

# Mori Hills REIT Investment Corporation

Results of the 22nd Fiscal Period ended July 31, 2017

Presentation Material

September 15, 2017



TSE Code: 3234

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

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

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

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## 22nd period (Jul. 2017)

- **Operating revenue: 8,491 million yen, operating income: 5,395 million yen, net income: 4,755 million yen** Increased revenue and income period-over-period
- **Disposed of Moto-Azabu Hills for 2,030 million yen (July 2017)**  
Profit on disposition: +410 million yen (180 million yen was allocated to provision of reserve for reduction entry)
- **DPU: 2,610 yen (+4 yen from 21st period)** Increasing for 14 consecutive fiscal periods

## After 23rd period (Jan. 2018)

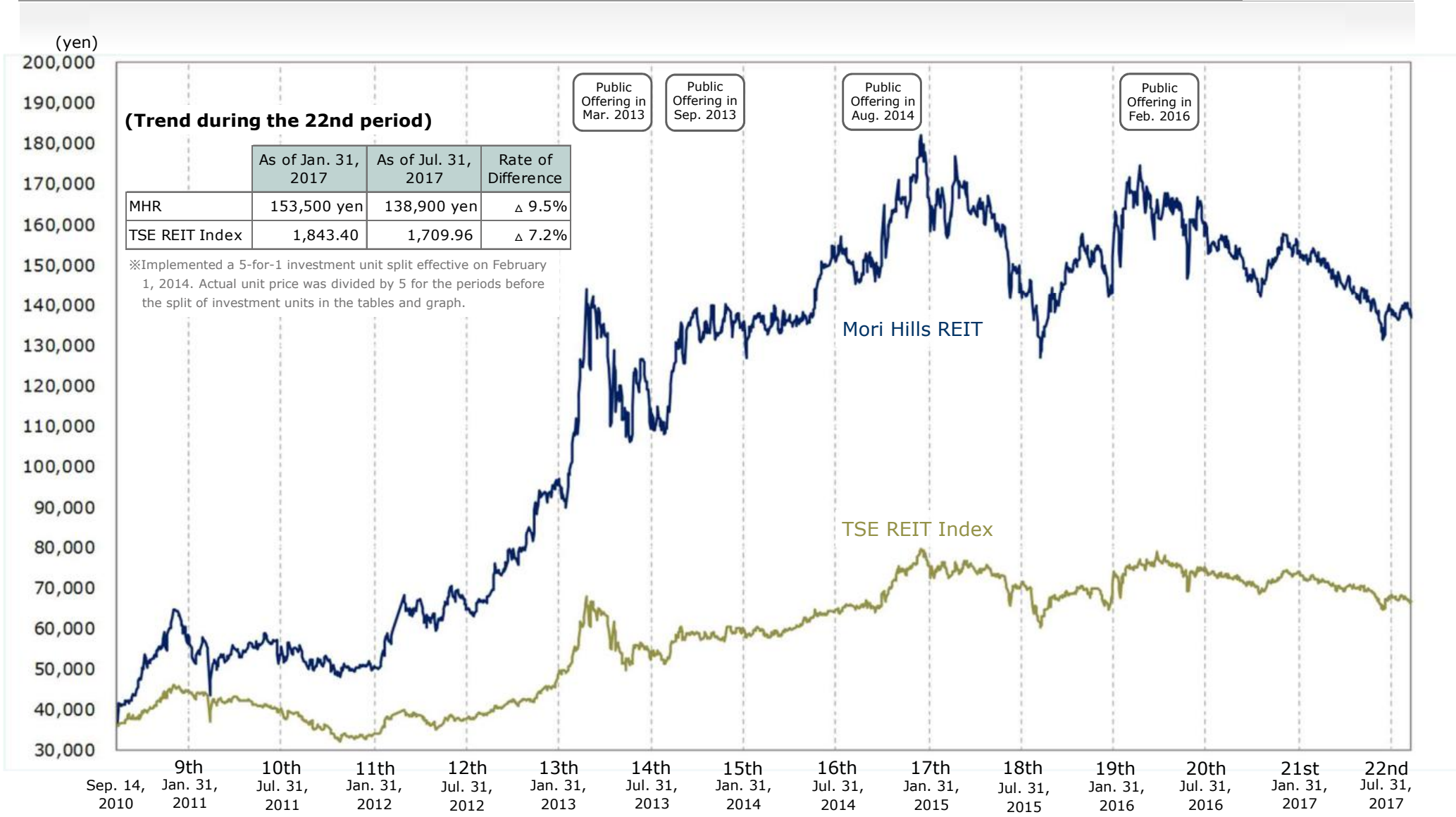
- **Acquired Toranomon Hills Mori Tower for 5,070 million yen and Holland Hills Mori Tower for 9,330 million yen as of August 2017**
- **Additional acquisition of Toranomon Hills Mori Tower for 5,070 million yen and Holland Hills Mori Tower for 2,430 million yen as of March 2018**
- **DPU (forecast): 2,640 yen (23rd period), 2,700 yen (24th period)**
- **Substantially completed leasing the large-scale vacancy (11 floors) of ARK Hills South Tower** Rate of progression 97%

## 2. Investment highlights

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# 2-1 Unit price performance



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

**240 bn yen**  
(Sep. 8, 2017)

(Note 1) Unless otherwise stated in this document, all amounts are rounded down below the unit and all fractions are rounded up to one digit 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

	21st period	22nd period		22nd period
	Jan. 31, 2017	Jul. 31, 2017		Jul. 31, 2017
	Actual	Actual	Difference	Forecasted
<b>Operating Highlights (million yen)</b>				
Operating revenue	8,248	8,491	+ 243	8,491
Rent revenues	8,056	7,853	Δ 202	7,838
Other operating revenues	192	225	+ 32	241
Gain on sales of real estate properties	—	413	+ 413	411
Operating expenses	3,041	3,096	+ 55	3,186
Expenses related to properties	2,696	2,788	+ 92	2,877
SG&A	344	307	Δ 37	308
Operating income	5,207	5,395	+ 188	5,305
Non-operating income	2	0	Δ 1	0
Non-operating expenses	643	640	Δ 3	640
Ordinary income	4,566	4,756	+ 190	4,666
Net income	4,562	4,755	+ 193	4,664
Reserve for reduction entry	—	186	+ 186	95
Total dividends	4,562	4,569	+ 7	4,569
<b>DPU</b>				
Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,606	2,610	+ 4	2,610
<b>Other Indices (million yen)</b>				
Profit on real estate rental	5,552	5,289	Δ 262	5,202
Depreciation	994	1,000	+ 5	1,006
NOI	6,546	6,290	Δ 256	6,209
NOI yield	3.8%	3.7%	Δ 0.1PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	339,856	339,847	Δ 9	339,847

### Increase/decrease factor (21st – 22nd)

- **Operating revenue (+243 mn yen)**
  - Profit on disposition of Moto-Azabu Hills +413
  - Office (Pass-through) Δ122
  - "Fixed rent ML" revision/change (22nd period) Δ49
- **Operating expenses (+55 mn yen)**
  - Property taxes for property acquired in 20th period +44
  - Leasing fee +33
  - Maintenance and repairs +22
  - Asset management fee Δ33
- **Non-operating expenses (Δ3 mn yen)**
  - Interest on investment corporation bonds +7
  - Interest expenses, etc. (current borrowings) Δ10

### Increase/decrease factor for 22nd period (Forecasted – Actual)

- **Operating income (+90 mn yen)**
  - Increase in rent and common area revenue +14
  - Decrease in property management fees +9
  - Decrease in maintenance and repairs +57
- **Reserve for reduction entry (+90 mn yen)**

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

## Toranomon Hills Mori Tower (Additional acquisition)



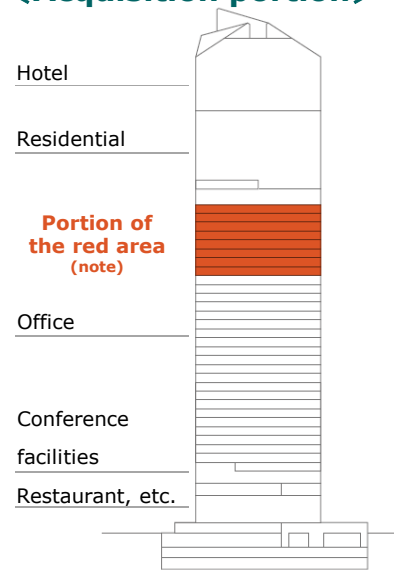
### 1. Super high rise tower - Tokyo's new landmark

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

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

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

### <Acquisition portion>



**Acquisition price**  
**5,070** mn yen

**Appraisal value**  
**5,610** mn yen

**NOI yield**  
**3.4%**

**Earthquake PML**  
**0.50%**

Property Number	O-9
Location (Residential indication)	23-1, Toranomon 1-chome, Minato-ku, Tokyo
Construction date	May 2014
Total number of floors	52 floors above ground, 5 floors below ground
Gross floor area	241,581.95 m <sup>2</sup>
Portions of acquisition	7% quasi-co-ownership interest in trust beneficial interests

Total to be acquired: 14% quasi-co-ownership interest including past acquisition

(Note) MHR plans to acquire the trust beneficial interests in 87.95% co-ownership interest in compartmentalized ownership of the 28-35th floors



## Holland Hills Mori Tower (Additional acquisition)



### Acquisition price

**2,430** mn yen

### Appraisal value

**2,770** mn yen

### NOI yield

**4.3%**

Property Number	O-10
Location (Residential indication)	11-2, Toranomon 5-chome, Minato-ku, Tokyo
Construction date	January 2005
Total number of floors	24 floors above ground, 2 floors below ground
Gross floor area	35,076.12 m <sup>2</sup>
Portions of acquisition	15% quasi-co-ownership interest in trust beneficial interests

### Earthquake PML

**0.85%**

Total to be acquired: 72% quasi-co-ownership interest including past acquisition

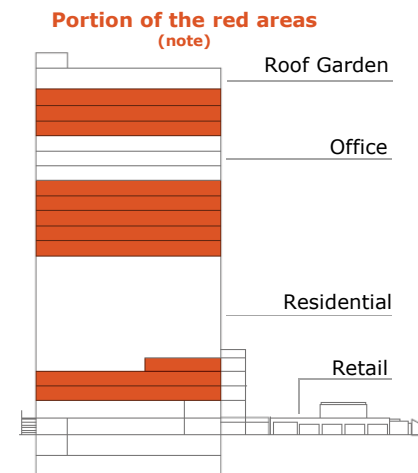
### 1. High rise tower integrating the greenery of the Embassy of the Netherlands

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

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

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

### <Acquisition portion>



(Note) MHR plans to acquire the trust beneficial interests in compartmentalized ownership of the 3rd, 4th, part of 5th, 14-18th and 22-24th floors .

# 2-5 Overview of new acquisitions

## Outline of transactions

		Acquired as of August 1, 2017 (A)	To acquire as of March 1, 2018 (B)	(A) + (B)	
Toranomon Hills Mori Tower	Acquisition price	5,070 million yen	5,070 million yen	10,140 million yen	<div style="border: 1px solid orange; border-radius: 15px; padding: 5px;">                     Total acquired area                      Approx. 3.4% of office area                      Approx. 1.9% of total                 </div>
	NOI yield	3.4%	3.4%	3.4%	
	NOI	172 million yen	173 million yen	345 million yen	
	Total leasable floor area	1,709.27m <sup>2</sup>	1,709.27m <sup>2</sup>	3,418.54m <sup>2</sup>	
		+	+		
Holland Hills Mori Tower	Acquisition price	9,330 million yen	2,430 million yen	11,760 million yen	<div style="border: 1px solid orange; border-radius: 15px; padding: 5px;">                     Total acquired area                      Approx. 55.5% of office area                      Approx. 34.9% of total                 </div>
	NOI yield	4.3%	4.3%	4.3%	
	NOI	401 million yen	104 million yen	505 million yen	
	Total leasable floor area	5,794.07m <sup>2</sup>	1,524.76m <sup>2</sup>	7,318.83m <sup>2</sup>	
		▼	▼		
Total	Acquisition price	14,400 million yen	7,500 million yen		
	NOI yield	3.9%	3.7%		
	NOI	574 million yen	277 million yen		

# 2-6 Forecasts

	22nd period	23rd period		24th period
	Jul. 31, 2017	Jan. 31, 2018		Jul. 31, 2018
	Actual	Forecast	Difference	Forecast
<b>Operating Highlights (million yen)</b>				
Operating revenue	8,491	8,492	+ 0	8,679
Rent revenues	7,853	8,271	+ 418	8,465
Other operating revenues	225	221	△ 4	214
Gain on sales of real estate properties	413	—	△ 413	—
Operating expenses	3,096	3,236	+ 140	3,325
Expenses related to properties	2,788	2,934	+ 146	3,007
SG&A	307	301	△ 5	318
Operating income	5,395	5,256	△ 139	5,353
Non-operating income	0	1	+ 0	1
Non-operating expenses	640	634	△ 5	627
Ordinary income	4,756	4,622	△ 133	4,727
Net income	4,755	4,621	△ 134	4,726
Reserve for reduction entry	186	—	△ 186	—
Total dividends	4,569	4,621	+ 52	4,726
<b>DPU</b>				
Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,610	2,640	+ 30	2,700
<b>Other Indices (million yen)</b>				
Profit on real estate rental	5,289	5,557	+ 267	5,672
Depreciation	1,000	1,034	+ 34	1,040
NOI	6,290	6,592	+ 302	6,713
NOI yield	3.7%	3.7%	△ 0.0PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period)	339,847	352,550	+ 12,702	358,889

## Increase/decrease factor (22nd – 23rd)

<b>• Operating revenue (+0 mn yen)</b>	
- Property acquisition in 23rd period	+412
- Office (Pass-through)	+116
- Profit on disposition and rent revenue of Moto-Azabu Hills	△471
- Full period contribution of "fixed rent ML" revision in 22nd period	△49
<b>• Operating expenses (+140 mn yen)</b>	
- Property acquisition in 23rd period	+140
- Property taxes for property acquired in 20th period	+44
- Leasing fee	△28
- Expenses related to properties of Moto-Azabu Hills	△24
<b>• Non-operating expenses (△5 mn yen)</b>	
- Interest expenses, etc. (New borrowings in 23rd period)	+17
- Amortization of investment unit issuance cost	△27

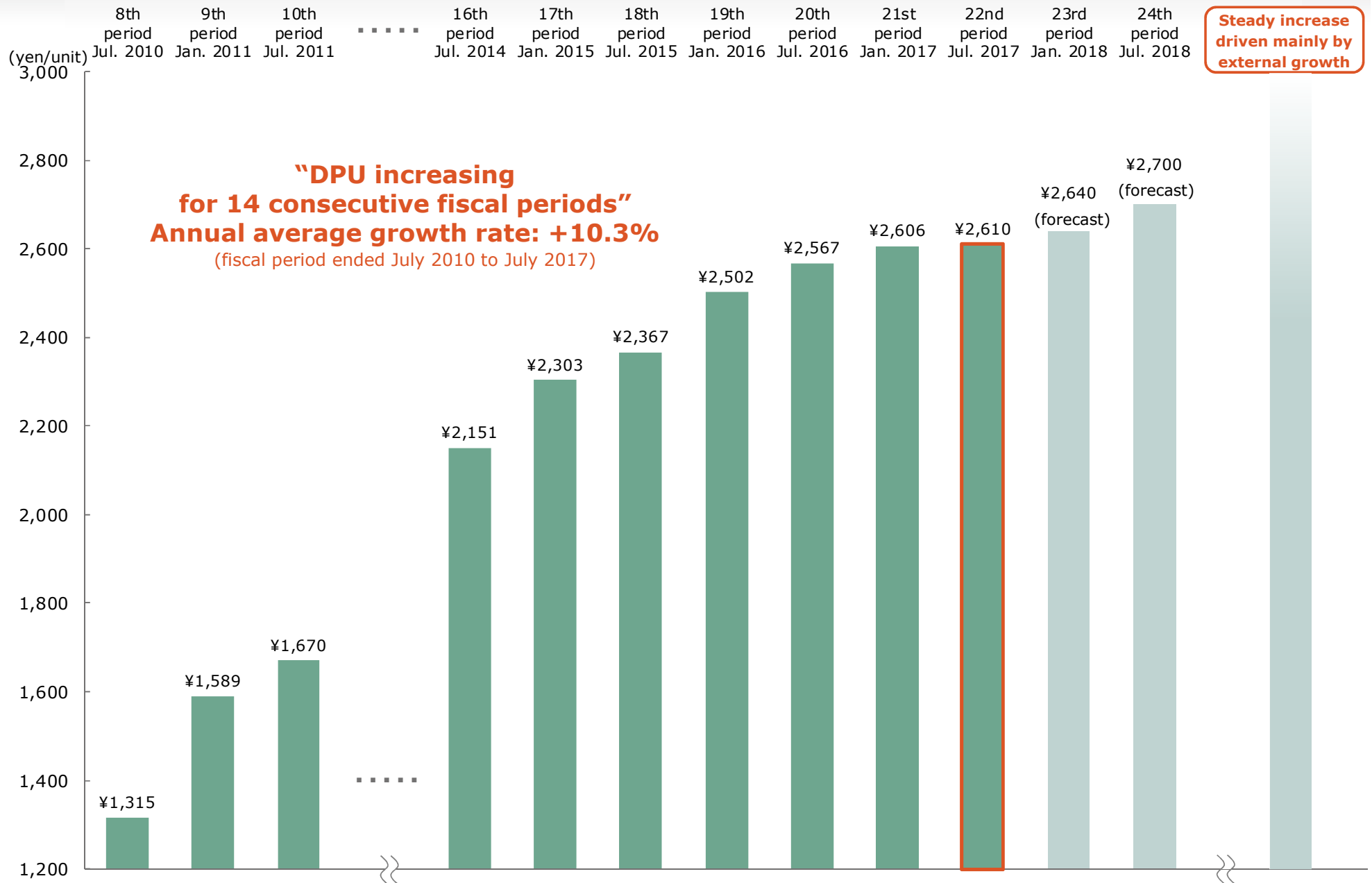
## Increase/decrease factor (23rd – 24th)

