

5. Appendix



5-1 Financial highlights

Indices	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019	Calculation formula
Net income	4,819 mn yen	5,292 mn yen	
Depreciation and amortization	1,032 mn yen	1,075 mn yen	
CAPEX	457 mn yen	237 mn yen	
Total assets	362,345 mn yen	394,539 mn yen	
Total net assets	179,366 mn yen	195,578 mn yen	
Total net assets/unit (BPS)	102,457 yen	104,310 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	138,100 yen	144,500 yen	
Total units outstanding	1,750,640 units	1,874,960 units	
Total dividends	4,819 mn yen	5,291 mn yen	
Dividends/unit	2,753 yen	2,822 yen	
Dividend yield	4.0%	3.9%	Dividends per unit (annualized)/Unit price as of end of period
FFO	5,851 mn yen	6,367 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,342 yen	3,396 yen	FFO/Total units outstanding
Annualized	6,740 yen	6,736 yen	Based on a period of 365 days
FFO multiple	20.5x	21.5x	Unit price as of end of period/FFO per unit (annualized)
PER	24.9x	25.8x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.3x	1.4x	Unit price as of end of period/Net assets per unit
ROA	1.3%	1.4%	Ordinary income/Average of total assets during the period
Annualized	2.7%	2.8%	Based on a period of 365 days
ROE	2.7%	2.8%	Net income/Average of total net assets during the period
Annualized	5.4%	5.6%	Based on a period of 365 days
NAV	218,162 mn yen	252,276 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	124,618 yen	134,550 yen	
NAV multiple	1.1x	1.1x	Unit price as of end of period/NAV per unit
Interest-bearing debt	168,122 mn yen	182,222 mn yen	
LTV (book value basis)	46.4%	46.2%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	41.9%	40.4%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	181 days	184 days	

5-2 Balance sheet

(thousand yen)

	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019
Assets		
Current assets	10,634,270	12,879,664
Cash and deposits	3,738,489	5,431,643
Cash and deposits in trust	6,010,142	6,374,508
Other	885,638	1,073,511
Noncurrent assets	351,594,940	381,541,783
Property, plant and equipment	320,004,650	349,880,238
Intangible assets	30,653,009	30,652,121
Investments and other assets	937,280	1,009,423
Deferred assets	116,776	118,511
Total assets	362,345,987	394,539,959

(thousand yen)

	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019
Liabilities		
Current liabilities	27,276,235	32,756,858
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	22,500,000	27,900,000
Other	1,776,235	1,856,858
Noncurrent liabilities	155,702,768	166,204,431
Investment corporation bonds	22,000,000	22,000,000
Long-term loans payable	120,622,000	129,322,000
Lease and guarantee deposited in trust	13,078,440	14,391,619
Other	2,328	490,812
Total liabilities	182,979,004	198,961,290
Net assets		
Unitholders' equity	179,366,998	196,067,964
Unitholders' capital	174,231,870	190,460,106
Total surplus	5,135,127	5,607,858
Voluntary retained earnings	291,944	291,944
Unappropriated retained earnings	4,843,183	5,315,914
Valuation and translation adjustments	△ 15	△ 489,295
Deferred gains or losses on hedges	△ 15	△ 489,295
Total net assets	179,366,982	195,578,668
Total liabilities and net assets	362,345,987	394,539,959

5-3 Income statement

(thousand yen)

	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019	
Operating revenue	8,751,085	9,423,895	
Rent revenues	8,533,727	9,170,318	Office 7,672,872 Residential 775,299 Retail 87,068 Land 629,400 Other rent revenue 5,677
Other operating revenues	217,357	253,577	
Operating expenses	3,318,870	3,477,948	
Expenses related to properties	2,995,757	3,131,002	
Asset management fee	227,001	245,488	
Directors' compensation	4,200	4,200	
Asset custody fee	8,868	9,058	
Administrative service fees	19,154	19,166	
Other operating expenses	63,888	69,031	
Operating income	5,432,215	5,945,947	
Non-operating income	2,587	1,204	
Interest income	45	51	
Gain on forfeiture of unclaimed dividends	1,929	1,128	
Other	612	24	
Non-operating expenses	613,934	653,502	
Interest expenses	319,643	363,550	
Interest expenses on investment corporation bonds	81,964	73,965	
Amortization of investment corporation bonds issuance cost	12,765	11,613	
Borrowing expenses	176,197	174,101	
Amortization of investment unit issuance cost	21,411	28,363	
Other	1,952	1,907	
Ordinary income	4,820,868	5,293,648	
Income before income taxes	4,820,868	5,293,648	
Net income	4,819,824	5,292,242	
Unappropriated retained earnings	4,843,183	5,315,914	

