



Mori Hills REIT Investment Corporation

Results of the 36th Fiscal Period ended July 31, 2024

Presentation Material

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

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

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

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Asset Management Company : Mori Building Investment Management Co., Ltd.
(Registered as a financial instruments business, an investment management business, Kanto Local Finance Bureau registration no. 408 Member of The Investment Trusts Association, Japan)

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1. Executive summary

Financial summary 36th period (Jul. 2024)

- Operating revenue: 11,173 million yen, operating income: 6,879 million yen, net income: 6,343 million yen **Increased revenue period-over-period**
- DPU: 3,310 yen (+0.9% from 35th period)
Increased period-over-period due to gain on disposition
- NAV per unit: 161,920 yen (+0.1% from 35th period)
Increased period-over-period, despite the impact of the distribution of gain on disposition, etc.
- Disposed of a 7% ownership interest in Laforet Harajuku (Land) (a 1,418 million yen gain was realized on the disposition, all of this gain will be distributed)

External growth

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

Internal growth

- Vacancy rates in central Tokyo offices are improving, and MHR's office occupancy rate for the 36th period maintained a high level of 98.8% due to the excellent location and quality of MHR's properties.
- The residential occupancy rate for the 36th period was 97.1%, and continues to maintain a high level.

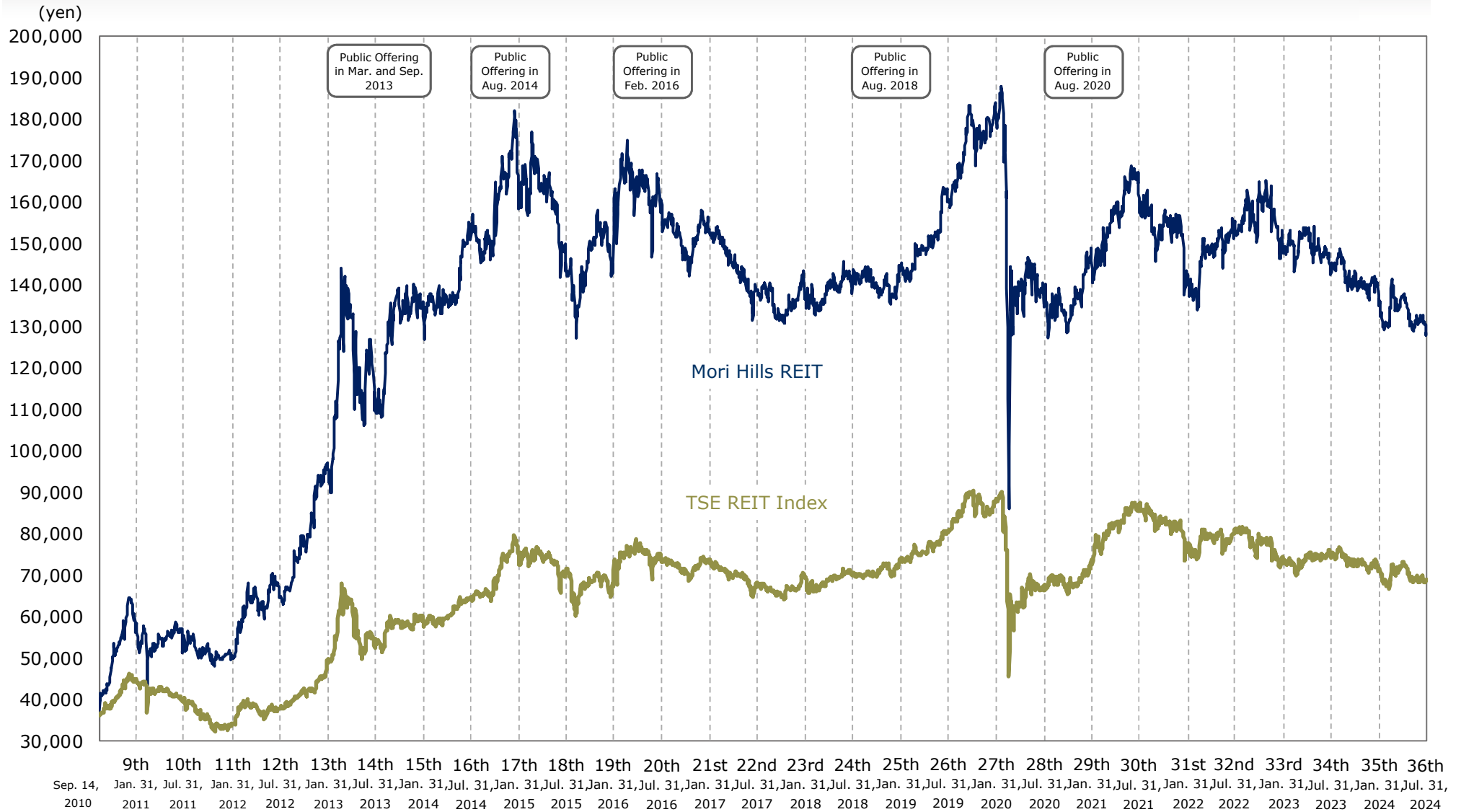
Financial management

- Maintaining a strong financial structure with book-value-basis LTV: 46.0%, appraisal-value-basis LTV: 36.7%, remaining duration of debt: 3.8 years and a credit rating (JCR) of AA (stable) as of the end of the 36th period.
- Studying measures to utilize cash on hand, in consideration of the outlook for property acquisition and taking into account the market environment.

2. Investment highlights



2-1 Unit price performance



Market value

41.9 bn yen
(Sep. 14, 2010)

246.4 bn yen
(Jul. 31, 2024)

(Note 1) Unless otherwise stated in this document, all amounts are rounded down below the unit and all fractions and areas are rounded up below the decimal point.

(Note 2) TSE REIT Index is adjusted as of the 8th period result announcement (Sep. 14, 2010) and shows the relative performance vs. MHR's unit price performance.

2-2 Financial results

Operating revenue for the 36th period remained at about the same level as that for the 35th period, while achieving increased revenue and a rise in dividends.

- Disposed of a 7% ownership interest in Laforet Harajuku (Land). There were no new acquisitions of properties and thus MHR was not able to utilize the special tax treatment for property replacement, and therefore DPU increased compared to the forecast due to the distribution of the entire amount of 1,418 million yen of gain on disposition.
- Owned properties boast excellent location and quality, therefore high occupancy rates were maintained for both offices and residences.

	35th period	36th period		36th period
	Jan. 31, 2024	Jul. 31, 2024		Jul. 31, 2024
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	11,176	11,173	Δ 2	11,155
Rent revenues	9,538	9,428	Δ 110	9,416
Other operating revenues	264	327	+ 63	321
Gain on sales of real estate properties	1,373	1,418	+ 44	1,417
Operating expenses	4,373	4,294	Δ 78	4,320
Expenses related to properties	3,628	3,555	Δ 73	3,570
SG&A	744	739	Δ 5	750
Operating income	6,803	6,879	+ 75	6,834
Non-operating income	1	1	+ 0	1
Non-operating expenses	513	536	+ 22	519
Ordinary income	6,291	6,344	+ 52	6,316
Net income	6,289	6,343	+ 53	6,314
Reserve for reduction entry	—	—	—	430
Total dividends	6,289	6,343	+ 53	5,883

DPU

Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,282	3,310	+ 28	3,070

Other Indices (million yen)

NOI	7,257	7,276	+ 19	7,251
NOI yield	3.5%	3.6%	0.1PT	3.6%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	405,683	404,410	Δ 1,272	404,410

Increase/decrease factor (35th - 36th)

•Operating revenue (Δ2 mn yen)

- Gain on disposition part of LF Harajuku (36th period)	+1,418
- Cancellation penalty	+80
- Residential Rent (pass-through)	+12
- Gain on disposition part of LF Harajuku (35th period)	Δ1,373
- Office Rent (pass-through)	Δ83
- Rent on disposition part of LF Harajuku (35th period)	Δ31
(36th period)	Δ7
- Utilities	Δ16

•Operating expenses (Δ78 mn yen)

- Property management fee	+25
- Property taxes	+16
- Loss on retirement of noncurrent assets	Δ45
- Maintenance and repairs	Δ44
- Utilities	Δ19
- Depreciation	Δ6

•Non-operating expenses (+22 mn yen)

- Interest expenses, etc.	+22
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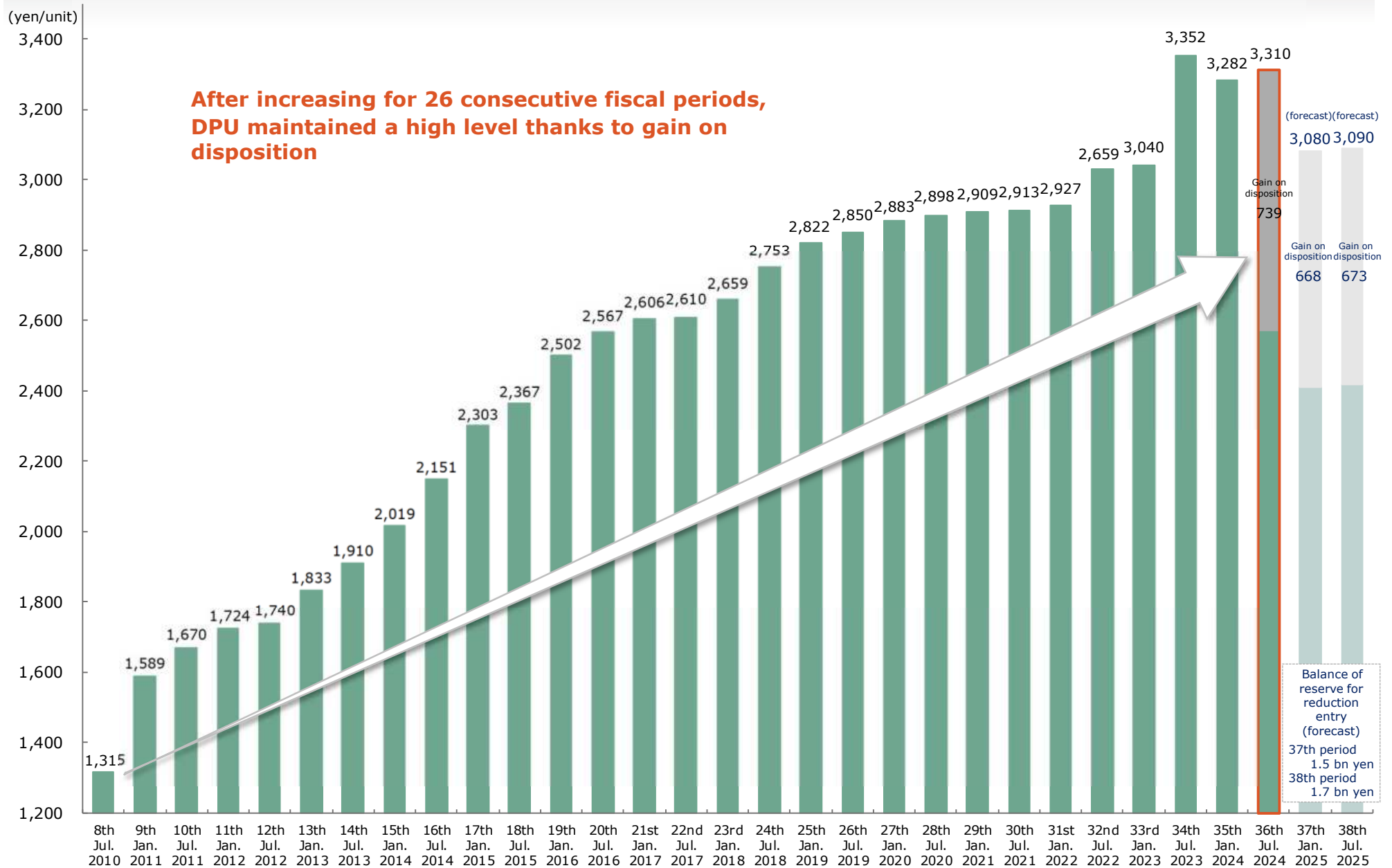
Increase/decrease factor for 36th period (Forecasted - Actual)

•Operating income (+28 mn yen)

- Decrease in depreciation	+7
- Decrease in asset management fee	+6
- Office Rent (pass-through)	+5
- Decrease in other operating expenses	+5
- Decrease in maintenance and repairs	+4
- Utilities	+4
- Retail revenue	+3
- Increase in interest expenses, etc.	Δ16

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

2-3 Dividends per unit growth record




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

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


32nd-33rd 34th-35th 36th-37th
(Jul. 2024 - Jan. 2025)

Medium- to long-term direction


Disposition



LF Harajuku
(Land: total of 14%)
(Total: 5.79 bn yen)



LF Harajuku
(Land: total of 14%)
(Total: 5.85 bn yen)



LF Harajuku
(Land: total of 14%)
(Total: 5.93 bn yen)

NOI yield 2.6%
Yield after depreciation 2.6%
(based on disposition price)

(bn yen)	36th	37th
Gain on disposition	1.41	1.41
Dividends	1.41	1.28*
Internal reserve	-	0.13*


* Dividends and internal reserve are estimated values

Medium- to long-term disposition in installments

A. Dispose all interest

B. Participate in redevelopment (minor interest)

Acquisition



Toranomon Hills Mori Tower
(7.87 bn yen)

Assuming the utilization of special tax treatment for property replacement accompanied by property acquisition (if there is no acquisition, all of the gain on disposition will be distributed.)

* Yields from previously acquired property

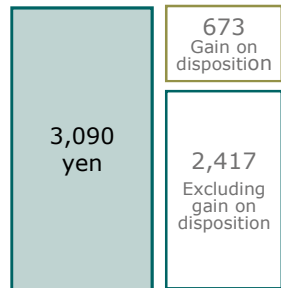
NOI yield 3.4%
Yield after depreciation 2.9%

New acquisition from the sponsor and third parties

Portfolio size expansion

(38th period: forecast)

DPU



(Room for future growth: trial calculation)

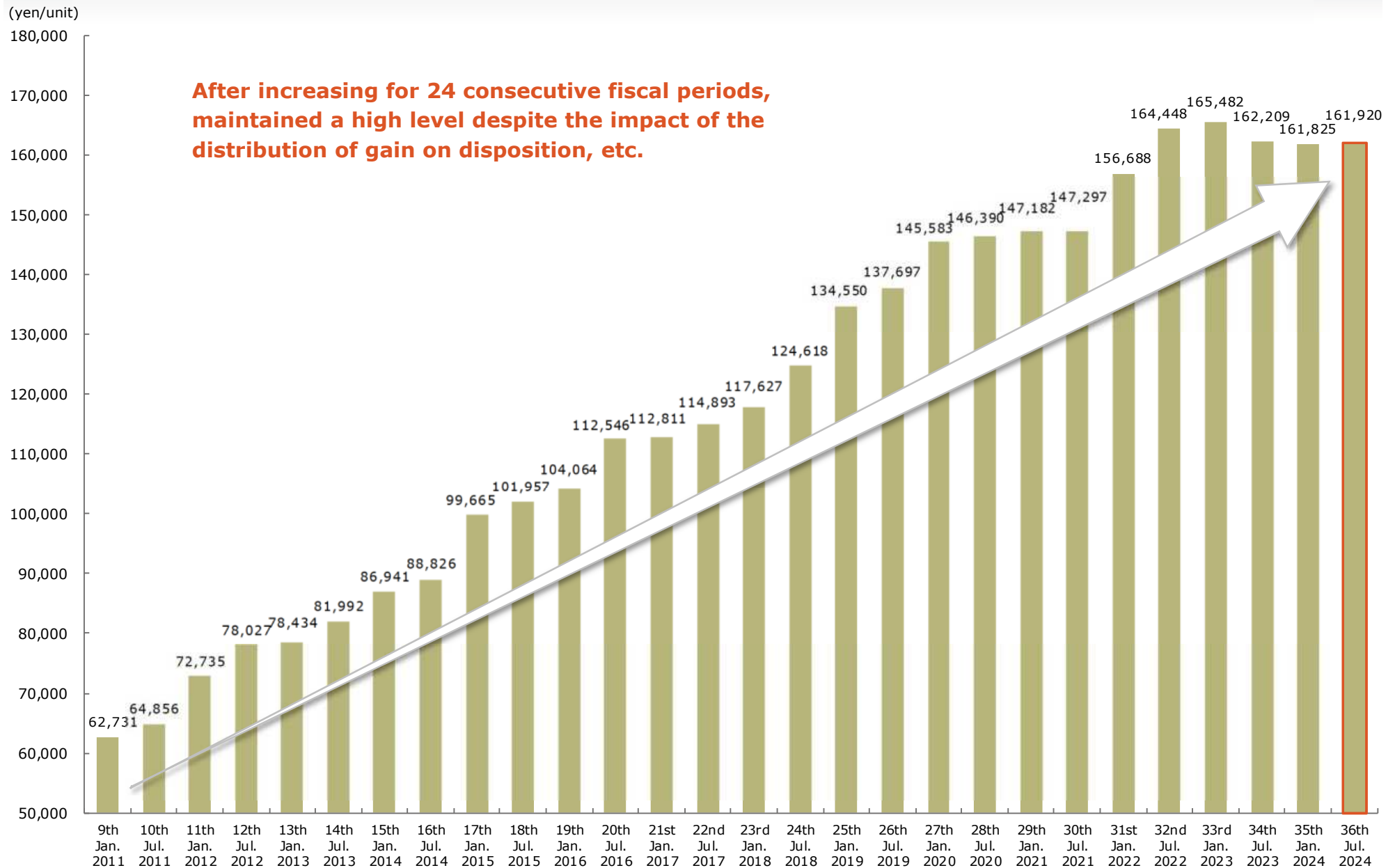
- +39 Absence of one-time major repair costs
- +131 In the event that Toranomon Hills Mori Tower is acquired under the same terms as the previous acquisition using the total proceeds (17.57 bn yen) from the six dispositions of LF Harajuku

Aim for continuous increase in DPU

- Push up DPU through gain on disposition while promoting growth of DPU in other ways as well
- Aim for increase in NAV by making up for impact of dispositions through acquisition of properties at below appraisal value

(Reference)
DPU excluding gain on disposition from the 32nd period is 2,660 yen

2-5 Increase in appraisal NAV per unit



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

2-6 Forecasts

Complete refilling of space after the large cancellation as reflected from the 36th period, along with the gain on disposition, resulted in the DPU forecast being 3,080 yen in the 37th period and 3,090 yen in the 38th period.

- In the 37th and 38th periods, 7% ownership interest in Laforet Harajuku (Land) will be disposed of. It is assumed that a portion of the gain on disposition will be internally reserved by utilizing special treatment for property replacement (if there is no new acquisition of properties, all of the gain on disposition will be distributed).
- The decline in DPU excluding gain on disposition is because mainly new property acquisitions with funds from the disposition of Laforet Harajuku have not yet been factored in at this time as well as due to other temporary factors.

