



Mori Hills REIT Investment Corporation

Results of 19th Fiscal Period ended January 31, 2016

Presentation Material

March 16, 2016



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

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

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

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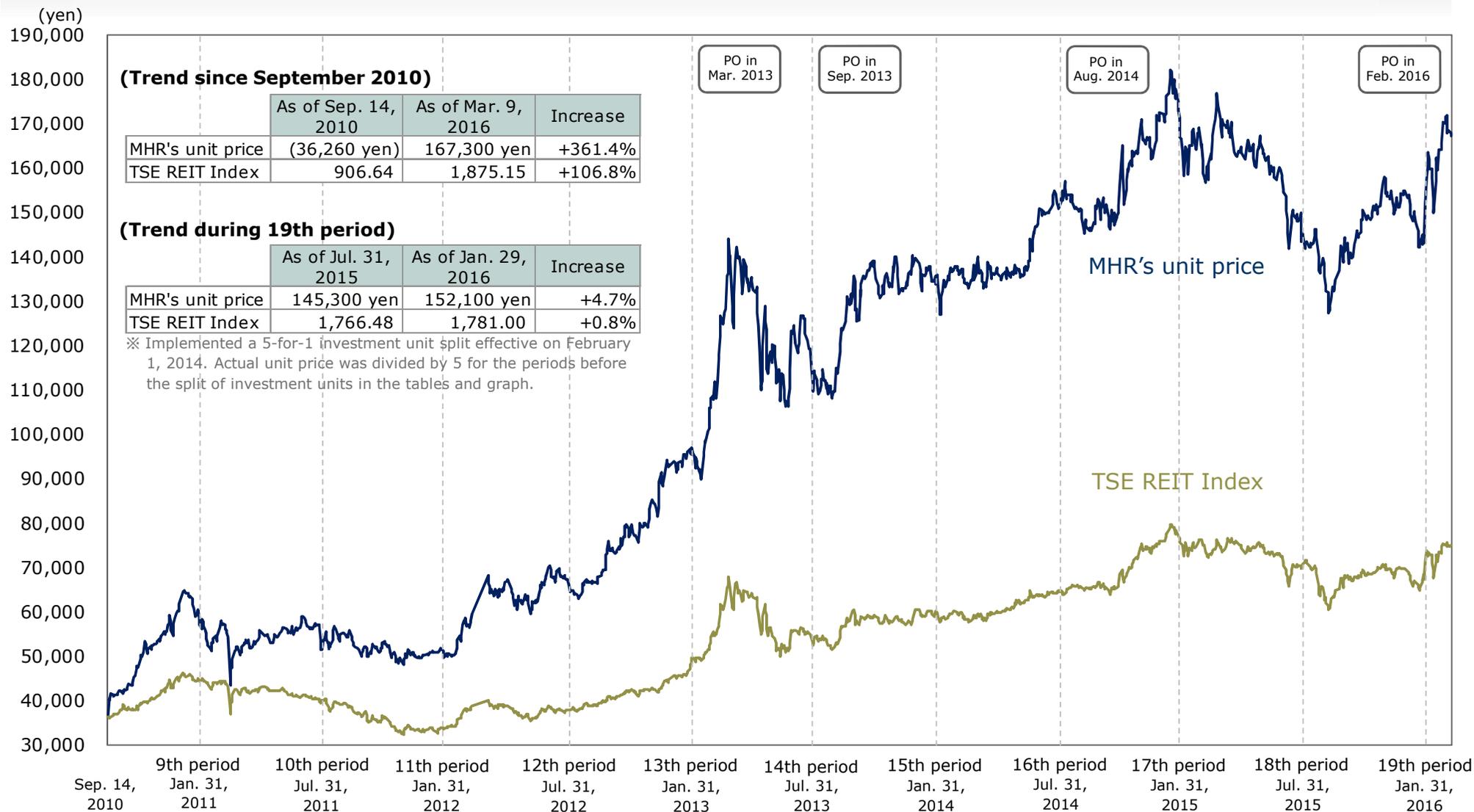
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1. Investment highlights



1-1 Unit price performance



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

1-2 Financial results

18th period Jul. 31, 2015	19th period Jan. 31, 2016		19th period Jan. 31, 2016
Actual	Actual	Difference	Forecasted

Operating Highlights (million yen)

Operating revenue	6,516	6,748	+ 232	6,736
Rent revenue of real estate	6,405	6,622	+ 216	6,606
Other rent revenue of real estate	110	126	+ 15	129
Operating expenses	2,087	2,181	+ 94	2,200
Expenses of real estate rent	1,788	1,874	+ 85	1,906
SG&A	298	307	+ 8	294
Operating income	4,428	4,566	+ 138	4,535
Non-operating income	4	2	Δ 1	2
Non-operating expenses	715	640	Δ 75	659
Ordinary income	3,716	3,928	+ 211	3,879
Net income	3,716	3,927	+ 211	3,877

DPU

Total units outstanding (units)	1,570,040	1,570,040	—	1,570,040
DPU (yen)	2,367	2,502	+ 135	2,470

Other Indices (million yen)

Profit on real estate rental	4,727	4,873	+ 146	4,829
Depreciation	857	852	Δ 4	850
NOI	5,585	5,726	+ 141	5,680
NOI yield	4.0%	3.9%	Δ 0.1PT	3.9%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	281,756	290,756	+ 9,000	290,756

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

Increase/decrease factor (18th – 19th)

- **Operating revenue (+232 mn yen)**
 - Roppongi Hills Mori Tower
(Acquisition in 19th period) +221
 - ARK Hills South Tower
(Change to a "pass-through ML") +63
 - Koraku Mori Building Δ65
- **Operating expenses (+94 mn yen)**
 - Roppongi Hills Mori Tower
(Acquisition in 19th period) +68
 - ARK Hills South Tower
(Change to a "pass-through ML") +37
 - Property taxes, etc. of properties
acquired in 17th period +26
 - Depreciation and amortization Δ41
- **Non-operating expenses (Δ75 mn yen)**
 - Interest expenses, etc.
(Existing borrowings) Δ59
 - Interest on investment corporation bonds Δ25
 - Interest expenses, etc.
(New borrowings in 19th period) +9

Increase/decrease factor for 19th period (Forecasted – Actual)

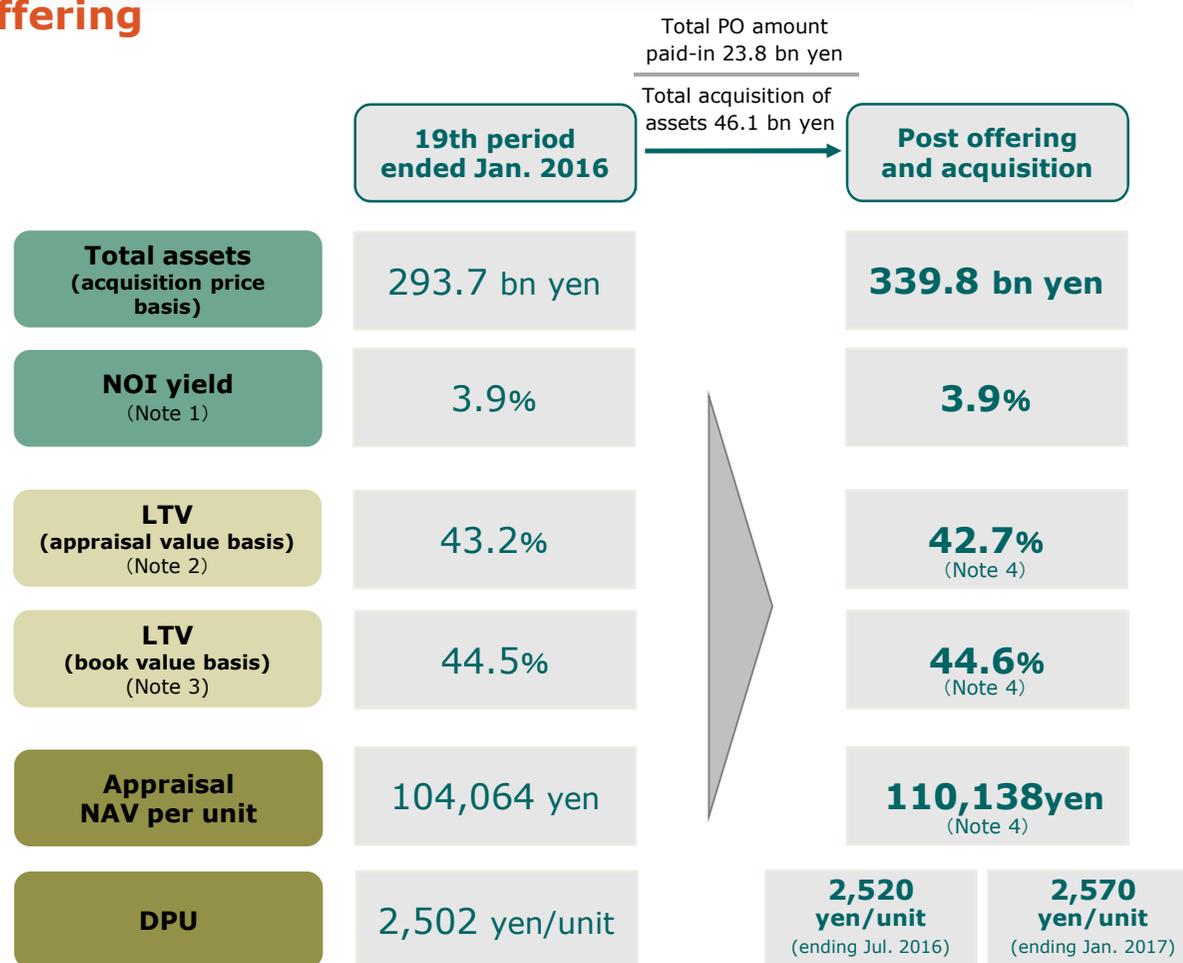
- **Operating income (+30 mn yen)**
 - Moto-Azabu Hills +13
 - Roppongi First Plaza +13
 - Roppongi View Tower +10
- **Non-operating expenses (Δ18 mn yen)**
 - Interest expenses, etc. Δ16
 - Interest on investment corporation bonds Δ2

1-3 Offering highlights

Procured 23.8 billion yen in global offering

Overview of public offering

Offering method	Simultaneous offering in Japan and overseas (144A+Reg. S)
Issuance resolution date	January 6, 2016
Pricing date	January 20, 2016
Payment date	Primary offering: February 1, 2016 Third-party allotment: February 24, 2016
Number of units issued and outstanding	1,570,040 units (as of issuance resolution date)
Number of units newly issued	180,600 units (of this, third-party allotment: 8,600 units)
Number of units issued and outstanding	1,750,640 units
Issue price	136,334 yen per unit
Issued value	131,859 yen per unit
Total issued value	23,813,735,400 yen (including third-party allotment)



(Note 1) Figures are average NOI yields of the entire portfolio.

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

(Note 3) LTV (book value basis) is calculated as [Total interest-bearing debt/Total assets]

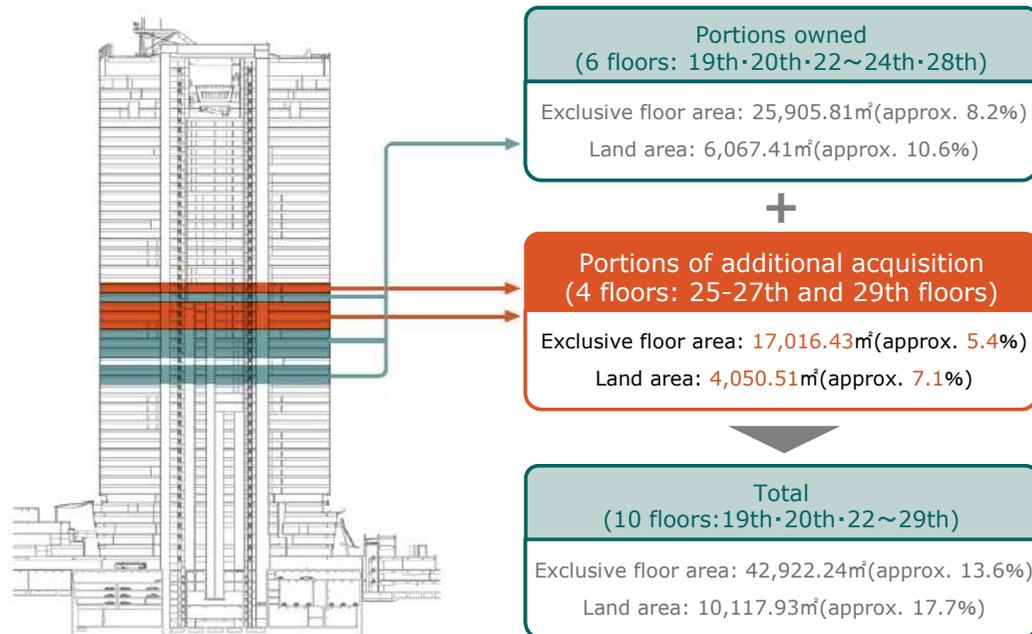
(Note 4) The figures are calculated by taking into consideration the effects of the proceeds through the offering, the (anticipated) asset acquisition on February 1, and April 1, 2016 and adding the new borrowings of 21.3 billion yen to the figures as of the end of the 19th period.

1-4 Overview of the property acquisition (Property acquired/to be acquired on Feb. 1 and Apr. 1, 2016)

Roppongi Hills Mori Tower (4 floors: 25-27th and 29th floors)



<Cross-section view>



Acquisition price

46.1 bn yen

Appraisal value

52.7 bn yen

NOI yield

3.8%

Property Number	O-0
Location (Residential indication)	10-1, Roppongi 6-chome, Minato-ku, Tokyo
Construction date	April 2003
Total number of floors	54 floors above ground, 6 floors below ground
Gross floor area	442,150.70㎡

PML

0.59%

<Breakdown>

(upper rows: million yen/ lower rows: thousand yen)

Portions	25th (February 1, 2016)	26th, 27th, 29th (April 1, 2016)	Total
Leasable floor area	4,156.66㎡	12,942.64㎡	17,099.30㎡
Acquisition price (A)	11,200	34,900	46,100
Appraisal value	12,800	39,900	52,700
Projected property income ①	550,736	1,714,835	2,265,571
Projected property expenses ②	123,800	385,073	508,873
Projected NOI (B) : ①-②	426,936	1,329,762	1,756,698
Projected NOI yield (B)÷(A)	3.8%	3.8%	3.8%

(Note) The figures above are the annual income and expense after excluding factors specific to the fiscal year of acquisition, and the figures are not forecasted figures for the next fiscal period. The projected property expenses do not include depreciation.

1-5 Forecasts

	19th period	20th period		21st period
	Jan. 31, 2016	Jul. 31, 2016		Jan. 31, 2017
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	6,748	7,757	+ 1,009	8,193
Rent revenue of real estate	6,622	7,626	+ 1,004	7,975
Other rent revenue of real estate	126	130	+ 4	217
Operating expenses	2,181	2,643	+ 461	2,966
Expenses of real estate rent	1,874	2,345	+ 470	2,678
SG&A	307	297	△ 9	288
Operating income	4,566	5,114	+ 548	5,226
Non-operating income	2	2	+ 0	2
Non-operating expenses	640	704	+ 64	729
Ordinary income	3,928	4,412	+ 484	4,500
Net income	3,927	4,411	+ 483	4,499

DPU

Total units outstanding (units)	1,570,040	1,750,640	+ 180,600	1,750,640
DPU (yen)	2,502	2,520	+ 18	2,570

Other Indices (million yen)

Profit on real estate rental	4,873	5,412	+ 538	5,514
Depreciation	852	964	+ 112	992
NOI	5,726	6,377	+ 650	6,507
NOI yield	3.9%	3.9%	△ 0.0PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period)	290,756	328,350	+ 37,594	339,856

Increase/decrease factor (19th – 20th)

•Operating revenue (+1,009 mn yen)

- Roppongi Hills Mori Tower
(Acquisition in 20th period) +846
- Full period contribution of property
acquisition in 19th period +73
- "Fixed rent ML" revision/change (20th period) +92

•Operating expenses (+461 mn yen)

- Roppongi Hills Mori Tower
(Acquisition in 20th period) +241
- Full period contribution of property
acquisition in 19th period +16
- "Fixed rent ML" revision/change (20th period) +171

•Non-operating expenses (+64 mn yen)

- Interest expenses, etc.
(New borrowings in 20th period) +74
- Amortization of investment corporation
bonds issuance cost +23
- Interest expenses, etc. (Existing borrowings) △27

Increase/decrease factor (20th – 21th)

•Operating revenue (+435 mn yen)

- Full period contribution of property
acquisition in 20th period +285
- Full period contribution of "fixed rent ML"
revision/change in 20th period +32
- "Fixed rent ML" revision/change (21st period) +79

•Operating expenses (+323 mn yen)

- Full period contribution of property
acquisition in 20th period +81
- Full period contribution of "fixed rent ML"
revision/change in 20th period +50
- "Fixed rent ML" revision/change (21st period) +187

•Non-operating expenses (+24 mn yen)

- Full period contribution of
new borrowings in 20th period +26

1-6 Mori Hills REIT's basic policies & features

(1) Invest in premium properties in Central Tokyo

- **No. 1 property percentage in Central Tokyo**
 - ⇒ Ratio of Tokyo's Five Central Wards and their vicinity: 100%
 - ⇒ Ratio of Tokyo's Three Central Wards: 85.6%
- **Pursue No. 1 earthquake-resistance capability**
 - ⇒ Lowest portfolio PML of all listed J-REITs: 1.00%
- **Pursue No. 1 environmental performance**
 - ⇒ Ratio of properties that acquired highest rank in Green Building Certification: 71.3%

(Note) The ratios are calculated based on the assumed portfolio as of April, 2016.



