

5. Appendix



5-1 Financial highlights

Indices	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018	Calculation formula
Net income	4,655 mn yen	4,819 mn yen	
Depreciation and amortization	1,032 mn yen	1,032 mn yen	
CAPEX	189 mn yen	457 mn yen	
Total assets	354,740 mn yen	362,345 mn yen	
Total net assets	179,202 mn yen	179,366 mn yen	
Total net assets/unit (BPS)	102,363 yen	102,457 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	137,100 yen	138,100 yen	
Total units outstanding	1,750,640 units	1,750,640 units	
Total dividends	4,654 mn yen	4,819 mn yen	
Dividends/unit	2,659 yen	2,753 yen	
Dividend yield	3.8%	4.0%	Dividends per unit (annualized)/Unit price as of end of period
FFO	5,688 mn yen	5,851 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,249 yen	3,342 yen	FFO/Total units outstanding
Annualized	6,445 yen	6,739 yen	Based on a period of 365 days
FFO multiple	21.3x	20.5x	Unit price as of end of period/FFO per unit (annualized)
PER	26.0x	24.9x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.3x	1.3x	Unit price as of end of period/Net assets per unit
ROA	1.3%	1.3%	Ordinary income/Average of total assets during the period
Annualized	2.6%	2.7%	Based on a period of 365 days
ROE	2.6%	2.7%	Net income/Average of total net assets during the period
Annualized	5.2%	5.4%	Based on a period of 365 days
NAV	205,923 mn yen	218,162 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	117,627 yen	124,618 yen	
NAV multiple	1.2x	1.1x	Unit price as of end of period/NAV per unit
Interest-bearing debt	161,222 mn yen	168,122 mn yen	
LTV (book value basis)	45.4%	46.4%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	42.3%	41.9%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	184 days	181 days	

5-2 Balance sheet

(thousand yen)

	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018
Assets		
Current assets	10,038,101	10,634,290
Cash and deposits	1,475,138	3,738,489
Cash and deposits in trust	7,596,522	6,010,142
Other	966,439	885,659
Noncurrent assets	344,551,694	351,594,919
Property, plant and equipment	313,071,395	320,004,650
Intangible assets	30,653,917	30,653,009
Investments and other assets	826,381	937,260
Deferred assets	150,953	116,776
Total assets	354,740,749	362,345,987

(thousand yen)

	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018
Liabilities		
Current liabilities	25,117,041	27,276,235
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	20,500,000	22,500,000
Other	1,617,041	1,776,235
Noncurrent liabilities	150,421,579	155,702,768
Investment corporation bonds	25,000,000	22,000,000
Long-term loans payable	112,722,000	120,622,000
Lease and guarantee deposited in trust	12,699,579	13,078,440
Other	—	2,328
Total liabilities	175,538,621	182,979,004
Net assets		
Unitholders' equity	179,202,125	179,366,998
Unitholders' capital	174,231,870	174,231,870
Total surplus	4,970,255	5,135,127
Voluntary retained earnings	291,944	291,944
Unappropriated retained earnings	4,678,311	4,843,183
Valuation and translation adjustments	1	△ 15
Deferred gains or losses on hedges	1	△ 15
Total net assets	179,202,127	179,366,982
Total liabilities and net assets	354,740,749	362,345,987

5-3 Income statement

(thousand yen)

	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018	
Operating revenue	8,495,797	8,751,085	
Rent revenues	8,284,596	8,533,727	Office 7,047,857 Residential 763,936 Retail 87,003 Land 629,400 Other rent revenue 5,529
Other operating revenues	211,201	217,357	
Operating expenses	3,208,795	3,318,870	
Expenses related to properties	2,910,598	2,995,757	Parking revenue 50,845 Utilities and other revenue 165,697 Cancellation penalty 815
Asset management fee	201,565	227,001	
Directors' compensation	4,200	4,200	
Asset custody fee	8,716	8,868	
Administrative service fees	19,264	19,154	
Other operating expenses	64,449	63,888	Property management fees 1,002,543 Property taxes 584,918 Utilities 132,723 Maintenance and repairs 94,728 Insurance premium 15,787 Custodian fees 5,841 Depreciation 1,031,754 Rent expenses 112,821 Other lease business expenses 14,638
Operating income	5,287,002	5,432,215	
Non-operating income	1,649	2,587	
Interest income	67	45	
Gain on forfeiture of unclaimed dividends	1,549	1,929	
Other	32	612	
Non-operating expenses	631,420	613,934	
Interest expenses	329,221	319,643	
Interest expenses on investment corporation bonds	93,013	81,964	
Amortization of investment corporation bonds issuance cost	14,185	12,765	
Borrowing expenses	171,628	176,197	
Amortization of investment unit issuance cost	21,411	21,411	
Other	1,960	1,952	
Ordinary income	4,657,232	4,820,868	
Income before income taxes	4,657,232	4,820,868	
Net income	4,655,877	4,819,824	
Unappropriated retained earnings	4,678,311	4,843,183	

