



Mori Hills REIT Investment Corporation

Results of the 24th Fiscal Period ended July 31, 2018

Presentation Material

September 14, 2018



TSE Code: 3234

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

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

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

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24th period (Jul. 2018)

- Operating revenue: 8,751 million yen, operating income: 5,432 million yen, net income: 4,819 million yen **Increased revenue and income period-over-period**
- Additionally acquired Toranomon Hills Mori Tower for 5,070 million yen and Holland Hills Mori Tower for 2,430 million yen as of March 1, 2018
- DPU: 2,753 yen (+94 yen from 23rd period) **Increasing for 16 consecutive fiscal periods**

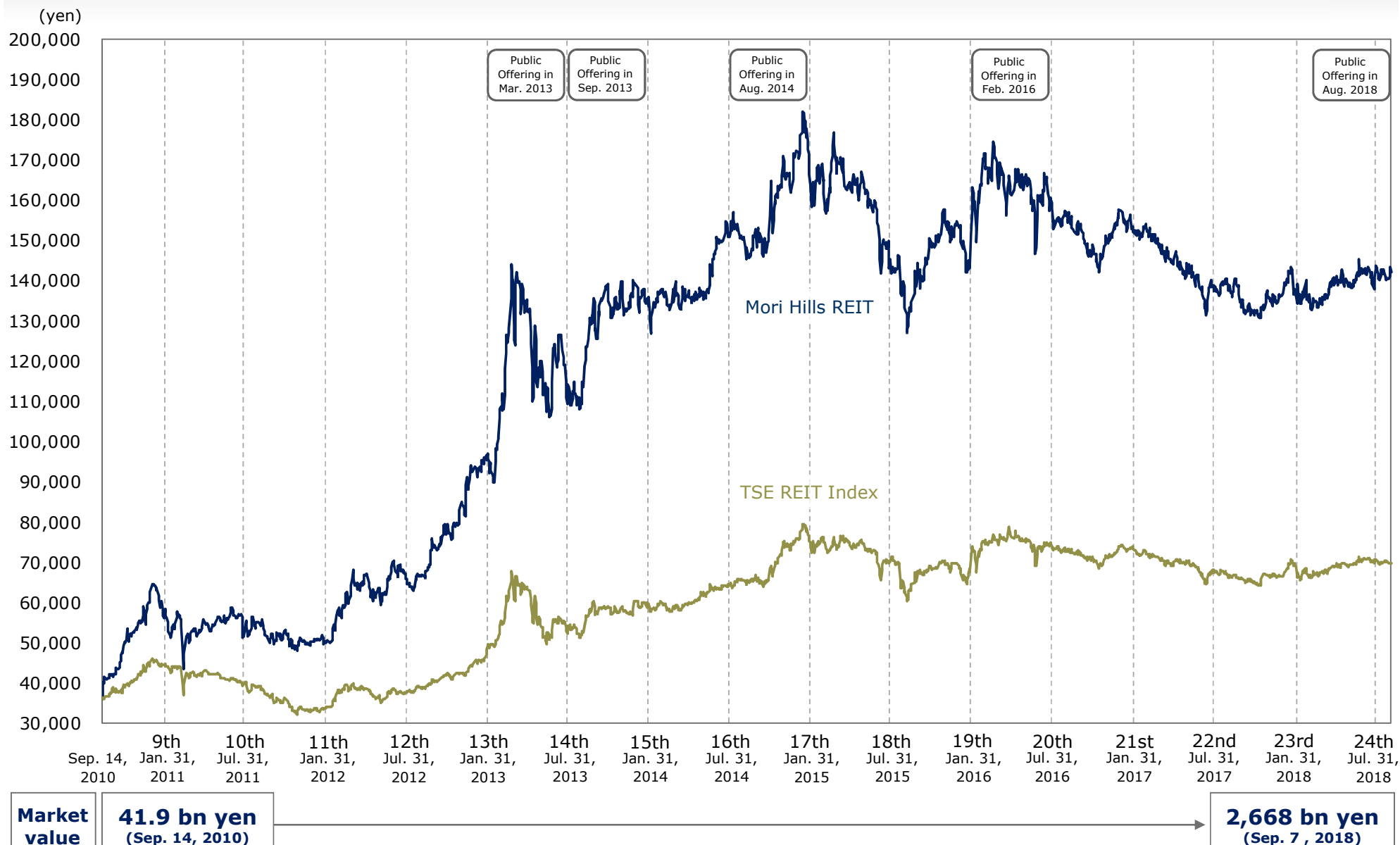
After 25th period (Jan. 2019)

- Procured 16.2 billion yen in public offering as of August 2018
- Additionally acquired Toranomon Hills Mori Tower for 26,070 million yen and Holland Hills Mori Tower for 4,570 million yen as of September 3, 2018
- DPU (forecast): 2,790 yen (25th period), 2,800 yen (26th period)
Forecasted increase for 18 consecutive fiscal periods
- Continuously increase DPU and NAV per unit while maintaining a high quality portfolio

2. Investment highlights



2-1 Unit price performance



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

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

2-2 Financial results

	23rd period Jan. 31, 2018	24th period Jul. 31, 2018		24th period Jul. 31, 2018
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	8,495	8,751	+ 255	8,721
Rent revenues	8,284	8,533	+ 249	8,507
Other operating revenues	211	217	+ 6	214
Operating expenses	3,208	3,318	+ 110	3,341
Expenses related to properties	2,910	2,995	+ 85	3,032
SG&A	298	323	+ 24	309
Operating income	5,287	5,432	+ 145	5,379
Non-operating income	1	2	+ 0	2
Non-operating expenses	631	613	Δ 17	618
Ordinary income	4,657	4,820	+ 163	4,763
Net income	4,655	4,819	+ 163	4,762
Total dividends	4,654	4,819	+ 164	4,761
DPU				
Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,659	2,753	+ 94	2,720
Other Indices (million yen)				
Profit on real estate rental	5,585	5,755	+ 170	5,688
Depreciation	1,032	1,031	Δ 0	1,039
NOI	6,617	6,787	+ 169	6,728
NOI yield	3.7%	3.8%	0.1PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	352,550	358,889	+ 6,339	358,889

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

Increase/decrease factor (23rd – 24th)

•Operating revenue (+255 mn yen)	
- Property acquisition in 24th period	+158
- Office (Pass-through)	+73
- Residential (Pass-through)	+23
•Operating expenses (+110 mn yen)	
- Property acquisition in 24th period	+43
- Maintenance and repairs	+38
- Property taxes for properties acquired in 23rd period	+13
- Property taxes for existing properties	+12
•Non-operating expenses (Δ17 mn yen)	
- Interest expenses, etc. (New borrowings in 24th period)	+16
- Interest expenses, etc. (Current borrowings)	Δ21
- Interest on investment corporate bonds	Δ12

Increase/decrease factor for 24th period (Forecasted – Actual)

•Operating income (+52 mn yen)	
- Office (Pass-through)	+42
- Residential (Pass-through)	+11

2-3 Offering highlights

Procured 16.2 billion yen in public offering

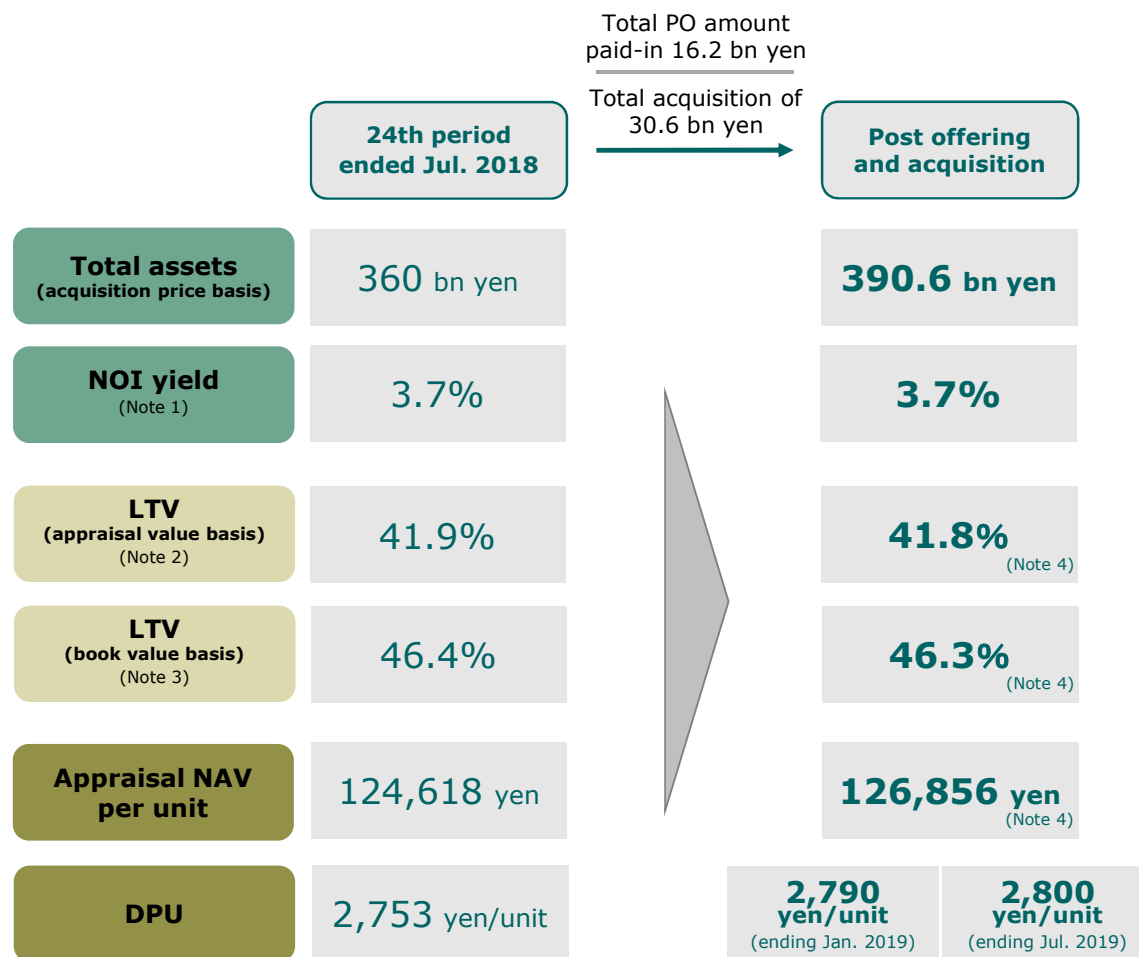
Overview of public offering

Offering method	Domestic offering
Issuance resolution date	July 12, 2018
Pricing date	July 24, 2018
Payment date	Primary offering: August 1, 2018 Third-party allotment: August 22, 2018
Number of units newly issued	124,320 units (of this, third-party allotment: 5,920 units)
Number of units after offering	1,874,960 units
Offering price	134,823 yen per unit
Issued value	130,536 yen per unit
Total issued value	16,228,235,520 yen (including third-party allotment)

Trend of unit price

	From issuance resolution date to pricing date	From issuance resolution date to 2 weeks after pricing date
MHR	Δ0.56%	+0.49%
TSE REIT Index	Δ0.84%	Δ0.60%

MHR outperformed index even after the announcement of public offering



(Note 1) Figures are average NOI yields of the entire portfolio.