(2) Dividend-driven management

- **"Dividend-driven management" as the basic policy**
 - ⇒ Dividend per unit has been increasing for 11 consecutive fiscal periods
(From period ended July 2010 to period ended January 2016)
 - ⇒ Annual average growth rate : +12.4%
(From period ended July 2010 to period ended January 2016)

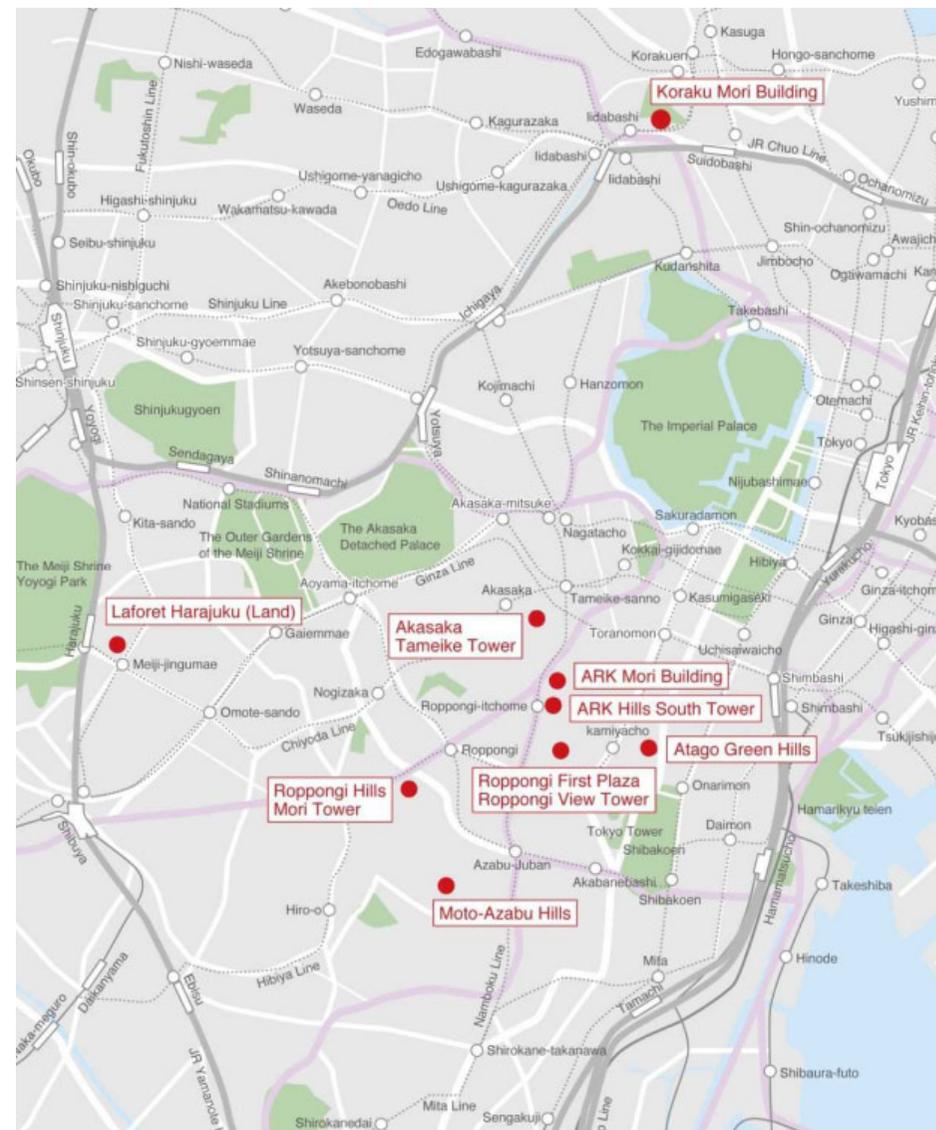
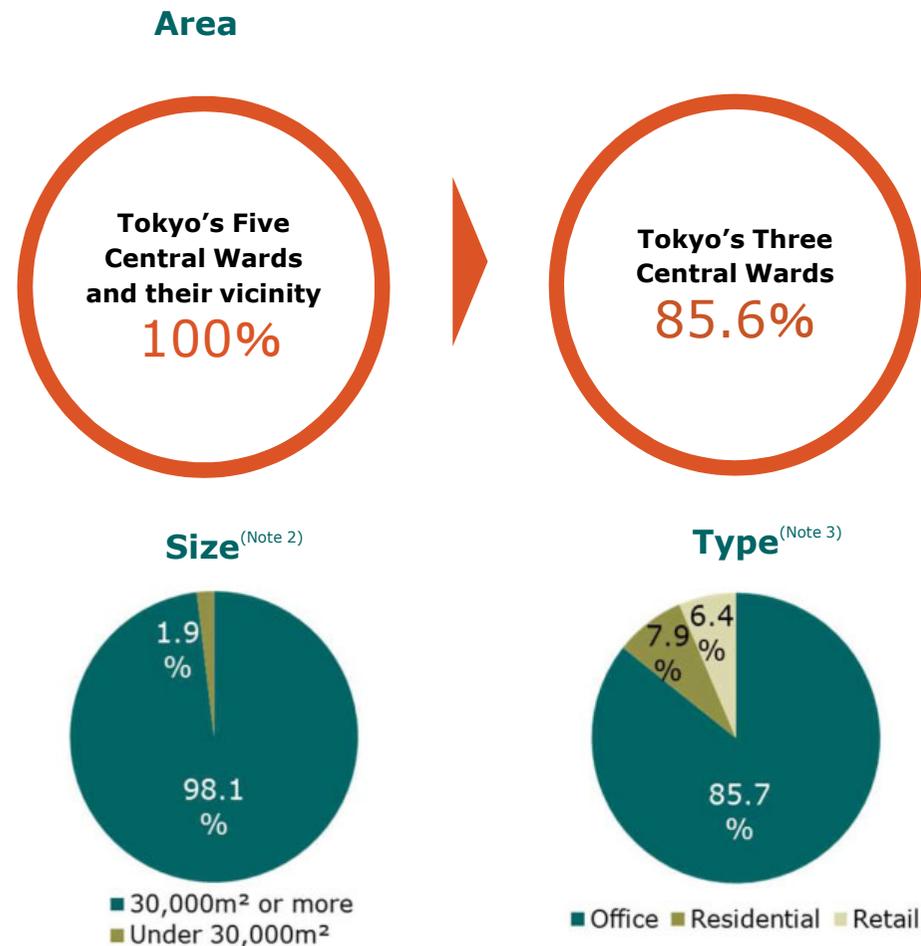
(3) Utilize strengths of Mori Building Group

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

1-7 (1) Invest in premium properties in Central Tokyo

No. 1 property percentage in Central Tokyo

Portfolio breakdown (Post acquisition: Total of 339.8 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.

Pursue No 1. earthquake-resistance capability

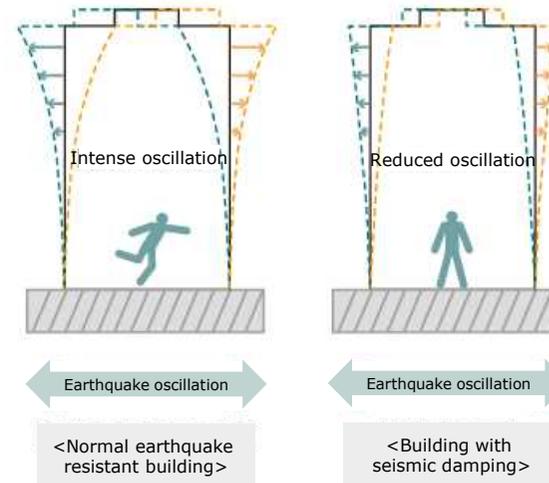
Earthquake-resistant features (Post acquisition)

**Lowest portfolio
PML of all listed
J-REITs
1.00%**

※ PML refers to the probable maximum loss 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
Akasaka Tameike Tower			1.79%	Seismic damping
Atago Green Hills	MORI Tower	Office (Partly residential)	2.35%	Seismic damping
	Forest Tower		2.34%	Seismic damping
	Plaza		5.94%	—
Moto-Azabu Hills	Forest Tower	Residential	0.57%	Seismic isolators
	Forest Terrace East		1.27%	Seismic isolators
Roppongi First Plaza			2.20%	—
Roppongi View Tower			2.20%	—

Seismic damping

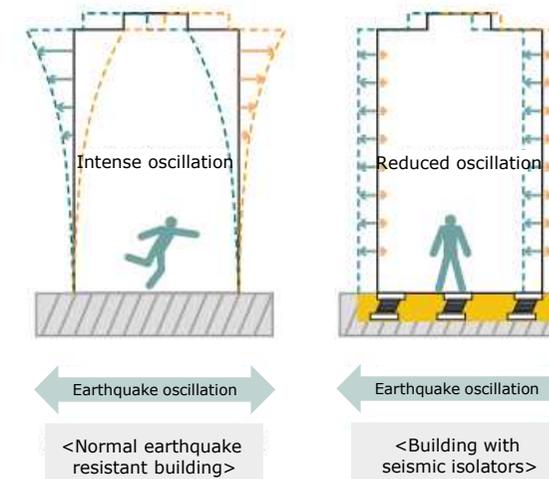


Seismic damping reduces earthquake magnitude of oscillation by approx. 20%



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

Pursue No. 1 environmental performance

Certified green buildings (Post acquisition)



CASBEE for Market Promotion: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (Mori Tower)

DBJ Green Building Certification: Five stars



ARK Hills South Tower



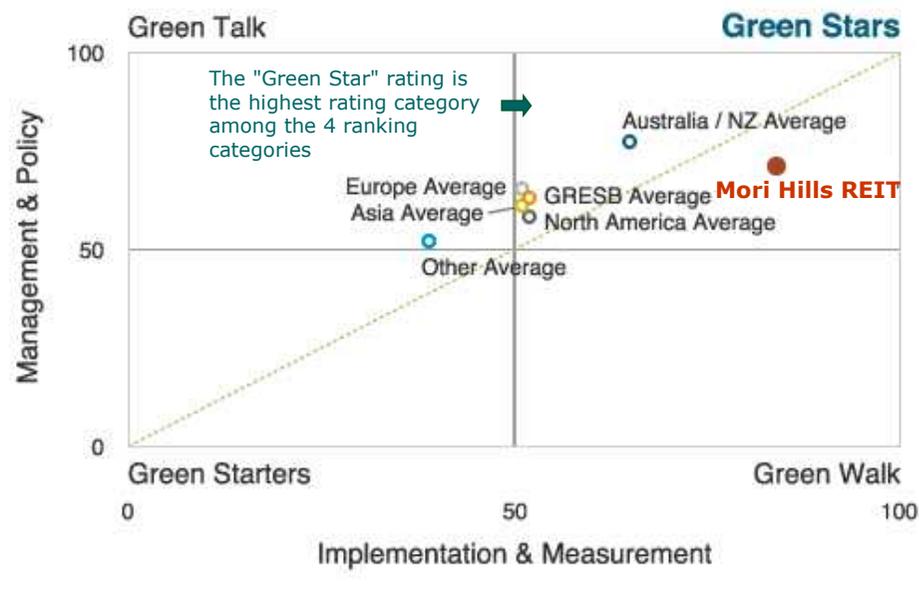
Acquired GRESB Green Star Rating

In the 2015 GRESB Survey, MHR received Green Star rating for four consecutive years, and earned a score that ranks it No. 1 out of the participants investing mainly in offices in Japan.



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

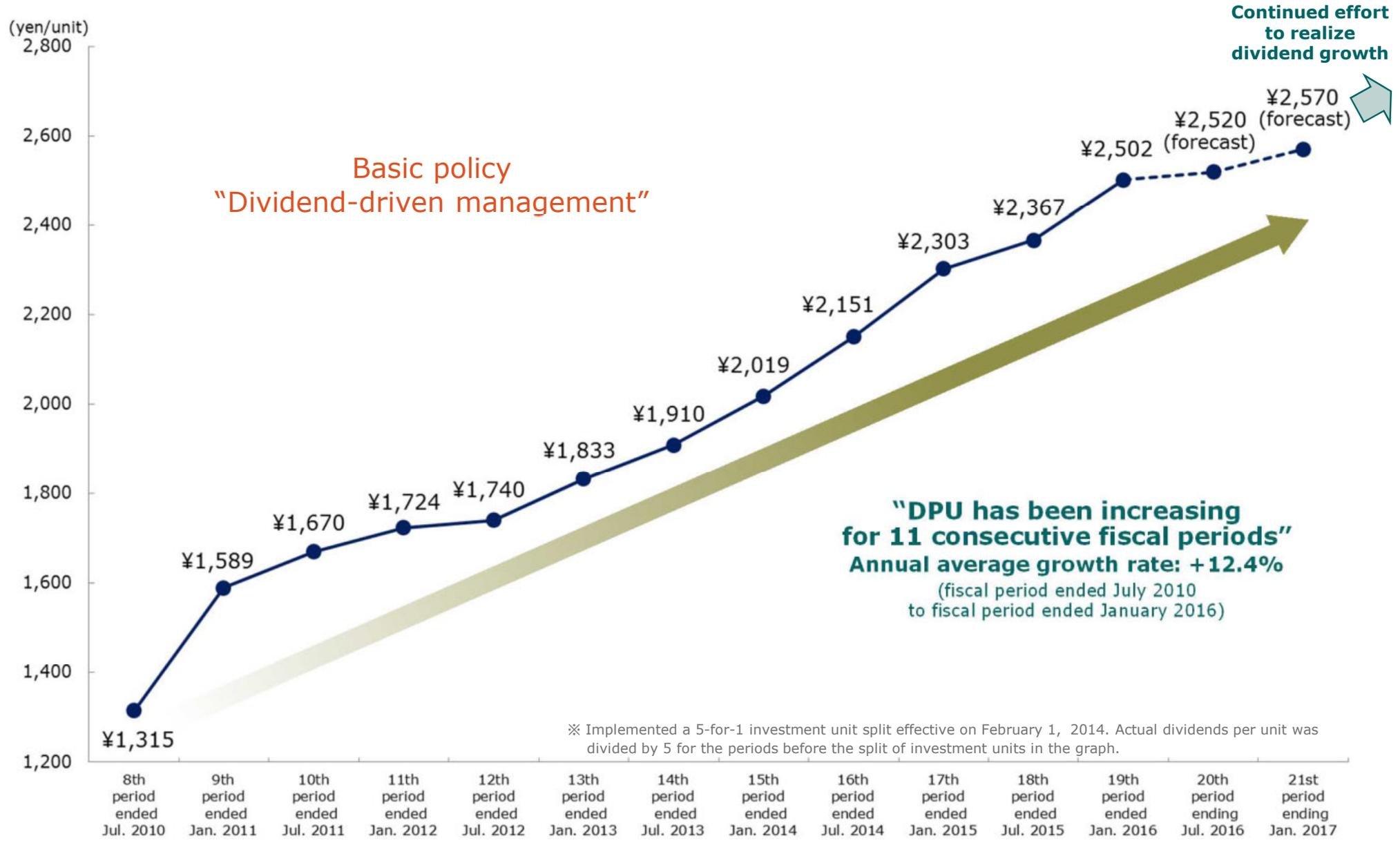
<GRESB Four-Quadrant Model Scores by Region>



(Source) Prepared by the Asset Manager based on the "2015 GRESB Report" of the Global Real Estate Sustainability Benchmark (GRESB)

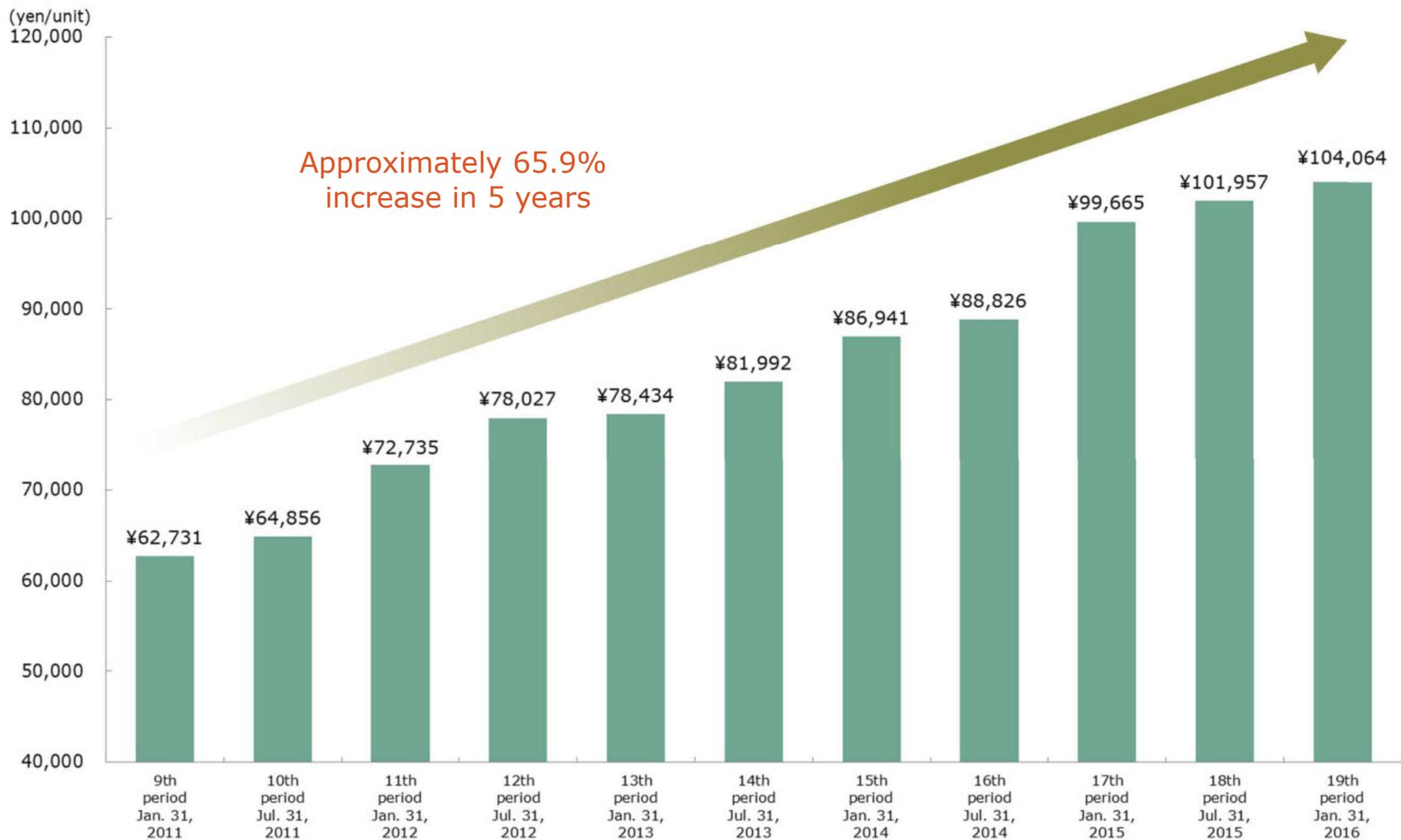
1-10 (2) Dividend-driven management

Dividends per unit growth record



1-11 (2) Dividend-driven management

Increase in appraisal NAV per unit (Reference)



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

1-12 (3) Utilize strengths of Mori Building Group

Mori Building's extensive property pipeline

- Total assets: 1.7 trillion yen
- Number of properties under management: 113 buildings (as of March 31, 2015)

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

Recent redevelopment projects

A Toranomon 1-chome District Urban Redevelopment Project



B Forest Terrace Toriizaka



a)	Approx. 10,360㎡	a)	Approx. 4,434㎡
b)	Approx. 173,620㎡	b)	Approx. 15,210㎡
c)	Office/Retail/Church/Business support facility/Parking	c)	Residential
d)	Toranomon 1-chome district urban redevelopment consortium (Note 2)	d)	Mori Building Co., Ltd.
e)	Fiscal 2019 (Anticipated)	e)	September 15, 2015
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



〈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



〈Office/Residential/Retail〉

6 Moto-Azabu Hills (Partly owned by MHR)



〈Residential〉

7 Roppongi Sakurazaka Residence



〈Residential〉

8 Omotesando Hills



〈Retail/Residential〉

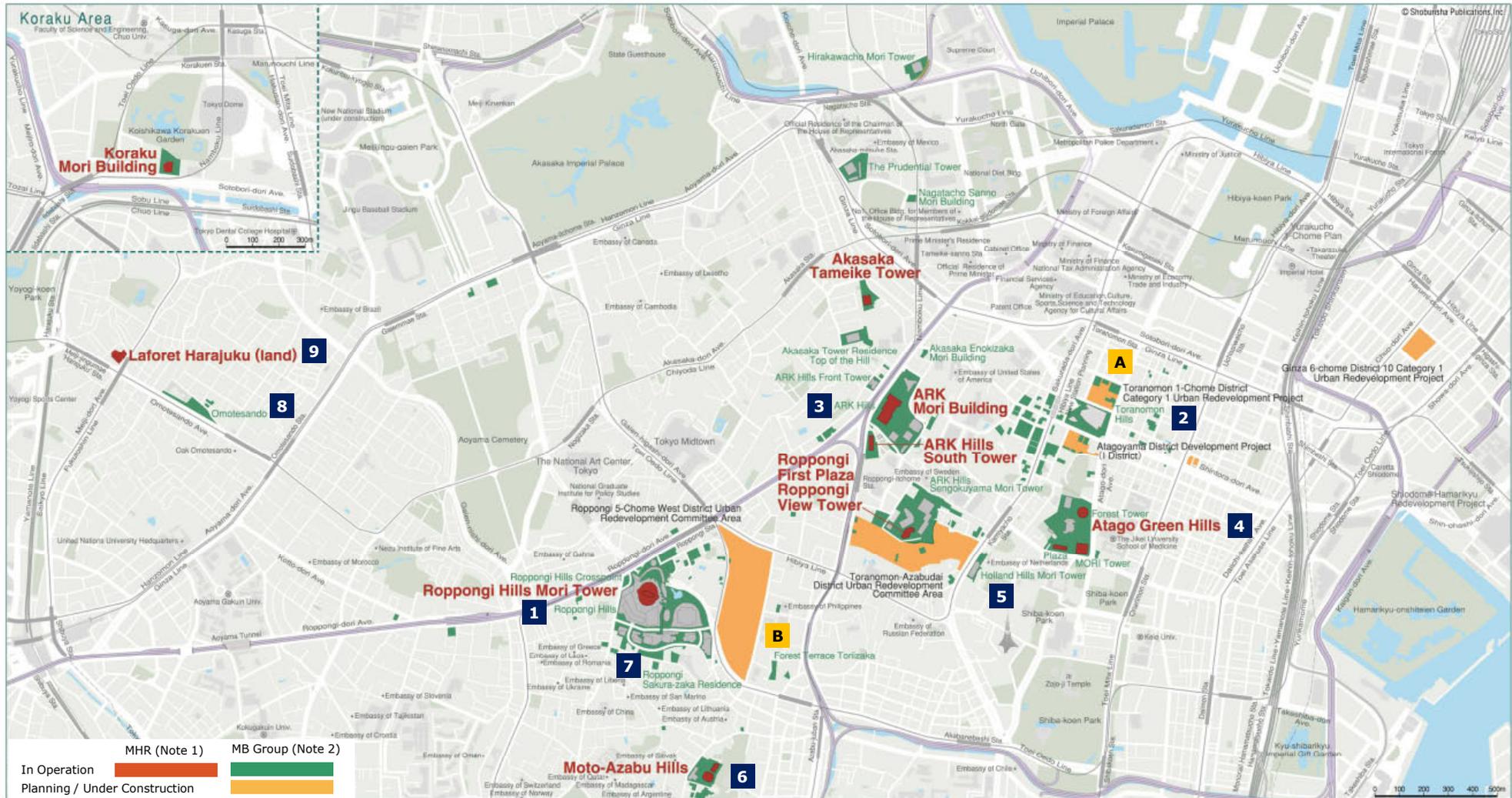
9 Laforet Harajuku (Land owned by MHR)



〈Retail〉

1-13 (3) Utilize strengths of Mori Building Group

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 2016."

