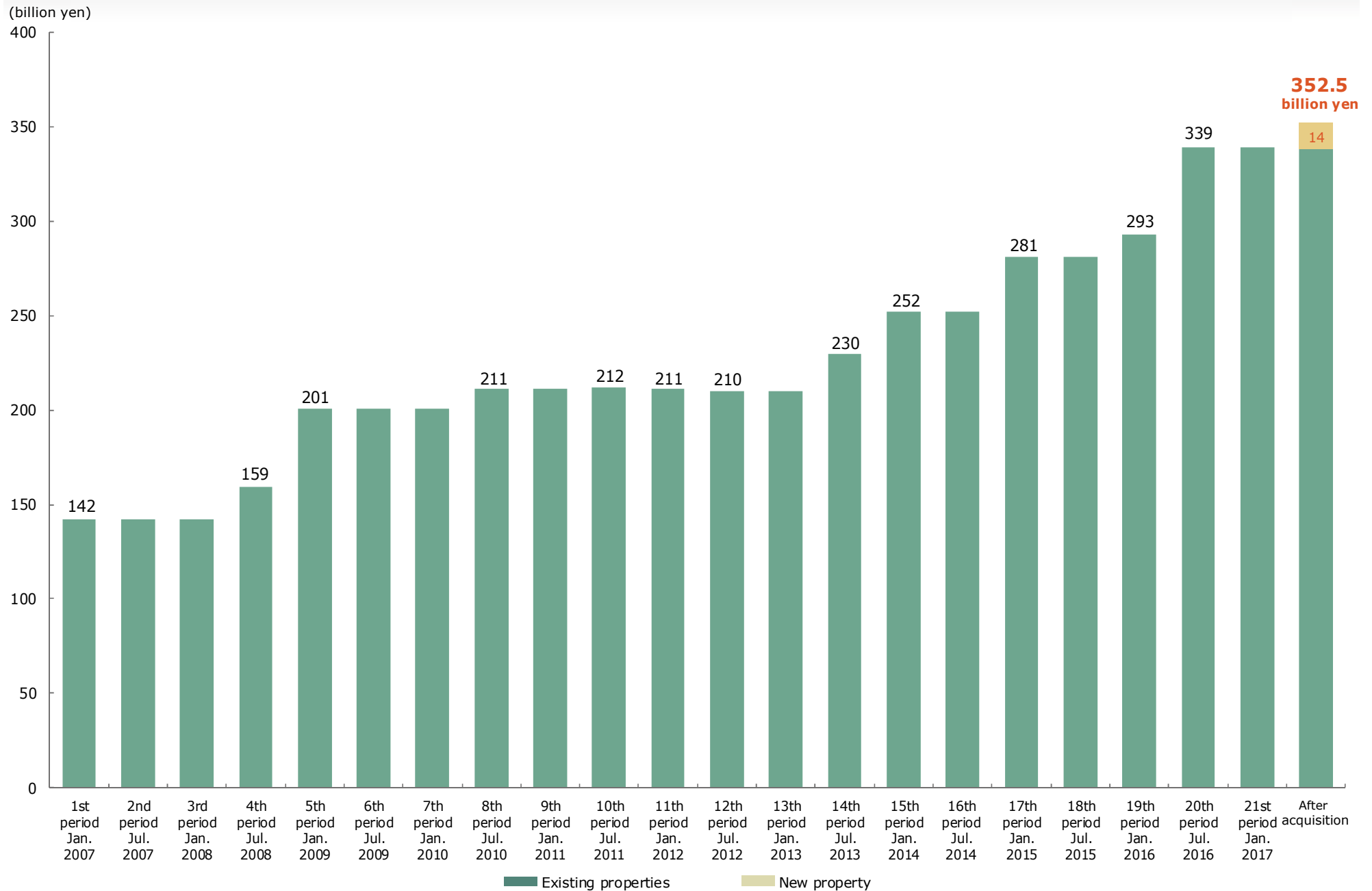
+ Net tenant lease activities and upward rent revision at Koraku Mori Building	+13
+ Decrease in depreciation and amortization	+8
+ Upward land rent revision at Laforet Harajuku (Land)	+6
+ Net tenant lease activities and upward rent revision at Roppongi View Tower	+5
- Net tenant lease activities and upward rent revision at ARK Hills South Tower	Δ23
- Property taxes for properties acquired in 19th period recorded as expense (equivalent to 3 months)	Δ7

Major factors behind change in NOI from existing properties:

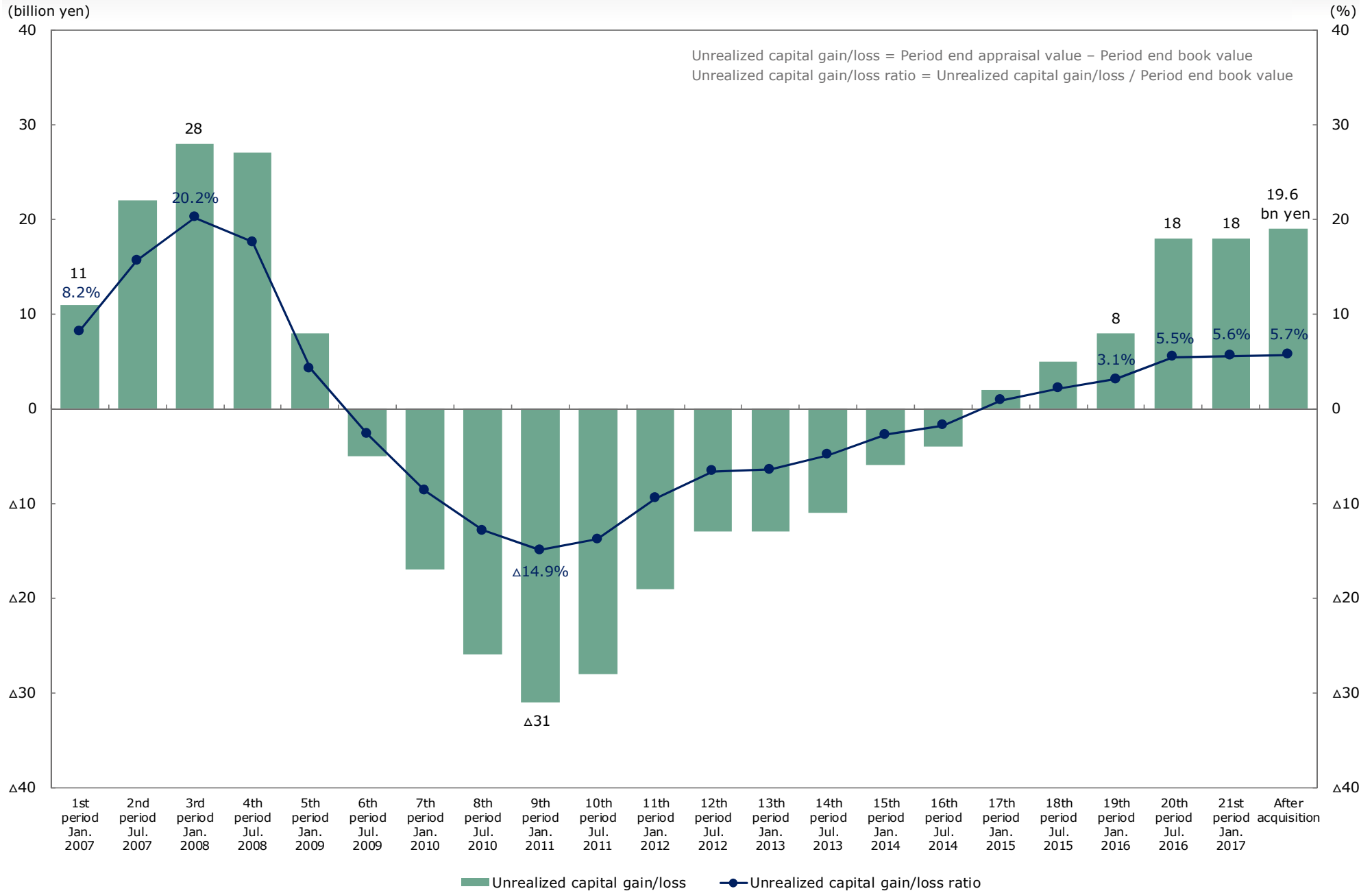
+ Net tenant lease activities and upward rent revision at Koraku Mori Building	+30
- Net tenant lease activities and upward rent revision at ARK Hills South Tower	Δ90
- Increase in maintenance and repairs	Δ46
- Net tenant lease activities and upward rent revision at Akasaka Tameike Tower	Δ30
- Property taxes for properties acquired in 20th period recorded as expense (equivalent to 3 months)	Δ26
- Increase in depreciation and amortization	Δ7

(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,750,640 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

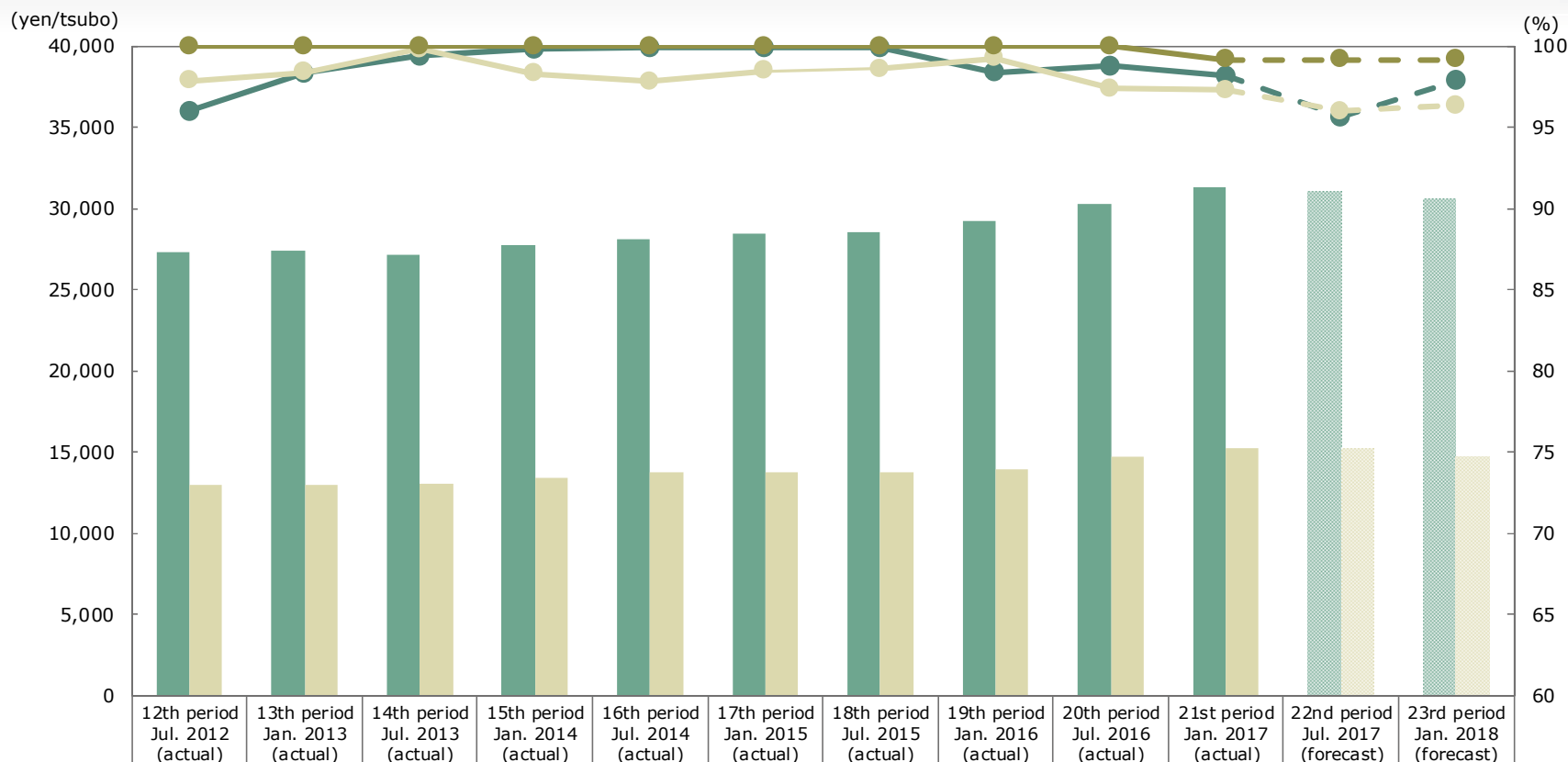
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 19th period Jan. 31, 2016		As of end of 20th period Jul. 31, 2016				Difference (B) - (A)	Difference (B)/(A) - 1	Unrealized capital gain (B)-book value
					(A) Appraisal value	Yield (direct capitalization method)	(B) Appraisal value	Yield (direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	113,638	134,300	3.4%	134,900	3.3%	3.0%	3.5%	600	0.4%	21,261
	ARK Mori Building	O-1	62,480	61,624	57,000	3.7%	57,500	3.6%	3.3%	3.8%	500	0.9%	△ 4,124
	Koraku Mori Building	O-4	27,200	25,031	23,400	4.0%	23,700	3.9%	3.5%	4.2%	300	1.3%	△ 1,331
	Akasaka Tameike Tower	O-6	43,930	42,090	28,800	3.8%	29,500	3.7%	3.4%	3.9%	700	2.4%	△ 12,590
	Atago Green Hills	O-7	42,090	41,010	45,800	4.1%	42,300	3.9%	3.4%	4.1%	△ 3,500	△ 7.6%	1,289
	ARK Hills South Tower	O-8	19,150	19,003	22,900	3.5%	23,100	3.4%	3.2%	3.6%	200	0.9%	4,096
Sub total			310,230	302,398	312,200	—	311,000	—	—	—	△ 1,200	△ 0.4%	8,601
Residential	Moto-Azabu Hills	R-1	1,706	1,615	1,990	4.0%	2,030	3.9%	3.5%	4.1%	40	2.0%	414
	Roppongi First Plaza	R-3	2,100	2,276	1,790	4.5%	1,870	4.4%	4.2%	4.6%	80	4.5%	△ 406
	Roppongi View Tower	R-4	4,000	3,974	2,610	4.6%	2,610	4.5%	4.3%	4.7%	0	0.0%	△ 1,364
Sub total			7,806	7,866	6,390	—	6,510	—	—	—	120	1.9%	△ 1,356
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	32,600	4.3%	33,400	—	4.3%	—	800	2.5%	11,325
Sub total			21,820	22,074	32,600	—	33,400	—	—	—	800	2.5%	11,325
Total			339,856	332,339	351,190	—	350,910	—	—	—	△ 280	△ 0.1%	18,570