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

(Note 3) LTV (book value basis) is calculated as [Total interest-bearing debt/Total assets]

(Note 4) The figures are calculated by taking into consideration the effects of the proceeds through the offering, the scheduled asset acquisitions on September 3, 2018 and adding the new borrowings of 14.1 billion yen to the figures as of the end of the 24th period.

2-4 Overview of new acquisitions (Acquired as of September 3, 2018)

Toranomon Hills Mori Tower (Additional acquisition)



Acquisition price

26,070 mn yen

Appraisal value

28,830 mn yen

NOI yield

3.4%

Property Number	O-9
Location (Residential indication)	23-1, Toranomon 1-chome, Minato-ku, Tokyo
Construction date	May 2014
Total number of floors	52 floors above ground, 5 floors below ground
Gross floor area	241,581.95 m ²
Portions of acquisition	36% quasi-co-ownership interest in trust beneficial interests

Earthquake PML

0.50%

Total acquired: 50% quasi-co-ownership interest including past acquisition

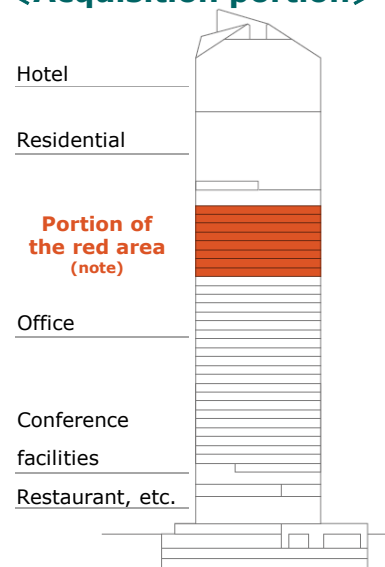
1. Super high rise tower - Tokyo's new landmark

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

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

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

<Acquisition portion>



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

2-5 Overview of new acquisitions (Acquired as of September 3, 2018)

Holland Hills Mori Tower (Additional acquisition)



Acquisition price

4,570 mn yen

Appraisal value

5,260 mn yen

NOI yield

4.3%

Property Number	O-10
Location	11-2, Toranomon 5-chome, Minato-ku, Tokyo
(Residential indication)	
Construction date	January 2005
Total number of floors	24 floors above ground, 2 floors below ground
Gross floor area	35,076.12 m ²
Portions of acquisition	28% quasi-co-ownership interest in trust beneficial interests

Earthquake PML

0.85%

Total acquired: 100% quasi-co-ownership interest including past acquisition

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

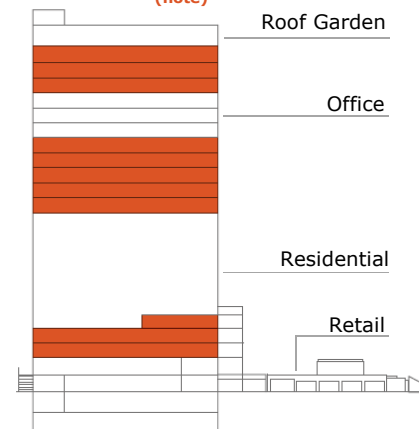
- Tower complex consisting of office, residences and retail with excellent quake-resistance.
- Office area is located on the upper floors (14th to 24th floors) and offers a business space with excellent views and a sense of openness.
- Landmarks representing Tokyo such as Tokyo Tower and Roppongi Hills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

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

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

<Acquisition portion>

Portion of the red areas (note)



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

2-6 Overview of new acquisitions

Outline of transactions

		Acquired as of August 1, 2017 March 1, 2018 (A)	Acquired as of September 3, 2018 (B)	(A) + (B)	
Toranomon Hills Mori Tower	Acquisition price	10,140 million yen	26,070 million yen	36,210 million yen	Total acquired area Approx. 12.3% of office area Approx. 6.9% of total
	NOI yield	3.4%	3.4%	3.4%	
	NOI	345 million yen	888 million yen	1,234 million yen	
	Total leasable floor area	3,418.54m ²	8,790.53m ²	12,209.08m ²	
		+	+		
Holland Hills Mori Tower	Acquisition price	11,760 million yen	4,570 million yen	16,330 million yen	Total acquired area Approx. 77.1% of office area Approx. 48.5% of total
	NOI yield	4.3%	4.3%	4.3%	
	NOI	505 million yen	196 million yen	702 million yen	
	Total leasable floor area	7,318.83m ²	2,846.21m ²	10,165.04m ²	
		▼	▼		
Total	Acquisition price	21,900 million yen	30,640 million yen	52,540 million yen	
	NOI yield	3.9%	3.5%	3.7%	
	NOI	851 million yen	1,084 million yen	1,936 million yen	

2-7 Forecasts

	24th period Jul. 31, 2018	25th period Jan. 31, 2019	26th period Jul. 31, 2019
	Actual	Forecast	Difference
Operating Highlights (million yen)			
Operating revenue	8,751	9,372	+ 621
Rent revenues	8,533	9,141	+ 608
Other operating revenues	217	231	+ 13
Operating expenses	3,318	3,488	+ 169
Expenses related to properties	2,995	3,168	+ 172
SG&A	323	320	Δ 3
Operating income	5,432	5,884	+ 452
Non-operating income	2	1	Δ 1
Non-operating expenses	613	653	+ 39
Ordinary income	4,820	5,232	+ 411
Net income	4,819	5,231	+ 411
Total dividends	4,819	5,231	+ 411

DPU

Total units outstanding (units)	1,750,640	1,874,960	+ 124,320
DPU (yen)	2,753	2,790	+ 37

Other Indices (million yen)

Profit on real estate rental	5,755	6,204	+ 449
Depreciation	1,031	1,100	+ 68
NOI	6,787	7,305	+ 518
NOI yield	3.8%	3.8%	Δ 0.1PT
Acquisition price (weighted average based on the number of operating days during the period)	358,889	385,194	+ 26,305

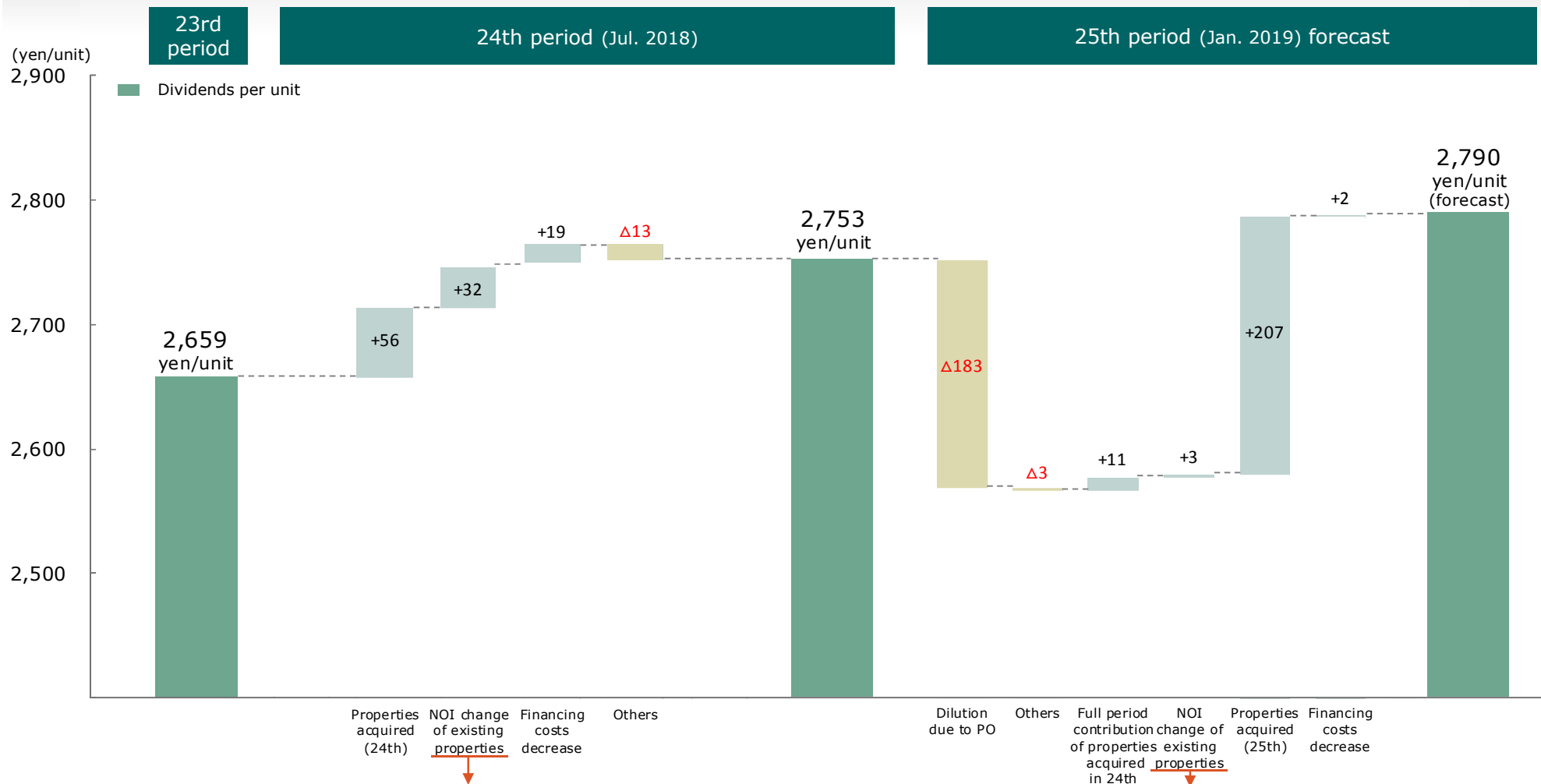
Increase/decrease factor (24th – 25th)