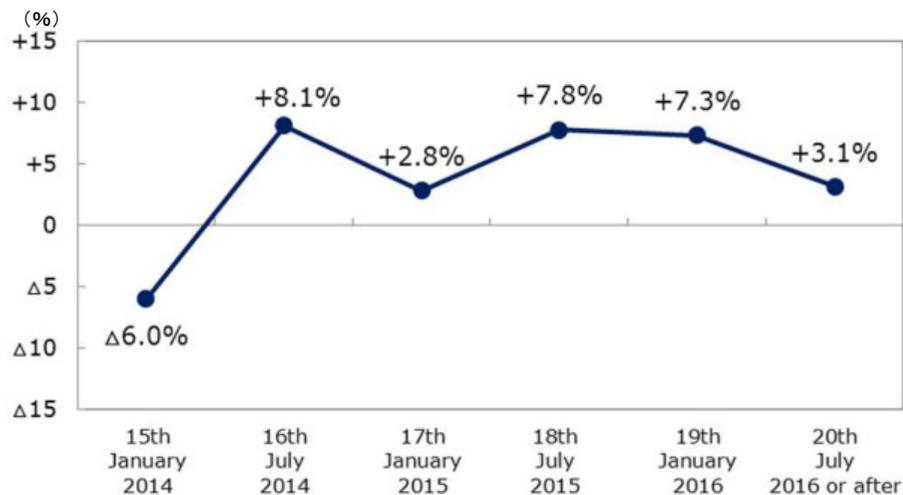
(Note 1) Some of the properties have been partially acquired and held by MHR.

(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.

1-14 Internal growth

Ongoing steady internal growth

Result of office tenants' rent revision



	Monthly rent prior to rent change	Monthly rent after rent change	Increase/decrease in monthly rent	Rate of revision
15th (ended Jan. 2014)	12.9 mn yen	12.1 mn yen	Δ0.7 mn yen	Δ 6.0%
16th (ended Jul. 2014)	18.1 mn yen	19.6 mn yen	+1.4 mn yen	+ 8.1%
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 (ending Jul. 2016) or after	23.3 mn yen	24.1 mn yen	+0.7 mn yen	+ 3.1%

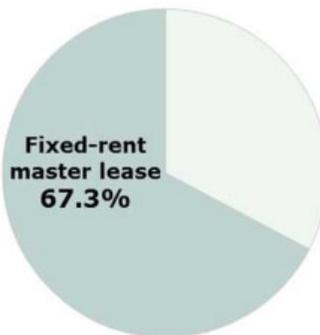
Outlook of fixed rent master lease properties ratio

<April 2016>



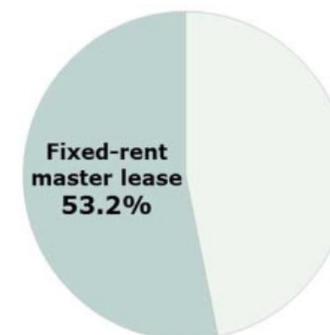
<August 2016>

Akasaka Tameike Tower (office) – change to a “pass-through ML”



<May 2017>

Atago Green Hills – change to a “pass-through ML”



(Note) “Fixed rent master lease properties ratio” is calculated based on the assumed portfolio as of April 1, 2016.

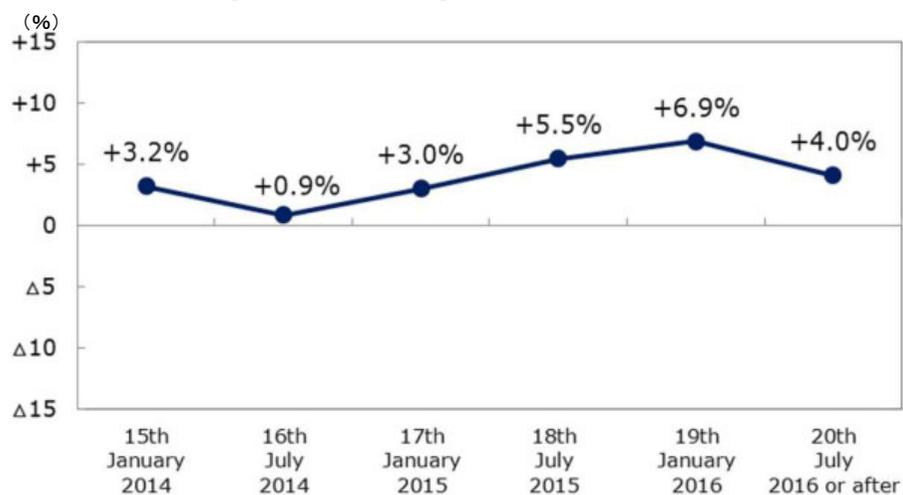
1-15 Internal growth

Breakdown of monthly rent revenue and agreement renewal timing

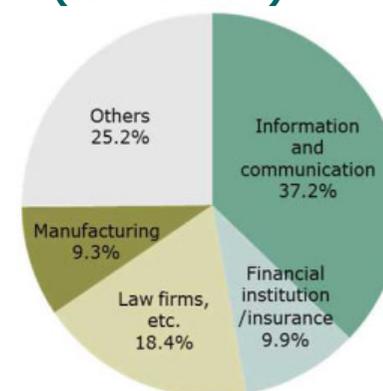
Tenant	Type of lease contract	Total rent per month	Ratio	Agreement renewal timing				
				20th period	21st period	22nd period	23rd period	24th period-
Office tenant	Limited term	158.3	12.1%	—	36.8	82.4	11.5	27.4
	Traditional	891.3	67.9%	0.3	246.9	124.7	—	519.3
	Total	1,049.6	80.0%	0.3	283.7	207.1	11.5	546.7
Residential tenant	Limited term	33.8	2.6%	2.4	5.6	7.7	7.8	10.0
	Traditional	90.1	6.9%	36.1	2.1	51.4	0.4	—
	Total	124.0	9.5%	38.6	7.7	59.2	8.3	10.0
Retail tenant	Limited term (Land)	102.4	7.8%	—	102.4	—	—	—
	Traditional	17.9	1.4%	—	—	—	—	17.9
	Total	120.3	9.2%	—	102.4	—	—	17.9
Sub total		1,294.0	98.6%	39.0	393.9	266.3	19.8	574.8
Retail, parking and others		18.0	1.4%					
Total		1,312.1	100%					

(Note) Figures reflect the new property acquired/to be acquired, rent revision/change in payer of the building management fee of and ARK Mori Building (13th/12th and 22nd/23rd and 25th floors), and move outs confirmed as of January 31, 2016. Although the master lease agreement of Akasaka Tameike Tower (residential units) will be changed to a pass-through type as of April 1, 2016, total monthly rent is calculated based on the monthly rent pursuant to the fixed rent master lease agreement.

Result of residential tenants' rent revision (Reference)



Tenant Contribution by Industry Type-Office (Reference)



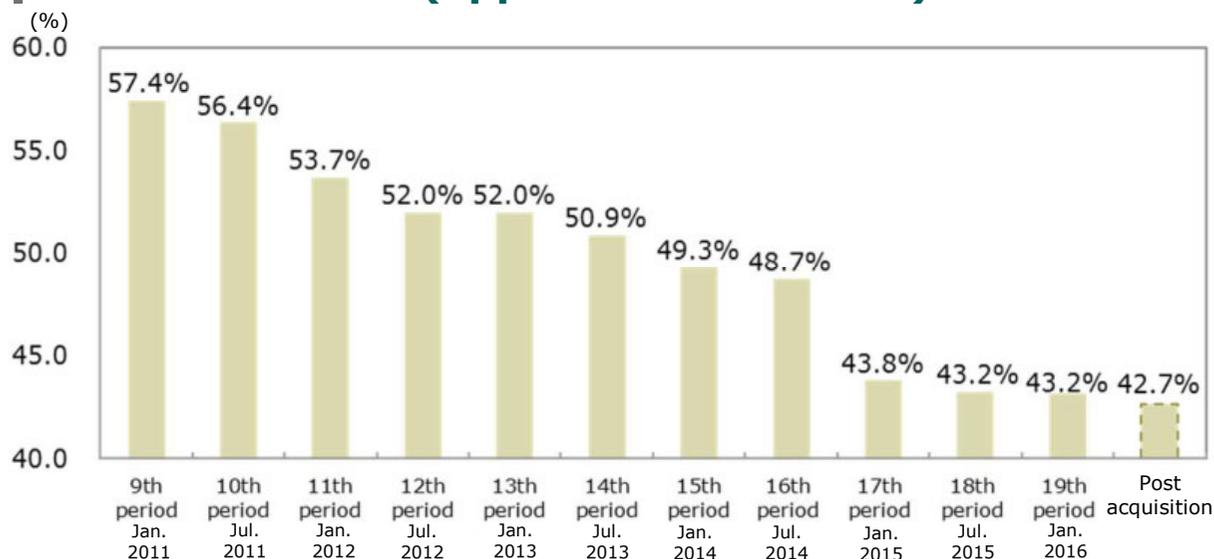
(Note 1) Figures are calculated based on monthly rents which reflect move outs confirmed as of January 31, 2016.

(Note 2) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of January 31, 2016. As for properties jointly owned with third parties, ratios are calculated by multiplying by co-ownership interest.

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

Improved LTV enabled MHR to negotiate lower interest rates

Reduction in LTV (appraisal value basis)



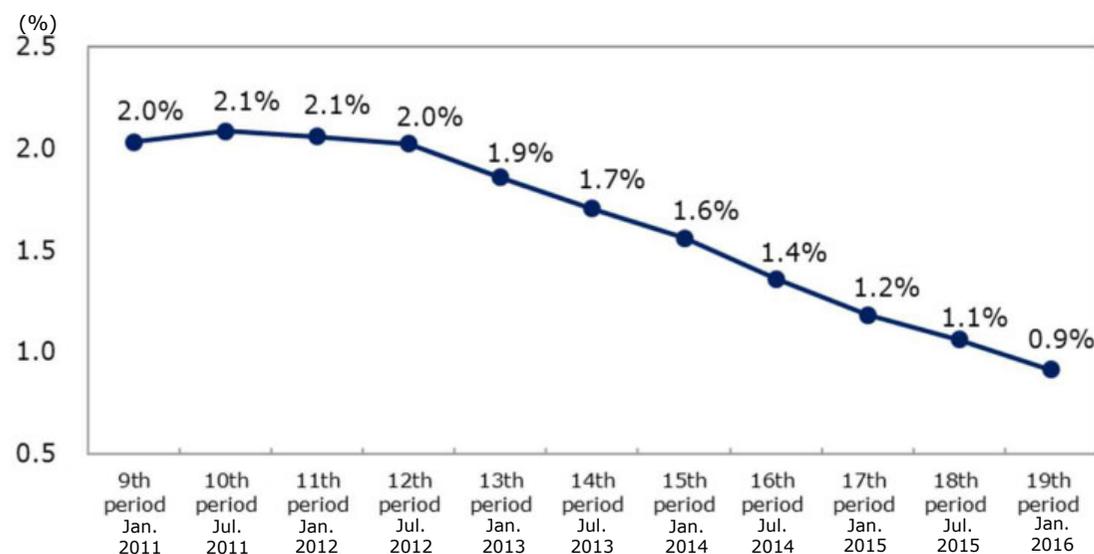
Overview of debt financing

	End of 18th period Jul. 31, 2015	End of 19th period Jan. 31, 2016
Debt Balance	130,200 mn yen	132,700 mn yen
LTV (book value basis) (Note 1)	44.1%	44.5%
LTV (appraisal value basis) (Note 2)	43.2%	43.2%
Avg. remaining duration	3.7 years	4.4 years

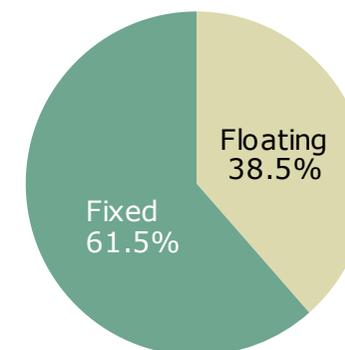
(Note 1) LTV (book value basis) is calculated as [Interest bearing debt / Total assets]

(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)

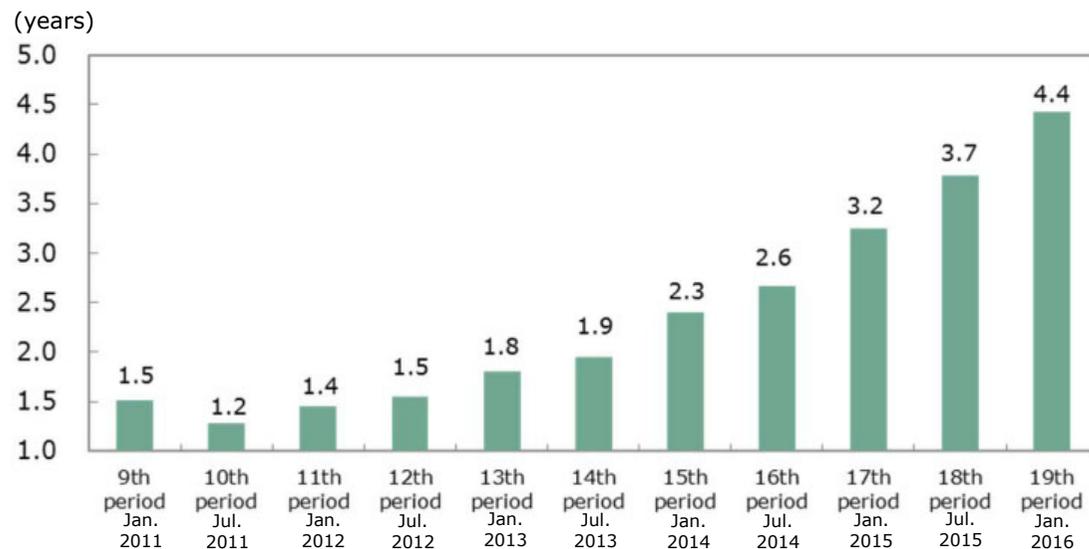


Status of floating rate ratio (Post acquisition)



(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

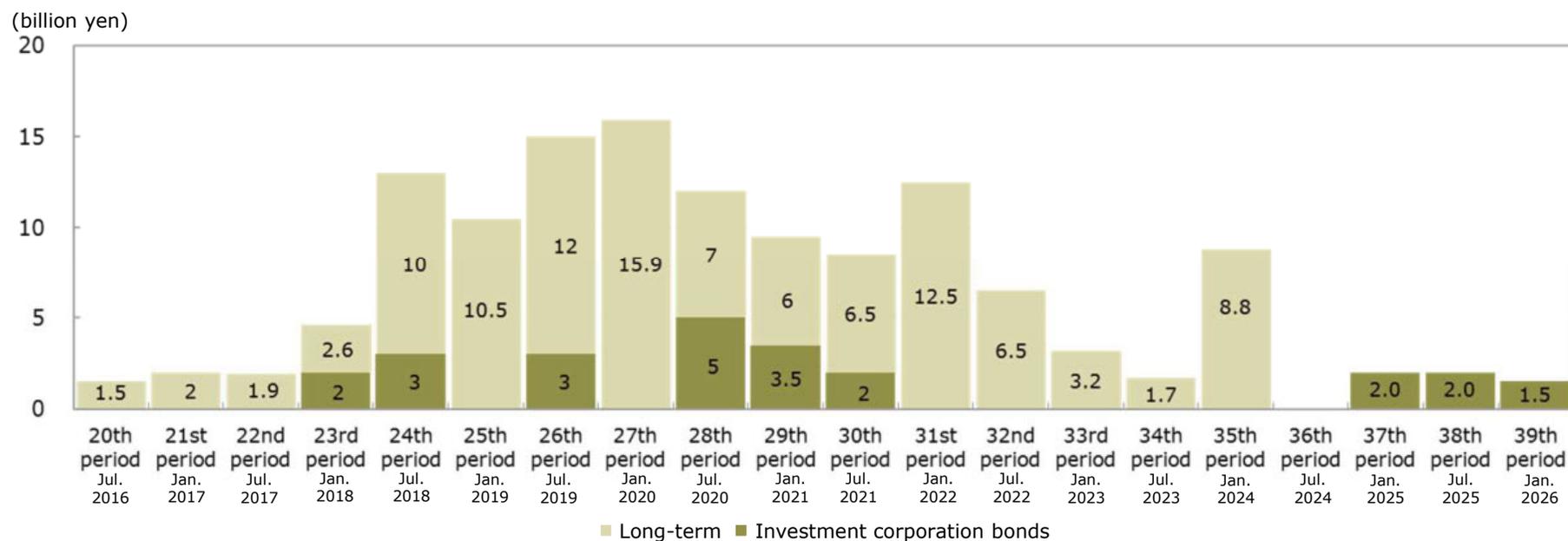


Rating

Japan Credit Rating (JCR)