	36th period	37th period		38th period
	Jul. 31, 2024	Jan. 31, 2025		Jul. 31, 2025
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	11,173	11,072	△ 101	11,152
Rent revenues	9,428	9,454	+ 26	9,447
Other operating revenues	327	202	△ 124	196
Gain on sales of real estate properties	1,418	1,415	△ 2	1,508
Operating expenses	4,294	4,429	+ 134	4,382
Expenses related to properties	3,555	3,678	+ 122	3,626
SG&A	739	751	+ 11	756
Operating income	6,879	6,643	△ 235	6,769
Non-operating income	1	1	△ 0	1
Non-operating expenses	536	604	+ 67	628
Ordinary income	6,344	6,039	△ 304	6,141
Net income	6,343	6,038	△ 304	6,140
Reserve for reduction entry	—	135	+ 135	218
Total dividends	6,343	5,902	△ 440	5,921
DPU				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,310	3,080	△ 230	3,090
Other Indices (million yen)				
NOI	7,276	7,044	△ 232	7,089
NOI yield	3.6%	3.5%	△ 0.1PT	3.6%
Acquisition price (weighted average based on the number of operating days during the period)	404,410	402,611	△ 1,798	401,354

Increase/decrease factor (36th - 37th)

• Operating revenue (△101 mn yen)

- Gain on disposition part of LF Harajuku (37th period)	+1,415
- Office Rent (pass-through)	+66
- Residential Rent (pass-through)	+17
- Utilities	+15
- Gain on disposition part of LF Harajuku (36th period)	△1,418
- Cancellation penalty	△140
- Rent on disposition part of LF Harajuku (36th period)	△38
(37th period)	△15

• Operating expenses (+134 mn yen)

- Maintenance and repairs	+126
- Utilities	+19
- Property taxes	+16
- Property management fee	△23
- Depreciation	△11
- Operating exp. for disposition part of LF Harajuku (36th period)	△8

• Non-operating expenses (+67 mn yen)

- Interest expenses, etc.	+67
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Increase/decrease factor (37th - 38th)

• Operating revenue (+79 mn yen)

- Gain on disposition part of LF Harajuku (38th period)	+1,508
- Office Rent (pass-through)	+24
- Residential Rent (pass-through)	+7
- Gain on disposition part of LF Harajuku (37th period)	△1,415
- Rent on disposition part of LF Harajuku (37th period)	△31
(38th period)	△7
- Utilities	△7

• Operating expenses (△46 mn yen)

- Property management fee	+10
- Property taxes	+8
- Depreciation	+6
- Maintenance and repairs	△64
- Utilities	△14

• Non-operating expenses (+24 mn yen)

2-7 Portfolio of premium properties in central Tokyo

Investment strategy based on long-term perspective

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

① Investment in central Tokyo
“Truly central and excellent location” even within central Tokyo

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

Location

② Investing in premium properties
Property with excellent facilities, earthquake resistance and environmental performance

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

Quality of assets

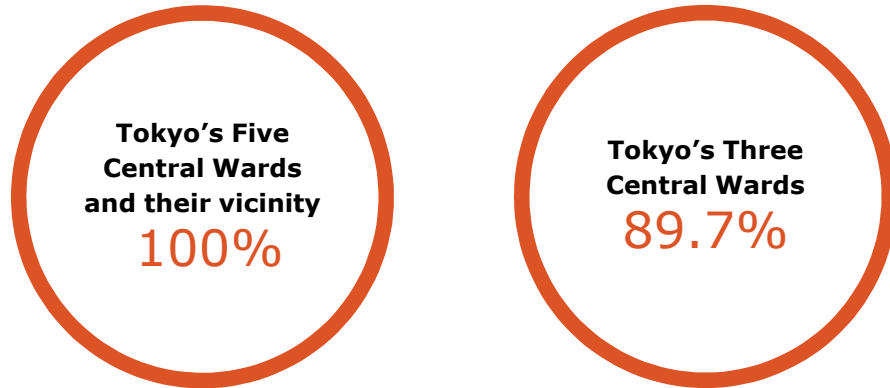
③ Value creation
Value improvement through area development and neighborhood management

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

Value Creation

2-8 (1) Location

Highest property percentage in Central Tokyo among J-REITs

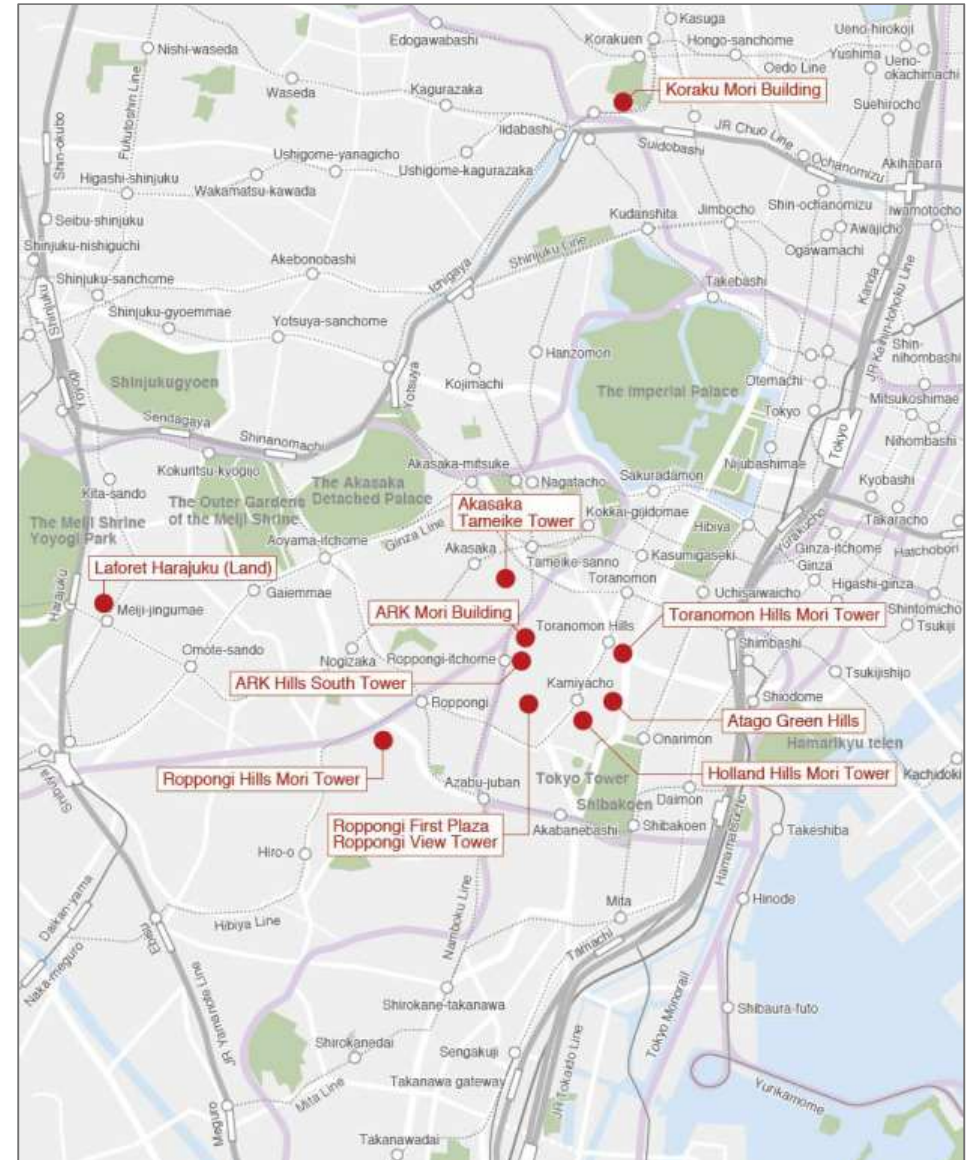


(Note) The ratios represent proportion of acquisition price to total acquisition price.

Estimated population in central Tokyo

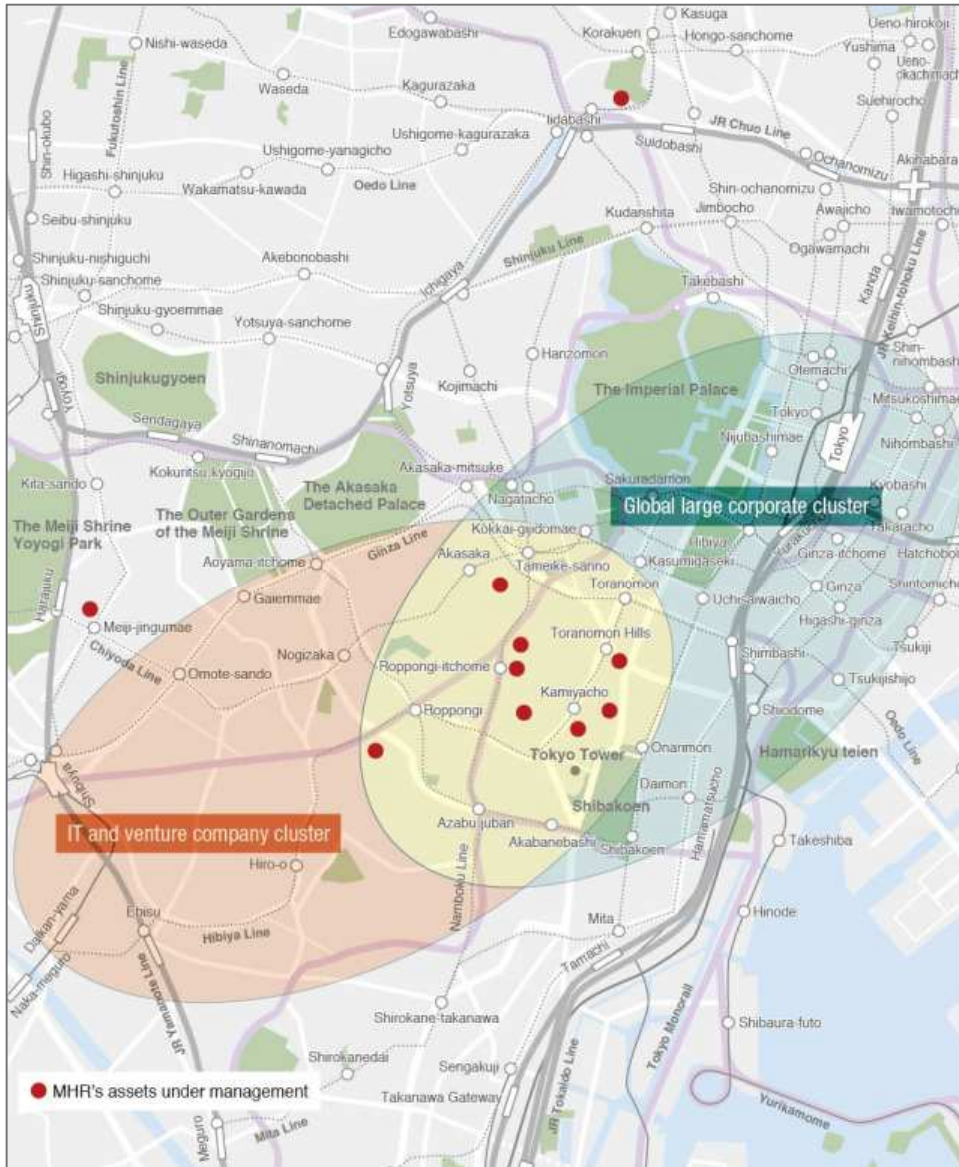
Area	Population in 2020	Estimated population in 2050	Change
3 central wards in Tokyo	496,000	603,000	+21.5%
5 central wards in Tokyo	1,089,000	1,234,000	+13.3%
Tokyo	14,047,000	14,399,000	+2.5%
Osaka	8,837,000	7,263,000	△ 17.8%
Aichi	7,542,000	6,676,000	△ 11.5%
Nationwide	126,146,000	104,686,000	△ 17.0%

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

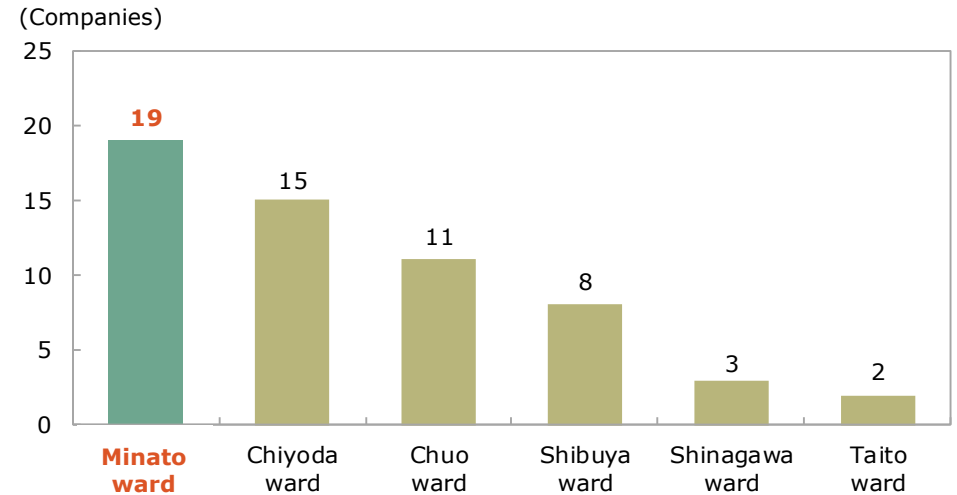


2-9 (1) Location

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



Head office location of IPO companies (2023)



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

IT firms located in Minato ward

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

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

2-10 (2) Quality of assets

Premium Properties (Excellent comfort and safety with extensive facilities)

Strong demand for headquarter offices

<Overview and facilities of representative properties>

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

(Source) Prepared by the Asset Manager based on disclosed materials as of July 31, 2024.
 (Note 1) Describes the outline of the entire areas and facilities including properties owned by MHR.
 (Note 2) "Connected" under the "Access from the nearest station" describes the possible direct connection by concourse etc.



Superior environmental performance



Highest quality among all J-REITs

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

CASBEE for Real Estate: Rank S



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

CASBEE for Real Estate : Rank A



Akasaka Tameike Tower

DBJ Green Building Certification: Four stars



ARK Hills South Tower

Excellent earthquake resistance performance

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

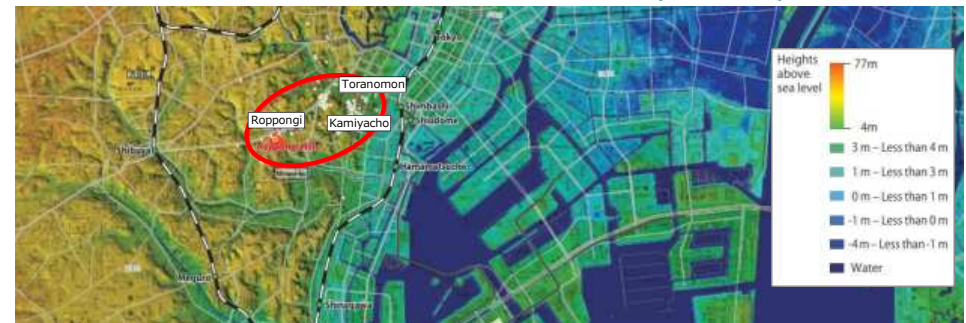
Property name	Level above the new earthquake resistance standard ^(Note)	PML
Roppongi Hills Mori Tower	◎	0.59%
ARK Mori Building	◎	0.78%
Koraku Mori Building	◎	0.73%
ARK Hills South Tower	◎	1.56%
Toranomon Hills Mori Tower	◎	0.50%
Holland Hills Mori Tower	◎	0.85%
Akasaka Tameike Tower	◎	1.79%
Atago Green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

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

Firm ground

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

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



(Source) Geographical Survey Institute

○ Area where the properties owned by MHR are located

Ecological Networks

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



Mohri Garden (Roppongi Hills)



Japanese tit (Roppongi Hills)



Roppongi Sakurazaka (Roppongi Hills)



Slope green area (ARK Hills South Tower)



Rhyothemis fuliginosa dragonfly (Toranomon Hills)



Oval Plaza (Toranomon Hills)



Along Atagoshita Avenue (Atago Green Hills)



Suntory Hall rooftop (ARK Hills)

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

2-13 (3) Value creation

Developments around MHR's properties (Toranomon Hills area)



©The Boundary



Toranomon Hills Station Tower (Completed July 2023)



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

- Toranomon Hills Station Tower is a 49-story, approximately 266-meter super-high-rise tower with world-class offices on approx. 3,306m² floor plates, retail facilities that support the lives of global leaders, and hotels that are making their Tokyo debut.
- TOKYO NODE, an interactive communication base with halls, galleries, an infinity pool, restaurants, and other facilities, is on the top floors.
- A large 20-meter-wide pedestrian deck has been constructed above Sakurada Avenue. Toranomon Hills' transport hub functions have been greatly enhanced by strengthening and expanding the multi-layered transportation network at the ground, underground, and deck levels.

Toranomon Hills Business Tower (Completed January 2020)



©Mariko Mori◀Cycloid V▶

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

- Business Tower is a 36-story office tower, featuring international-standard, large-scale office space of approximately 96,000m², and retail facility area of approximately 7,600m².
- On the 4th floor is a large membership-based incubation center "ARCH," which was established especially to support large enterprises' internal business restructuring and new business creation. It boasts around 3,800m² of office work space and has become a base for Japan's unique innovation ecosystem.
- From the first basement floor to the 3rd floor, commercial spaces with a total of 58 restaurants and stores support global lifestyles. The 3rd floor houses Toranomon Yokocho, a landmark dining facility featuring offerings from famous stores from all over Tokyo.

Obtained WELL Core and LEED ND certification

Japan's first Platinum WELL Core, the highest rank

- Azabudai Hills Mori JP Tower and Toranomon Hills Station Tower have become the first properties in Japan to receive a WELL Core Platinum certification, the highest rating of the WELL Core, for the common areas of their office and commercial spaces of the US IWBI's WELL (Note 1) building standard.



- Toranomon Hills and Azabudai Hills have obtained preliminary certification for the top rank of Platinum of the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED) (Note 2) certification in the Neighborhood Development (ND) category. Even on a global scale, it is rare for a city-center mixed-use development to obtain the rank of Platinum.



Oval Plaza at Toranomon Hills Mori Tower



Azabudai Hills made green

(Note 1) WELL is the world's first building standard established by the US-based IWBI (International WELL Building Institute) that focuses on how the built environment affects human health and wellness.

(Note 2) LEED is one of the world's most widespread environmental evaluation systems for buildings, evaluating building and neighborhood environmental performance through efficient water and energy usage, interior environments, sustainable material use, etc. LEED was developed by the U.S. Green Building Council.

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



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

- Embracing the core concept of "Modern Urban Village", Azabudai Hills is becoming a "Green & Wellness" community, where people live harmoniously with nature and lead healthy and fulfilling lives. It covers an area of approx. 8.1 ha and features extensive landscaping totaling approx. 2.4 ha including an approx. 6,000m² central square.

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

- Large central square of approx. 6,000m² is set in the center of the city and various city functions such as offices, residences, hotel, an international school, retail facilities and cultural facilities will be tightly integrated.
- Total floor area will be approx. 861,700m², with approx. 214,500m² of office space, approx. 1,400 residential units. Approx. 20,000 office workers and approx. 30 million people per year are expected to visit.
- Mori JP Tower soars 64 stories and approx. 330m in height. Offices in Mori JP Tower, the Residence B and the Garden Plaza B encourage free and creative work.



Creating community and innovation through Area Management by sponsor

Toranomon Hills Area



ARCH Toranomon Hills
(Toranomon Hills Business Tower)

Incubation center specialized in supporting large enterprises' business creation

"ARCH Toranomon Hills," Incubation Center specializes in supporting large enterprises' business creation. 900 members from 120 companies leading Japanese industries gather in the 3,800m² work space to achieve Japan's unique innovation model.



Hills Breakfast
(Toranomon Hills Station Tower, etc.)

Morning talk event Hills Breakfast

"Hills Breakfast" is a morning talk event held in the Hills once a month. People from a variety of fields, such as art, social contribution, and technology, talk about their thoughts and ideas. This event has been established as an opportunity for expression among office workers and gives participants a chance to connect with each other beyond their respective fields.

Roppongi Hills Area



(c) 2020 CIC Tokyo

CIC Tokyo
(Toranomon Hills Business Tower)

CIC Tokyo, an innovation community developed in the U.S.

This is the first innovation center in Asia provided by CIC, which operates large-scale start-up hubs in eight cities worldwide. More than 300 startups and local governments gather to aim for creating innovation involving many stakeholders.



(c) Roppongi Art Night Execution Committee

Roppongi Art Night
(Roppongi Hills Arena)

Art Festival representing Tokyo

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

Creating community and innovation through Area Management by sponsor

ARK Hills Area



Hills Marche
(ARK Karajan Place)

Pioneer of urban markets: Hills Marche

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



GREEN WORKSHOP
(ARK Garden)

ARK Hills Kids Community

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



ARK Hills Music Week
(ARK Karajan Place)

Close experience of high-quality music

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



Tokyo Venture Capital Hub
(Azabudai Hills Garden Plaza B)

Large-scale hub for venture capitalists

"Tokyo Venture Capital Hub" is the first large-scale venture capital (VC) hub in Japan where about 100 independent and corporate VC firms from Japan and abroad gather. This new VC cluster will supply risk-money indispensable for the growth of startups, helping to revitalize the Japanese economy.

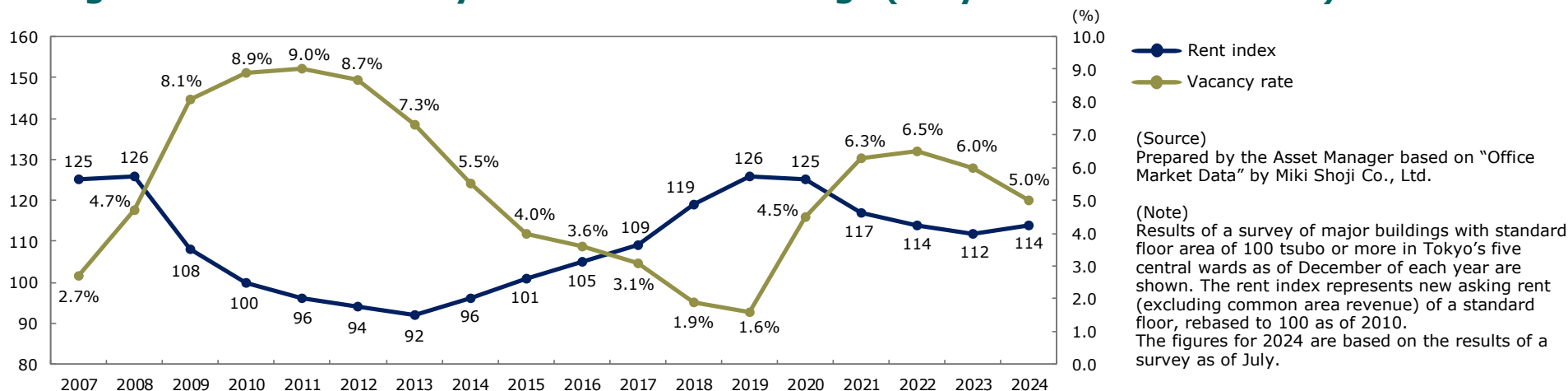
Azabudai Hills Area

2-18 External growth

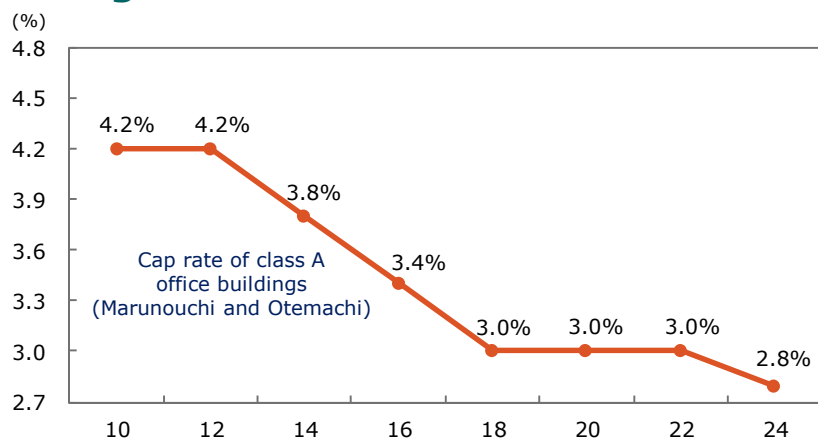
Aim to continuously increase DPU and NAV per unit through external growth that focuses on premium properties in central Tokyo