(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 20th period shows the discount rate used in the DCF analysis.

3-5 Changes in the rent and occupancy rates



	12th period Jul. 2012 (actual)	13th period Jan. 2013 (actual)	14th period Jul. 2013 (actual)	15th period Jan. 2014 (actual)	16th period Jul. 2014 (actual)	17th period Jan. 2015 (actual)	18th period Jul. 2015 (actual)	19th period Jan. 2016 (actual)	20th period Jul. 2016 (actual)	21st period Jan. 2017 (actual)	22nd period Jul. 2017 (forecast)	23rd period Jan. 2018 (forecast)
Office rent (yen/tsubo)	27,323	27,440	27,116	27,788	28,119	28,482	28,536	29,253	30,306	31,281	31,076	30,669
Residential rent (yen/tsubo)	12,957	12,944	13,105	13,432	13,763	13,782	13,765	13,894	14,750	15,272	15,248	14,728
Office occupancy (%)	96.0%	98.3%	99.4%	99.8%	100%	99.9%	100%	98.4%	98.8%	98.2%	95.7%	97.9%
Residential occupancy (%)	97.9%	98.4%	99.8%	98.3%	97.8%	98.5%	98.6%	99.3%	97.4%	97.3%	96.0%	96.3%
Retail occupancy (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%	99.2%	99.2%	99.2%

(Reference: Actual results in 11th period and before)

	1st period Jan. 2007 (actual)	2nd period Jul. 2007 (actual)	3rd period Jan. 2008 (actual)	4th period Jul. 2008 (actual)	5th period Jan. 2009 (actual)	6th period Jul. 2009 (actual)	7th period Jan. 2010 (actual)	8th period Jul. 2010 (actual)	9th period Jan. 2011 (actual)	10th period Jul. 2011 (actual)	11th period Jan. 2012 (actual)
Office rent (yen/tsubo)	31,450	32,068	32,462	33,648	34,118	34,725	34,554	33,187	31,901	29,555	27,314
Residential rent (yen/tsubo)	20,625	20,674	20,964	21,157	21,234	20,664	19,658	18,959	17,648	15,492	12,833
Office occupancy (%)	99.9%	100%	99.1%	97.4%	98.1%	97.8%	93.7%	92.7%	88.9%	89.6%	95.3%
Residential occupancy (%)	94.4%	93.4%	93.1%	94.2%	93.5%	89.6%	90.1%	91.5%	93.8%	96.7%	97.2%
Retail occupancy (%)	—	—	—	—	—	—	—	—	100%	100%	100%

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

3-6 Overview of fixed rent master lease properties

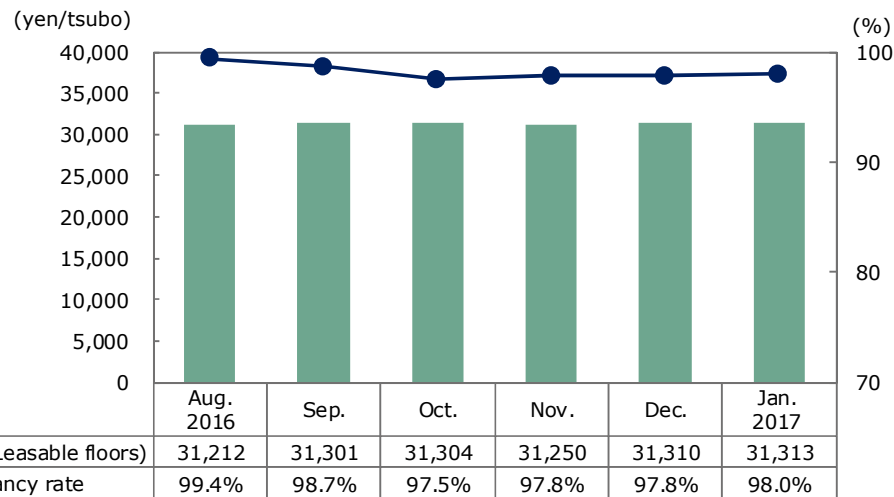
Overview of fixed rent master lease properties by the sponsor

Property name	Total monthly rent (mn yen)	% of portfolio total rent (Note)	Breakdown of property	Leased floor area (㎡)	Monthly rent (mn yen)	Payer of the management association fee	Next rent revision	Expiration of the lease agreement
Roppongi Hills Mori Tower (10 floors)	490.5	38.7%	23rd & 24th	8,993.45	114.6	MHR	—	Jul. 2021
			19th & 22nd	8,609.47	95.0			Sep. 2018
			20th	3,879.19	42.8			Jul. 2019
			28th	4,460.13	49.2			Sep. 2020
			25th	4,156.66	45.8			Jan. 2021
			26th & 27th & 29th	12,942.64	142.9			Mar. 2021
ARK Mori Building (8 floors + DHC)	225.2	17.8%	13th / 12th & 22nd	7,952.55	77.9	MHR	—	Jan. 2021
			23rd & 25th	5,742.95	55.5			Jan. 2021
			4th & 15th & 24th	7,680.52	73.8			Jan. 2021
			DHC	3,212.41	17.9	Master lessee	Apr. 2018	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	13.3%	Office/residential /retail	29,667.58	168.7	Master lessee	—	Apr. 2022
Total	884.5	69.9%						

(Note) Figures reflect the rent revision of Atago Green Hills, the disposition of Moto-Azabu Hills and the move outs of end tenants confirmed as of January 31, 2017.

3-7 Tenant status by month and tenants with large leased space

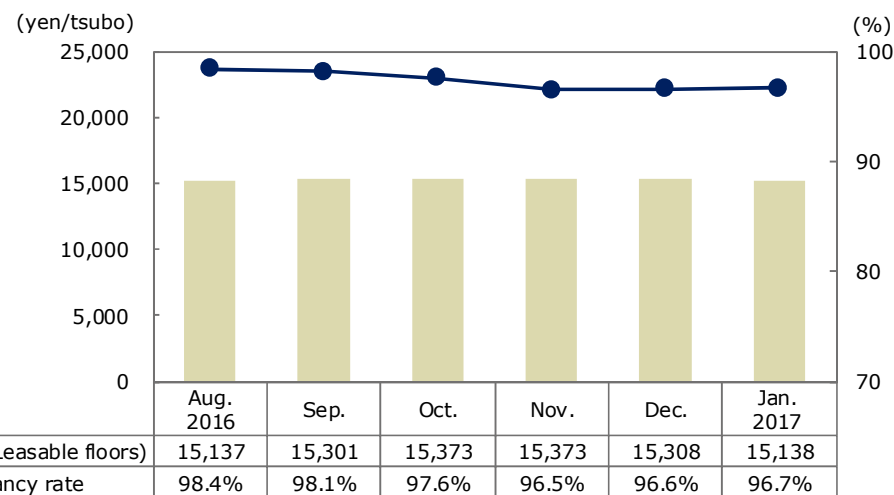
Office: Rent and occupancy rate



Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills ARK Hills South Tower	97,636.65 m ²	65.0%
Yahoo Japan Corporation (Note 2)	ARK Hills South Tower	3,841.53 m ²	2.6%
Syowa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 m ²	1.8%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 m ²	1.7%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m ²	1.4%
Total of top 5 tenants		108,844.02 m ²	72.4%

Residential: Rent and occupancy rate

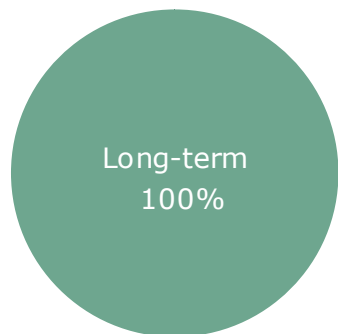


(Note 1) "Leased space" is the lease area stated in the lease contract with the end tenant. Leased space for co-owned properties is calculated by multiplying by the relevant percentage of co-ownership interest.
 (Note 2) Tenant vacated part of leased space as of January 31, 2017.