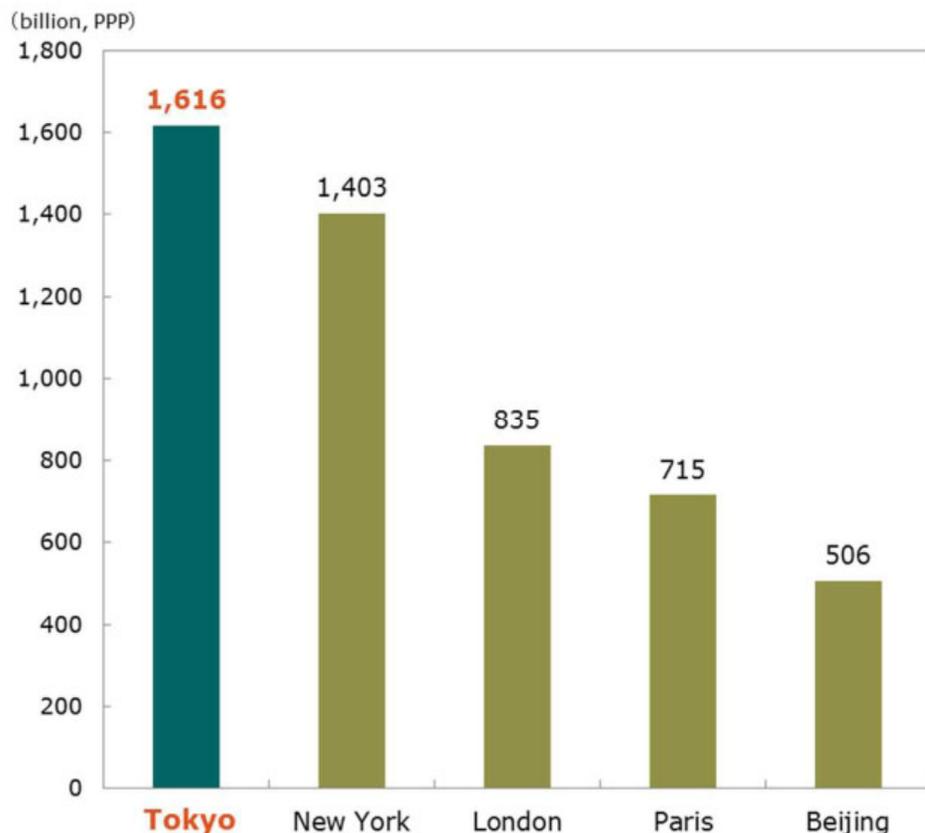
Long-term issuer rating:
AA- (Stable)

Overview of maturity (as of January 31, 2016)



1-18 Competitive strength of Central Tokyo

GDP of major metropolitan areas



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

Population of urban concentration areas

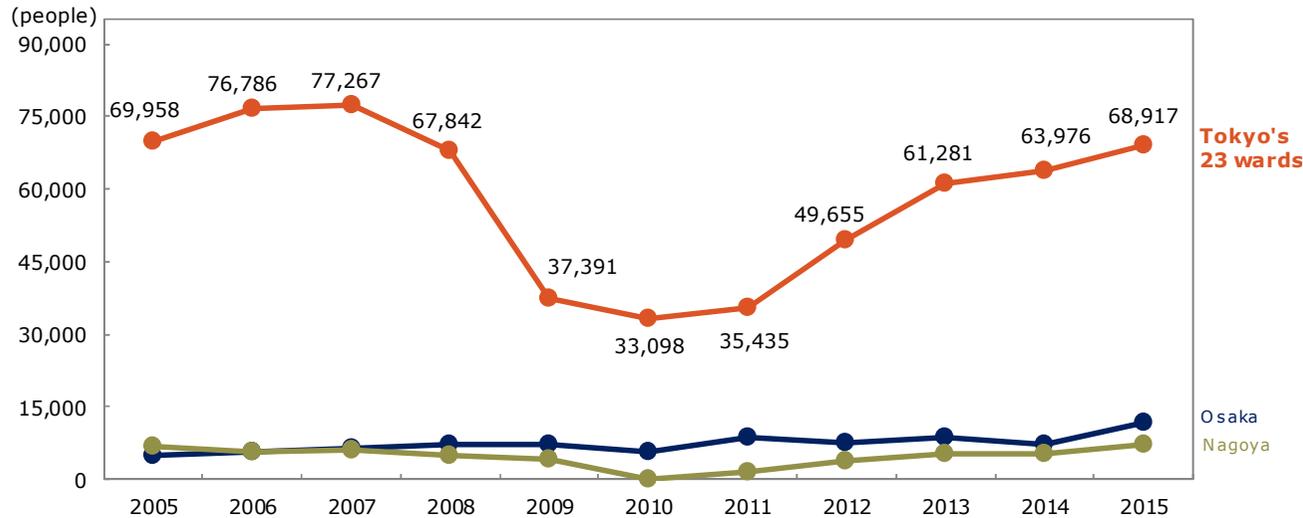
2014			2030		
Rank	Urban concentration area	Population (in thousands)	Rank	Urban concentration area	Population (in thousands)
1	Tokyo (Japan)	37,833	1	Tokyo (Japan)	37,190
2	Delhi (India)	24,953	2	Delhi (India)	36,060
3	Shanghai (China)	22,991	3	Shanghai (China)	30,751
4	Mexico City (Mexico)	20,843	4	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

1-19 Competitive strength of Central Tokyo

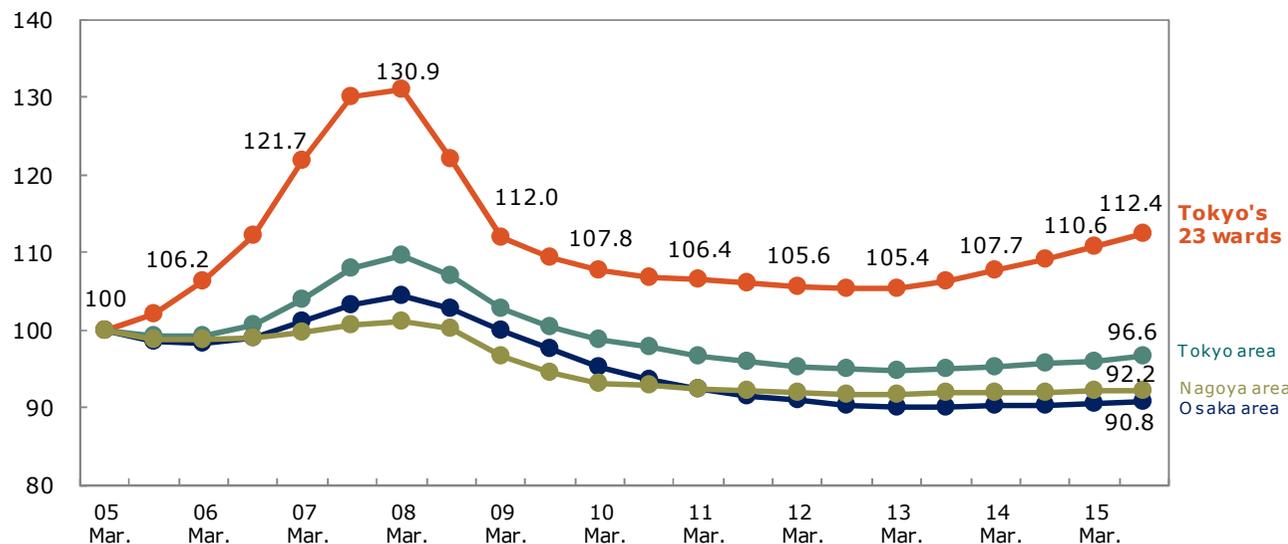
Trend of net migration



- Tokyo's 23 wards have experienced net population growth for 19 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)



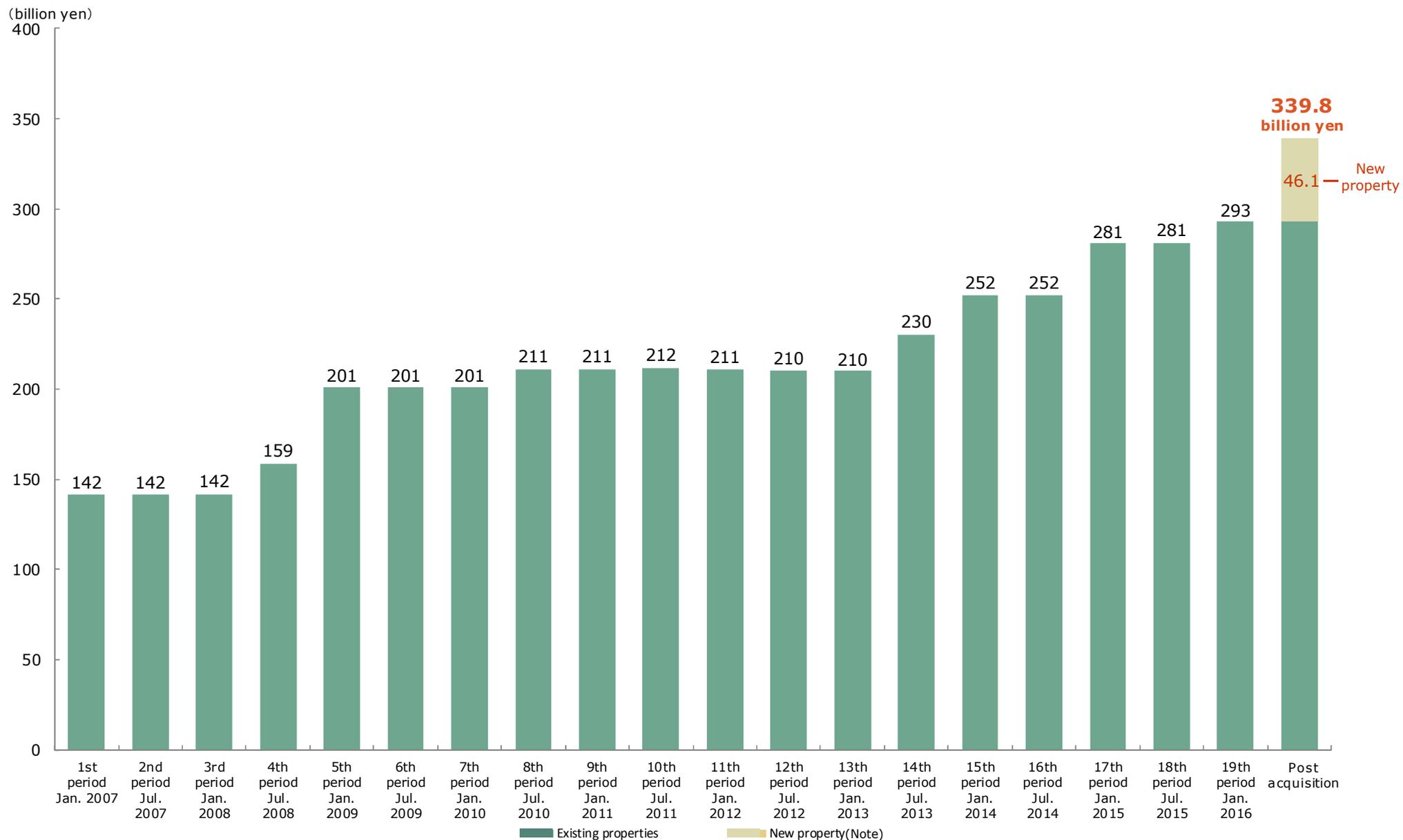
- Land price level of central Tokyo has consistently surpassed the level of March 2005, showing a clear difference from those of other metropolitan areas in Japan that have been on a declining trend
- However, since investment should be made carefully after asset values have surged, we intend to exercise prudence concerning investment prices.

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

2. Operation highlights



2-1 Change in assets under management

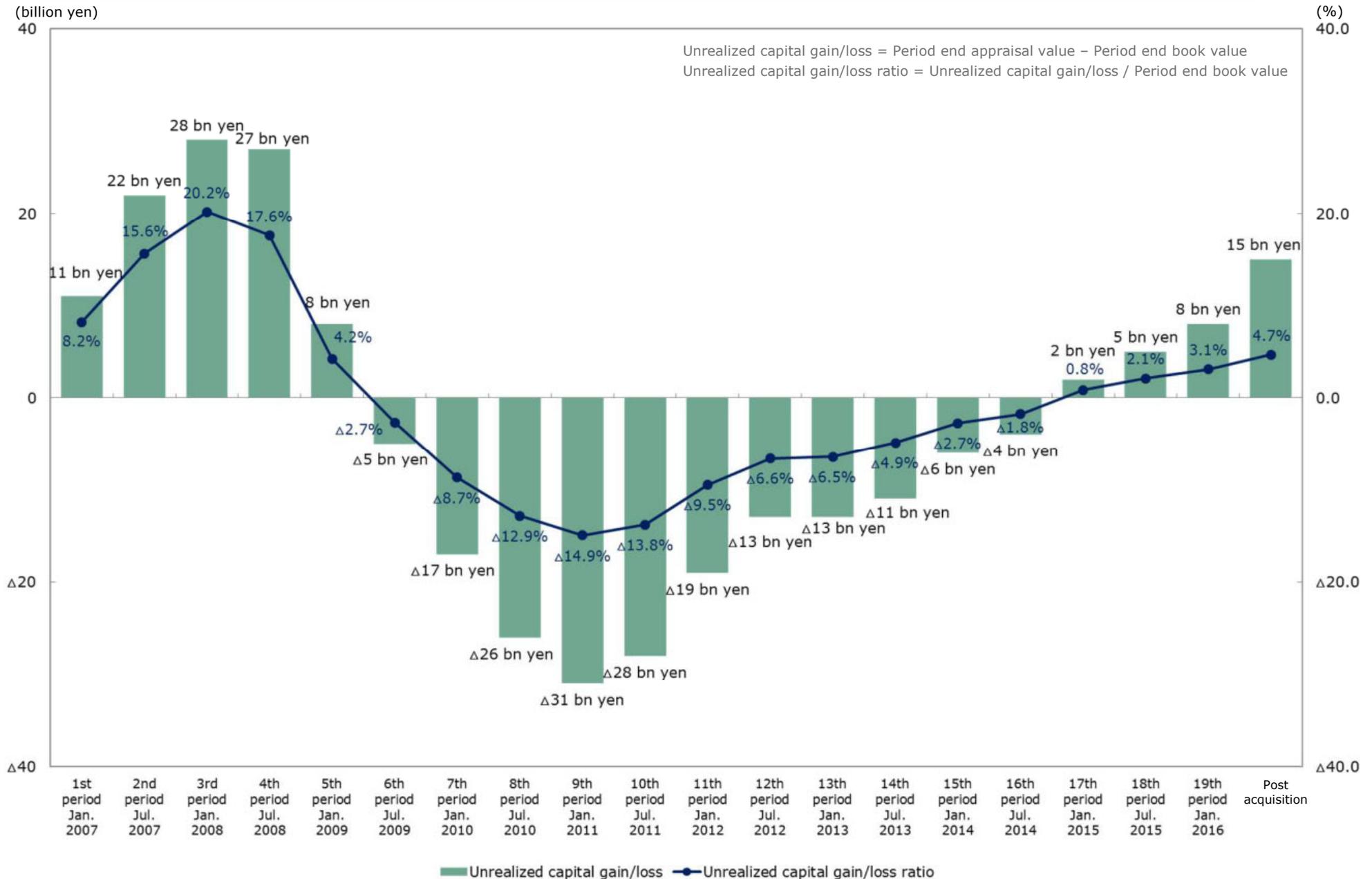


(Note) New property refers to portions of "Roppongi Hills Mori Tower" additionally acquired/to be acquired on February 1, 2016 and April 1, 2016.

2-2 Change in unrealized capital gain/loss



HILLS REIT



2-3 Appraisal value

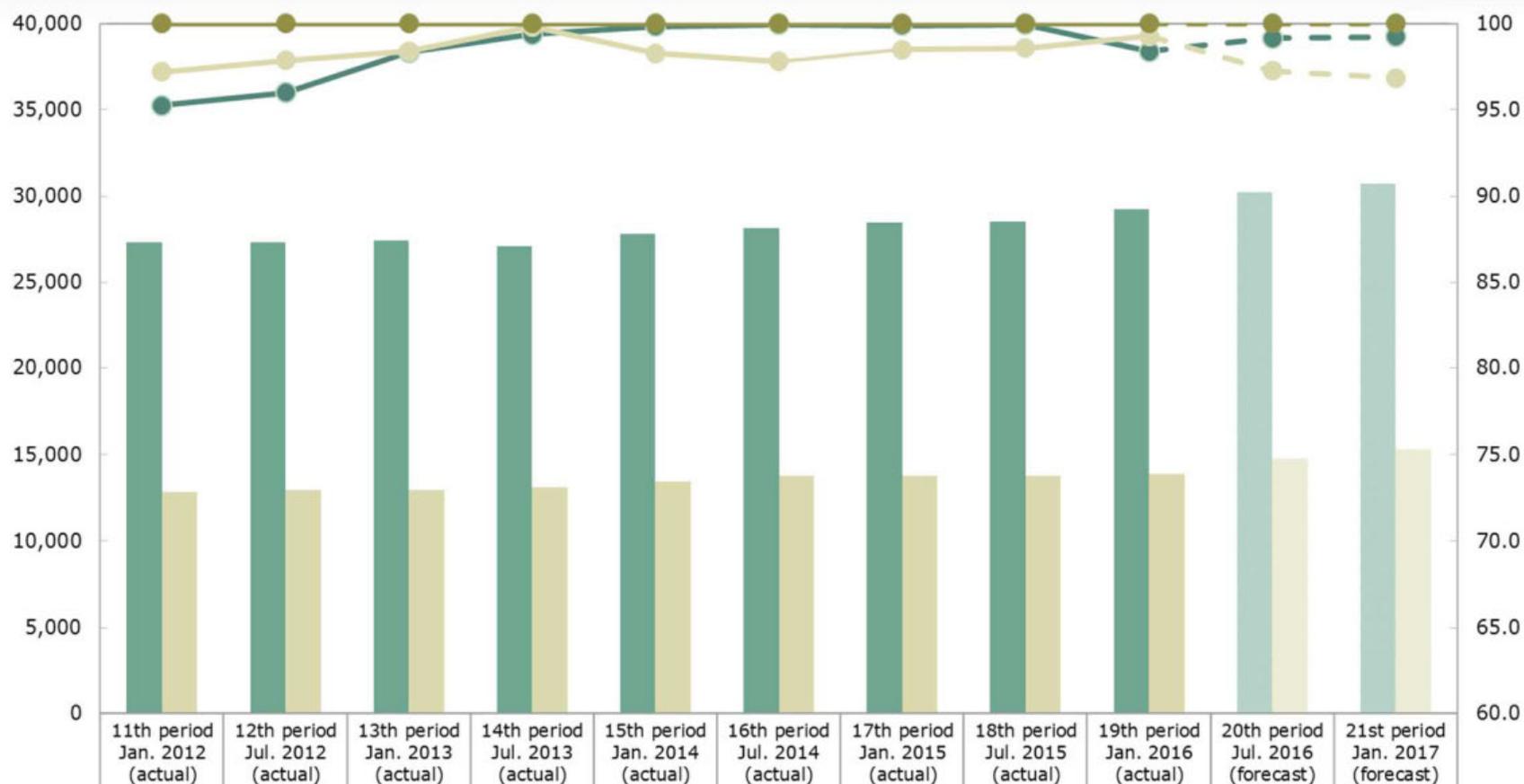
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 18th period Jul. 31, 2015		As of end of 19th period Jan. 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	69,280	68,108	66,100	3.6%	80,900	3.5%	3.2%	3.7%	14,800	22.4%	12,791
	ARK Mori Building	O-1	62,480	61,614	59,100	3.9%	57,000	3.7%	3.4%	3.9%	△ 2,100	△ 3.6%	△ 4,614
	Koraku Mori Building	O-4	27,200	25,170	22,900	4.1%	23,400	4.0%	3.6%	4.3%	500	2.2%	△ 1,770
	Akasaka Tameike Tower	O-6	43,930	42,205	30,200	4.0%	29,300	4.0%	3.7%	4.2%	△ 900	△ 3.0%	△ 12,905
	Atago Green Hills	O-7	42,090	41,358	45,800	4.1%	45,800	4.1%	3.6%	4.3%	0	0.0%	4,441
	ARK Hills South Tower	O-8	19,150	19,090	21,500	3.7%	22,100	3.6%	3.4%	3.8%	600	2.8%	3,009
	Sub total			264,130	257,547	245,600	—	258,500	—	—	—	12,900	5.3%
Residential	Moto-Azabu Hills	R-1	1,706	1,630	1,940	4.1%	1,990	4.0%	3.6%	4.2%	50	2.6%	359
	Roppongi First Plaza	R-3	2,100	2,249	1,700	4.6%	1,770	4.5%	4.3%	4.7%	70	4.1%	△ 479
	Roppongi View Tower	R-4	4,000	3,904	2,490	4.7%	2,580	4.6%	4.4%	4.8%	90	3.6%	△ 1,324
	Sub total			7,806	7,784	6,130	—	6,340	—	—	—	210	3.4%
Retail and other	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	30,000	4.4%	31,500	—	4.3%	—	1,500	5.0%	9,425
	Sub total			21,820	22,074	30,000	—	31,500	—	—	—	1,500	5.0%
Total			293,756	287,406	281,730	—	296,340	—	—	—	14,610	5.2%	8,933

(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 18th period shows the discount rate used in the DCF analysis.