<b>• Operating revenue (+187 mn yen)</b>	
- Property acquisition in 24th period	+155
- Office (Pass-through)	+22
<b>• Operating expenses (+89 mn yen)</b>	
- Property acquisition in 24th period	+47
- Maintenance and repairs	+18
- Property taxes for existing properties	+18
- Property taxes for properties acquired in 23rd period	+14
<b>• Non-operating expenses (△6 mn yen)</b>	
- Interest expenses, etc. (New borrowings in 24th period)	+19
- Interest expenses, etc. (current borrowings)	△16
- Amortization of investment unit issuance cost	△8

# 2-7 Dividends per unit growth record

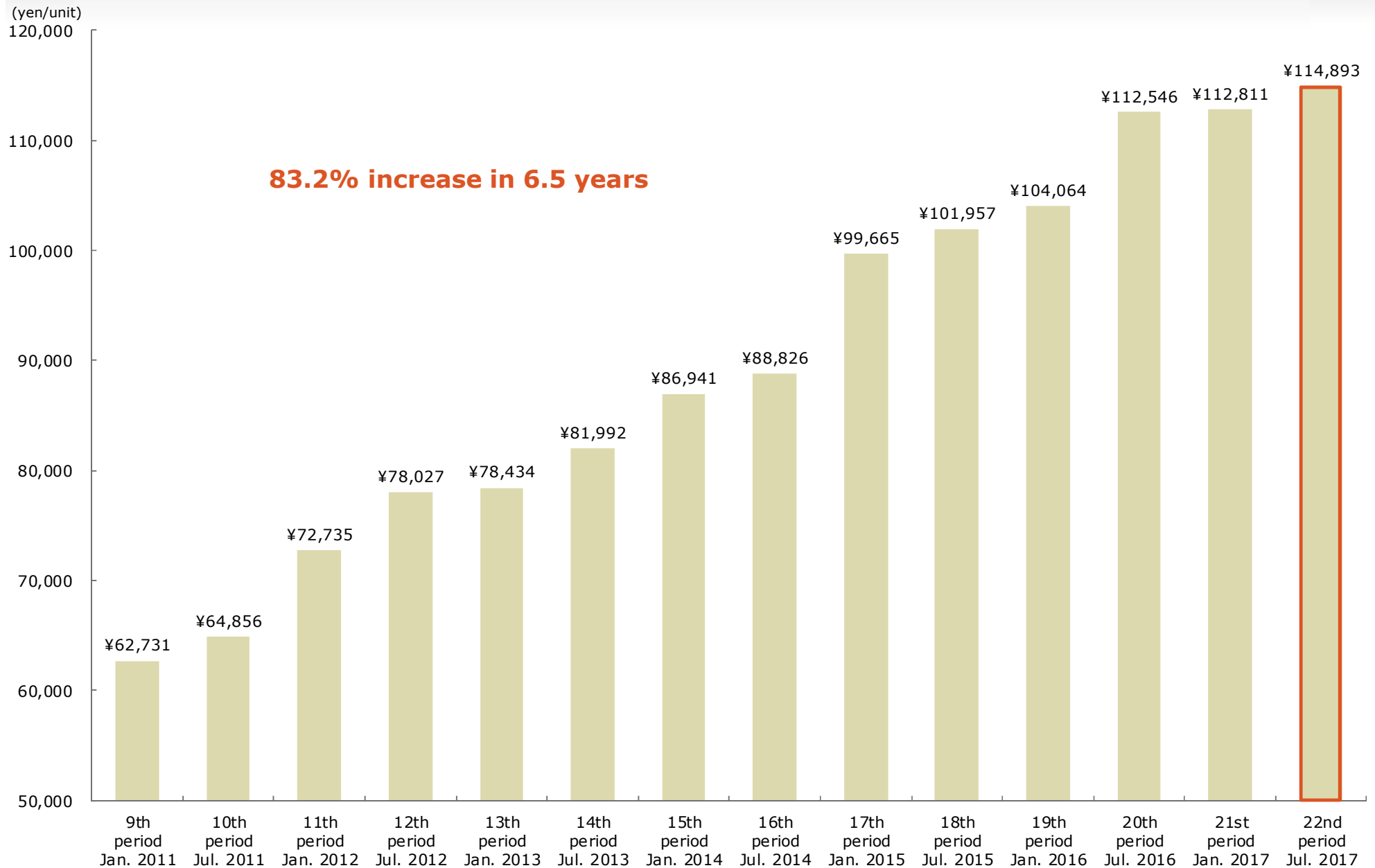


HILLS REIT



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

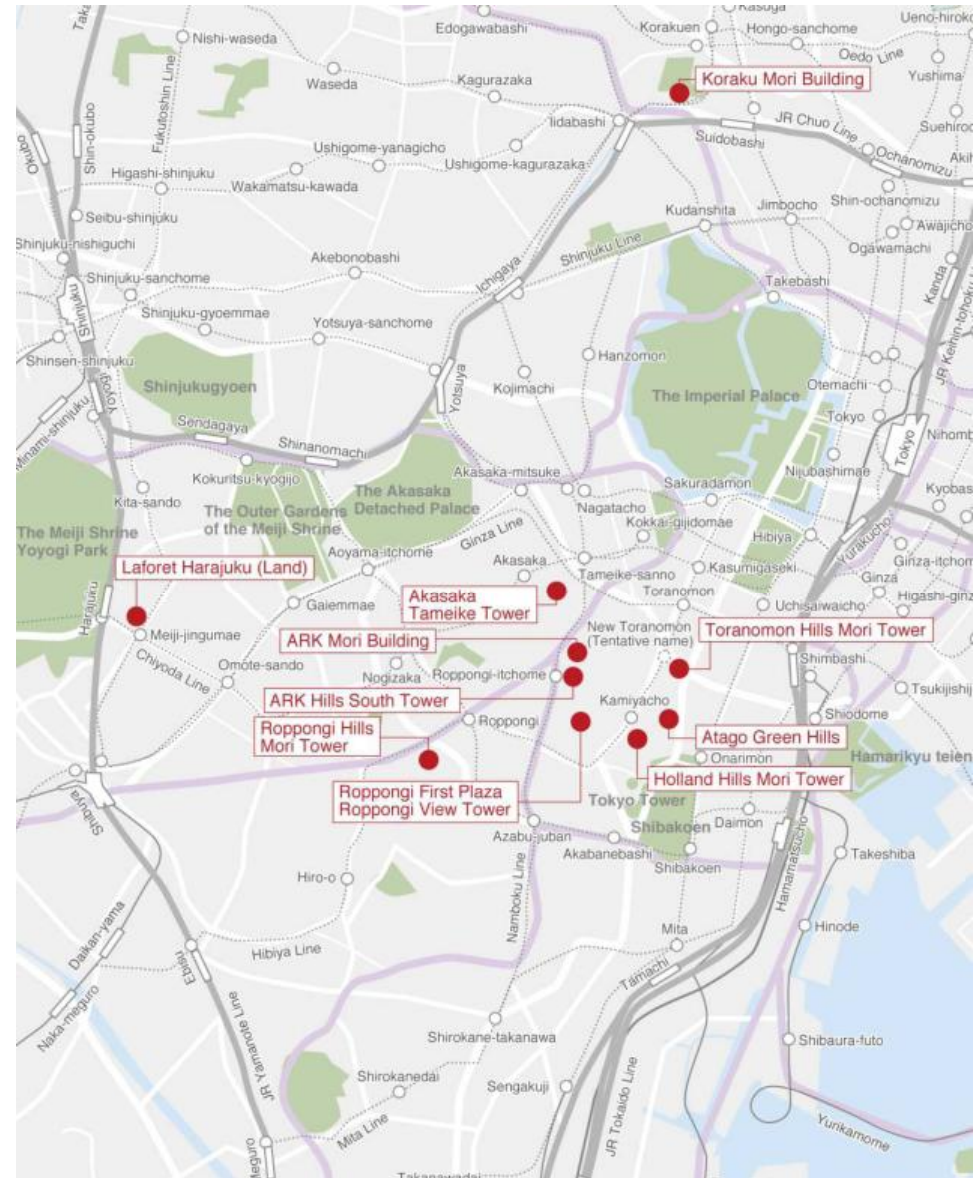
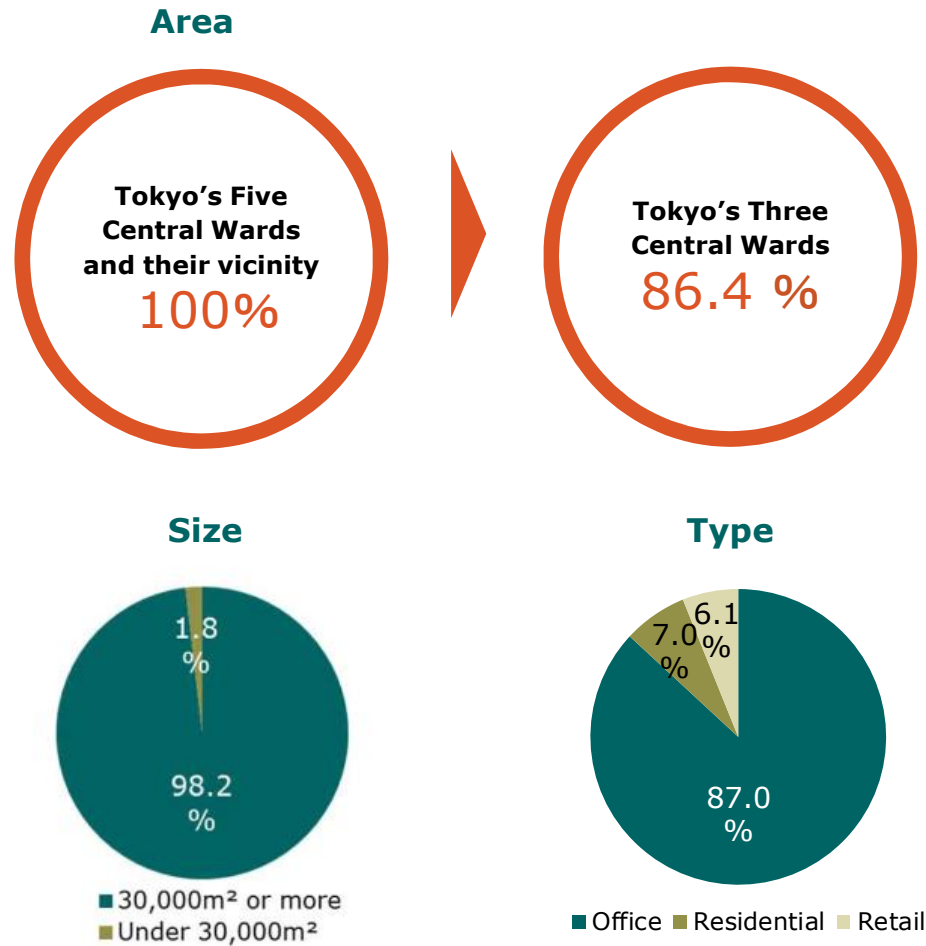
# 2-8 Increase in appraisal NAV per unit



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

# 2-9 Overview of portfolio (1) Location

## No. 1 property percentage in Central Tokyo



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

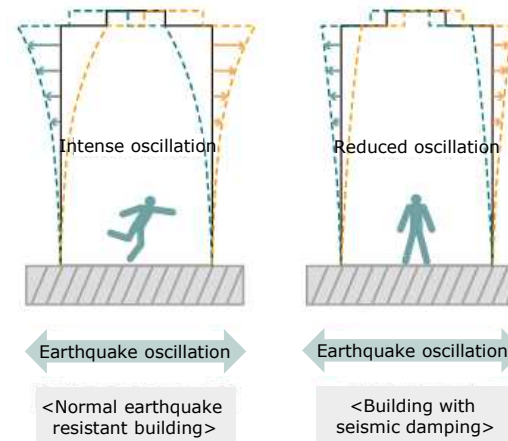
## Pursue No. 1 earthquake-resistance capability

**Lowest portfolio  
PML of all listed  
J-REITs**  
0.97%

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

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

### Seismic damping

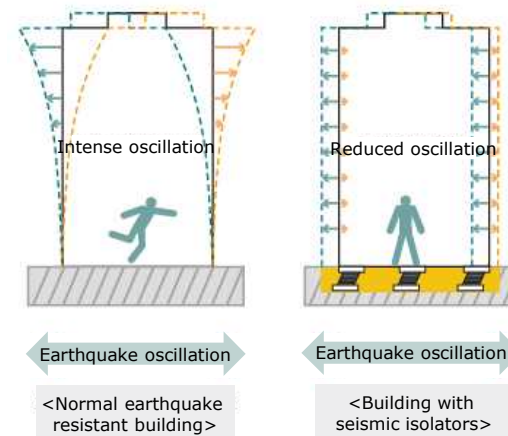


Seismic damping reduces earthquake magnitude of oscillation by approx. 20%



Viscous seismic damping wall

### Seismic isolators



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



Seismic isolators

## Pursue No. 1 environmental performance

Highest ratings in green building certifications  
**70.1%**

CASBEE for Market Promotion: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (Mori Tower)

CASBEE for Buildings (New Construction): Rank S



Toranomon Hills Mori Tower

DBJ Green Buildings Certification: Five stars



ARK Hills South Tower

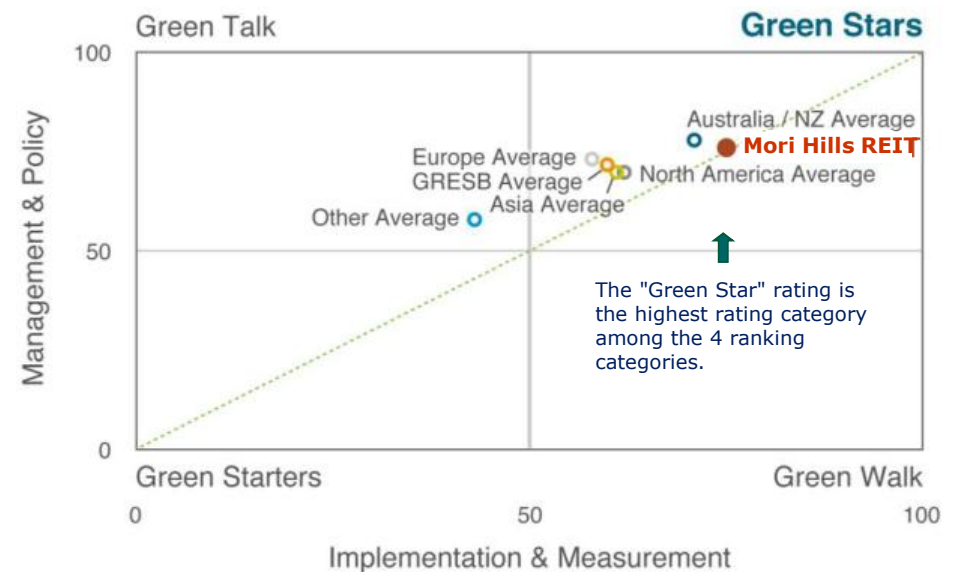
## <Acquired GRESB Green Star Rating>

In the 2017 GRESB Survey, MHR received a Green Star rating for the sixth consecutive year. In addition, MHR received 4 Stars in the GRESB Rating (Note).