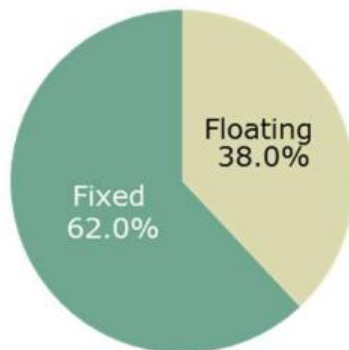
3-8 Financial overview (As of January 31, 2017)

Long and short-term debt ratio/ Fixed rate ratio

<Long and short-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 20th period July 31, 2016	End of 21st period Jan. 31, 2017
Debt balance	154,000 mn yen	156,000 mn yen
Long-term loan	130,000 mn yen	128,000 mn yen
Investment corporation bonds	24,000 mn yen	28,000 mn yen
LTV (Book value basis) (Note 1)	44.5%	44.7%
LTV (Appraisal value basis) (Note 2)	42.3%	42.4%
DSCR (Note 3)	14.2x	14.5x
Avg. remaining duration	4.5 years	4.2 years
Weighted avg. interest rate	0.54%	0.53%

(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
Mizuho Bank, Ltd.	19,198 mn yen	15.0%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,198 mn yen	15.0%
Mitsubishi UFJ Trust and Banking Corporation	19,198 mn yen	15.0%
Sumitomo Mitsui Banking Corporation	18,575 mn yen	14.5%
Sumitomo Mitsui Trust Bank, Limited	16,401 mn yen	12.8%
Development Bank of Japan Inc.	5,950 mn yen	4.6%
The Norinchukin Bank	5,700 mn yen	4.5%
The Bank of Fukuoka	5,500 mn yen	4.3%
Resona Bank, Limited.	4,630 mn yen	3.6%
Aozora Bank, Ltd.	4,250 mn yen	3.3%
Shinsei Bank, Limited	3,400 mn yen	2.7%
The Hiroshima Bank, Ltd.	2,000 mn yen	1.6%
Mizuho Trust & Banking Co., Ltd.	2,000 mn yen	1.6%
Oita Bank Co. Ltd.	1,000 mn yen	0.8%
Shinkin Central Bank	1,000 mn yen	0.8%
Total borrowings	128,000 mn yen	100%
Investment corporation bonds	28,000 mn yen	
Total interest-bearing debt	156,000 mn yen	

3-9 Debt status (As of January 31, 2017)

Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc., Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	10,000	0.84% (Note)	2013/3/29	2018/3/31
Sumitomo Mitsui Trust Bank, Limited	1,978	0.75% (Note)	2013/5/31	2017/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Aozora Bank, Ltd. Development Bank of Japan Inc., The Norinchukin Bank The Bank of Fukuoka, Resona Bank, Limited., Shinsei Bank, Limited, Mizuho Trust & Banking Co., Ltd.	10,500	0.78% (Note)	2013/9/30	2018/9/30
The Norinchukin Bank, The Hiroshima Bank, Ltd. Oita Bank Co. Ltd.	2,600	0.28%	2013/11/29	2017/11/30
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	1,000	0.33%	2013/11/29	2019/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc., The Norinchukin Bank, The Bank of Fukuoka, Shinsei Bank, Limited	11,400	0.38%	2013/11/29	2019/11/30
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation The Norinchukin Bank, The Bank of Fukuoka	11,000	0.28%	2014/5/30	2019/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation	2,022	0.33%	2014/5/30	2020/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Resona Bank, Limited.	5,000	0.33%	2014/8/1	2020/5/31
Aozora Bank, Ltd.	2,000	0.28%	2014/8/29	2019/8/31
Resona Bank, Limited.	2,500	0.28%	2014/8/29	2019/8/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,000	0.62% (Note)	2014/11/28	2020/11/30
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.75% (Note)	2014/11/28	2021/11/30
Development Bank of Japan Inc.	1,700	0.80%	2015/3/27	2023/3/27
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.57% (Note)	2015/5/29	2021/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.70% (Note)	2015/5/29	2022/5/31

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation	6,000	0.49% (Note)	2015/8/31	2021/8/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	2,500	0.65% (Note)	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,200	0.50% (Note)	2015/11/30	2022/11/30
Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited	6,300	0.62% (Note)	2015/11/30	2023/11/30
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Norinchukin Bank, Resona Bank, Limited. Shinsei Bank, Limited, The Hiroshima Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	7,500	0.23%	2016/3/31	2023/3/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. The Bank of Fukuoka, Aozora Bank, Ltd.	7,100	0.28%	2016/3/31	2024/3/31
Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	7,200	0.28%	2016/3/31	2025/3/31
Shinkin Central Bank	1,000	0.18%	2016/3/31	2022/9/30
Total	128,000			

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

Investment corporation bonds

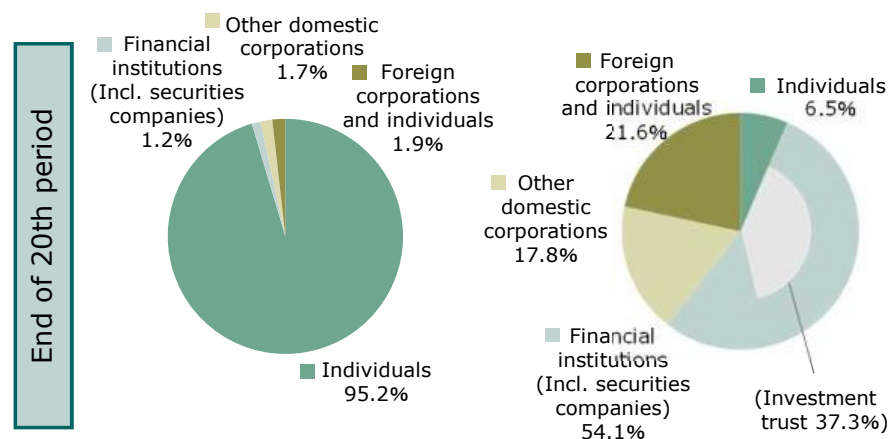
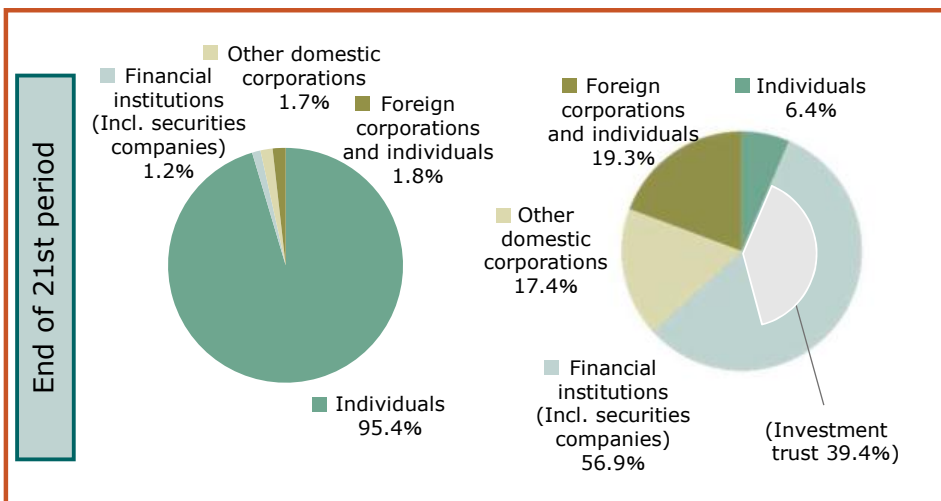
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
7th Series Unsecured Corporation Bond (5 years)	2,000	0.97%	2012/11/28	2017/11/28
8th Series Unsecured Corporation Bond (5 years)	3,000	0.85%	2013/5/24	2018/5/24
9th Series Unsecured Corporation Bond (7 years)	2,000	1.26%	2013/5/24	2020/5/22
10th Series Unsecured Corporation Bond (5 years)	3,000	0.41%	2014/2/24	2019/2/22
11th Series Unsecured Corporation Bond (7 years)	2,000	0.69%	2014/2/24	2021/2/24
12th Series Unsecured Corporation Bond (10 years)	2,000	0.87%	2014/11/27	2024/11/27
13th Series Unsecured Corporation Bond (5 years)	3,000	0.32%	2015/5/26	2020/5/26
14th Series Unsecured Corporation Bond (10 years)	2,000	0.82%	2015/5/26	2025/5/26
15th Series Unsecured Corporation Bond (5 years)	3,500	0.38%	2015/11/26	2020/11/26
16th Series Unsecured Corporation Bond (10 years)	1,500	0.89%	2015/11/26	2025/11/26
17th Series Unsecured Corporation Bond (10 years)	2,000	0.34%	2016/8/30	2026/8/28
18th Series Unsecured Corporation Bond (10 years)	2,000	0.49%	2017/1/31	2027/1/29
Total	28,000			

3-10 Unitholders breakdown (As of January 31, 2017)

Unitholders breakdown

<Number of unitholders>

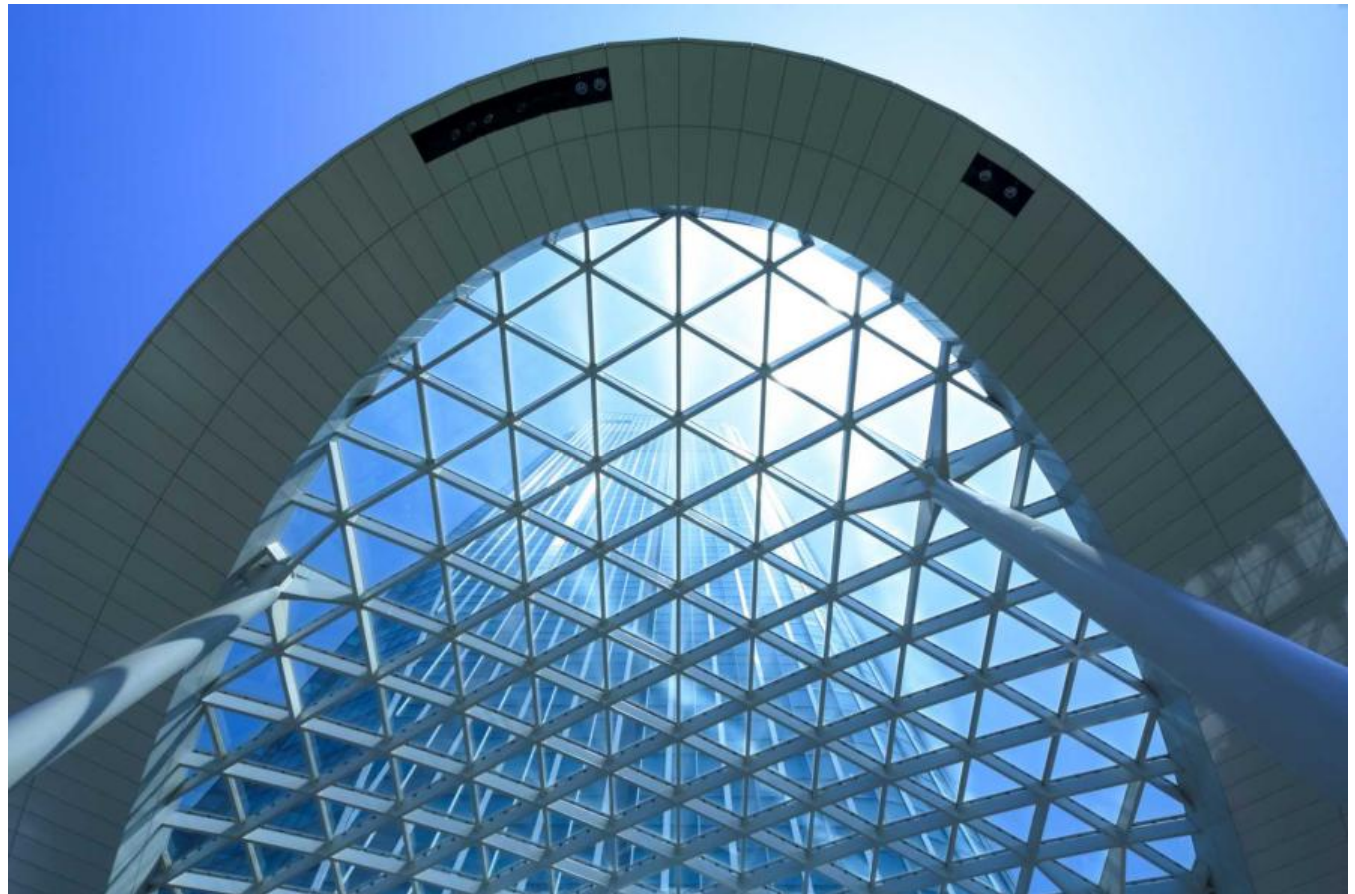
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Service Bank (Trust account)	416,799	23.8%
2	Mori Building Co., Ltd.	262,772	15.0%
3	Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust account)	150,356	8.6%
4	The Master Trust Bank of Japan, Ltd. (Trust account)	145,225	8.3%
5	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	64,745	3.7%
6	STATE STREET BANK AND TRUST COMPANY 505012	27,919	1.6%
7	Nomura Securities Co.,Ltd. Proprietary account	27,070	1.5%
8	STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	18,636	1.1%
9	THE BANK OF NEW YORK MELLON SA/NV 10	18,370	1.0%
10	JP MORGAN CHASE BANK 385632	17,857	1.0%
Total of top 10 unitholders		1,149,749	65.7%

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



Real estate market / Lending attitude

- Low vacancy rates and gradual increase of rents of office buildings in central Tokyo is ongoing.
(Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
 - ⇒ Vacancy rate (forecast): 3.7% in 2016 → 4.0% in 2018
 - ⇒ Rent index (forecast): 111 in 2016 → 117 in 2018
- Although cap rates remain at historically low levels, the rate of decrease seems more moderate.
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
 - ⇒ Class A buildings in Marunouchi
Cap rate: 3.4% in April 2016 → 3.3% in October 2016
- Lending attitude toward the real estate industry continues to be highly positive.