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

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



Change in return on real estate investment



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

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

Mori Building's extensive property pipeline

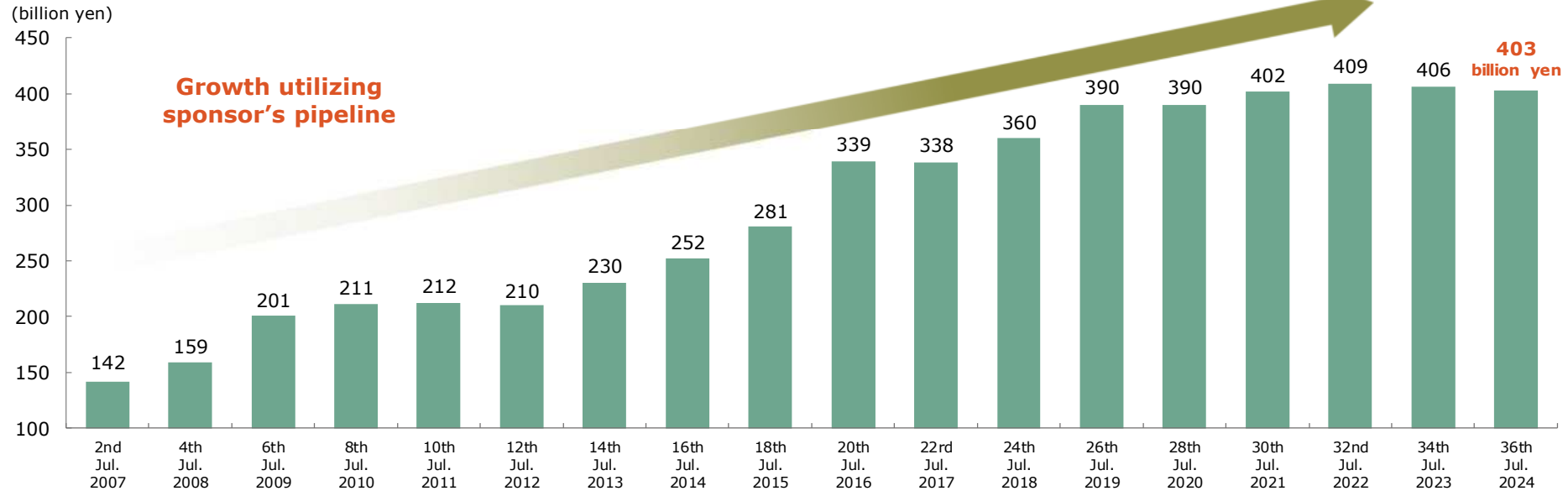
Total assets:
2.8 trillion yen
(as of the end of March, 2024)

Number of properties under management: **103 buildings**
(as of April, 2024)

MHR has "preferential negotiation rights"

2-19 External growth

Trend in assets under management (based on acquisition price)



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

Toranomon Hills Mori Tower

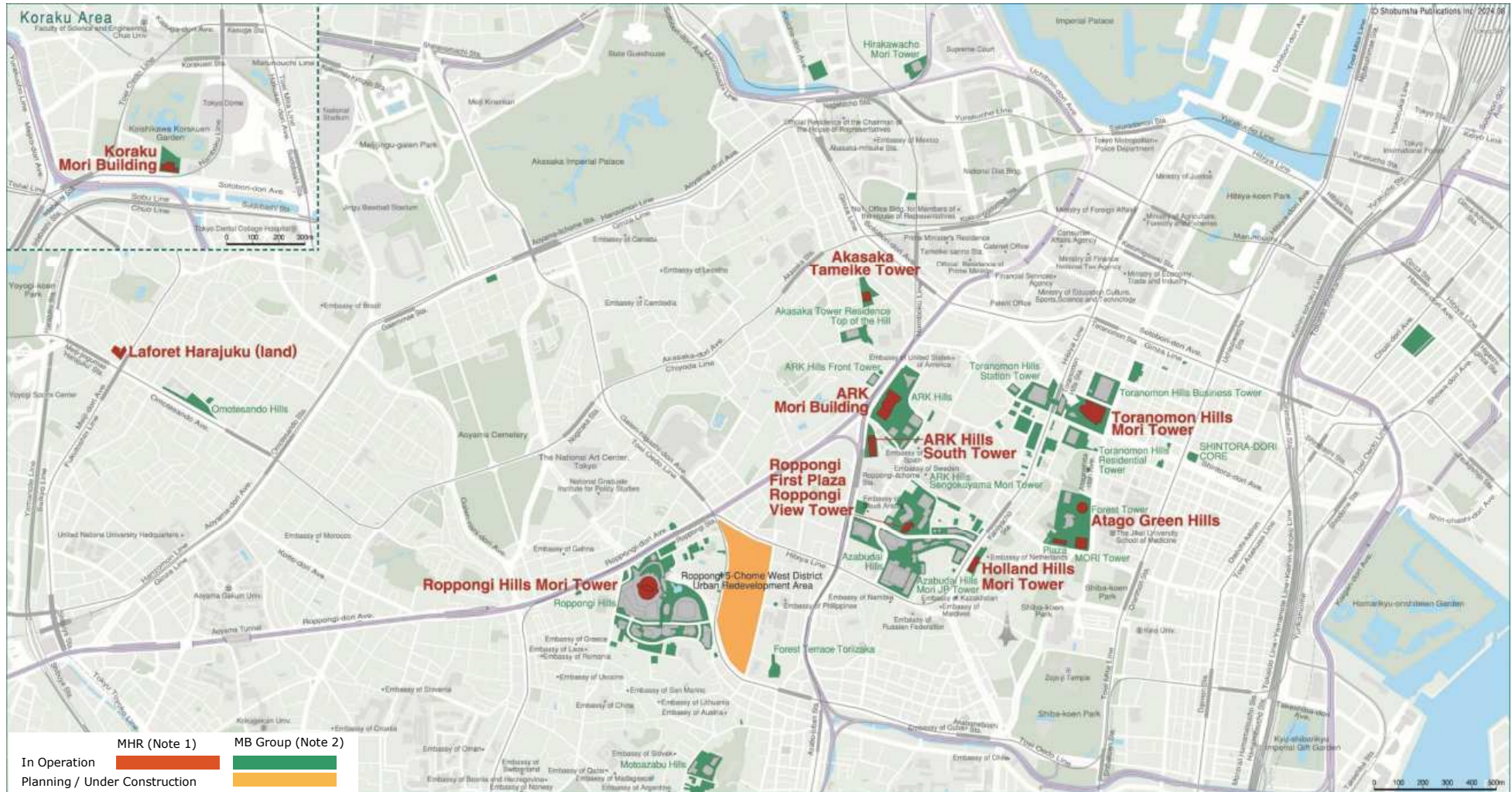


Acquisition price	7,870 million yen
Appraisal value	9,856 million yen
Location	Minato-ku, Tokyo

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

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

Mori Building Group's involvement



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

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

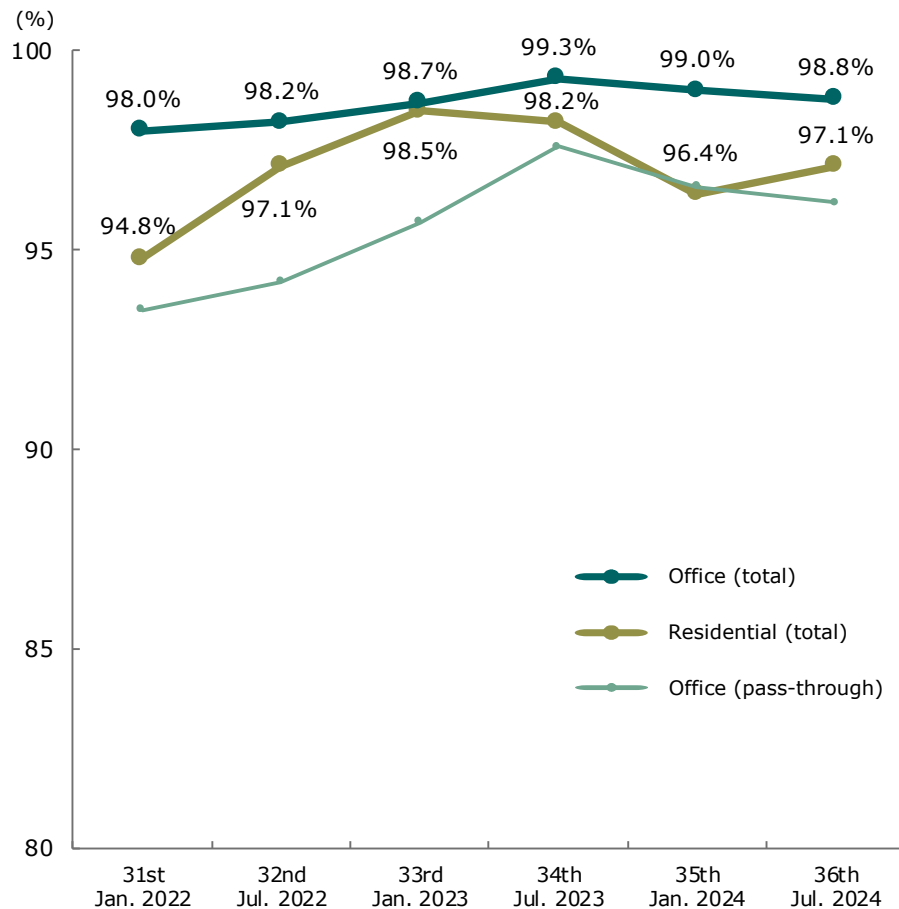
(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

2-21 Internal growth

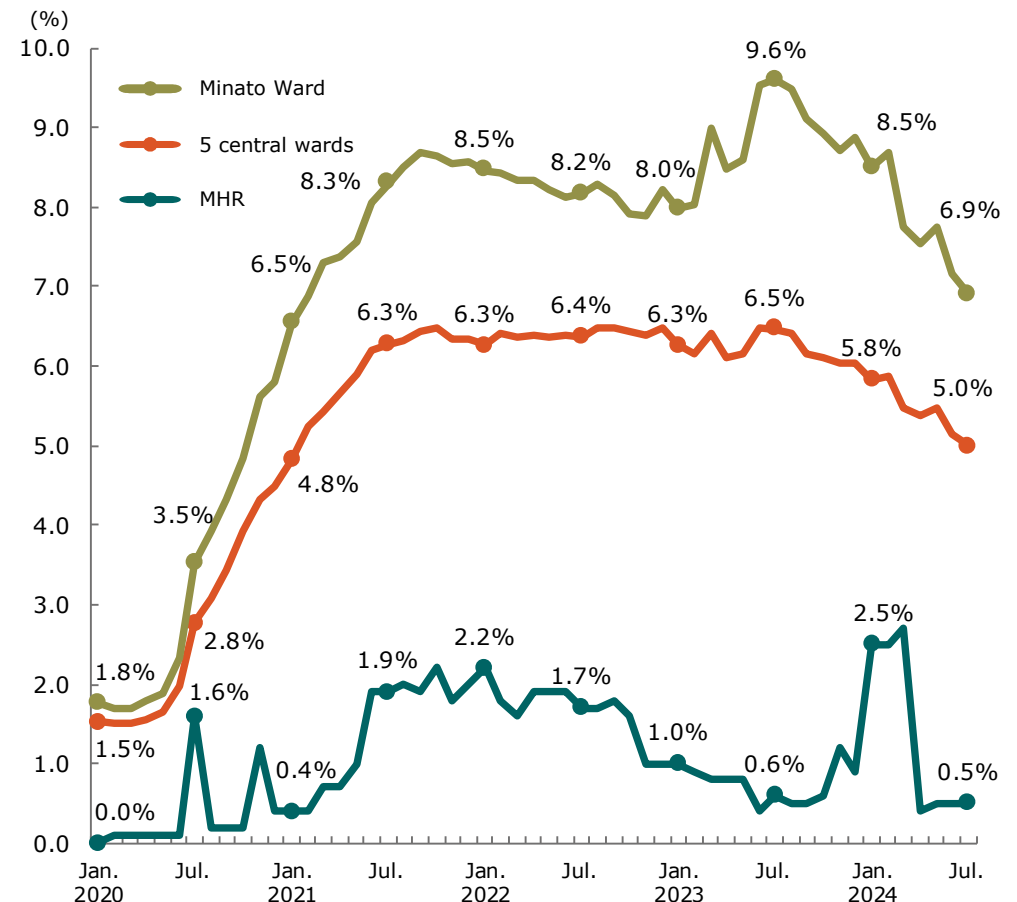
Portfolio consisting of premium properties in central Tokyo maintained high occupancy rate

- Office vacancy rates in the five central wards, including Minato Ward, are improving, a high occupancy rate was maintained due to the excellent location and quality of MHR's properties.
- In January 2024 a large cancellation occurred in pass-through-type offices, and the refilling is completed.

Trend in occupancy rates



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

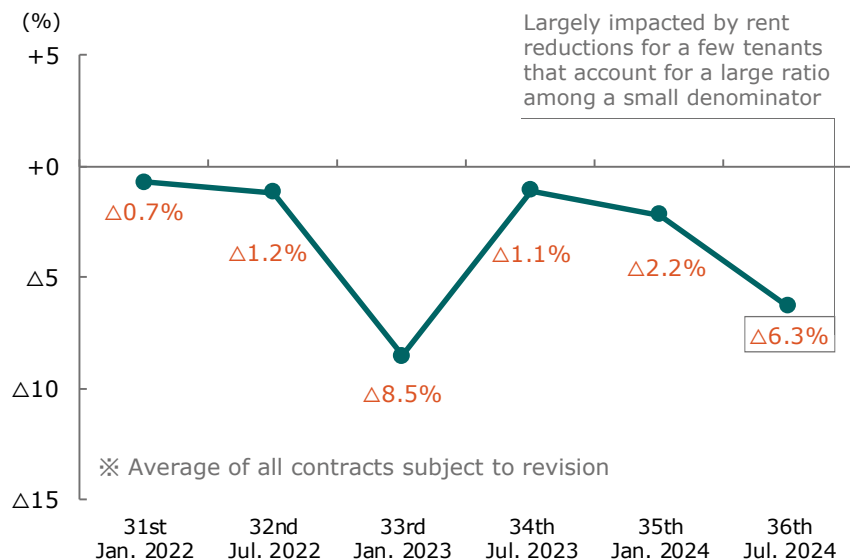


(Source) Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.
 (Note) Figures of "Mori Hills REIT" are the total figures for the office sections of all owned properties.

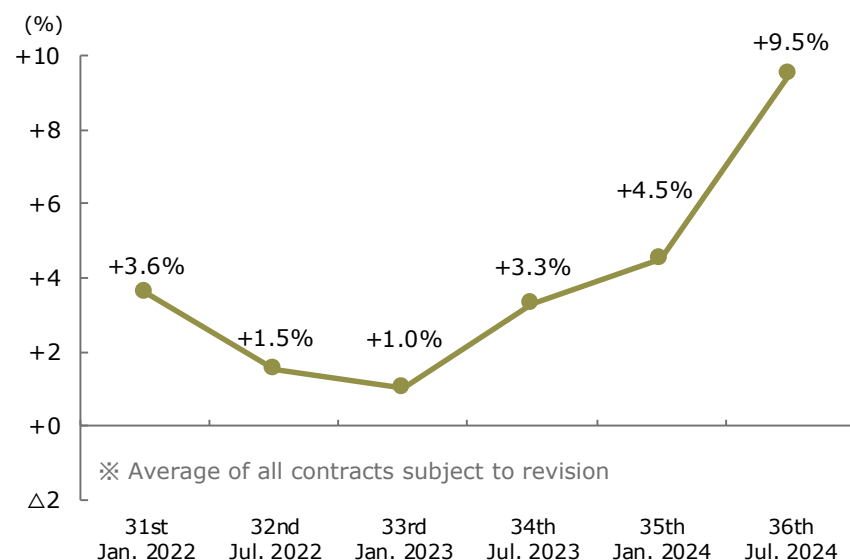
2-22 Internal growth

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

Rent revision rate (Office)



Rent revision rate (Residential)



Result of rent revision

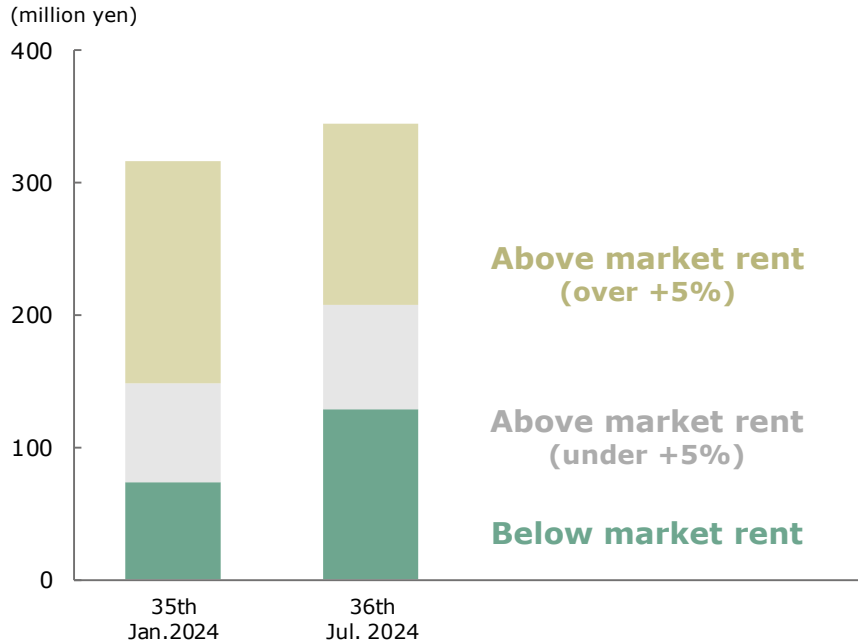
	Office		Residential	
	35th Jan. 2024	36th Jul. 2024	35th Jan. 2024	36th Jul. 2024
Floor area of contract revision	3,272.65㎡	3,478.53㎡	1,705.10㎡	1,699.54㎡
Rate of total leasable floor area (Pass-through type)	7.3%	7.7%	10.2%	10.1%
Amount of rent increase/decrease (Monthly rent basis)	△577 thousand yen	△1,775 thousand yen	+376 thousand yen	+785 thousand yen
Rent revision rate	△2.2%	△6.3%	+4.5%	+9.5%

Result of tenant replacement

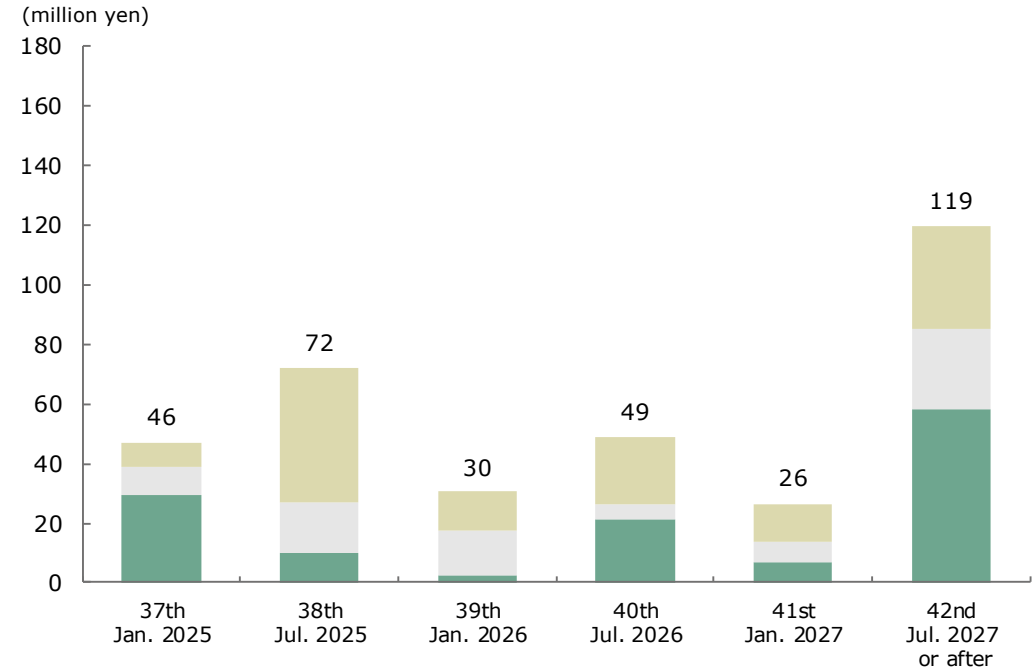
	Office		Residential	
	35th Jan. 2024	36th Jul. 2024	35th Jan. 2024	36th Jul. 2024
Floor area of tenants moving in	1,125.90㎡	5,585.81㎡	1,305.28㎡	1,633.58㎡
Rate of total leasable floor area (Pass-through type)	2.5%	12.4%	7.8%	9.7%
Floor area of tenants moving out	3,926.71㎡	2,369.96㎡	1,601.36㎡	1,414.62㎡
Rate of total leasable floor area (Pass-through type)	8.8%	5.3%	9.5%	8.4%
Amount of rent increase/decrease (Monthly rent basis)	△421 thousand yen	△6,473 thousand yen	+1,224 thousand yen	+1,359 thousand yen
Rent increase/decrease rate	△3.9%	△12.9%	+17.7%	+14.8%

Comparison with office market rent (pass-through type)

Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap



- The rent gap narrowed significantly due to the progress of revisions and replacements.
- Despite a large cancellation in the 35th period, complete refilling occurred, and rents are expected to gradually stabilize.

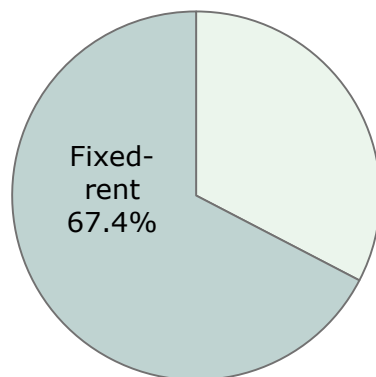
(Note 1) Market rent is based on the report by CBRE K.K.