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

## GRESB Four-Quadrant Model Scores by Region



(Source) Prepared by the Asset Manager based on the "2017 GRESB Report" of the Global Real Estate Sustainability Benchmark (GRESB).

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



# 2-12 External growth

**Business environment recognition**

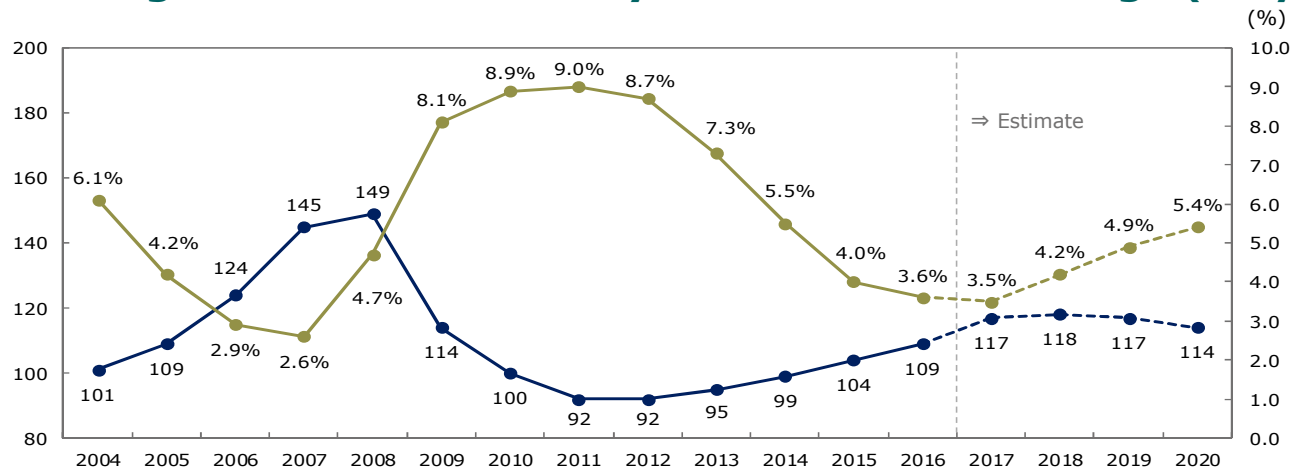
Closely watching the acquisition price level as property acquisition competitions are overheated

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

**External growth policy**

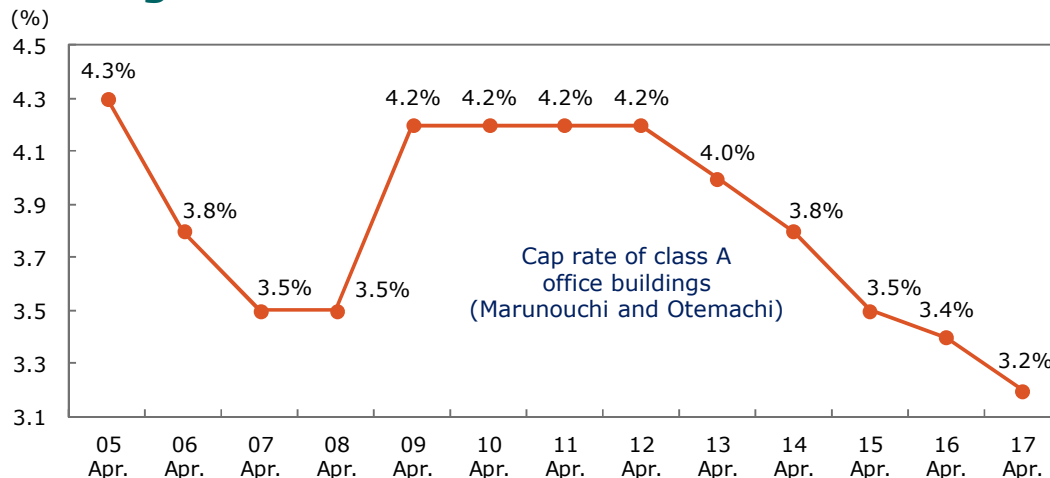
Focus on external growth utilizing sponsors' abundant property pipeline

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



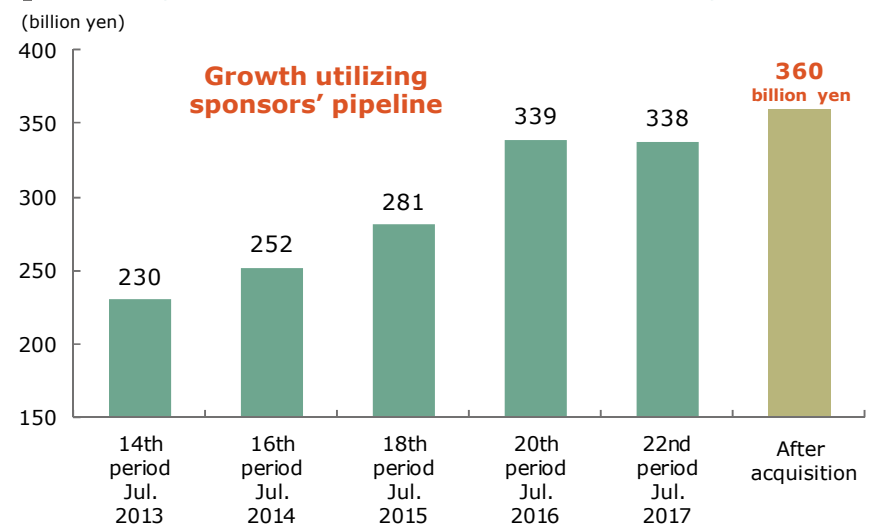
(Source) Prepared by the Asset Manager based on the "Spring 2017 Office Rent Forecast in Tokyo, Osaka and Nagoya (2017-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).  
 (Note) The rent index targets large and medium buildings (standard floor area of 100 tsubo or more) in Tokyo's five central wards. The rent index is rebased to 100 as of 2010.

## Change in return on real estate investment



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

## Change in assets under management



# 2-13 External growth

## Mori Building's extensive property pipeline | Properties owned by Mori Building Group

Total assets:  
1.9 trillion yen  
(as of the end of March 2017)

Number of properties  
under management:  
97 buildings  
(as of April 2017)

MHR has "preferential negotiation rights" (Note 1)

### Recent redevelopment projects (Toranomon Hills area)

**A** Toranomon Hills Business tower (Tentative name)



**B** Toranomon Hills Residential Tower (Tentative name)



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

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

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

(Note 1) Some exceptions included.

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

**1** Roppongi Hills  
(Partly owned by MHR)



〈Office/Residential/Retail, etc.〉

**2** Toranomon Hills  
(Partly owned by MHR)



〈Office/Residential/Hotel, etc.〉

**3** ARK Hills  
(Partly owned by MHR)



〈Office/Residential/Retail, etc.〉

**4** Atago Green Hills  
(Partly owned by MHR)



〈Office/Residential/Retail〉

**5** Holland Hills  
(Partly owned by MHR)



〈Office/Residential/Retail〉

**6** Roppongi Hills Crosspoint



〈Office/Retail/Residential〉

**7** Forest Terrace Toriizaka



〈Residential〉

**8** Omotesando Hills



〈Retail/Residential〉

**9** Laforet Harajuku  
(Land owned by MHR)



〈Retail〉



# 2-15 Internal growth

**Business environment recognition**

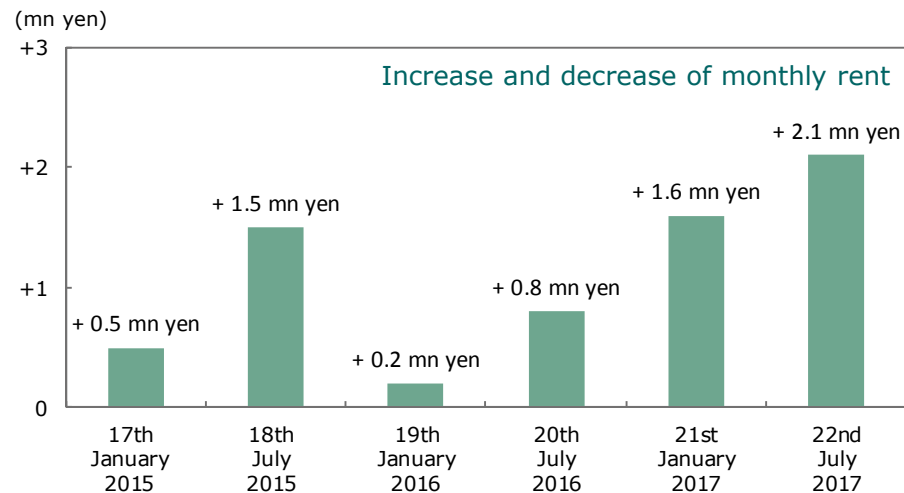
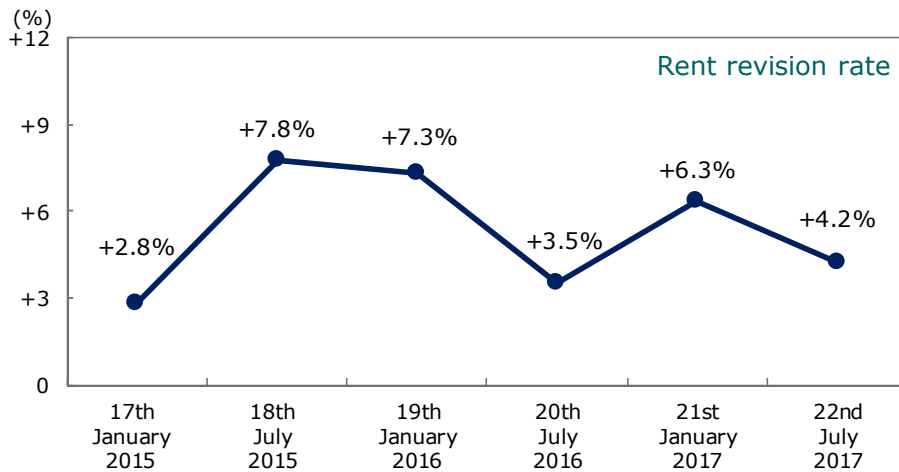
Central Tokyo office rents forecast to continue moderate rise, but as supply increases, the rate of rent increase likely to moderate

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

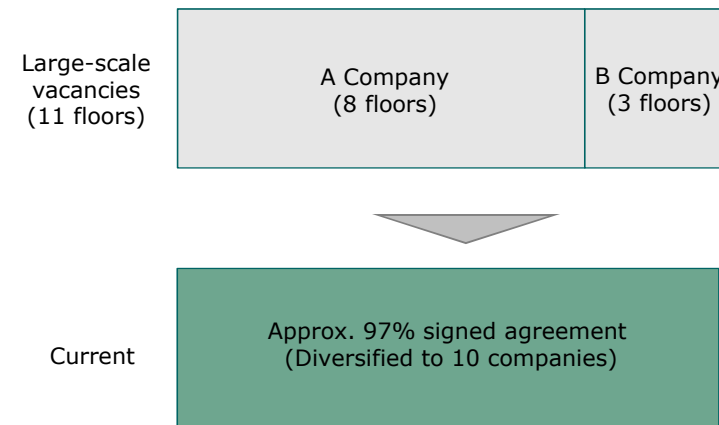
**Internal growth policy**

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

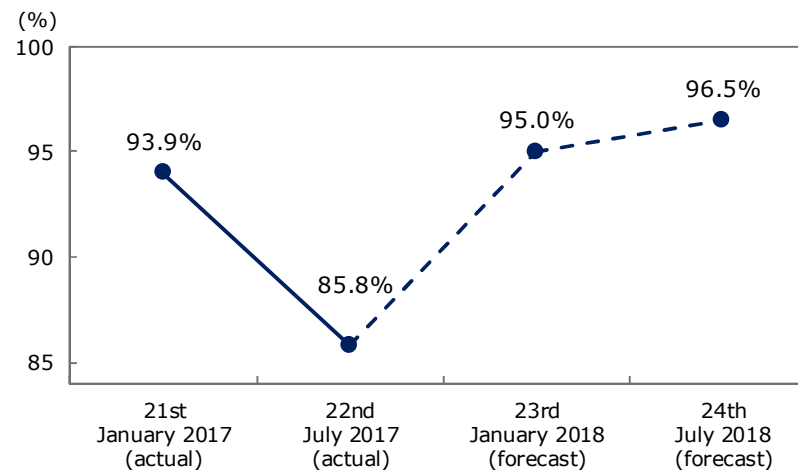
## Result of office tenants' rent revision (pass-through)



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

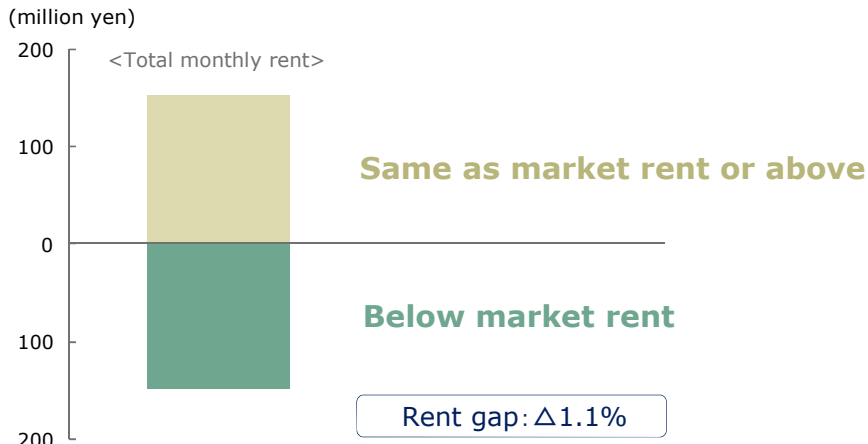


## Trend of office's occupancy rate (pass-through)

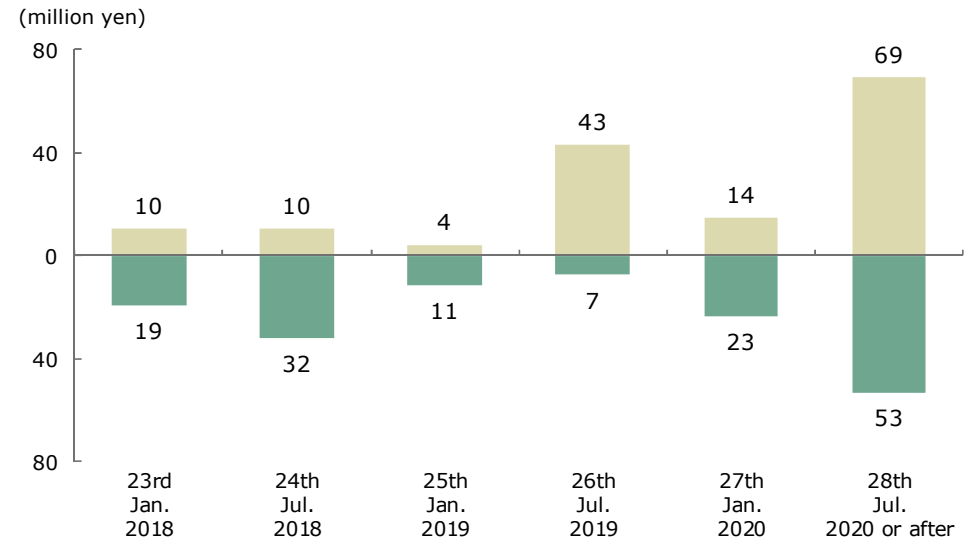


# 2-16 Internal growth

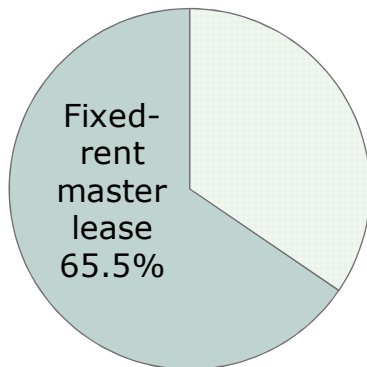
## Comparison with office market rent (pass-through)



(Note 1) Market rent is based on the report by Sanko Estate Co., Ltd.  
 (Note 2) Rent gap = Total tenants' rent  $\div$  "Total market rent" - 1  
 (Note 3) Figures reflect the acquisition as of August 1, 2017 and March 1, 2018, and move outs of end tenants confirmed as of July 31, 2017.



## Ratio of fixed rent master lease (After new acquisitions)



Tenant diversification of pass-through type properties are progressing

Largest tenant's rent ratio is 1.7%

● Defensive positioning with fixed type ML in preparation for large office supply increase

● Constant and steady internal growth of pass-through type properties

Well balanced internal growth scheme

(Note) Figures reflect the acquisition as of August 1, 2017 and March 1, 2018, and move outs of end tenants confirmed as of July 31, 2017.