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018
Net cash provided by (used in) operating activities	5,263,334	6,050,362
Income before income taxes	4,657,232	4,820,868
Depreciation and amortization	1,032,744	1,032,141
Amortization of investment corporation bonds issuance cost	14,185	12,765
Amortization of investment unit issuance cost	21,411	21,411
Interest income	△ 67	△ 45
Gain on forfeiture of unclaimed dividends	△ 1,549	△ 1,929
Interest expenses	422,234	401,607
Decrease (increase) in accounts receivable	△ 294,041	51,832
Increase (decrease) in accounts payable	△ 191,605	161,011
Increase (decrease) in accrued expenses	840	28,008
Increase (decrease) in advances received	31,127	16,338
Decrease (increase) in prepaid expenses	△ 15,966	△ 79,651
Other, net	12,557	△ 7,353
Subtotal	5,689,102	6,457,006
Interest income received	67	45
Interest expenses paid	△ 425,229	△ 405,296
Income taxes paid	△ 606	△ 1,392
Net cash provided by (used in) investing activities	△ 13,754,595	△ 7,620,552
Purchase of property, plant and equipment in trust	△ 14,653,244	△ 7,999,413
Repayments of lease and guarantee deposited in trust	△ 31,978	△ 180,582
Proceeds from lease and guarantee deposited in trust	930,628	559,444

(thousand yen)

	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018
Net cash provided by (used in) financing activities	631,854	2,247,159
Proceeds from long-term loans payable	9,800,000	19,900,000
Repayments of long-term loans payable	△ 2,600,000	△ 10,000,000
Redemption of investment corporation bonds	△ 2,000,000	△ 3,000,000
Dividends paid	△ 4,568,145	△ 4,652,840
Net increase (decrease) in cash and cash equivalents	△ 7,859,405	676,969
Cash and cash equivalents at beginning of the period	16,931,067	9,071,661
Cash and cash equivalents at the end of the period	9,071,661	9,748,631

Retained earnings

(yen)

	23rd period Period ended Jan. 31, 2018	24th period Period ended Jul. 31, 2018
I Unappropriated retained earnings	4,678,311,114	4,843,183,642
II Reversal of voluntary retained earnings		
Reversal of reserve for special account for reduction entry	186,700,069	—
III Total dividends	4,654,951,760	4,819,511,920
Dividends per unit	2,659	2,753
IV Voluntary retained earnings		
Reserve for reduction entry	186,700,069	—
V Retained earnings carried forward	23,359,354	23,671,722