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

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

Overview of fixed rent master lease

Ratio of fixed rent master lease



Realize stable cash flow

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

- Display a defensive posture to the temporary uptick in vacancy

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

Monthly rent by contract expiration

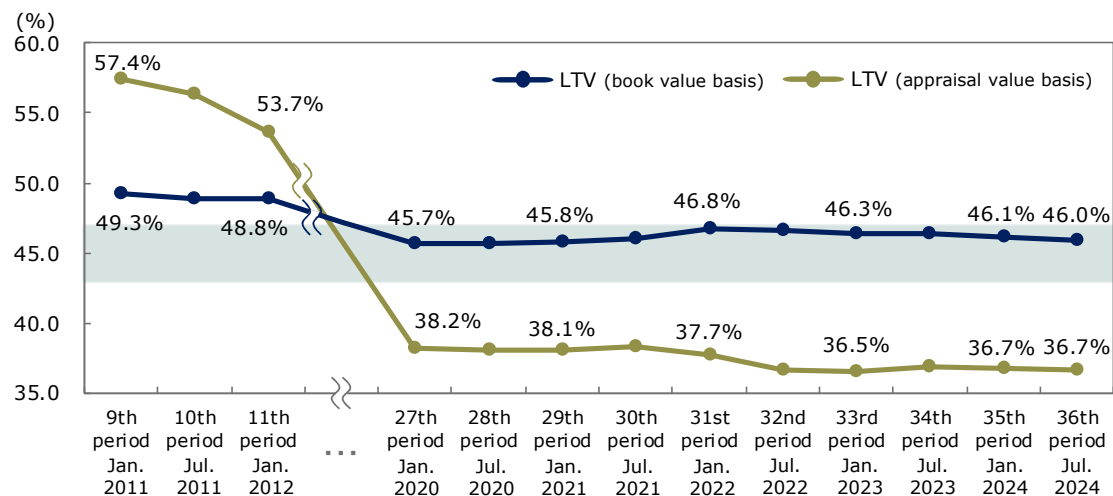
Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (m ²)	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2025	2026	2027	2028 or after	
Roppongi Hills Mori Tower (10 floors)	475.2	29.9%	23rd & 24th	8,993.45	MHR	—	99.2	—	—	Jul. 2026
			19th & 22nd	8,609.47		—	—	—	95.0	Sep. 2028
			20th	3,879.19		—	—	—	42.8	Jul. 2029
			28th	4,460.13		49.2	—	—	—	Sep. 2025
			25th	4,156.66		—	45.8	—	—	Jan. 2026
			26th, 27th & 29th	12,942.64		—	142.9	—	—	Mar. 2026
ARK Mori Building (8 floors + DHC)	225.2	14.2%	13th/12th & 22nd	7,952.55	MHR	—	77.9	—	—	Jan. 2026
			23rd & 25th	5,742.95		—	55.5	—	—	Jan. 2026
			4th, 15th & 24th	7,680.52		—	73.8	—	—	Jan. 2026
			DHC	3,212.41	Master lessee	—	—	—	17.9	Mar. 2028
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.6%	Office, residential & retail	29,667.58	Master lessee	—	—	168.7	—	Apr. 2027
Toranomon Hills Mori Tower (approx. 10.8% of entire property)	201.6	12.7%	Part of 28th to 35th floors	19,046.16	MHR	—	—	201.6	—	Jul. 2027
Total	1,070.8	67.4%				49.2 (4.6%)	495.3 (46.3%)	370.3 (34.6%)	155.8 (14.6%)	

2-25 Financial management

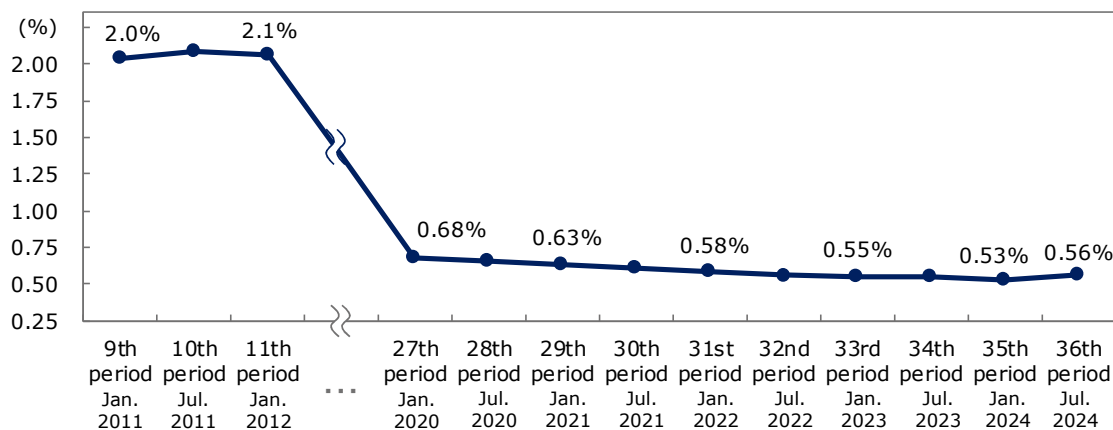
Maintaining a strong financial structure with a credit rating (JCR) of AA (stable), and LTV (appraisal-value basis) of 36.7%

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

Reduction in LTV



Reduction in average interest rate (including borrowing expenses)



Overview of debt financing

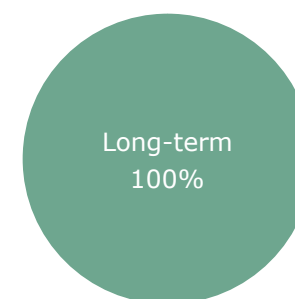
	End of 35th period Jan. 31, 2024	End of 36th period Jul. 31, 2024
Debt Balance	190,422 mn yen	189,922 mn yen
LTV (book value basis) ^(Note 1)	46.1%	46.0%
LTV (appraisal value basis) ^(Note 2)	36.7%	36.7%
Avg. remaining duration	4.0 years	3.8 years
Avg. procured years	8.3 years	8.3 years

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

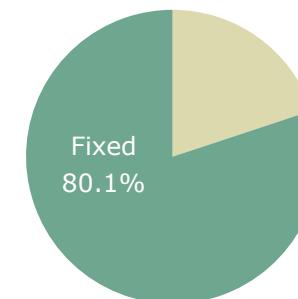
(Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>

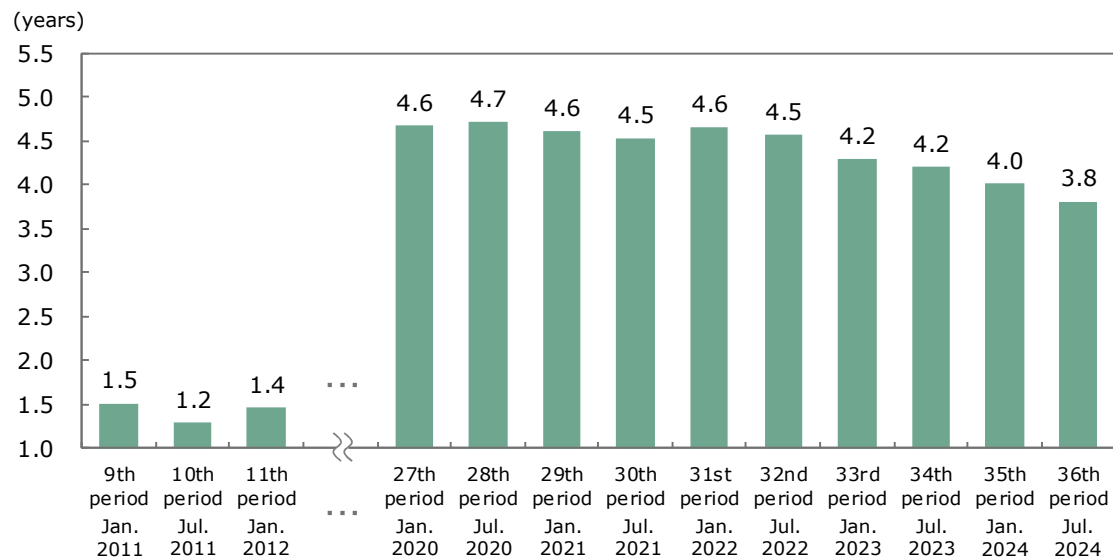


<Fixed rate ratio>



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

Extension in remaining duration of debt

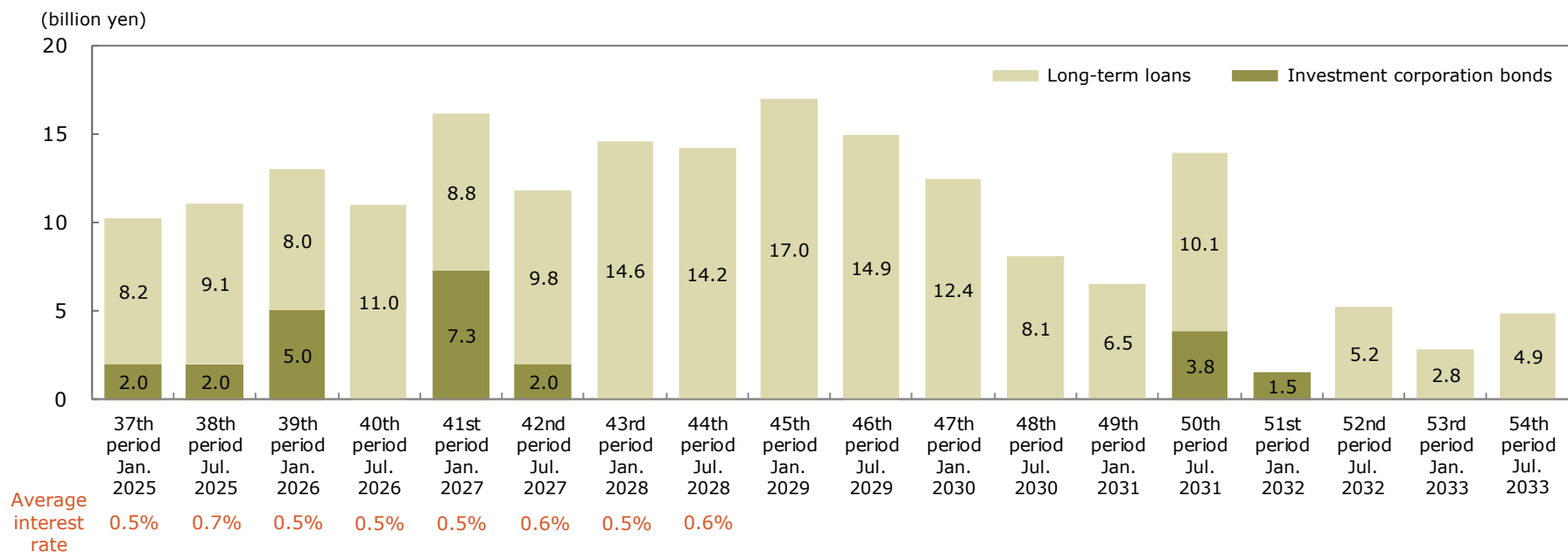


Rating

Japan Credit Rating (JCR)






















Long-term issuer rating:
AA (Stable)

Overview of maturity (as of July 31, 2024)



2-27 Sustainability initiatives

Important ESG Issues (Materiality)

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

2-28 Sustainability initiatives

MSCI ESG

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

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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Integrated Report



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

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

GRESB Assessment

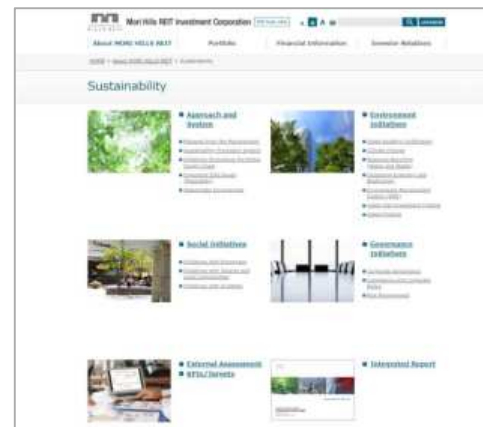


In the 2023 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the twelfth consecutive year, and received a “4 Stars” in the GRESB Rating (Note).

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

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

MHR’s Website



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

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

Information reporting based on TCFD recommendations

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

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



Indicators and Targets

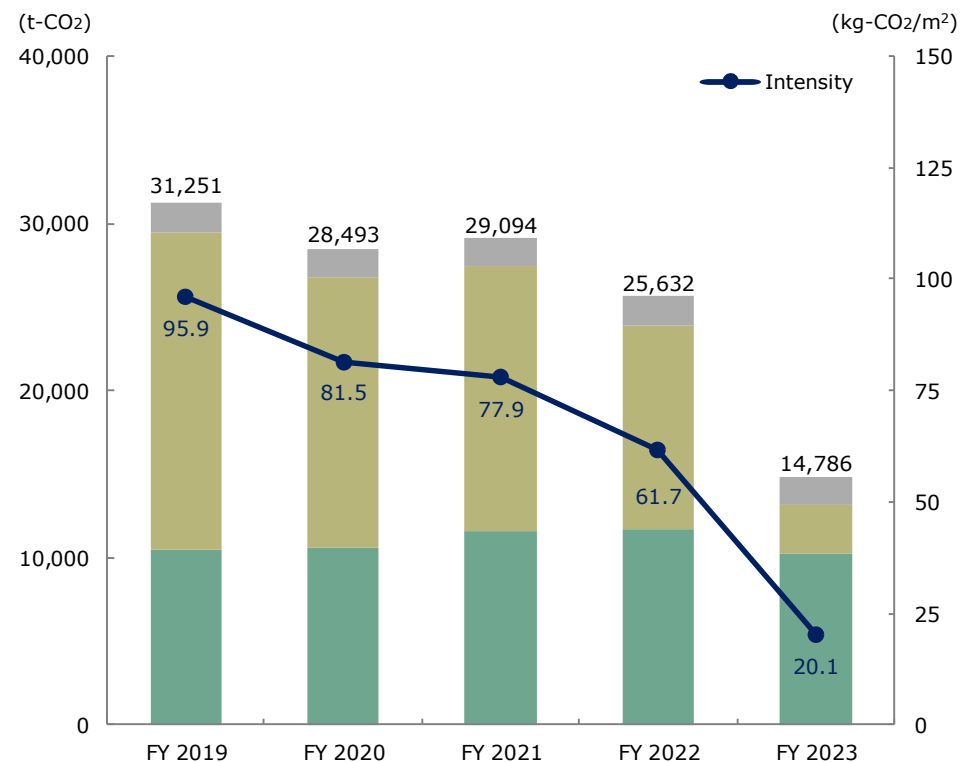
MHR revised its targets in June 2022 to promote further reduction.

We aim to reduce CO2 emissions of MHR and MIM’s offices and properties owned by MHR (total emissions; Scopes 1, 2 and 3) by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050. By switching electricity to renewable energy, emissions have been largely reduced since FY 2023.

<Carbon Dioxide Emission and Intensity>

Medium-term target (FY 2030)	Long-term target (FY 2050)	Performance (FY 2023)
50% reduction (total amount basis: vs FY 2019)	Net-Zero	52.7% reduction (total amount basis: vs FY 2019)

	(Unit:t-CO2)				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Scope 1	1,767	1,718	1,696	1,755	1,667
Scope 2	18,952	16,151	15,770	12,145	2,866
Scope 3	10,531	10,624	11,627	11,732	10,252
Total	31,251	28,493	29,094	25,632	14,786
Verification/Guarantee rate	77.4%	77.7%	78.2%	78.3%	78.3%
Cover rate	87.6%	87.8%	88.0%	88.1%	88.1%



Strategy

Climate-Related Scenario Analysis

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

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

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

<Analysis Result>

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

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

Weather

Generally, stay the same

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



Government

Aggressive climate change policy

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



Investors/lenders

Increased ESG investment/lending

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



MHR

Limited increase in energy-saving investment

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



Clients (tenants)

Focus on energy saving in office selection

- More tenant demand for highly energy-saving properties



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

< Analysis Result >

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

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

Weather

Increase in extreme weather frequency

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



Government

Passive climate change policy

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



Investors/lenders

Increase in importance of physical risk

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



MHR

Limited natural disaster countermeasures/energy-saving investment

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



Clients (tenants)

Focus on disaster response in office selection

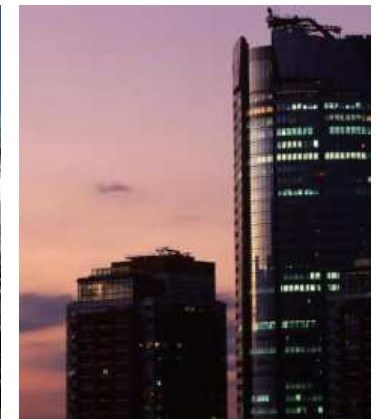
- More tenant demand for highly resilient properties



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



Roppongi Hills Mori Tower



Roppongi Hills

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

Office

Roppongi Hills Mori Tower

Roppongi Hills Mori Tower is the main tower of Roppongi Hills and is 54 floors above ground and 238 meters high and has established itself as a landmark of Tokyo. Offices located from the 8th floor to the 48th floor boast floor plates of approximately 1,360 tsubo (approximately 4,500m²), among the largest floor areas of skyscrapers in Japan. It is a state-of-the-art office building with an ultra high-speed network, outstanding earthquake resistance performance and thorough security.



Residence Roppongi Hills Residence

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



Retail Shops and Restaurants

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



Hotel Grand Hyatt Tokyo

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



Cinema TOHO Cinemas Roppongi Hills

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



Museum Mori Art Museum

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



Stable Supply of Power from Independent Power Station

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

2-34 MHR's representative property (2) Toranomom Hills



Toranomom Hills

Toranomom Hills is located in the "Special Zone for Asian Headquarters" where Tokyo Metropolitan Government seeks to attract foreign companies. This building is Tokyo's new landmark and consists of Japan's first Andaz hotel "Andaz Tokyo", high-specification offices, a high class residential area with outstanding views where hotel services are available, international-standard conference facilities and commercial facilities to supports various urban functions, along with an open space of approximately 6,000m².

Office Toranomom Hills Mori Tower

Offices occupy the 6th to the 35th floors of "Toranomom Hills Mori Tower", a super high rise tower with 52 floors rising 247 meters above ground with a gross floor area of 30,000 tsubo. Standard rent floors' average size are approximately 1,000 tsubo (approximately 3,300m²) with a ceiling height of 2.8 meters and they provide flexible and comfortable workspaces without pillars. Six transit stations and 11 lines are nearby and provide access to Haneda Airport which makes this building an optimal global business base.



©The Boundary



Residence Toranomon Hills Residence

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



Retail Shops and Restaurants

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



Hotel Andaz Tokyo

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



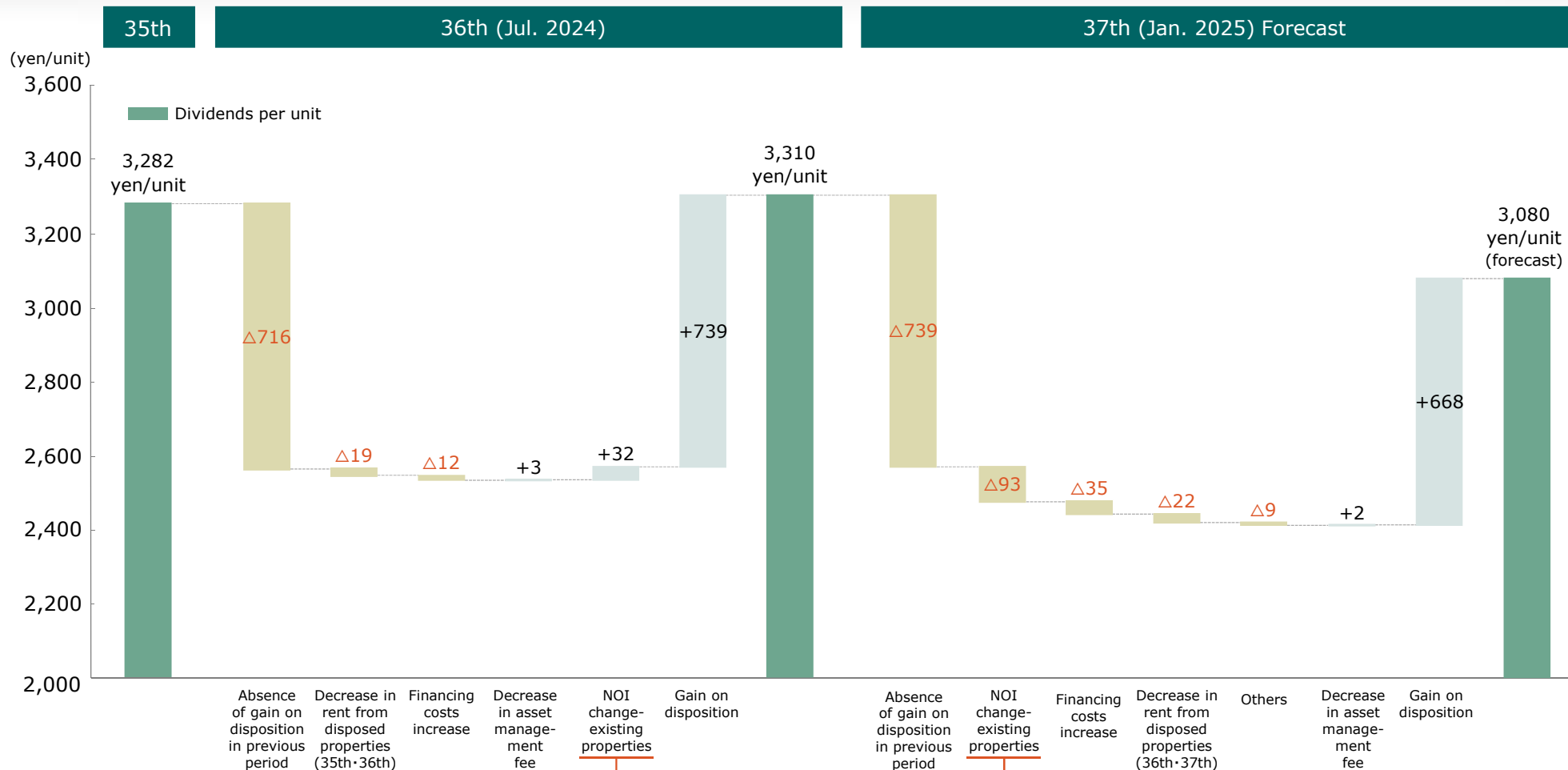
Evolving as an International Urban Center and a Global Business Hub

With the addition of Toranomon Hills Business Tower, Toranomon Hills Residential Tower, and Toranomon Hills Station Tower to Toranomon Hills Mori Tower, Toranomon Hills has expanded to a total area of approximately 7.5 ha and a total floor area of approximately 790,000m². The area continues to evolve into a true "international urban center and a global business hub" with integrated functions such as international-class offices, residences, hotels, retail facilities and transportation infrastructure.