# 2-17 Financial management

**Business environment recognition**

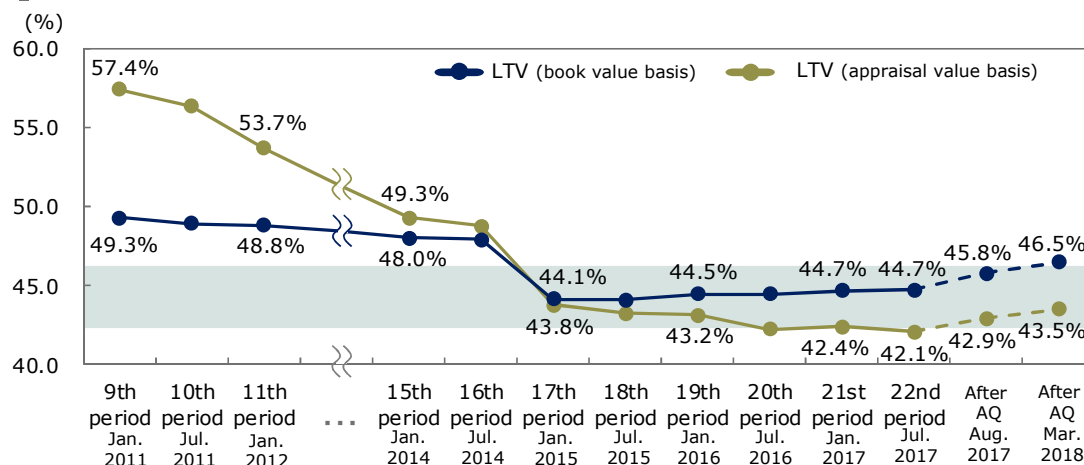
Interest rate level is expected to remain low considering economic conditions and monetary policies

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

**Financial management policy**

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

## Reduction in LTV



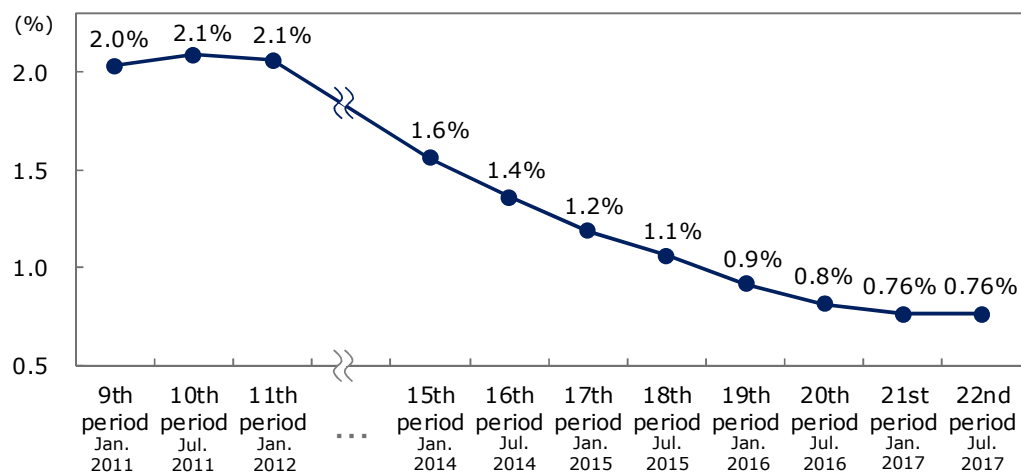
## Overview of debt financing

	End of 21st period Jan. 31, 2017	End of 22nd period Jul. 31, 2017
Debt Balance	156,000 mn yen	156,022 mn yen
LTV (book value basis) <sup>(Note 1)</sup>	44.7%	44.7%
LTV (appraisal value basis) <sup>(Note 2)</sup>	42.4%	42.1%
Avg. remaining duration	4.2 years	3.8 years

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

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

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

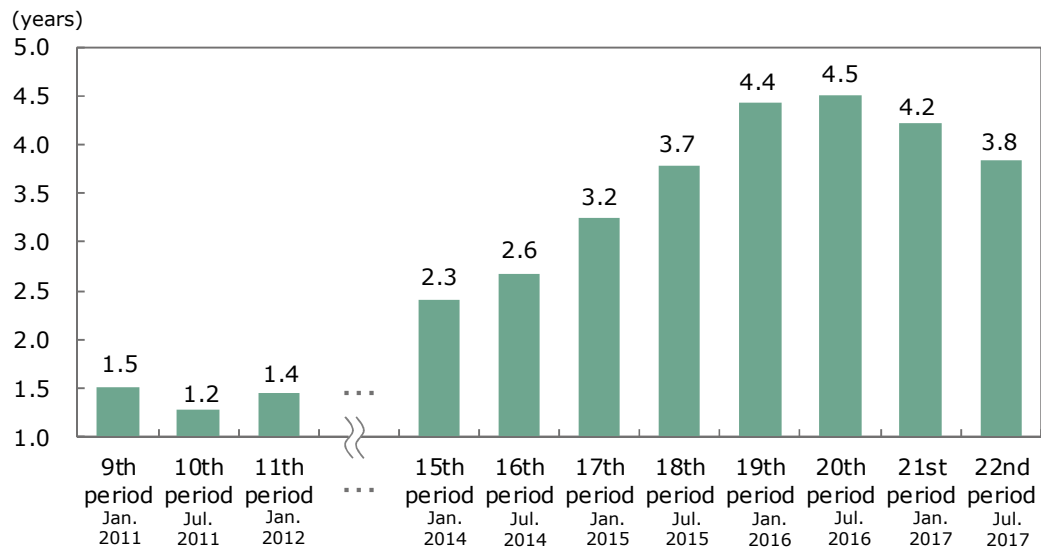


## Issuance status of investment corporation bonds

Issue Date	Amount	Maturity	Rate of Interest
Jan. 2017	2,000 mn yen	10 years	0.49%
Jun. 2017	2,000 mn yen	10 years	0.50%

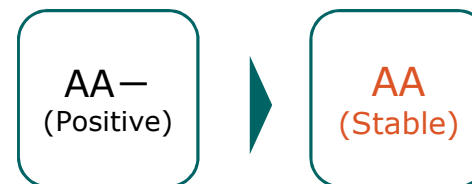
(Note) Total interest-bearing debt cost is calculated as [(interest expenses + interest expenses on investment corporation bonds + borrowing expenses + amortization of investment corporation bond issuance costs) × 365 ÷ operating days during each period ÷ average interest-bearing debt balance during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

## Extension in remaining duration of debt



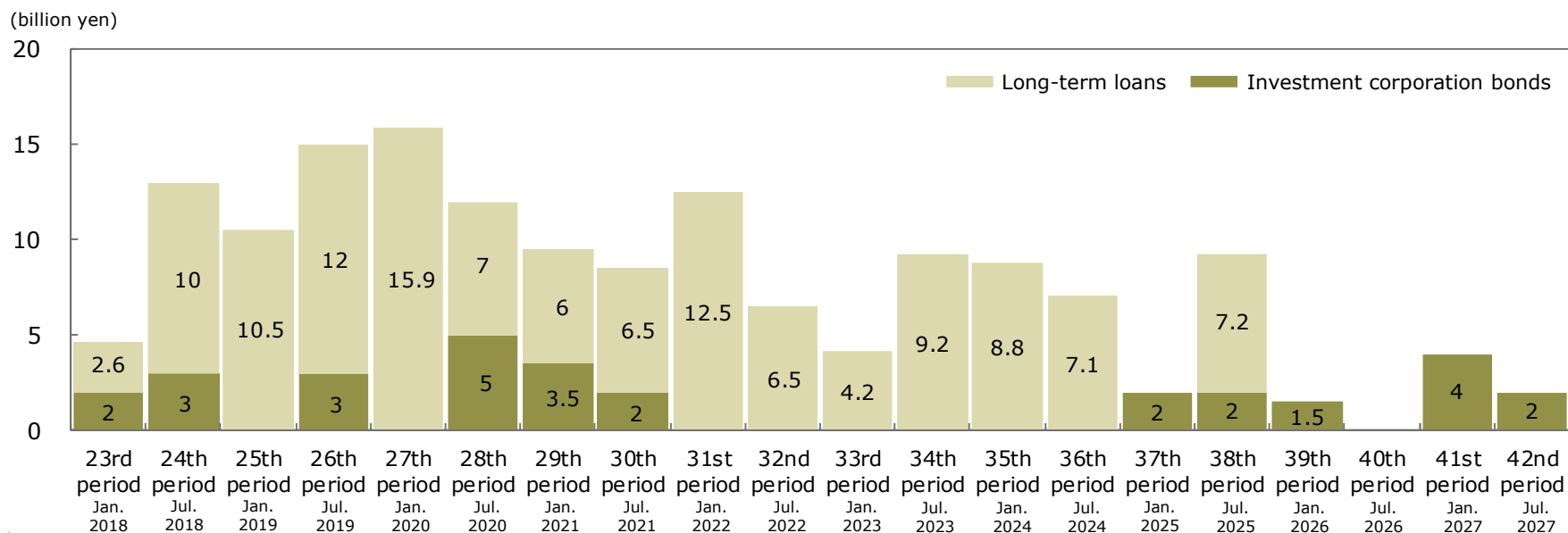
## Rating

Japan Credit Rating (JCR)  
Long-term issuer rating



Upgraded on May 2017

## Overview of maturity (as of July 31, 2017)

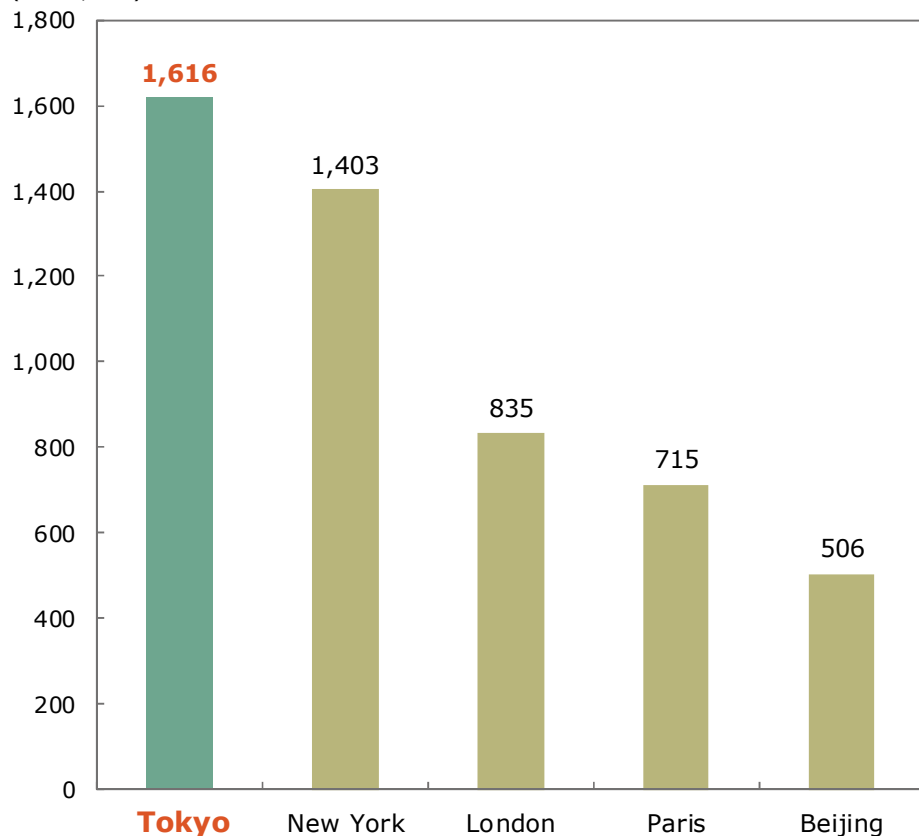


Average interest rate: 0.7%, 1.1%, 1.1%, 0.5%, 0.6%, 0.7%, 0.7%, 0.8%, 0.9%

# 2-19 Competitive strength of Central Tokyo

## GDP of major metropolitan areas

(billion, PPP)



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

## Population of urban concentration areas

(in thousands)

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

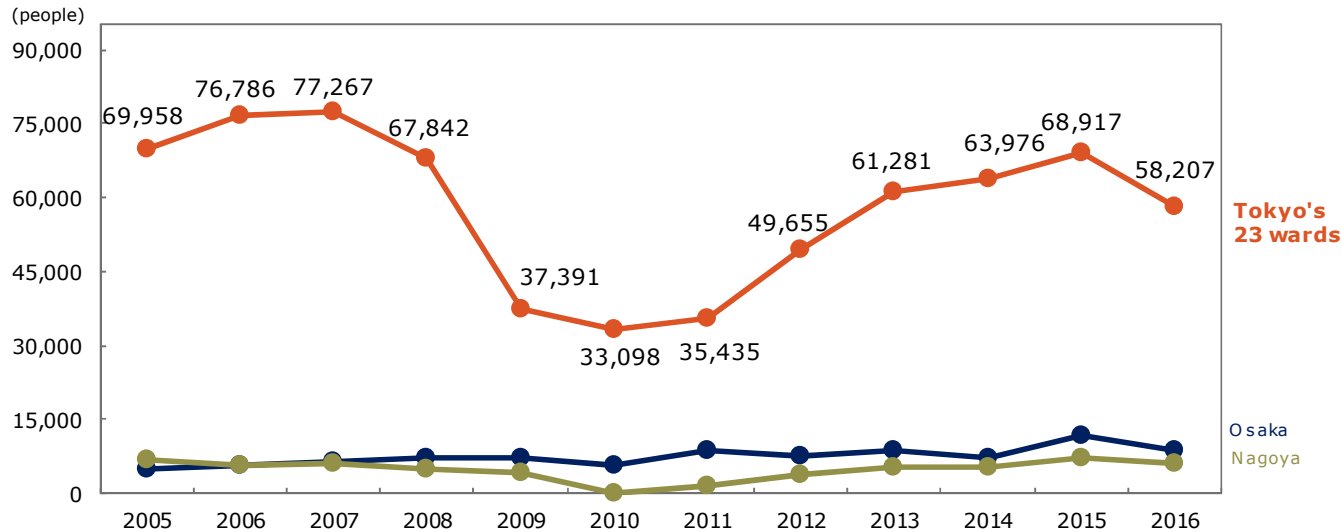
(Source) Prepared by the Asset Manager based on "World Urbanization Prospects: The 2014 Revision" by the Population Division of the Department of Economic and Social Affairs of the United Nations.