Office	7,672,872
Residential	775,299
Retail	87,068
Land	629,400
Other rent revenue	5,677

Parking revenue	57,105
Utilities and other revenue	195,559
Cancellation penalty	862
Key-money income	50

Property management fees	1,061,959
Property taxes	607,648
Utilities	160,080
Maintenance and repairs	61,629
Insurance premium	17,014
Custodian fees	5,933
Depreciation	1,074,791
Rent expenses	127,398
Other lease business expenses	14,547

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019
Net cash provided by (used in) operating activities	6,050,362	6,167,720
Income before income taxes	4,820,868	5,293,648
Depreciation and amortization	1,032,141	1,075,178
Amortization of investment corporation bonds issuance cost	12,765	11,613
Amortization of investment unit issuance cost	21,411	28,363
Interest income	△ 45	△ 51
Gain on forfeiture of unclaimed dividends	△ 1,929	△ 1,128
Interest expenses	401,607	437,515
Decrease (increase) in accounts receivable	51,832	△ 195,865
Increase (decrease) in accounts payable	161,011	△ 114,701
Increase (decrease) in accrued expenses	28,008	21,705
Increase (decrease) in advances received	16,338	115,157
Decrease (increase) in prepaid expenses	△ 79,651	△ 64,913
Other, net	△ 7,353	△ 333
Subtotal	6,457,006	6,606,189
Interest income received	45	51
Interest expenses paid	△ 405,296	△ 437,495
Income taxes paid	△ 1,392	△ 1,024

Net cash provided by (used in) investing activities	△ 7,620,552	△ 29,578,166
Purchase of property, plant and equipment in trust	△ 7,999,413	△ 30,891,345
Repayments of lease and guarantee deposited in trust	△ 180,582	△ 24,574
Proceeds from lease and guarantee deposited in trust	559,444	1,337,753

(thousand yen)

	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019
Net cash provided by (used in) financing activities	2,247,159	25,467,966
Proceeds from long-term loans payable	19,900,000	24,600,000
Repayments of long-term loans payable	△ 10,000,000	△ 10,500,000
Redemption of investment corporation bonds	△ 3,000,000	—
Proceeds from issuance of investment units	—	16,186,522
Dividends paid	△ 4,652,840	△ 4,818,556
Net increase (decrease) in cash and cash equivalents	676,969	2,057,520
Cash and cash equivalents at beginning of the period	9,071,661	9,748,631
Cash and cash equivalents at the end of the period	9,748,631	11,806,152

Retained earnings

(yen)

	24th period Period ended Jul. 31, 2018	25th period Period ended Jan. 31, 2019
I Unappropriated retained earnings	4,843,183,642	5,315,914,348
II Addition of dividends in excess of earnings	—	174,371,280
Allowance for temporary difference adjustments	—	174,371,280
III Amount of Dividends	4,819,511,920	5,291,137,120
Amount of dividends per unit	2,753	2,822
Dividends of earnings	4,819,511,920	5,116,765,840
Dividends of earnings per unit	2,753	2,729
Allowance for temporary difference adjustments	—	(Note) 174,371,280
Dividends in excess of earnings per unit	—	93
(allowance for temporary difference adjustments)	—	—
IV Retained earnings carried forward	23,671,722	199,148,508

(Note) Due to consideration of the impact of the items of deduction from net assets (deferred gains or losses on hedges).