3. Operation highlights



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



Major factors behind change in NOI from existing properties:

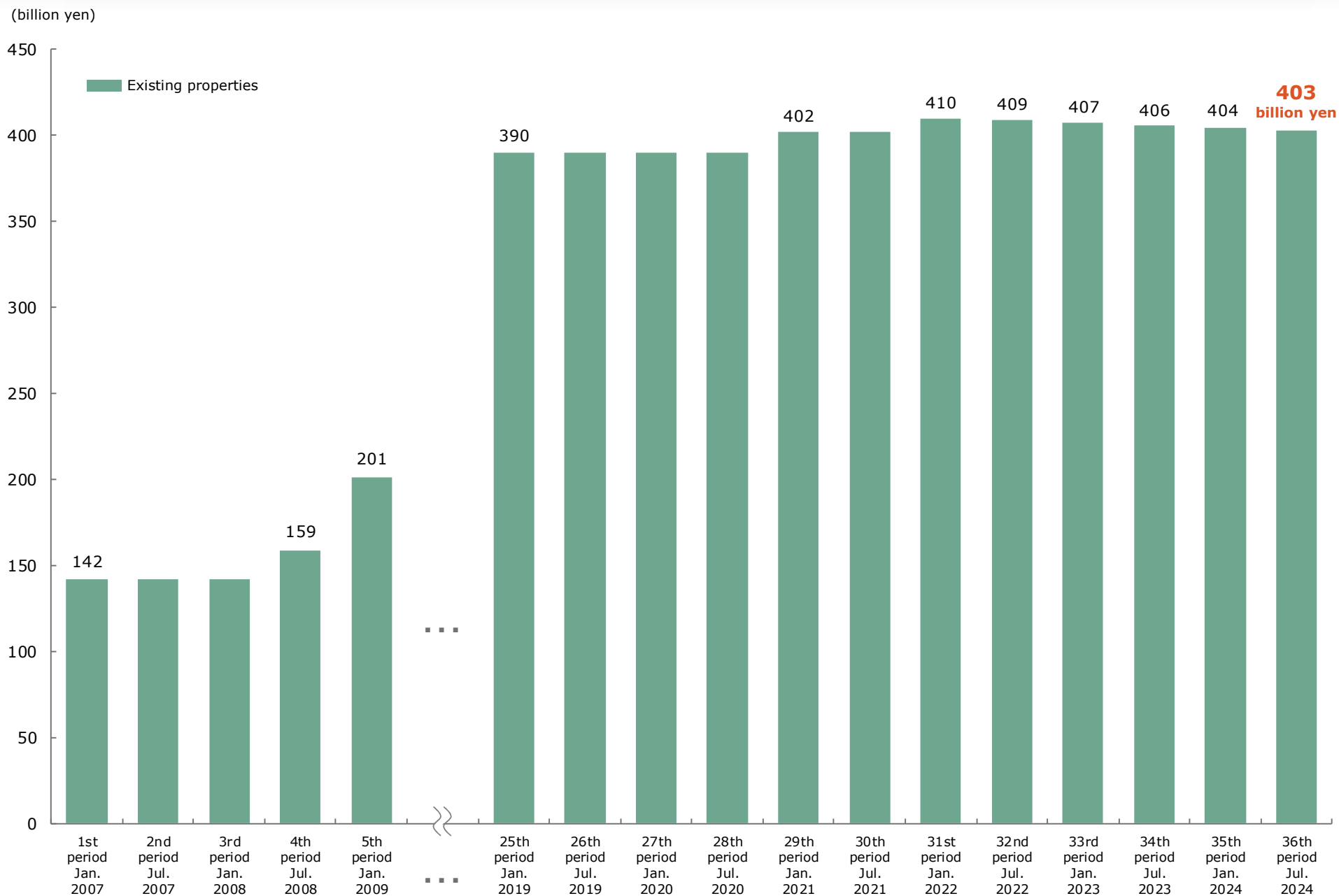
+ Increase in cancellation penalty	+42
+ Decrease in loss on retirement of noncurrent assets	+24
+ Decrease in maintenance and repairs	+23
+ Residential rent (pass-through)	+6
+ Decrease in depreciation	+4
- Office rent (pass-through)	△44
- Increase in property management fee	△13
- Increase in property taxes	△9

Major factors behind change in NOI from existing properties:

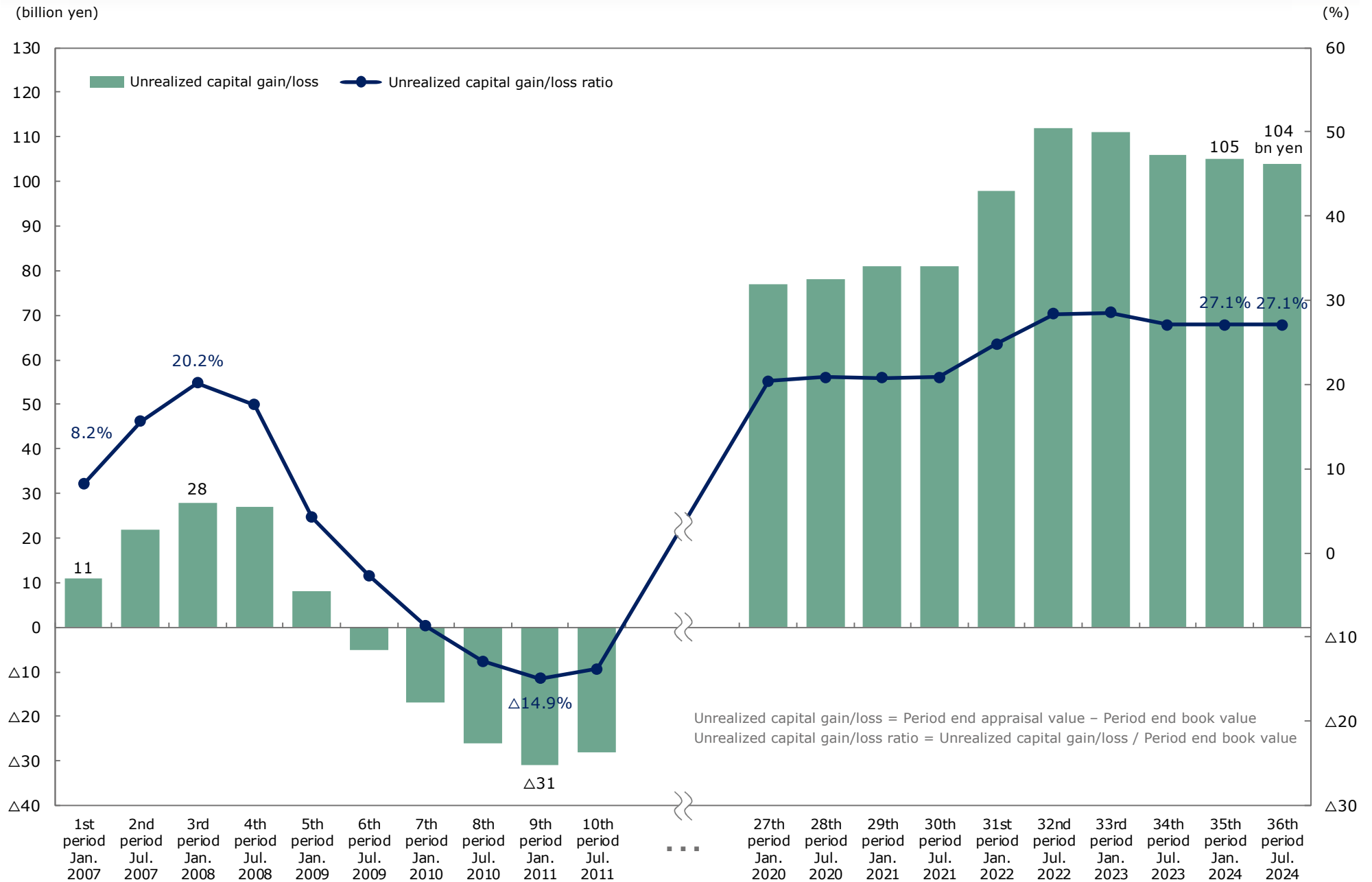
+ Office rent (pass-through)	+35
+ Decrease in property management fee	+12
+ Residential rent (pass-through)	+9
- Decrease in cancellation penalty	△73
- Increase in maintenance and repairs	△66
- Increase in property taxes	△8

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

3-2 Change in assets under management



3-3 Change in unrealized capital gain/loss



3-4 Appraisal value

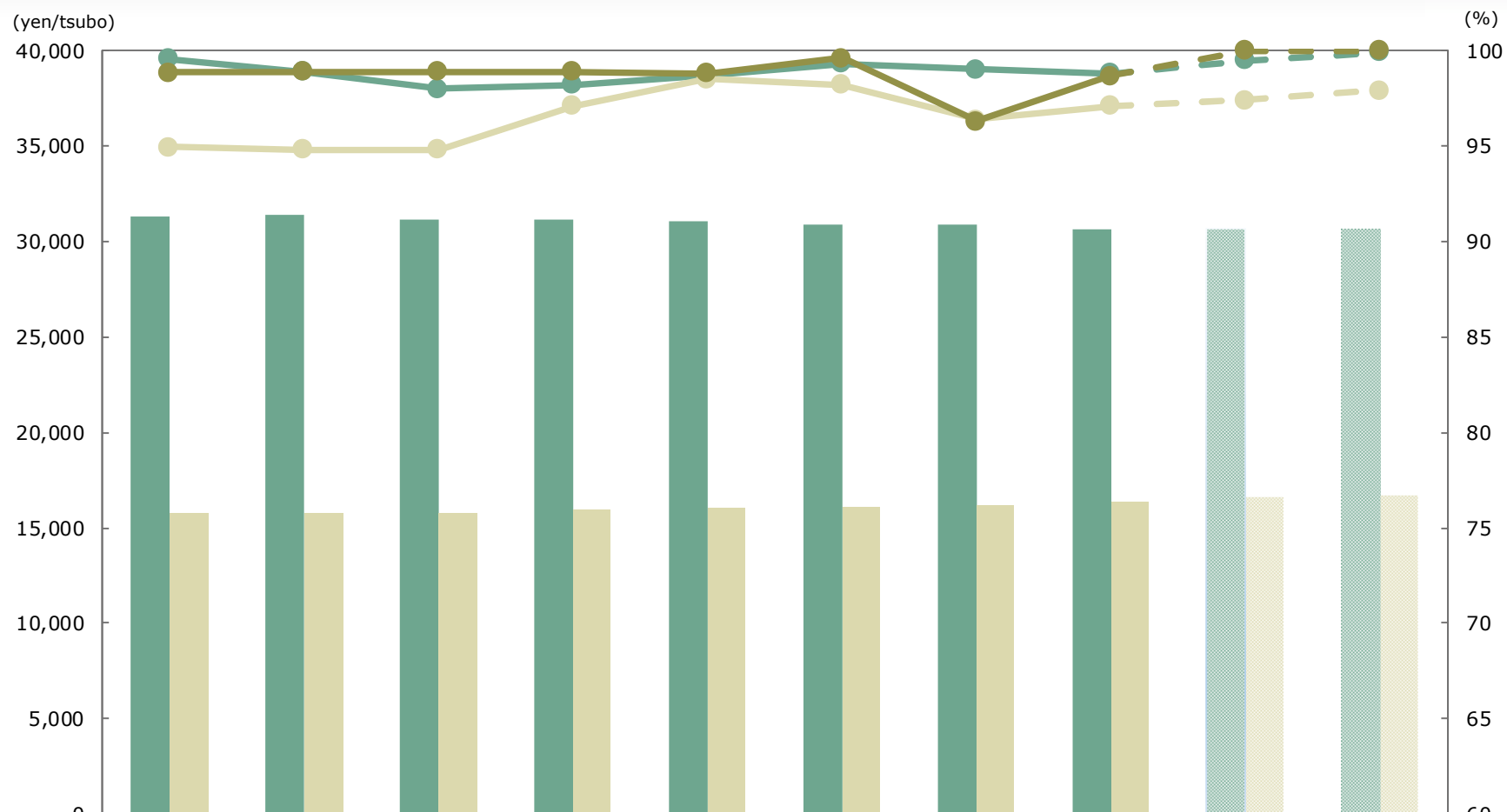
Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 35th period Jan. 31, 2024		As of end of 36th period Jul. 31, 2024				Difference (B) – (A)	Difference (B)/(A) – 1	Unrealized capital gain/loss (B)-book value
					(A) Appraisal value (Note 1)	Yield (Direct capitalization method)	(B) Appraisal value (Note 1)	Yield (Direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	110,207	159,300	2.6%	159,200	2.6%	2.3%	2.7%	△ 100	△ 0.1%	48,992
	ARK Mori Building	O-1	62,480	61,547	67,400	3.0%	67,500	3.0%	2.7%	3.1%	100	0.1%	5,952
	Koraku Mori Building	O-4	27,200	24,449	24,720	3.2%	24,720	3.2%	2.8%	3.5%	0	0.0%	270
	Akasaka Tameike Tower	O-6	43,930	40,900	34,900	3.0%	35,100	3.0%	2.7%	3.1%	200	0.6%	△ 5,800
	Atago Green Hills	O-7	42,090	39,365	46,102	3.2%	46,176	3.2%	2.7%	3.4%	74	0.2%	6,810
	ARK Hills South Tower	O-8	19,150	18,388	24,200	3.0%	23,900	3.0%	2.8%	3.2%	△ 300	△ 1.2%	5,511
	Toranomon Hills Mori Tower	O-9	56,300	54,879	77,142	2.4%	76,674	2.4%	2.1%	2.5%	△ 468	△ 0.6%	21,794
	Holland Hills Mori Tower	O-10	16,330	16,250	22,600	3.0%	22,600	3.0%	2.6%	3.2%	0	0.0%	6,349
Sub total			382,860	365,988	456,364	–	455,870	–	–	–	△ 494	△ 0.1%	89,881
Residential	Roppongi First Plaza	R-3	2,100	2,202	3,020	3.4%	3,210	3.4%	3.2%	3.5%	190	6.3%	1,007
	Roppongi View Tower	R-4	4,000	4,069	3,830	3.5%	3,840	3.5%	3.3%	3.6%	10	0.3%	△ 229
	Sub total			6,100	6,271	6,850	–	7,050	–	–	–	200	2.9%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	14,183	14,348	30,528	3.7%	28,405	–	3.7%	–	△ 2,123	△ 7.0%	14,056
	Sub total			14,183	14,348	30,528	–	28,405	–	–	–	△ 2,123	△ 7.0%
Total			403,143	386,607	493,742	–	491,325	–	–	–	△ 2,417	△ 0.5%	104,717

Reflects the impact of partial disposition (million yen)

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

(Note 2) For Laforet Harajuku (Land), value in the "Yield (Direct capitalization method)" column for the 35th period shows the discount rate used in the DCF analysis.

3-5 Changes in the rent and occupancy rates

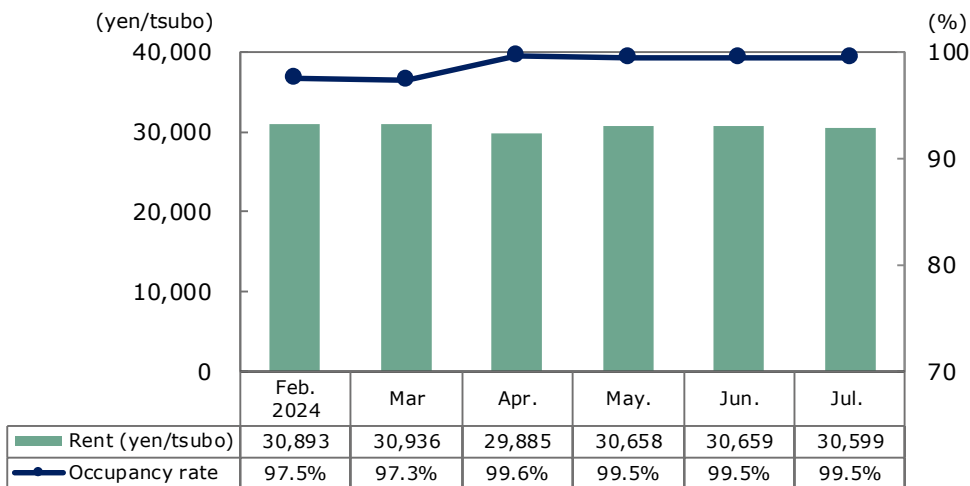


	29th period Jan. 2021 (actual)	30th period Jul. 2021 (actual)	31st period Jan. 2022 (actual)	32nd period Jul. 2022 (actual)	33rd period Jan. 2023 (actual)	34th period Jul. 2023 (actual)	35th period Jan. 2024 (actual)	36th period Jul. 2024 (actual)	37th period Jan. 2025 (forecast)	38th period Jul. 2025 (forecast)
Office rent (yen/txubo)	31,309	31,372	31,135	31,109	31,044	30,922	30,916	30,602	30,638	30,614
Residential rent (yen/txubo)	15,741	15,772	15,807	15,901	16,054	16,092	16,216	16,402	16,619	16,683
Office occupancy	99.6%	98.9%	98.0%	98.2%	98.7%	99.3%	99.0%	98.8%	99.5%	99.9%
Residential occupancy	94.9%	94.8%	94.8%	97.1%	98.5%	98.2%	96.4%	97.1%	97.4%	97.9%
Retail occupancy	98.9%	98.9%	98.9%	98.9%	98.8%	99.6%	96.3%	98.7%	100%	100%

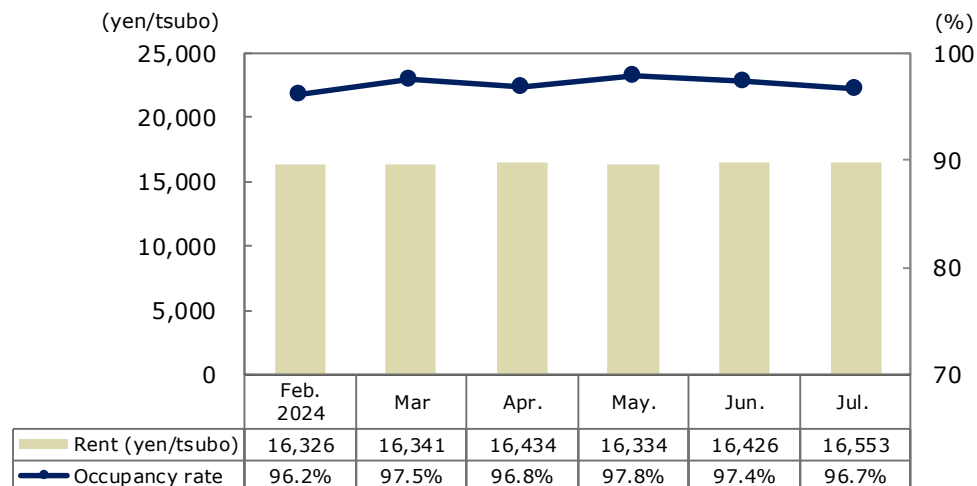
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-6 Tenant status by month and major tenants

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



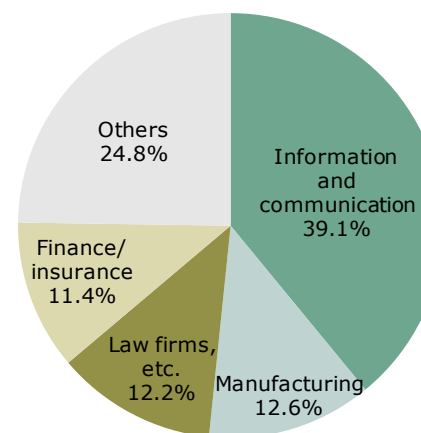
Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Atago Green Hills Toranomom Hills Mori Tower	116,343.71 m ²	65.0%
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,436.90 m ²	1.9%
Company "A"	Holland Hills Mori Tower	2,975.85 m ²	1.7%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m ²	1.0%
SoldOut, Inc.	Koraku Mori Building	1,851.87 m ²	1.0%
Total of top 5 tenants		126,460.20 m ²	70.7%

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

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

Tenant Contribution by Industry Type-Office



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

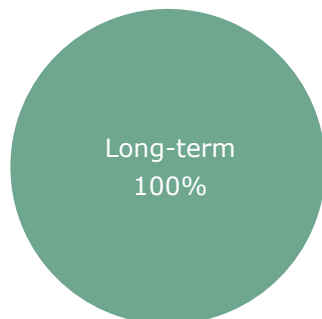
It is multiplied by the relevant percentage of ownership for each property.