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



# 2-20 Competitive strength of Central Tokyo

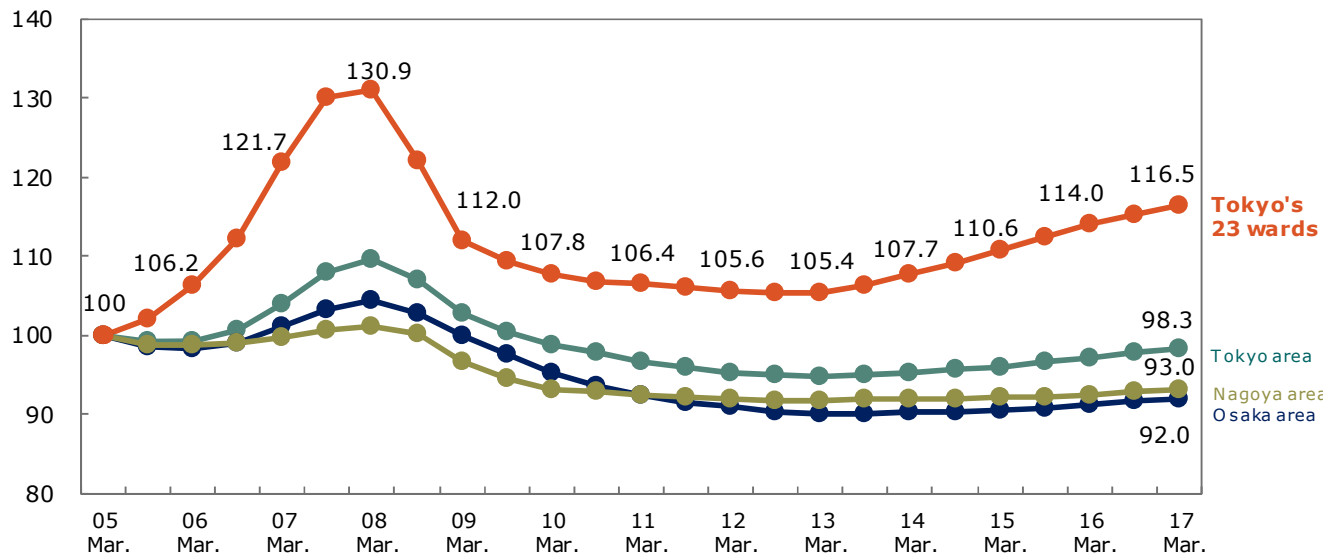
## Trend of net migration



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

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

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



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

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

### 3. Operation highlights

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



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

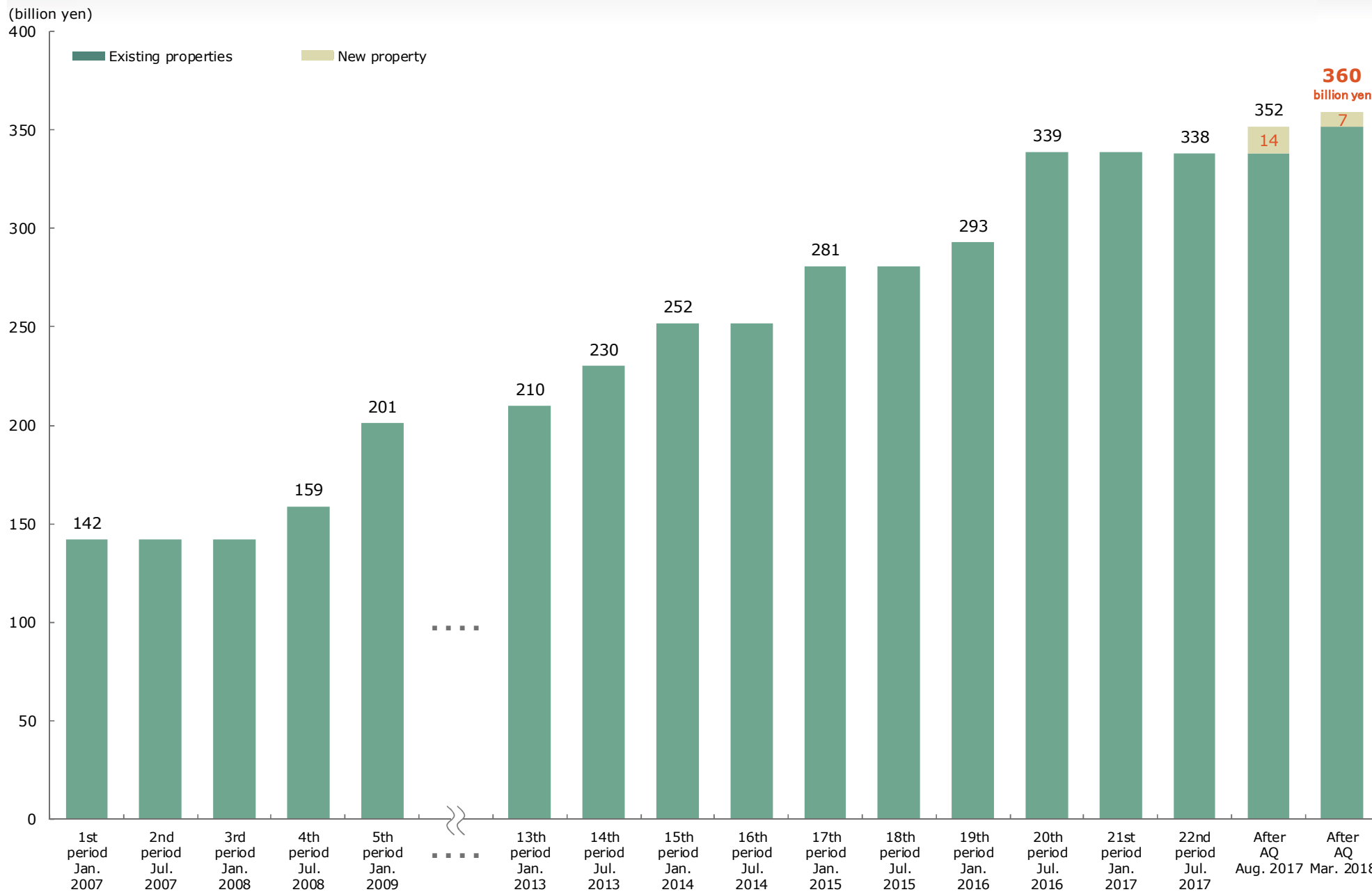
+ Net tenant lease activities and upward rent revision at Koraku Mori Building	+30
- Net tenant lease activities and upward rent revision at ARK Hills South Tower	Δ88
- Net tenant lease activities and upward rent revision at Akasaka Tameike Tower	Δ29
- Property taxes for properties acquired in 20th period recorded as expense (equivalent to 3 months)	Δ26
- Increase in maintenance and repairs	Δ13

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

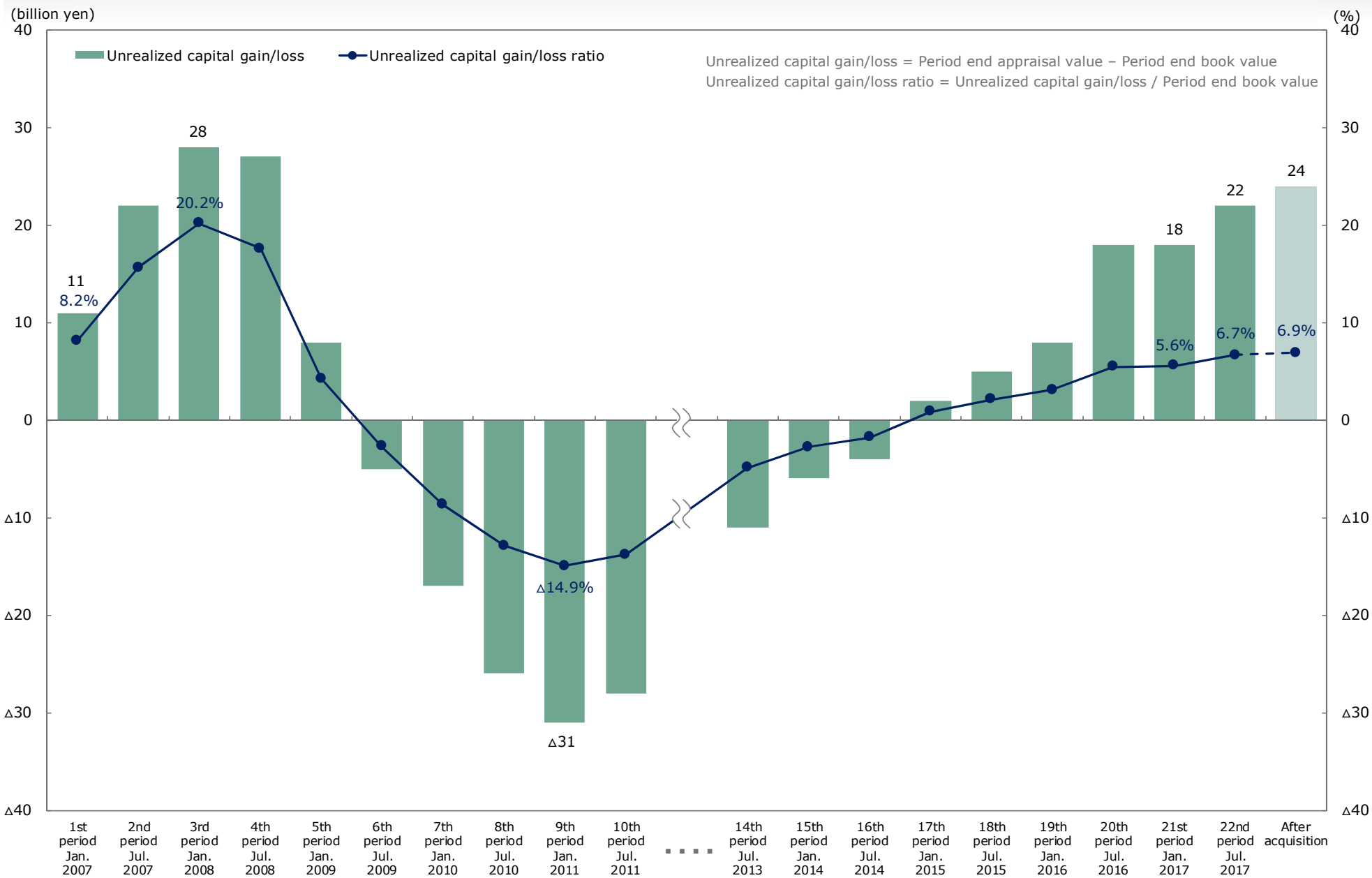
+ Net tenant lease activities and upward rent revision at ARK Hills South Tower	+55
+ Net tenant lease activities and upward rent revision at Akasaka Tameike Tower	+24
- Property taxes for properties acquired in 20th period recorded as expense (remaining 3 months)	Δ26
- Net tenant lease activities and rent revision at residential pass-through property	Δ5

(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,750,640 units and indicated as an approximate figure in yen.

# 3-2 Change in assets under management



# 3-3 Change in unrealized capital gain/loss



# 3-4 Appraisal value

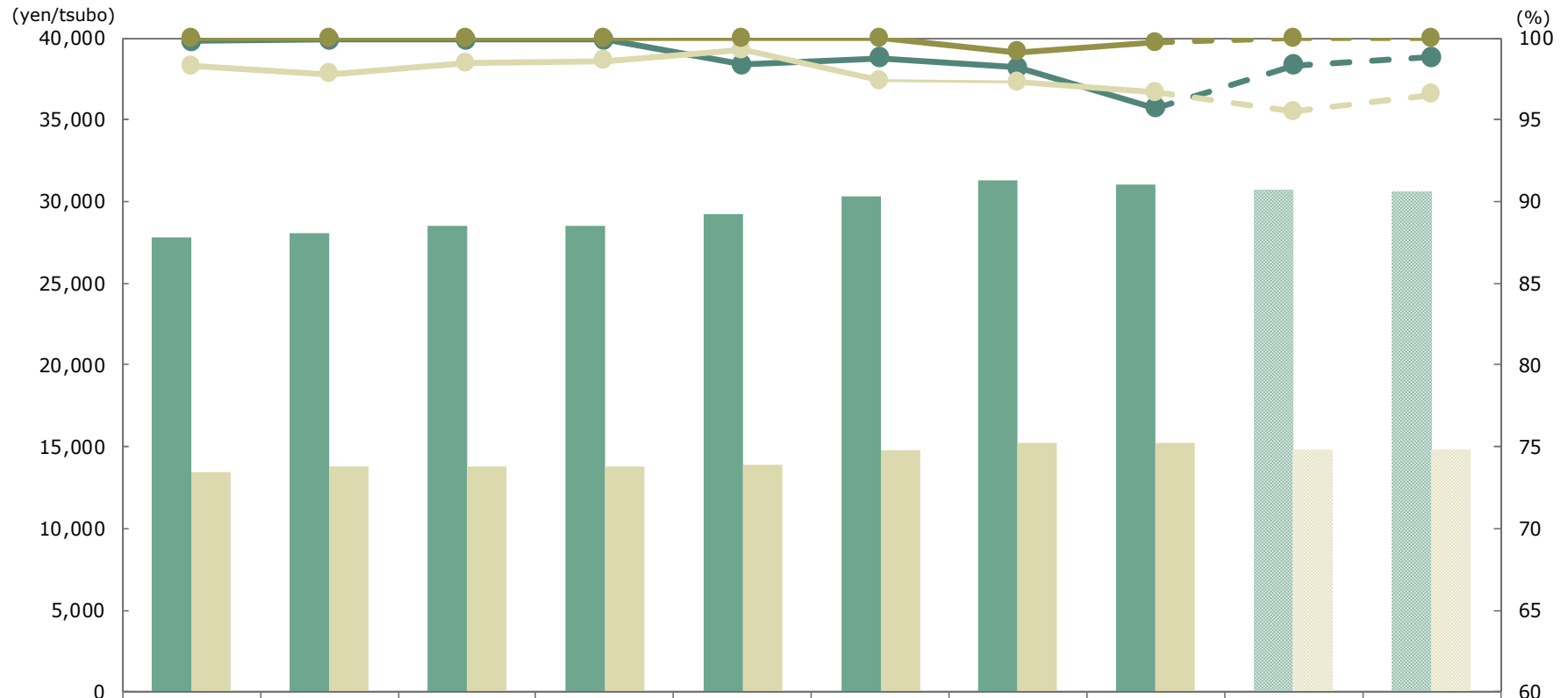
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 21st period Jan. 31, 2017		As of end of 22nd period Jul. 31, 2017				Difference (B)–(A)	Difference (B)/(A)–1	Unrealized capital gain (B)-book value
					(A) Appraisal value	Yield (direct capitalization method)	(B) Appraisal value	Yield (direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	113,323	134,900	3.3%	134,900	3.3%	3.0%	3.5%	0	0.0%	21,576
	ARK Mori Building	O-1	62,480	61,591	57,500	3.6%	57,400	3.6%	3.3%	3.8%	△ 100	△ 0.2%	△ 4,191
	Koraku Mori Building	O-4	27,200	24,990	23,700	3.9%	23,400	3.8%	3.4%	4.1%	△ 300	△ 1.3%	△ 1,590
	Akasaka Tameike Tower	O-6	43,930	42,003	29,500	3.7%	30,100	3.6%	3.3%	3.8%	600	2.0%	△ 11,903
	Atago Green Hills	O-7	42,090	40,860	42,300	3.9%	43,300	3.8%	3.3%	4.0%	1,000	2.4%	2,439
	ARK Hills South Tower	O-8	19,150	18,960	23,100	3.4%	23,600	3.3%	3.1%	3.5%	500	2.2%	4,639
Sub total			310,230	301,729	311,000	–	312,700	–	–	–	1,700	0.5%	10,970
Residential	Moto-Azabu Hills	R-1	–	–	2,030	3.9%	–	–	–	–	△ 2,030	–	–
	Roppongi First Plaza	R-3	2,100	2,266	1,870	4.4%	2,000	4.3%	4.1%	4.5%	130	7.0%	△ 266
	Roppongi View Tower	R-4	4,000	3,997	2,610	4.5%	2,690	4.4%	4.2%	4.6%	80	3.1%	△ 1,307
Sub total			6,100	6,264	6,510	–	4,690	–	–	–	△ 1,820	△ 28.0%	△ 1,574
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	33,400	4.3%	34,700	–	4.2%	–	1,300	3.9%	12,625
Sub total			21,820	22,074	33,400	–	34,700	–	–	–	1,300	3.9%	12,625
Total			338,150	330,068	350,910	–	352,090	–	–	–	1,180	0.3%	22,021

(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 21st period shows the discount rate used in the DCF analysis.

# 3-5 Changes in the rent and occupancy rates



	15th period Jan. 2014 (actual)	16th period Jul. 2014 (actual)	17th period Jan. 2015 (actual)	18th period Jul. 2015 (actual)	19th period Jan. 2016 (actual)	20th period Jul. 2016 (actual)	21st period Jan. 2017 (actual)	22nd period Jul. 2017 (actual)	23rd period Jan. 2018 (forecast)	24th period Jul. 2018 (forecast)
Office rent (yen/tsubo)	27,788	28,119	28,482	28,536	29,253	30,306	31,281	31,069	30,634	30,629
Residential rent (yen/tsubo)	13,432	13,763	13,782	13,765	13,894	14,750	15,272	15,278	14,789	14,810
Office occupancy (%)	99.8%	100%	99.9%	100%	98.4%	98.8%	98.2%	95.7%	98.4%	98.8%
Residential occupancy (%)	98.3%	97.8%	98.5%	98.6%	99.3%	97.4%	97.3%	96.7%	95.5%	96.5%
Retail occupancy (%)	100%	100%	100%	100%	100%	100%	99.2%	99.7%	100%	100%

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

# 3-6 Overview of fixed rent master lease properties

## Overview of fixed rent master lease properties by the sponsor

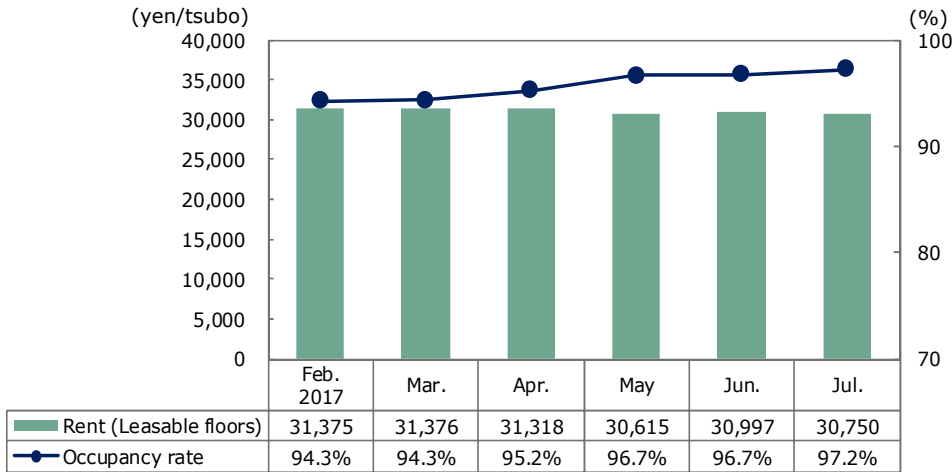
Property name	Total monthly rent (mn yen)	% of portfolio total rent (Note)	Breakdown of property	Leased floor area (m <sup>2</sup> )	Monthly rent (mn yen)	Payer of the management association fee	Next rent revision	Expiration of the lease agreement
Roppongi Hills Mori Tower (10 floors)	490.5	34.9%	23rd & 24th	8,993.45	114.6	MHR	—	Jul. 2021
			19th & 22nd	8,609.47	95.0			Sep. 2018
			20th	3,879.19	42.8			Jul. 2019
			28th	4,460.13	49.2			Sep. 2020
			25th	4,156.66	45.8			Jan. 2021
			26th & 27th & 29th	12,942.64	142.9			Mar. 2021
ARK Mori Building (8 floors + DHC)	225.2	16.0%	13th / 12th & 22nd	7,952.55	77.9	MHR	—	Jan. 2021
			23rd & 25th	5,742.95	55.5			Jan. 2021
			4th & 15th & 24th	7,680.52	73.8			Jan. 2021
			DHC	3,212.41	17.9	Master lessee	Apr. 2018	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	12.0%	Office/residential /retail	29,667.58	168.7	Master lessee	—	Apr. 2022
Toranomon Hills Mori Tower (approx. 1.9% of entire property)	36.1	2.6%	Part of 28th to 35th floors	3,418.54	36.1	MHR	—	Jul. 2022
<b>Total</b>	<b>920.7</b>	<b>65.5%</b>						

(Note) Figures reflect the acquisition as of August 1, 2017 and March 1, 2018, and move outs of end tenants confirmed as of July 31, 2017.