•Operating revenue (+621 mn yen)	
- Property acquisition in 25th period	+594
- Full period contribution of properties acquired in 24th period	+33
- Residential (Pass-through)	Δ7
•Operating expenses (+169 mn yen)	
- Property acquisitions in 25th period	+170
- Property taxes for properties acquired in 23rd period	+14
- Full period contribution of properties acquired in 24th period	+12
- Property taxes for existing properties	+12
- Maintenance and repairs	Δ23
- Depreciation of existing properties	Δ18
•Non-operating expenses (+39 mn yen)	
- Interest expenses, etc. (New borrowings in 25th period)	+35
- Amortization of investment unit issuance cost	+6
- Interest expenses, etc. (Current borrowings)	+6
- Interest on investment corporate bonds	Δ9

Increase/decrease factor (25th – 26th)

•Operating revenue (+82 mn yen)	
- Full period contribution of properties acquired in 25th period	+118
- Office (Pass-through)	Δ29
•Operating expenses (+95 mn yen)	
- Full period contribution of properties acquired in 25th period	+66
- Maintenance and repairs	+45
- Property taxes for properties acquired in 24th period and existing properties	+23
- Depreciation of existing properties	Δ29
•Non-operating expenses (Δ31 mn yen)	
- Interest expenses, etc. (Current borrowings)	Δ13
- Amortization of investment unit issuance cost	Δ21

2-8 Factors that led to changes in dividends per unit from the previous fiscal period



Major factors behind change in NOI from existing properties:

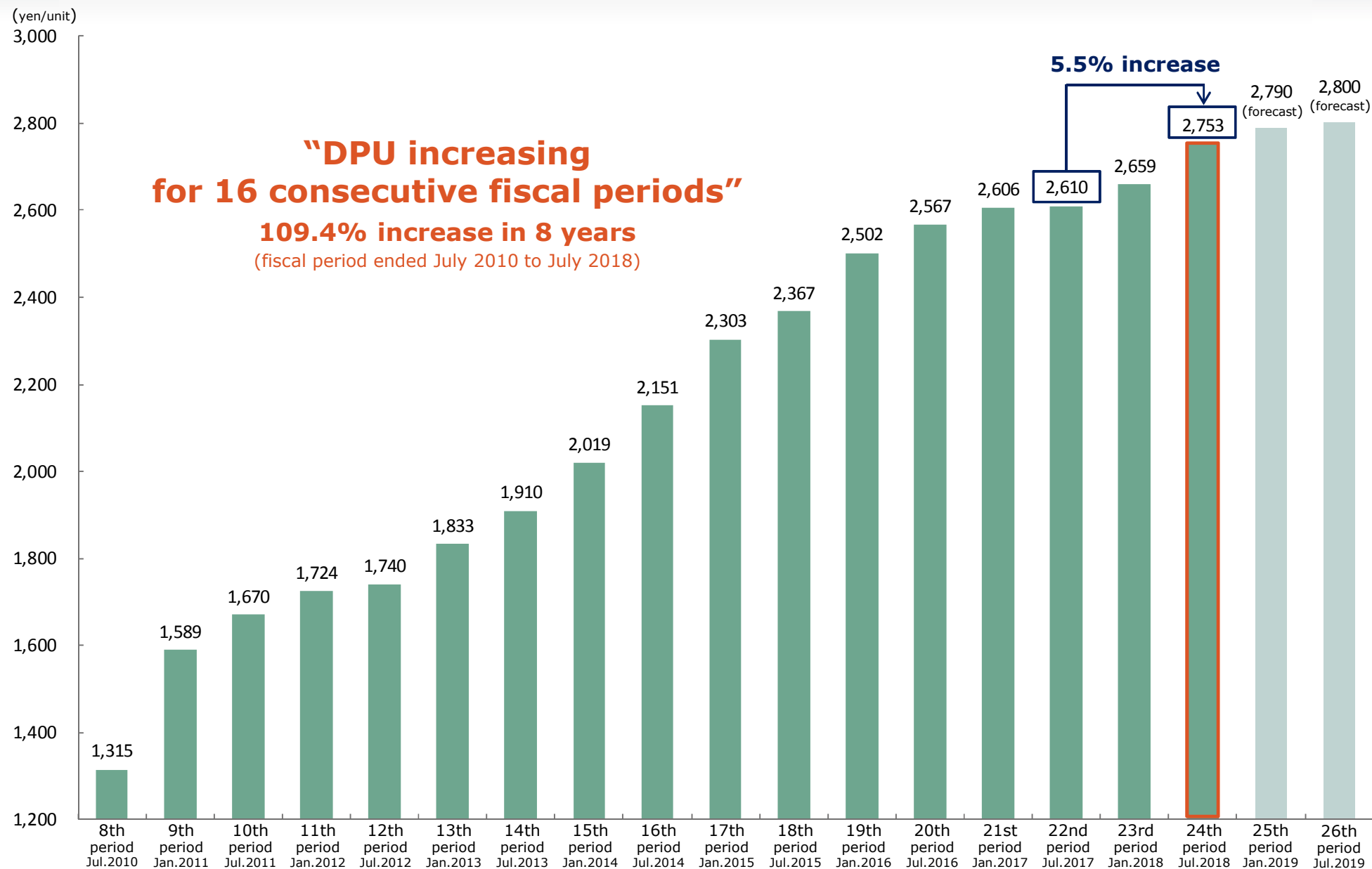
+ Rent revenue of office (Pass-through)	+41
+ Rent revenue of residential (Pass-through)	+13
+ Decrease in depreciation	+11
- Increase in maintenance and repairs	Δ22
- Property taxes for properties acquired in 23rd period recorded as expense (equivalent to 3 months)	Δ8
- Increase in property taxes for existing properties	Δ7

Major factors behind change in NOI from existing properties:

+ Decrease in maintenance and repairs	+12
+ Decrease in depreciation	+10
- Property taxes for properties acquired in 23rd period recorded as expense (equivalent to 3 months)	Δ8
- Increase in property taxes for existing properties	Δ7
- Rent revenue of residential (Pass-through)	Δ5

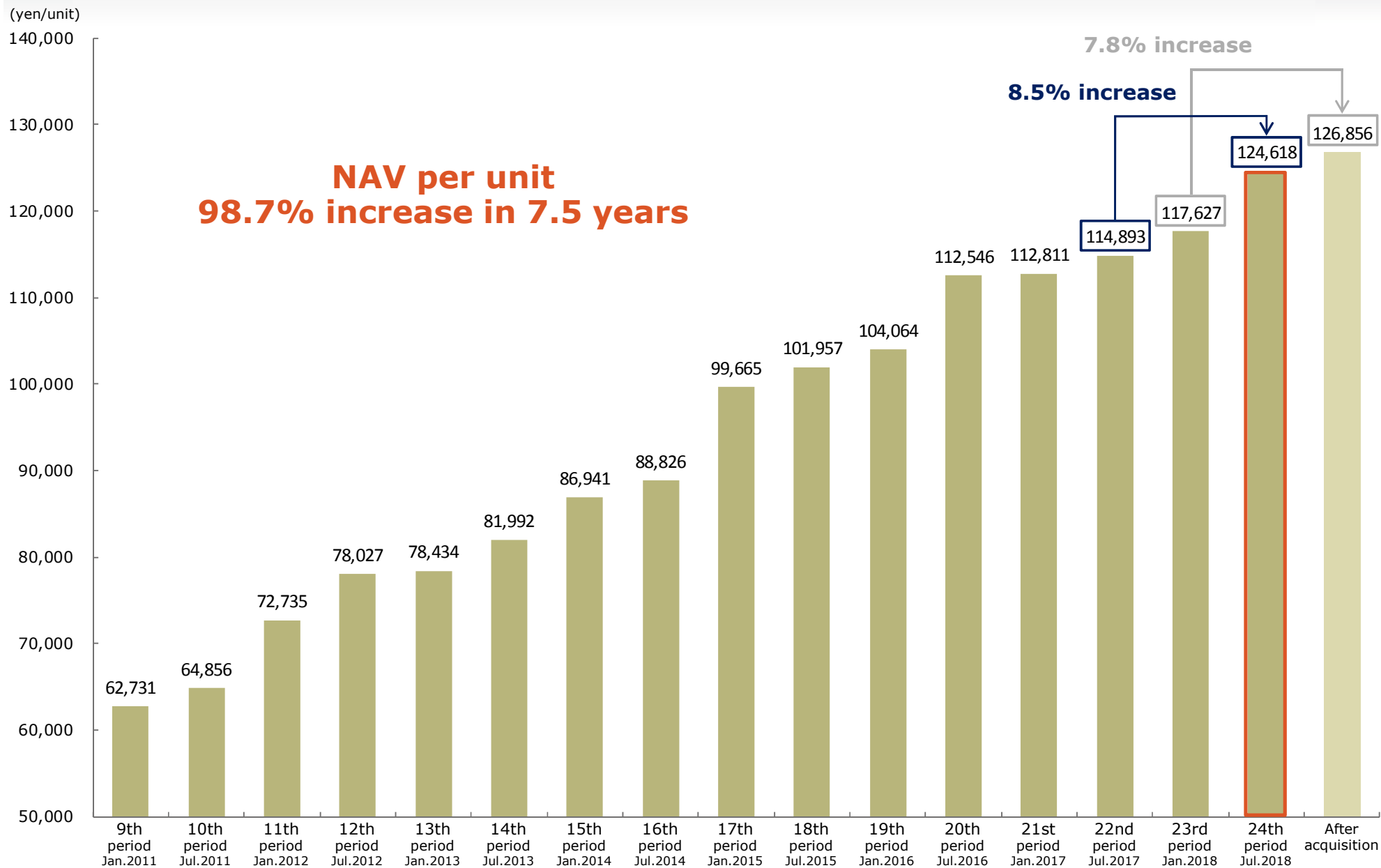
(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,750,640 units for the 24th period (July 2018) and 1,874,960 units for the 25th period (January 2019) indicated as an approximate figure in yen.

2-9 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.

2-10 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.