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

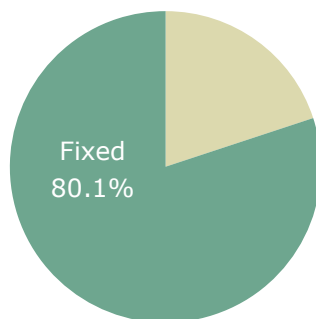
3-7 Financial overview (as of July 31, 2024)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 35th period Jan. 31, 2024	End of 36th period Jul. 31, 2024
Debt balance	190,422 mn yen	189,922 mn yen
Long-term loan	166,822 mn yen	166,322 mn yen
Investment corporation bonds	23,600 mn yen	23,600 mn yen
LTV (Book value basis) ^(Note 1)	46.1%	46.0%
LTV (Appraisal value basis) ^(Note 2)	36.7%	36.7%
DSCR ^(Note 3)	19.6x	18.5x
Avg. remaining duration	4.0 years	3.8 years
Avg. procured years	8.3 years	8.3 years
Weighted avg. interest rate	0.42%	0.48%

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

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

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

Outstanding balances

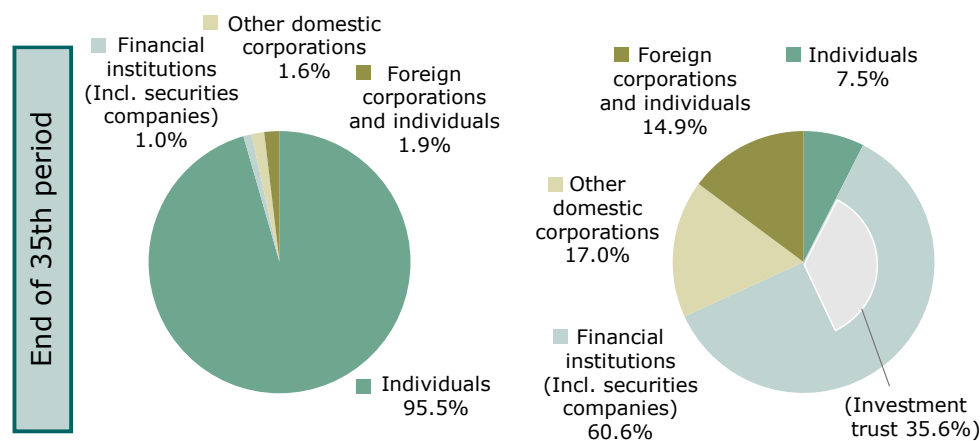
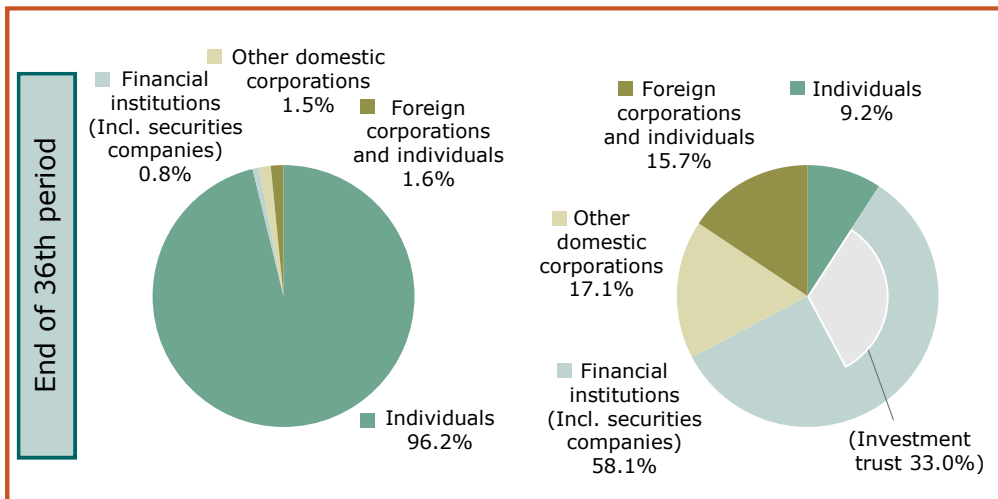
Lenders	Balance	Ratio
MUFG Bank, Ltd.	37,137 mn yen	22.3%
Mizuho Bank, Ltd.	28,043 mn yen	16.9%
Sumitomo Mitsui Banking Corporation	23,717 mn yen	14.3%
Sumitomo Mitsui Trust Bank, Limited	19,145 mn yen	11.5%
The Bank of Fukuoka	8,800 mn yen	5.3%
The Norinchukin Bank	7,500 mn yen	4.5%
Resona Bank, Limited.	7,430 mn yen	4.5%
SBI Shinsei Bank, Limited	6,200 mn yen	3.7%
Development Bank of Japan Inc.	5,950 mn yen	3.6%
Mizuho Trust & Banking Co., Ltd.	4,800 mn yen	2.9%
The Nishi-Nippon City Bank, Ltd.	4,000 mn yen	2.4%
Shinkin Central Bank	2,600 mn yen	1.6%
The Chugoku Bank, Limited.	2,500 mn yen	1.5%
Aozora Bank, Ltd.	2,000 mn yen	1.2%
Mitsubishi UFJ Trust and Banking Corporation (Trust account)	1,500 mn yen	0.9%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.6%
THE OITA BANK, LTD.	1,000 mn yen	0.6%
Nippon Life Insurance Company	1,000 mn yen	0.6%
Mitsui Sumitomo Insurance Company, Limited	1,000 mn yen	0.6%
The Bank of Yokohama, Ltd.	1,000 mn yen	0.6%
Total borrowings	166,322 mn yen	100%
Investment corporation bonds	23,600 mn yen	
Total interest-bearing debt	189,922 mn yen	

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

Unitholders breakdown

<Number of unitholders>

<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Custody Bank of Japan, Ltd. (Trust account)	475,278	24.8%
2	Mori Building Co., Ltd.	287,472	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	255,123	13.3%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	79,490	4.1%
5	THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	31,458	1.6%
6	STATE STREET BANK WEST CLIENT - TREATY 505234	26,238	1.4%
7	LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	24,194	1.3%
8	JP MORGAN CHASE BANK 385771	22,357	1.2%
9	Custody Bank of Japan, Ltd. (Money trust taxable account)	21,868	1.1%
10	The Shinkumi Federation Bank	17,926	0.9%
Total of top 10 unitholders		1,241,404	64.8%

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



4-1 Business environment recognition

Real estate market / Lending attitude

- Vacancy rates in central Tokyo offices buildings are improving, and rents also remained stable.
(“Office Market Data” by Miki Shoji Co., Ltd. for Tokyo’s five central wards)
 - ⇒ Vacancy rate: 6.5% (July 2023) → 5.0% (July 2024)
 - ⇒ Rent index: 113 (July 2023) → 114 (July 2024)
- Cap rates have remained at historically low levels.
(Japan Real Estate Institute’s “The Japanese Real Estate Investor Survey”)
 - ⇒ Class A buildings in Marunouchi
Cap rate: 2.8% (October 2023) → 2.8% (April 2024)
- Lending attitude toward the real estate industry has temporarily weakened but remains strong.

Interest rate trends / Macro environment

- Although long-term interest rates rose due to the change in the monetary policy of the Bank of Japan, they are currently within expectations, and there is limited impact on real estate prices and investment unit prices.
 - ⇒ 10-year bond rates: 1.055% (July 31, 2024)
 - ⇒ Core CPI: +2.6% (June 2024)
- In the June 2024 preliminary business conditions composite index, the leading index was at 108.6 (decreased 2.6 PT from previous month) and the coincident index was at 113.7 (decreased 3.4 PT from previous month).
Business sentiment continues to improve.
- Awareness of ESG issues among companies has increased, with steady progress in pursuing ESG initiatives.

- In the rental office market, vacancy rates are improving against the backdrop of steady corporate performance. Moderate recovery is expected to continue, and rents to remain stable.
- Premium properties in central Tokyo have maintained high occupancy rates and are expected to demonstrate competitive advantages in the future.

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

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

MHR's Medium- to Long-Term Vision

The best portfolio quality

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

The highest ESG assessment

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

Dividend-driven management

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

Optimal REIT investment

4-3 MHR's policy/strategy

External growth policy

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

Internal growth policy

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

Financial management policy

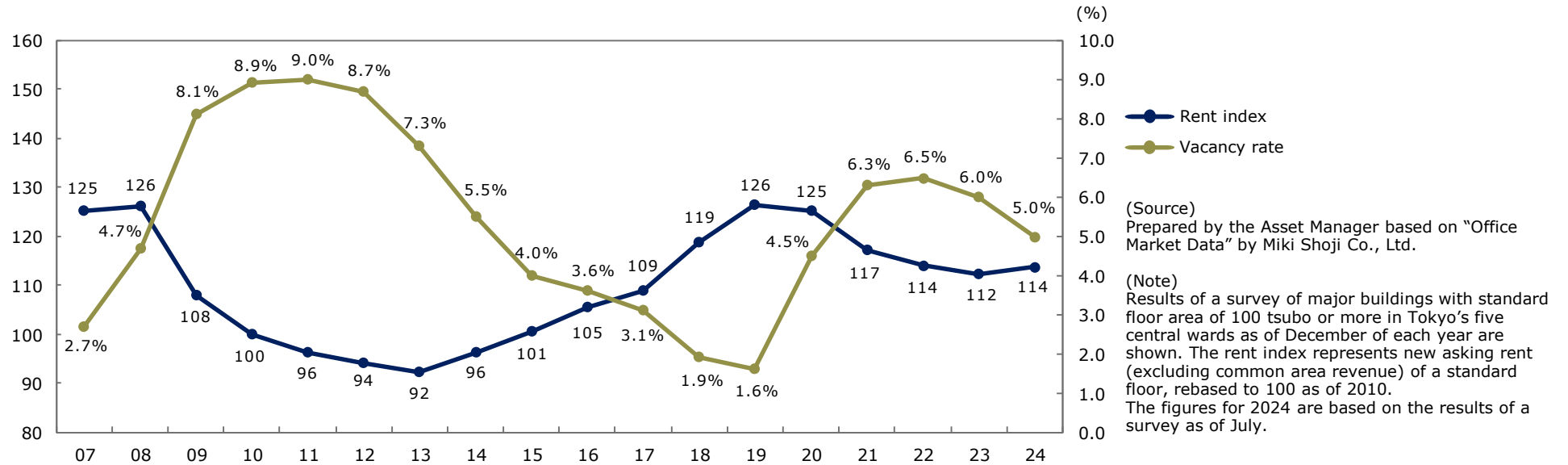
- Set the current LTV level (book value: in the mid-40% range; appraisal value: in the upper 30% range) as the target in order to maintain a durable position for times of economic slowdown, and target average remaining duration of debt at approximately 4.0 years or longer.
- Anticipate interest rate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

ESG policy

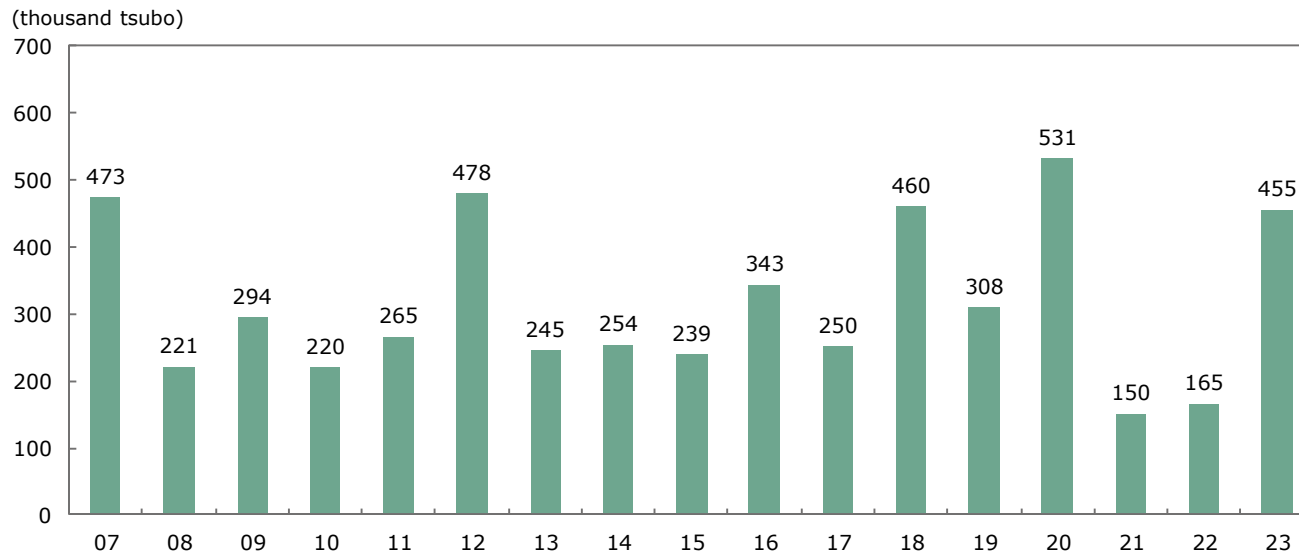
- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Regularly publish integrated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

4-4 Market-related information (1)

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



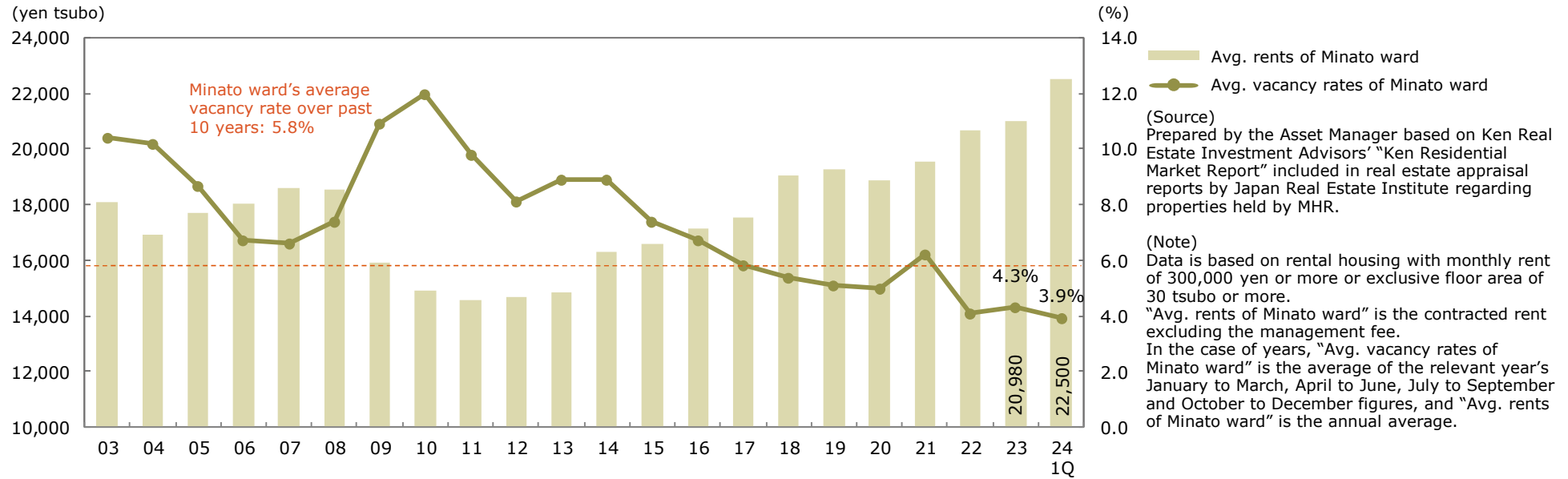
New supply of office buildings (Tokyo's five central wards)



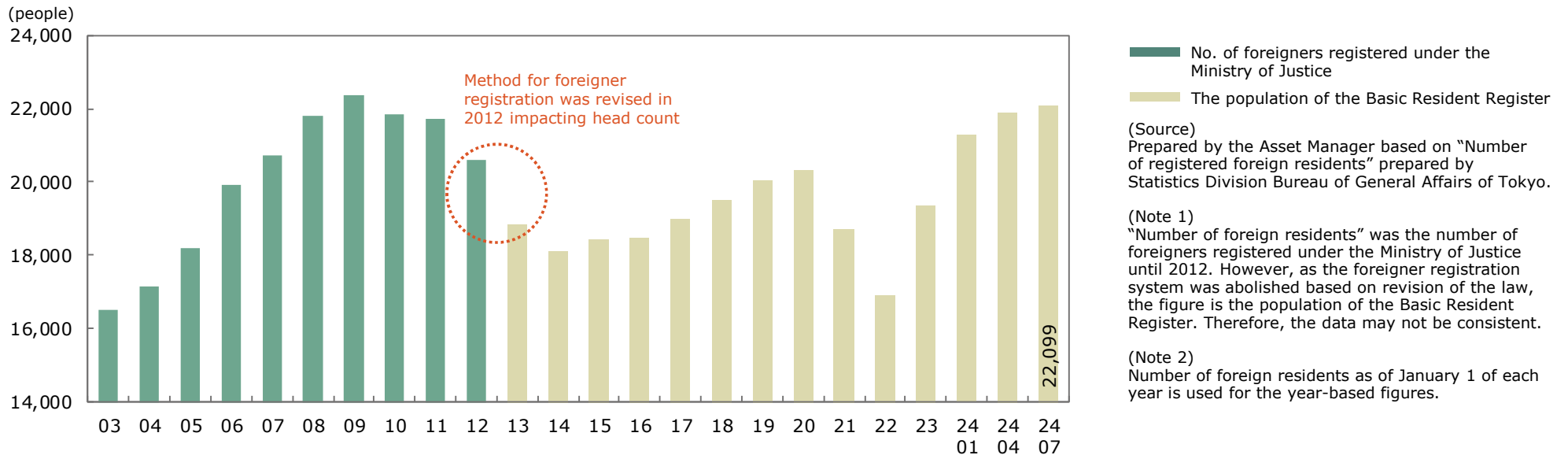
(Source)
Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.

4-5 Market-related information (2)

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

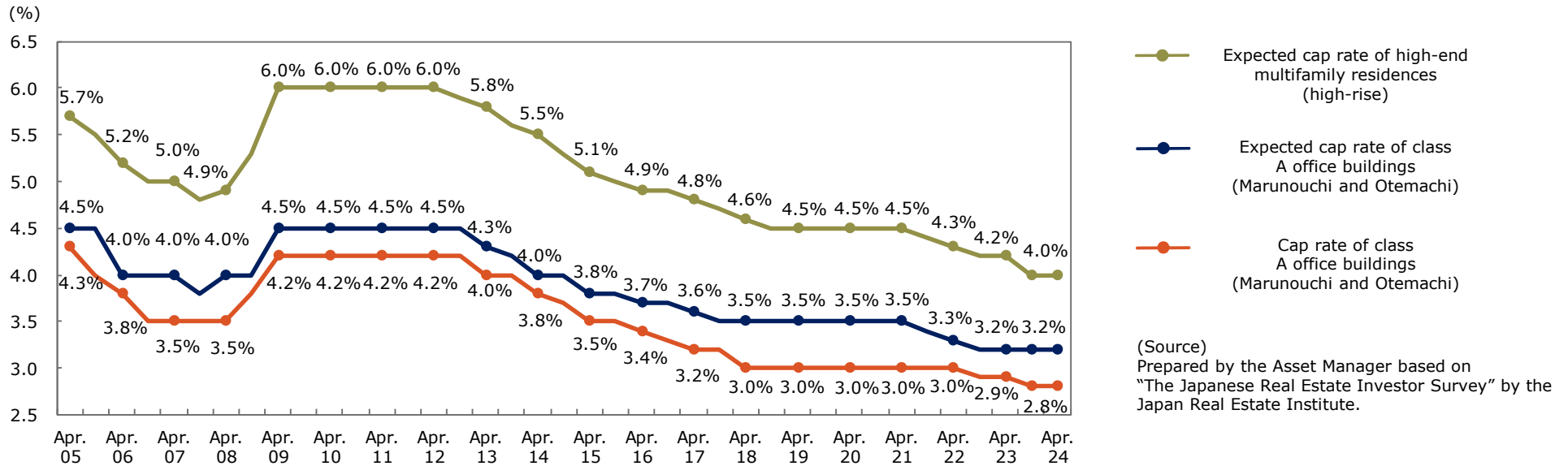


Change in number of foreign residents in Minato ward

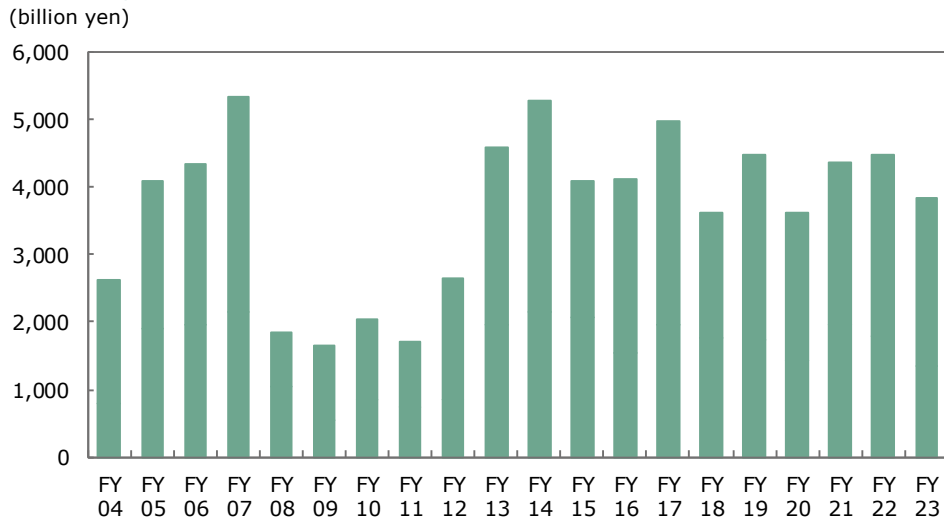


4-6 Market-related information (3)