- Rents of office buildings in central Tokyo are forecast to continue moderate rise for the time being, but as the supply increases, the rate of rent increase may gradually moderate.
- Cap rates remain at low levels and sufficient attention is required for acquisition pricing.

Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and the core CPI rate of increase is at a low level.
 - ⇒ 10-year bond rates: +0.050% (February 28, 2017)
 - ⇒ Core CPI: +0.1% (January 2017)
- In the July 2016 preliminary business conditions composite index, the leading index was at 105.5 (0.6 PT increase from previous month) and the coincident index was at 114.9 (0.7 PT decrease from previous month). There seems to be an improvement trend before and after the US presidential election.
- The growth of money stock is limited.
The issue of wage increases can be seen from the consumer confidence survey and the monthly labor survey. Future trends will be scrutinized.

- There seems to be an improvement trend in the global business sentiment, but caution should be exercised as there are also instability factors.
- Interest rate level is expected to remain low for the time being partially due to the introduction of the yield curve control policy by the Bank of Japan.

Continues to "MHR's policy/strategy" on the next page

4-2 MHR's policy/strategy

External growth policy

- Target premium properties in Central Tokyo and aim for annual external growth of 30 billion to 50 billion yen by best utilizing sponsors' pipeline. (Set target yield at the upper 3% range for NOI-based yield and 3.0% or higher for after-depreciation-based yield.)
- Focus on portfolio size expansion in order to further enhance stability and liquidity as an investment corporation while also considering disposition depending on conditions.

Internal growth policy

- Steadily achieve the revision of pass-through type properties with rent increases while maintaining the ratio of the fixed rent master leases at current level.
- 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

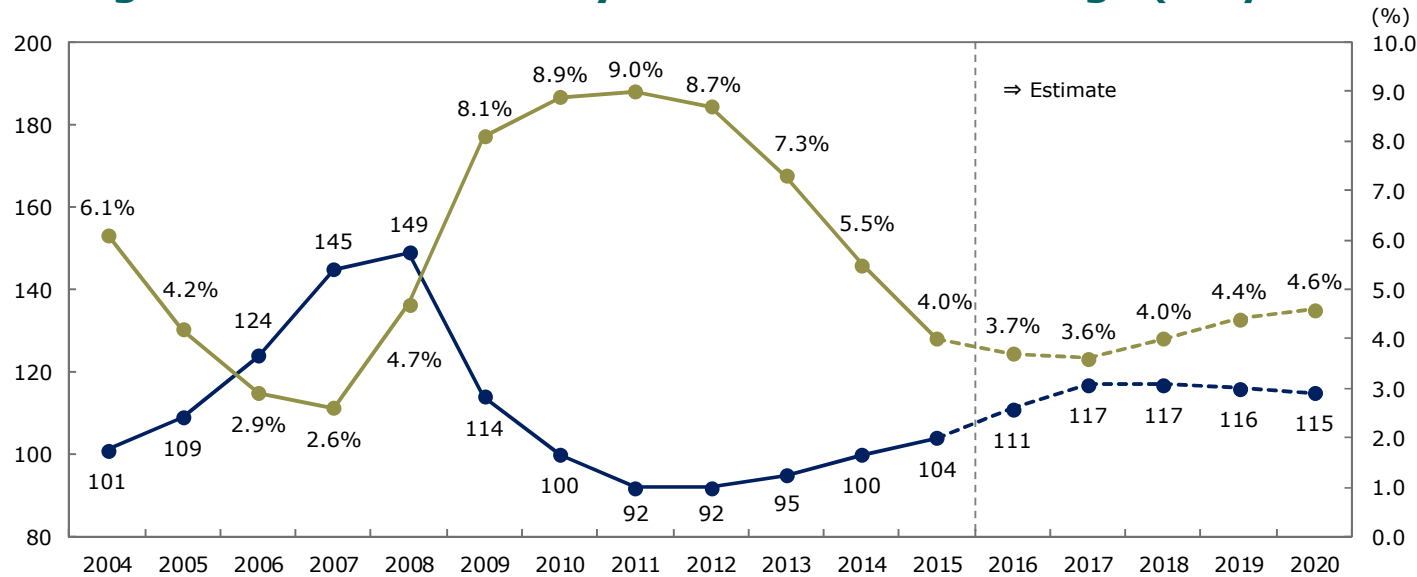
- Target LTV (book value basis) in the mid 40% range (though it may temporarily exceed the target level as necessary) in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years or longer, and gradually increase the fixed rate ratio at the appropriate timing.
- Seek to raise ROA by utilizing free cash for property acquisition rather than reserving it more than necessary.

Policy regarding the entire investment corporation

- **Promote portfolio size expansion while maintaining an asset quality level that is one of the best in the industry and aim for continuous improvement of dividends and NAV per unit**

4-3 Market-related information (1)

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

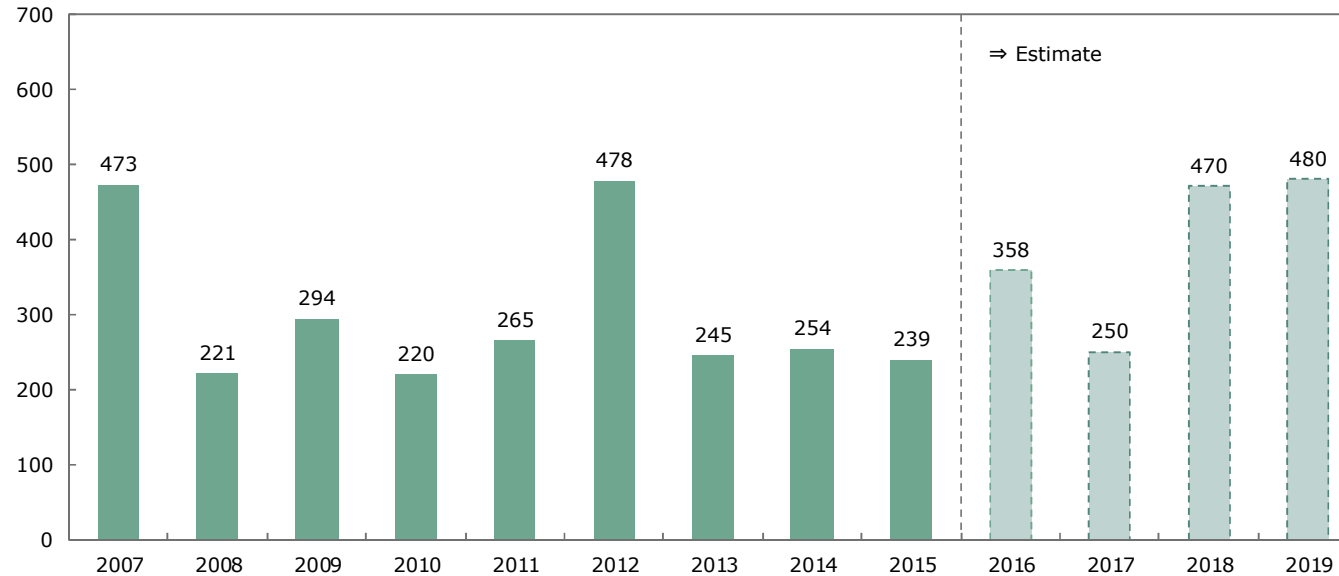


(Source)
Prepared by the Asset Manager based on the "Autumn2016 Office Rent Forecast in Tokyo, Osaka and Nagoya (2016-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

(Note)
The rent index targets large and medium buildings (standard floor area of 100 tsubo or more) in Tokyo's five central wards. The rent index is rebased to 100 as of 2010.

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

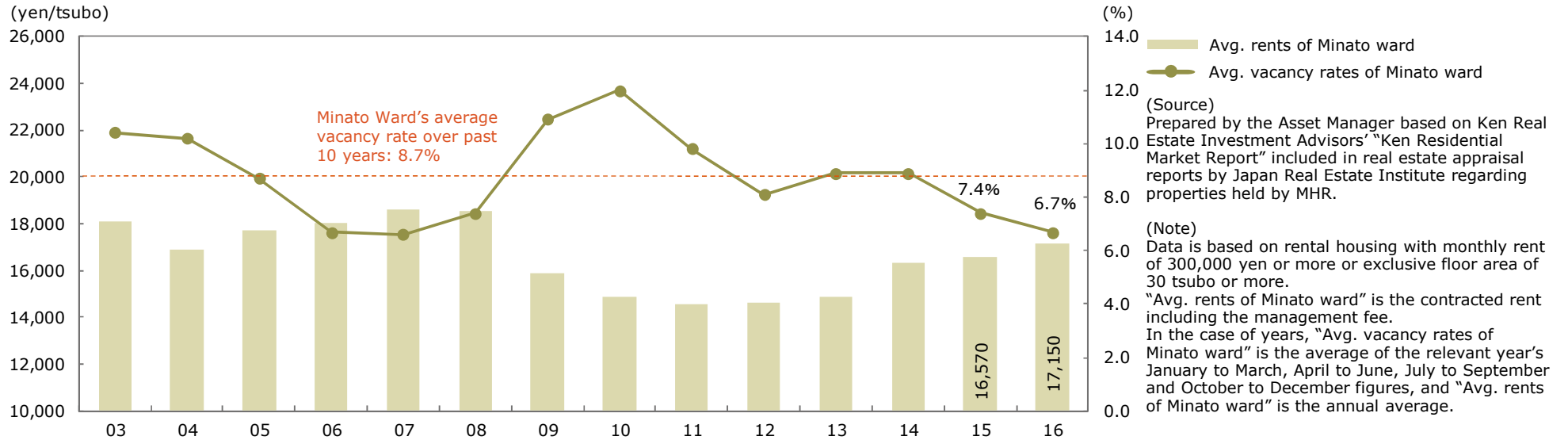
(thousand/tsubo)



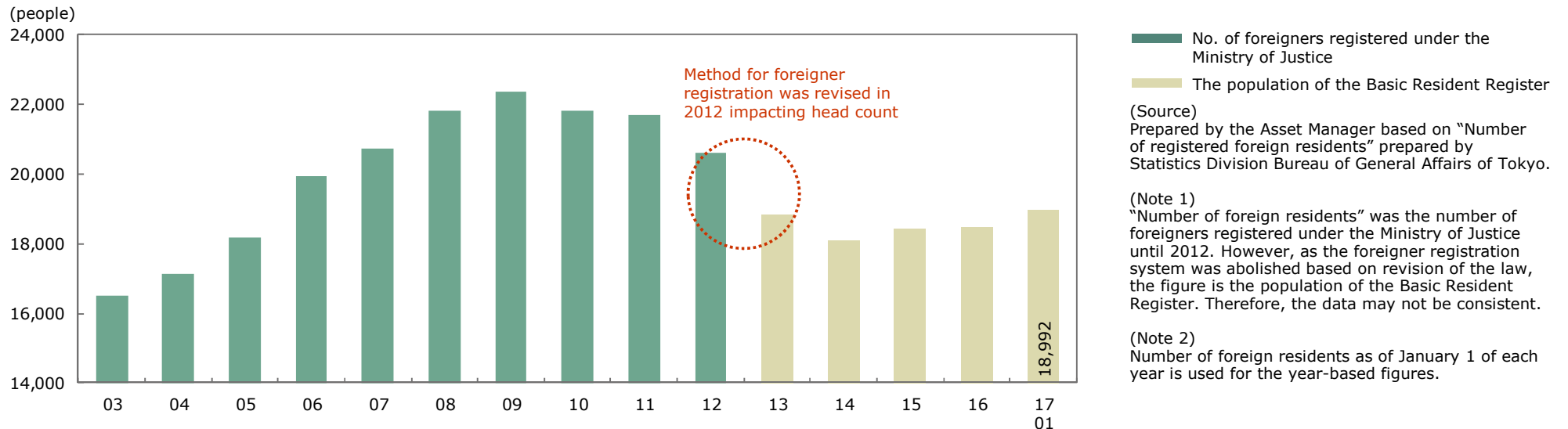
(Source)
Prepared by the Asset Manager based on the "Autumn 2016 Office Rent Forecast in Tokyo, Osaka and Nagoya (2016-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

