



Mori Hills REIT Investment Corporation

Results of the 35th Fiscal Period ended January 31, 2024

Presentation Material

March 15, 2024



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

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

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

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

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1. Executive summary

Financial summary 35th period (Jan. 2024)

- Operating revenue: 11,176 million yen, operating income: 6,803 million yen, net income: 6,289 million yen
- DPU: 3,282 yen (Δ 2.1% from 34th period)
Decreased period-over-period but maintained a high level thanks to gain on disposition
- NAV per unit: 161,825 yen (Δ 0.2% from 34th period)
Decreased period-over-period due to the impact of the distribution of gain on disposition, etc.
- Disposed of a 7% ownership interest in Laforet Harajuku (Land) (a 1,373 million yen gain was realized on the disposition, all of this gain will be distributed)

External growth

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

Internal growth

- Even as office vacancy rates rise in central Tokyo, MHR's office occupancy rate for the 35th period maintained a high level of 99.0% due in part to the excellent location and quality of the properties.
- Although the occupancy rates and rents for several pass-through-type offices have weakened, these properties account for only a small portion of the entire portfolio and thus the impact was minimal.
- The residential occupancy rate for the 35th period was 96.4%, and continues to maintain a high level.

Financial management

- As of the end of the 35th period, MHR maintained the target level by book-value-basis LTV: 46.1%, appraisal-value-basis LTV: 36.7%, and remaining duration of debt: 4.0 years.
- MHR also maintained a credit rating (JCR) of AA (stable).

2. Investment highlights



2-2 Financial results

MHR experienced decreased revenue and income in the 35th period. DPU was maintained at a high level thanks to gain on disposition.

- Disposed of a 7% ownership interest in Laforet Harajuku (Land). There were no new acquisitions of properties and thus MHR was not able to utilize the special tax treatment for property replacement, therefore DPU increased compared to the forecast due to the distribution of the entire amount of 1,373 million yen of gain on disposition.
- Owned properties boast excellent location and quality, therefore high occupancy rates were maintained for both offices and residences.

	34th period	35th period		35th period
	Jul. 31, 2023	Jan. 31, 2024		Jan. 31, 2024
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	11,215	11,176	△ 38	11,163
Rent revenues	9,625	9,538	△ 86	9,544
Other operating revenues	213	264	+ 51	244
Gain on sales of real estate properties	1,376	1,373	△ 2	1,373
Operating expenses	4,259	4,373	+ 113	4,297
Expenses related to properties	3,516	3,628	+ 111	3,546
SG&A	742	744	+ 2	751
Operating income	6,955	6,803	△ 152	6,865
Non-operating income	1	1	+ 0	1
Non-operating expenses	531	513	△ 18	518
Ordinary income	6,424	6,291	△ 133	6,348
Net income	6,423	6,289	△ 133	6,346
Reserve for reduction entry	—	—	—	482
Total dividends	6,423	6,289	△ 134	5,863
DPU				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,352	3,282	△ 70	3,060
Other Indices (million yen)				
NOI	7,419	7,257	△ 161	7,329
NOI yield	3.7%	3.5%	△ 0.1PT	3.6%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	407,455	405,683	△ 1,772	405,683

Increase/decrease factor (34th - 35th)

• Operating revenue (△38 mn yen)

- Gain on disposition part of LF Harajuku (35th period)	+1,373
- Cancellation penalty	+59
- Gain on disposition part of LF Harajuku (34th period)	△1,376
- Rent on disposition part of LF Harajuku (34th period)	△38
(35th period)	△15
- Office Rent (pass-through)	△25
- Residential Rent (pass-through)	△9
- Parking revenue	△3
- Utilities	△2

• Operating expenses (+113 mn yen)

- Maintenance and repairs	+57
- Loss on retirement of noncurrent assets	+45
- Property management fee	+24
- Property taxes	+21
- Depreciation	△13
- Utilities	△10
- Operating exp. for disposition part of LF Harajuku (34th period)	△7

• Non-operating expenses (△18 mn yen)

- Interest expenses, etc.	△13
- Amortization of investment unit issuance cost	△5

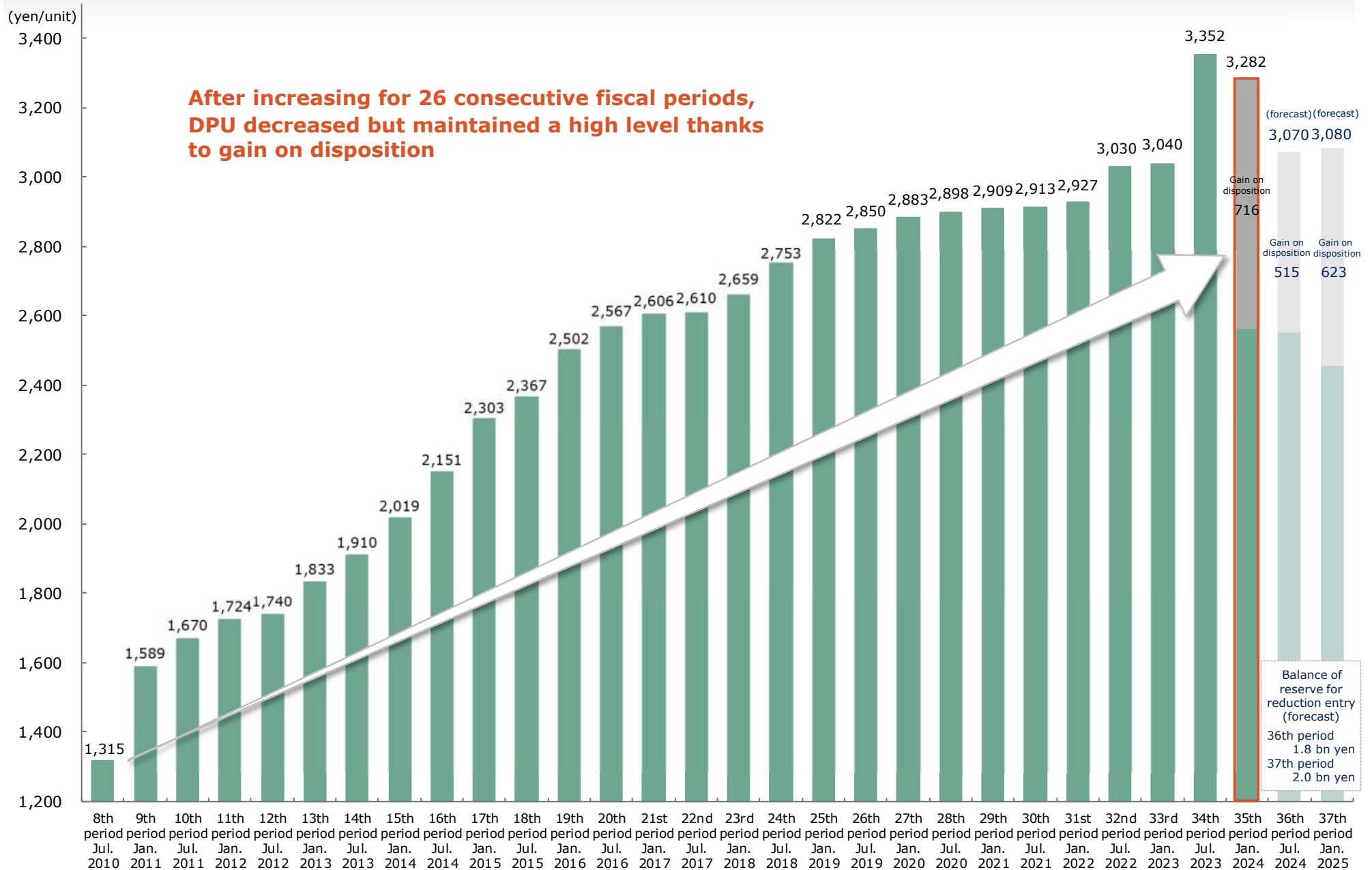
Increase/decrease factor for 35th period (Forecasted - Actual)

• Operating income (△62 mn yen)

- Increase in cancellation penalty	+16
- Increase in loss on retirement of noncurrent assets	△45
- Increase in maintenance and repairs	△34

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

2-3 Dividends per unit growth record



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

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

32nd-33rd

34th-35th

36th-37th
(Jul. 2024 - Jan. 2025)

Medium- to long-term direction

Disposition



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



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



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

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

(bn yen)	36th	37th
Gain on disposition	1.41	1.41
Dividends	0.98	1.19*
Internal reserve	0.43	0.22*

* Dividends and internal reserve are estimated values

Medium- to long-term disposition in installments

A. Dispose all interest

B. Participate in redevelopment (minor interest)

Special tax treatment for property replacement

Acquisition



Toranomon Hills Mori Tower
(7.87 bn yen)

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

* Yields from previously acquired property
NOI yield 3.4%
Yield after depreciation 2.9%

New acquisition from the sponsor and third parties

Portfolio size expansion

(37th period: forecast)

DPU

3,080 yen

623
Gain on disposition

2,457
Excluding gain on disposition

(Room for future growth: trial calculation)

+47 Absence of one-time major repair costs

+109 In the event that Toranomon Hills Mori Tower is acquired under the same terms as the previous acquisition using the total proceeds (14.61 bn yen) from the five dispositions of LF Harajuku

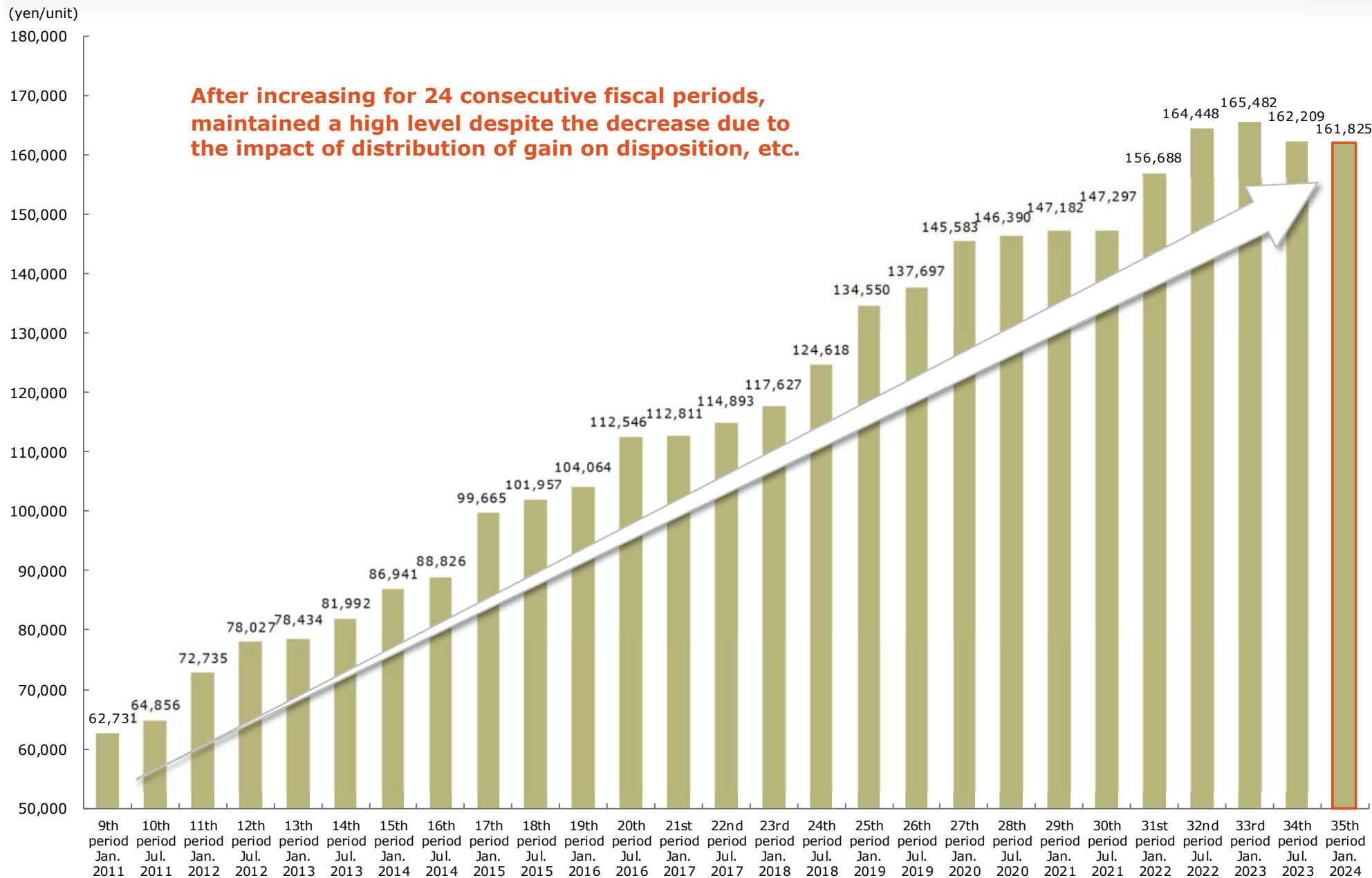
Aim for continuous increase in DPU

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

(Reference)

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

2-5 Increase in appraisal NAV per unit



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

2-6 Forecasts

Prompt refilling of space after large cancellation along with the gain on disposition, resulted in DPU forecast to be 3,070 yen in the 36th period and 3,080 yen in the 37th period.

- In the 36th and 37th periods, 7% ownership interest in Laforet Harajuku (Land) will be disposed of. It is assumed that a portion of the gain on disposition will be internally reserved by utilizing special treatment for property replacement (if there is no new acquisition of properties, all of the gain on disposition will be distributed).
- The decline in DPU excluding gain on disposition is because mainly new property acquisitions with funds from the disposition of Laforet Harajuku have not yet been factored in at this time as well as due to other temporary factors.

	35th period	36th period		37th period
	Jan. 31, 2024	Jul. 31, 2024		Jan. 31, 2025
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	11,176	11,155	△ 20	11,040
Rent revenues	9,538	9,416	△ 122	9,424
Other operating revenues	264	321	+ 57	200
Gain on sales of real estate properties	1,373	1,417	+ 44	1,414
Operating expenses	4,373	4,320	△ 52	4,381
Expenses related to properties	3,628	3,570	△ 58	3,628
SG&A	744	750	+ 5	752
Operating income	6,803	6,834	+ 31	6,658
Non-operating income	1	1	△ 0	1
Non-operating expenses	513	519	+ 6	533
Ordinary income	6,291	6,316	+ 24	6,126
Net income	6,289	6,314	+ 24	6,125
Reserve for reduction entry	—	430	+ 430	221
Total dividends	6,289	5,883	△ 406	5,902
DPU				
Total units outstanding (units)	1,916,330	1,916,330	—	1,916,330
DPU (yen)	3,282	3,070	△ 212	3,080
Other Indices (million yen)				
NOI	7,257	7,251	△ 6	7,068
NOI yield	3.5%	3.6%	0.0PT	3.5%
Acquisition price (weighted average based on the number of operating days during the period)	405,683	404,410	△ 1,272	402,611

Increase/decrease factor (35th - 36th)

• Operating revenue (△20 mn yen)	
- Gain on disposition part of LF Harajuku (36th period)	+1,417
- Cancellation penalty	+80
- Gain on disposition part of LF Harajuku (35th period)	△1,373
- Office Rent (pass-through)	△88
- Rent on disposition part of LF Harajuku (35th period)	△31
(36th period)	△7
- Utilities	△20
• Operating expenses (△52 mn yen)	
- Property management fee	+27
- Property taxes	+17
- Loss on retirement of noncurrent assets	△45
- Maintenance and repairs	△40
- Utilities	△19
- Operating exp. for disposition part of LF Harajuku (35th period)	△3
• Non-operating expenses (+6 mn yen)	

Increase/decrease factor (36th - 37th)

• Operating revenue (△115 mn yen)	
- Gain on disposition part of LF Harajuku (37th period)	+1,414
- Office Rent (pass-through)	+61
- Utilities	+14
- Gain on disposition part of LF Harajuku (36th period)	△1,417
- Cancellation penalty	△140
- Rent on disposition part of LF Harajuku (36th period)	△38
(37th period)	△15
• Operating expenses (+60 mn yen)	
- Maintenance and repairs	+85
- Property taxes	+16
- Utilities	+15
- Property management fee	△40
- Depreciation	△11
- Operating exp. for disposition part of LF Harajuku (36th period)	△7
• Non-operating expenses (+13 mn yen)	

2-7 Portfolio of premium properties in central Tokyo

Investment strategy based on long-term perspective

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

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

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

Location

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

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

Quality of assets

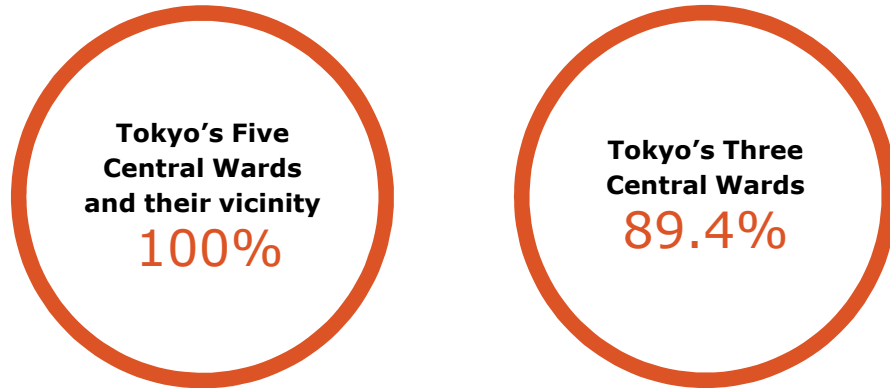
③ Value creation
Value improvement through area development and neighborhood management