Change in return on real estate investment

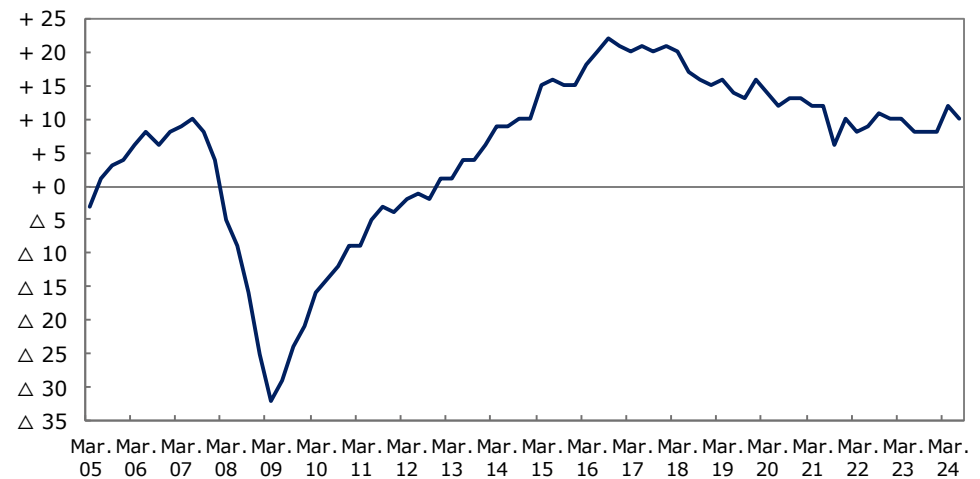


Change in real estate transaction amount



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

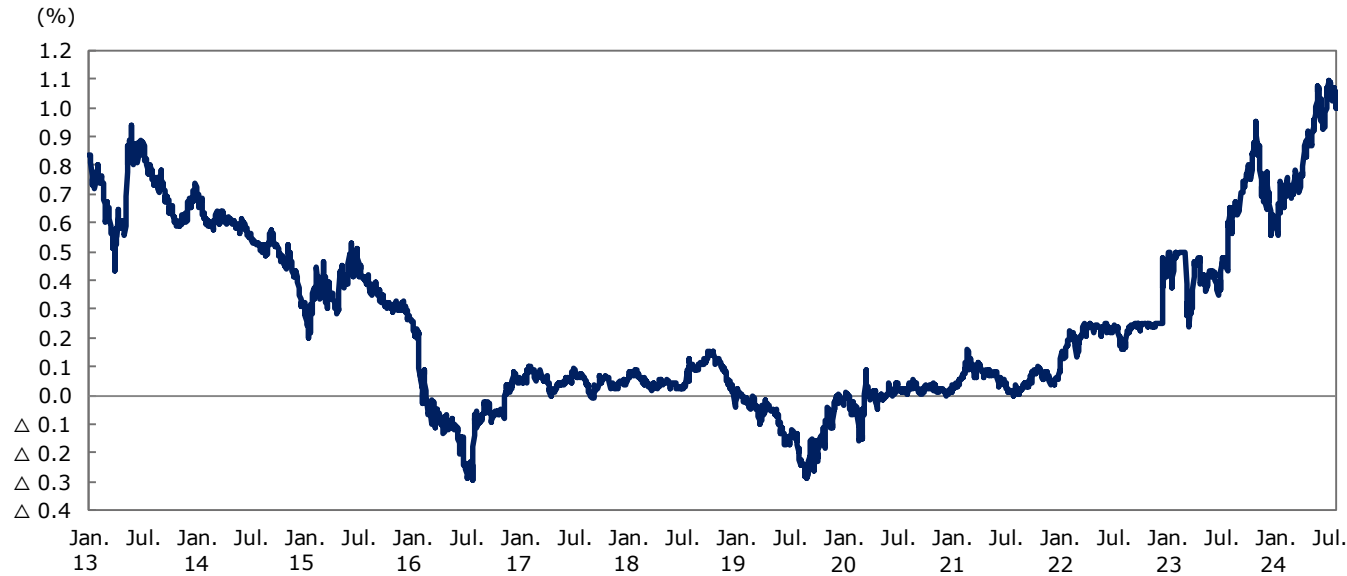
Lending attitude DI (Real estate industry)



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

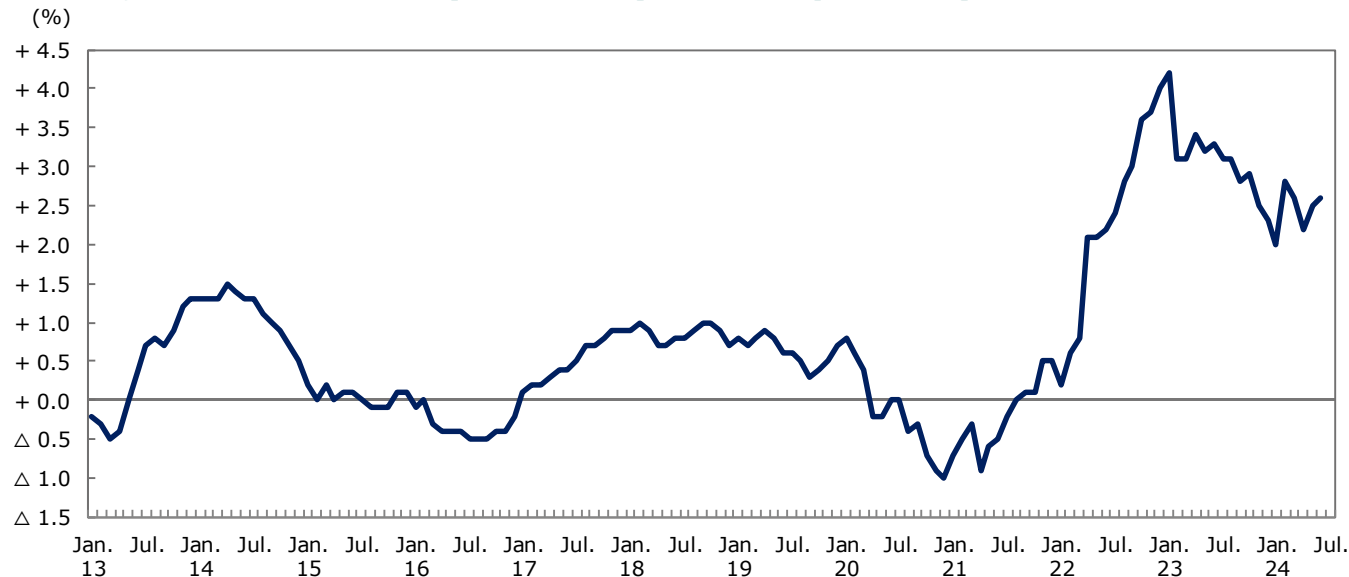
4-7 Market-related information (4)

Change in 10-year bond interest rates



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

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



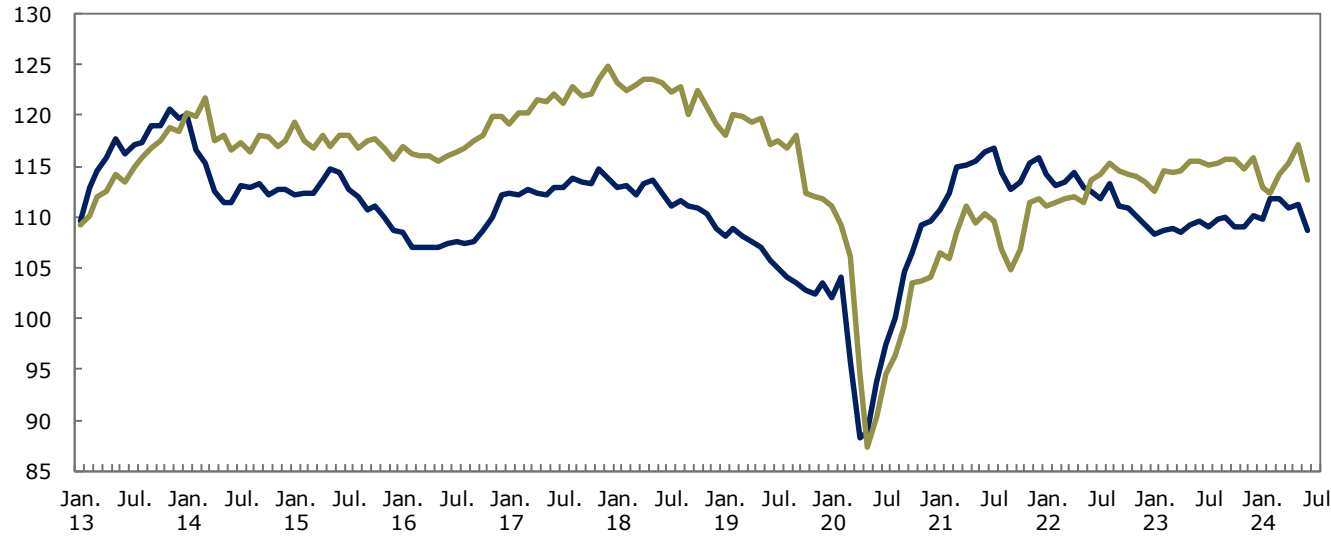
Based on figures excluding the direct effects of the consumption tax rate increase

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

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

4-8 Market-related information (5)

Business conditions composite index

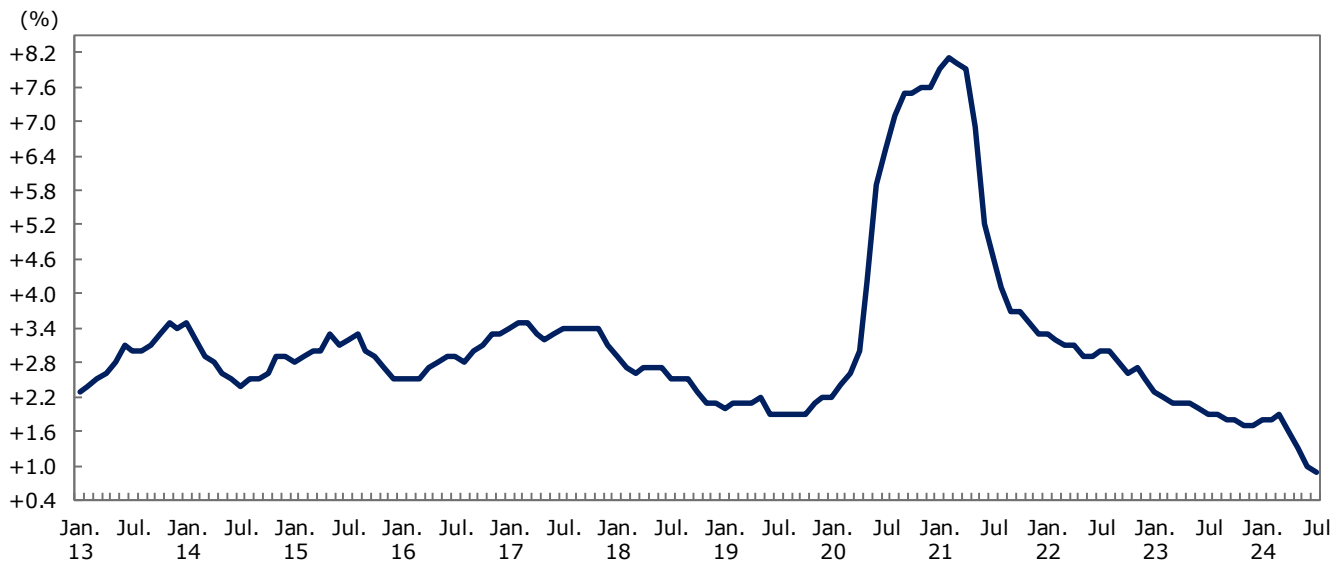


● Leading index
● Coincident index

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

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

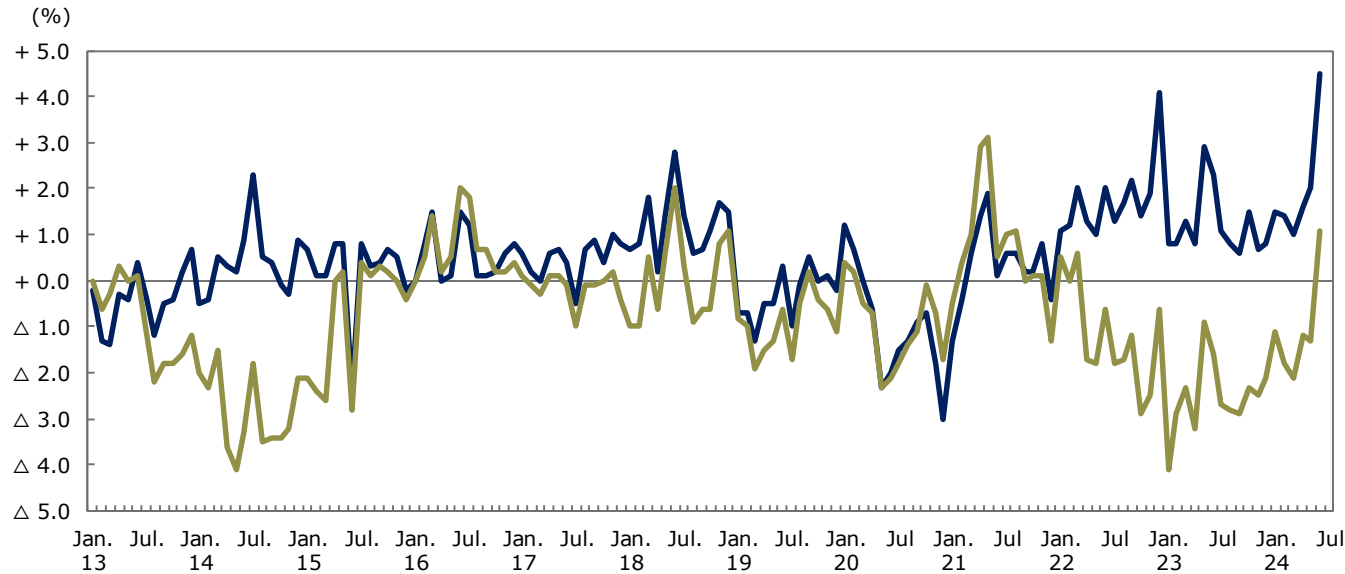
Money stock (M3: year-on-year comparison)



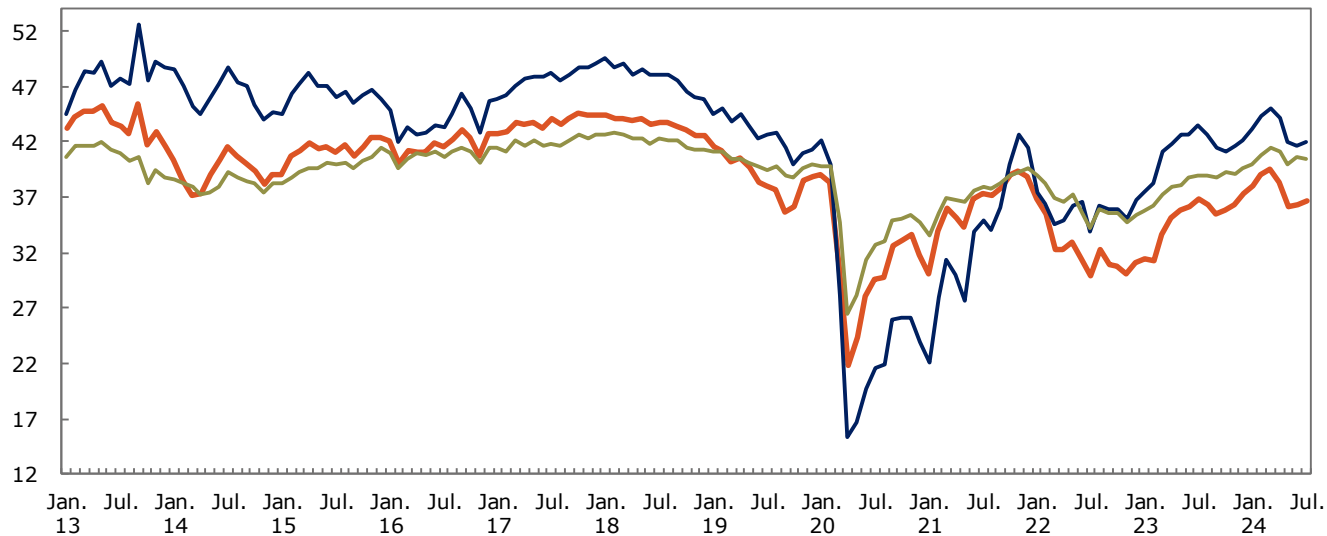
(Source)
 Prepared by the Asset Manager based on "Money
 Stock Statistics" by the Bank of Japan.

4-9 Market-related information (6)

Total cash earnings (Year-on-year comparison)



Consumer confidence survey



5. Appendix



5-1 Financial highlights

Indices	35th period Period ended Jan. 31, 2024	36th period Period ended Jul. 31, 2024	Calculation formula
Net income	6,289 mn yen	6,343 mn yen	
Depreciation and amortization	1,083 mn yen	1,076 mn yen	
CAPEX	191 mn yen	815 mn yen	
Total assets	413,064 mn yen	413,260 mn yen	
Total net assets	204,778 mn yen	205,575 mn yen	
Total net assets/unit (BPS)	106,859 yen	107,275 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	137,200 yen	128,600 yen	
Total units outstanding	1,916,330 units	1,916,330 units	
Total dividends	6,289 mn yen	6,343 mn yen	
Dividends/unit	3,282 yen	3,310 yen	
Dividend yield	4.7%	5.2%	Dividends per unit (annualized)/Unit price as of end of period
FFO	5,999 mn yen	6,001 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,130 yen	3,131 yen	FFO/Total units outstanding
Annualized	6,210 yen	6,280 yen	Based on a period of 365 days
FFO multiple	22.1x	20.5x	Unit price as of end of period/FFO per unit (annualized)
PER	21.1x	19.4x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.3x	1.2x	Unit price as of end of period/Net assets per unit
ROA	1.5%	1.5%	Ordinary income/Average of total assets during the period
Annualized	3.0%	3.1%	Based on a period of 365 days
ROE	3.1%	3.1%	Net income/Average of total net assets during the period
Annualized	6.1%	6.2%	Based on a period of 365 days
NAV	310,111 mn yen	310,292 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	161,825 yen	161,920 yen	
NAV multiple	0.8x	0.8x	Unit price as of end of period/NAV per unit
Interest-bearing debt	190,422 mn yen	189,922 mn yen	
LTV (book value basis)	46.1%	46.0%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	36.7%	36.7%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	184 days	182 days	

5-2 Balance sheet

(thousand yen)

	35th period Period ended Jan. 31, 2024	36th period Period ended Jul. 31, 2024
Assets		
Current assets	22,650,603	24,009,015
Cash and deposits	16,334,764	18,221,026
Cash and deposits in trust	5,657,110	4,882,461
Other	658,728	905,527
Noncurrent assets	390,337,800	389,187,634
Property, plant and equipment	357,757,060	355,956,413
Intangible assets	30,651,599	30,651,490
Investments and other assets	1,929,140	2,579,730
Deferred assets	76,033	64,320
Total assets	413,064,436	413,260,969

(thousand yen)

	35th period Period ended Jan. 31, 2024	36th period Period ended Jul. 31, 2024
Liabilities		
Current liabilities	20,501,429	23,896,032
Current portion of investment corporation bonds	2,000,000	4,000,000
Current portion of long-term loans payable	15,800,000	17,334,000
Other	2,701,429	2,562,032
Noncurrent liabilities	187,784,956	183,789,052
Investment corporation bonds	21,600,000	19,600,000
Long-term loans payable	151,022,000	148,988,000
Lease and guarantee deposited in trust	15,152,472	15,201,052
Other	10,484	—
Total liabilities	208,286,386	207,685,085
Net assets		
Unitholders' equity	203,449,058	203,502,790
Unitholders' capital, net	195,718,191	195,718,191
Total surplus	7,730,866	7,784,599
Voluntary retained earnings	1,412,588	1,412,588
Unappropriated retained earnings	6,318,278	6,372,011
Valuation and translation adjustments	1,328,991	2,073,093
Deferred gains or losses on hedges	1,328,991	2,073,093
Total net assets	204,778,050	205,575,884
Total liabilities and net assets	413,064,436	413,260,969

5-3 Income statement

(thousand yen)

	35th period Period ended Jan. 31, 2024	36h period Period ended Jul. 31, 2024	
Operating revenue	11,176,568	11,173,928	
Rent revenues	9,538,463	9,428,286	Office 8,048,303
Other operating revenues	264,526	327,566	Residential 821,580
Gain on sales of real estate properties	1,373,579	1,418,075	Retail 79,512
Operating expenses	4,373,146	4,294,787	Land 473,025
Expenses related to properties	3,628,677	3,555,428	Other rent revenue 5,865
Asset management fee	626,906	621,846	
Directors' compensation	8,400	8,400	
Asset custody fee	10,372	10,326	
Administrative service fees	16,037	17,043	
Other operating expenses	82,752	81,742	
Operating income	6,803,422	6,879,141	
Non-operating income	1,304	1,328	
Interest income	93	101	
Gain on forfeiture of unclaimed dividends	1,211	1,227	
Non-operating expenses	513,573	536,408	
Interest expenses	339,877	363,334	
Interest expenses on investment corporation bonds	55,740	61,035	
Amortization of investment corporation bonds issuance cost	10,251	11,712	
Borrowing expenses	105,796	98,394	
Other	1,907	1,932	
Ordinary income	6,291,153	6,344,061	
Income before income taxes	6,291,153	6,344,061	
Net income	6,289,988	6,343,127	
Unappropriated retained earnings	6,318,278	6,372,011	

Parking revenue	50,625
Utilities and other revenue	136,469
Cancellation penalty	140,045
Key-money income	426

Property management fees	1,246,614
Property taxes	831,631
Utilities	129,039
Maintenance and repairs	74,456
Insurance premium	21,937
Custodian fees	5,906
Depreciation	1,076,519
Rent expenses	153,491
Other lease business expenses	15,830

5-4 Statement of cash flows / Retained earnings

Statement of cash flows

(thousand yen)

	35th period Period ended Jan. 31, 2024	36th period Period ended Jul. 31, 2024
Net cash provided by (used in) operating activities	9,233,484	8,679,724
Income before income taxes	6,291,153	6,344,061
Depreciation and amortization	1,083,376	1,076,519
Amortization of investment corporation bonds issuance cost	10,251	11,712
Interest income	△ 93	△ 101
Gain on forfeiture of unclaimed dividends	△ 1,211	△ 1,227
Interest expenses	395,618	424,369
Decrease (increase) in operating accounts receivable	1,517	△ 172,074
Increase (decrease) in operating accounts payable	45,338	△ 24,845
Increase (decrease) in accounts payable—other	△ 1,103	673
Increase (decrease) in accrued expenses	8,557	△ 5,488
Increase (decrease) in accrued consumption taxes	160,166	△ 209,611
Increase (decrease) in advances received	△ 5,793	14,806
Increase (decrease) in deposits received	△ 2,213	2,722
Decrease (increase) in prepaid expenses	8,542	21,002
Decrease (increase) in long-term prepaid expenses	99,499	62,492
Decrease in property, plant and equipment in trust due to sale	1,545,191	1,545,191
Other, net	△ 17,915	△ 4,489
Subtotal	9,620,883	9,085,712
Interest income received	93	101
Interest expenses paid	△ 386,434	△ 404,917
Income taxes paid	△ 1,057	△ 1,171