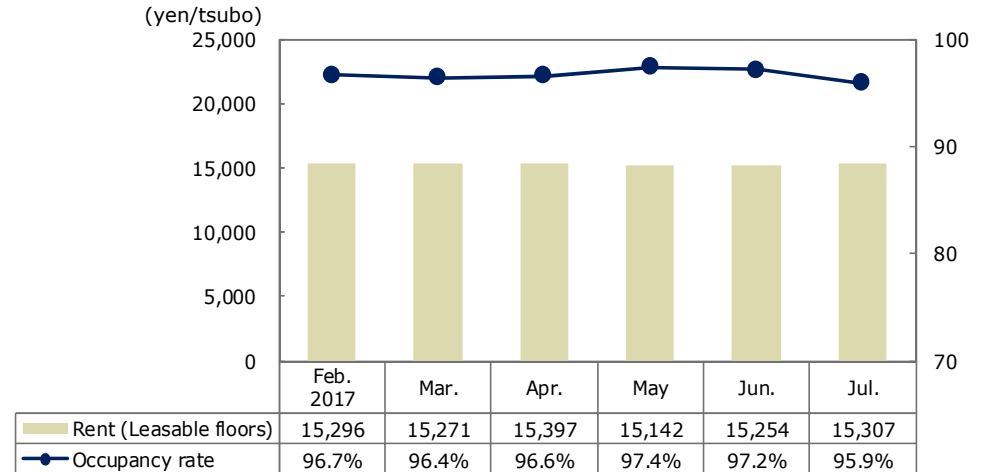


# 3-7 Tenant status by month and tenants with large leased space

## Office: Rent and occupancy rate



## Residential: Rent and occupancy rate



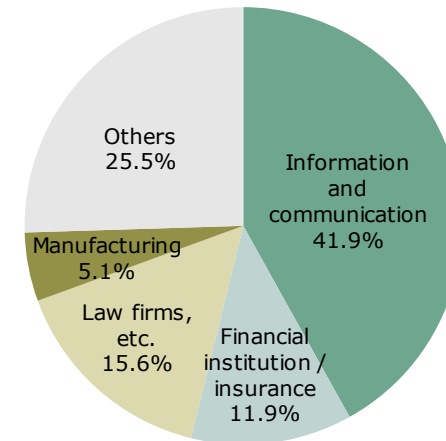
## Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills ARK Hills South Tower	97,636.65 m <sup>2</sup>	65.9%
Syowa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 m <sup>2</sup>	1.8%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 m <sup>2</sup>	1.7%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m <sup>2</sup>	1.4%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m <sup>2</sup>	1.3%
Total of top 5 tenants		106,854.36 m <sup>2</sup>	72.2%

(Note 1) Leased space is the lease area stated in the lease contract with the end tenant. Leased space for co-owned properties is calculated by multiplying by the relevant percentage of co-ownership interest.

(Note 2) This indicates the figures as of July 31, 2017.

## Tenant Contribution by Industry Type-Office



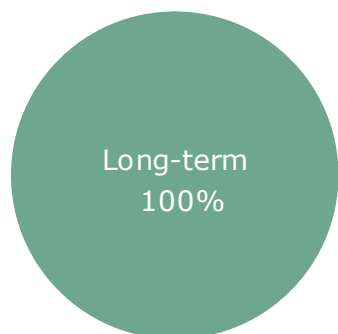
(Note 1) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of July 31, 2017. As for properties jointly owned with third parties, ratios are calculated by multiplying by co-ownership interest.

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

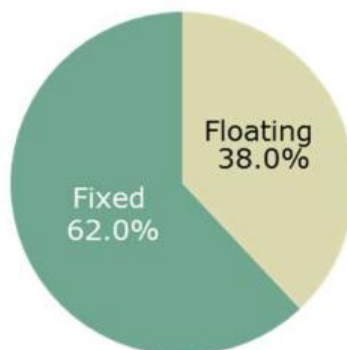
# 3-8 Financial overview (As of July 31, 2017)

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

<Long and short-term debt ratio>



<Fixed rate ratio>



## Major financial indicator

	End of 21st period Jan. 31, 2017	End of 22nd period Jul. 31, 2017
Debt balance	156,000 mn yen	156,022 mn yen
Long-term loan	128,000 mn yen	126,022 mn yen
Investment corporation bonds	28,000 mn yen	30,000 mn yen
LTV (Book value basis) (Note 1)	44.7%	44.7%
LTV (Appraisal value basis) (Note 2)	42.4%	42.1%
DSCR (Note 3)	14.5x	15.1x
Avg. remaining duration	4.2 years	3.8 years
Weighted avg. interest rate	0.53%	0.53%

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

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

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

## Outstanding balances

Lenders	Balance	Ratio
Mizuho Bank, Ltd.	19,198 mn yen	15.2%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,198 mn yen	15.2%
Mitsubishi UFJ Trust and Banking Corporation	19,198 mn yen	15.2%
Sumitomo Mitsui Banking Corporation	18,575 mn yen	14.7%
Sumitomo Mitsui Trust Bank, Limited	14,423 mn yen	11.4%
Development Bank of Japan Inc.	5,950 mn yen	4.7%
The Norinchukin Bank	5,700 mn yen	4.5%
The Bank of Fukuoka	5,500 mn yen	4.4%
Resona Bank, Limited.	4,630 mn yen	3.7%
Aozora Bank, Ltd.	4,250 mn yen	3.4%
Shinsei Bank, Limited	3,400 mn yen	2.7%
The Hiroshima Bank, Ltd.	2,000 mn yen	1.6%
Mizuho Trust & Banking Co., Ltd.	2,000 mn yen	1.6%
Oita Bank Co. Ltd.	1,000 mn yen	0.8%
Shinkin Central Bank	1,000 mn yen	0.8%
<b>Total borrowings</b>	<b>126,022 mn yen</b>	<b>100%</b>
<b>Investment corporation bonds</b>	<b>30,000 mn yen</b>	
<b>Total interest-bearing debt</b>	<b>156,022 mn yen</b>	

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

## Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc., Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	10,000	0.84% (Note)	2013/3/29	2018/3/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Aozora Bank, Ltd. Development Bank of Japan Inc., The Norinchukin Bank The Bank of Fukuoka, Resona Bank, Limited., Shinsei Bank, Limited, Mizuho Trust & Banking Co., Ltd.	10,500	0.78% (Note)	2013/9/30	2018/9/30
The Norinchukin Bank, The Hiroshima Bank, Ltd. Oita Bank Co. Ltd.	2,600	0.28%	2013/11/29	2017/11/30
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	1,000	0.33%	2013/11/29	2019/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc., The Norinchukin Bank, The Bank of Fukuoka, Shinsei Bank, Limited	11,400	0.38%	2013/11/29	2019/11/30
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation The Norinchukin Bank, The Bank of Fukuoka	11,000	0.28%	2014/5/30	2019/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation	2,022	0.33%	2014/5/30	2020/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Resona Bank, Limited.	5,000	0.33%	2014/8/1	2020/5/31
Aozora Bank, Ltd.	2,000	0.28%	2014/8/29	2019/8/31
Resona Bank, Limited.	2,500	0.28%	2014/8/29	2019/8/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,000	0.62% (Note)	2014/11/28	2020/11/30
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.75% (Note)	2014/11/28	2021/11/30
Development Bank of Japan Inc.	1,700	0.80%	2015/3/27	2023/3/27
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.57% (Note)	2015/5/29	2021/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.70% (Note)	2015/5/29	2022/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation	6,000	0.49% (Note)	2015/8/31	2021/8/31

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	2,500	0.65% (Note)	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,200	0.50% (Note)	2015/11/30	2022/11/30
Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited	6,300	0.62% (Note)	2015/11/30	2023/11/30
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Norinchukin Bank, Resona Bank, Limited. Shinsei Bank, Limited, The Hiroshima Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	7,500	0.23%	2016/3/31	2023/3/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. The Bank of Fukuoka, Aozora Bank, Ltd.	7,100	0.28%	2016/3/31	2024/3/31
Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	7,200	0.28%	2016/3/31	2025/3/31
Shinkin Central Bank	1,000	0.18%	2016/3/31	2022/9/30
<b>Total</b>	<b>126,022</b>			

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

## Investment corporation bonds

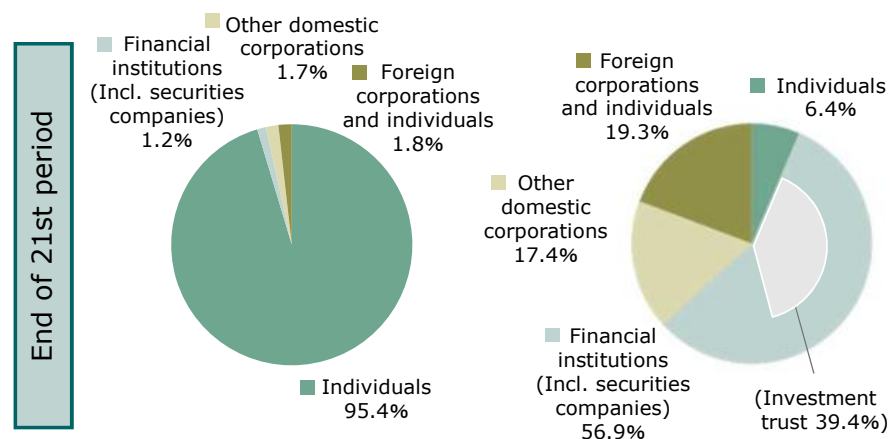
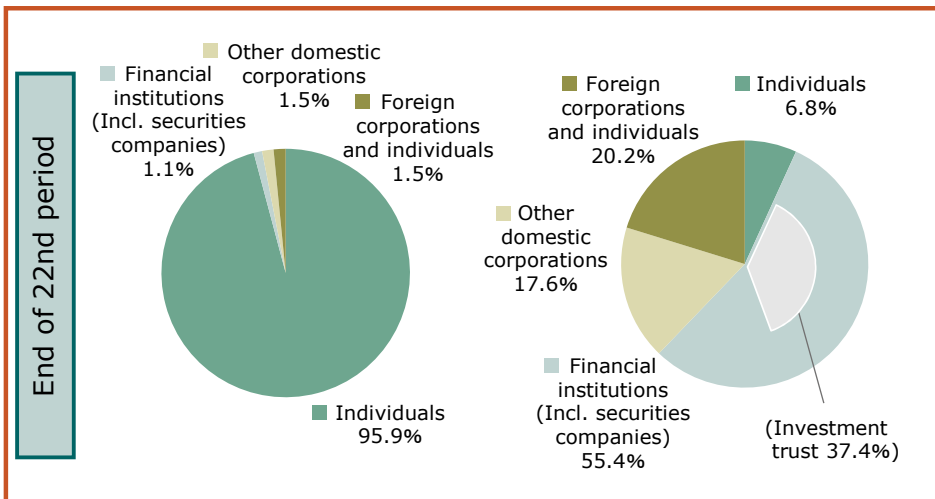
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
7th Series Unsecured Corporation Bond (5 years)	2,000	0.97%	2012/11/28	2017/11/28
8th Series Unsecured Corporation Bond (5 years)	3,000	0.85%	2013/5/24	2018/5/24
9th Series Unsecured Corporation Bond (7 years)	2,000	1.26%	2013/5/24	2020/5/22
10th Series Unsecured Corporation Bond (5 years)	3,000	0.41%	2014/2/24	2019/2/22
11th Series Unsecured Corporation Bond (7 years)	2,000	0.69%	2014/2/24	2021/2/24
12th Series Unsecured Corporation Bond (10 years)	2,000	0.87%	2014/11/27	2024/11/27
13th Series Unsecured Corporation Bond (5 years)	3,000	0.32%	2015/5/26	2020/5/26
14th Series Unsecured Corporation Bond (10 years)	2,000	0.82%	2015/5/26	2025/5/26
15th Series Unsecured Corporation Bond (5 years)	3,500	0.38%	2015/11/26	2020/11/26
16th Series Unsecured Corporation Bond (10 years)	1,500	0.89%	2015/11/26	2025/11/26
17th Series Unsecured Corporation Bond (10 years)	2,000	0.34%	2016/8/30	2026/8/28
18th Series Unsecured Corporation Bond (10 years)	2,000	0.49%	2017/1/31	2027/1/29
19th Series Unsecured Corporation Bond (10 years)	2,000	0.50%	2017/6/30	2027/6/30
<b>Total</b>	<b>30,000</b>			

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

## Unitholders breakdown

<Number of unitholders>

<Number of investment units>

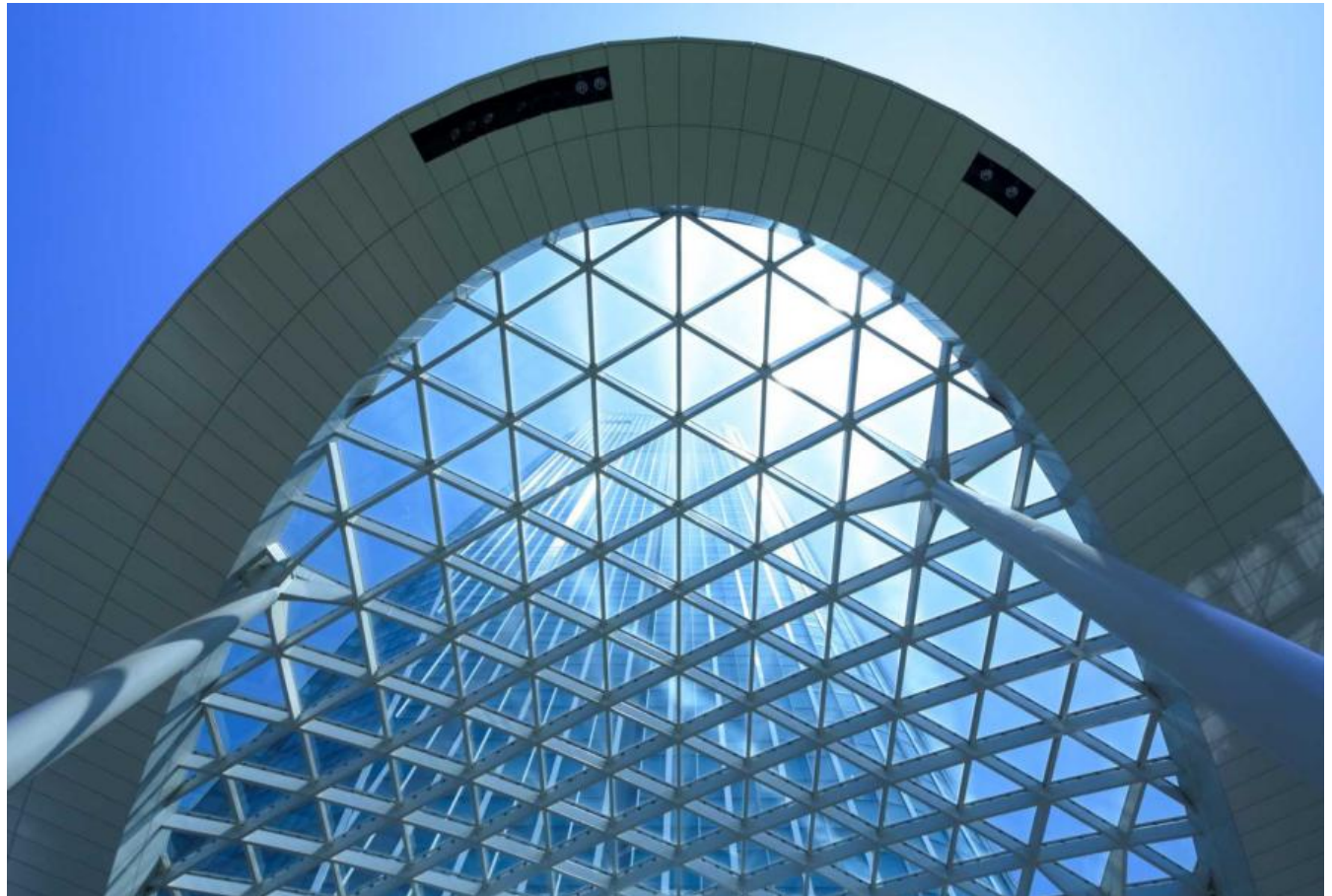


## Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust account)	391,261	22.3%
2	Mori Building Co., Ltd.	262,772	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	148,250	8.5%
4	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	147,021	8.4%
5	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	69,749	4.0%
6	STATE STREET BANK AND TRUST COMPANY 505012	36,099	2.1%
7	STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	23,962	1.4%
8	DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	19,452	1.1%
9	JP MORGAN CHASE BANK 385632	19,210	1.1%
10	STICHTING PENSIOENFONDS METAAL EN TECHNIEK	18,929	1.1%
Total of top 10 unitholders		1,136,705	64.9%