4-4 Market-related information (2)

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

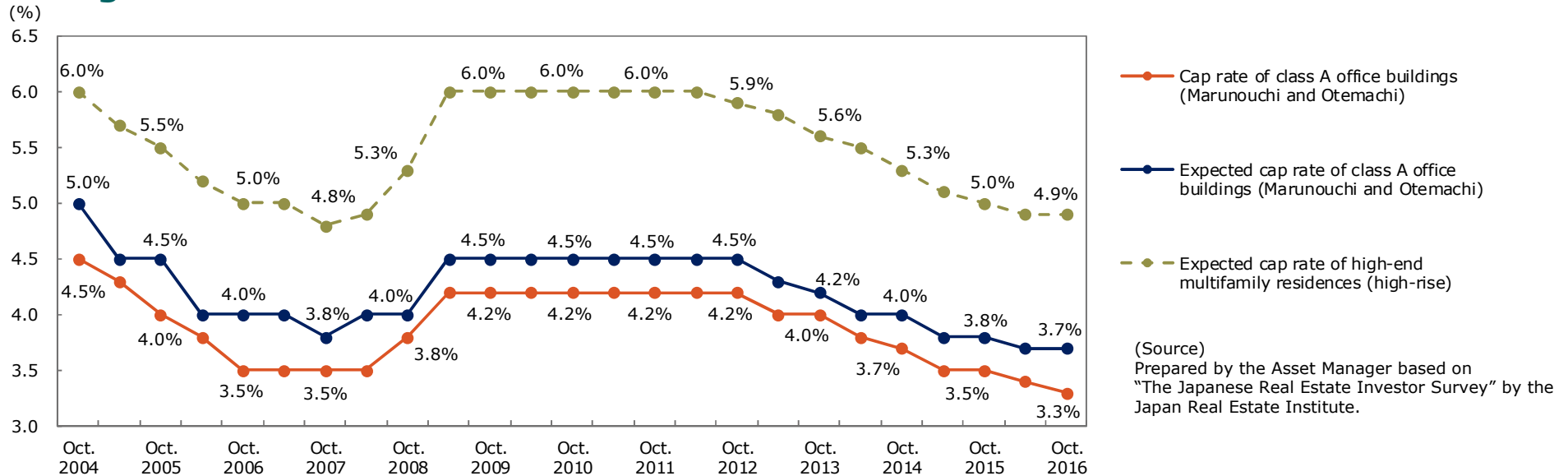


Change in number of foreign residents in Minato ward

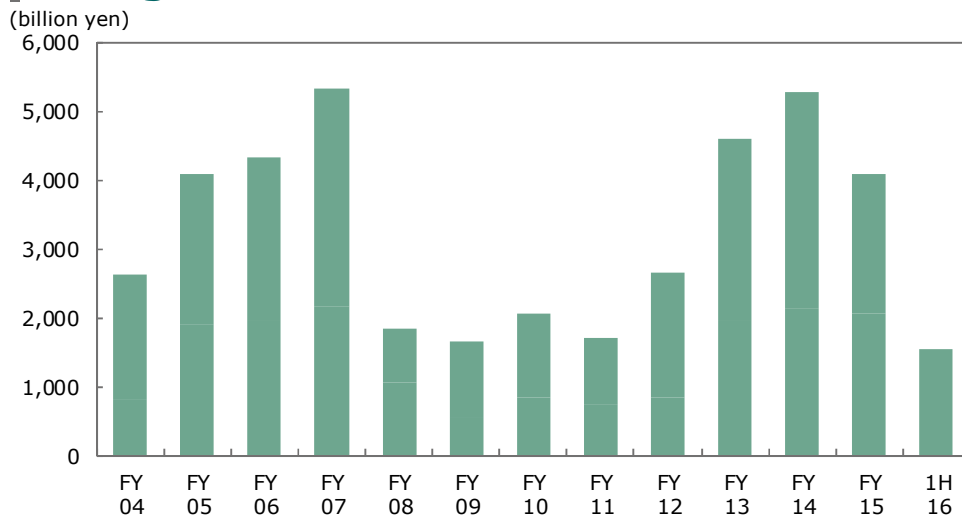


4-5 Market-related information (3)

Change in return on real estate investment

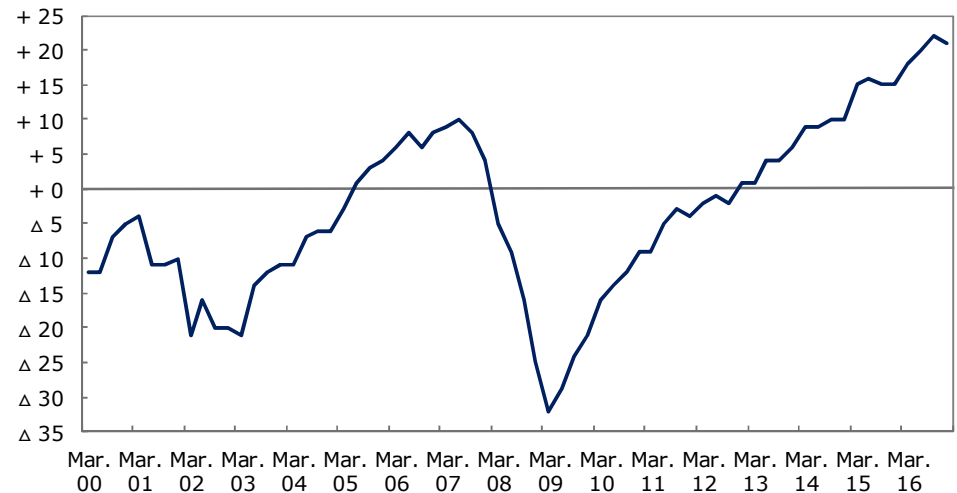


Change in real estate transaction amount



(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.

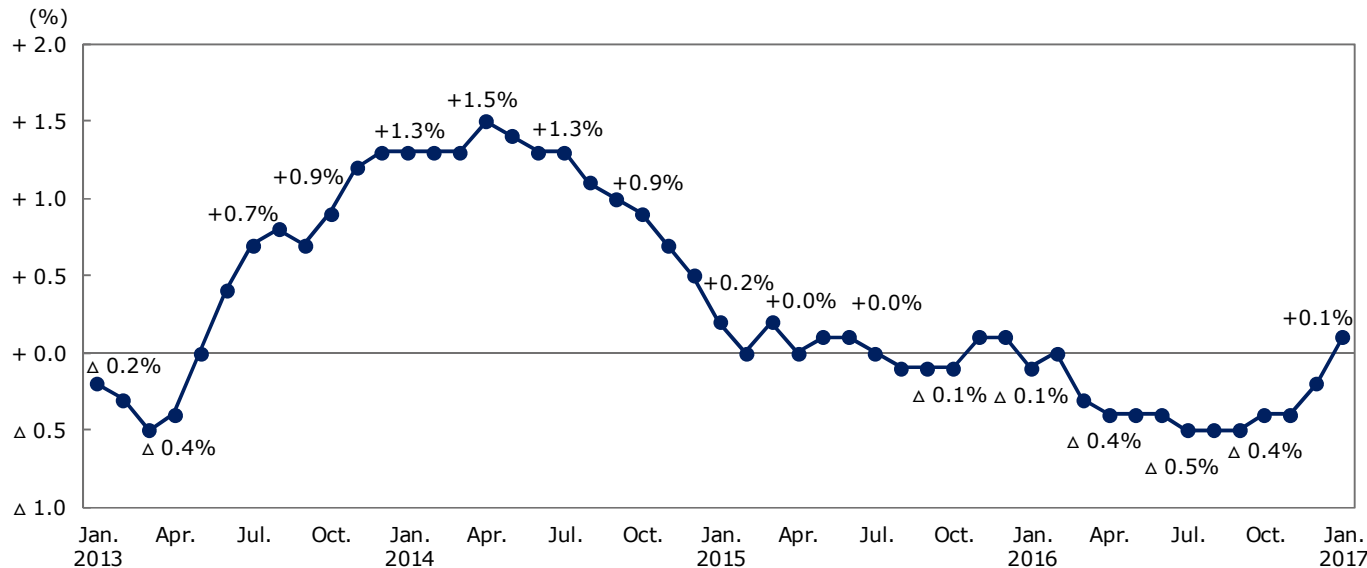
4-6 Market-related information (4)

Change in 10-year bond interest rates



(Source)
Prepared by the Asset Manager based on Thomson Reuters.

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



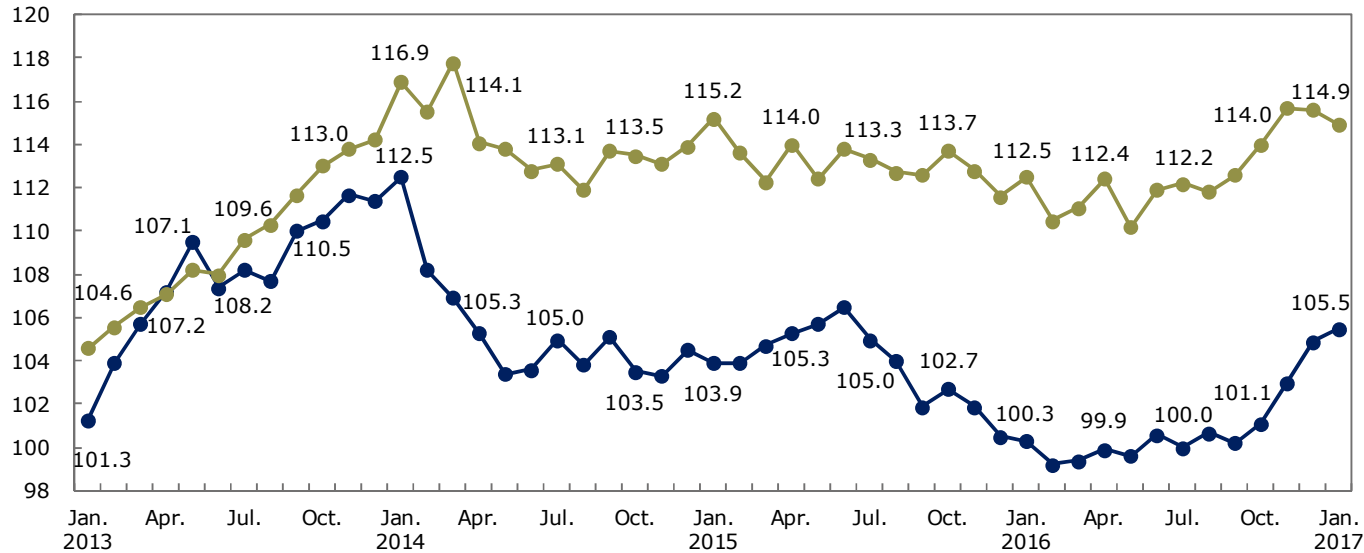
Based on figures excluding the direct effects of the consumption tax rate increase

(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").