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	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	97.6%	100%	2.4PT	95.4%	98.0%	2.6PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	97.6%	99.2%	1.6PT	94.4%	97.2%	2.8PT
Number of tenants	1	1	0	1	1	0	22	23	1	136	140	4
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	630,403	642,408	12,004	726,325	751,972	25,646
Other operating revenues	—	—	—	—	—	—	92,597	93,443	846	79,325	75,894	△ 3,430
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	723,000	735,851	12,851	805,650	827,866	22,215
Property management	412,351	412,351	—	181,872	181,872	—	60,418	67,488	7,069	163,544	167,487	3,942
Property taxes (Note 1)	221,761	227,619	5,857	74,177	76,060	1,882	30,669	32,878	2,209	41,705	42,041	336
Utilities	—	—	—	—	—	—	72,608	68,070	△ 4,537	28,329	27,482	△ 846
Maintenance and repairs	—	—	—	370	—	△ 370	19,756	8,238	△ 11,517	27,729	75,008	47,278
Insurance premium	4,179	4,111	△ 68	1,873	1,842	△ 30	1,714	1,686	△ 27	2,027	2,178	150
Depreciation (1)	437,774	417,419	△ 20,355	60,214	62,408	2,193	97,048	92,784	△ 4,264	136,517	138,629	2,111
Other expenses (Note 2)	377	379	1	2,795	2,794	△ 0	75,412	75,413	0	11,082	10,623	△ 458
Total property operating expenses	1,076,445	1,061,880	△ 14,564	321,302	324,978	3,676	357,627	346,559	△ 11,067	410,937	463,453	52,515
Property operating income (2)	1,867,005	1,881,570	14,564	1,030,184	1,026,507	△ 3,676	365,372	389,291	23,918	394,712	364,412	△ 30,299
NOI (3) ((1)+(2))	2,304,780	2,298,989	△ 5,791	1,090,399	1,088,916	△ 1,482	462,421	482,075	19,654	531,230	503,042	△ 28,187
Annualized NOI	4,571,982	4,636,083	64,100	2,163,019	2,195,882	32,862	917,302	972,142	54,839	1,053,799	1,014,423	△ 39,376
Annualized NOI/ Acquisition price	4.0%	4.0%	0.1PT	3.5%	3.5%	0.1PT	3.4%	3.6%	0.2PT	2.4%	2.3%	△ 0.1PT
CAPEX (4)	15,597	137,992	122,395	11,782	92,418	80,635	71,907	19,078	△ 52,828	45,024	103,650	58,625
NCF (3)-(4)	2,289,183	2,160,996	△ 128,186	1,078,616	996,498	△ 82,117	390,513	462,997	72,483	486,205	399,392	△ 86,813

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

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

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

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

5-6 Status of income and expenditures (2)



HILLS REIT

(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			10,140,000 (before acquisition 5,070,000)			11,760,000 (before acquisition 9,330,000)		
Period	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd (Note 3) Jan. 2018	24th (Note 3) Jul. 2018	Difference	23rd (Note 3) Jan. 2018	24th (Note 3) Jul. 2018	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	92.8%	98.3%	5.5PT	100%	100%	0PT	96.3%	100%	3.7PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	87.9%	97.6%	9.7PT	100%	100%	0PT	98.8%	99.7%	0.9PT
Number of tenants	1	1	0	39	42	3	1	1	0	23	24	1
Rent revenues	1,012,320	1,012,320	—	419,036	463,094	44,057	108,581	199,065	90,484	288,486	357,587	69,100
Other operating revenues	—	—	—	25,844	28,477	2,632	—	—	—	13,234	19,196	5,962
Total property operating revenue	1,012,320	1,012,320	—	444,881	491,572	46,690	108,581	199,065	90,484	301,721	376,783	75,062
Property management	2,664	2,664	—	60,749	48,585	△ 12,164	12,652	23,196	10,543	59,560	73,403	13,842
Property taxes (Note 1)	68,889	68,774	△ 114	32,741	33,755	1,013	—	4,018	4,018	—	9,947	9,947
Utilities	—	—	—	29,824	29,826	2	—	—	—	3,559	5,292	1,732
Maintenance and repairs	—	—	—	2,214	2,359	145	—	—	—	399	1,026	626
Insurance premium	3,426	3,370	△ 55	1,048	1,031	△ 17	174	308	134	565	680	114
Depreciation (1)	183,660	184,545	885	44,142	44,198	56	16,537	28,867	12,330	27,453	33,506	6,052
Other expenses (Note 2)	37,825	37,973	148	1,621	1,529	△ 91	9	18	9	117	146	28
Total property operating expenses	296,465	297,328	862	172,341	161,286	△ 11,055	29,374	56,410	27,035	91,657	124,002	32,345
Property operating income (2)	715,854	714,991	△ 862	272,540	330,285	57,745	79,206	142,655	63,448	210,064	252,781	42,717
NOI (3) ((1)+(2))	899,515	899,537	22	316,682	374,484	57,801	95,744	171,523	75,778	237,517	286,287	48,769
Annualized NOI	1,784,364	1,813,984	29,620	628,202	755,175	126,973	189,928	374,886	184,958	471,162	596,383	125,220
Annualized NOI/Acquisition price	4.2%	4.3%	0.1PT	3.3%	3.9%	0.7PT	3.7%	3.7%	△ 0.1PT	5.0%	5.1%	0.0PT
CAPEX (4)	11,765	44,730	32,965	1,900	1,910	10	—	—	—	6,012	11,304	5,292
NCF (3)-(4)	887,749	854,807	△ 32,942	314,782	372,574	57,791	95,744	171,523	75,778	231,504	274,982	43,477