2-4 Changes in the rent and occupancy rates



Office rent (yen/tsubo)	27,314	27,323	27,440	27,116	27,788	28,119	28,482	28,536	29,253	30,238	30,722
Residential rent (yen/tsubo)	12,833	12,957	12,944	13,105	13,432	13,763	13,782	13,765	13,894	14,749	15,281
Office occupancy (%)	95.3%	96.0%	98.3%	99.4%	99.8%	100%	99.9%	100%	98.4%	99.1%	99.2%
Residential occupancy (%)	97.2%	97.9%	98.4%	99.8%	98.3%	97.8%	98.5%	98.6%	99.3%	97.3%	96.9%
Retail occupancy (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(Reference: Actual results in 10th period and before)

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

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

2-5 Overview of fixed rent master lease properties

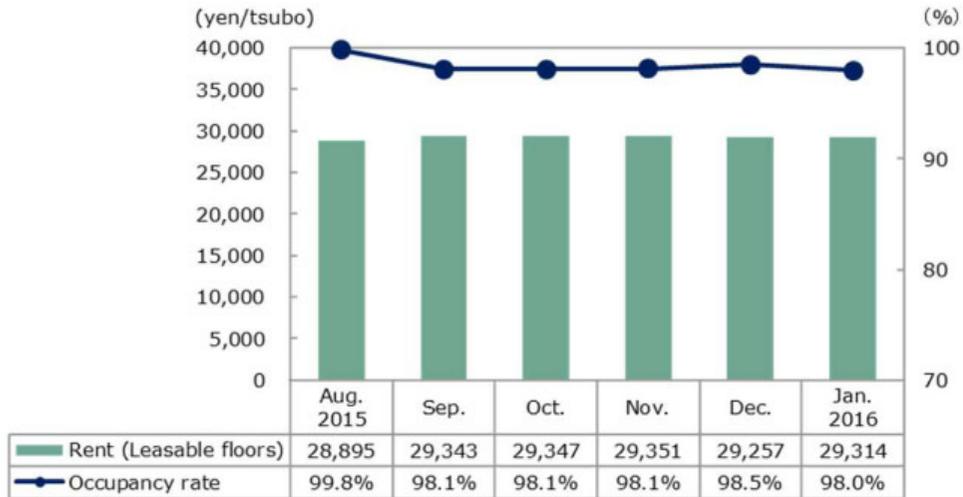
Overview of fixed rent master lease properties by the sponsor (Post acquisition)

Property name	Total monthly rent (mn yen)	% of portfolio total rent (Note)	Breakdown of property	Leased floor area (m ²)	Monthly rent (mn yen)	Payer of the management association fee	Next rent revision	Expiration of the lease agreement
Roppongi Hills Mori Tower (10 floors)	476.5	36.3%	23th & 24th	8,993.45	100.6	Master lessee	Aug. 2016	Jul. 2021
			19th & 22th	8,609.47	95.0	MHR	—	Sep. 2018
			20th	3,879.19	42.8	MHR	—	Jul. 2019
			28th	4,460.13	49.2	MHR	—	Sep. 2020
			25th	4,156.66	45.8	MHR	—	Jan. 2021
			26th & 27th & 29th	12,942.64	142.9	MHR	—	Mar. 2021
ARK Mori Building (8 floors + DHC)	221.0	16.8%	13th / 12th & 22th	7,952.55	77.9	MHR	—	Jan. 2021
			23th & 25th	5,742.95	55.5	MHR	—	Jan. 2021
			4th & 15th & 24th	7,680.52	69.7	Master lessee	Aug. 2016	Jan. 2021
			DHC	3,212.41	17.9	Master lessee	Apr. 2018	Mar. 2023
Akasaka Tameike Tower (8 office floors)	76.5	5.8%	Office	10,327.92	76.5	Master lessee	Aug. 2016	Mar. 2026
Atago Green Hills (approx. 32.9% of entire property)	185.2	14.1%	Office/residential /retail	29,667.58	185.2	Master lessee	May 2017	Apr. 2022
Total	959.5	73.1%						

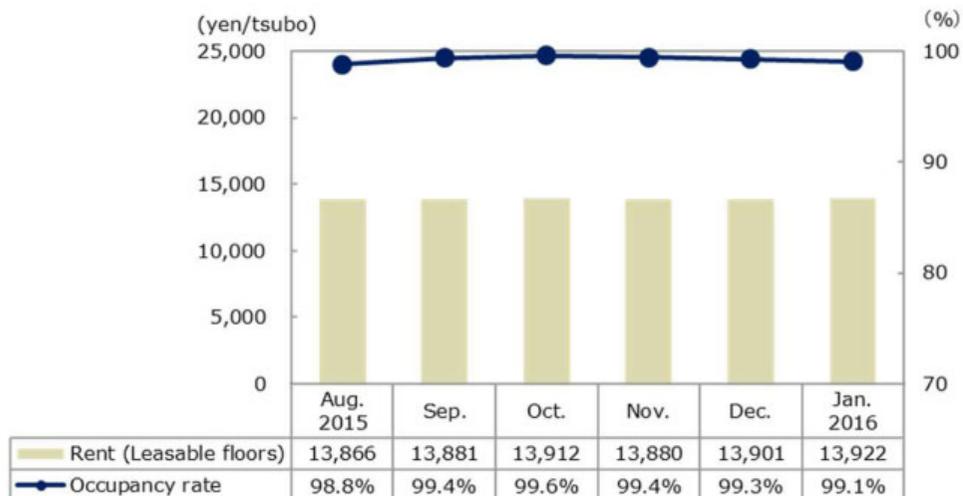
(Note) Figures reflect the new property acquired/to be acquired, rent revision/change in payer of the building management fee of and ARK Mori Building (13th/12th and 22nd/23rd and 25th floors), and move outs confirmed as of January 31, 2016. Although the master lease agreement of Akasaka Tameike Tower (residential units) will be changed to a pass-through type as of April 1, 2016, total monthly rent is calculated based on the monthly rent pursuant to the fixed rent master lease agreement.

2-6 Tenant status by month and tenants with large leased space

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



Top 5 tenants (Post acquisition)

End tenants	Property name	Leased space (Note)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Akasaka Tameike Tower Atago Green Hills ARK Hills South Tower	117,335.19 m ²	77.6%
Yahoo Japan Corporation	ARK Hills South Tower	3,841.53 m ²	2.5%
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		128,542.56 m ²	85.0%

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

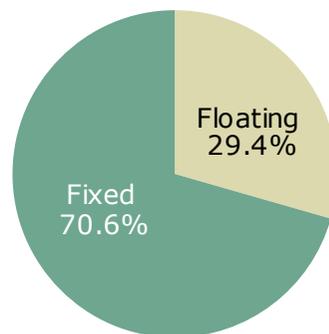
2-7 Financial overview (as of January 31, 2016)

Long and short-term debt ratio/Fixed rate ratio

<Long and short-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 18th period July 31, 2015	End of 19th period Jan. 31, 2016
Debt Balance	130,200 mn yen	132,700 mn yen
Short-term loan	—	—
Long-term loan	106,200 mn yen	108,700 mn yen
Investment corporation bonds	24,000 mn yen	24,000 mn yen
LTV (book value basis) (Note 1)	44.1%	44.5%
LTV (appraisal value basis) (Note 2)	43.2%	43.2%
DSCR (Note 3)	10.4x	12.1x
Avg. remaining duration	3.7 years	4.4 years
Weighted avg. interest rate	0.68%	0.62%

(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

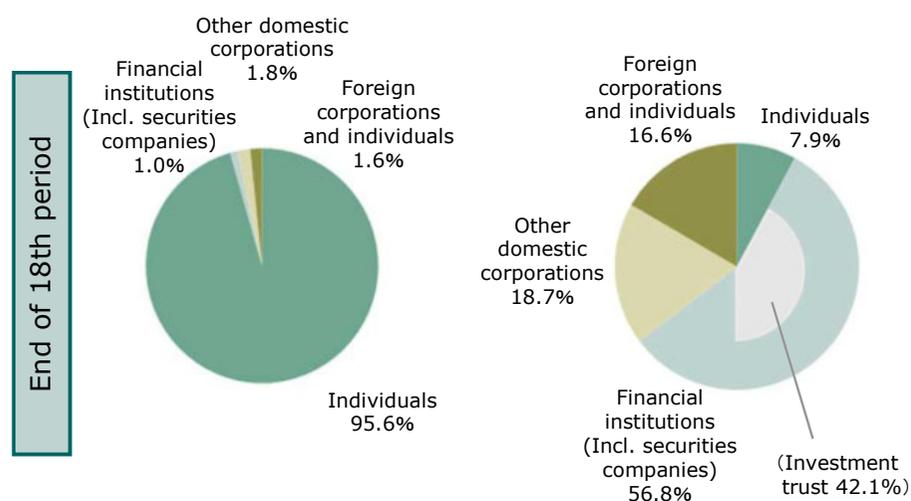
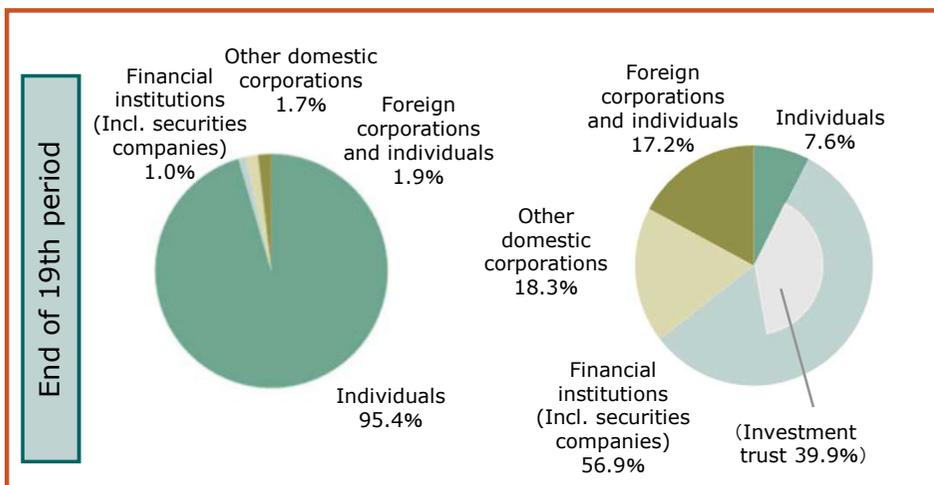
Lenders	Balance	Ratio
Mizuho Bank, Ltd.	16,198 mn yen	14.9%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,198 mn yen	14.9%
Mitsubishi UFJ Trust and Banking Corporation	16,198 mn yen	14.9%
Sumitomo Mitsui Banking Corporation	15,575 mn yen	14.3%
Sumitomo Mitsui Trust Bank, Limited	13,401 mn yen	12.3%
Aozora Bank, Ltd.	5,250 mn yen	4.8%
Development Bank of Japan, Inc.	4,950 mn yen	4.6%
The Norinchukin Bank	4,700 mn yen	4.3%
The Bank of Fukuoka, Ltd.	4,500 mn yen	4.1%
Resona Bank, Limited.	3,830 mn yen	3.5%
Shinsei Bank, Limited	2,900 mn yen	2.7%
The Hiroshima Bank, Ltd.	1,500 mn yen	1.4%
Mizuho Trust & Banking Co., Ltd.	1,500 mn yen	1.4%
Oita Bank Co. Ltd.	1,000 mn yen	0.9%
ORIX Bank Corporation	1,000 mn yen	0.9%
Total borrowings	108,700 mn yen	100%
Investment corporation bonds	24,000 mn yen	
Total interest-bearing debt	132,700mn yen	

2-8 Unitholders breakdown (As of January 31, 2016)

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)	369,535	23.5%
2	Mori Building Co., Ltd.	244,590	15.6%
3	Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust account)	141,381	9.0%
4	The Master Trust Bank of Japan, Ltd. (Trust account)	127,812	8.1%
5	The Nomura Trust & Banking Co., Ltd. (Trust account)	52,688	3.4%
6	STATE STREET BANK AND TRUST COMPANY Standing proxy : Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited	18,698	1.2%
7	Trust & Custody Service Bank of Japan, Ltd. (Taxable money trust account)	18,234	1.2%
8	Shikoku Railway Company	16,620	1.1%
9	NOMURA BANK (LUXEMBOURG) S. A. Standing proxy: Sumitomo Mitsui Banking Corporation	16,100	1.0%
10	THE BANK OF NEW YORK MELLON SA/NV 10 Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,689	1.0%
Top 10 unitholders total		1,021,347	65.1%

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



3-1 Business environment recognition & MHR's policy/strategy

Real estate market / Lending attitude

- Decrease of vacancy rate and gradual increase of rents of office buildings in central Tokyo is ongoing (Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
 - ⇒ Vacancy rate: 4.3% in 2016 → 4.2% in 2018
 - ⇒ Rent index: 115 in 2016 → 122 in 2018
- Although cap rates continue to remain at a low level, 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: 3.5% in April 2015 → 3.5% in October 2015
- Lending attitude toward the real estate industry continues to be at a highly positive level

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

Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and the core CPI rate of increase is at a low level partly due to the impact of the decrease in crude oil prices
 - ⇒ 10-year bond rates: $\Delta 0.065\%$ (February 29, 2016)
 - ⇒ Core CPI: $+0.0\%$ (January 2016)
- In the January 2016 preliminary business conditions composite index, the leading index was at 101.4 (0.4PT decrease from previous month) and the coincident index was at 113.8 (2.9PT increase from previous month). Figures show a downward trend partly due to concerns over global business sentiment.
- The growth of money stock is declining slightly. Moreover, the issue of wage increases can be seen from the consumer confidence survey and the monthly labor survey. Future trends will be scrutinized.

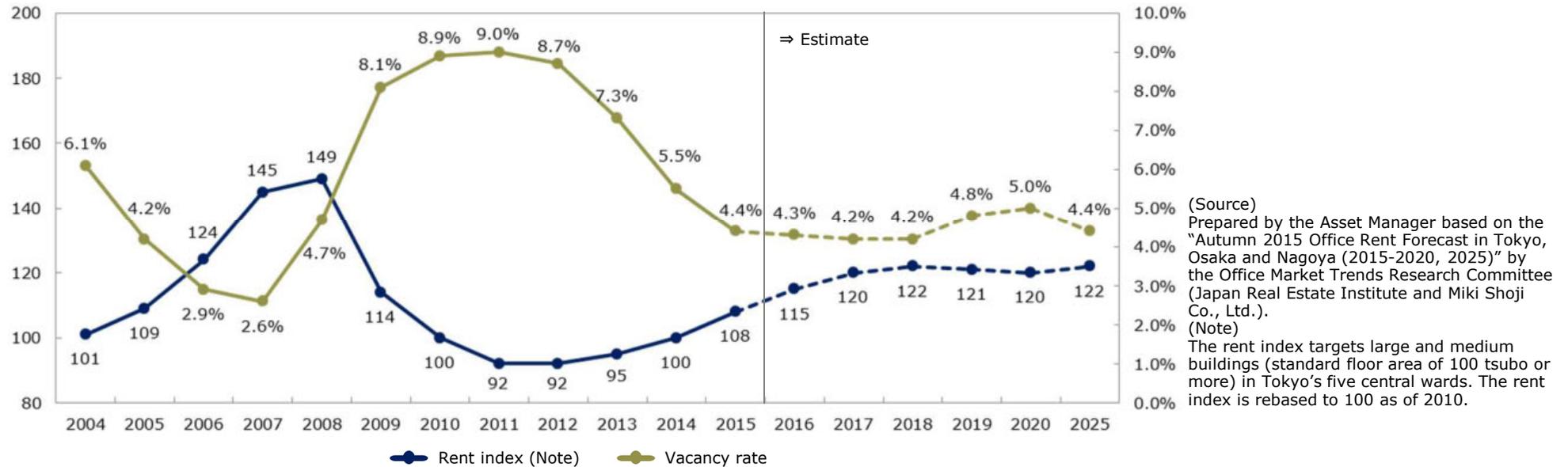
- Caution should be exercised as there is concern over the possible weakening in global business sentiment
- Interest rate level is expected to remain low for the time being partially due to the introduction of negative interest rates by the Bank of Japan

MHR's policy/strategy

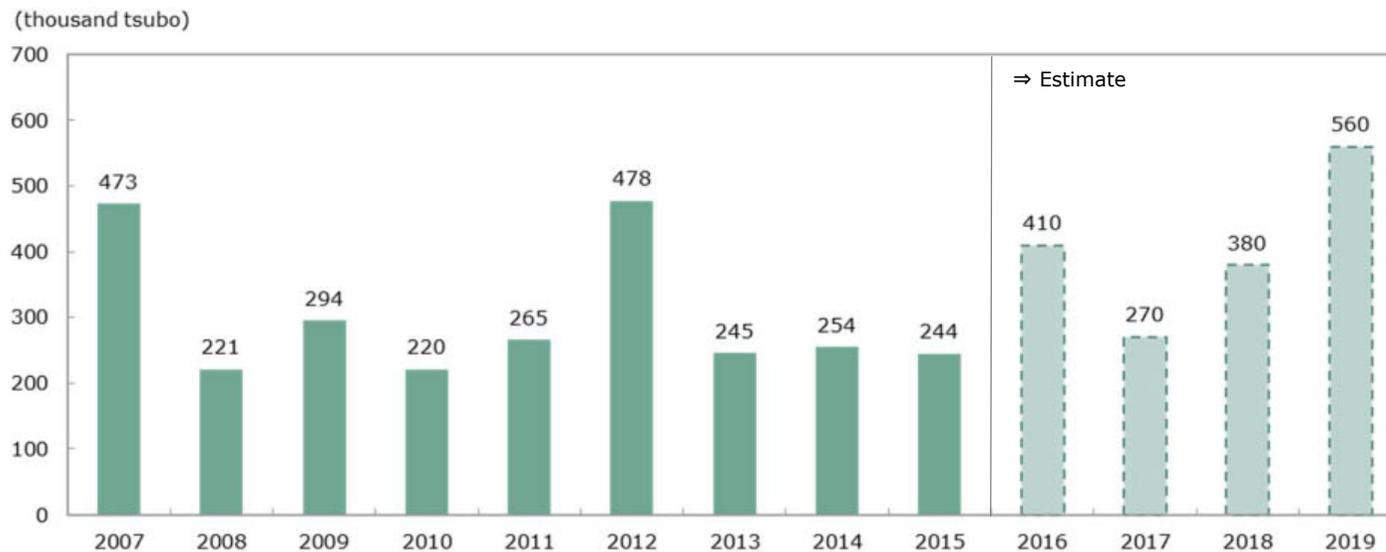
- Continue to pursue external growth best utilizing sponsors' property pipeline
- Plan to lower the fixed rent master lease properties ratio while steadily advancing internal growth
- Gradually increase the fixed rate ratio at appropriate timings while maintaining average duration of debt
- Maintain emphasis on the "continued increase" of dividend/NAV per unit and market value