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

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## Real estate market / Lending attitude

- Low vacancy rates and gradual increase of rents of office buildings in central Tokyo is ongoing.  
(Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
  - ⇒ Vacancy rate (forecast): 3.6% in 2016 → 4.2% in 2018
  - ⇒ Rent index (forecast): 109 in 2016 → 118 in 2018
- Although cap rates remain at historically low levels, the rate of decrease seems more moderate.  
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
  - ⇒ Class A buildings in Marunouchi  
Cap rate: 3.4% in April 2016 → 3.2% in April 2017
- Lending attitude toward the real estate industry continues to be highly positive.

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

## Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and the core CPI rate of increase is at a low level.
  - ⇒ 10-year bond rates: +0.010% (August 31, 2017)
  - ⇒ Core CPI: +0.5 % (July 2017)
- In the July 2017 preliminary business conditions composite index, the leading index was at 105.0 (0.7 PT decrease from previous month) and the coincident index was at 115.6 (1.2 PT decrease from previous month). There seems to be an improvement trend before and after the US presidential election.
- The growth of money stock is limited.  
The issue of wage increases can be seen from the consumer confidence survey and the monthly labor survey. Future trends will be scrutinized.

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

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

# 4-2 MHR's policy/strategy

## External growth policy

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

## Internal growth policy

- Steadily achieve the revision of pass-through type properties with rent increases while maintaining the ratio of the fixed rent master leases at current level.
- Properly implement office property repairs as necessary and conduct value-enhancement renovation for residential properties if such is judged to be cost-effective (there are no office properties that require large-scale renewal in terms of building age or competitiveness).

## Financial management policy

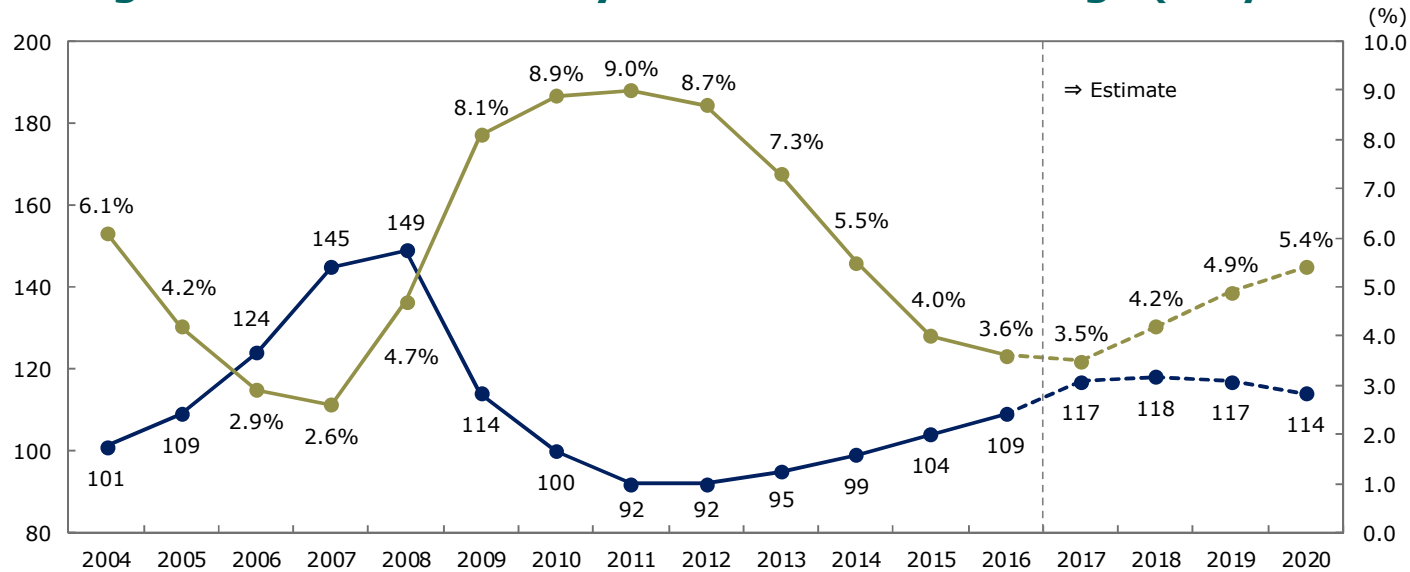
- Target LTV (book value basis) in the mid 40% range (though it may temporarily exceed the target level as necessary) in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years or longer,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

## Policy regarding the entire investment corporation

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

# 4-3 Market-related information (1)

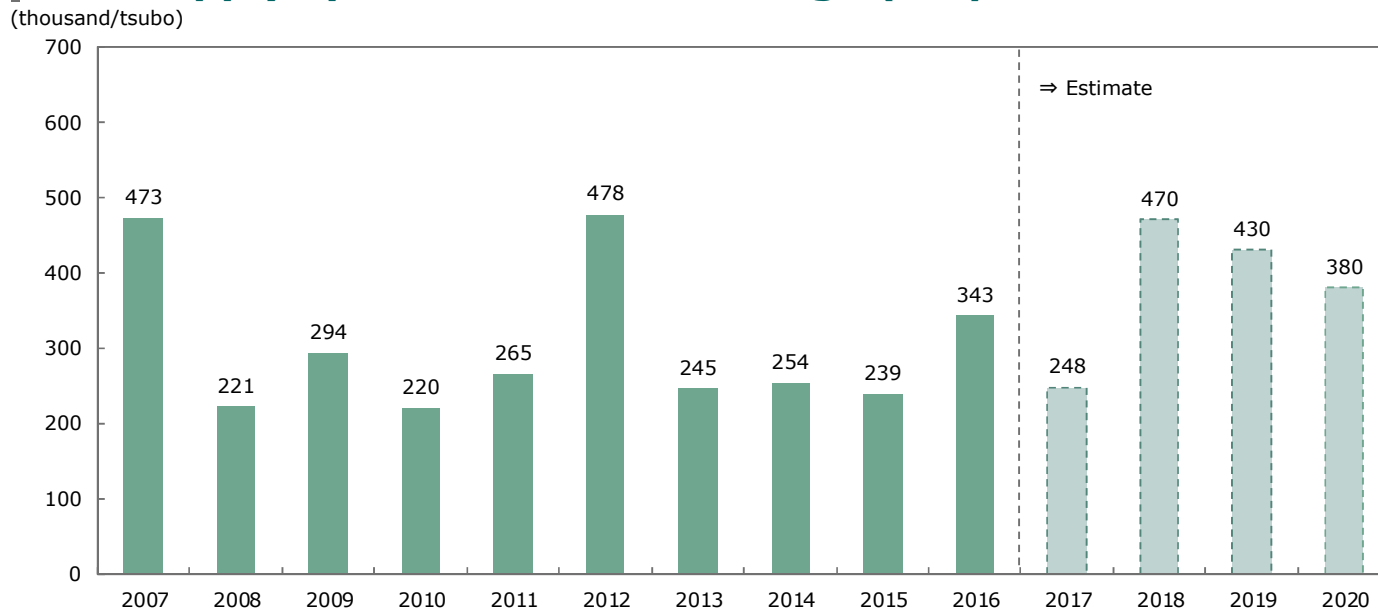
## Change in rent and vacancy rate of office buildings (Tokyo's five central wards)



(Source)  
Prepared by the Asset Manager based on the "Spring 2017 Office Rent Forecast in Tokyo, Osaka and Nagoya (2017-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

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

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

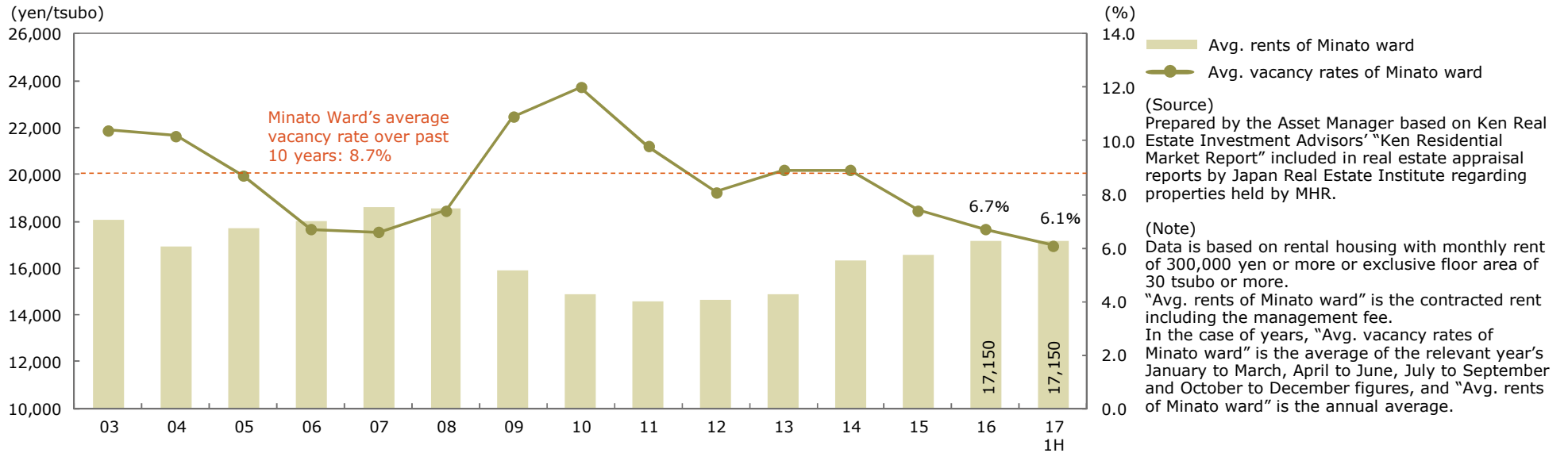


(Source)  
Prepared by the Asset Manager based on the "Spring 2017 Office Rent Forecast in Tokyo, Osaka and Nagoya (2017-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