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

Value Creation

2-8 (1) Location

Highest property percentage in Central Tokyo among J-REITs

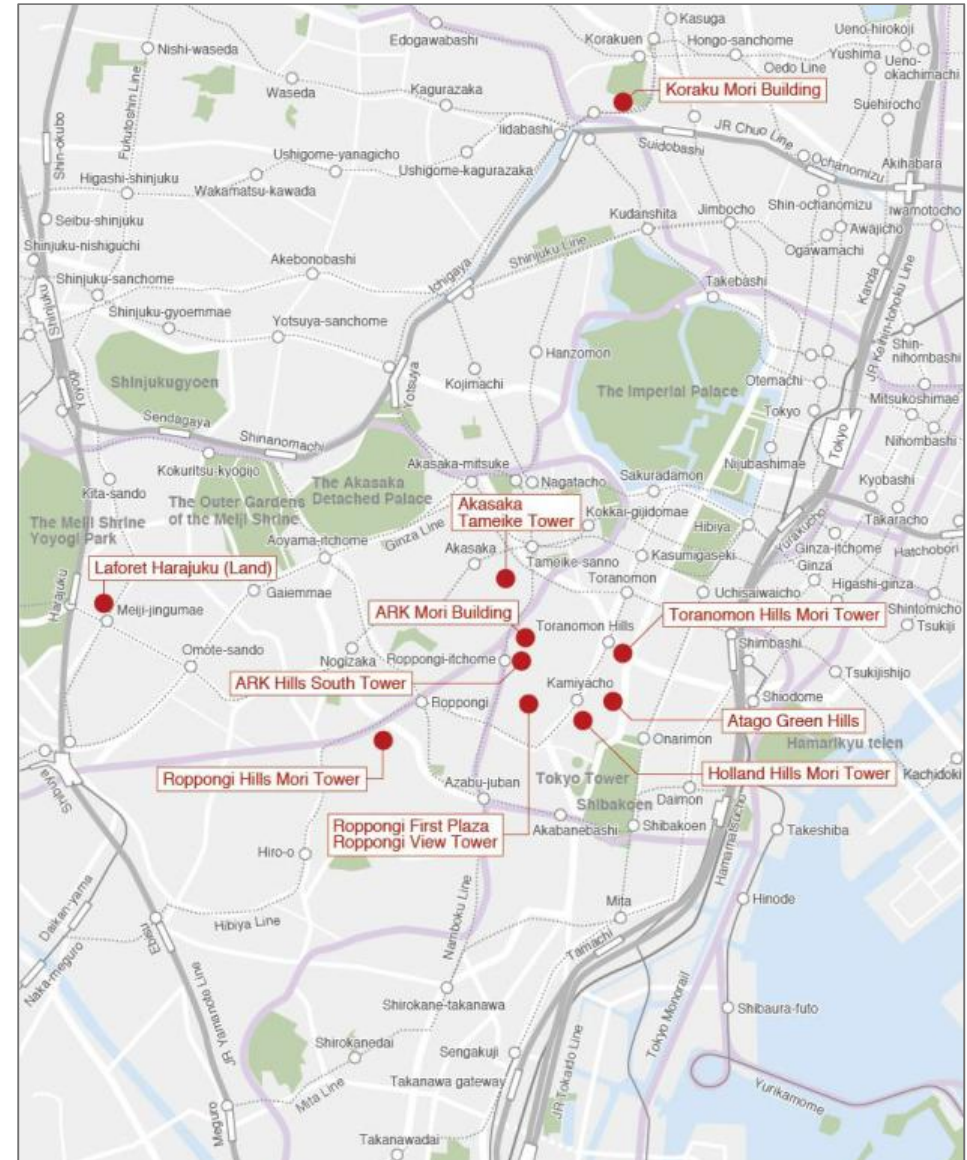


(Note) The ratios represent proportion of acquisition price to total acquisition price.

Estimated population in central Tokyo

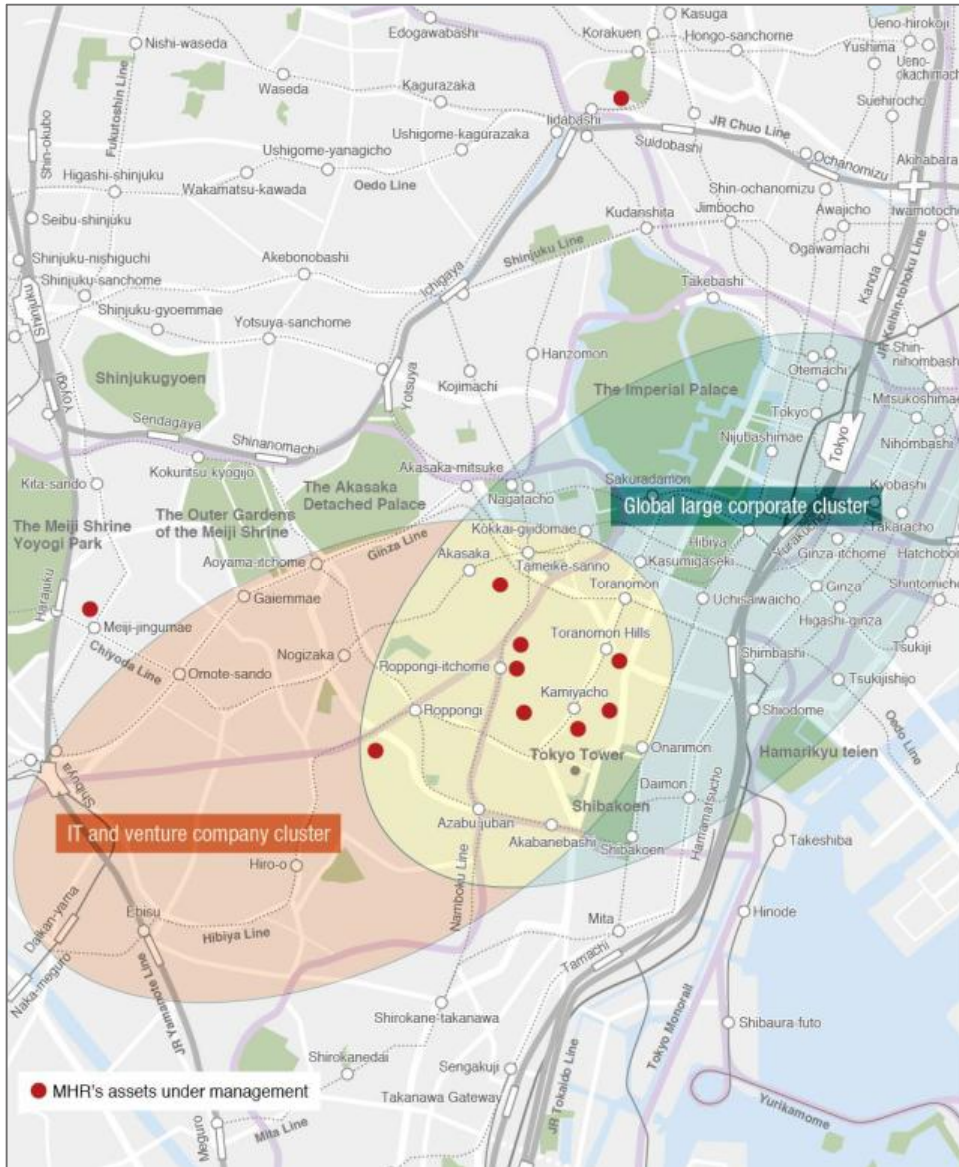
Area	Population in 2020	Estimated population in 2050	Change
3 central wards in Tokyo	496,000	603,000	+21.5%
5 central wards in Tokyo	1,089,000	1,234,000	+13.3%
Tokyo	14,047,000	14,399,000	+2.5%
Osaka	8,837,000	7,263,000	△ 17.8%
Aichi	7,542,000	6,676,000	△ 11.5%
Nationwide	126,146,000	104,686,000	△ 17.0%

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

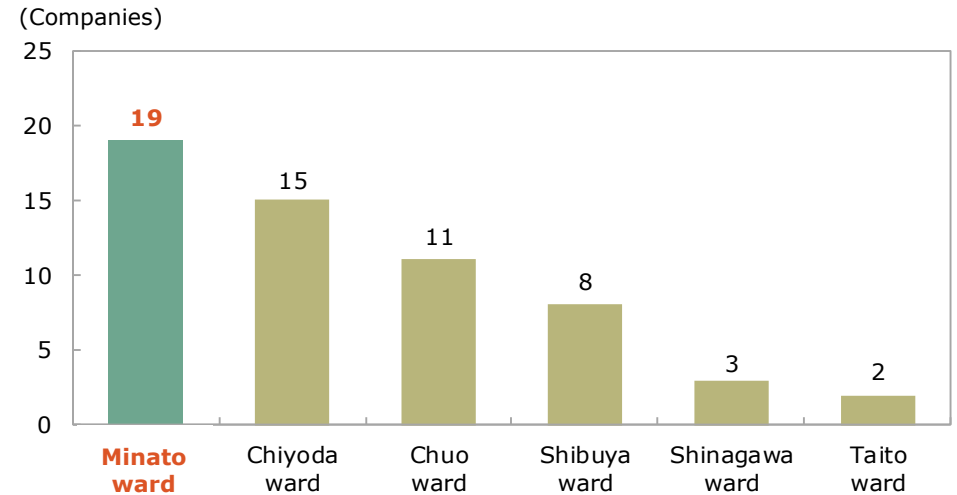


2-9 (1) Location

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



Head office location of IPO companies (2023)



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

IT firms located in Minato ward

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

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

2-10 (2) Quality of assets

Premium Properties (Excellent comfort and safety with extensive facilities)

Strong demand for headquarter offices

<Overview and facilities of representative properties>

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

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

(Note 1) Describes the outline of the entire areas and facilities including properties owned by MHR.

(Note 2) "Connected" under the "Access from the nearest station" describes the possible direct connection by concourse etc.



Superior environmental performance



Highest quality among all J-REITs

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

CASBEE for Real Estate: Rank S



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

CASBEE for Real Estate : Rank A



Akasaka Tameike Tower

DBJ Green Building Certification: Four stars



ARK Hills South Tower

Excellent earthquake resistance performance

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

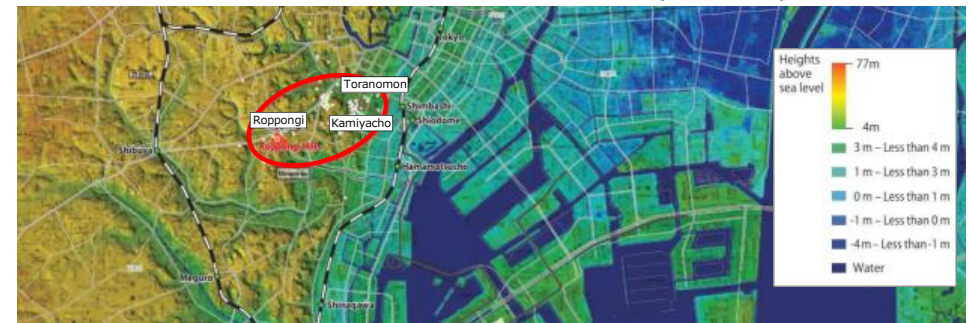
Property name	Level above the new earthquake resistance standard ^(Note)	PML
Roppongi Hills Mori Tower	◎	0.59%
ARK Mori Building	◎	0.78%
Koraku Mori Building	◎	0.73%
ARK Hills South Tower	◎	1.56%
Toranomon Hills Mori Tower	◎	0.50%
Holland Hills Mori Tower	◎	0.85%
Akasaka Tameike Tower	◎	1.79%
Atago Green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

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

Firm ground

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

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



(Source) Geographical Survey Institute

○ Area where the properties owned by MHR are located

Ecological Networks

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



Mohri Garden (Roppongi Hills)



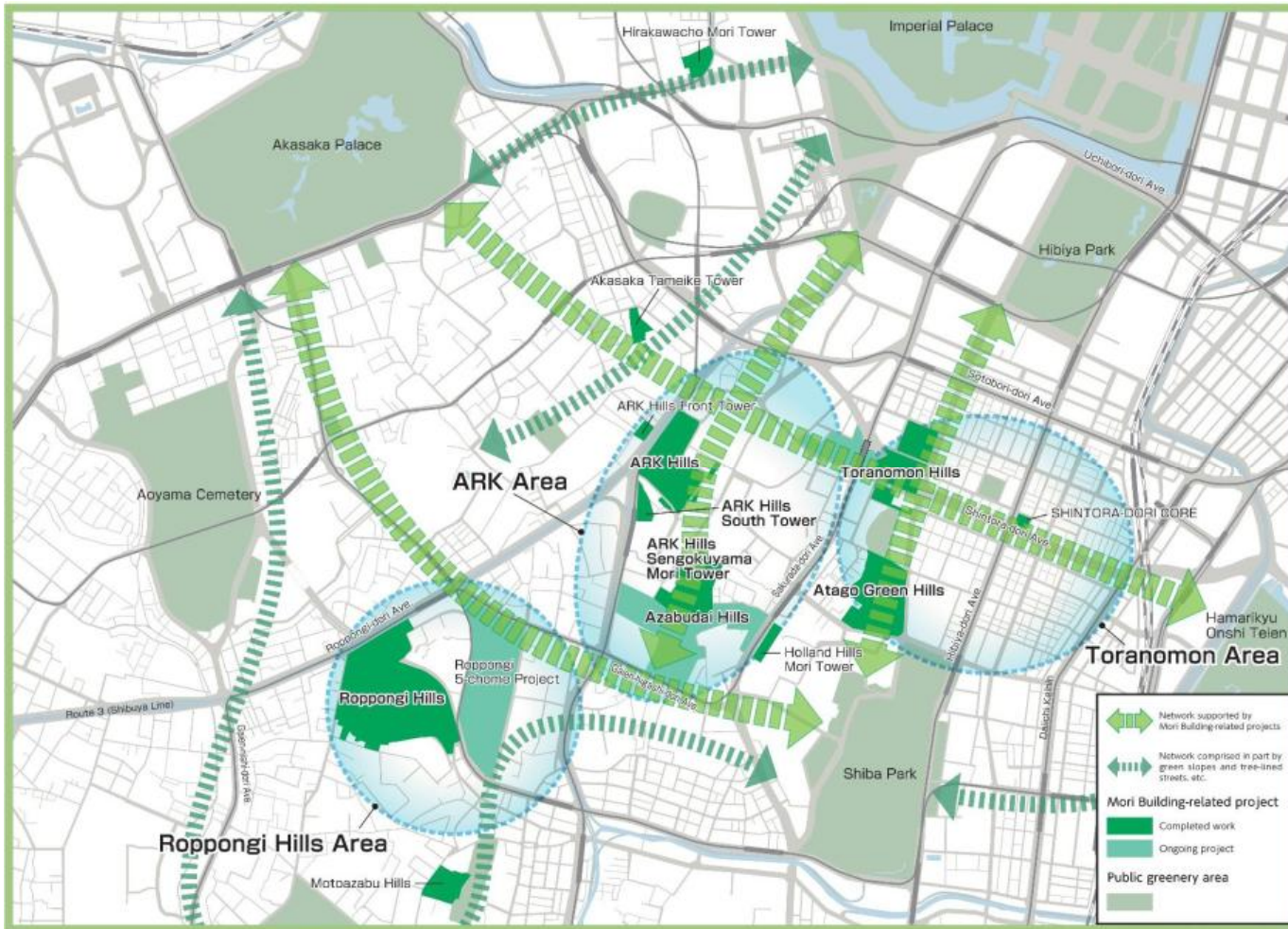
Japanese tit (Roppongi Hills)



Roppongi Sakurazaka (Roppongi Hills)



Slope green area (ARK Hills South Tower)



Rhyothemis fuliginosa dragonfly (Toranomon Hills)



Oval Plaza (Toranomon Hills)



Along Atagoshita Avenue (Atago Green Hills)



Suntory Hall rooftop (ARK Hills)

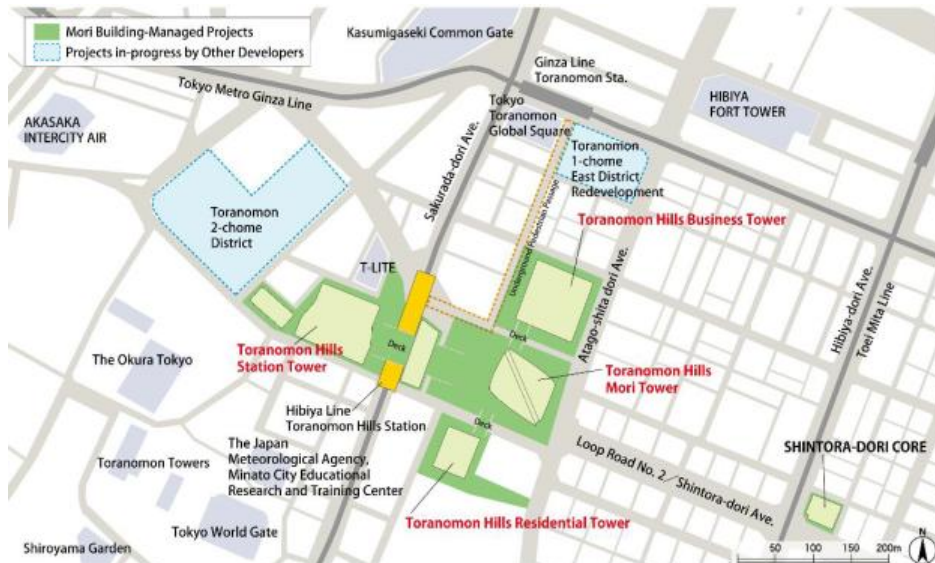
(Note) There is a need to create conditions under which living things can live easily, allowing movement by linking green areas that form the living bases for creatures with small-scale green areas and roadside trees. Such a network of habitats is referred to as an ecological network (extracted from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

2-13 (3) Value creation

Developments around MHR's properties (Toranomon Hills area)



©The Boundary



Toranomon Hills Station Tower (Completed July 2023)



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

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

Toranomon Hills Business Tower (Completed January 2020)



©Mariko Mori◀Cycloid V ▶

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

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

Obtained LEED ND and WELL preliminary certification

Tokyo's first Platinum LEED ND, the highest rank



- Toranomon Hills and Azabudai Hills have obtained preliminary certification for the top rank of Platinum of the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED) (Note1) certification in the Neighborhood Development (ND) category. Even on a global scale, it is rare for a city-center mixed-use development to obtain the rank of Platinum.
- Toranomon Hills Station Tower and the office and retail spaces of Azabudai Hills Mori JP Tower have obtained preliminary certification for the Council's WELL (Note2) certification and expect to obtain the top rank of Platinum after completion.