3-2 Market-related information (1)

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



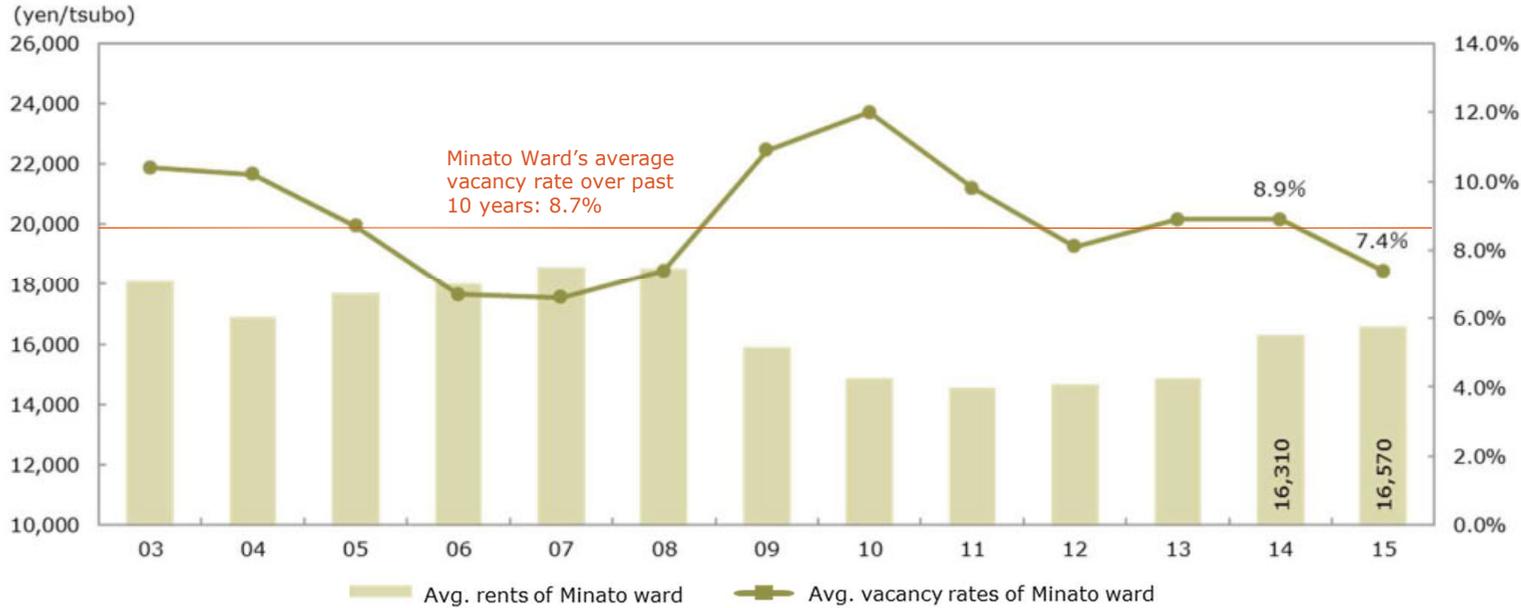
New supply area for office buildings (Tokyo's five central wards)



(Source) Prepared by the Asset Manager based on the "Autumn 2015 Office Rent Forecast in Tokyo, Osaka and Nagoya (2015-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

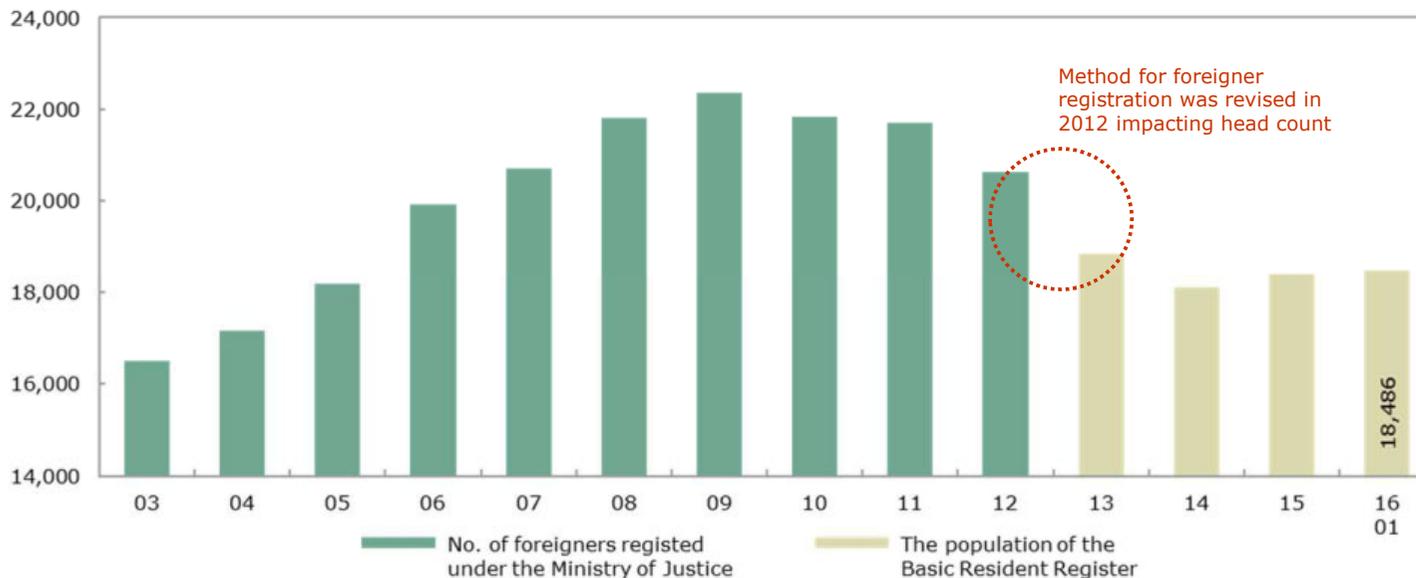
3-3 Market-related information (2)

Change in rents and vacancy rates of luxury housing



(Source)
 Prepared by the Asset Manager based on Ken Real Estate Investment Advisors' "Ken Residential Market Report" included in real estate appraisal reports by Japan Real Estate Institute regarding properties held by MHR.
 (Note)
 Data is based on rental housing with monthly rent of 300,000 yen or more or exclusive floor area of 30 tsubo or more.
 "Avg. rents of Minato ward" is the contracted rent including the management fee.
 In the case of years, "Avg. vacancy rates of Minato ward" is the average of the relevant year's January to March, April to June, July to September and October to December figures, and "Avg. rents of Minato ward" is the annual average.

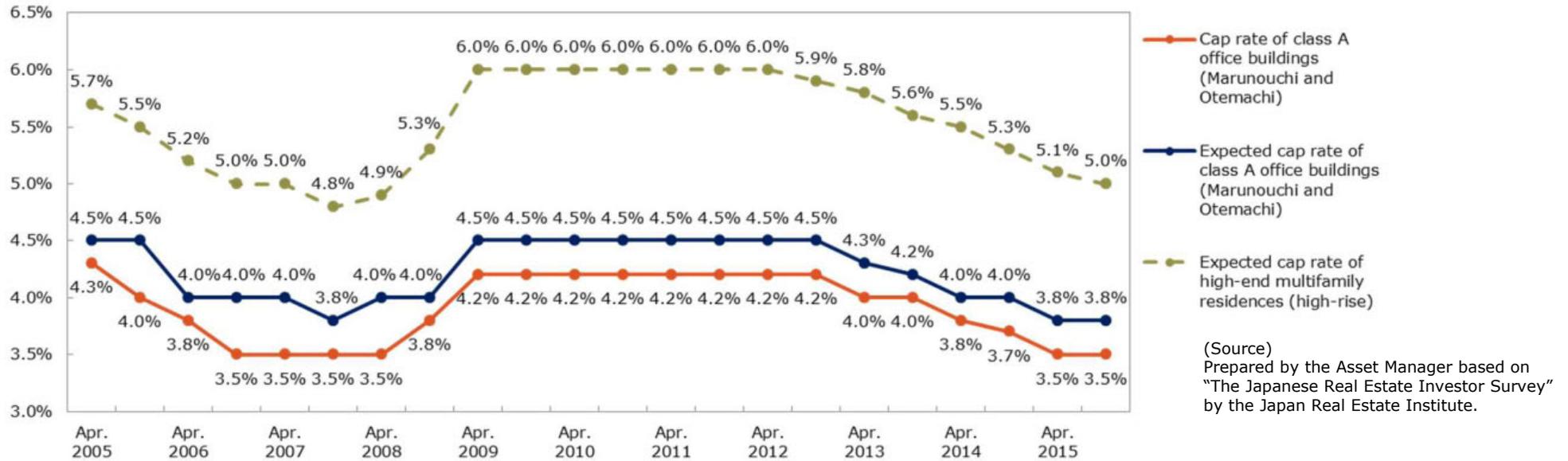
Change in number of foreign residents in Minato ward



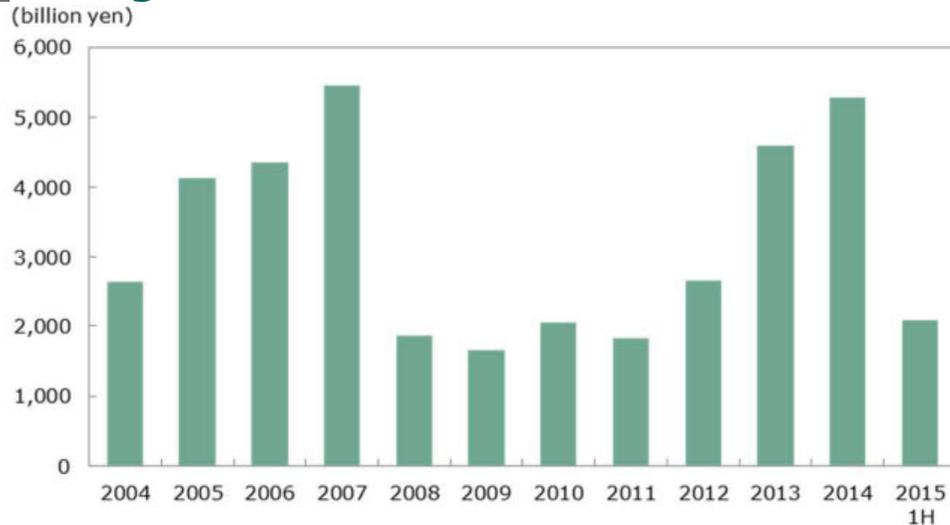
(Source)
 Prepared by the Asset Manager based on "Number of registered foreign residents" prepared by Statistics Division Bureau of General Affairs of Tokyo
 (Note 1)
 "Number of foreign residents" was the number of foreigners registered under the Ministry of Justice until July 2012. However, as the foreigner registration system was abolished based on revision of the law, the figure is the population of the Basic Resident Register from October 2012. Therefore, the data may not be consistent.
 (Note 2)
 Number of foreign residents as of January 1 of each year is used for the year-based figures.

3-4 Market-related information (3)

Change in return on real estate investment

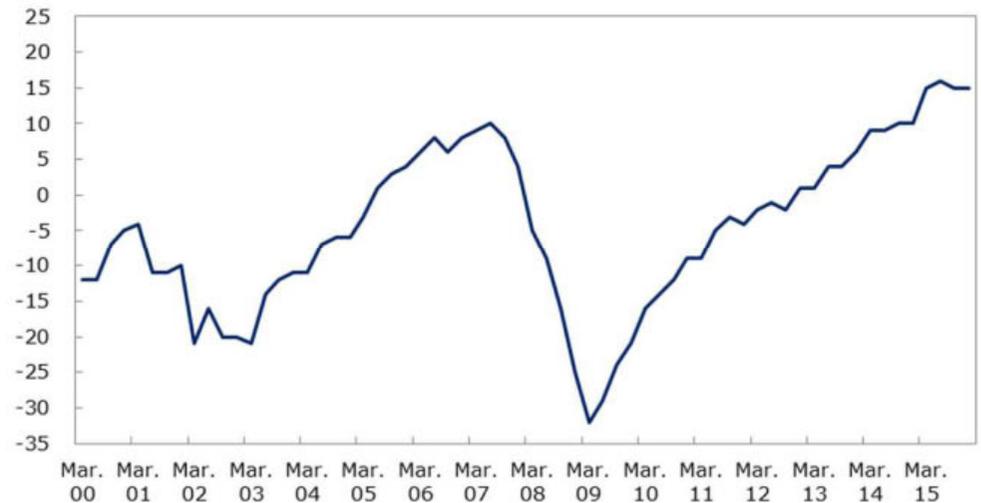


Change in real estate transaction amount



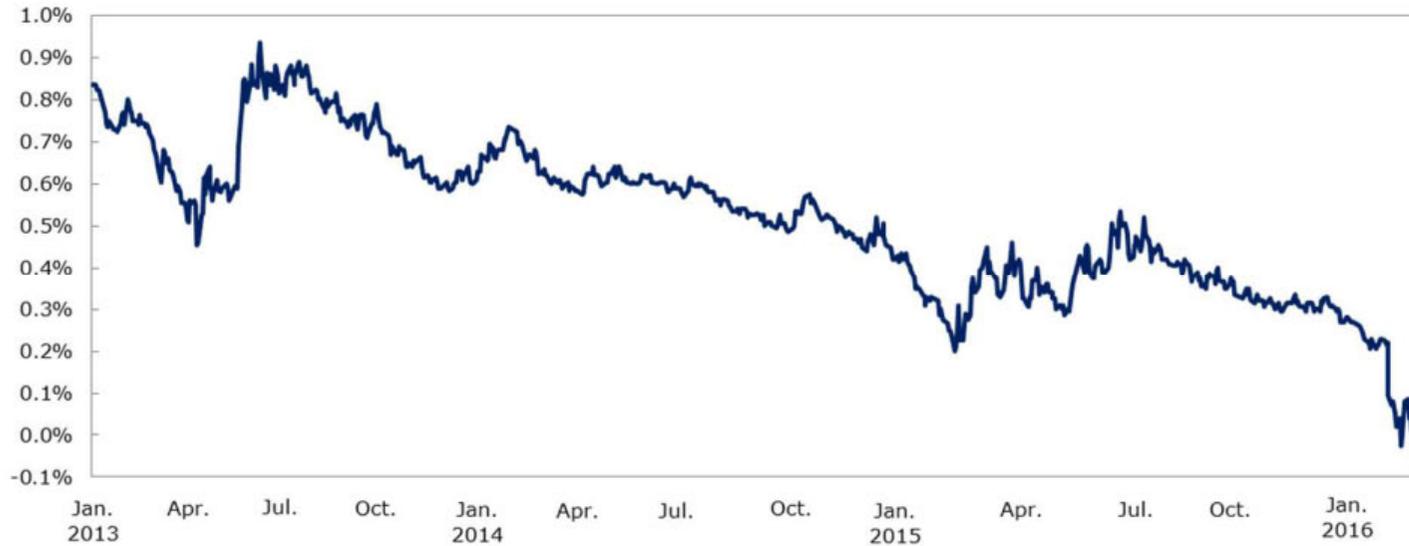
(Source) Prepared by the Asset Manager based on the "Real Estate Transaction Survey" by the Urban Research Institute.

Lending attitude DI (real estate industry)



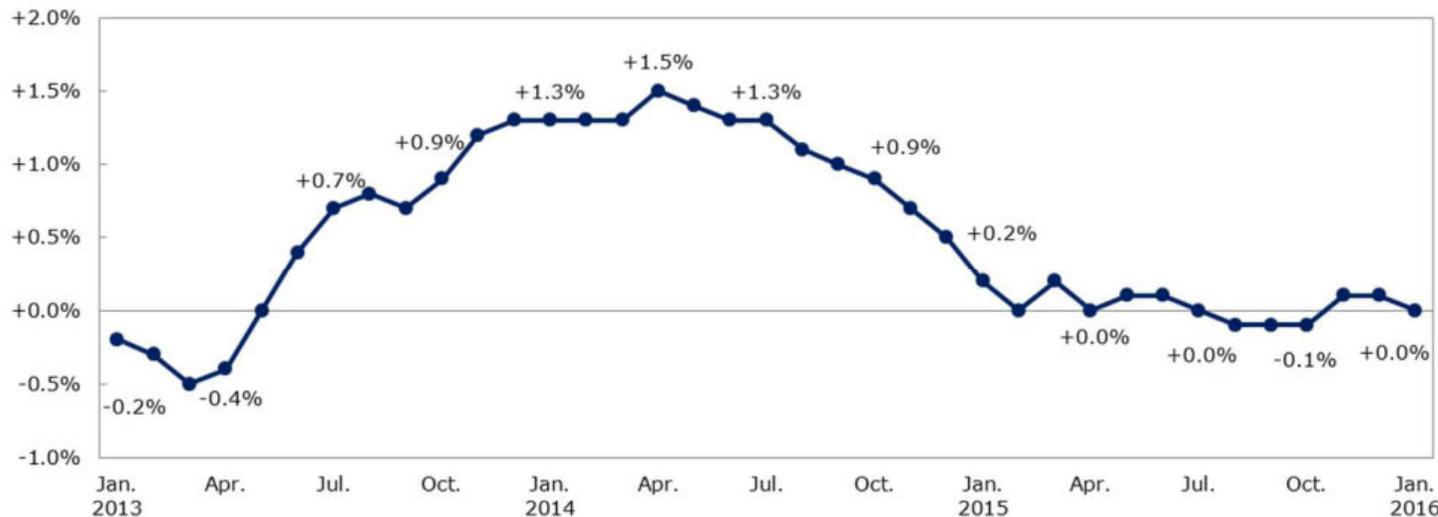
(Source) Prepared by the Asset Manager based on "National Short-Term Economic Survey on Enterprises in Japan" by the Bank of Japan. Difference between the proportion of firms feeling the lending attitude to be accommodative less firms feeling the lending attitude to be restrictive.