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	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	100.0%	100%	0.0PT	98.0%	99.0%	1.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	99.2%	100.0%	0.8PT	97.2%	96.8%	△ 0.4PT
Number of tenants	1	1	0	1	1	0	23	23	0	140	143	3
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	642,408	648,400	5,992	751,972	755,277	3,305
Other operating revenues	—	—	—	—	—	—	93,443	100,445	7,002	75,894	85,649	9,755
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	735,851	748,846	12,995	827,866	840,927	13,061
Property management	412,351	412,351	—	181,872	167,795	△ 14,076	67,488	61,268	△ 6,219	167,487	166,741	△ 745
Property taxes (Note 1)	227,619	233,476	5,857	76,060	77,942	1,882	32,878	30,636	△ 2,242	42,041	42,378	336
Utilities	—	—	—	—	—	—	68,070	79,822	11,752	27,482	32,722	5,239
Maintenance and repairs	—	—	—	—	355	355	8,238	5,895	△ 2,342	75,008	41,485	△ 33,522
Insurance premium	4,111	4,179	68	1,842	1,873	30	1,686	1,714	27	2,178	2,134	△ 44
Depreciation (1)	417,419	392,638	△ 24,780	62,408	63,758	1,349	92,784	93,452	668	138,629	139,189	559
Other expenses (Note 2)	379	376	△ 2	2,794	2,793	△ 1	75,413	83,094	7,681	10,623	11,082	458
Total property operating expenses	1,061,880	1,043,022	△ 18,857	324,978	314,519	△ 10,459	346,559	355,884	9,325	463,453	435,734	△ 27,719
Property operating income (2)	1,881,570	1,900,427	18,857	1,026,507	1,036,967	10,459	389,291	392,961	3,669	364,412	405,193	40,780
NOI (3) ((1)+(2))	2,298,989	2,293,066	△ 5,922	1,088,916	1,100,726	11,809	482,075	486,414	4,338	503,042	544,382	41,340
Annualized NOI	4,636,083	4,548,745	△ 87,337	2,195,882	2,183,505	△ 12,376	972,142	964,897	△ 7,244	1,014,423	1,079,889	65,466
Annualized NOI/ Acquisition price	4.0%	3.9%	△ 0.1PT	3.5%	3.5%	△ 0.0PT	3.6%	3.5%	△ 0.0PT	2.3%	2.5%	0.2PT
CAPEX (4)	137,992	—	△ 137,992	92,418	57,027	△ 35,390	19,078	45,077	25,998	103,650	39,884	△ 63,765
NCF (3)-(4)	2,160,996	2,293,066	132,069	996,498	1,043,698	47,200	462,997	441,336	△ 21,660	399,392	504,498	105,105

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

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

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

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

5-6 Status of income and expenditures (2)

(thousand yen)

Property number	O-7			O-8			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			36,210,000 (before acquisition 10,140,000)			16,330,000 (before acquisition 11,760,000)		
Period	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th (Note 3) Jul. 2018	25th (Note 3) Jan. 2019	Difference	24th (Note 3) Jul. 2018	25th (Note 3) Jan. 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	98.3%	98.3%	0.0PT	100%	100%	0.0PT	100.0%	100%	0.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	97.6%	98.3%	0.7PT	100%	100%	0.0PT	99.7%	100.0%	0.3PT
Number of tenants	1	1	0	42	42	0	1	1	0	24	24	0
Rent revenues	1,012,320	1,012,320	—	463,094	472,458	9,363	199,065	676,307	477,241	357,587	495,055	137,468
Other operating revenues	—	—	—	28,477	35,814	7,337	—	—	—	19,196	31,666	12,470
Total property operating revenue	1,012,320	1,012,320	—	491,572	508,273	16,701	199,065	676,307	477,241	376,783	526,722	149,938
Property management	2,664	2,664	—	48,585	47,195	△ 1,389	23,196	78,806	55,610	73,403	96,600	23,196
Property taxes (Note 1)	68,774	68,655	△ 118	33,755	32,951	△ 803	4,018	8,030	4,011	9,947	19,895	9,947
Utilities	—	—	—	29,826	36,692	6,866	—	—	—	5,292	8,441	3,149
Maintenance and repairs	—	—	—	2,359	3,001	641	—	—	—	1,026	1,617	590
Insurance premium	3,370	3,426	55	1,031	1,048	17	308	1,104	795	680	946	266
Depreciation (1)	184,545	178,221	△ 6,323	44,198	44,212	14	28,867	89,420	60,552	33,506	44,640	11,134
Other expenses (Note 2)	37,973	44,867	6,893	1,529	978	△ 551	18	63	44	146	202	55
Total property operating expenses	297,328	297,835	507	161,286	166,080	4,794	56,410	177,425	121,015	124,002	172,344	48,341
Property operating income (2)	714,991	714,484	△ 507	330,285	342,192	11,906	142,655	498,881	356,225	252,781	354,378	101,597
NOI (3) ((1)+(2))	899,537	892,706	△ 6,831	374,484	386,405	11,920	171,523	588,302	416,778	286,287	399,019	112,731
Annualized NOI	1,813,984	1,770,858	△ 43,126	755,175	766,510	11,334	374,886	1,340,044	965,158	596,383	833,359	236,976
Annualized NOI/Acquisition price	4.3%	4.2%	△ 0.1PT	3.9%	4.0%	0.1PT	3.7%	3.7%	0.0PT	5.1%	5.1%	0.0PT
CAPEX (4)	44,730	33,649	△ 11,080	1,910	—	△ 1,910	—	—	—	11,304	13,371	2,066
NCF (3)-(4)	854,807	859,056	4,249	372,574	386,405	13,831	171,523	588,302	416,778	274,982	385,647	110,665