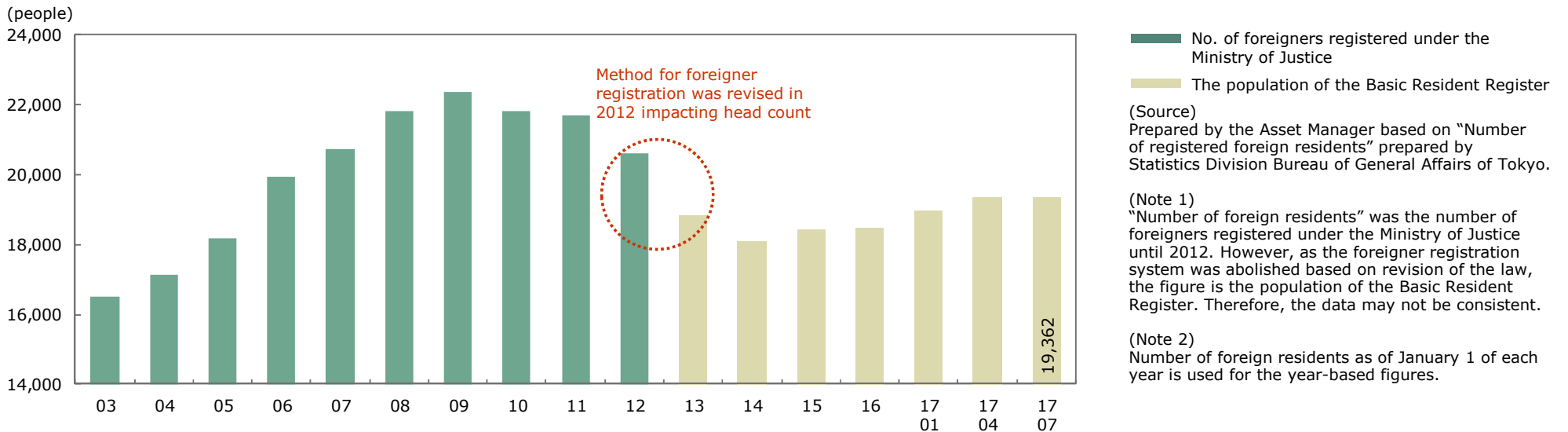


# 4-4 Market-related information (2)

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

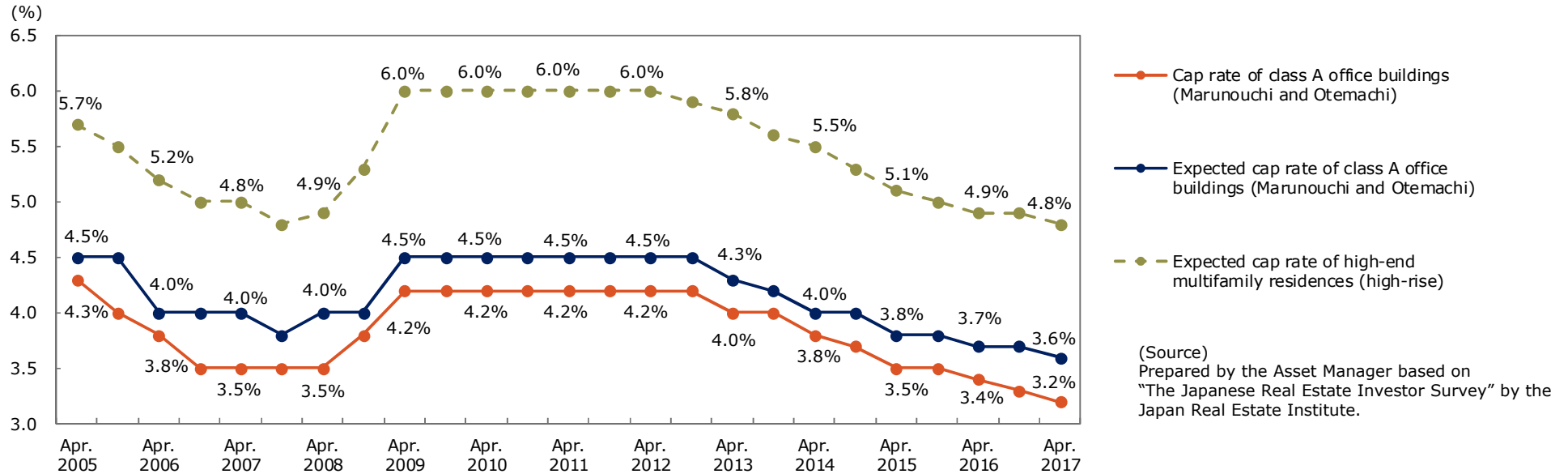


## Change in number of foreign residents in Minato ward

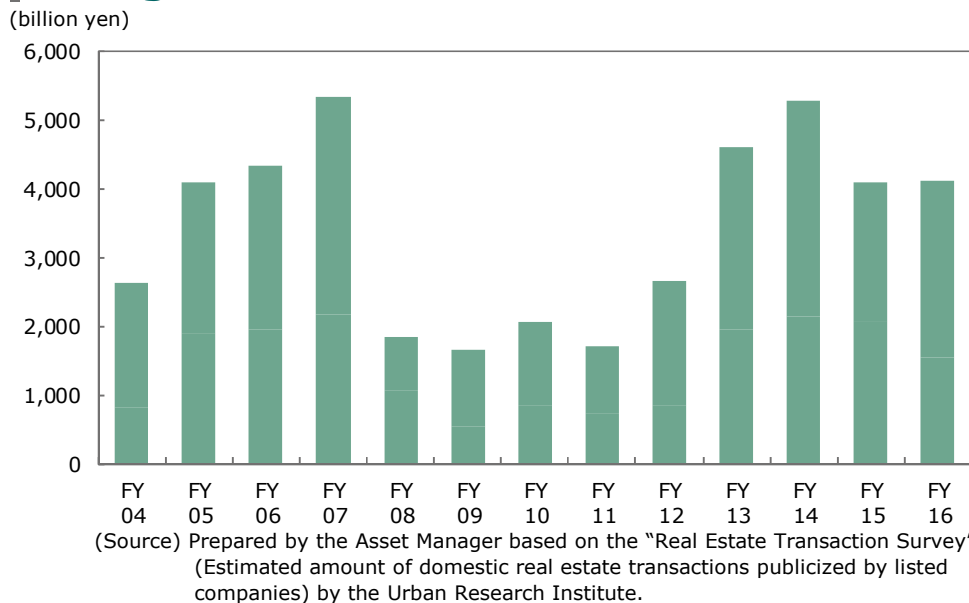


# 4-5 Market-related information (3)

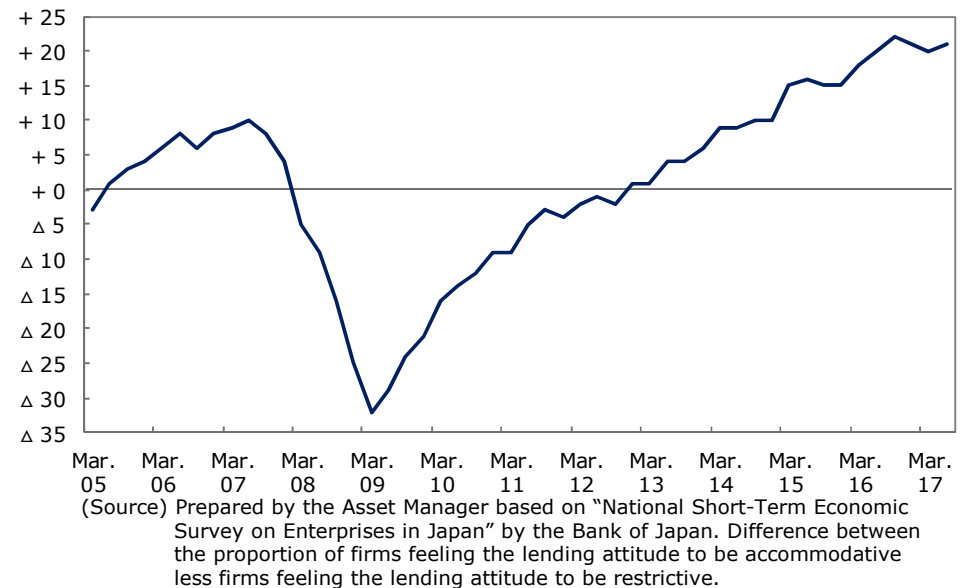
## Change in return on real estate investment



## Change in real estate transaction amount



## Lending attitude DI (real estate industry)



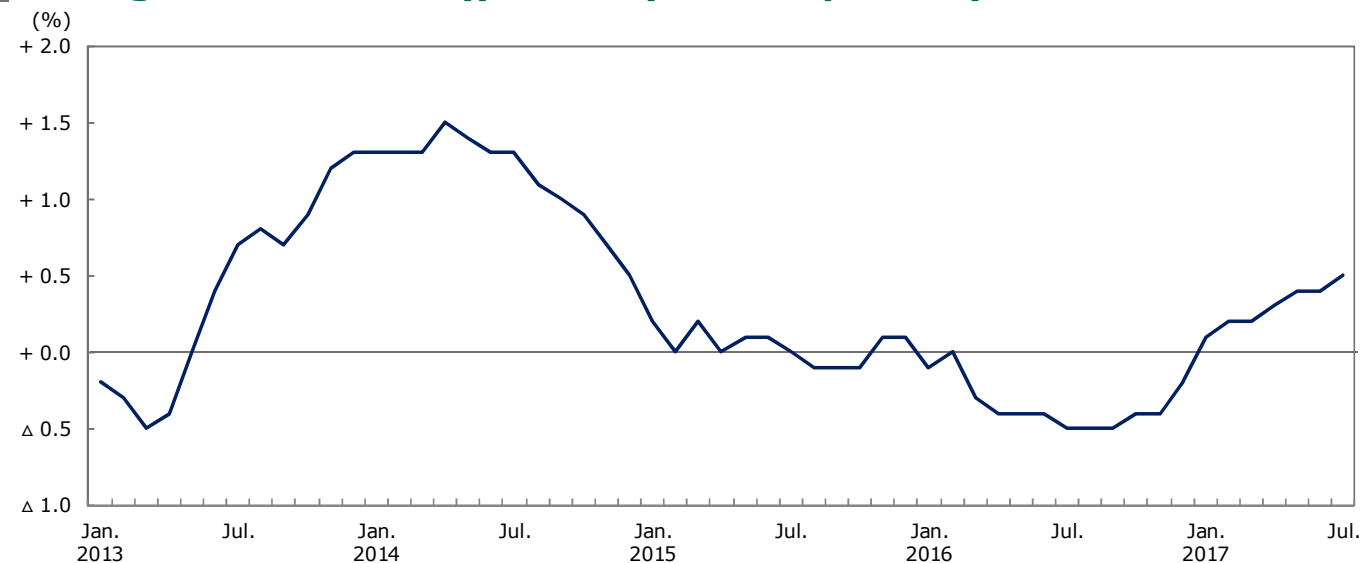
# 4-6 Market-related information (4)

## Change in 10-year bond interest rates



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

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



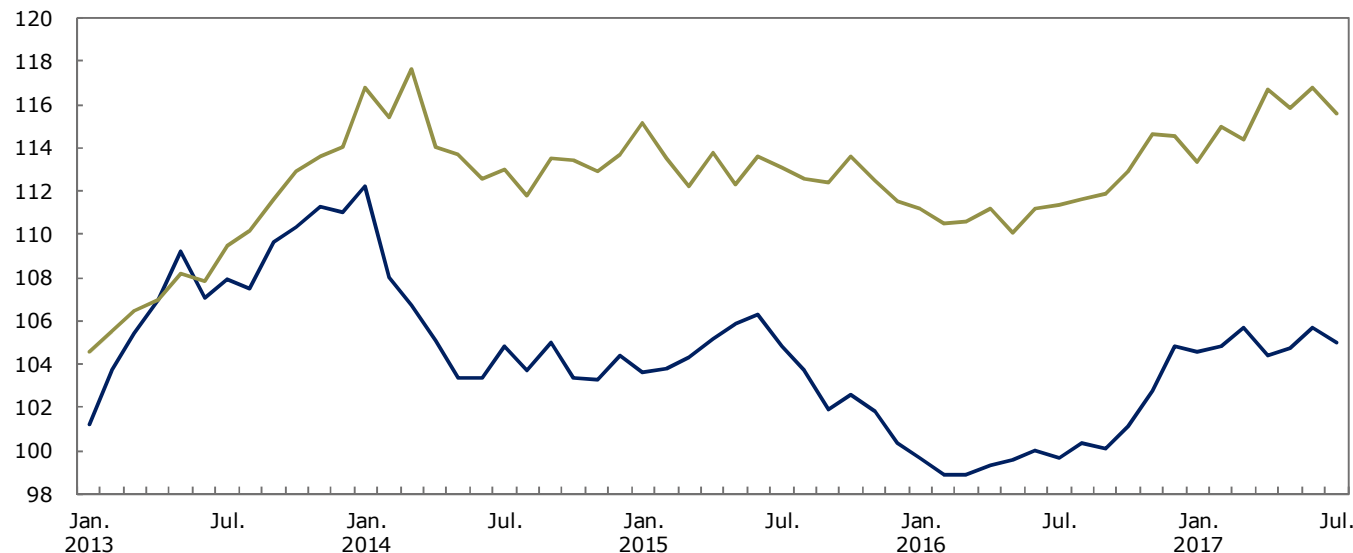
Based on figures excluding the direct effects of the consumption tax rate increase

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

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

# 4-7 Market-related information (5)

## Business conditions composite index



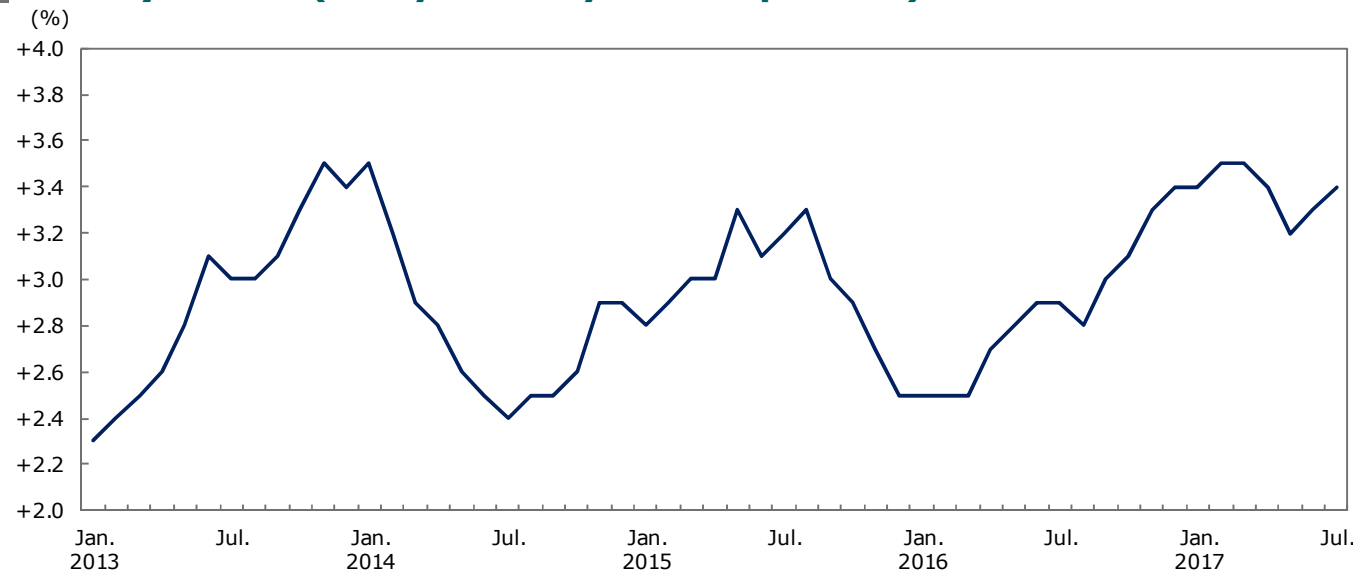
July 2017 figures are based on preliminary data

- Leading index
- Coincident index

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

(Note)  
The index is rebased to 100 as of 2010.

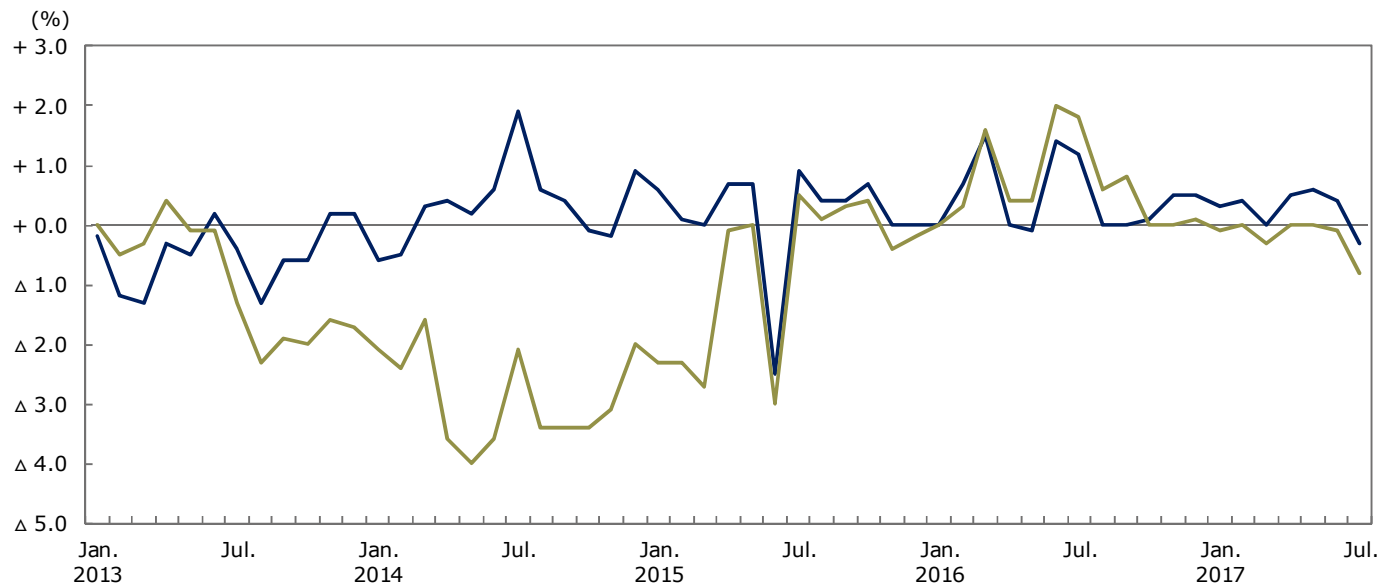
## Money stock (M3: year-on-year comparison)



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

# 4-8 Market-related information (6)

## Total cash earnings

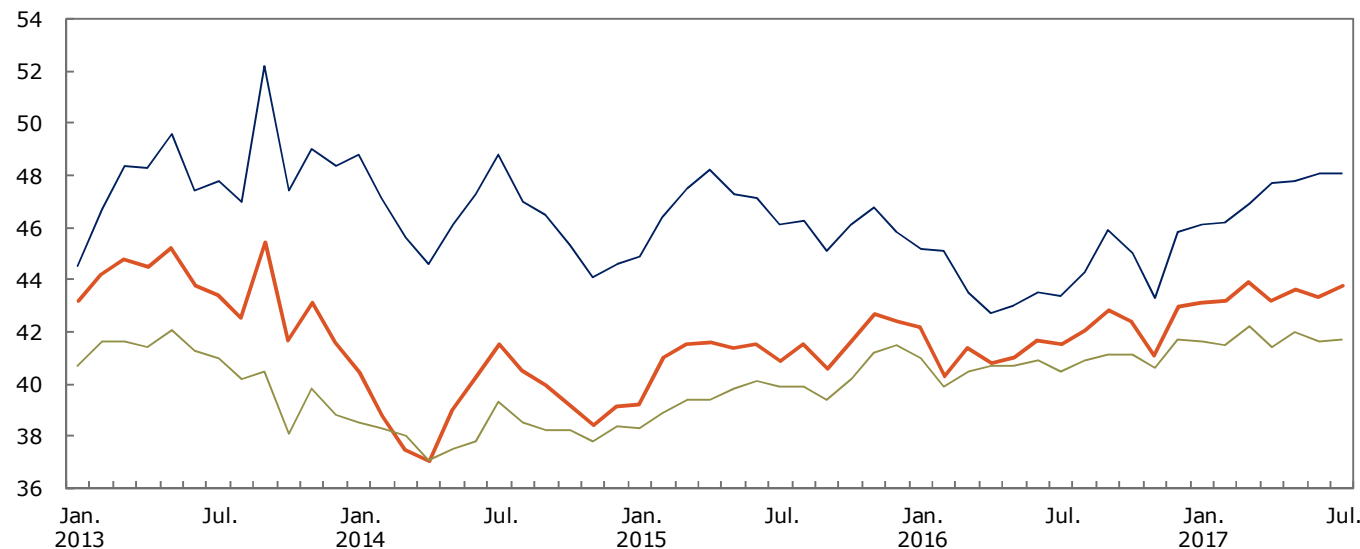


July 2017 figures are based on preliminary data

● Nominal  
● Real

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

## Consumer confidence survey



● Employment  
● Consumer confidence index  
● Income growth

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