4-7 Market-related information (5)

Business conditions composite index



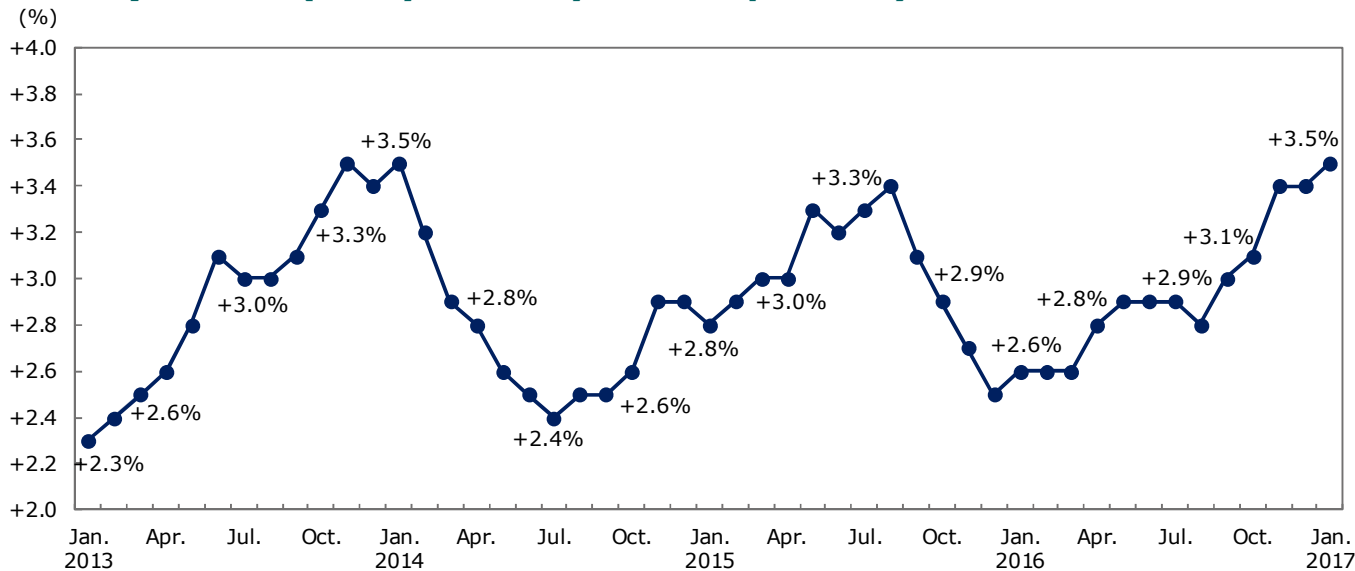
January 2017 figures are based on preliminary data

● 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 2010.

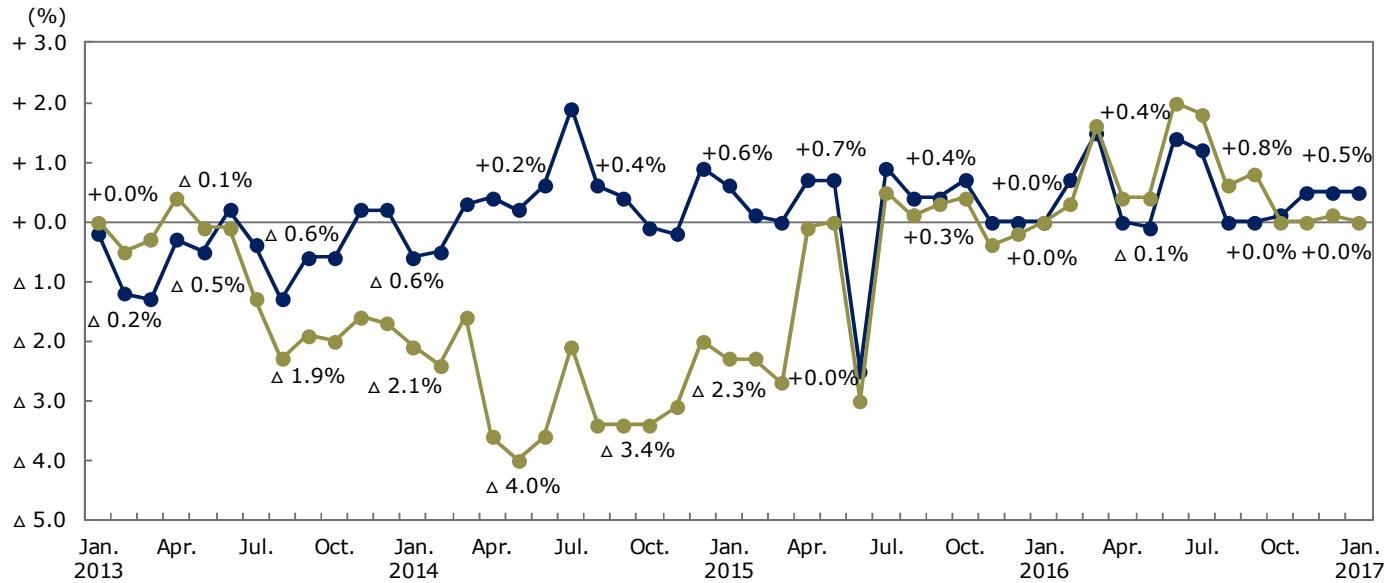
Money stock (M3: year-on-year comparison)



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

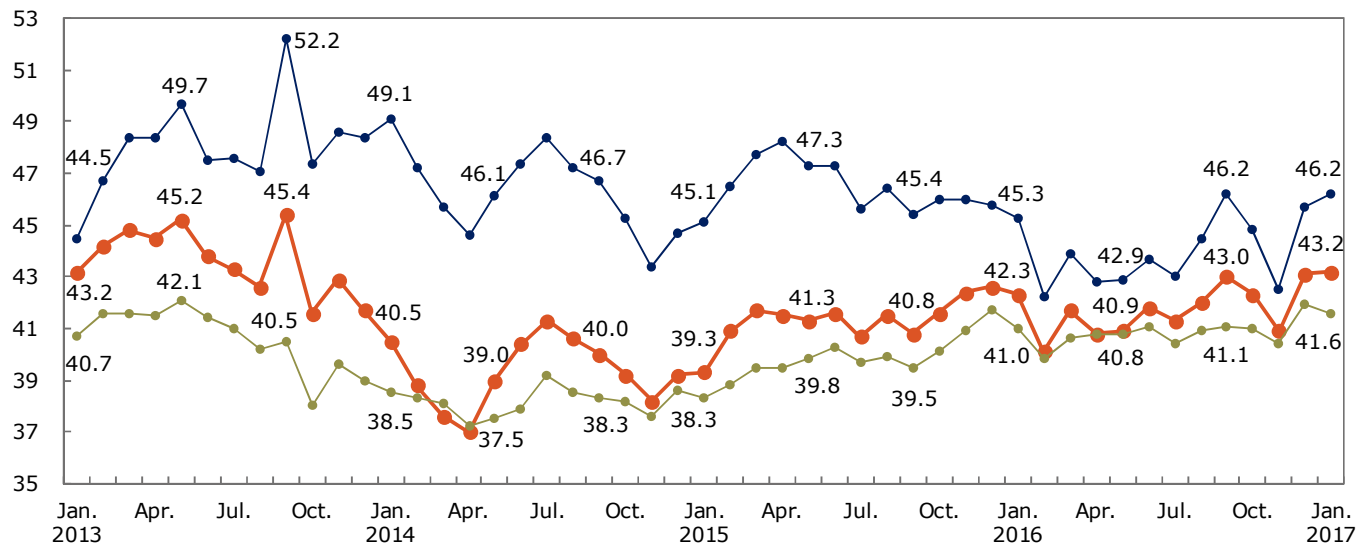
4-8 Market-related information (6)

Total cash earnings



January 2017 figures are based on preliminary data

Consumer confidence survey



5. Appendix



5-1 Financial highlights

Indices	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017	Calculation formula
Net income	4,507 mn yen	4,562 mn yen	
Depreciation and amortization	966 mn yen	995 mn yen	
CAPEX	230 mn yen	462 mn yen	
Total assets	346,188 mn yen	349,100 mn yen	
Total net assets	178,853 mn yen	178,921 mn yen	
Total net assets/unit (BPS)	102,164 yen	102,203 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	160,500 yen	153,500 yen	
Total units outstanding	1,750,640 units	1,750,640 units	
Total dividends	4,493 mn yen	4,562 mn yen	
Dividend/unit	2,567 yen	2,606 yen	
Dividend yield	3.2%	3.4%	Dividend per unit (annualized)/Unit price as of end of period
FFO	5,474 mn yen	5,557 mn yen	Net income + Depreciation and amortization
FFO/unit	3,127 yen	3,174 yen	(Net income + Depreciation and amortization)/Total units outstanding
Annualized	6,271 yen	6,297 yen	Based on a period of 365 days
FFO multiple	25.6x	24.4x	Unit price as of end of period/FFO per unit (annualized)
PER	31.1x	29.7x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.6x	1.5x	Unit price as of end of period/Net assets per unit
ROA	1.4%	1.3%	Ordinary income/Average of total assets during the period
Annualized	2.8%	2.6%	Based on a period of 365 days
ROE	2.7%	2.6%	Net income/Average of total net assets during the period
Annualized	5.4%	5.1%	Based on a period of 365 days
NAV	197,028 mn yen	197,492 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	112,546 yen	112,811 yen	
NAV multiple	1.4x	1.4x	Unit price as of end of period/NAV per unit
Interest-bearing debt	154,000 mn yen	156,000 mn yen	
LTV (book value basis)	44.5%	44.7%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	42.3%	42.4%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	182 days	184 days	

(Note) As the accounting policy for rent revenues was changed in the 21st period, the figures for the 20th period are figures after retrospective application. The same applies hereafter.

5-2 Balance sheet

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Assets		
Current assets	11,795,570	15,573,718
Cash and deposits	3,405,993	7,297,437
Cash and deposits in trust	7,467,924	7,759,698
Other	921,653	516,582
Noncurrent assets	334,130,032	333,293,538
Property, plant and equipment	302,359,556	301,685,377
Intangible assets	30,656,948	30,655,937
Investments and other assets	1,113,527	952,222
Deferred assets	262,902	233,133
Total assets	346,188,506	349,100,390

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Liabilities		
Current liabilities	5,592,553	8,674,401
Current portion of investment corporation bonds	—	2,000,000
Current portion of long-term loans payable	3,978,000	4,578,000
Other	1,614,553	2,096,401
Noncurrent liabilities	161,742,828	161,504,272
Investment corporation bonds	24,000,000	26,000,000
Long-term loans payable	126,022,000	123,422,000
Lease and guarantee deposited in trust	11,720,828	12,082,272
Total liabilities	167,335,381	170,178,674
Net assets		
Unitholders' equity	178,853,124	178,921,716
Unitholders' capital	174,231,870	174,231,870
Total surplus	4,621,254	4,689,845
Voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	4,516,010	4,584,601
Total net assets	178,853,124	178,921,716
Total liabilities and net assets	346,188,506	349,100,390

5-3 Income statement

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017	
Operating revenue	7,760,598	8,248,756	
Rent revenues	7,638,396	8,056,295	Office 6,531,636 Residential 806,486 Retail 89,687 Land 624,400 Other rent revenue 4,085
Other operating revenues	122,201	192,460	
Operating expenses	2,600,364	3,041,041	
Expenses related to properties	2,295,784	2,696,520	Parking revenue 43,263 Utilities and other revenue 148,206 Cancellation penalty 990
Asset management fee	209,974	234,850	
Directors' compensation	5,400	5,400	
Asset custody fee	7,461	8,654	
Administrative service fees	19,407	19,321	
Other operating expenses	62,335	76,294	
Operating income	5,160,233	5,207,714	
Non-operating income	3,102	2,002	
Interest income	1,118	86	
Gain on forfeiture of unclaimed dividends	1,310	1,510	
Other	673	404	
Non-operating expenses	648,475	643,250	Property management fees 908,803 Property taxes 470,104 Utilities 127,234 Maintenance and repairs 41,682 Insurance premium 15,115 Custodian fees 6,138 Depreciation 994,619 Rent expenses 112,718 Other lease business expenses 20,103
Interest expenses	331,612	326,571	
Interest expenses on investment corporation bonds	83,115	85,983	
Amortization of investment corporation bonds issuance cost	12,217	13,154	
Borrowing expenses	170,999	166,987	
Amortization of investment unit issuance cost	48,664	48,664	
Other	1,865	1,888	
Ordinary income	4,514,860	4,566,466	
Income before income taxes	4,514,860	4,566,466	
Net income	4,507,593	4,562,484	
Unappropriated retained earnings	4,516,010	4,584,601	