2-11 Overview of portfolio (1) Location

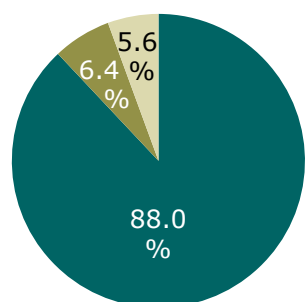
No. 1 property percentage in Central Tokyo

Area



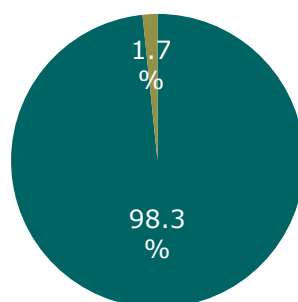
Tokyo's Three Central Wards
87.5%

Size

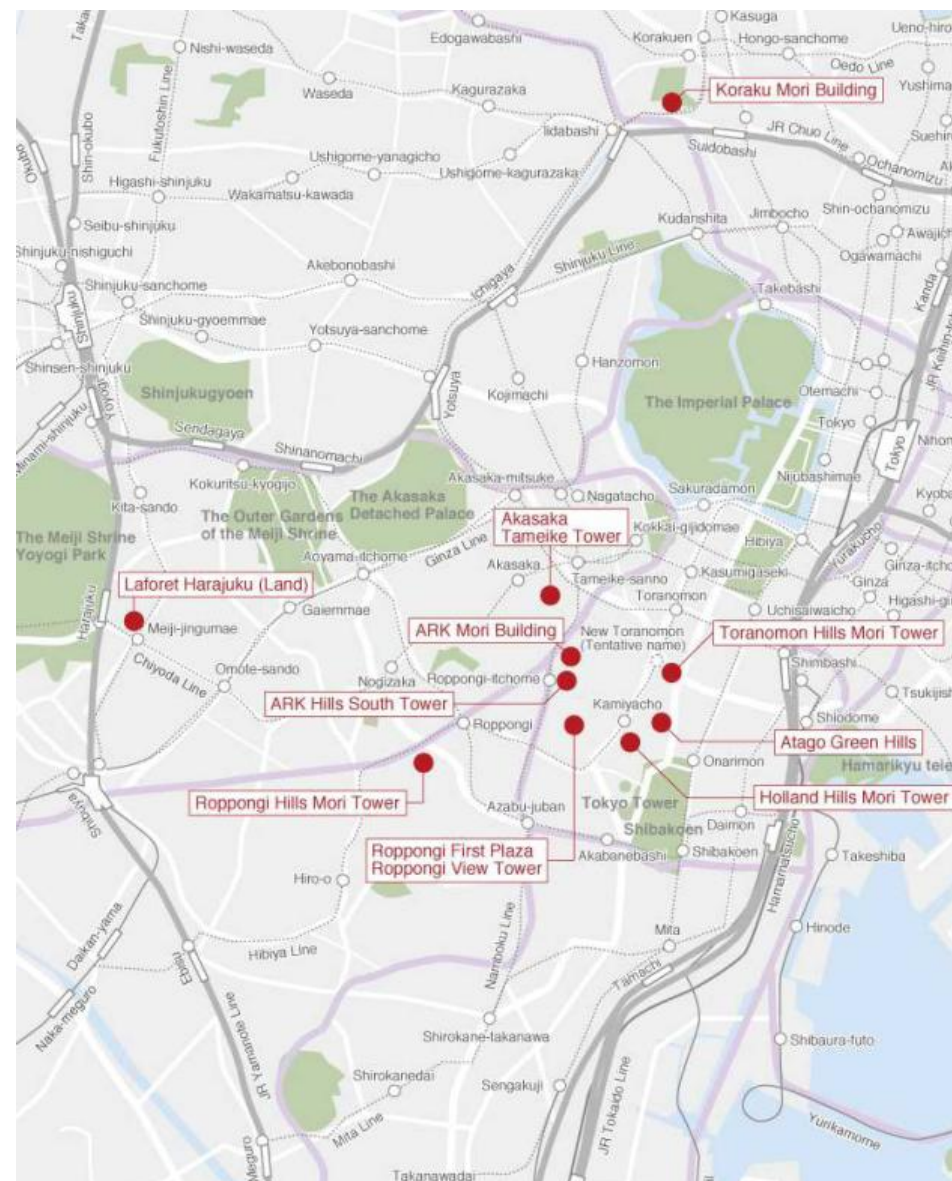


■ Office ■ Residential ■ Retail

Type



■ 30,000m² or more
■ Under 30,000m²



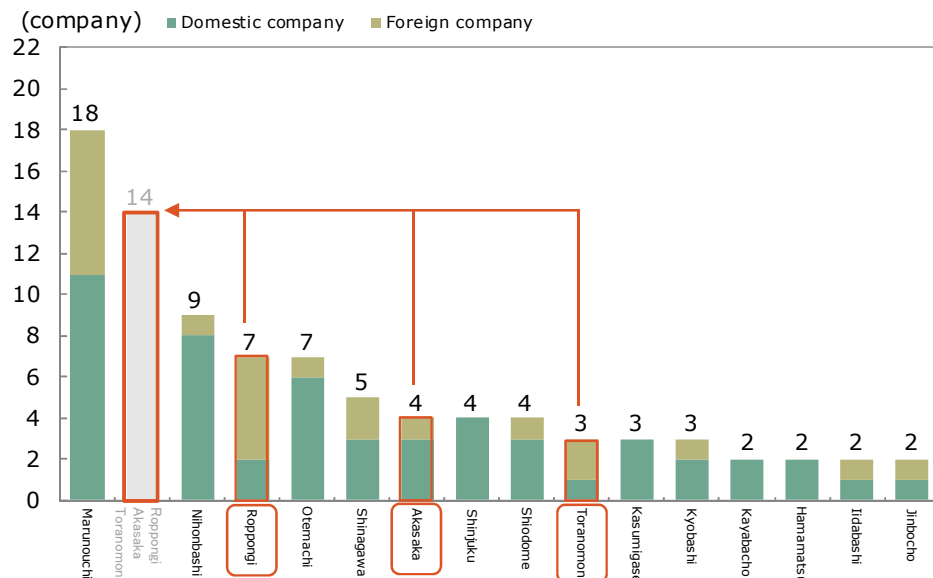
(Note 1) The ratios represent proportion of acquisition price to total acquisition price.

(Note 2) Chart showing "Size" does not include Laforet Harajuku (Land).

(Note 3) For calculation of breakdown by type, acquisition price for Akasaka Tameike Tower and Atago Green Hills are divided into offices and residences.

2-12 Overview of portfolio (1) Location

Large corporate headquarters in central Tokyo



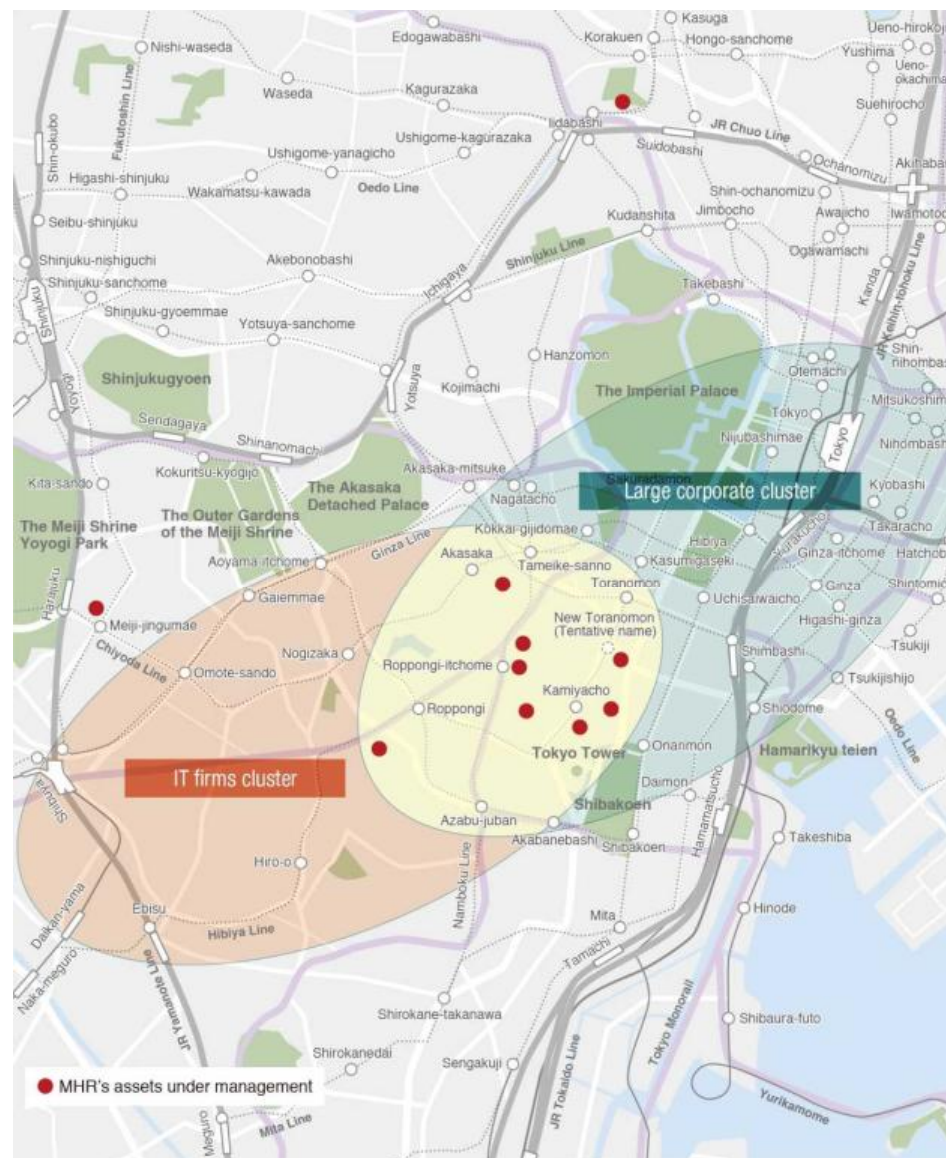
(Source) "Large corporation" is the top 100 domestic companies and the top 30 foreign companies based on its' market capitalization. Prepared by the Asset Manager based on market capitalization data as of April 30, 2018 by Thomson Reuters and publicly available information for the headquarters' locations.