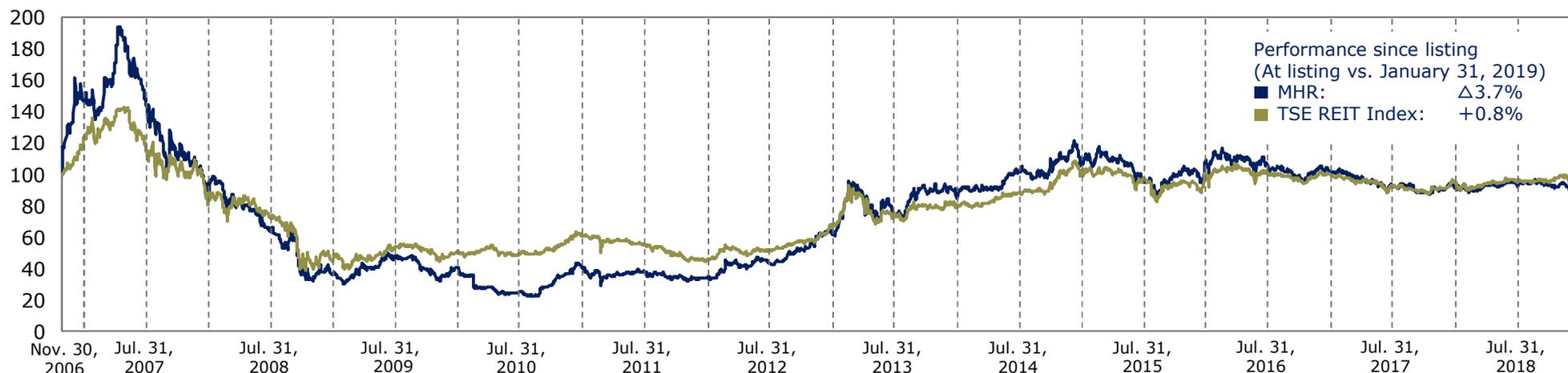
5-7 Status of income and expenditures (3)

(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			21,820,000			390,690,000 (before acquisition 360,050,000)		
Period	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th (Note 3) Jul. 2018	25th (Note 3) Jan. 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	97.4%	92.9%	△ 4.5PT	98.0%	96.8%	△ 1.2PT	100%	100%	0.0PT	99.6%	99.6%	0.0PT
Avg. Occupancy rate (during period)	95.9%	96.7%	0.8PT	97.0%	94.9%	△ 2.1PT	100%	100%	0.0PT	99.3%	99.4%	0.1PT
Number of tenants	41	39	△ 2	90	89	△ 1	1	1	0	365	365	0
Rent revenues	82,092	85,648	3,556	100,850	100,512	△ 337	629,400	629,400	—	8,533,727	9,170,318	636,590
Other operating revenues	—	—	—	346	—	△ 346	—	—	—	217,357	253,577	36,219
Total property operating revenue	82,092	85,648	3,556	101,196	100,512	△ 683	629,400	629,400	—	8,751,085	9,423,895	672,809
Property management	12,609	14,892	2,283	12,885	13,643	757	—	—	—	1,002,543	1,061,959	59,416
Property taxes (Note 1)	7,311	7,496	184	11,156	11,432	276	71,354	74,752	3,397	584,918	607,648	22,729
Utilities	1,080	1,302	222	970	1,098	128	—	—	—	132,723	160,080	27,356
Maintenance and repairs	7,248	8,021	772	846	1,253	406	—	—	—	94,728	61,629	△ 33,099
Insurance premium	231	235	3	346	352	5	—	—	—	15,787	17,014	1,227
Depreciation (1)	12,545	12,395	△ 150	16,847	16,859	11	—	—	—	1,031,754	1,074,791	43,036
Other expenses (Note 2)	3,832	3,835	2	589	585	△ 3	—	—	—	133,301	147,879	14,578
Total property operating expenses	44,859	48,178	3,318	43,642	45,225	1,582	71,354	74,752	3,397	2,995,757	3,131,002	135,245
Property operating income (2)	37,232	37,470	237	57,553	55,287	△ 2,265	558,045	554,648	△ 3,397	5,755,328	6,292,892	537,564
NOI (3) ((1)+(2))	49,778	49,865	87	74,401	72,147	△ 2,253	558,045	554,648	△ 3,397	6,787,082	7,367,683	580,601
Annualized NOI	100,382	98,918	△ 1,463	150,035	143,118	△ 6,917	1,125,339	1,100,252	△ 25,086	13,730,904	14,823,744	1,092,839
Annualized NOI/Acquisition price	4.8%	4.7%	△ 0.1PT	3.8%	3.6%	△ 0.2PT	5.2%	5.0%	△ 0.1PT	3.8%	3.8%	△ 0.0PT
CAPEX (4)	10,873	4,627	△ 6,246	35,917	43,895	7,978	—	—	—	457,876	237,533	△ 220,343
NCF (3)-(4)	38,904	45,238	6,333	38,483	28,251	△ 10,232	558,045	554,648	△ 3,397	6,329,205	7,130,150	800,944