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)

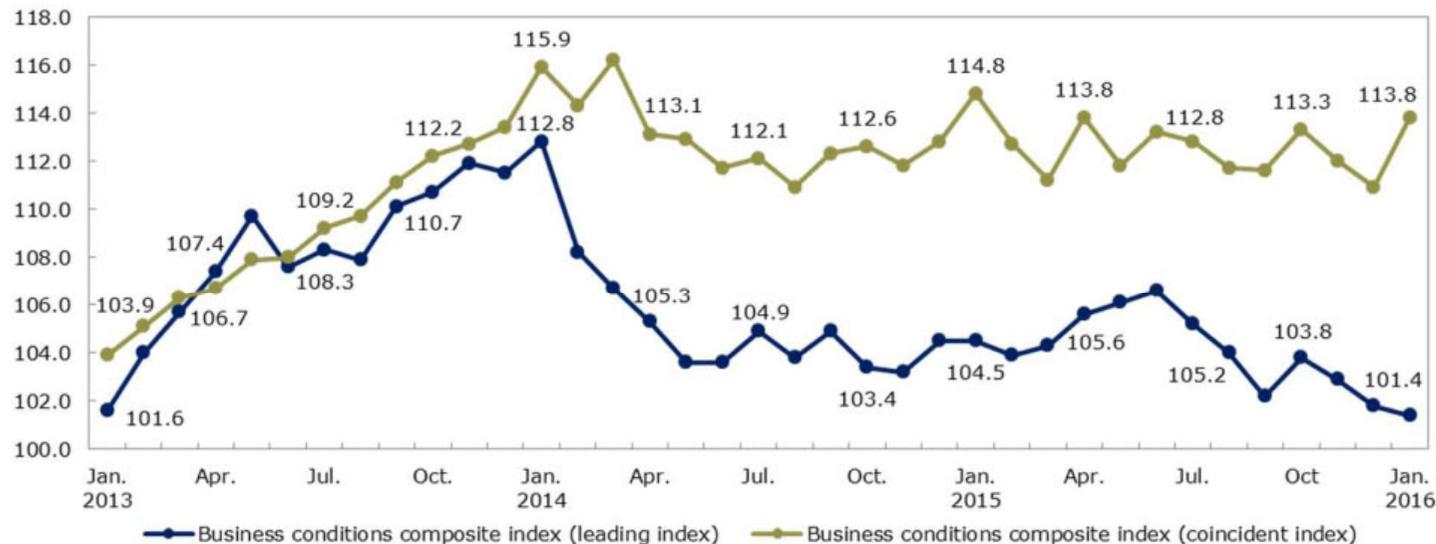


Based on figures excluding the direct effects of the consumption tax rate increase

(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").

3-6 Market-related information (5)

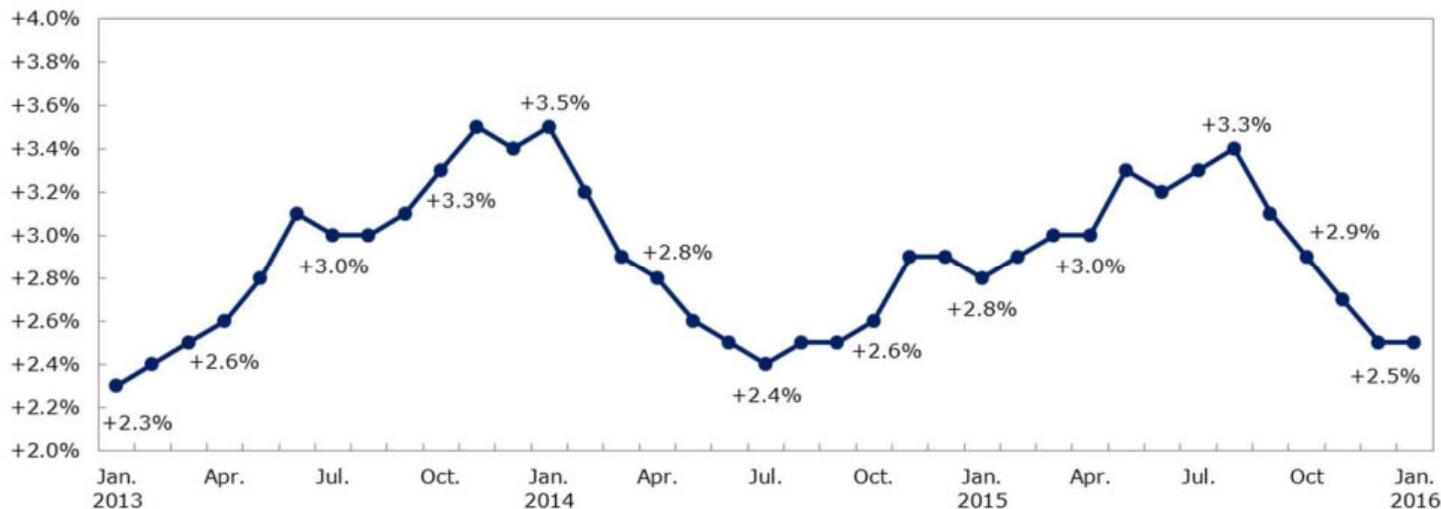
Business conditions composite index



January 2016 figures are based on preliminary data

(Source)
Prepared by the Asset Manager based on the "Business Conditions Composite Index" by the Cabinet Office.
(Note)
The index is rebased to 100 as of 2010.

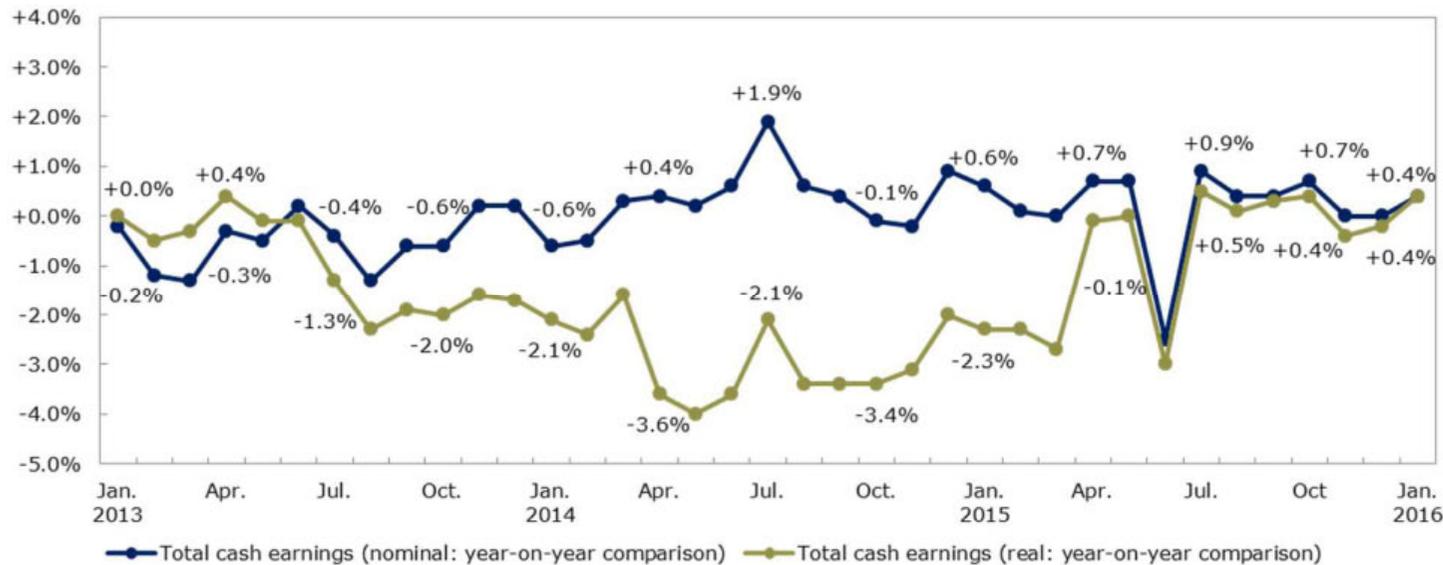
Money stock (M3: year-on-year comparison)



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

3-7 Market-related information (6)

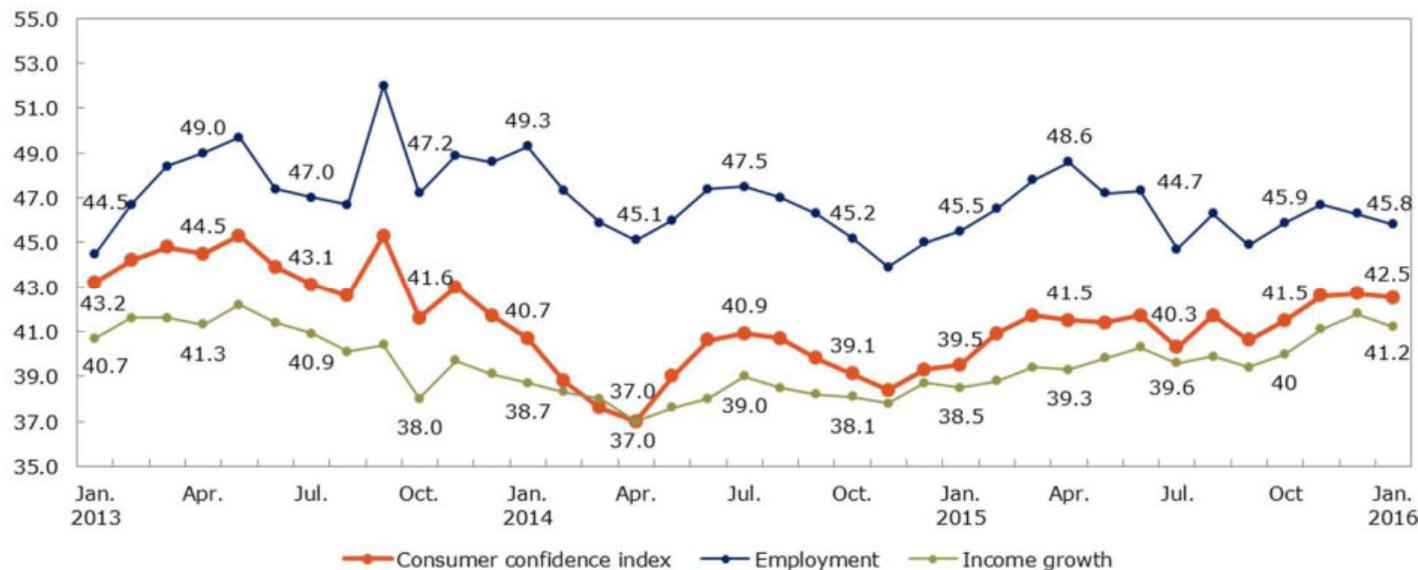
Total cash earnings



January 2016 figures are based on preliminary data

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

Consumer confidence survey



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

4. Appendix



4-1 Financial highlights

Indices	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016	Calculation formula
Net income	3,716 mn yen	3,927 mn yen	
Depreciation and amortization	858 mn yen	853 mn yen	
CAPEX	130 mn yen	223 mn yen	
Total assets	295,332 mn yen	298,450 mn yen	
Total net assets	154,240 mn yen	154,452 mn yen	
Total net assets/unit (BPS)	98,239 yen	98,374 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	145,300 yen	152,100 yen	
Total units outstanding	1,570,040 units	1,570,040 units	
Total dividends	3,716 mn yen	3,928 mn yen	
Dividend/unit	2,367 yen	2,502 yen	
Dividend yield	3.3%	3.3%	Dividend per unit (annualized)/Unit price as of end of period
FFO	4,574 mn yen	4,781 mn yen	Net income + Depreciation and amortization
FFO/unit	2,913 yen	3,045 yen	(Net income + Depreciation and amortization)/Total units outstanding
Annualized	5,875 yen	6,040 yen	
FFO multiple	24.7x	25.2x	Unit price as of end of period/FFO per unit (annualized)
PER	30.4x	30.6x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.5x	1.5x	Unit price as of end of period/Net assets per unit
ROA	1.3%	1.3%	Ordinary income/Average of total assets during the period
Annualized	2.5%	2.6%	
ROE	2.4%	2.5%	Net income/Average of total net assets during the period
Annualized	4.9%	5.0%	
NAV	160,076 mn yen	163,385 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	101,957 yen	104,064 yen	
NAV multiple	1.4x	1.5x	Unit price as of end of period/NAV per unit
Interest-bearing debt	130,200 mn yen	132,700 mn yen	
LTV (book value basis)	44.1%	44.5%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	43.2%	43.2%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	181 days	184 days	

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

4-2 Balance sheet

(thousand yen)

	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016
Assets		
Current assets	18,384,631	9,912,586
Cash and deposits	7,332,973	4,086,351
Cash and deposits in trust	10,701,100	5,352,905
Other	350,558	473,328
Noncurrent assets	276,741,549	288,342,239
Property, plant and equipment	245,237,847	256,751,061
Intangible assets	30,659,021	30,657,963
Investments and other assets	844,680	933,214
Deferred assets	206,343	195,315
Total assets	295,332,524	298,450,140

(thousand yen)

	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016
Liabilities		
Current liabilities	23,646,747	5,102,527
Current portion of investment corporation bonds	5,000,000	—
Current portion of long-term loans payable	17,000,000	3,500,000
Other	1,646,747	1,602,527
Noncurrent liabilities	117,445,335	138,895,569
Investment corporation bonds	19,000,000	24,000,000
Long-term loans payable	89,200,000	105,200,000
Lease and guarantee deposited in trust	9,245,335	9,695,569
Total liabilities	141,092,082	143,998,096
Net assets		
Unitholders' equity	154,240,441	154,452,044
Unitholders' capital	150,418,135	150,418,135
Total surplus	3,822,306	4,033,909
Voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	3,717,062	3,928,664
Total net assets	154,240,441	154,452,044
Total liabilities and net assets	295,332,524	298,450,140

4-3 Income statement

(thousand yen)

	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016	
Operating revenue	6,516,011	6,748,411	
Rent revenue of real estate	6,405,171	6,622,059	Office 5,167,140
Other rent revenue of real estate	110,840	126,352	Residential 748,117
Operating expenses	2,087,535	2,181,920	Retail 87,409
Expenses of real estate rent	1,788,573	1,874,559	Land 614,400
Asset management fee	200,382	208,022	Other rent revenue 4,991
Directors' compensation	5,400	5,400	
Asset custody fee	7,375	7,383	
Administrative service fees	18,585	18,470	
Other operating expenses	67,218	68,083	
Operating income	4,428,476	4,566,491	
Non-operating income	4,085	2,468	
Interest income	1,709	1,599	Parking revenue 22,364
Exclusion gain of unpaid dividend	1,623	869	Utilities and other revenue 103,519
Other	752	–	Cancellation penalty 468
Non-operating expenses	715,612	640,344	
Interest expenses	373,009	345,231	
Interest expenses on investment corporation bonds	112,389	87,183	
Amortization of investment corporation bonds issuance cost	14,313	13,569	
Borrowing expenses	186,779	165,215	
Amortization of investment unit issuance cost	27,253	27,253	
Other	1,867	1,890	
Ordinary income	3,716,949	3,928,615	
Income before income taxes	3,716,949	3,928,615	
Net income	3,716,116	3,927,887	
Unappropriated retained earnings	3,717,062	3,928,664	

Office	5,167,140
Residential	748,117
Retail	87,409
Land	614,400
Other rent revenue	4,991
Parking revenue	22,364
Utilities and other revenue	103,519
Cancellation penalty	468
Property management fees	306,841
Property taxes	448,207
Utilities	108,490
Maintenance and repairs	15,611
Insurance premium	13,549
Custodian fees	6,771
Depreciation	852,787
Rent expenses	111,903
Other lease business expenses	10,397

4-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016
Net cash provided by (used in) operating activities	5,139,322	4,400,633
Income before income taxes	3,716,949	3,928,615
Depreciation and amortization	858,200	853,221
Amortization of investment corporation bonds issuance cost	14,313	13,569
Amortization of investment unit issuance cost	27,253	27,253
Interest income	△ 1,709	△ 1,599
Exclusion gain of unpaid dividend	△ 1,623	△ 869
Interest expenses	485,398	432,415
Decrease (increase) in operating accounts receivable	2,738	△ 4,066
Decrease (increase) in consumption taxes refund receivable	403,028	△ 96,412
Increase (decrease) in operating accounts payable	6,049	4,247
Increase (decrease) in accounts payable—other	150	△ 352
Increase (decrease) in accrued expenses	4,842	8,258
Increase (decrease) in accrued consumption taxes	223,573	△ 257,464
Increase (decrease) in advances received	2,839	38,901
Increase (decrease) in deposits received	929	△ 4,310
Decrease (increase) in prepaid expenses	9,317	△ 22,346
Decrease (increase) in long-term prepaid expenses	△ 99,006	△ 88,533
Other, net	—	76
Subtotal	5,653,245	4,830,603
Interest income received	1,709	1,599
Interest expenses paid	△ 514,271	△ 431,009
Income taxes paid	△ 1,361	△ 560

(thousand yen)

	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016
Net cash provided by (used in) investing activities	△ 133,381	△ 11,751,111
Purchase of property, plant and equipment in trust	△ 124,785	△ 12,201,221
Purchase of intangible assets in trust	△ 3,656	—
Repayments of lease and guarantee deposited in trust	△ 34,718	△ 176,807
Proceeds from lease and guarantee deposited in trust	29,777	626,917
Net cash provided by (used in) financing activities	△ 3,646,033	△ 1,244,338
Proceeds from long-term loans payable	14,700,000	18,000,000
Repayments of long-term loans payable	△ 14,700,000	△ 15,500,000
Proceeds from issuance of investment corporation bonds	4,968,145	4,970,206
Redemption of investment corporation bonds	△ 5,000,000	△ 5,000,000
Dividends paid	△ 3,614,179	△ 3,714,545
Net increase (decrease) in cash and cash equivalents	1,359,907	△ 8,594,816
Cash and cash equivalents at beginning of the period	16,674,166	18,034,073
Cash and cash equivalents at the end of the period	18,034,073	9,439,257

Retained earnings

(yen)

	18th period Period ended Jul. 31, 2015	19th period Period ended Jan. 31, 2016
I Unappropriated retained earnings	3,717,062,508	3,928,664,978
II Amount of dividends	3,716,284,680	3,928,240,080
Amount of dividends per unit	2,367	2,502
III Retained earnings carried forward	777,828	424,898

4-5 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	69,280,000 (before acquisition: 57,280,000)			62,480,000			27,200,000			43,930,000		
Period	18th Jul. 2015	19th (Note 3) Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	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%	88.6%	△ 11.4PT	100%	100%	0.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	100%	91.5%	△ 8.5PT	100%	100%	0.0PT
Number of tenants	1	1	0	1	1	0	18	17	△ 1	1	1	0
Rent revenue of real estate	1,431,297	1,652,901	221,604	1,271,693	1,271,693	—	635,028	579,268	△ 55,759	666,446	666,446	—
Other rent revenue of real estate	—	—	—	—	—	—	109,606	99,907	△ 9,698	289	289	—
Total property operating revenue	1,431,297	1,652,901	221,604	1,271,693	1,271,693	—	744,634	679,176	△ 65,458	666,735	666,735	—
Property management fees	122,722	154,824	32,101	6,000	6,000	—	64,563	60,718	△ 3,845	3,000	3,000	—
Property taxes (Note 1)	98,509	110,225	11,715	73,537	72,982	△ 554	31,049	32,907	1,857	42,274	42,013	△ 261
Utilities	—	—	—	—	—	—	88,828	81,212	△ 7,615	—	—	—
Maintenance and repairs	—	—	—	—	370	370	5,991	9,040	3,049	—	—	—
Insurance premium	2,060	2,407	346	1,886	1,949	62	1,766	1,778	11	2,042	2,039	△ 2
Depreciation (1)	230,096	266,518	36,421	79,995	68,253	△ 11,742	129,376	102,174	△ 27,201	146,854	142,762	△ 4,092
Other expenses (Note 2)	358	199	△ 158	2,844	2,698	△ 146	68,795	76,008	7,213	1,051	1,707	655
Total property operating expense	453,747	534,174	80,426	164,265	152,254	△ 12,010	390,371	363,840	△ 26,530	195,223	191,522	△ 3,700
Property operating income (2)	977,549	1,118,727	141,177	1,107,428	1,119,438	12,010	354,263	315,335	△ 38,927	471,512	475,213	3,700
NOI (3) ((1)+(2))	1,207,646	1,385,245	177,599	1,187,424	1,187,692	268	483,639	417,509	△ 66,129	618,367	617,975	△ 391
Annualized NOI	2,435,308	2,872,282	436,974	2,394,529	2,356,020	△ 38,508	975,295	828,212	△ 147,083	1,246,983	1,225,875	△ 21,108
Annualized NOI/ Acquisition price	4.3%	4.1%	△ 0.1PT	3.8%	3.8%	△ 0.1PT	3.6%	3.0%	△ 0.5PT	2.8%	2.8%	0.0PT
CAPEX (4)	29,482	—	△ 29,482	15,004	22,630	7,626	688	27,765	27,077	35,407	22,408	△ 12,999
NCF (3)-(4)	1,178,163	1,385,245	207,081	1,172,420	1,165,062	△ 7,357	482,951	389,744	△ 93,207	582,959	595,567	12,607

(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 of real estate rent. Registered owners of properties in Japan as of January 1 are responsible for paying property taxes for the calendar year based on assessments by local governments. Therefore, registered owners who sold properties to 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 end of relevant period.