5-7 Status of income and expenditures (3)



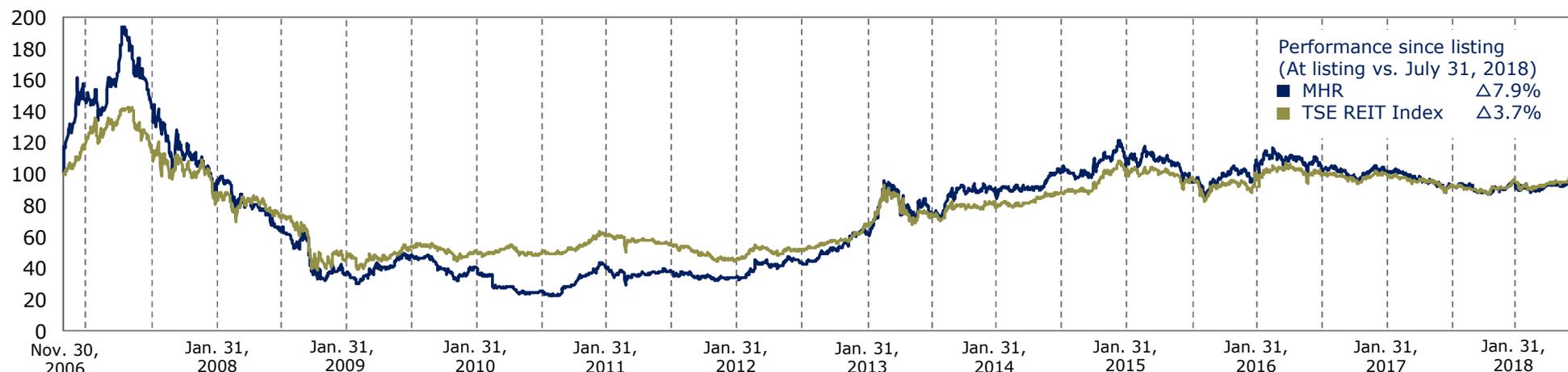
HILLS REIT

(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			21,820,000			360,050,000 (before acquisition 352,550,000)		
Period	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd (Note 3) Jan. 2018	24th (Note 3) Jul. 2018	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	98.3%	97.4%	△ 0.9PT	95.8%	98.0%	2.2PT	100%	100%	0.0PT	98.5%	99.6%	1.1PT
Avg. Occupancy rate (during period)	96.3%	95.9%	△ 0.4PT	93.9%	97.0%	3.1PT	100%	100%	0.0PT	98.1%	99.3%	1.2PT
Number of tenants	41	41	0	88	90	2	1	1	0	354	365	11
Rent revenues	79,990	82,092	2,101	95,114	100,850	5,735	629,400	629,400	—	8,284,596	8,533,727	249,131
Other operating revenues	—	—	—	200	346	146	—	—	—	211,201	217,357	6,156
Total property operating revenue	79,990	82,092	2,101	95,314	101,196	5,881	629,400	629,400	—	8,495,797	8,751,085	255,287
Property management	13,229	12,609	△ 620	13,669	12,885	△ 783	—	—	—	980,712	1,002,543	21,830
Property taxes (Note 1)	7,126	7,311	184	10,879	11,156	276	67,956	71,354	3,398	555,906	584,918	29,011
Utilities	1,251	1,080	△ 171	1,015	970	△ 45	—	—	—	136,588	132,723	△ 3,865
Maintenance and repairs	4,191	7,248	3,057	1,020	846	△ 173	—	—	—	55,682	94,728	39,046
Insurance premium	235	231	△ 3	352	346	△ 5	—	—	—	15,597	15,787	190
Depreciation (1)	12,414	12,545	130	16,592	16,847	255	—	—	—	1,032,357	1,031,754	△ 603
Other expenses (Note 2)	3,820	3,832	11	690	589	△ 100	—	—	—	133,753	133,301	△ 451
Total property operating expenses	42,271	44,859	2,587	44,219	43,642	△ 576	67,956	71,354	3,398	2,910,598	2,995,757	85,159
Property operating income (2)	37,719	37,232	△ 486	51,094	57,553	6,458	561,444	558,045	△ 3,398	5,585,199	5,755,328	170,128
NOI (3) ((1)+(2))	50,134	49,778	△ 355	67,687	74,401	6,713	561,444	558,045	△ 3,398	6,617,557	6,787,082	169,525
Annualized NOI	99,451	100,382	930	134,271	150,035	15,763	1,113,734	1,125,339	11,605	13,127,219	13,730,904	603,684
Annualized NOI/Acquisition price	4.7%	4.8%	0.0PT	3.4%	3.8%	0.4PT	5.1%	5.2%	0.1PT	3.7%	3.8%	0.1PT
CAPEX (4)	1,181	10,873	9,692	24,304	35,917	11,613	—	—	—	189,475	457,876	268,401
NCF (3)-(4)	48,952	38,904	△ 10,048	43,383	38,483	△ 4,899	561,444	558,045	△ 3,398	6,428,082	6,329,205	△ 98,876