Oval Plaza at Toranomon Hills Mori Tower



Central square in Azabudai Hills (image)

(Note 1) LEED is one of the world's most widespread environmental evaluation systems for buildings, evaluating building and neighborhood environmental performance through efficient water and energy usage, interior environments, sustainable material use, etc. LEED was developed by the U.S. Green Building Council.

(Note 2) WELL is the world's first building standard to focus on the effect of building environments on human health and wellness. It mainly evaluates interior environments and health-related facilities and services. WELL is managed by the U.S. Green Building Council.

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



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

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



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

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



Creating community and innovation through Area Management by sponsor

Toranomon Hills Area



Thursday Gathering
(Toranomon Hills)

Innovation Program developed in the U.S.

“Thursday Gathering” by Venture Café, a sister organization of Cambridge Innovation Community, promotes exchanges between participants to support the creation of new innovations.



Meet up @ TORANOMON HILLS
(Toranomon Hills Mori Tower & Business Tower, etc.)

Meet up @ TORANOMON HILLS

Sponsor hosted this event to expose the various communities formed by Toranomon Hills to a wide range of visitors with the hope that people would build new connections, experience new ideas, and deepen connections with people beyond the community.

Roppongi Hills Area



ARCH
(Toranomon Hills Business Tower)

Incubation Center “ARCH”

“ARCH,” a large membership-based incubation center was established especially to support large enterprises' internal business reforms and new business creation. It boasts around 3,800 m² of office work space and is becoming a base for Japan's unique innovation ecosystem.



(c) Roppongi Art Night Execution Committee

Roppongi Art Night
(Roppongi Hills Arena)

Art Festival representing Tokyo

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

Creating community and innovation through Area Management by sponsor

ARK Hills Area



Hills Marche
(ARK Karajan Place)

Pioneer of urban markets: Hills Marche

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



GREEN WORKSHOP
(ARK Garden)

ARK Hills Kids Community

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

Azabudai Hills Area



ARK Hills Music Week
(ARK Karajan Place)

Close experience of high-quality music

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



Tokyo Venture Capital Hub
(Azabudai Hills Garden Plaza B)

Large-scale hub for venture capitalists

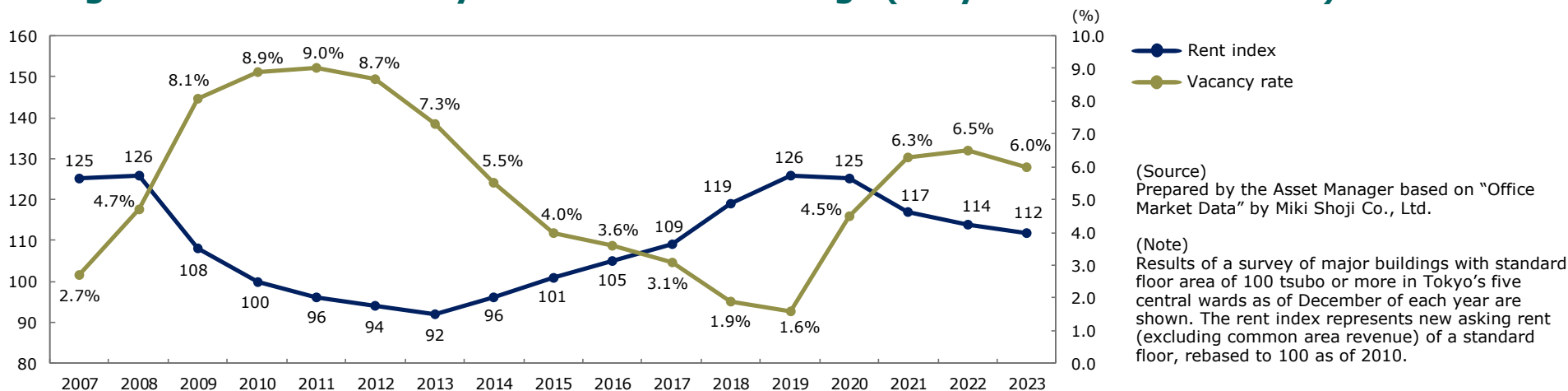
"Tokyo Venture Capital Hub," Japan's first large-scale, start-up hub, brings together independent venture capitalists (VCs) and some 70 firms, including corporate VCs backed by large Japanese corporations. This new VC cluster will supply risk-money indispensable for the growth of startups, helping to revitalize the Japanese economy.

2-18 External growth

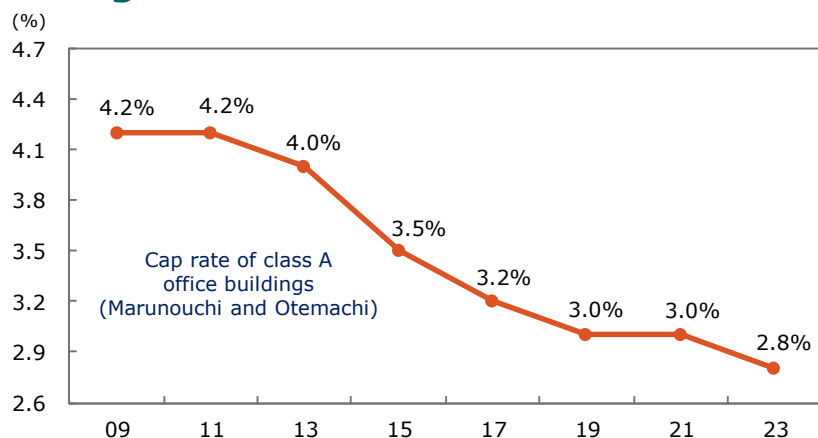
Aim to continuously increase DPU and NAV per unit through external growth that focuses on premium properties in central Tokyo

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

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



Change in return on real estate investment



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

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

Mori Building's extensive property pipeline

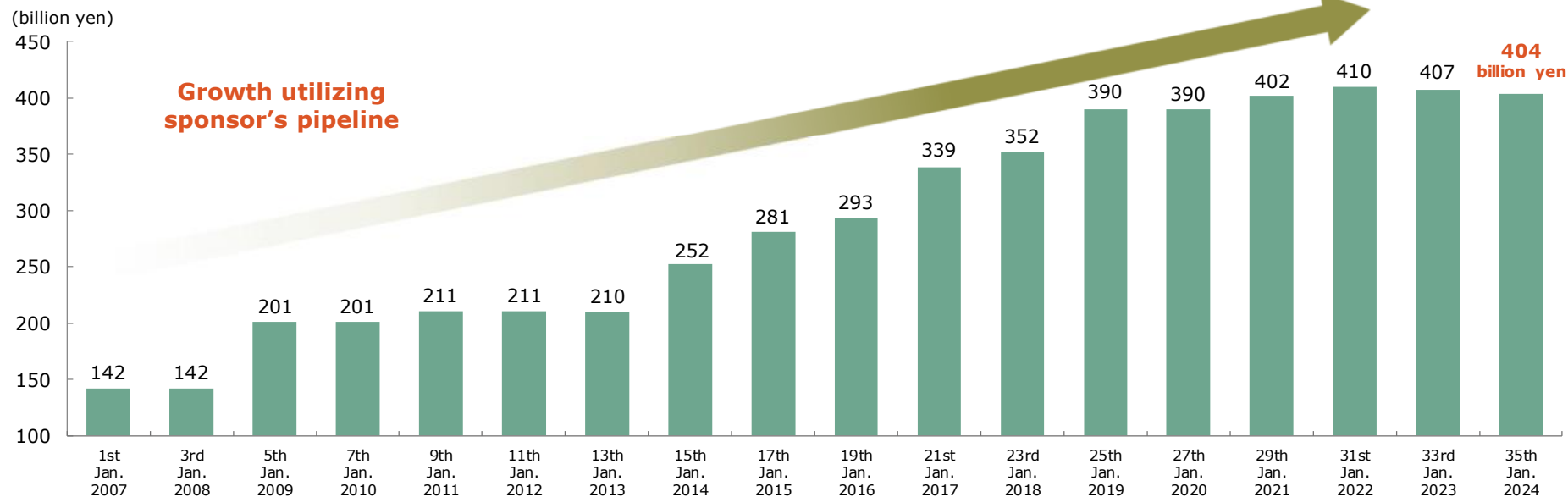
Total assets:
2.6 trillion yen
(as of the end of September, 2023)

Number of properties under management: **93 buildings**
(as of April, 2023)

MHR has "preferential negotiation rights"

2-19 External growth

Trend in assets under management (based on acquisition price)



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

Toranomon Hills Mori Tower

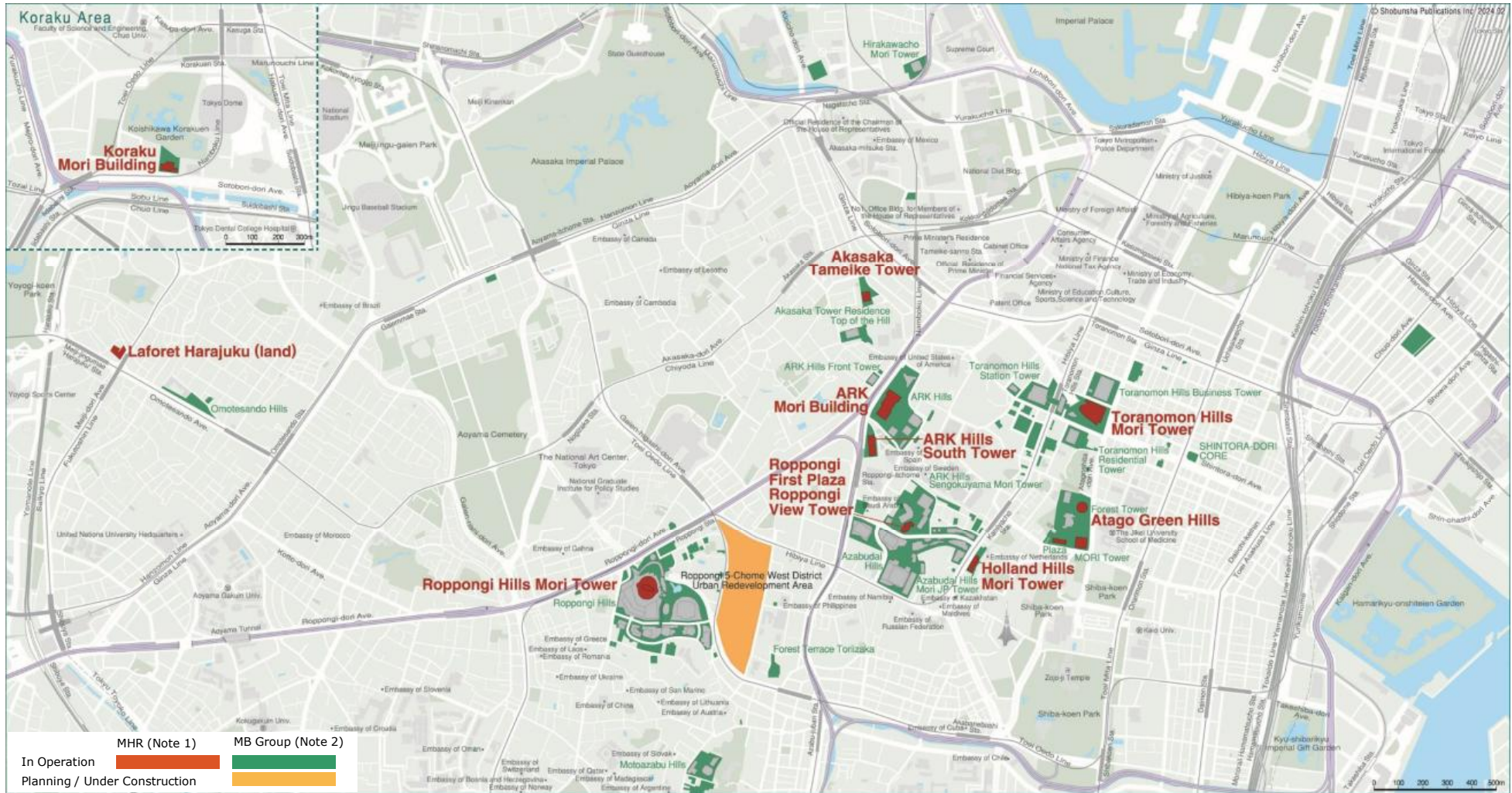


Acquisition price	7,870 million yen
Appraisal value	9,856 million yen
Location	Minato-ku, Tokyo

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

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

Mori Building Group's involvement



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

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

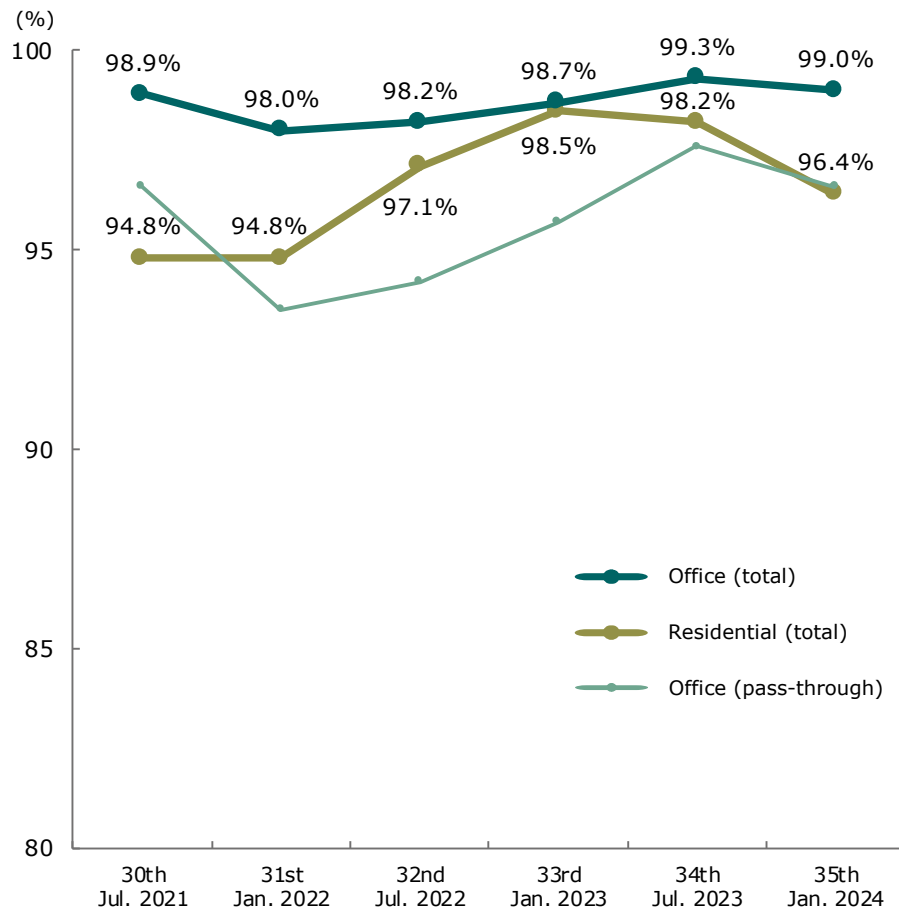
(Note 2) Properties are developed, owned, managed and planned for development by Mori Building Group, and there are no properties currently anticipated to be acquired by MHR.

2-21 Internal growth

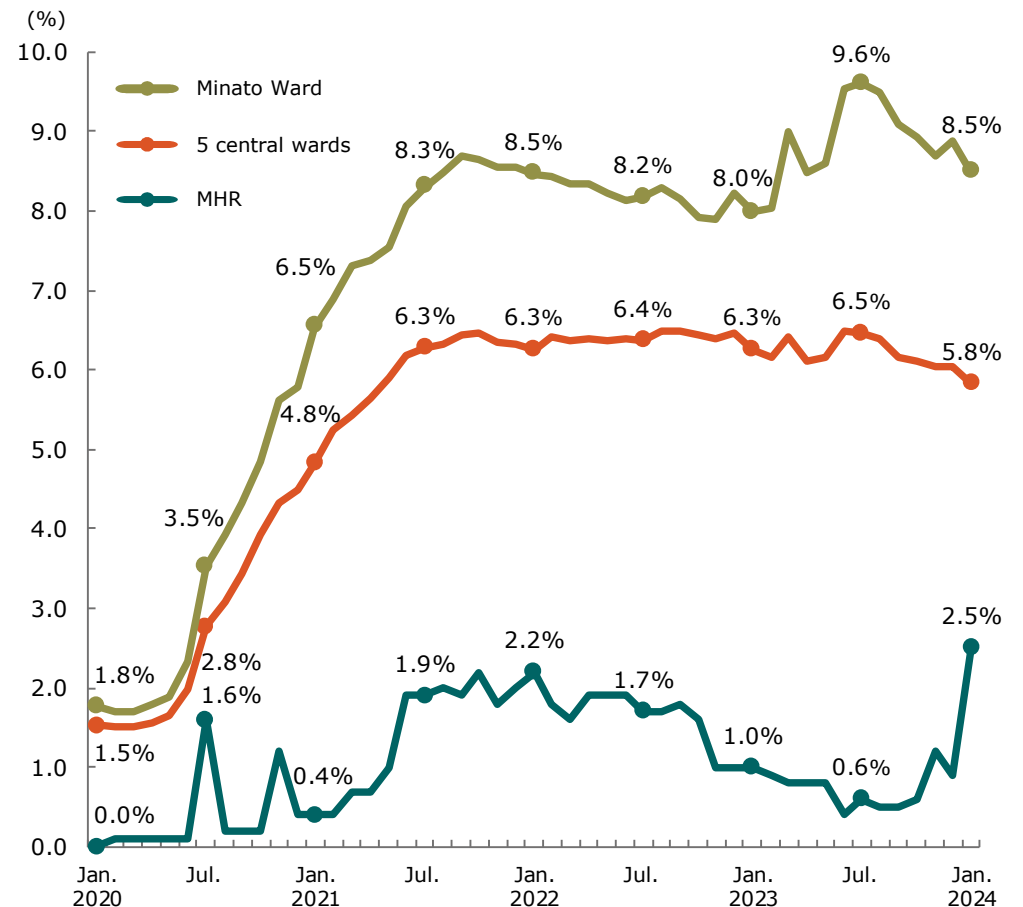
Portfolio consisting of premium properties in central Tokyo maintained high occupancy rate

- Even as office vacancy rates rose in the five central wards, including Minato Ward, a high occupancy rate was maintained due to the excellent location and quality of MHR's properties.
- In January 2024 a large cancellation occurred in pass-through-type offices which was then promptly refilled.