5-8 Unit price performance since IPO

Relative price performance (Since IPO - January 31, 2019)



(Source) Prepared by the Asset Manager based on Refinitiv.
(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
25th (January 2019)	144,500 yen

(Reference)

IPO Price (November 30, 2006)	750,000 yen
(Split adjusted)	(150,000 yen)

High (May 8, 2007: in trade)	1,460,000 yen
(Split adjusted)	(292,000 yen)

Low (August 12, 2010: in trade)	168,200 yen
(Split adjusted)	(33,640 yen)

(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.

5-10 Sustainability initiatives

Approach and System of Sustainability

Mori Hills REIT Investment Corporation (MHR) and Mori Building Investment Management Co., Ltd. (MIM) aim to contribute to the creation and development of cities by providing investment opportunities in high-quality urban assets to investors, as stated in the Basic Policy of MHR and Company Mission of MIM.

MHR and 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 striving to improve various environmental and social performance levels.

Sustainability Promotion System

Operations connected to sustainability will be promoted primarily by the Sustainability Committee to be established by MIM. The Chairperson of the Committee shall be the President & CEO while all directors and some planning staff shall comprise the committee members. Various initiatives will be implemented based on the Sustainability Promotion Program which is established every fiscal year.

In principle, the Committee shall meet once a month and shall formulate policies and the Sustainability Promotion Program, monitor progress of programs, deliberate various suggestions from departments, etc. in light of social conditions and the operating status of MHR. The President & CEO approves the policies and promotion programs, constantly monitors the thorough promotion of sustainability, and establishes and maintains a sustainability promotion structure as a responsible party in promoting sustainability.

Moreover, sustainability-related efforts shall be reported on periodically to the Board of Directors of both MHR and MIM. Each Board oversees the status of initiatives for important issues related to ESG and the status of compliance and risk management.

Initiatives Throughout the Entire Supply Chain

Promotion of sustainability operations, whether environmental or social, requires initiatives that involve the whole supply chain. We believe that joint initiatives with various stakeholders of aligned values are necessary.

By actively stimulating interactive communication with stakeholders such as tenants, local residents, property management companies and our sponsor Mori Building that provides the property pipeline, and aligning our values, we aim to contribute to the realization of a sustainable society.

<Green Building Certification and External Assessment>

○ Green Building Certified Properties

Property Name	Type of Assessment	Rating
Roppongi Hills Mori Tower	CASBEE for Existing Buildings	Rank S
ARK Mori Building		Rank S
Koraku Mori Building		Rank A
Akasaka Tameike Tower		Rank A
Atago Green Hills MORI Tower		Rank S
ARK Hills South Tower	DBJ Green Building Certification	4 stars
Toranomon Hills Mori Tower	CASBEE for Existing Buildings	Rank S
Holland Hills Mori Tower		Rank S

(Certificates Coverage Ratio)

	Certified Properties	Portfolio Data	Ratio
In acquisition price	343.7 bn yen	368.8 bn yen	93.2%
In leasable floor area	143,592m ²	172,136m ²	83.4%
In number of properties	8 properties	10 properties	80.0%

※ Excluding Laforet Harajuku (Land)