5-8 Unit price performance since IPO

Relative price performance (Since IPO - July 31, 2018)



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

Unit price per period-end (closing price)

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

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

Accounting period	Unit price
21st (January 2017)	153,500 yen
22nd (July 2017)	138,900 yen
23rd (January 2018)	137,100 yen
24th (July 2018)	138,100 yen

(Reference)

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

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

Investments focusing on Premium Properties

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

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

Premium Properties

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

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

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

(Note 3) Ratios are based on the acquisition prices.

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

Office building focus

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.

Approach and system of sustainability

MHR and its Asset Manager, Mori Building Investment Management Co., Ltd. (MIM), aim to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by emphasizing ESG (Environment, Social and Governance) and investing in high-quality urban assets while endeavoring to improve various environmental and social matters.

Our operations connected to sustainability will be promoted primarily by the Sustainability Committee to be established by MIM. Under the supervision of the President & CEO, various initiatives are implemented based on the Sustainability Promotion Program which is conducted every fiscal year.

Environment initiatives

MHR places great value on the concept of "Vertical Garden City" of Mori Building Group's urban development and transact real estate investment management with consideration for the environment.

<Environmental policies>

1. Increasing greenery and biodiversity

We create surface microenvironments where humans live in harmony with nature and which provide spaces that excel in biodiversity and are rich in vibrant greenery. We seek to foster environmental communities through these spaces.

2. Climate change

We aim to match compact cities incorporating multifaceted urban functions with the various high energy-efficient systems to realize cities with optimal environmental efficiency. Through comprehensive and high-quality management of the areas, we will continue our efforts to reduce carbon emissions and engage in initiatives to counter global warming and climate change.

3. Resource recycling and anti-pollution measures

We promote the 3R activities (reduce, reuse and recycle) for water resources, waste, materials to reduce the burden on the environment. We aim for the formation of recycling-oriented cities as well as observe environment-related laws and regulations, and thorough measures against pollution.

4. Collaborating with Suppliers

With respect to the environmental performance of assets under management, various measures such as additional environmental countermeasures are examined and monitored based on reports from the PM company. External relative environmental performance evaluation is also carried out through the GRESB real estate evaluation and other measures.

○ Toranomon Hills certified as "SEGES (Social and Environmental Green Evaluation System): Urban Oasis 2017"

SEGES (Social and Environmental Green Evaluation System) is a system to evaluate and certify outstanding efforts of companies which contribute to society and the environment through the protection and nurturing of green space.



"Oval Plaza" garden

Social Initiatives

We aim to contribute to the realization of a sustainable society by actively encouraging interactive communication to cooperate and strengthen relations with various stakeholders such as tenants, local residents, property management companies and our sponsor Mori Building.

<Social policies>

1. Initiatives with Tenants and Local Communities

We aim to provide safe, convenient and comfortable spaces to our tenants. We will emphasize BCP (business continuity planning) through enhancing tangible aspects such as earthquake resistance performance and emergency power supply as well as intangible aspects such as administrative structure for disasters. Additionally, in working on cooperation with local communities we aim to enhance relationships, revitalize the entire region and maintain and improve asset value.