Trend in occupancy rates



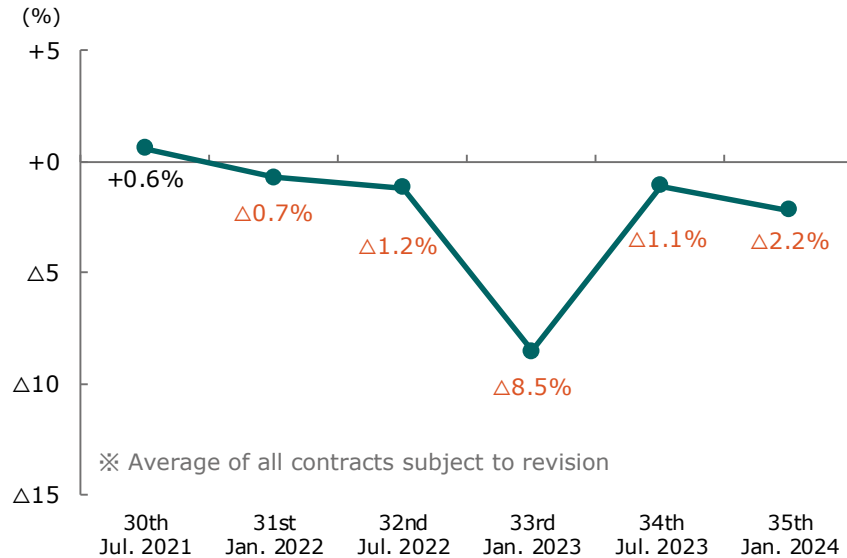
Comparison of Vacancy Rates in Central Tokyo Offices (since January 2020)



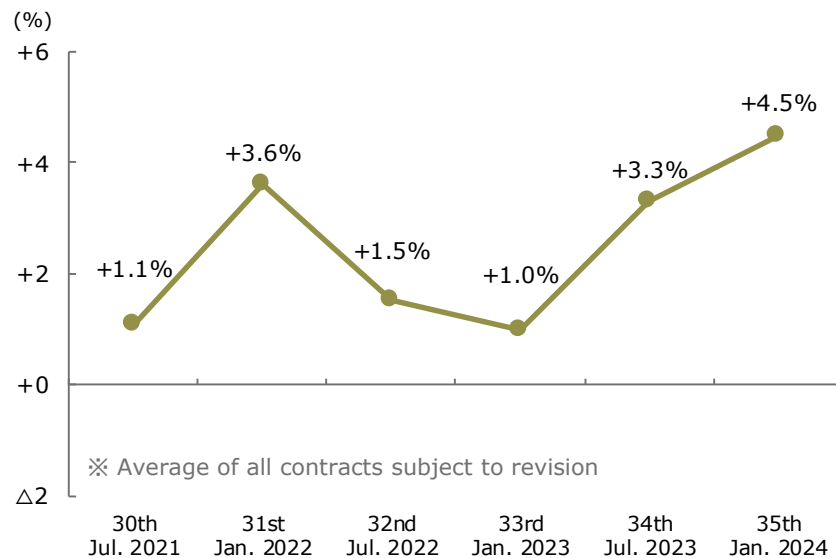
(Source) Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.
 (Note) Figures of "Mori Hills REIT" are the total figures for the office sections of all owned properties.

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

Rent revision rate (Office)



Rent revision rate (Residential)



Result of rent revision

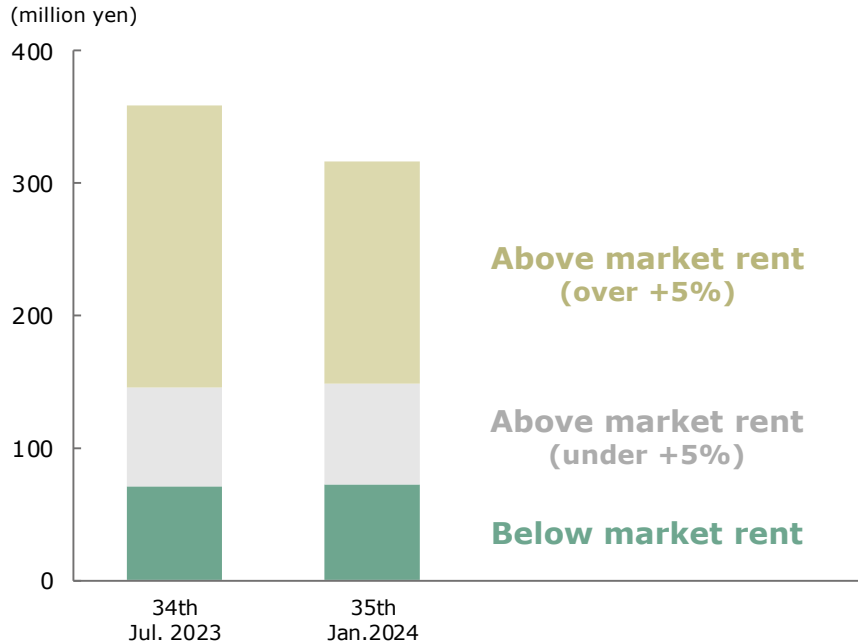
	Office		Residential	
	34th Jul. 2023	35th Jan. 2024	34th Jul. 2023	35th Jan. 2024
Floor area of contract revision	6,476.46㎡	3,272.65㎡	2,664.20㎡	1,705.10㎡
Rate of total leasable floor area (Pass-through type)	14.5%	7.3%	15.9%	10.2%
Amount of rent increase/decrease (Monthly rent basis)	△535 thousand yen	△577 thousand yen	+428 thousand yen	+376 thousand yen
Rent revision rate	△1.1%	△2.2%	+3.3%	+4.5%

Result of tenant replacement

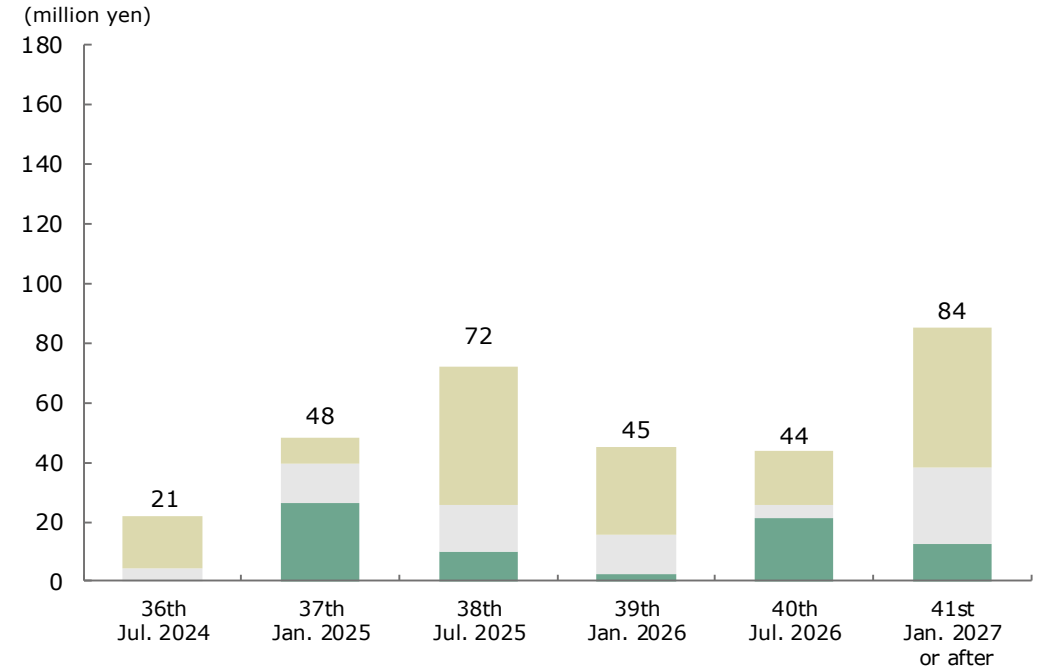
	Office		Residential	
	34th Jul. 2023	35th Jan. 2024	34th Jul. 2023	35th Jan. 2024
Floor area of tenants moving in	1,147.56㎡	1,125.90㎡	1,068.51㎡	1,305.28㎡
Rate of total leasable floor area (Pass-through type)	2.6%	2.5%	6.4%	7.8%
Floor area of tenants moving out	570.33㎡	3,926.71㎡	1,304.72㎡	1,601.36㎡
Rate of total leasable floor area (Pass-through type)	1.3%	8.8%	7.8%	9.5%
Amount of rent increase/decrease (Monthly rent basis)	△1,218 thousand yen	△421 thousand yen	+747 thousand yen	+1,224 thousand yen
Rent increase/decrease rate	△11.0%	△3.9%	+12.7%	+17.7%

Comparison with office market rent (pass-through type)

Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap



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

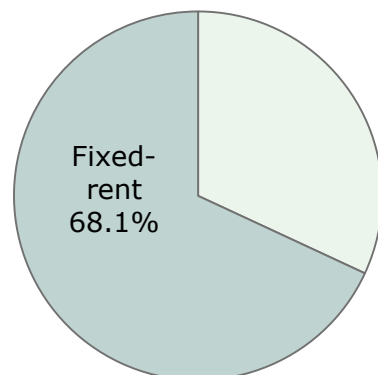
(Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1

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

- The rent gap for pass-through-type offices narrowed due to the progress of revisions and replacements. Despite a large cancellation in the 35th period, refilling of these offices occurred promptly, and rents are expected to gradually become stable.
- Offices (fixed rent master lease type) have even higher quality, and occupancy rates of their end tenants have continued to remain high, so MHR has no concerns regarding contract renewals.

Overview of fixed rent master lease

Ratio of fixed rent master lease



Realize stable cash flow

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

- Display a defensive posture to the temporary uptick in vacancy

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

Monthly rent by contract expiration

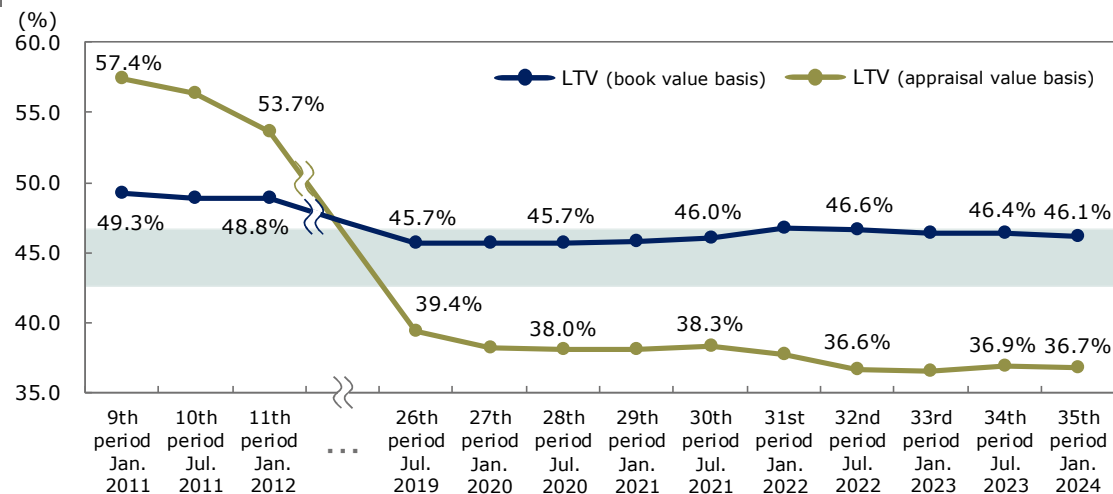
Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (m ²)	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2025	2026	2027	2028 or after	
Roppongi Hills Mori Tower (10 floors)	475.2	30.2%	23rd & 24th	8,993.45	MHR	—	99.2	—	—	Jul. 2026
			19th & 22nd	8,609.47		—	—	—	95.0	Sep. 2028
			20th	3,879.19		—	—	—	42.8	Jul. 2029
			28th	4,460.13		49.2	—	—	—	Sep. 2025
			25th	4,156.66		—	45.8	—	—	Jan. 2026
			26th, 27th & 29th	12,942.64		—	142.9	—	—	Mar. 2026
ARK Mori Building (8 floors + DHC)	225.2	14.3%	13th/12th & 22nd	7,952.55	MHR	—	77.9	—	—	Jan. 2026
			23rd & 25th	5,742.95		—	55.5	—	—	Jan. 2026
			4th, 15th & 24th	7,680.52		—	73.8	—	—	Jan. 2026
			DHC	3,212.41	Master lessee	—	—	—	17.9	Mar. 2028
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.7%	Office, residential & retail	29,667.58	Master lessee	—	—	168.7	—	Apr. 2027
Toranomon Hills Mori Tower (approx. 10.8% of entire property)	201.6	12.8%	Part of 28th to 35th floors	19,046.16	MHR	—	—	201.6	—	Jul. 2027
Total	1,070.8	68.1%				49.2 (4.6%)	495.3 (46.3%)	370.3 (34.6%)	155.8 (14.6%)	

2-25 Financial management

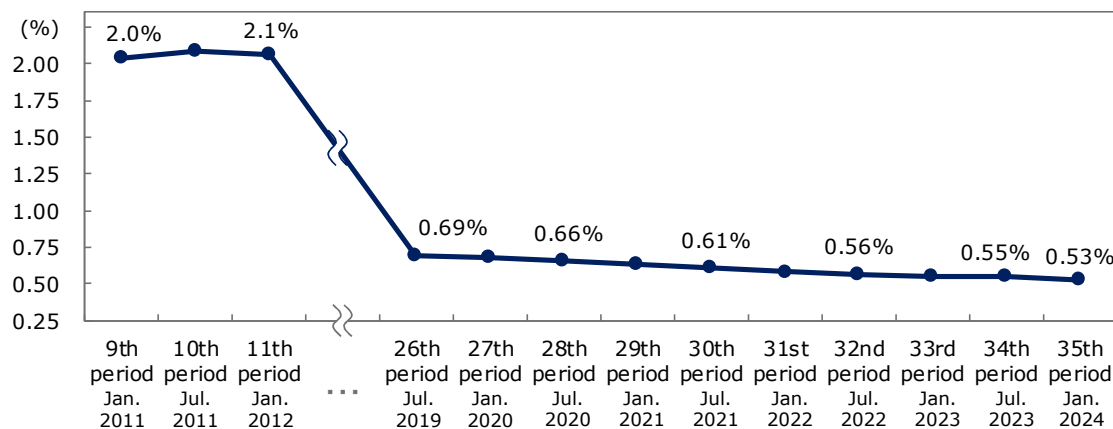
Maintaining a strong financial structure with a credit rating (JCR) of AA (stable), and LTV (appraisal-value basis) of 36.7%

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

Reduction in LTV



Reduction in average interest rate (including borrowing expenses)



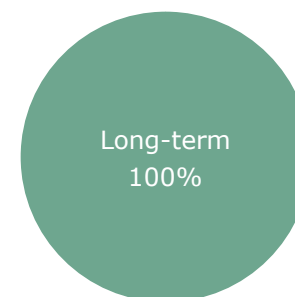
Overview of debt financing

	End of 34th period Jul. 31, 2023	End of 35th period Jan. 31, 2024
Debt Balance	192,422 mn yen	190,422 mn yen
LTV (book value basis) ^(Note 1)	46.4%	46.1%
LTV (appraisal value basis) ^(Note 2)	36.9%	36.7%
Avg. remaining duration	4.2 years	4.0 years

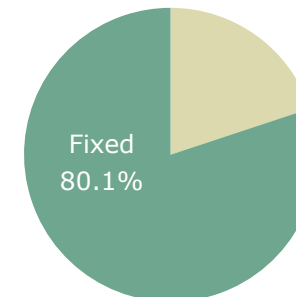
(Note 1) LTV (book value basis) is calculated as [Interest bearing debt / Total assets].
 (Note 2) LTV (appraisal value basis) is calculated as [Interest-bearing debt / Appraisal value based total assets (Total assets + Total appraisal value - Total book value)].