○ GRESB Real Estate Rating



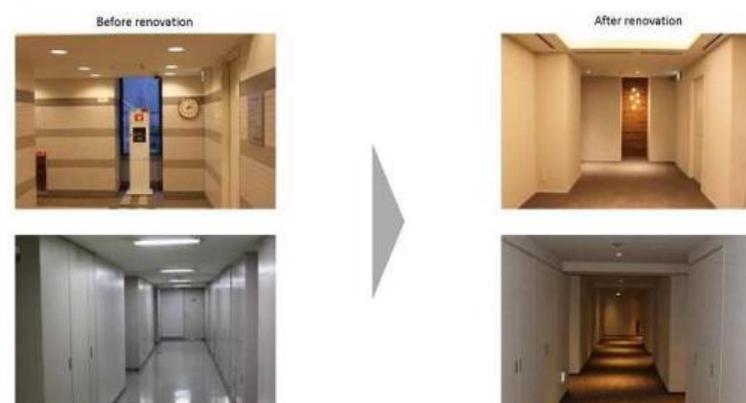
In the 2018 GRESB Survey, MHR received a **"Green Star"** rating for the seventh consecutive year, and **"received 4 Stars"** in the GRESB Rating.

<Reduction of Environmental Loads>

○ Promotion of Energy-conservation

MHR promotes energy-conservation through initiatives such as replacement of LED lighting in common areas and repair work of air-conditioning. MHR also makes active efforts to reduce environmental loads through proper separation and disposal of waste.

(Roppongi View Tower: Renovation of common area with LED lighting)



○ Collaborating with Tenants

MHR holds an **"environmental countermeasure council"** once or twice a year depending on the office building. The council generates a report on the efforts to improve sustainability and raises awareness for power saving methods.

MHR also promotes environmental initiatives by communicating with tenants. MHR provides **"WEB cloud services"** as a tool to make tenants' energy usage visible, and offers helpful measures for tenants' energy conservation.

In addition to these efforts, MHR is further deepening relationships with tenants by introducing **"green leases"** which serve to align financial incentives and secure commitments from both parties. MHR is gradually expanding this approach since the introduction of the first green lease in ARK Hills South Tower.

<Initiatives with Employees>

○ Talent Development

To cultivate human resources with flexible thinking and high ethical standards together with a high degree of expertise, mainly in real estate and finance, MHR introduces essential knowledge and skills through on-the-job-training (OJT) and conventional training to improve staff effectiveness, to clarify company issues and to constantly improve management methods. MHR conducts a semi-annual staff assessment program - "Personnel Assessment and Feedback" as a core component of our talent development strategy. MHR also subsidizes the expense for acquiring licenses and qualifications by public and private organizations necessary for work to improve employees' skills as professionals in the real estate fund business.

(Qualifications held by employees as of the end of February 2019)

- ARES Certified Master: 6
- Real Estate Appraiser: 3
- Real Estate Transaction Agent: 10
- Certified Building Administrator: 4
- Certified Public Accountant: 3
- Chartered Member of Securities Analysts Association of Japan: 1
- Certified Internal Auditor: 1

○ Employee Stock Ownership Plan (ESOP)

MHR established the "ESOP" by aligning interests of MHR's investors and MIM's employees aiming to improve unitholders' value over the medium to long term, and to improve welfare benefits for MIM's employees.

○ Promoting Women's Participation

MHR is aiming for a workplace environment where each employee can fully demonstrate their individuality and abilities and MHR is working on creating a pleasant working environment for women. A child-care leave system and flexible working hours are provided and MHR promotes active use of a short-time work system and paid holidays.

<Initiatives with Tenants and Local Communities>

○ Tenant Satisfaction Surveys

MHR conducts "tenant satisfaction surveys" once every two years in office buildings and once a year in most residential properties.

The survey content starts with general matters such as location and image to matters related to facilities and other hard aspects as well as soft aspects such as management systems. The thoughts of the tenants are used as a reference in our property management.

○ Local Communities

MHR aim to foster a rich environment for the local community through various communication activities. In MHR's properties such as Roppongi Hills and ARK Hills, events and activities are held like the "Hills Marche" and "Hills Machi-Iku Project" in which local people can participate.



<Initiatives with Investors>

○ 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 items from its unique perspective. MHR's website has received "Total Ranking: **The Best Site**" for the fourth consecutive years.