IT firms located in Minato ward

Apple	Oracle Japan	RPA Holdings
Facebook	SBI Holdings	Itokuro
Microsoft	Mercari	HEROZ
Tencent	Monex Group	UUUM
Cisco Systems	GREE	Evolable Asia
Netflix	NHN JAPAN	Gunosy
Softbank	OpenDoor	KLab
Baidu	Uzabase	Metaps
Expedia	istyle	Enigmo
m3	Money Forward	CROOZ
Nexon	Bengo4.com	FreakOut

(Note) Prepared by the Asset Manager based on open information etc. as of August 31, 2018.

Overlapping zone of large corporate and IT firms in central Tokyo



2-13 Overview of portfolio (2) Earthquake-resistance capability

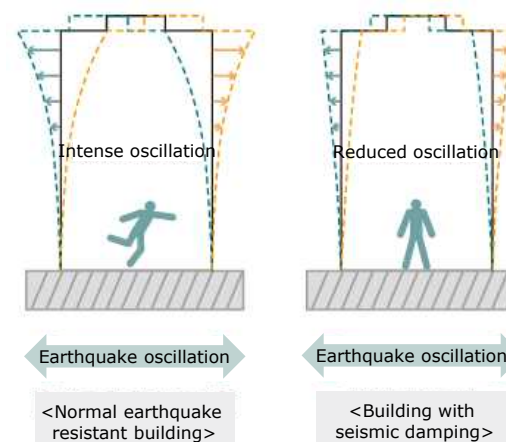
Pursue No. 1 earthquake-resistance capability

**Lowest portfolio
PML of all listed
J-REITs
0.93%**

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

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

Seismic damping

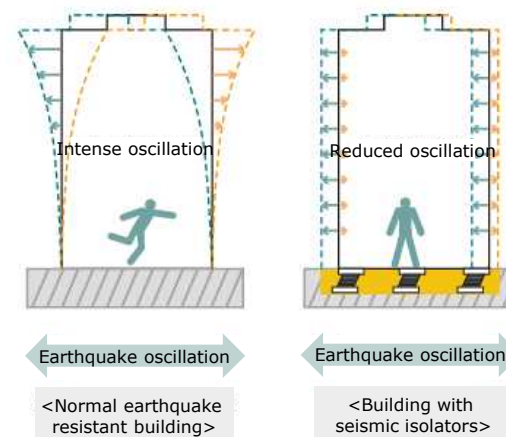


Seismic damping reduces earthquake magnitude of oscillation by approx. 20%



Viscous seismic damping wall

Seismic isolators



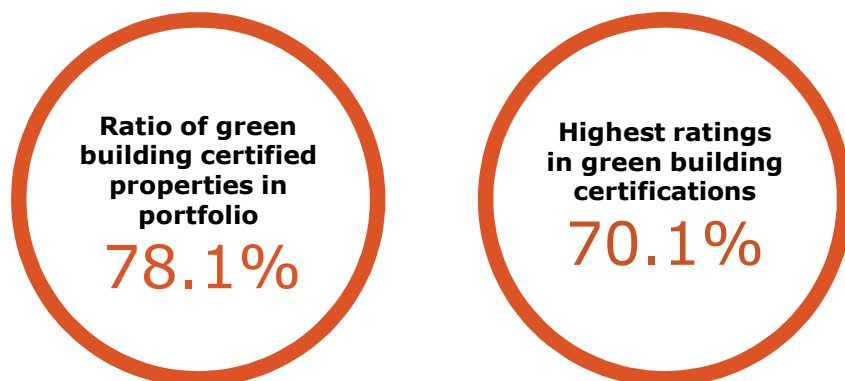
Seismic isolators reduce the magnitude of oscillation to approx. 1/2 or 1/3 especially in case of large earthquakes



Seismic isolators

2-14 Overview of portfolio (3) Environmental performance

Pursue No. 1 environmental performance (As of June 30, 2018)



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

CASBEE for Market Promotion: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (Mori Tower)

CASBEE for Buildings: Rank S



Toranomon Hills Mori Tower



ARK Hills South Tower

DBJ Green Buildings Certification: Five stars

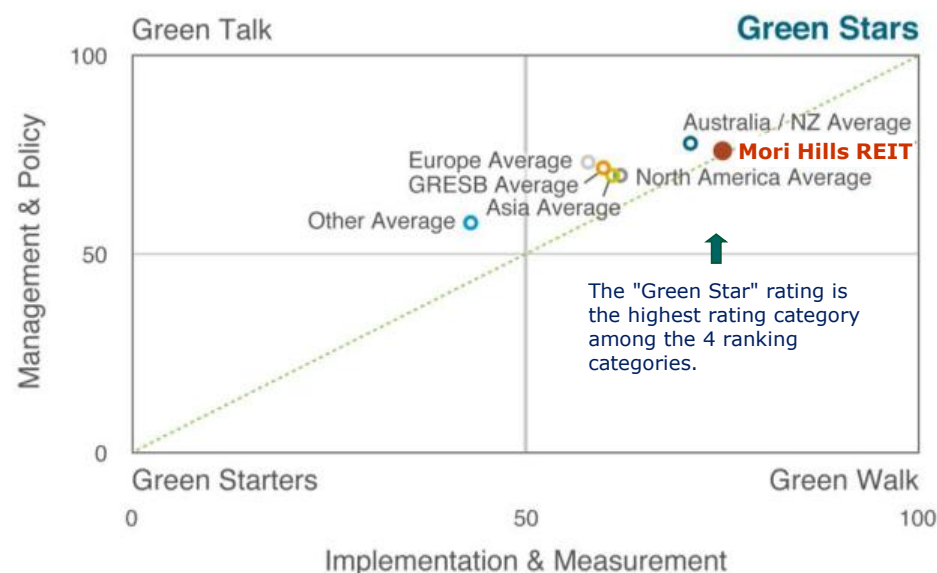
<Acquired GRESB Green Star Rating>

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



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

GRESB Four-Quadrant Model Scores by Region



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

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

2-15 External growth

Business environment
recognition

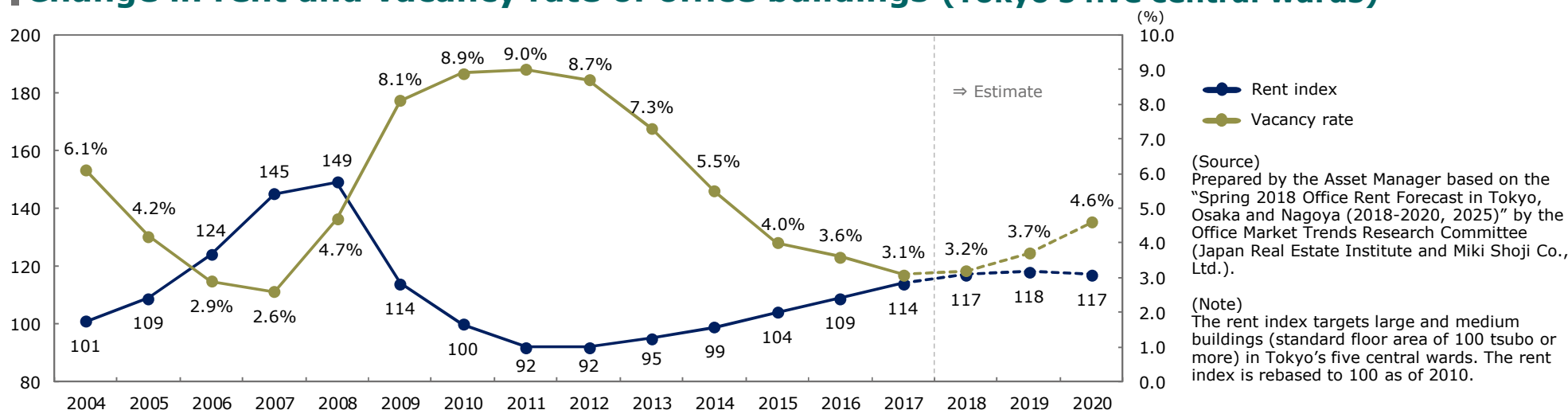
Closely watching the acquisition price level as property acquisition
competitions are overheated

External growth policy

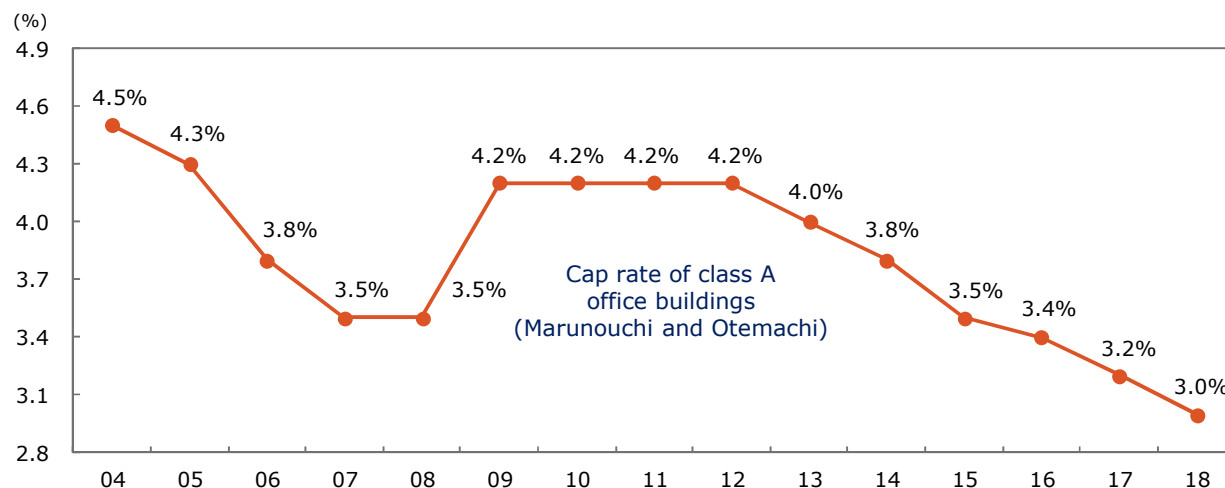
Proceed with external growth utilizing sponsors' abundant property
pipeline