2. Initiatives with Employees

We respect human rights and it is our policy to not discriminate against employees based on their beliefs, religion, age, gender, origin, mental and physical disabilities, etc. We will work to establish a diversity-oriented working environment where our human resources can be engaged. We will introduce multifaceted systems and measures so that each and every employee with diverse lifestyles and values can maximize their abilities and continue their career in a healthy and safe manner as they themselves grow.

3. Initiatives with Investors

It is our policy to make fair and accurate disclosure of information in a timely manner that contributes to investment decisions. We communicate policies and management conditions to unitholders to establish a long-term relationship based on trust while actively seeking bi-directional communication by incorporating the opinions of unitholders into our business activities.

○ All Japanese Listed Companies' Website Ranking

Nikko Investor Relations Co., Ltd. announces a valuation of websites of all listed companies by investigating the degree of information disclosure based on objective evaluation criteria from its unique perspective. The website of MHR won the "Highest grade: AAA Website" ranking for the third consecutive year.

"AAA Website" in 2017

"AAA Website" in 2016

"AAA Website" in 2015



Governance Initiatives

We are contributing to the realization of a sustainable society and aim to maximize unitholder value over the medium to long term. We work on building fair and effective corporate governance and strive to enhance internal control through thorough compliance and risk management based on an appropriate compliance and internal control structure.

<Governance policies>

1. Corporate Governance

We aim to maximize unitholder value over the medium to long term by contributing to the realization of a sustainable society. We believe that it is absolutely imperative to remain a company that is trusted by society. Therefore, we work on building fair and effective corporate governance and strive to enhance internal control through comprehensive compliance and risk management based on an exacting compliance and internal control structure.

2. Compliance

We are well aware that failure to ensure compliance could diminish our public confidence and business base. By firmly acknowledging this fact, we strive for thorough compliance, holding to high ethical standards in our operations, and complying with various laws and ordinances.

3. Risk Management

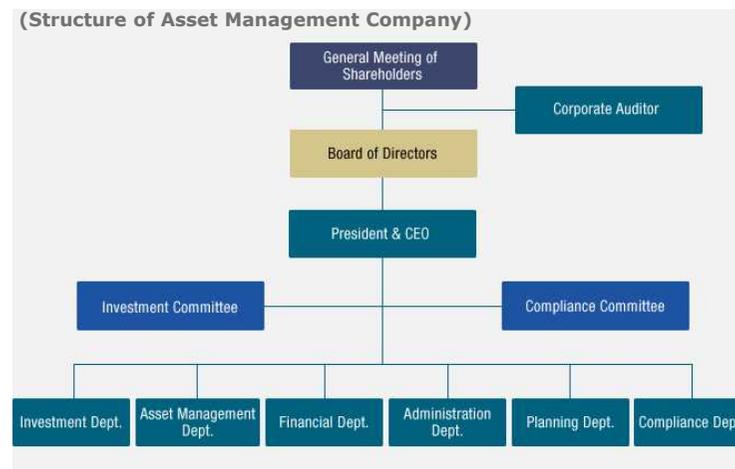
We are well aware that various risks in business execution may undermine our corporate value. We identify risks according to changes in public perceptions and the business environment, and we implement appropriate monitoring and responses to prevent and minimize damage at the time of occurrence of the incident.

○ Corporate Governance and Structure of Asset Management

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

In addition to a general meeting of unitholders, which shall be composed of unitholders, MHR's structure consists of one executive director, two supervisory directors, the board of directors and an accounting auditor. MHR entrusts the management of its assets to the asset manager.