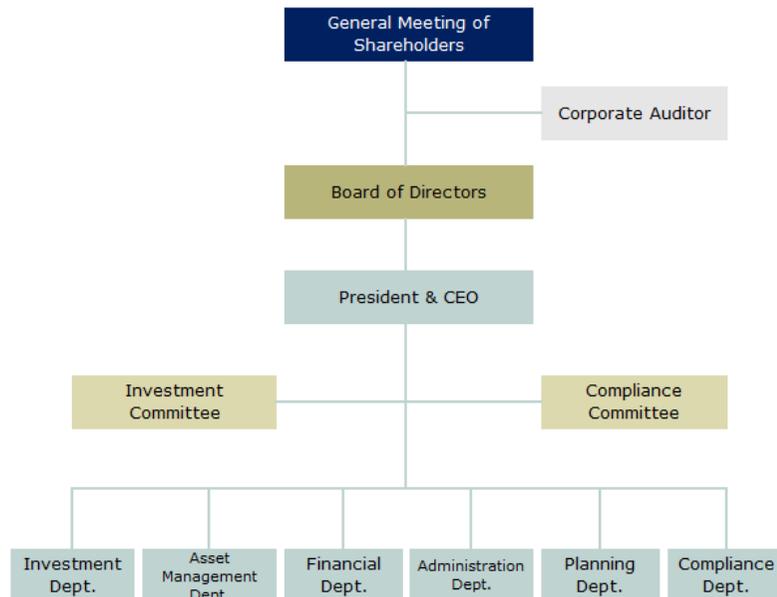
5-13 Sustainability initiatives: Governance

<Corporate Governance>

MHR shall have at least one executive director and at least two supervisory directors (or, at least one more than the number of the executive directors), and the board of directors shall be comprised of the executive directors and supervisory directors. In addition to a general meeting of all unitholders, MHR's governance structure consists of one executive director, two supervisory directors, the board of directors and an accounting auditor, and entrusts its operation to the asset management company.

MIM is required to perform its business operations in good faith and with due care of a prudent manager for MHR in line with the purpose of the investment management business, and accordingly performs sincere asset investment and management pertaining to real estate properties based on an appropriate compliance structure and internal control structure in order for MHR to gain high trust from the securities market and investors.

(MIM's organization)

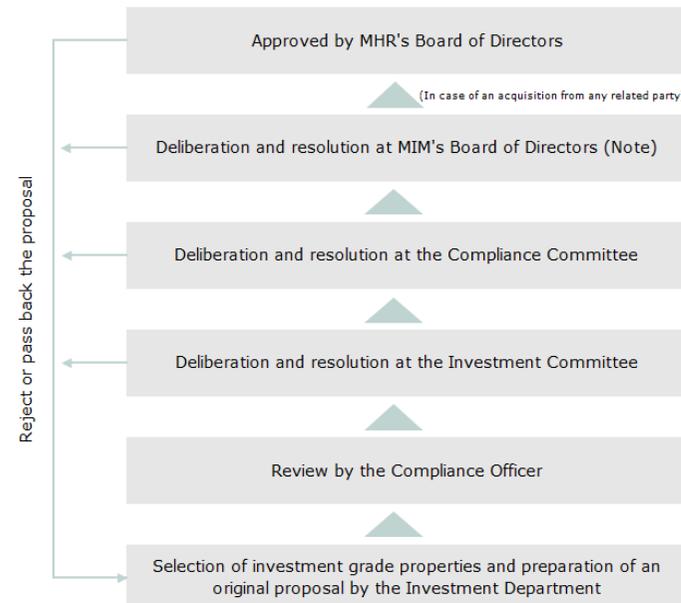


<Compliance>

Compliance Department conducts inspections on legal compliance and confirms consistency with internal rules. MIM confirms whether there are any conflict of interest transactions with related parties. In this way, MIM is striving to ensure comprehensive internal control, while also striving to enhance its risk management structure as well as its effectiveness.

Furthermore, MIM has a set of internal rules (self-imposed regulations) which stipulate rules such as its Related Parties Transaction Guidelines. These Guidelines stipulate matters concerning transactions, etc. with related parties. Through MIM's compliance with these Guidelines, MIM has established a structure which ensures that the aforementioned transactions are managed appropriately and that MIM sufficiently executes the duty of care of a good manager and duty of loyalty to MHR.