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

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



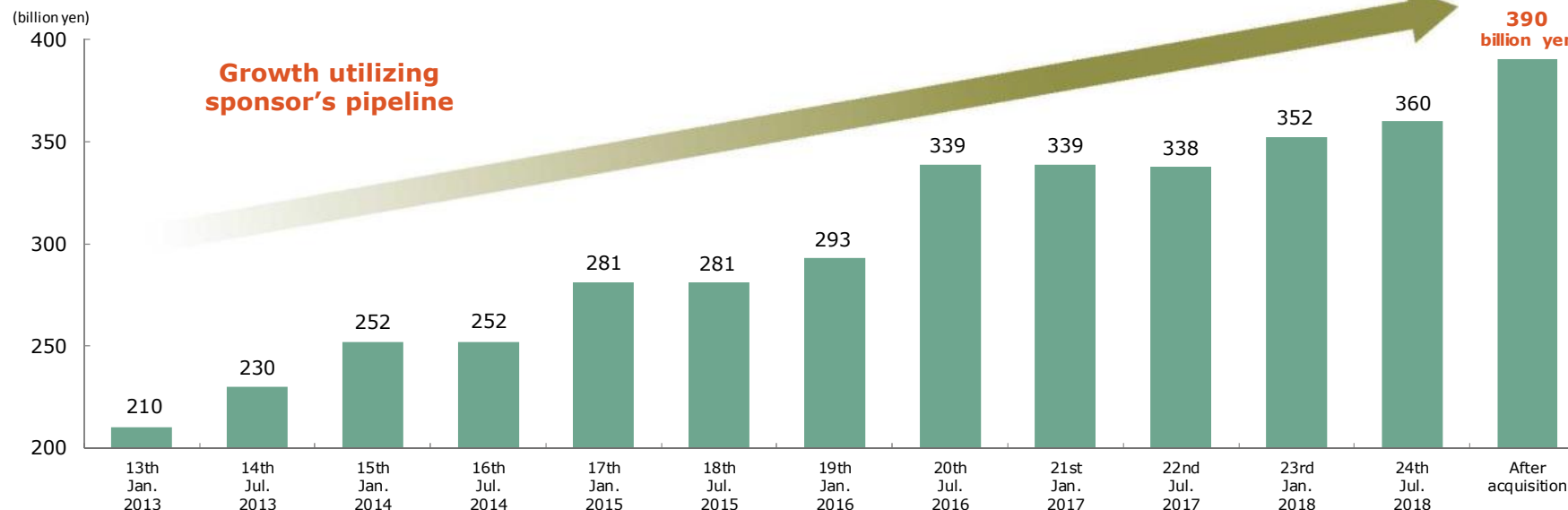
Change in return on real estate investment



(Source) Prepared by the Asset Manager based on "The Japanese Real Estate Investor Survey" by the Japan Real Estate Institute.
(Note) Figures reflect the time of survey as of April each year.

2-16 External growth

Trend in assets under management (based on acquisition price)



Acquired premium properties in central Tokyo lower than appraisal values (Acquired as of September 3, 2018)

Toranomon Hills Mori Tower



Acquisition price	26,070 million yen
Appraisal value	28,830 million yen
Location	Minato-ku, Tokyo

Holland Hills Mori Tower



Acquisition price	4,570 million yen
Appraisal value	5,260 million yen
Location	Minato-ku, Tokyo

	Toranomon Hills Mori Tower	Holland Hills Mori Tower	Recent office acquisition by listed REITs (Note 1)
Ratio of acquisition price to appraisal value (Note 2)	△9.6%	△13.2%	△4.4%
Building age	4.3 years	13.6 years	21.3 years
PML	0.50%	0.85%	5.18%

(Note 1) Average based on information of acquisitions disclosed (41 properties excluding acquisitions at IPO) from January to July 2018.

(Note 2) Ratio of acquisition price to appraisal value = (Acquisition price – appraisal value) / appraisal value

2-17 External growth

Mori Building's extensive property pipeline

Total assets:
1.9 trillion yen
(as of the end of March 2018)

Number of properties under management:
97 buildings
(as of April 1, 2018)

MHR has "preferential negotiation rights" (Note)

Properties owned by Mori Building Group

- 1 Roppongi Hills**
(Partly owned by MHR)
- 2 Toranomon Hills**
(Partly owned by MHR)
- 3 ARK Hills**
(Partly owned by MHR)



〈Office/Residential/Retail, etc.〉



〈Office/Residential/Hotel, etc.〉



〈Office/Residential/Retail, etc.〉

- 4 Atago Green Hills**
(Partly owned by MHR)
- 5 Holland Hills**
(Partly owned by MHR)



〈Office/Residential/Retail〉



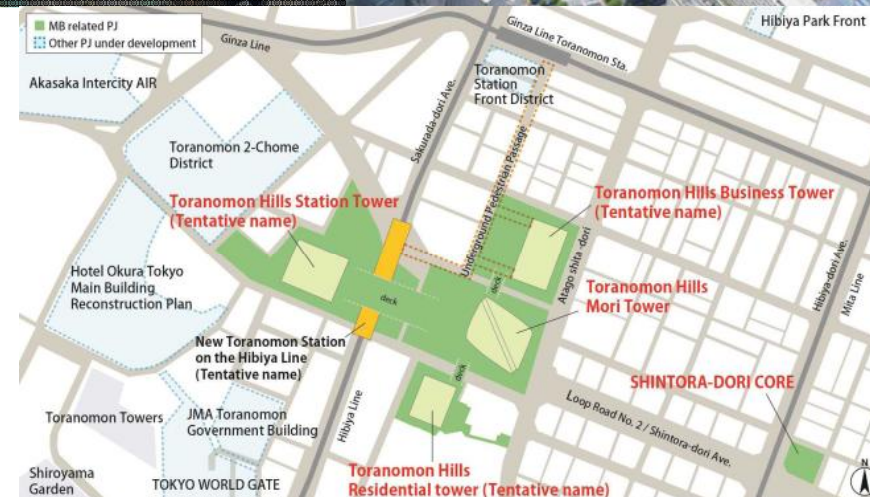
〈Office/Residential/Retail〉

- 6 Omotesando Hills**



〈Retail/Residential〉

Recent redevelopment projects (Toranomon Hills area)



(Note) Some exceptions included.

Koraku Area

Koraku Mori Building

Laforet Harajuku (land)

6 Omotesando Hills

Roppongi Hills Mori Tower

1

Akasaka Tameike Tower

ARK Mori Building

ARK Hills South Tower

Roppongi First Plaza Roppongi View Tower

Toranomon Hills Mori Tower

2

Atago Green Hills

Holland Hills Mori Tower

5

3

4

In Operation MHR (Note 1)

Planning / Under Construction MB Group (Note 2)

0 100 200 300 400 500m

(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.

2-19 Internal growth

Business environment recognition

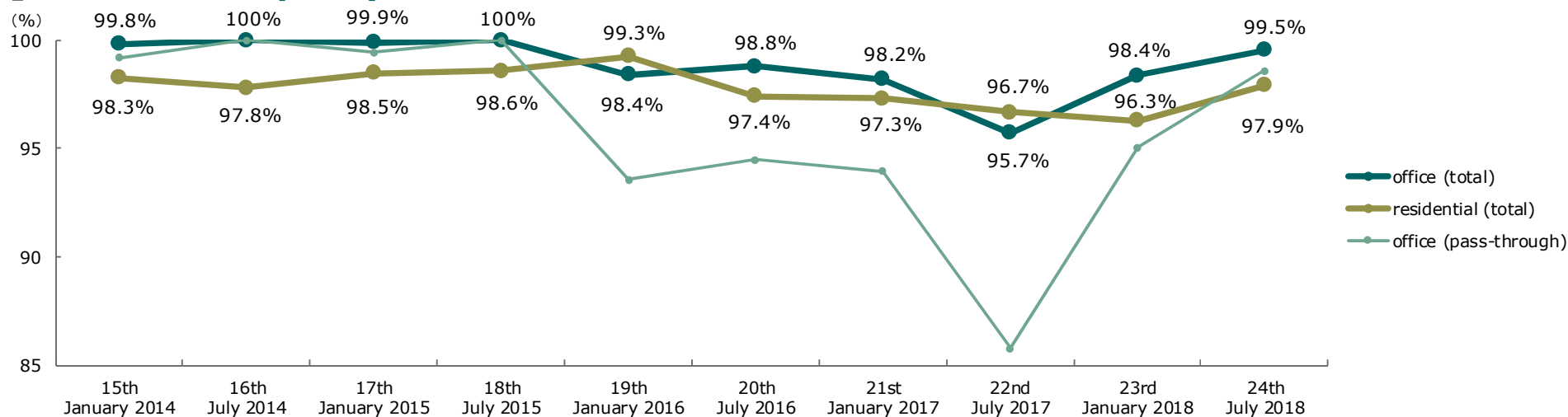
Central Tokyo office rents forecast to continue moderate rise, but close attention to be paid to demand trends

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

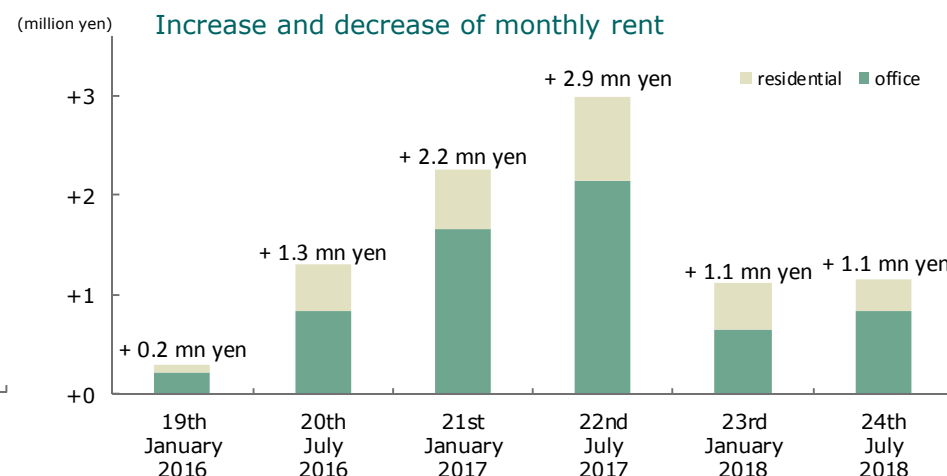
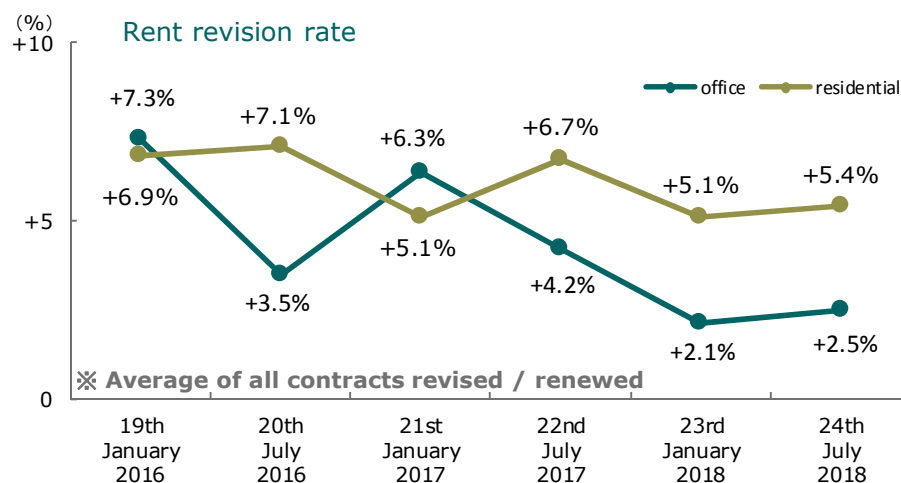
Internal growth policy