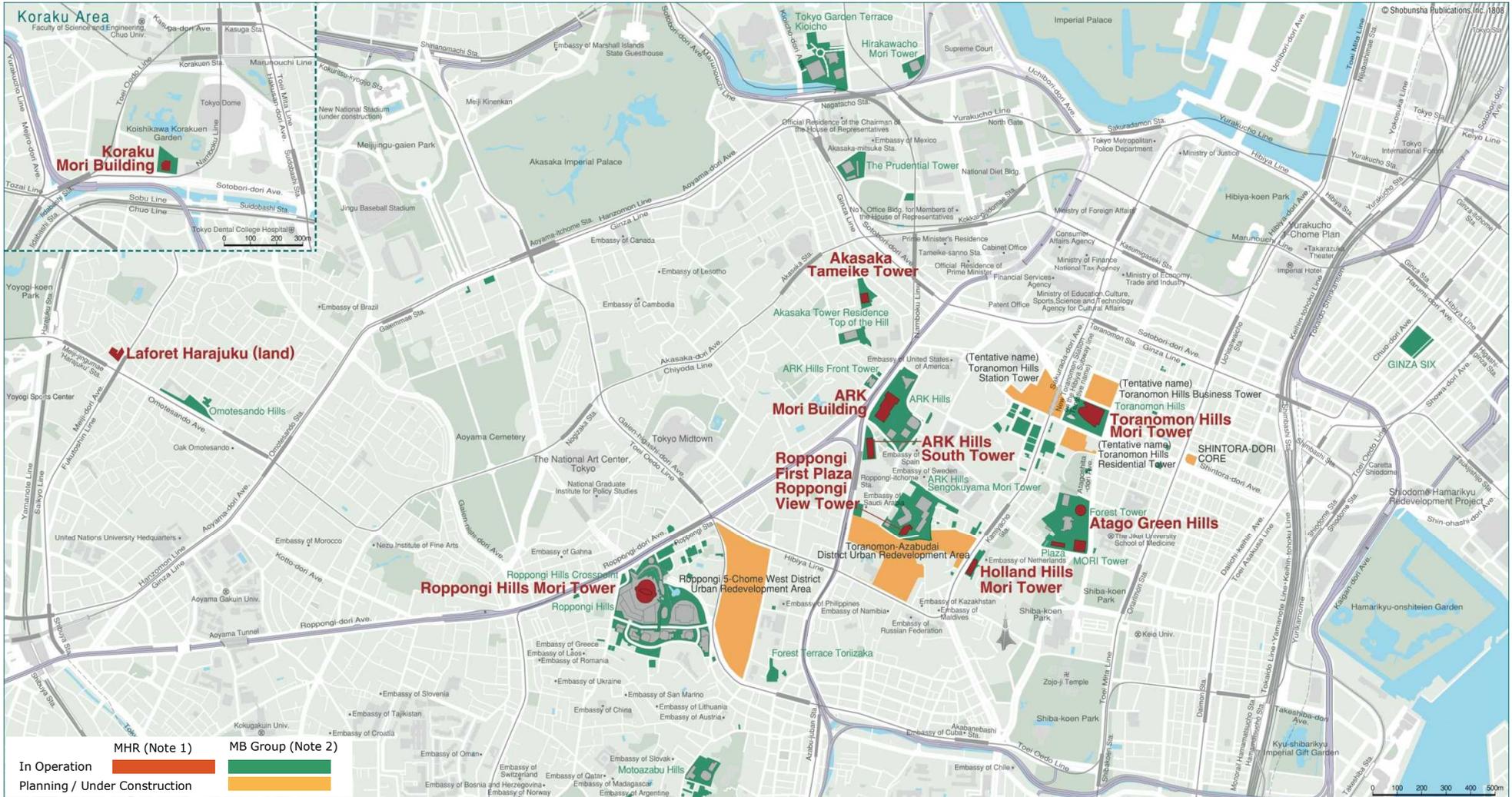
The asset manager shall perform its business in good faith and with the due care of a prudent manager for MHR in line with the purpose of the investment management business, and will use its efforts to prevent any negative impact from transactions involving conflicts of interest and carry out strict compliance.



5-13 Portfolio Map (As of September 3, 2018)



HILLS REIT



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2018."

(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.

5-14 Portfolio overview (As of September 3, 2018)



HILLS REIT

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	15 years 5 months	32 years 5 months	18 years 5 months	5 years 1 month	4 years 3 months	13 years 7 months	17 years 11 months	17 years 1 month	16 years 10 months	17 years 1 month	24 years 10 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 (approx. 2.5%)	Co-ownership (approx. 12.7%)	Co-ownership (approx. 62.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (approx. 4.7%)	Co-ownership (approx. 4.6%)	Ownership
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (approx. 2.5%)	Co-ownership (approx. 6.9%)	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	36,210	16,330	43,930	42,090			2,100	4,000	21,820	
Occupancy rate (Note 4)	100%	100%	100%	98.3%	100%	100%	98.0%	100%			97.4%	98.0%	100%	

Average building age
17.5 years (Note 5)

Portfolio PML
0.93% (Note 2)

Total acquisition price
390,690 mn yen

5-14 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 June 4, 2018 by Somp Risk Management & Health Care Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of July 31, 2018.
- (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.