4-6 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	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	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%	98.3%	△ 1.7PT	82.8%	100%	17.2PT	95.4%	98.0%	2.6PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	98.0%	△ 2.0PT	89.3%	100%	10.7PT	97.4%	98.3%	0.9PT
Number of tenants	1	1	0	1	34	33	6	7	1	40	41	1
Rent revenue of real estate	1,111,765	1,111,765	—	454,287	493,333	39,046	57,010	65,359	8,348	73,282	74,944	1,661
Other rent revenue of real estate	—	—	—	—	24,138	24,138	755	1,549	794	—	288	288
Total property operating revenue	1,111,765	1,111,765	—	454,287	517,471	63,184	57,766	66,909	9,143	73,282	75,232	1,949
Property management fees	2,664	2,664	—	33,968	43,955	9,987	10,560	10,370	△ 190	12,537	13,209	671
Property taxes (Note 1)	69,900	69,332	△ 567	16,556	33,107	16,551	2,080	2,081	1	7,088	7,134	45
Utilities	—	—	—	—	24,509	24,509	93	41	△ 52	1,421	1,408	△ 13
Maintenance and repairs	—	—	—	—	1,332	1,332	10,973	2,664	△ 8,308	1,437	1,548	110
Insurance premium	3,618	3,546	△ 71	1,076	1,096	19	141	151	10	263	268	5
Depreciation (1)	196,421	197,635	1,214	44,299	44,314	14	6,941	7,162	220	11,081	11,009	△ 72
Other expenses (Note 2)	37,079	37,879	799	95	2,006	1,911	3,698	4,175	476	3,871	3,778	△ 93
Total property operating expense	309,682	311,057	1,374	95,995	150,322	54,326	34,489	26,647	△ 7,841	37,703	38,358	655
Property operating income (2)	802,082	800,707	△ 1,374	358,291	367,148	8,857	23,276	40,261	16,984	35,579	36,873	1,294
NOI (3) ((1)+(2))	998,503	998,343	△ 160	402,591	411,463	8,872	30,218	47,424	17,205	46,661	47,883	1,222
Annualized NOI	2,013,556	1,980,408	△ 33,147	811,854	816,217	4,363	60,938	94,075	33,137	94,095	94,986	890
Annualized NOI/ Acquisition price	4.8%	4.7%	△ 0.1PT	4.2%	4.3%	0.0PT	3.6%	5.5%	1.9PT	4.5%	4.5%	0.0PT
CAPEX (4)	18,582	78,176	59,593	1,046	980	△ 66	6,720	1,456	△ 5,264	17,700	10,766	△ 6,933
NCF (3)-(4)	979,920	920,166	△ 59,754	401,544	410,483	8,938	23,498	45,968	22,470	28,961	37,116	8,155

4-7 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			293,756,440 (before acquisition: 281,756,440)		
Period	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th Jan. 2016	Difference	18th Jul. 2015	19th (Note 3) Jan. 2016	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	97.0%	95.3%	△ 1.7PT	100%	100%	0.0PT	99.6%	98.3%	△ 1.3PT
Avg. Occupancy rate (during period)	95.4%	96.3%	0.9PT	100%	100%	0.0PT	99.7%	98.7%	△ 1.0PT
Number of tenants	89	87	△ 2	1	1	0	159	191	32
Rent revenue of real estate	89,959	91,946	1,986	614,400	614,400	—	6,405,171	6,622,059	216,888
Other rent revenue of real estate	190	180	△ 10	—	—	—	110,840	126,352	15,511
Total property operating revenue	90,149	92,126	1,976	614,400	614,400	—	6,516,011	6,748,411	232,399
Property management fees	13,151	12,098	△ 1,052	—	—	—	269,168	306,841	37,672
Property taxes (Note 1)	10,837	10,832	△ 5	64,759	67,590	2,830	416,594	448,207	31,612
Utilities	1,391	1,318	△ 73	—	—	—	91,734	108,490	16,755
Maintenance and repairs	3,317	655	△ 2,662	—	—	—	21,720	15,611	△ 6,108
Insurance premium	319	311	△ 7	—	—	—	13,174	13,549	374
Depreciation (1)	12,644	12,956	311	—	—	—	857,712	852,787	△ 4,925
Other expenses (Note 2)	672	618	△ 54	—	—	—	118,467	129,072	10,604
Total property operating expense	42,335	38,790	△ 3,544	64,759	67,590	2,830	1,788,573	1,874,559	85,986
Property operating income (2)	47,814	53,335	5,520	549,640	546,810	△ 2,830	4,727,438	4,873,852	146,413
NOI (3) ((1)+(2))	60,459	66,291	5,832	549,640	546,810	△ 2,830	5,585,150	5,726,639	141,488
Annualized NOI	121,920	131,502	9,582	1,108,390	1,084,704	△ 23,685	11,262,872	11,477,119	214,246
Annualized NOI/ Acquisition price	3.0%	3.3%	0.2PT	5.1%	5.0%	△ 0.1PT	4.0%	3.9%	△ 0.1PT
CAPEX (4)	5,600	59,727	54,127	—	—	—	130,232	223,910	93,677
NCF (3)-(4)	54,858	6,563	△ 48,294	549,640	546,810	△ 2,830	5,454,917	5,502,728	47,810

4-8 Debt status (as of January 31, 2016)

Debt

	Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
	Aozora Bank, Ltd.	2,000	1.19% (Note)	2012/8/31	2016/8/31
	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 Aozora Bank, Ltd. Development Bank of Japan, Inc. Mizuho Trust & Banking Co., Ltd.	10,000	0.84% (Note)	2013/3/29	2018/3/31
	ORIX Bank Corporation	1,000	0.58%	2013/3/29	2016/3/31
	The Hiroshima Bank, Ltd.	500	0.58%	2013/3/29	2016/3/31
	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, Ltd. 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	0.38%	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	0.43%	2013/11/29	2019/5/31
Long-term	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, Ltd. Shinsei Bank, Limited	11,400	0.48%	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, Ltd.	11,000	0.38%	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	0.43%	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	0.43%	2014/8/1	2020/5/31
	Aozora Bank, Ltd.	2,000	0.38%	2014/8/29	2019/8/31
	Resona Bank, Limited.	2,500	0.38%	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

	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	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
Long-term	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
	Total	108,700			

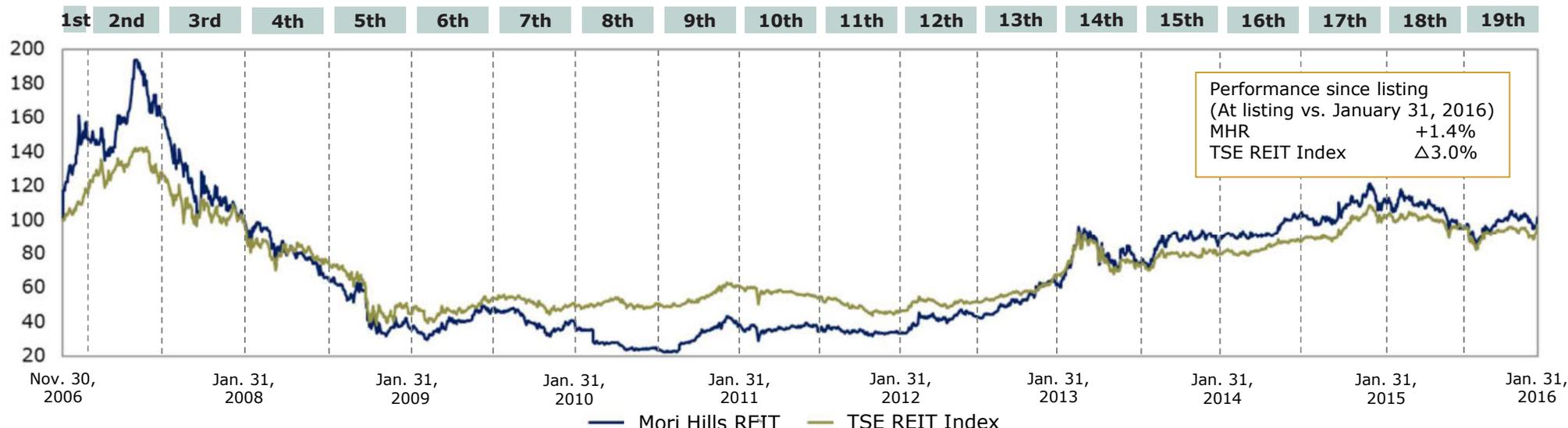
(Note) The interest rates above are the interest rates actually fixed following the conclusion of an interest swap agreement.

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
	Total	24,000			

4-9 Unit price performance since IPO

Relative price performance (Since IPO~January 31, 2016)



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

(Note) Rebased to 100 as per IPO price

Since IPO ~ January 31, 2016

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

(Reference: before split of investment units)

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

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

(Reference: after split of investment units)

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

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

(Note) Unit price refers to the unit price of the last day of each accounting period.

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 Metropolitan, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture

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

Tokyo' 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 greening planning as well as maintaining greenery. The award expresses gratitude for such cooperation in community greening 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.

4-12 Organization Structure

Corporate governance

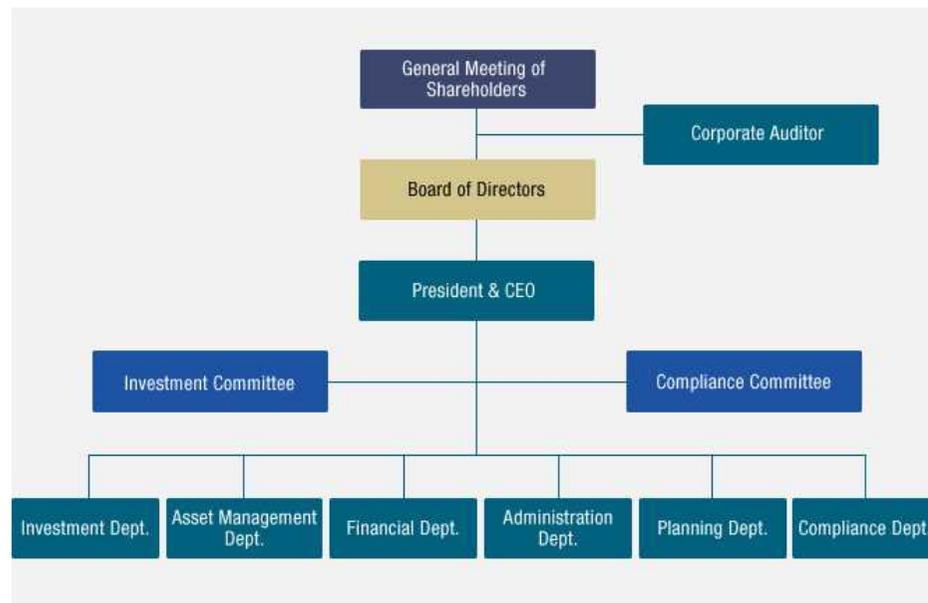
Corporate governance

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, the board of directors and an accounting auditor.

Structure of asset manager for the Investment Corporation

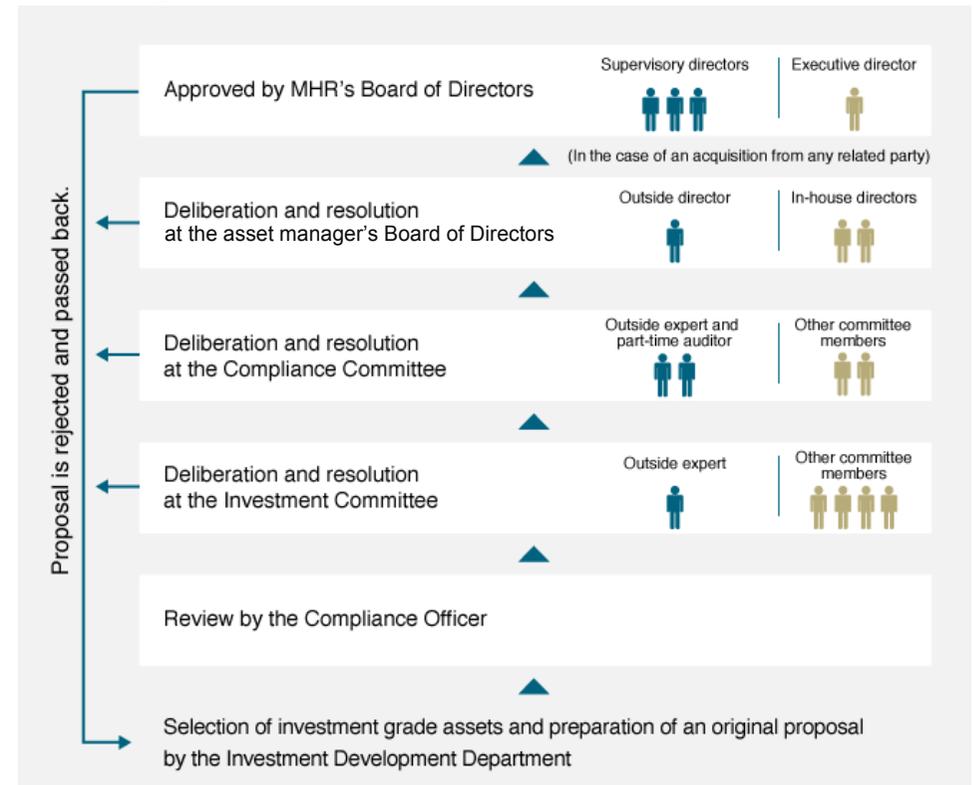
MHR entrusts the management of its assets to the asset manager. The following is the organizational structure of the asset manager.



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.

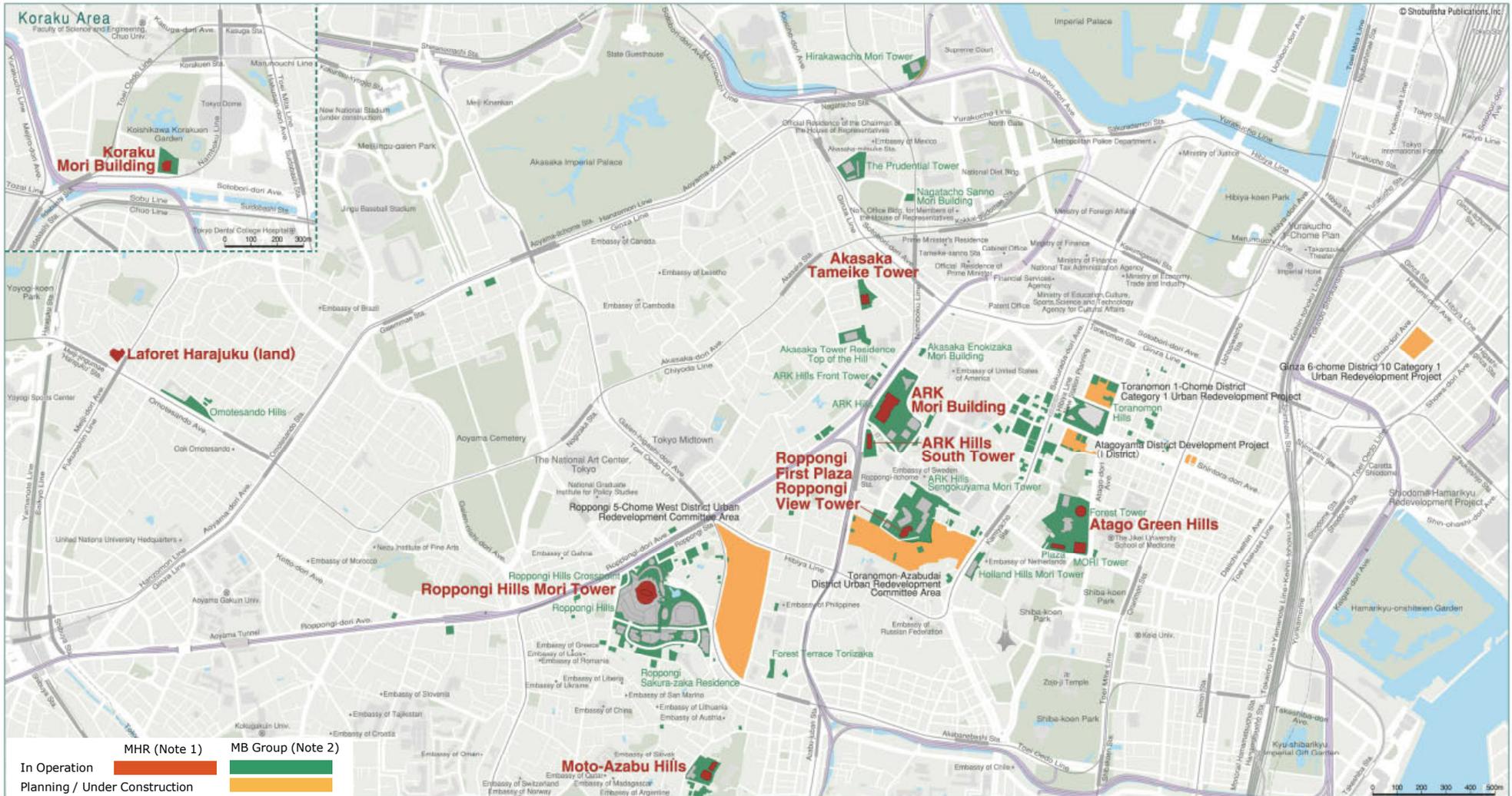
Process to Counter Transactions Involving Conflicts of Interest



4-13 Portfolio Map



HILLS REIT



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

4-14 Portfolio overview (post acquisition)

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			ARK Hills South Tower	Moto-Azabu Hills	Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)	
	O-0	O-1	O-4	O-6	MORI Tower	Forest Tower	Plaza	O-8	Forest Tower	Forest Terrace	R-3	R-4	S-1
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Motoazabu, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, 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	13years 0months	30years 0months	16years 0months	15years 6months	14years8months	14years5months	14years8months	2years8months	13years10months	22years5months		-	
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 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 (Note 4)	100%	100%	88.6%	100%	100%			98.3%	100%	98.0%	95.3%	100%	

Average building age (Note 5)
16.7 years

Portfolio PML (Note 2)
1.00%

Total acquisition price
339,856mn 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.

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

(Note 4) For calculation of the "Occupancy rate" is based on the occupancy rate of January 31, 2016.

(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.