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

Trend in occupancy rates

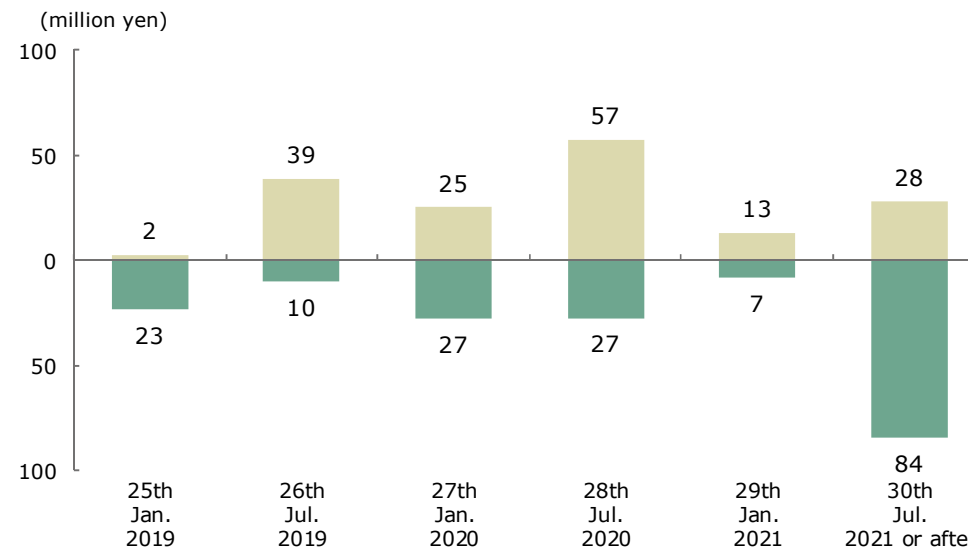
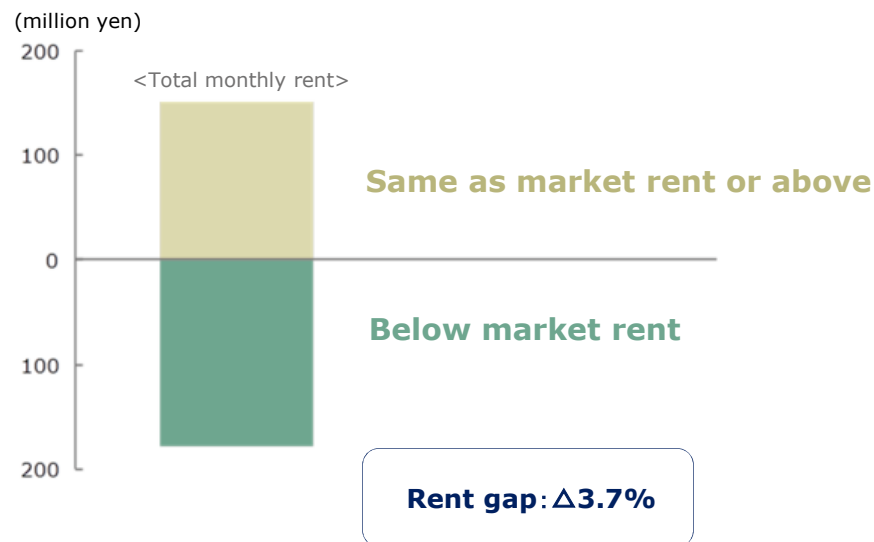


Result of office tenants' rent revision



2-20 Internal growth

Comparison with office market rent (pass-through)

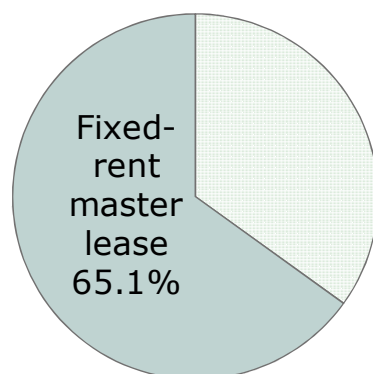


(Note 1) Market rent is based on the report by CBRE K.K.

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

(Note 3) Figures reflect the acquisition as of September 3, 2018 and move outs of end tenants confirmed as of July 31, 2018.

Ratio of fixed rent master lease (After new acquisitions)



Proceed with rent increase revisions of pass-through property

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

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

Well balanced internal growth scheme

2-21 Financial management

Business environment recognition

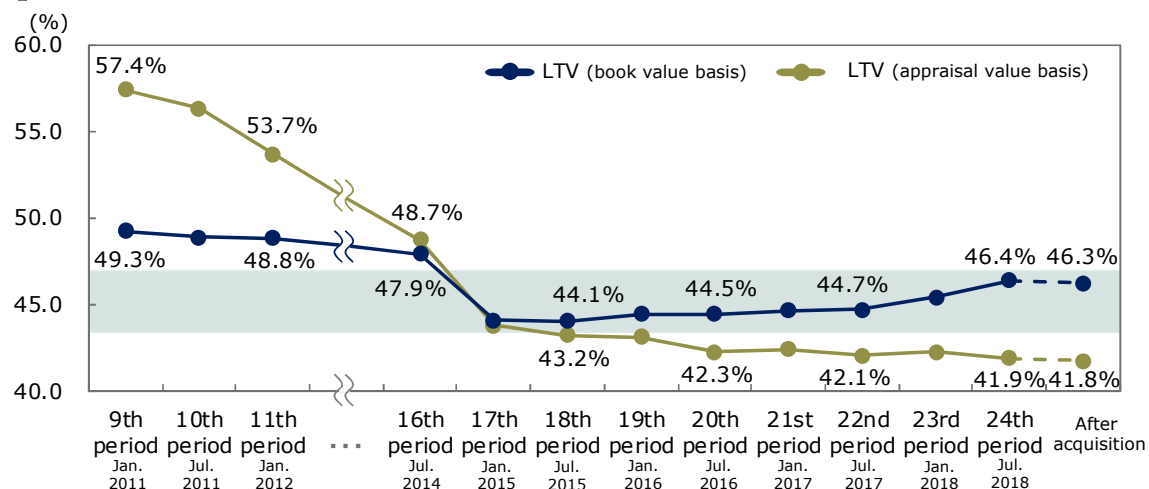
Interest rate is expected to remain low considering monetary policies and assuming rise over the medium to long term

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

Financial management policy

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

Reduction in LTV



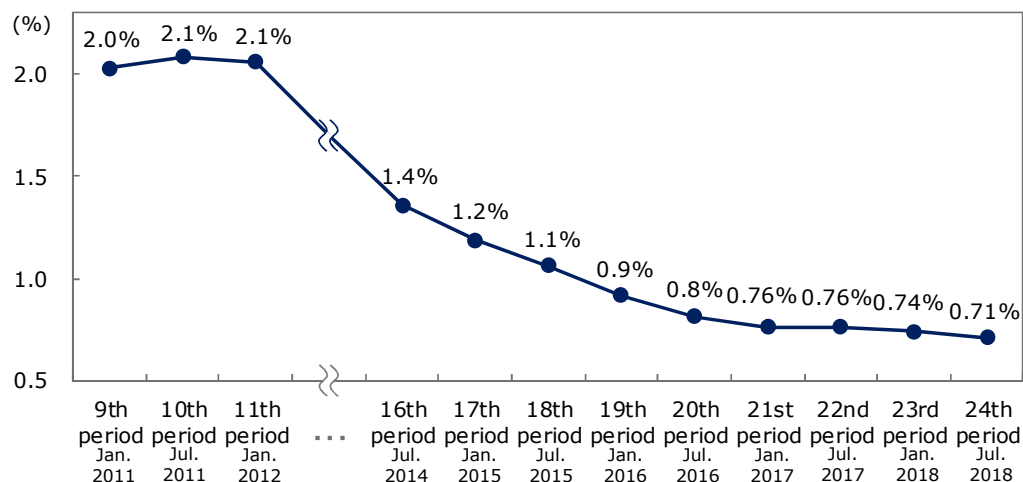
Overview of debt financing

	End of 23rd period Jan. 31, 2018	End of 24th period Jul. 31, 2018
Debt Balance	161,222 mn yen	168,122 mn yen
LTV (book value basis) ^(Note 1)	45.4%	46.4%
LTV (appraisal value basis) ^(Note 2)	42.3%	41.9%
Avg. remaining duration	3.7 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)].