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Net cash provided by (used in) operating activities	5,064,636	6,642,067
Income before income taxes	4,514,860	4,566,466
Depreciation and amortization	966,879	995,006
Amortization of investment corporation bonds issuance cost	12,217	13,154
Amortization of investment unit issuance cost	48,664	48,664
Interest income	△ 1,118	△ 86
Gain on forfeiture of unclaimed dividends	△ 1,310	△ 1,510
Interest expenses	414,727	412,555
Decrease (increase) in operating accounts receivable	△ 36,584	1,630
Decrease (increase) in consumption taxes refund receivable	△ 323,694	431,471
Increase (decrease) in operating accounts payable	9,219	14,234
Increase (decrease) in accounts payable—other	△ 2,390	12,981
Increase (decrease) in accrued expenses	2,385	28,403
Increase (decrease) in accrued consumption taxes	—	403,057
Increase (decrease) in advances received	127,934	△ 9,834
Increase (decrease) in deposits received	6,393	△ 2,788
Decrease (increase) in prepaid expenses	△ 81,308	△ 16,476
Decrease (increase) in long-term prepaid expenses	△ 180,313	161,305
Other, net	1,808	△ 2,182
Subtotal	5,478,372	7,056,053
Interest income received	1,118	86
Interest expenses paid	△ 414,056	△ 413,226
Income taxes paid	△ 797	△ 845

(thousand yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
Net cash provided by (used in) investing activities	△ 44,687,794	62,536
Purchase of property, plant and equipment in trust	△ 46,711,614	△ 266,574
Repayments of lease and guarantee deposited in trust	△ 235,994	△ 479,825
Proceeds from lease and guarantee deposited in trust	2,259,814	808,936

Net cash provided by (used in) financing activities	41,057,818	△ 2,521,386
Proceeds from long-term loans payable	22,800,000	—
Repayments of long-term loans payable	△ 1,500,000	△ 2,000,000
Proceeds from issuance of investment corporation bonds	—	3,971,823
Proceeds from issuance of investment units	23,685,265	—
Dividends paid	△ 3,927,446	△ 4,493,210
Net increase (decrease) in cash and cash equivalents	1,434,660	4,183,217
Cash and cash equivalents at beginning of the period	9,439,257	10,873,917
Cash and cash equivalents at the end of the period	10,873,917	15,057,135

Retained earnings

(yen)

	20th period Period ended Jul. 31, 2016	21st period Period ended Jan. 31, 2017
I Unappropriated retained earnings	4,516,010,087	4,584,601,465
II Amount of dividends	4,493,892,880	4,562,167,840
Amount of dividends per unit	2,567	2,606
III Retained earnings carried forward	22,117,207	22,433,625

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	20th (Note 3) Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference
Operation days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	96.7%	93.4%	△ 3.3PT	97.9%	95.8%	△ 2.1PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	92.8%	93.0%	0.2PT	98.6%	96.8%	△ 1.8PT
Number of tenants	1	1	0	1	1	0	19	20	1	123	135	12
Rent revenues	2,573,750	2,943,450	369,700	1,319,704	1,351,486	31,782	593,395	592,172	△ 1,223	702,979	737,328	34,348
Other operating revenues	—	—	—	—	—	—	90,271	92,328	2,056	4,013	74,415	70,401
Total property operating revenue	2,573,750	2,943,450	369,700	1,319,704	1,351,486	31,782	683,667	684,500	832	706,993	811,743	104,750
Property management	287,430	412,351	124,921	103,496	181,872	78,375	71,383	63,698	△ 7,684	47,975	159,375	111,399
Property taxes (Note 1)	122,303	134,381	12,077	73,004	73,024	19	32,936	30,668	△ 2,268	41,859	41,713	△ 145
Utilities	—	—	—	—	—	—	70,452	72,950	2,498	2,990	24,422	21,431
Maintenance and repairs	—	—	—	—	370	370	7,795	8,568	772	4,790	27,206	22,415
Insurance premium	3,586	3,972	386	1,928	1,949	21	1,758	1,778	19	2,017	2,039	22
Depreciation (1)	399,939	442,171	42,231	61,709	60,280	△ 1,429	95,765	96,192	426	133,790	133,145	△ 644
Other expenses (Note 2)	362	371	9	3,792	2,793	△ 998	76,575	75,779	△ 796	7,384	10,853	3,469
Total property operating expenses	813,621	993,248	179,626	243,931	320,289	76,358	356,669	349,635	△ 7,033	240,809	398,757	157,947
Property operating income (2)	1,760,128	1,950,202	190,074	1,075,772	1,031,196	△ 44,575	326,998	334,864	7,865	466,183	412,986	△ 53,197
NOI (3) ((1)+(2))	2,160,067	2,392,373	232,306	1,137,482	1,091,477	△ 46,005	422,763	431,056	8,292	599,973	546,131	△ 53,842
Annualized NOI	4,811,830	4,745,740	△ 66,089	2,281,214	2,165,158	△ 116,056	847,850	855,084	7,233	1,203,243	1,083,358	△ 119,885
Annualized NOI/ Acquisition price	4.2%	4.1%	△ 0.1PT	3.7%	3.5%	△ 0.2PT	3.1%	3.1%	0.0PT	2.7%	2.5%	△ 0.3PT
CAPEX (4)	28,960	4,061	△ 24,899	7,000	261,395	254,394	9,985	43,660	33,675	63,562	88,426	24,863
NCF (3)-(4)	2,131,106	2,388,312	257,205	1,130,481	830,081	△ 300,400	412,778	387,395	△ 25,382	536,411	457,705	△ 78,705

(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 acquired during the relevant period. "Annualized NOI/ Acquisition price" was calculated by taking into consideration the changes in acquisition price during the relevant period.

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

5-6 Status of income and expenditures (2)

(thousand yen)

Property number	O-7			O-8			R-1			R-3		
Property name	Atago Green Hills			ARK Hills South Tower			Moto-Azabu Hills			Roppongi First Plaza		
Acquisition price	42,090,000			19,150,000			1,706,440			2,100,000		
Period	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference
Operation days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days
Occupancy rate	100%	100%	0.0PT	97.9%	90.4%	△ 7.5PT	100.0%	86.9%	△ 13.1PT	93.2%	95.7%	2.5PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	98.2%	92.2%	△ 6.0PT	100.0%	97.8%	△ 2.2PT	95.0%	92.8%	△ 2.2PT
Number of tenants	1	1	0	33	31	△ 2	7	6	△ 1	39	40	1
Rent revenues	1,111,765	1,111,765	—	496,738	465,970	△ 30,767	65,359	64,420	△ 938	73,151	72,058	△ 1,092
Other operating revenues	—	—	—	25,821	24,301	△ 1,520	1,422	1,416	△ 5	520	—	△ 520
Total property operating revenue	1,111,765	1,111,765	—	522,560	490,271	△ 32,288	66,781	65,836	△ 944	73,671	72,058	△ 1,612
Property management	2,664	2,664	—	44,201	53,429	9,228	9,318	9,180	△ 137	12,492	12,876	383
Property taxes (Note 1)	69,373	69,353	△ 19	33,545	32,916	△ 629	2,104	2,103	△ 0	7,130	7,126	△ 3
Utilities	—	—	—	28,095	27,818	△ 277	—	1	1	1,191	1,171	△ 20
Maintenance and repairs	—	—	—	816	1,155	338	2,533	2,689	155	3,416	1,138	△ 2,278
Insurance premium	3,507	3,546	38	1,084	1,096	11	150	151	1	265	268	2
Depreciation (1)	196,793	183,077	△ 13,716	44,319	44,322	2	7,178	7,143	△ 34	11,892	12,496	603
Other expenses (Note 2)	37,558	37,869	311	1,190	2,842	1,651	4,088	4,085	△ 2	3,773	3,771	△ 1
Total property operating expenses	309,896	296,510	△ 13,386	153,254	163,579	10,325	25,373	25,356	△ 16	40,164	38,850	△ 1,314
Property operating income (2)	801,868	815,254	13,386	369,306	326,691	△ 42,614	41,408	40,480	△ 928	33,506	33,208	△ 298
NOI (3) ((1)+(2))	998,662	998,331	△ 330	413,625	371,013	△ 42,611	48,586	47,623	△ 963	45,399	45,704	305
Annualized NOI	2,002,811	1,980,386	△ 22,424	829,523	735,978	△ 93,544	97,440	94,470	△ 2,969	91,048	90,664	△ 384
Annualized NOI/ Acquisition price	4.8%	4.7%	△ 0.1PT	4.3%	3.8%	△ 0.5PT	5.7%	5.5%	△ 0.2PT	4.3%	4.3%	△ 0.0PT
CAPEX (4)	20,072	12,133	△ 7,938	171	709	538	—	—	—	28,559	22,768	△ 5,790
NCF (3)-(4)	978,589	986,198	7,608	413,454	370,304	△ 43,150	48,586	47,623	△ 963	16,840	22,936	6,096

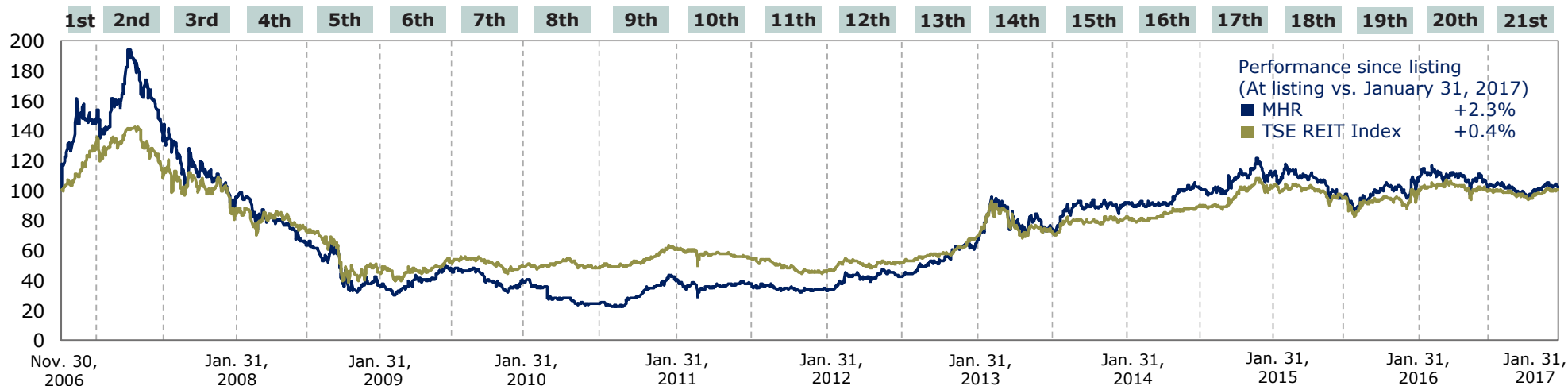
5-7 Status of income and expenditures (3)

(thousand yen)

Property number	R-4			S-1			Portfolio total		
Property name	Roppongi View Tower			Laforet Harajuku (Land)					
Acquisition price	4,000,000			21,820,000			339,856,440		
Period	20th Jul. 2016	21st Jan. 2017	Difference	20th Jul. 2016	21st Jan. 2017	Difference	20th (Note 3) Jul. 2016	21st Jan. 2017	Difference
Operation days	182 days	184 days	2 days	182 days	184 days	2 days	182 days	184 days	2 days
Occupancy rate	95.9%	93.1%	△ 2.8PT	100%	100%	0.0PT	99.0%	97.8%	△ 1.2PT
Avg. Occupancy rate (during period)	92.2%	94.5%	2.3PT	100%	100%	0.0PT	98.6%	98.1%	△ 0.5PT
Number of tenants	88	86	△ 2	1	1	0	313	322	9
Rent revenues	87,152	93,242	6,090	614,400	624,400	10,000	7,638,396	8,056,295	417,898
Other operating revenues	152	—	△ 152	—	—	—	122,201	192,460	70,259
Total property operating revenue	87,304	93,242	5,938	614,400	624,400	10,000	7,760,598	8,248,756	488,158
Property management	14,264	13,355	△ 909	—	—	—	593,227	908,803	315,575
Property taxes (Note 1)	10,846	10,860	14	67,774	67,956	181	460,878	470,104	9,225
Utilities	1,049	870	△ 179	—	—	—	103,781	127,234	23,453
Maintenance and repairs	2,015	553	△ 1,461	—	—	—	21,369	41,682	20,313
Insurance premium	308	311	3	—	—	—	14,607	15,115	507
Depreciation (1)	15,099	15,791	692	—	—	—	966,487	994,619	28,131
Other expenses (Note 2)	705	592	△ 112	—	—	—	135,432	138,960	3,528
Total property operating expenses	44,289	42,336	△ 1,953	67,774	67,956	181	2,295,784	2,696,520	400,735
Property operating income (2)	43,015	50,906	7,891	546,625	556,444	9,818	5,464,813	5,552,235	87,422
NOI (3) ((1)+(2))	58,114	66,698	8,584	546,625	556,444	9,818	6,431,300	6,546,855	115,554
Annualized NOI	116,548	132,309	15,761	1,096,254	1,103,815	7,561	13,349,885	12,986,968	△ 362,917
Annualized NOI/ Acquisition price	2.9%	3.3%	0.4PT	5.0%	5.1%	0.0PT	3.9%	3.8%	△ 0.1PT
CAPEX (4)	71,753	29,168	△ 42,585	—	—	—	230,065	462,323	232,257
NCF (3)-(4)	△ 13,639	37,530	51,169	546,625	556,444	9,818	6,201,234	6,084,531	△ 116,703

5-8 Unit price performance since IPO

Relative price performance (Since IPO~January 31, 2017)



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

Unit price per period-end (closing price)

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

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

Accounting period	Unit price
21st (January 2017)	153,500 yen

(Reference)

IPO Price (November 30, 2006) (Split adjusted)	750,000 yen (150,000 yen)
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High (May 8, 2007: in trade) (Split adjusted)	1,460,000 yen (292,000 yen)
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Low (August 12, 2010: in trade) (Split adjusted)	168,200 yen (33,640 yen)
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(Note) Implemented a 5-for-1 investment unit split on February 1, 2014 (effective date).