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>

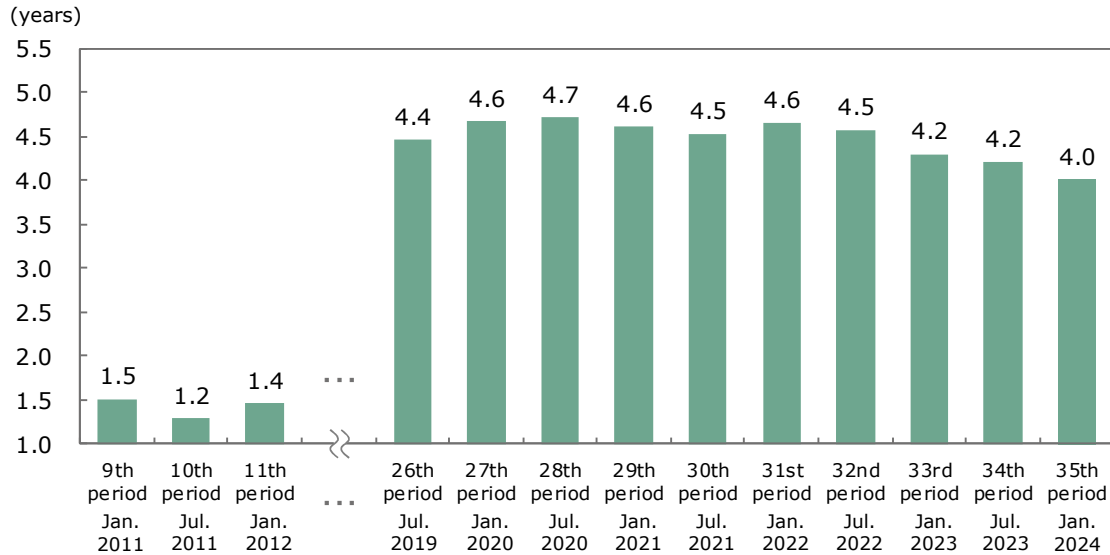


<Fixed rate ratio>



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

Extension in remaining duration of debt

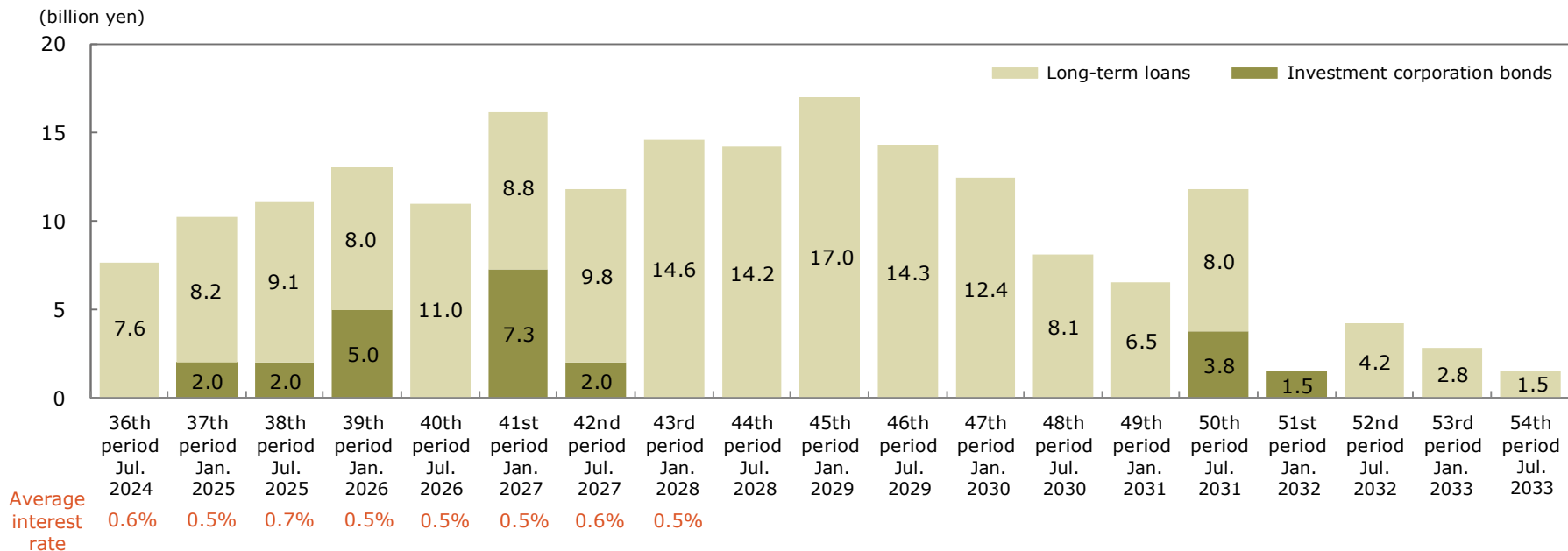


Rating

Japan Credit Rating (JCR)






















Long-term issuer rating:
AA (Stable)

Overview of maturity (as of January 31, 2024)



2-27 Sustainability initiatives

Important ESG Issues (Materiality)

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

2-28 Sustainability initiatives

MSCI ESG

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

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

DISCLAIMER

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Integrated Report



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

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

GRESB Assessment

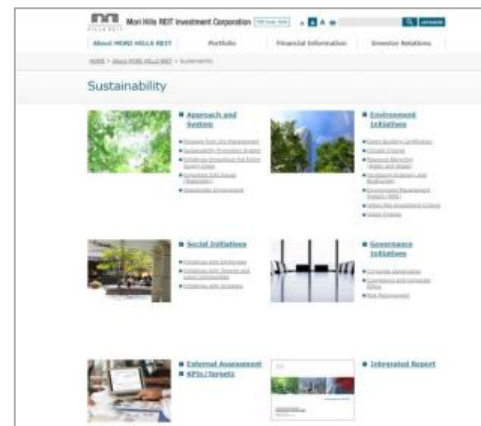


In the 2023 GRESB Real Estate Assessment, MHR received a “Green Star” rating for the twelfth consecutive year, and received a “4 Stars” in the GRESB Rating (Note).

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

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

MHR’s Website



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

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

Information reporting based on TCFD recommendations

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

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



Indicators and Targets

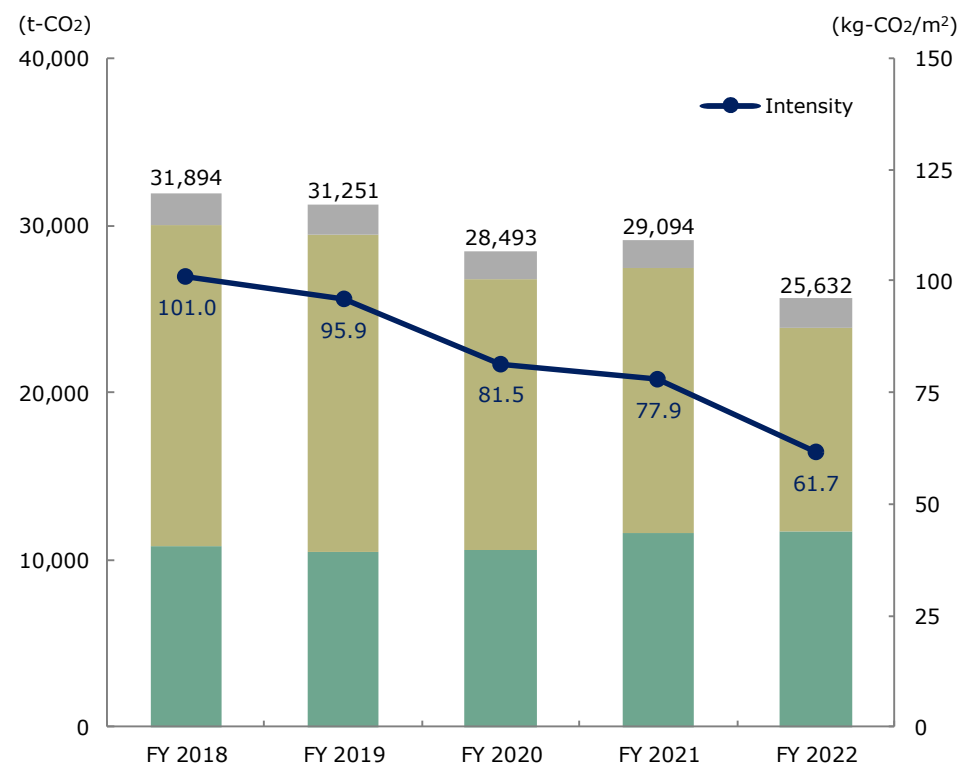
MHR revised its targets in June 2022 to promote further reduction.

We aim to reduce CO2 emissions of MHR and MIM’s offices and properties owned by MHR (total emissions; Scopes 1, 2 and 3) by 50% by FY 2030 when compared with FY 2019 as the baseline year and achieve net-zero emissions by FY 2050.

<Carbon Dioxide Emission and Intensity>

Medium-term target (FY 2030)	Long-term target (FY 2050)	Performance (FY 2022)
50% reduction (total amount basis: vs FY 2019)	Net-Zero	18.0% reduction (total amount basis: vs FY 2019)

	(Unit:t-CO2)				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Scope 1	1,843	1,767	1,718	1,696	1,755
Scope 2	19,285	18,952	16,151	15,770	12,145
Scope 3	10,766	10,531	10,624	11,627	11,732
Total	31,894	31,251	28,493	29,094	25,632
Verification/Guarantee rate	77.4%	77.4%	77.7%	78.2%	78.3%
Cover rate	87.4%	87.6%	87.8%	88.0%	88.1%



Strategy

Climate-Related Scenario Analysis

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

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

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

<Analysis Result>

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

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

Weather

Generally, stay the same

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



Government

Aggressive climate change policy

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



Investors/lenders

Increased ESG investment/lending

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



MHR

Limited increase in energy-saving investment

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



Clients (tenants)

Focus on energy saving in office selection

- More tenant demand for highly energy-saving properties



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

< Analysis Result >

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

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

Weather

Increase in extreme weather frequency

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



Government

Passive climate change policy

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



Investors/lenders

Increase in importance of physical risk

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



MHR

Limited natural disaster countermeasures/energy-saving investment

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



Clients (tenants)

Focus on disaster response in office selection

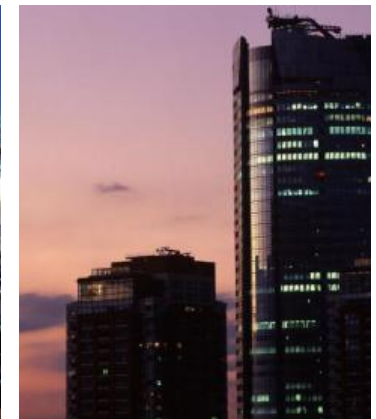
- More tenant demand for highly resilient properties



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



Roppongi Hills Mori Tower



Roppongi Hills

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

Office

Roppongi Hills Mori Tower

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



Residence Roppongi Hills Residence

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



Retail Shops and Restaurants

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



Hotel Grand Hyatt Tokyo

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



Cinema TOHO Cinemas Roppongi Hills

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



Museum Mori Art Museum

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



Stable Supply of Power from Independent Power Station

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

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



Toranomon Hills

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

Office Toranomon Hills Mori Tower

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



Residence Toranomon Hills Residence

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



Retail Shops and Restaurants

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



Hotel Andaz Tokyo

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



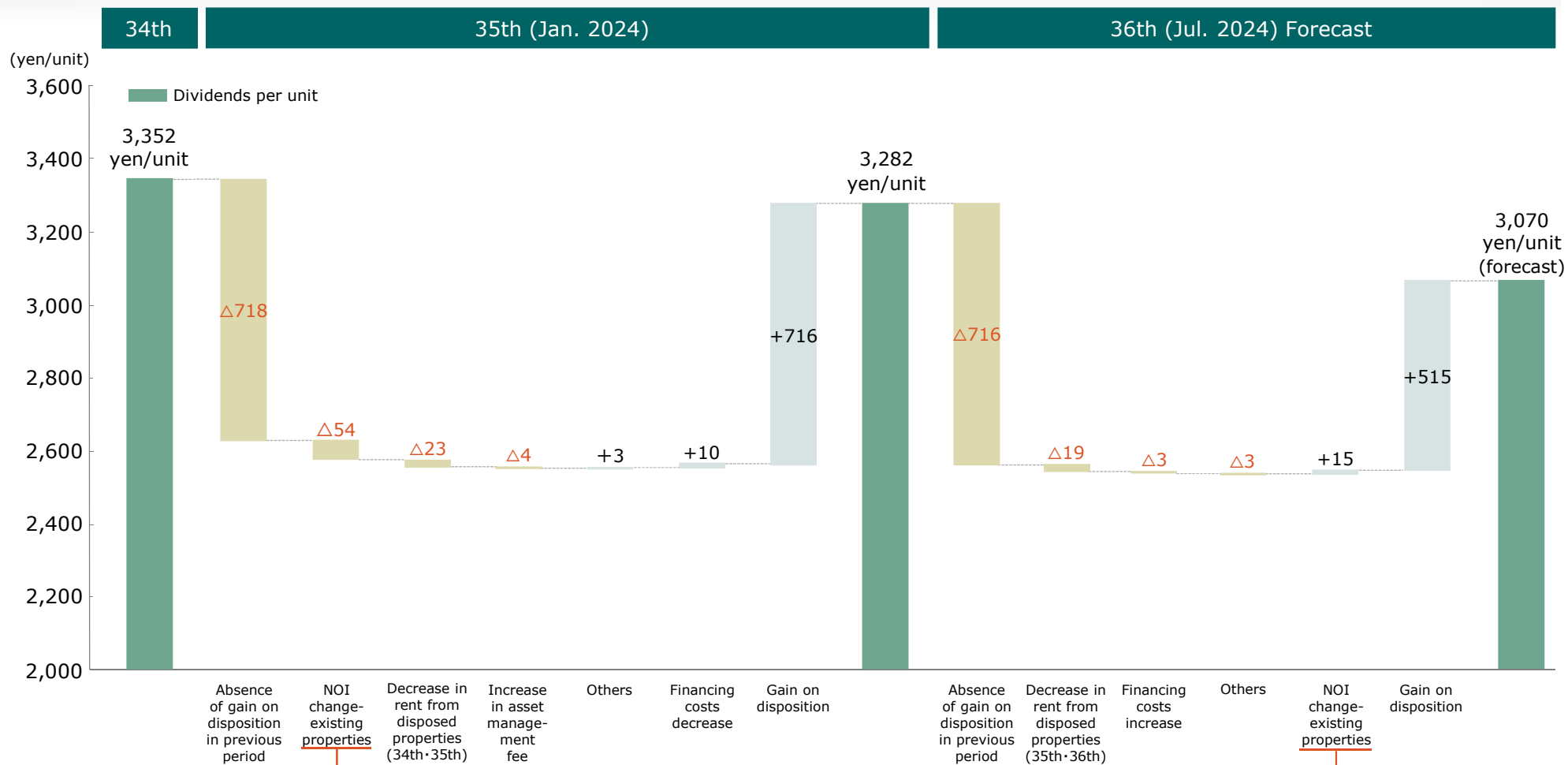
Evolving as an International Urban Center and a Global Business Hub

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

3. Operation highlights



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



Major factors behind change in NOI from existing properties:

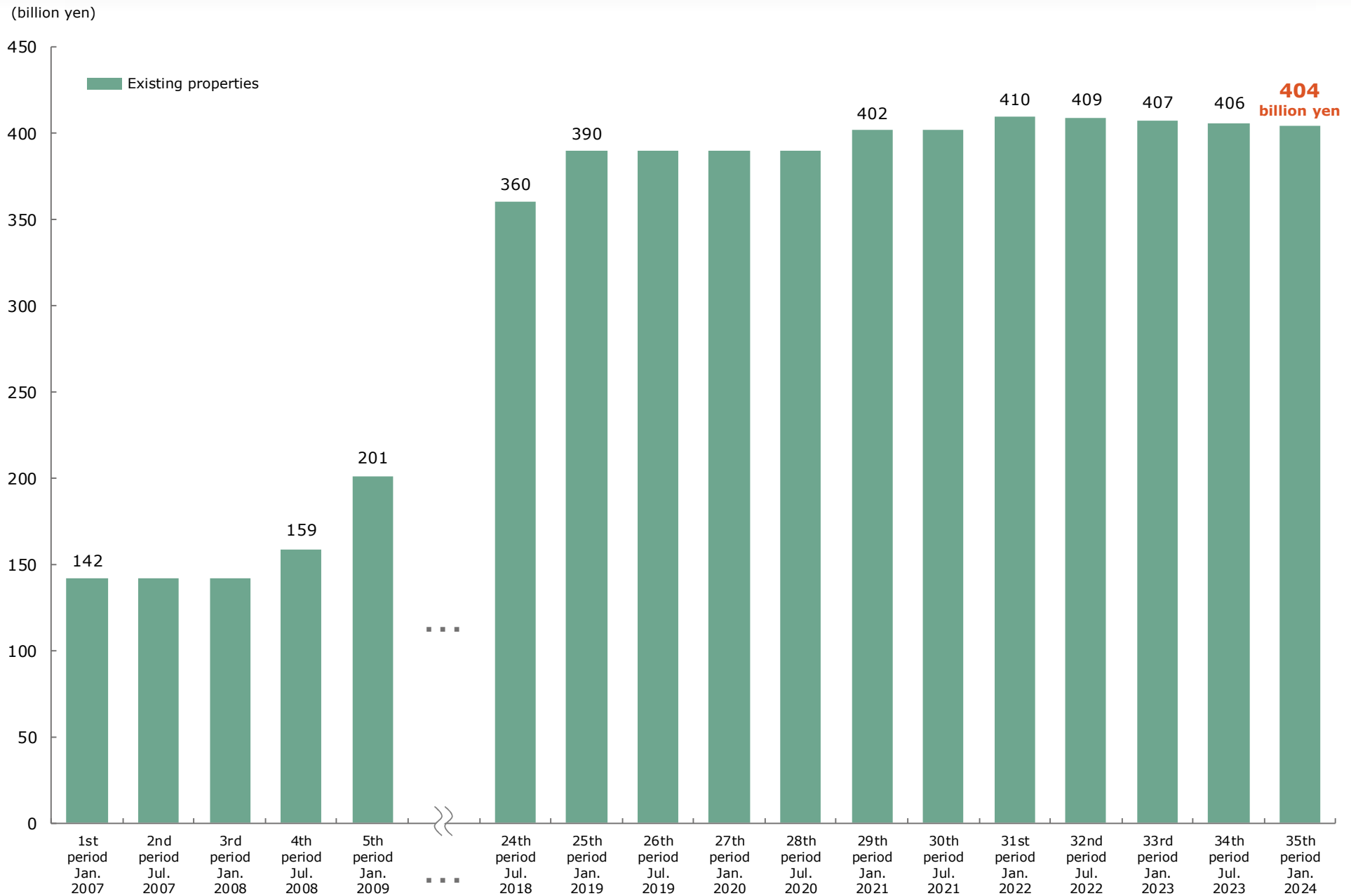
+ Increase in cancellation penalty	+31
+ Decrease in depreciation	+7
- Increase in maintenance and repairs	△30
- Increase in loss on retirement of noncurrent assets	△24
- Office rent (pass-through)	△13
- Increase in property management fee	△13
- Increase in property taxes	△11

Major factors behind change in NOI from existing properties:

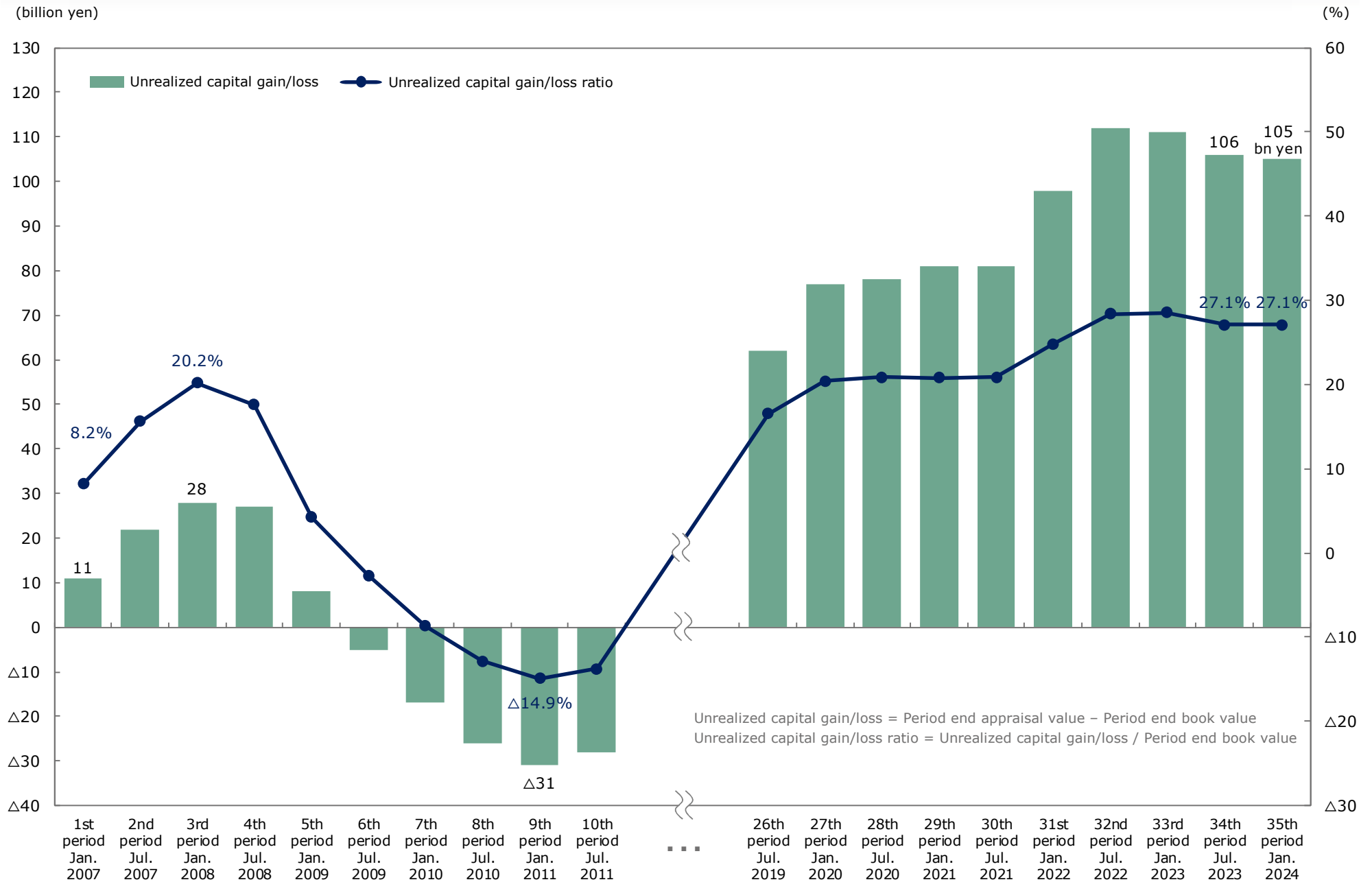
+ Increase in cancellation penalty	+42
+ Decrease in loss on retirement of noncurrent assets	+24
+ Decrease in maintenance and repairs	+21
- Office rent (pass-through)	△46
- Increase in property management fee	△14
- Increase in property taxes	△9

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

3-2 Change in assets under management



3-3 Change in unrealized capital gain/loss



3-4 Appraisal value

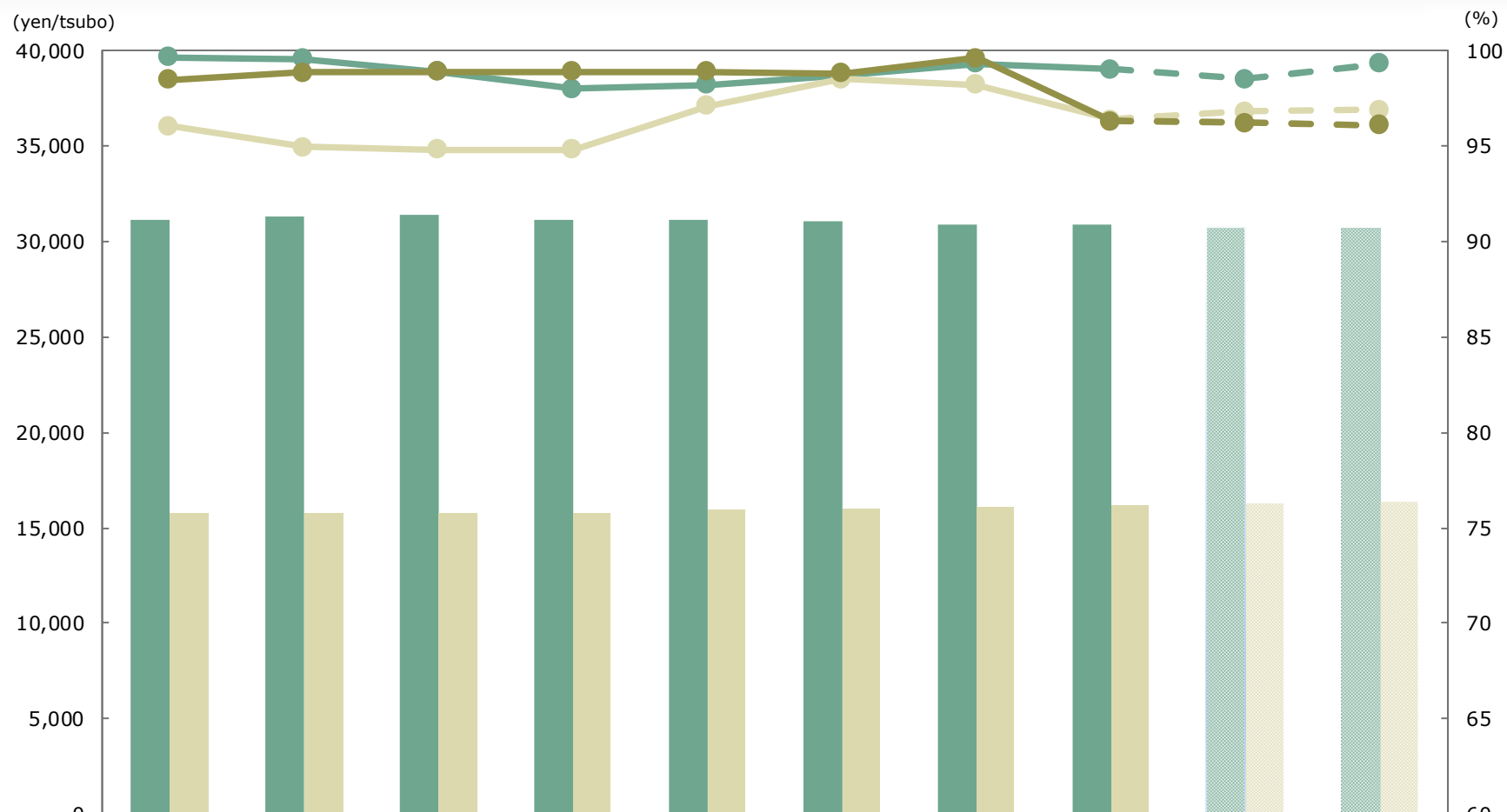
Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 34th period Jul. 31, 2023		As of end of 35th period Jan. 31, 2024				Difference (B) – (A)	Difference (B)/(A) – 1	Unrealized capital gain/loss (B)-book value
					(A) Appraisal value (Note 1)	Yield (Direct capitalization method)	(B) Appraisal value (Note 1)	Yield (Direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	110,182	159,400	2.6%	159,300	2.6%	2.3%	2.7%	△ 100	△ 0.1%	49,117
	ARK Mori Building	O-1	62,480	61,559	67,400	3.0%	67,400	3.0%	2.7%	3.1%	0	0.0%	5,840
	Koraku Mori Building	O-4	27,200	24,360	24,720	3.2%	24,720	3.2%	2.8%	3.5%	0	0.0%	359
	Akasaka Tameike Tower	O-6	43,930	41,000	34,800	3.0%	34,900	3.0%	2.7%	3.1%	100	0.3%	△ 6,100
	Atago Green Hills	O-7	42,090	39,478	46,102	3.2%	46,102	3.2%	2.7%	3.4%	0	0.0%	6,623
	ARK Hills South Tower	O-8	19,150	18,424	24,300	3.0%	24,200	3.0%	2.8%	3.2%	△ 100	△ 0.4%	5,775
	Toranomon Hills Mori Tower	O-9	56,300	55,019	77,220	2.4%	77,142	2.4%	2.1%	2.5%	△ 78	△ 0.1%	22,122
	Holland Hills Mori Tower	O-10	16,330	16,223	22,900	3.0%	22,600	3.0%	2.6%	3.2%	△ 300	△ 1.3%	6,376
Sub total			382,860	366,249	456,842	–	456,364	–	–	–	△ 478	△ 0.1%	90,114
Residential	Roppongi First Plaza	R-3	2,100	2,201	3,000	3.4%	3,020	3.4%	3.2%	3.5%	20	0.7%	818
	Roppongi View Tower	R-4	4,000	4,064	3,760	3.5%	3,830	3.5%	3.3%	3.6%	70	1.9%	△ 234
	Sub total			6,100	6,265	6,760	–	6,850	–	–	–	90	1.3%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	15,710	15,893	33,338	3.7%	30,528	–	3.7%	–	△ 2,810	△ 8.4%	14,634
	Sub total			15,710	15,893	33,338	–	30,528	–	–	–	△ 2,810	△ 8.4%
Total			404,670	388,408	496,940	–	493,742	–	–	–	△ 3,198	△ 0.6%	105,333

Reflects the impact of partial disposition (million yen)

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

(Note 2) For Laforet Harajuku (Land), value in the "Yield (Direct capitalization method)" column for the 34th period shows the discount rate used in the DCF analysis.

3-5 Changes in the rent and occupancy rates

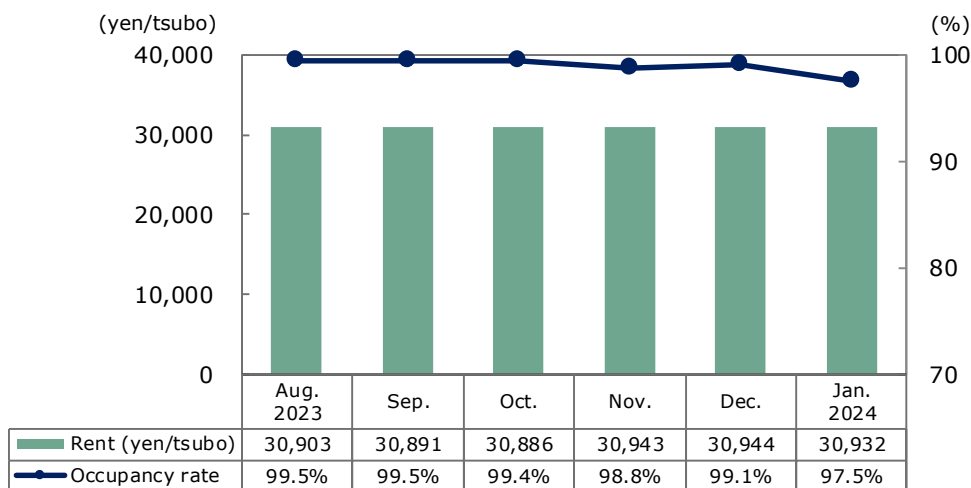


	28th period Jul. 2020 (actual)	29th period Jan. 2021 (actual)	30th period Jul. 2021 (actual)	31st period Jan. 2022 (actual)	32nd period Jul. 2022 (actual)	33rd period Jan. 2023 (actual)	34th period Jul. 2023 (actual)	35th period Jan. 2024 (actual)	36th period Jul. 2024 (forecast)	37th period Jan. 2025 (forecast)
Office rent (yen/txubo)	31,139	31,309	31,372	31,135	31,109	31,044	30,922	30,916	30,775	30,691
Residential rent (yen/txubo)	15,766	15,741	15,772	15,807	15,901	16,054	16,092	16,216	16,317	16,321
Office occupancy	99.7%	99.6%	98.9%	98.0%	98.2%	98.7%	99.3%	99.0%	98.5%	99.3%
Residential occupancy	96.1%	94.9%	94.8%	94.8%	97.1%	98.5%	98.2%	96.4%	96.8%	96.9%
Retail occupancy	98.5%	98.9%	98.9%	98.9%	98.9%	98.8%	99.6%	96.3%	96.2%	96.1%

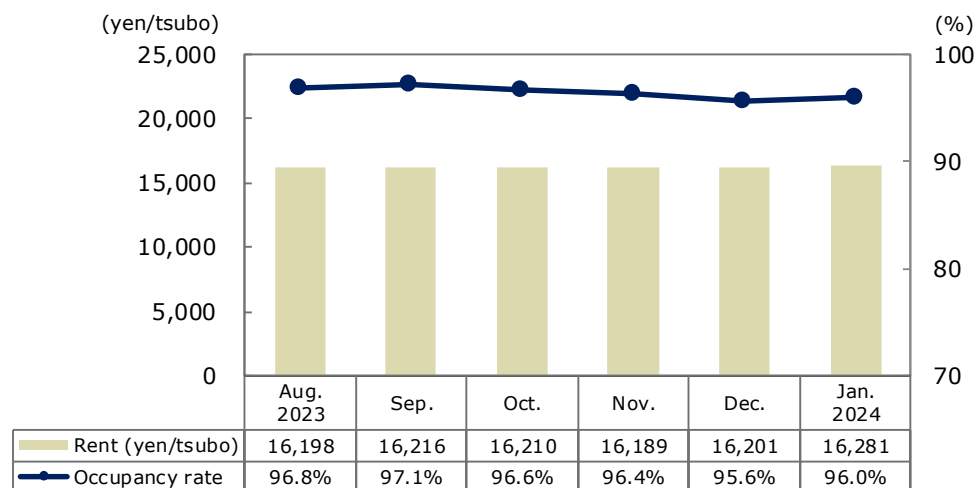
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-6 Tenant status by month and major tenants

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



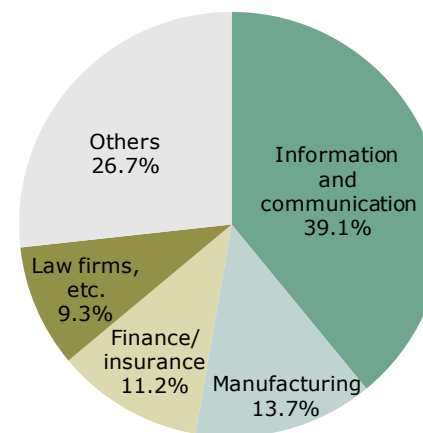
Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Atago Green Hills Toranomori Hills Mori Tower	116,343.71 m ²	66.2%
Mitsubishi UFJ Research and Consulting Co., Ltd.	Holland Hills Mori Tower	3,436.90 m ²	2.0%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m ²	1.1%
SoldOut, Inc.	Koraku Mori Building	1,851.87 m ²	1.1%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	1,846.84 m ²	1.1%
Total of top 5 tenants		125,331.19 m²	71.3%

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

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

Tenant Contribution by Industry Type-Office



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

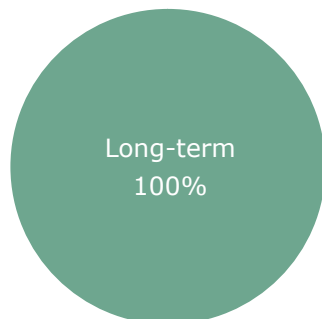
It is multiplied by the relevant percentage of ownership for each property.