(thousand yen)

	35th period Period ended Jan. 31, 2024	36th period Period ended Jul. 31, 2024
Net cash provided by (used in) investing activities	△ 183,073	△ 780,782
Purchase of property, plant and equipment in trust	△ 186,943	△ 763,399
Repayments of lease and guarantee deposited in trust	△ 170,633	△ 426,994
Proceeds from lease and guarantee deposited in trust	174,502	409,611
Net cash provided by (used in) financing activities	△ 8,440,316	△ 6,787,329
Proceeds from long-term loans payable	5,900,000	7,100,000
Repayments of long-term loans payable	△ 11,200,000	△ 7,600,000
Proceeds from issuance of investment corporation bonds	3,281,980	—
Dividends paid	△ 6,422,296	△ 6,287,329
Net increase (decrease) in cash and cash equivalents	610,094	1,111,612
Cash and cash equivalents at beginning of the period	21,381,780	21,991,874
Cash and cash equivalents at the end of the period	21,991,874	23,103,487

Retained earnings

(yen)

	35th period Period ended Jan. 31, 2024	36th period Period ended Jul. 31, 2024
I Unappropriated retained earnings	6,318,278,661	6,372,011,201
II Amount of Dividends	6,289,395,060	6,343,052,300
Amount of dividends per unit	3,282	3,310
III Retained earnings carried forward	28,883,601	28,958,901

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	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference
Operation days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	92.5%	98.5%	6.0PT	94.6%	95.8%	1.2PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	95.3%	97.4%	2.1PT	95.6%	96.5%	0.9PT
Number of tenants	1	1	0	1	1	0	21	23	2	132	138	6
Rent revenues	2,851,394	2,851,394	—	1,351,486	1,351,486	—	656,213	656,054	△ 158	798,591	805,652	7,061
Other operating revenues	—	—	—	—	—	—	109,870	74,730	△ 35,139	78,076	71,179	△ 6,896
Total property operating revenue	2,851,394	2,851,394	—	1,351,486	1,351,486	—	766,084	730,785	△ 35,298	876,667	876,832	164
Property management fees	426,426	426,426	—	202,169	202,169	—	82,065	90,044	7,978	188,870	189,953	1,082
Property taxes (Note 1)	288,834	294,811	5,976	92,666	94,544	1,877	30,275	32,235	1,959	44,073	45,968	1,894
Utilities	—	—	—	—	—	—	64,921	56,800	△ 8,121	36,557	33,139	△ 3,418
Maintenance and repairs	—	—	—	—	355	355	43,192	13,715	△ 29,476	59,929	41,063	△ 18,865
Insurance premium	5,460	5,401	△ 59	2,305	2,280	△ 25	1,873	1,853	△ 20	2,633	2,610	△ 22
Depreciation (1)	304,695	288,305	△ 16,390	82,870	84,762	1,891	99,954	101,627	1,672	138,796	138,713	△ 83
Other expenses (Note 2)	374	376	1	2,785	2,786	0	132,635	87,130	△ 45,504	10,694	10,826	131
Total property operating expenses	1,025,792	1,015,321	△ 10,471	382,797	386,897	4,099	454,920	383,407	△ 71,512	481,557	462,275	△ 19,281
Property operating income (2)	1,825,601	1,836,073	10,471	968,689	964,589	△ 4,099	311,164	347,377	36,213	395,110	414,556	19,446
NOI (3) ((1)+(2))	2,130,297	2,124,378	△ 5,918	1,051,559	1,049,351	△ 2,208	411,119	449,005	37,885	533,907	553,269	19,362
Annualized NOI	4,225,861	4,260,430	34,568	2,085,974	2,104,468	18,494	815,535	900,477	84,941	1,059,109	1,109,579	50,470
Annualized NOI/ Acquisition price	3.7%	3.7%	0.0PT	3.3%	3.4%	0.0PT	3.0%	3.3%	0.3PT	2.4%	2.5%	0.1PT
CAPEX (4)	—	312,638	312,638	56,959	73,235	16,276	3,612	190,353	186,741	50,645	38,601	△ 12,043
NCF (3)-(4)	2,130,297	1,811,740	△ 318,557	994,600	976,115	△ 18,484	407,507	258,651	△ 148,855	483,261	514,668	31,406

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

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

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

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

5-6 Status of income and expenditures (2)

(thousand yen)

Property number	O-7			O-8			O-9			O-10		
Property name	Atago Green Hills			ARK Hills South Tower			Toranomori Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price	42,090,000			19,150,000			56,300,000			16,330,000		
Period	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference
Operation days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days
Occupancy rate	100%	100%	0.0PT	99.1%	97.6%	△ 1.5PT	100%	100%	0.0PT	76.2%	100%	23.8PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	96.0%	97.8%	1.8PT	100%	100%	0.0PT	94.5%	90.2%	△ 4.3PT
Number of tenants	1	1	0	52	52	0	1	1	0	22	24	2
Rent revenues	1,012,320	1,012,320	—	451,113	440,368	△ 10,745	1,209,907	1,209,907	—	499,770	431,822	△ 67,947
Other operating revenues	—	—	—	28,325	163,401	135,075	—	—	—	48,007	18,255	△ 29,752
Total property operating revenue	1,012,320	1,012,320	—	479,439	603,769	124,330	1,209,907	1,209,907	—	547,778	450,077	△ 97,700
Property management fees	2,664	2,664	—	50,569	48,861	△ 1,707	134,403	132,386	△ 2,016	103,697	124,162	20,464
Property taxes (Note 1)	69,809	69,834	24	38,854	40,264	1,410	105,740	108,526	2,785	38,459	38,710	251
Utilities	—	—	—	38,494	32,861	△ 5,633	—	—	—	6,055	4,027	△ 2,027
Maintenance and repairs	—	—	—	3,021	3,137	116	—	—	—	3,019	7,802	4,783
Insurance premium	4,056	4,012	△ 44	1,249	1,235	△ 13	2,568	2,541	△ 26	1,313	1,299	△ 14
Depreciation (1)	184,375	186,219	1,844	45,222	45,507	284	151,485	151,848	363	46,487	48,990	2,503
Other expenses (Note 2)	66,824	67,497	673	1,477	1,144	△ 333	109	108	△ 1	208	209	0
Total property operating expenses	327,729	330,228	2,498	178,890	173,012	△ 5,877	394,307	395,411	1,104	199,240	225,202	25,961
Property operating income (2)	684,590	682,091	△ 2,498	300,548	430,757	130,208	815,599	814,495	△ 1,104	348,537	224,875	△ 123,662
NOI (3) ((1)+(2))	868,965	868,311	△ 654	345,771	476,264	130,492	967,084	966,344	△ 740	395,024	273,865	△ 121,158
Annualized NOI	1,723,763	1,741,393	17,630	685,905	955,145	269,240	1,918,402	1,937,998	19,595	783,607	549,235	△ 234,372
Annualized NOI/ Acquisition price	4.1%	4.1%	0.0PT	3.6%	5.0%	1.4PT	3.4%	3.4%	0.0PT	4.8%	3.4%	△ 1.4PT
CAPEX (4)	19,468	67,834	48,365	4,107	8,810	4,702	2,978	11,427	8,448	24,324	75,951	51,627
NCF (3)-(4)	849,496	800,476	△ 49,020	341,664	467,454	125,790	964,106	954,916	△ 9,189	370,699	197,913	△ 172,785

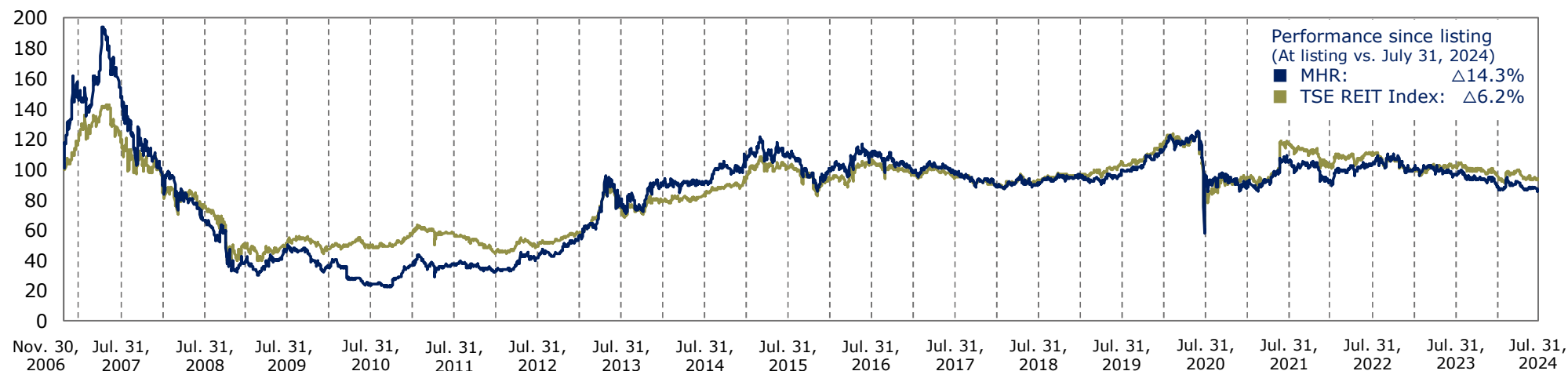
5-7 Status of income and expenditures (3)

(thousand yen)

Property number	R-3			R-4			S-1			Portfolio total		
Property name	Roppongi First Plaza			Roppongi View Tower			Laforet Harajuku (Land)					
Acquisition price	2,100,000			4,000,000			14,183,000 (as of the end of Jan. 2024: 15,710,400)			403,143,000 (as of the end of Jan. 2024: 404,670,400)		
Period	35th Jan. 2024	36th Jul. 2024	Difference	35th Jan. 2024	36th Jul. 2024	Difference	35th (Note3) Jan. 2024	36th (Note3) Jul. 2024	Difference	35th (Note3) Jan. 2024	36th (Note3) Jul. 2024	Difference
Operation days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days	184 days	182 days	△ 2 days
Occupancy rate	94.8%	91.1%	△ 3.7PT	97.0%	99.3%	2.3PT	100%	100%	0.0PT	97.2%	99.1%	1.9PT
Avg. Occupancy rate (during period)	96.0%	93.1%	△ 2.9PT	96.3%	97.1%	0.8PT	100%	100%	0.0PT	98.4%	98.5%	0.1PT
Number of tenants	41	39	△ 2	89	91	2	1	1	0	362	372	10
Rent revenues	88,031	87,278	△ 752	107,655	108,976	1,321	511,980	473,025	△ 38,955	9,538,463	9,428,286	△ 110,176
Other operating revenues	—	—	—	246	—	△ 246	—	—	—	264,526	327,566	63,040
Total property operating revenue	88,031	87,278	△ 752	107,901	108,976	1,075	511,980	473,025	△ 38,955	9,802,989	9,755,852	△ 47,136
Property management fees	15,443	14,275	△ 1,167	14,675	15,669	994	—	—	—	1,220,986	1,246,614	25,628
Property taxes (Note 1)	9,216	9,509	293	14,041	14,486	444	82,631	82,740	109	814,603	831,631	17,027
Utilities	1,180	1,125	△ 54	1,082	1,085	3	—	—	—	148,292	129,039	△ 19,252
Maintenance and repairs	7,200	3,021	△ 4,178	2,702	5,359	2,657	—	—	—	119,066	74,456	△ 44,609
Insurance premium	290	287	△ 3	419	414	△ 4	—	—	—	22,171	21,937	△ 234
Depreciation (1)	12,145	12,543	397	17,342	18,001	659	—	—	—	1,083,376	1,076,519	△ 6,856
Other expenses (Note 2)	3,940	3,994	53	1,042	1,072	30	87	82	△ 5	220,180	175,228	△ 44,952
Total property operating expenses	49,417	44,758	△ 4,659	51,306	56,090	4,784	82,718	82,822	103	3,628,677	3,555,428	△ 73,249
Property operating income (2)	38,613	42,520	3,906	56,594	52,885	△ 3,709	429,261	390,202	△ 39,058	6,174,311	6,200,424	26,113
NOI (3) ((1)+(2))	50,759	55,063	4,303	73,937	70,887	△ 3,049	429,261	390,202	△ 39,058	7,257,687	7,276,944	19,256
Annualized NOI	100,692	110,429	9,737	146,668	142,164	△ 4,504	799,956	718,363	△ 81,592	14,361,103	14,548,140	187,037
Annualized NOI/ Acquisition price	4.8%	5.3%	0.5PT	3.7%	3.6%	△ 0.1PT	5.1%	5.1%	0.0PT	3.5%	3.6%	0.1PT
CAPEX (4)	6,574	13,808	7,234	23,062	22,883	△ 179	—	—	—	191,733	815,546	623,812
NCF (3)-(4)	44,185	41,254	△ 2,930	50,874	48,003	△ 2,870	429,261	390,202	△ 39,058	7,065,954	6,461,397	△ 604,556

5-8 Unit price performance since IPO

Relative price performance (Since IPO - July 31, 2024)



(Source) Prepared by the Asset Manager based on QUICK Qr1
 (Note) Rebased to 100 as per IPO price

Unit price per period-end (Closing price)

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

Accounting period	Unit price
11th (January 2012)	252,200 yen
12th (July 2012)	330,500 yen
13th (January 2013)	485,000 yen
14th (July 2013)	548,000 yen
※ 5-for-1 investment unit split (February 1, 2014)	
15th (January 2014)	135,900 yen
16th (July 2014)	151,100 yen
17th (January 2015)	166,600 yen
18th (July 2015)	145,300 yen
19th (January 2016)	152,100 yen

Accounting period	Unit price
27th (January 2020)	181,700 yen
28th (July 2020)	137,100 yen
29th (January 2021)	145,800 yen
30th (July 2021)	161,100 yen
31st (January 2022)	141,000 yen
32nd (July 2022)	153,000 yen
33rd (January 2023)	147,600 yen
34th (July 2023)	144,700 yen
35th (January 2024)	137,200 yen
36th (July 2024)	128,600 yen

(Reference)

IPO Price (November 30, 2006) (Split adjusted)	750,000 yen (150,000 yen)
High (May 8, 2007: in trade) (Split adjusted)	1,460,000 yen (292,000 yen)
Low (August 12, 2010: in trade) (Split adjusted)	168,200 yen (33,640 yen)

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

Investments focusing on Premium Properties

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

Focus on Premium Properties

Premium properties
50% or more

〈Office buildings〉
〈Residential properties〉
〈Retail facilities〉

Premium Properties

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

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

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

(Note 3) Ratios are based on the acquisition prices

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

Office building focus

Office building
50% or more

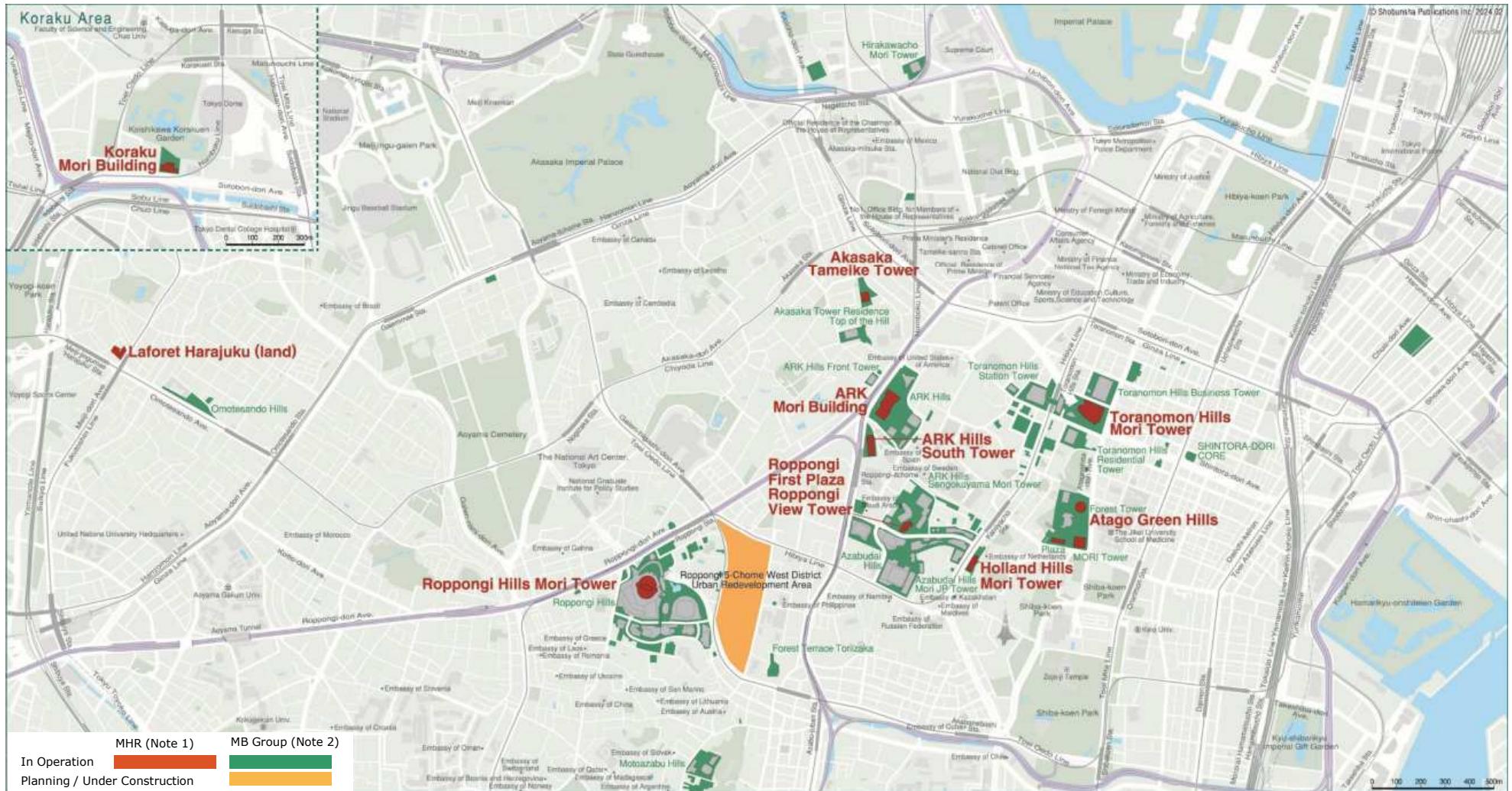
Tokyo's five central wards focus

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

Earthquake-resistance focus

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

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














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

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

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

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

Type	Office building						Office building (Partly residential)				Residential	Retail	
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	ARK Hills South Tower	Toranomon Hills Mori Tower	Holland Hills Mori Tower	Akasaka Tameike Tower	Atago Green Hills			Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)
	O-0	O-1	O-4	O-8	O-9	O-10	O-6	MORI Tower	Forest Tower	Plaza	R-3	R-4	S-1
Photo													
Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium			Premium	-	Premium
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Shibuya-ku, Tokyo
Completion	Apr. 2003	Mar. 1986 (Large-scale renovation in 2005)	Mar. 2000	Jul. 2013	May. 2014	Jan. 2005	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Oct. 1993		-
Building age	21 years 3 months	38 years 4 months	24 years 4 months	11 years 0 months	10 years 2 months	19 years 6 months	23 years 10 months	23 years 0 months	22 years 9 months	23 year 0 months	30 years 9 months		-
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	20 above ground, 4 below	52 above ground, 5 below	24 above ground, 2 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 1 below		-
Gross floor area	approx. 442,150m ²	approx. 177,486m ²	approx. 46,154m ²	approx. 53,043m ²	approx. 241,581m ²	approx. 35,076m ²	approx. 46,971m ²	approx. 85,266m ²	approx. 60,815m ²	approx. 2,083m ²	approx. 22,906m ²		-
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (25%)	Co-ownership (approx. 19.8%)	Co-ownership (approx. 54.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)		Co-ownership (47%)	Co-ownership (46%)	Ownership (65%)
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (25%)	Co-ownership (approx. 10.8%)	Compartmentalized ownership (approx. 48.5%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)		Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-
PML (Note 2)	0.59%	0.78%	0.73%	1.56%	0.50%	0.85%	1.79%	2.35%	2.34%	5.94%	2.20%	2.20%	-
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	-	-	-
Acquisition price (mn yen)	115,380	62,480	27,200	19,150	56,300	16,330	43,930	42,090			2,100	4,000	14,183
Occupancy rate (Note 4)	100%	100%	98.5%	97.6%	100%	100%	95.8%	100%			91.1%	99.3%	100%

Average building age
22.7 years (Note 5)

Portfolio PML
0.90% (Note 2)

Total acquisition price
403,143 mn yen

5-12 Portfolio overview (Note)

- (Note 1) "Type of ownership" denotes the type of rights held by MHR or the Trustee. "Ownership" stands for ownership, "Co-ownership" stands for the ownership of beneficiary interests, "Compartmentalized ownership" denotes ownership and the rights for exclusive use in or over parts of a building, and "Leased land" denotes Leasehold land. The land site of Atago Green Hills includes joint ownership in quasi-undivided interests of leasehold land and easement.
- (Note 2) This indicates the figure described in the "Report on evaluation of seismic PML for portfolio" dated February 15, 2021 by Sompo Risk Management Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of July 31, 2024.
- (Note 5) For calculation of the "Average building age" of Atago Green Hills, we have assumed that construction of the building was completed on July 30, 2001.