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

Investments focusing on Premium Properties

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

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

Premium Properties

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

(Note 1) Tokyo's five central wards: Minato, Chiyoda, Chuo, Shinjuku and Shibuya ward
 (Note 2) Three-A area: Akasaka and Roppongi area, Aoyama and Harajuku area and Azabu and Hiroo area
 (Note 3) Ratios are based on the acquisition prices.
 (Note 4) Tokyo Metropolitan Area: Tokyo Metropolis, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture

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

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

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

Sustainability policy

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

The environment

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

Business continuity planning ("BCP")

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

Maintaining and enhancing asset value

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

Common policies

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

ARK Hills South Tower receives fiscal 2015 Award for Minato City Local Green City Development

The "Award for Minato City Local Green City Development" was established in fiscal 2004 to recognize residents and business operators with environmental consideration and outstanding landscape planning as well as maintaining greenery. The award expresses gratitude for such cooperation in community landscaping and hopes to promote further development of a green city.



Rooftop garden "sky park"

<Environmental Policy >

1. Cities and nature existing in harmony

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

2. Low carbon cities

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

3. Resource recycling

We aim to build resource-recycling cities by promoting the 3Rs (Reduce, Reuse, and Recycle).

4. Compliance and maintenance of an environmental management system

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

5. Environmental education and awareness building activities

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

6. Disclosure of environmental information

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

5-11 Organization Structure

Corporate governance

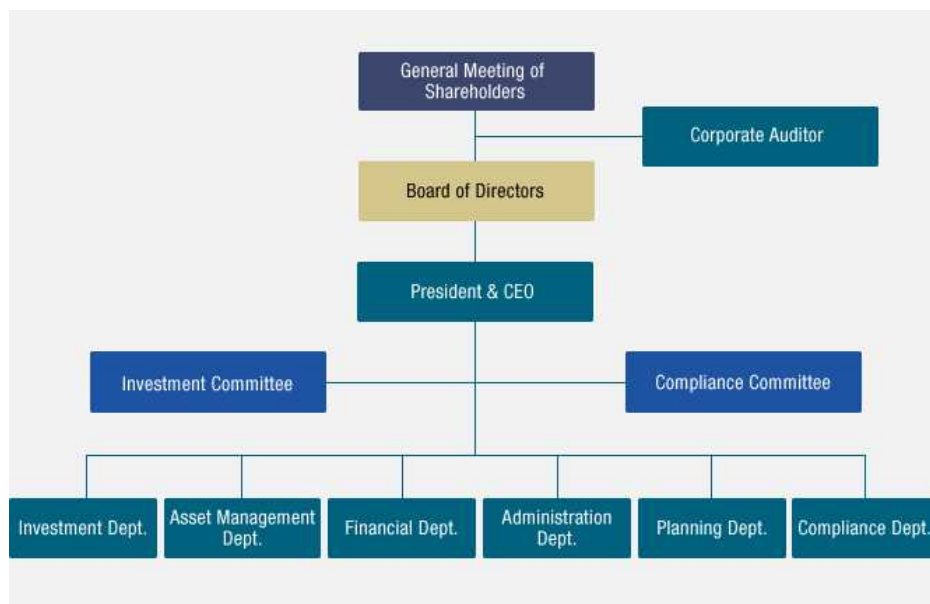
Corporate governance

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

In addition to a general meeting of unitholders, which shall be composed of unitholders, MHR's structure consists of one executive director, three supervisory directors (Note), the board of directors and an accounting auditor.

Structure of asset manager for the Investment Corporation

MHR entrusts the management of its assets to the asset manager. The following is the organizational structure of the asset manager.



(Note) The term of office for three supervisory directors will expire at the time of the end of MHR's seventh general meeting of unitholders scheduled as of April 21, 2017. Consequently, proposals regarding the appointment of two supervisory directors will be submitted.

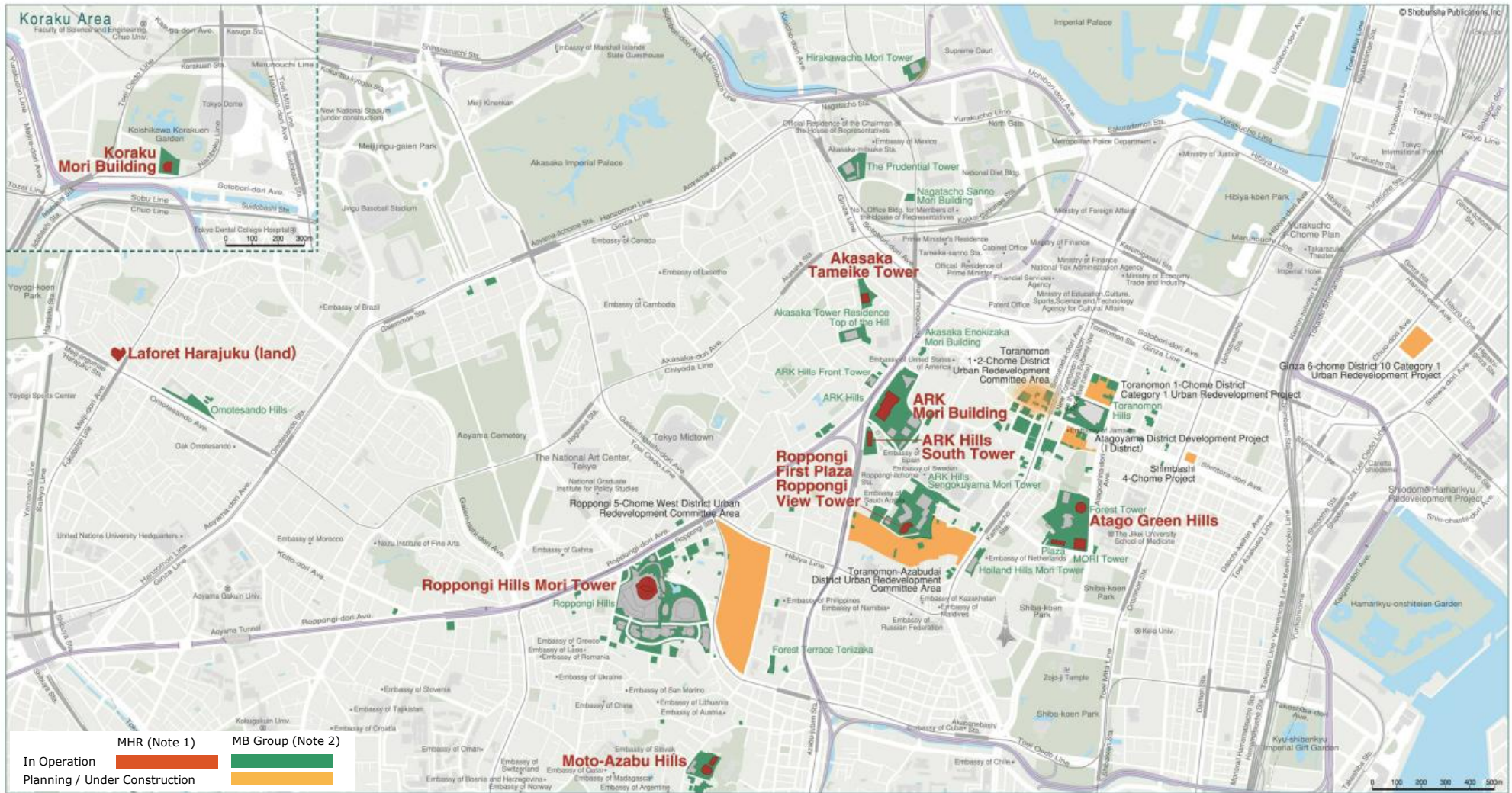
Compliance

The asset manager shall perform its business in good faith and with the due care of a prudent manager for MHR in line with the purpose of the investment management business, and be well aware that failure to ensure thorough compliance, especially inappropriate transactions or transactions involving conflicts of interest with the sponsor company group, may undermine investors' trust in the securities markets, the corporate management base of MHR and the asset manager. Therefore, the asset manager will use its efforts to prevent any negative impact from transactions involving conflicts of interest and carry out strict compliance as follows.

Process to Counter Transactions Involving Conflicts of Interest



5-12 Portfolio Map (As of January 31, 2017)













(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2016."

(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.

5-13 Portfolio overview (As of January 31, 2017)

Type	Office building			Office building (Partly residential)			Office building	Residential			Retail					
Photo																
Premium	Premium	Premium	Premium	Premium	Premium			Premium	Premium	Premium	-	Premium				
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	Akasaka Tameike Tower	Atago Green Hills MORI Tower Forest Tower Plaza			ARK Hills South Tower	Moto-Azabu Hills Forest Tower Forest Terrace	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)				
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Shibuya-ku, Tokyo				
Completion	Apr. 2003	Mar. 1986 (large-scale renovation in 2005)	Mar. 2000	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Jul. 2013	May 2002	Oct. 1993		-				
Building age	13 years 9 months	30 years 10 months	16 years 10 months	16 years 4 months	15 years 6 months	15 years 3 months	15 years 6 months	3 years 6 months	14 years 8 months	23 years 3 months		-				
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 4 below	29 above ground, 3 below	6 above ground, 1 below	20 above ground, 1 below	-				
Gross floor area	approx. 442,150m ²	approx. 177,486m ²	approx. 46,154m ²	approx. 46,971m ²	approx. 85,266m ²	approx. 60,815m ²	approx. 2,083m ²	approx. 53,043m ²	approx. 54,006m ²		approx. 22,906m ²	-				
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)		Co-ownership (approx. 25%)	Co-ownership (approx. 3.9%)	Co-ownership (approx. 47%)	Co-ownership (approx. 46%)	Ownership				
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)		Co-ownership (approx. 25%)	Compartmentalized ownership (approx. 3.2%)	Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-				
PML (Note 2)	0.59%	0.78%	0.73%	1.79%	2.35%	2.34%	5.94%	1.56%	0.57%	1.27%	2.20%	2.20%	-			
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	-	Seismic Damping	Seismic Isolators	Seismic Isolators	-	-	-			
Acquisition price (mn yen)	115,380	62,480	27,200	43,930	42,090			19,150	1,706		2,100	4,000	21,820			
Occupancy rate	100%	100%	93.4%	95.8%	100%			90.4%	86.9%		95.7%	93.1%	100%			
Average building age					17.6years (Note 4)			Portfolio PML			1.00% (Note 2)		Total acquisition price		339,856 mn yen	

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

(Note 2) This indicates the figure described in the "Report on evaluation of seismic PML for portfolio" dated November 11, 2015 by Sompo Japan Nipponkoa Risk Management Inc. (Presently, Sompo Risk Management & Health Care Inc.)

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

(Note 4) 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.