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

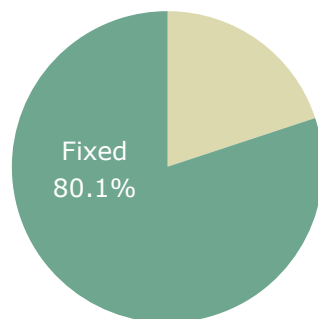
3-7 Financial overview (as of January 31, 2024)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 34th period Jul. 31, 2023	End of 35th period Jan. 31, 2024
Debt balance	192,422 mn yen	190,422 mn yen
Long-term loan	172,122 mn yen	166,822 mn yen
Investment corporation bonds	20,300 mn yen	23,600 mn yen
LTV (Book value basis) ^(Note 1)	46.4%	46.1%
LTV (Appraisal value basis) ^(Note 2)	36.9%	36.7%
DSCR ^(Note 3)	19.9x	19.6x
Avg. remaining duration	4.2 years	4.0 years
Weighted avg. interest rate	0.41%	0.42%

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

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

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

Outstanding balances

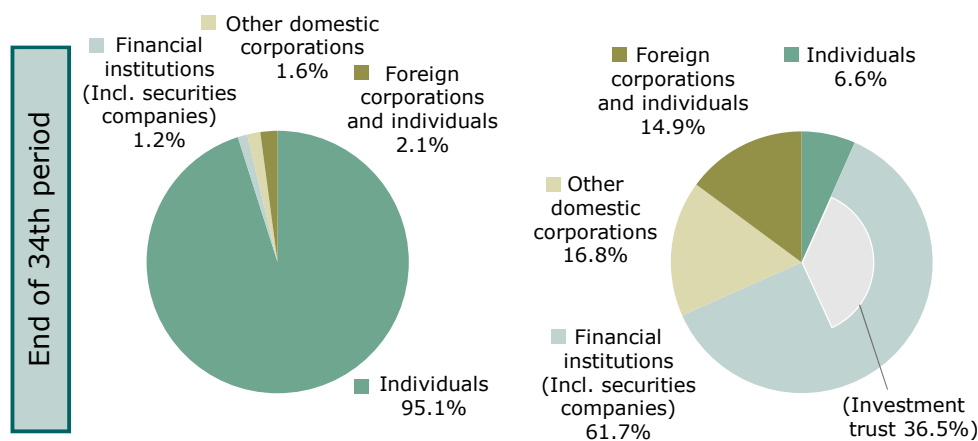
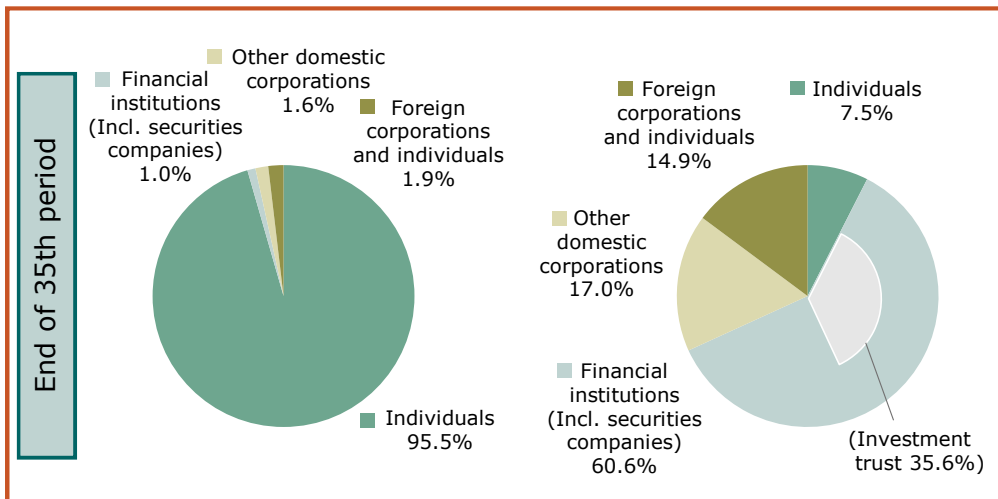
Lenders	Balance	Ratio
MUFG Bank, Ltd.	37,137 mn yen	22.3%
Mizuho Bank, Ltd.	28,043 mn yen	16.8%
Sumitomo Mitsui Banking Corporation	23,717 mn yen	14.2%
Sumitomo Mitsui Trust Bank, Limited	19,145 mn yen	11.5%
The Bank of Fukuoka	8,800 mn yen	5.3%
The Norinchukin Bank	8,000 mn yen	4.8%
Resona Bank, Limited.	7,430 mn yen	4.5%
SBI Shinsei Bank, Limited	6,200 mn yen	3.7%
Development Bank of Japan Inc.	5,950 mn yen	3.6%
Mizuho Trust & Banking Co., Ltd.	4,800 mn yen	2.9%
The Nishi-Nippon City Bank, Ltd.	4,000 mn yen	2.4%
Shinkin Central Bank	2,600 mn yen	1.6%
The Chugoku Bank, Limited.	2,500 mn yen	1.5%
Aozora Bank, Ltd.	2,000 mn yen	1.2%
Mitsubishi UFJ Trust and Banking Corporation (Trust account)	1,500 mn yen	0.9%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.6%
THE OITA BANK, LTD.	1,000 mn yen	0.6%
Nippon Life Insurance Company	1,000 mn yen	0.6%
Mitsui Sumitomo Insurance Company, Limited	1,000 mn yen	0.6%
The Bank of Yokohama, Ltd.	1,000 mn yen	0.6%
Total borrowings	166,822 mn yen	100%
Investment corporation bonds	23,600 mn yen	
Total interest-bearing debt	190,422 mn yen	

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

Unitholders breakdown

<Number of unitholders>

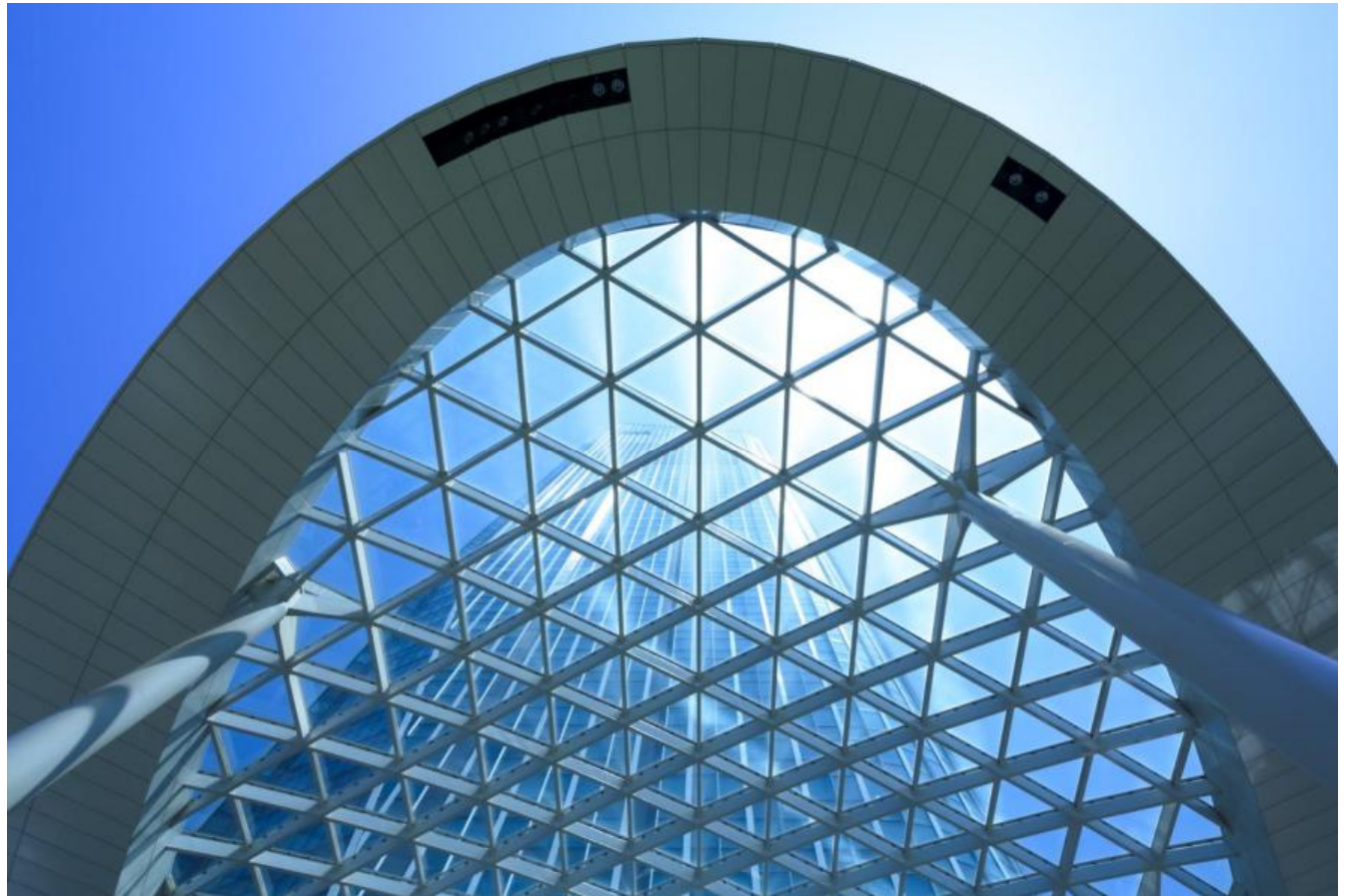
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Custody Bank of Japan, Ltd. (Trust account)	496,337	25.9%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	292,522	15.3%
3	Mori Building Co., Ltd.	287,472	15.0%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	80,930	4.2%
5	STATE STREET BANK WEST CLIENT - TREATY 505234	25,086	1.3%
6	JP MORGAN CHASE BANK 385771	22,141	1.2%
7	Custody Bank of Japan, Ltd. (Money trust taxable account)	21,868	1.1%
8	LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	19,684	1.0%
9	SMBC Nikko Securities Inc.	19,498	1.0%
10	The Shinkumi Federation Bank	18,756	1.0%
Total of top 10 unitholders		1,284,294	67.0%

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



4-1 Business environment recognition

Real estate market / Lending attitude

- Vacancy rates for office buildings in central Tokyo remained relatively high and rents continued to trend downward.
(“Office Market Data” by Miki Shoji Co., Ltd. for Tokyo’s five central wards)
 - ⇒ Vacancy rate: 6.5% (December 2022) → 6.0% (December 2023)
 - ⇒ Rent index: 114 (December 2022) → 112 (December 2023)
- Cap rates have remained at historically low levels.
(Japan Real Estate Institute’s “The Japanese Real Estate Investor Survey”)
 - ⇒ Class A buildings in Marunouchi
Cap rate: 2.9% (April 2023) → 2.8% (October 2023)
- Lending attitude toward the real estate industry has temporarily weakened but remains strong.

Interest rate trends / Macro environment

- Although long-term interest rates rose due to the change in the monetary policy of the Bank of Japan, they are currently within expectations, and there is limited impact on real estate prices and investment unit prices.
 - ⇒ 10-year bond rates: 0.73% (January 31, 2024)
 - ⇒ Core CPI: +2.3% (December 2023)
- In the December 2023 preliminary business conditions composite index, the leading index was at 110.0 (increased 1.9 PT from previous month) and the coincident index was at 116.2 (increased 1.6 PT from previous month).
Business sentiment continues to improve.
- Awareness of ESG issues among companies has increased, with steady progress in pursuing ESG initiatives.

- Although the office leasing market is sluggish, recent strong corporate performance may lead to increased demand, and it is then believed that rent may gradually become stable.
- Even amidst the increase in average market vacancy rate, premium properties in central Tokyo have maintained high occupancy rates and are expected to demonstrate competitive advantages in the future.

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

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

MHR's Medium- to Long-Term Vision

The best portfolio quality

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

The highest ESG assessment

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

Dividend-driven management

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

Optimal REIT investment

4-3 MHR's policy/strategy

External growth policy

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

Internal growth policy

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

Financial management policy

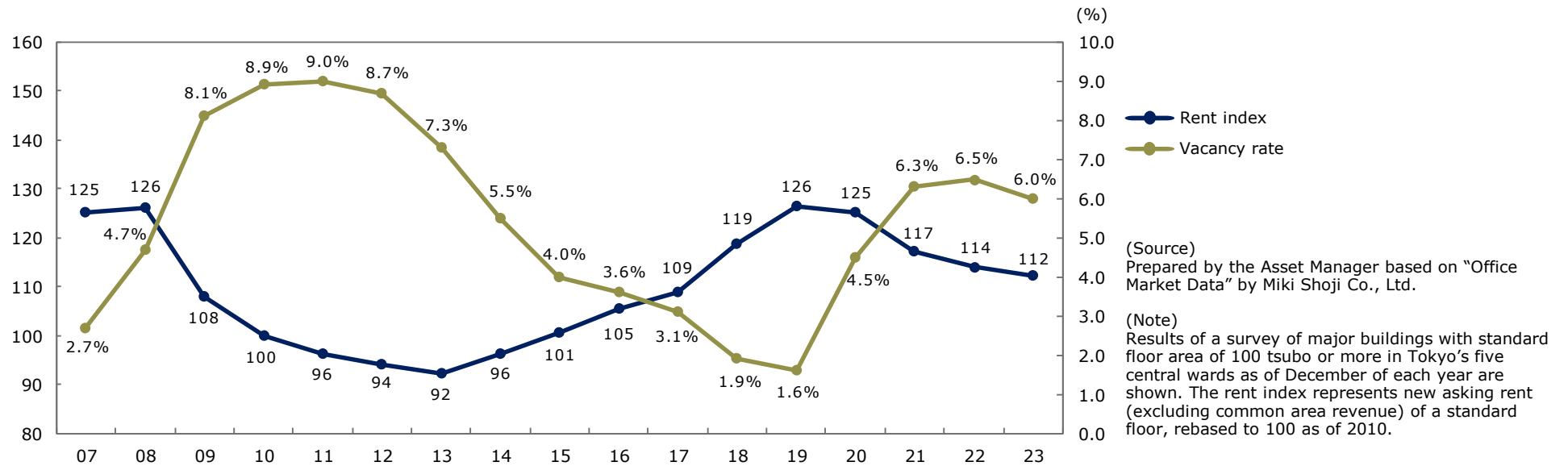
- Set the current LTV level (book value: in the mid-40% range; appraisal value: in the upper 30% range) as the target in order to maintain a durable position for times of economic slowdown, and target average remaining duration of debt at approximately 4.0 years or longer.
- Anticipate interest rate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

ESG policy

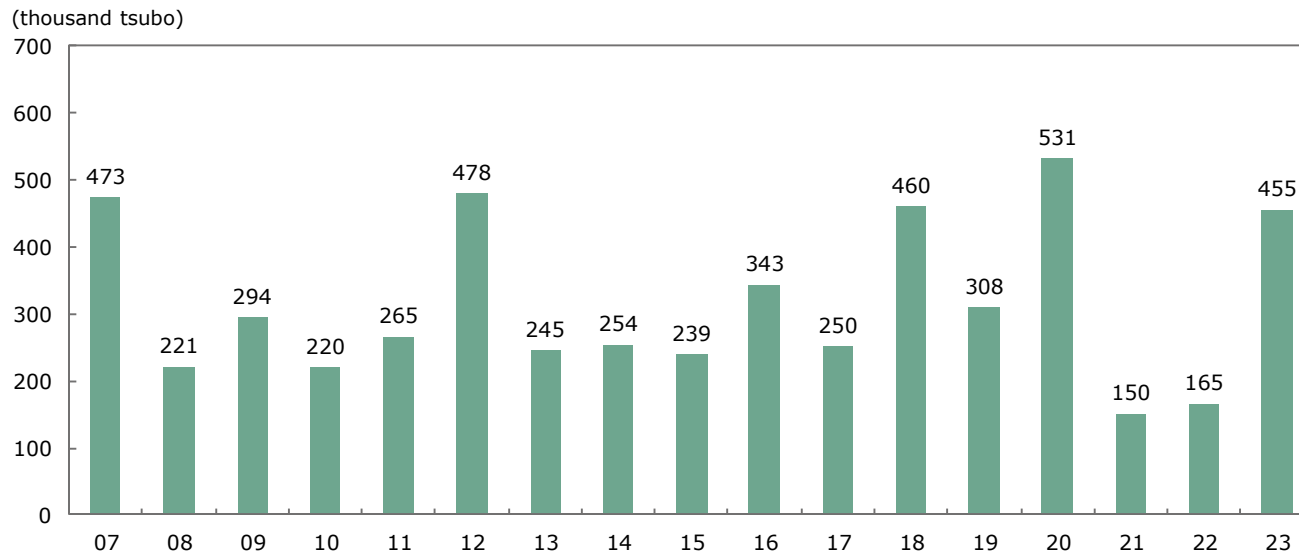
- Contribute to the improvement of various social and environmental issues by positioning ESG initiatives as an integral part of management policy, and steadily implement them in actual management operations leading to improved ESG ratings and stronger competitiveness.
- Regularly publish integrated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

4-4 Market-related information (1)

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



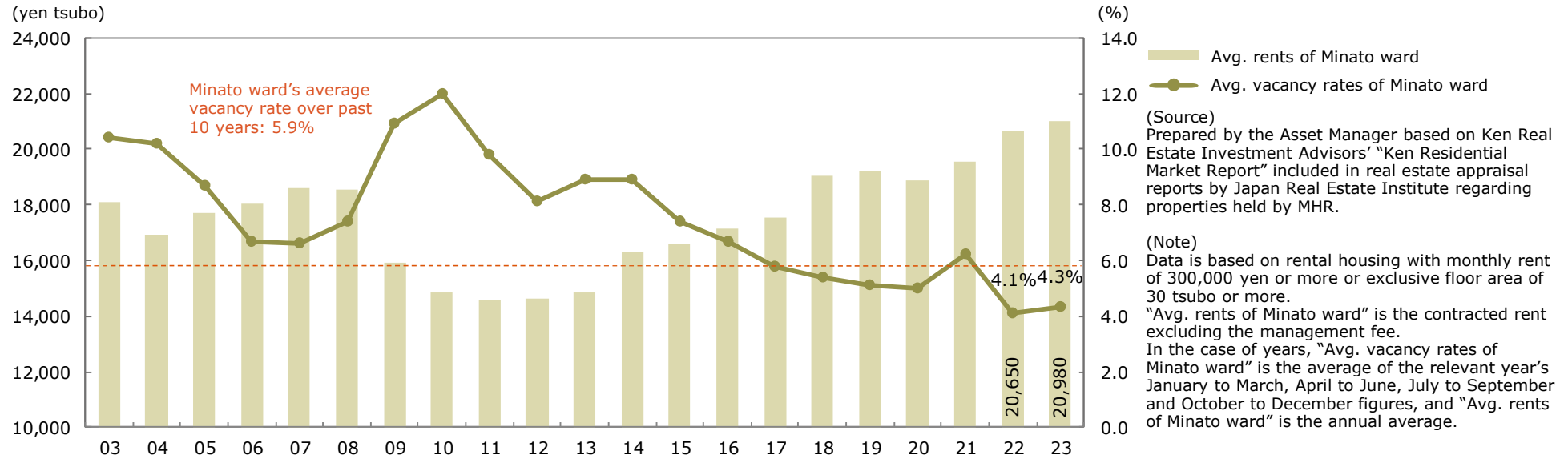
New supply of office buildings (Tokyo's five central wards)



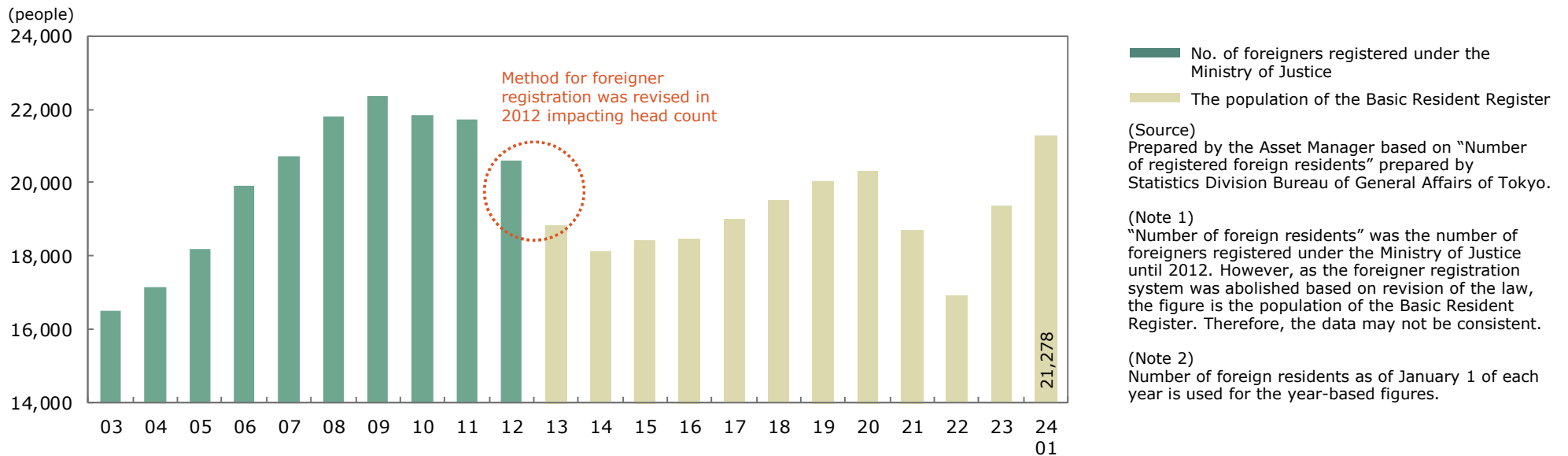
(Source)
Prepared by the Asset Manager based on "Office Market Data" by Miki Shoji Co., Ltd.