(Process to counter transactions involving conflicts of interest)

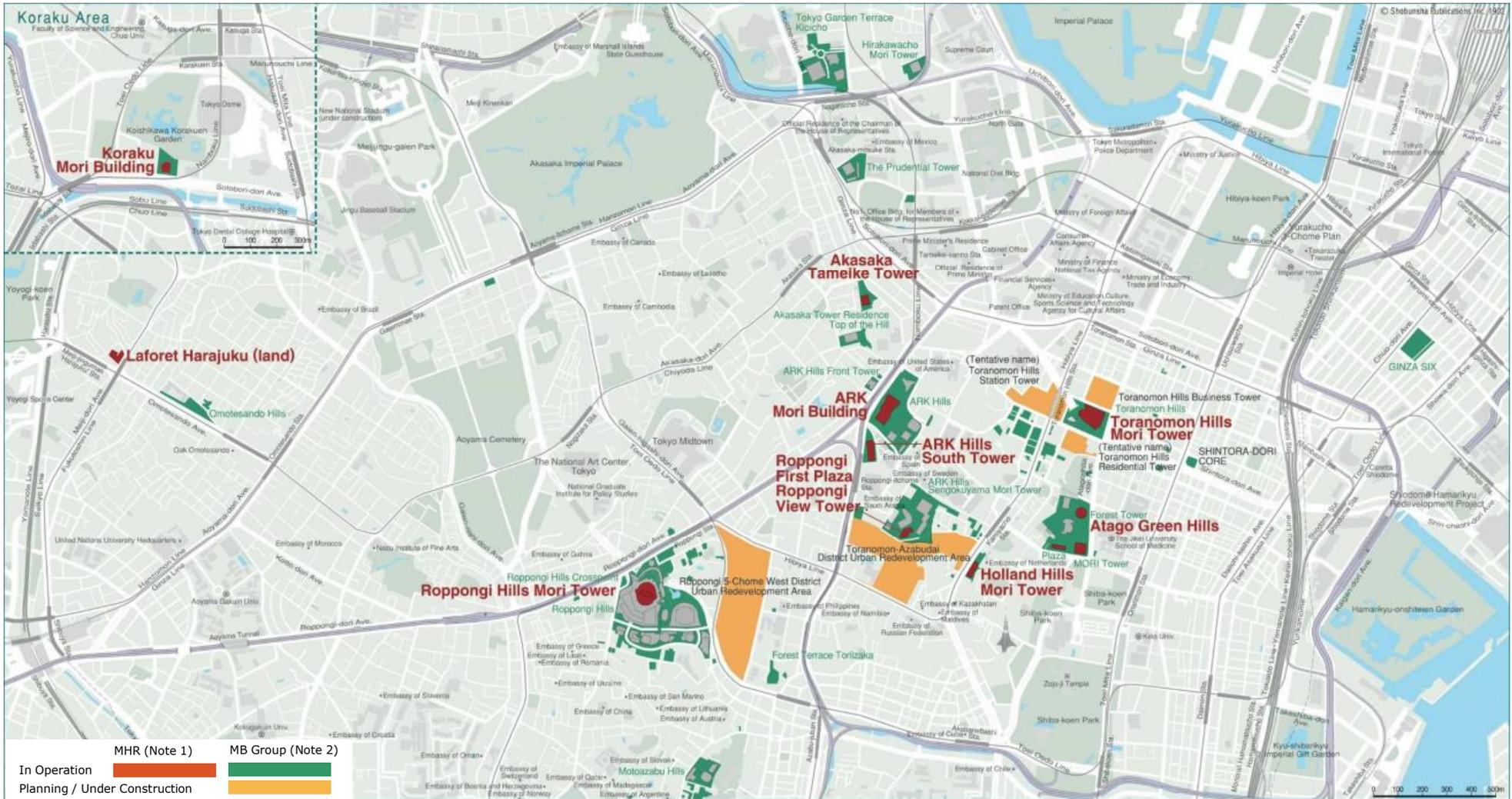


(Note) Director who are classified as a related party officer is not able to participate in the resolution when acquiring asset from a related party.

5-13 Portfolio Map (As of January 31, 2019)



HILLS REIT



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2019."

(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 January 31, 2019)

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 9 months	32 years 10 months	18 years 10 months	5 years 6 months	4 years 8 months	14 years 0 month	18 years 4 months	17 years 6 months	17 years 3 months	17 years 6 months	25 years 3 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. 25%)	Co-ownership (approx. 12.7%)	Co-ownership (approx. 62.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (approx. 47%)	Co-ownership (approx. 46%)	Ownership
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (approx. 25%)	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	-	-	-	-				
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%	99.0%	100%			92.9%	96.8%	100%	

Average building age
17.9 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 January 31, 2019.
- (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.