4-5 Market-related information (2)

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

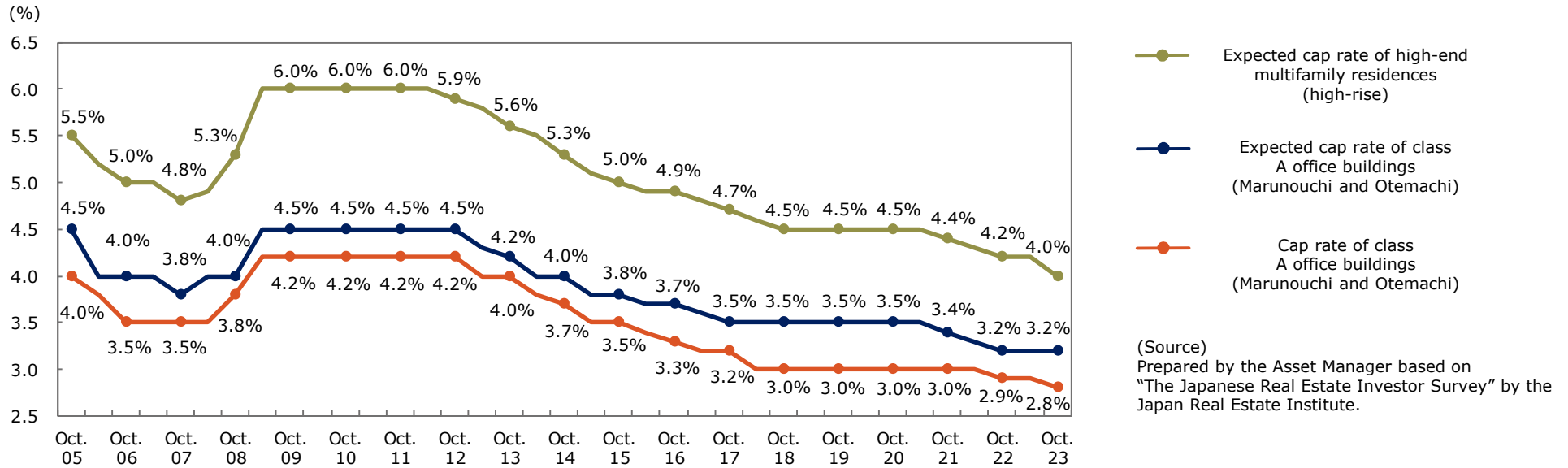


Change in number of foreign residents in Minato ward

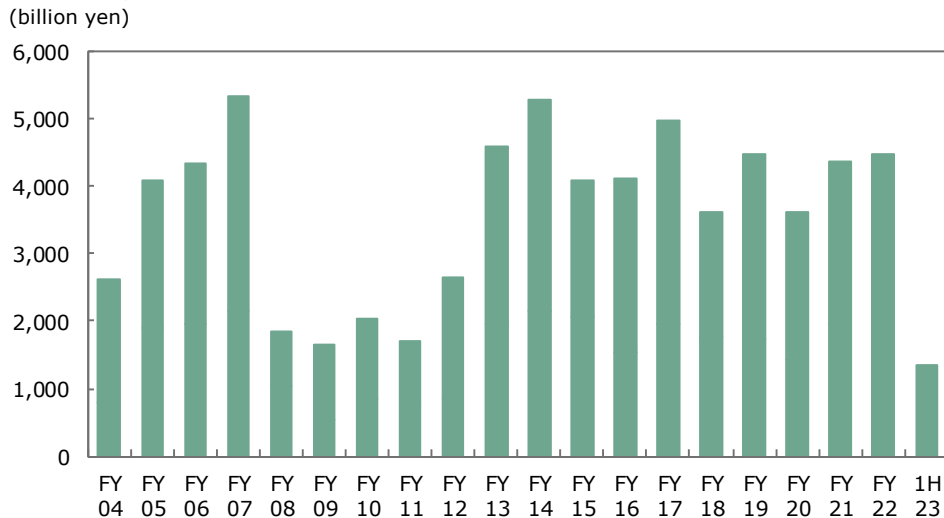


4-6 Market-related information (3)

Change in return on real estate investment

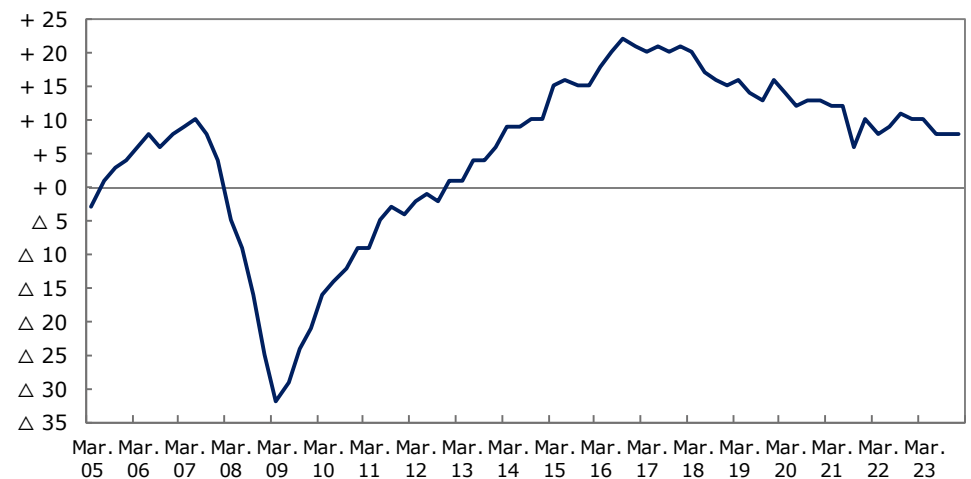


Change in real estate transaction amount



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

Lending attitude DI (Real estate industry)



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

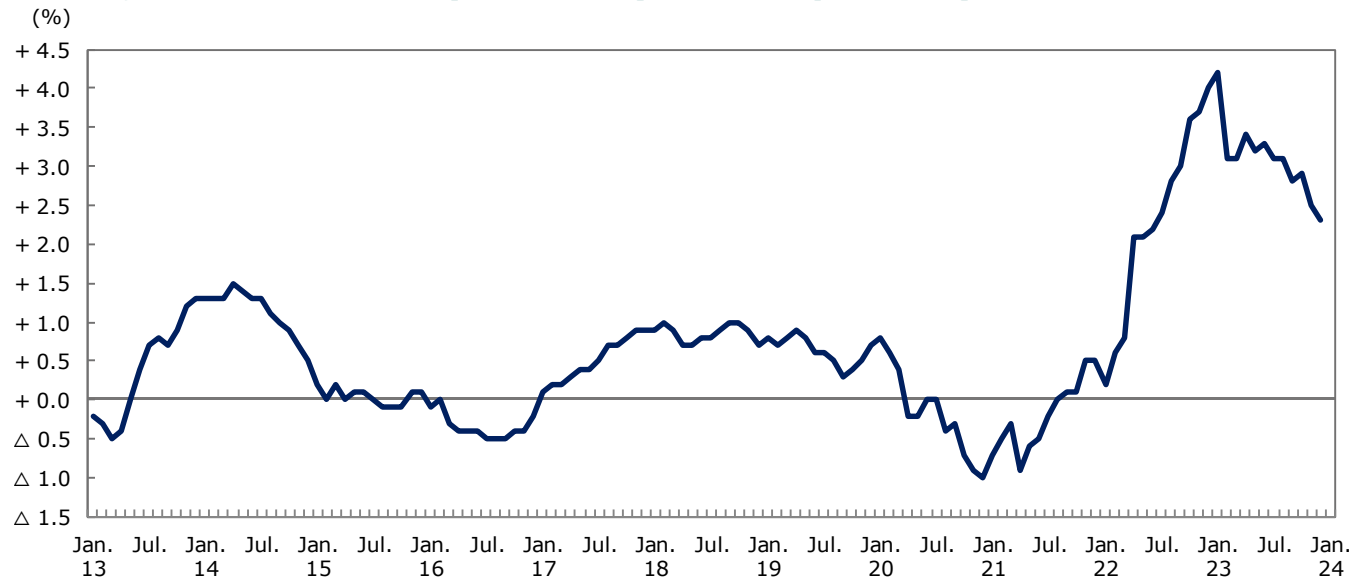
4-7 Market-related information (4)

Change in 10-year bond interest rates



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

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



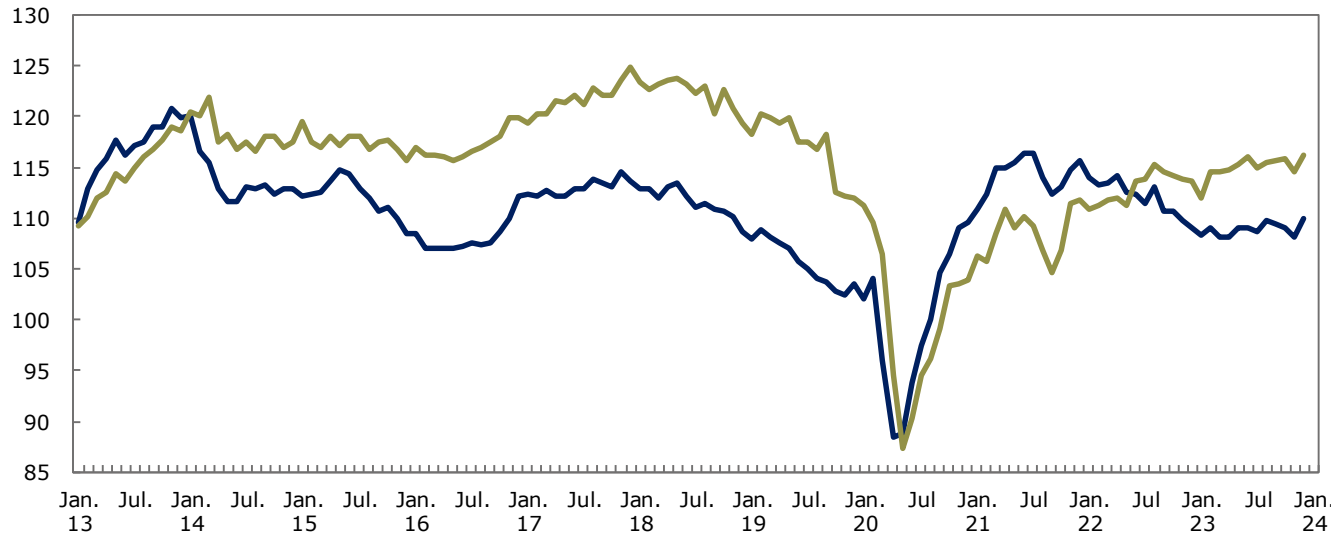
Based on figures excluding the direct effects of the consumption tax rate increase

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

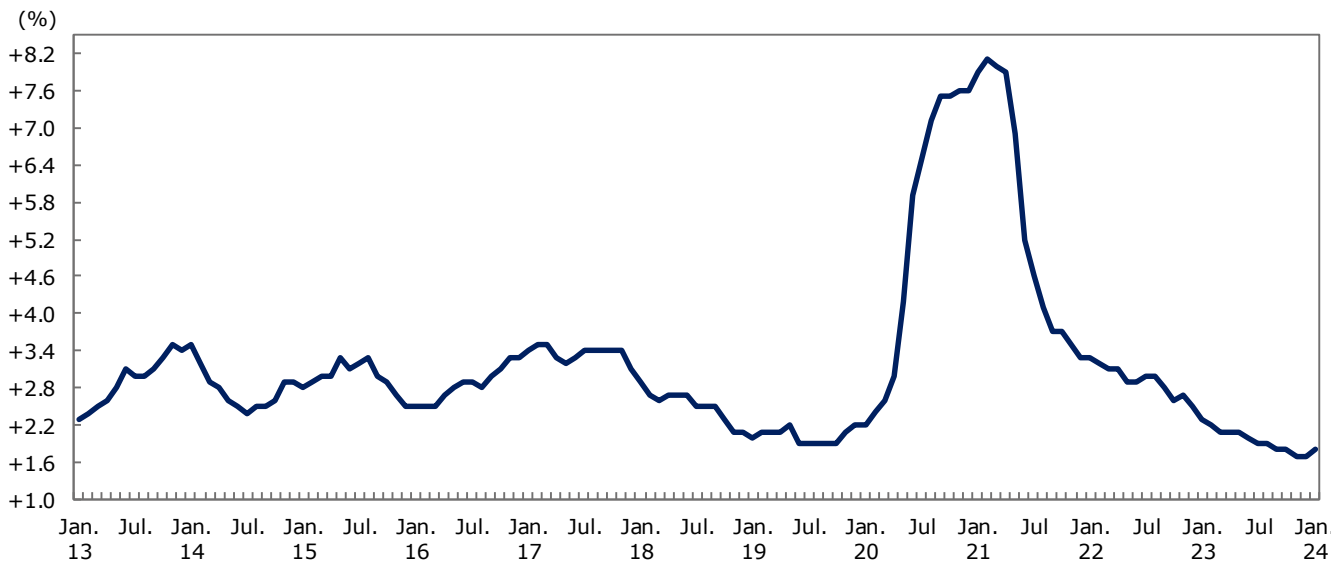
(Note)
Figures from April 2014 to April 2015 are derived on "the basis of excluding the direct impact of the consumption tax rate increase" (Bank of Japan's "Economic Statistics Monthly").

4-8 Market-related information (5)

Business conditions composite index

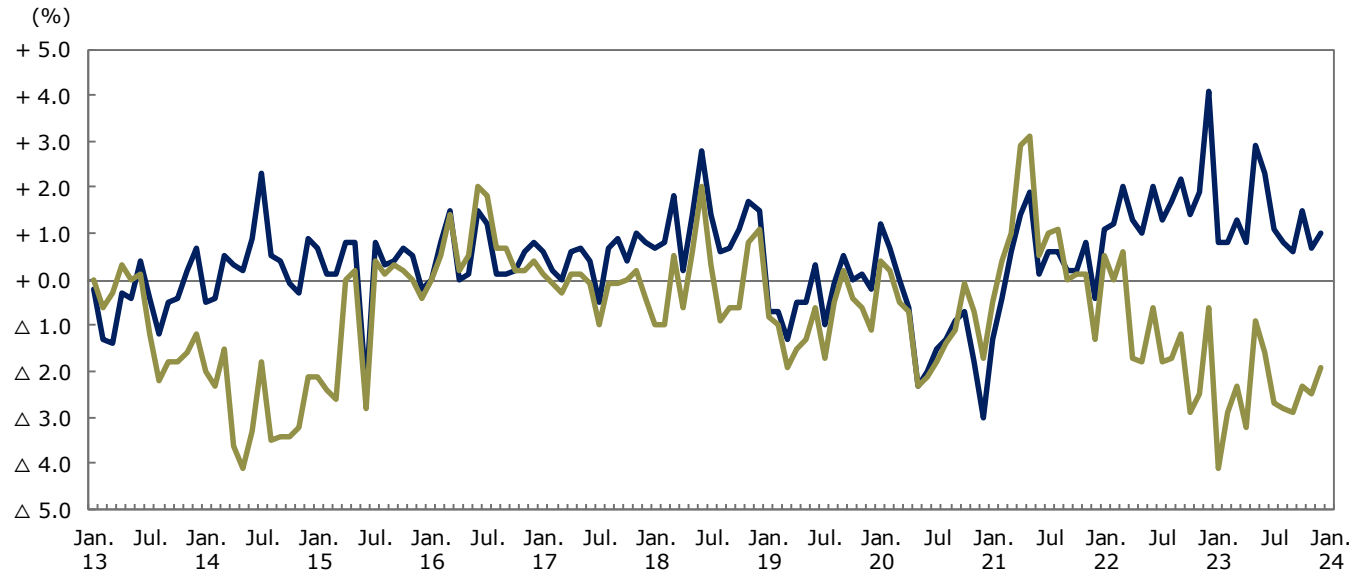


Money stock (M3: year-on-year comparison)



4-9 Market-related information (6)

Total cash earnings (Year-on-year comparison)



Consumer confidence survey