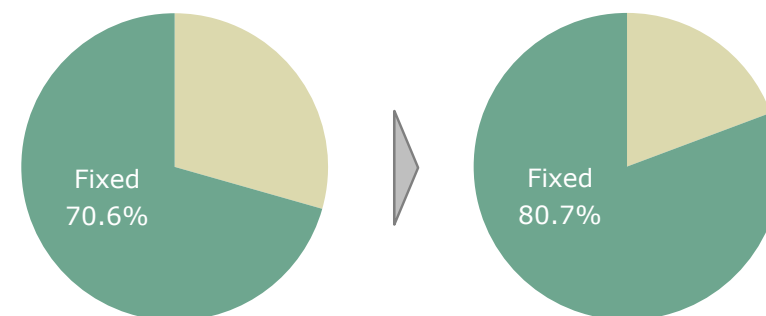
Reduction in average interest rate (including borrowing expenses)



Overview of fixed rate ratio

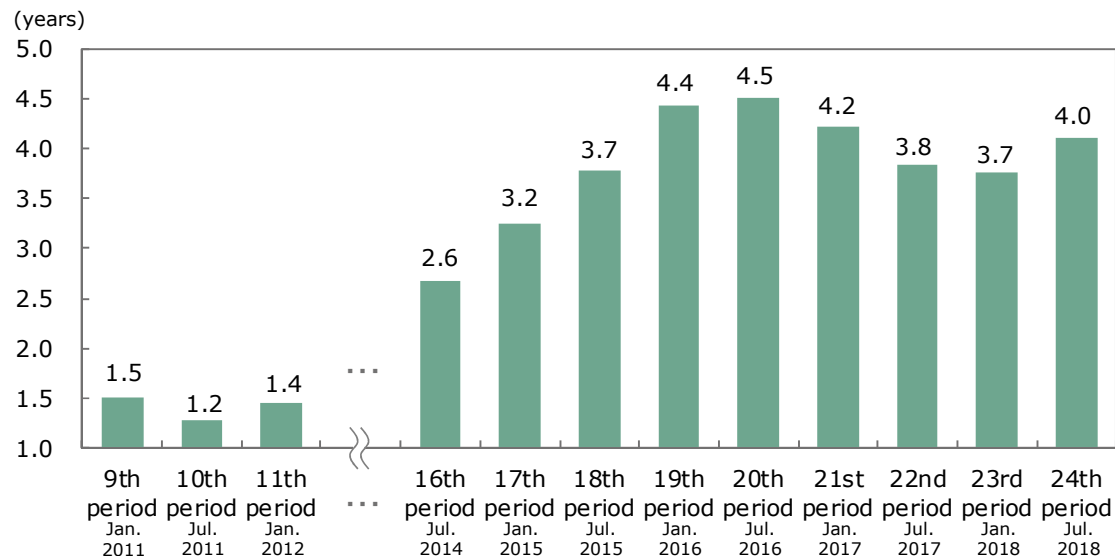
<End of 24th period>

<As of September 3, 2018>



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

Extension in remaining duration of debt

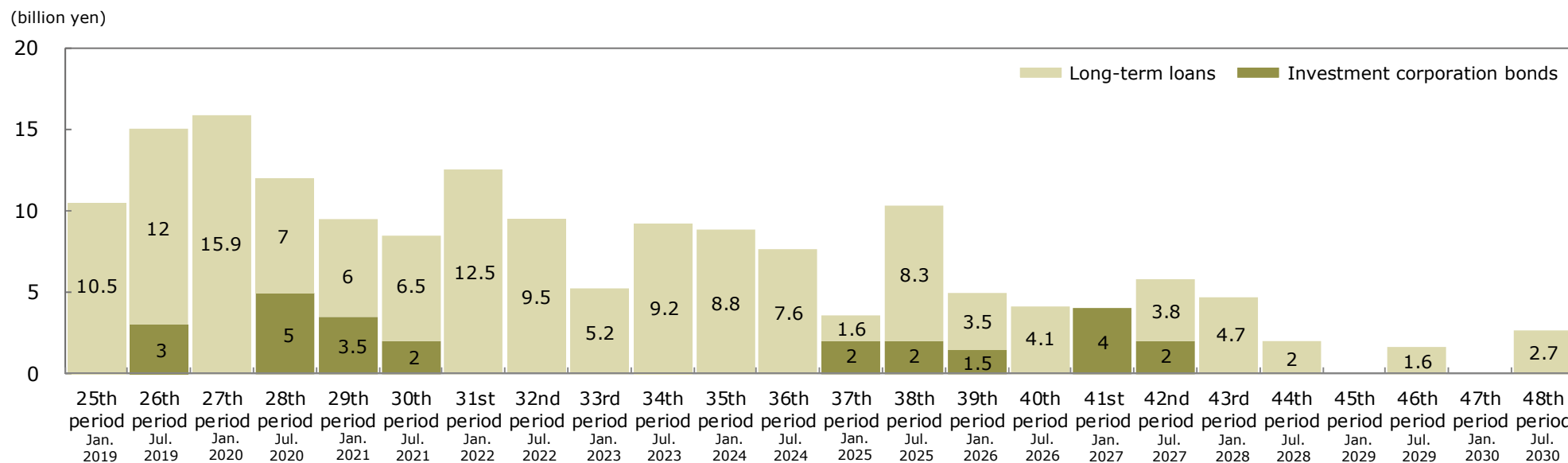


Rating

Japan Credit Rating (JCR)

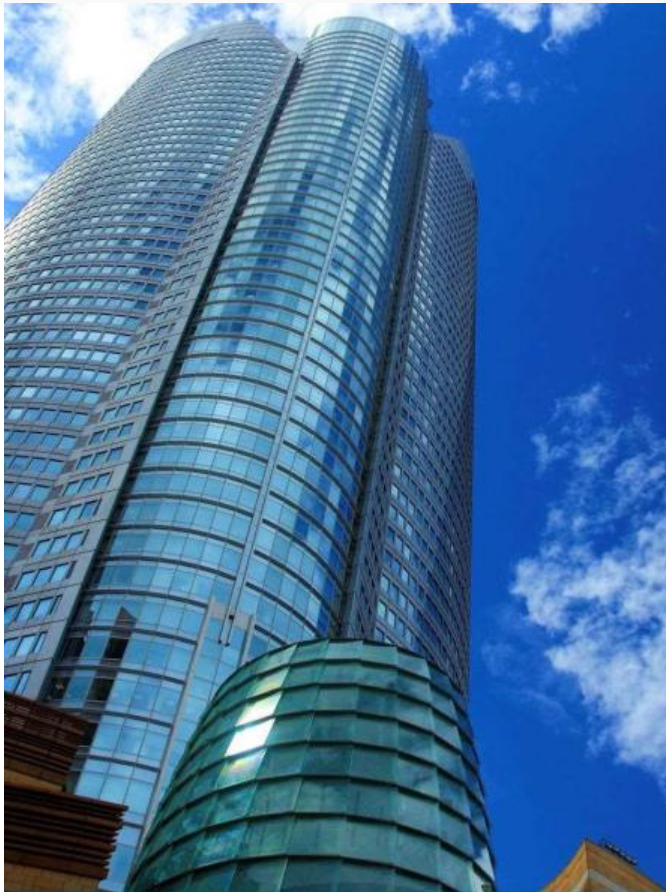
Long-term issuer rating:
AA (Stable)

Overview of maturity (as of July 31, 2018)

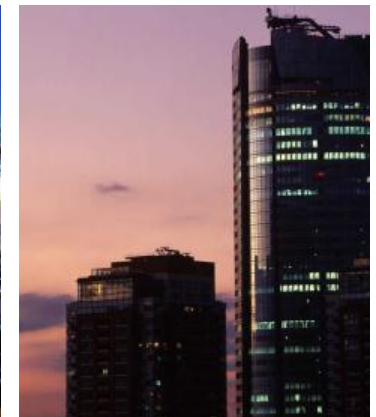


Average interest rate 1.1% 0.6% 0.7% 0.7% 0.7% 0.8% 0.9% 0.7%

2-23 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 about 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 about 1,360 tsubo (about 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, 13 banquet facilities and much more. The wide range of facilities inside the hotel and in Roppongi Hills enable guests to enjoy leisure 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 the 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.

2-24 MHR's representative property (2) Toranomon Hills



Toranomon Hills Mori Tower



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 about 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 about 1,000 tsubo (about 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 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.



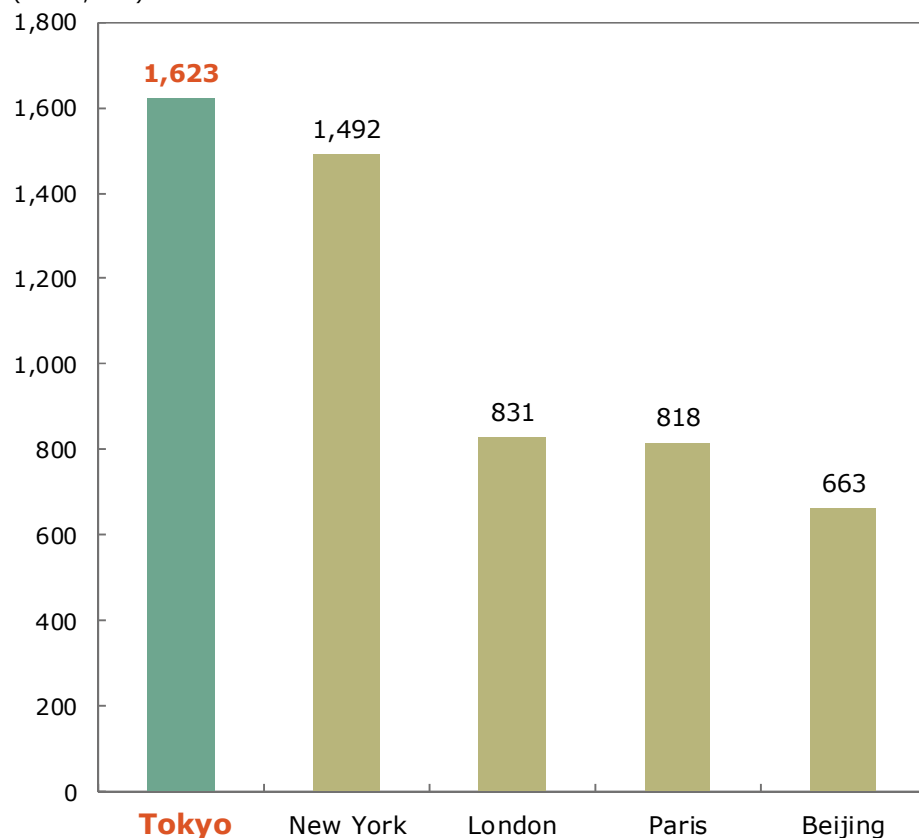
Evolving as an International Urban Center and a Global Business Hub

Upon completion of Toranomon Hills Business Tower (Tentative name), Toranomon Hills Residential Tower (Tentative name) and the currently planned Toranomon Hills Station Tower (Tentative name), the total area of the Toranomon Hills complex including Toranomon Hills Mori Tower will reach about 7.5 hectares and about 800,000m² of the total floor space. The area will evolve into a true "international urban center and a global business hub" with integrated functions such as international standard offices, residences, hotels, retail facilities and transportation infrastructure.

2-25 Competitive strength of Central Tokyo

GDP of major metropolitan areas

(billion, PPP)



(Source) Prepared by the Asset Manager based on "REDEFINING GLOBAL CITIES" published by the Brookings Institution.

(Note) For each metropolitan area, the nominal GDP of 2015 is stated.

Population of urban concentration areas

(in thousands)

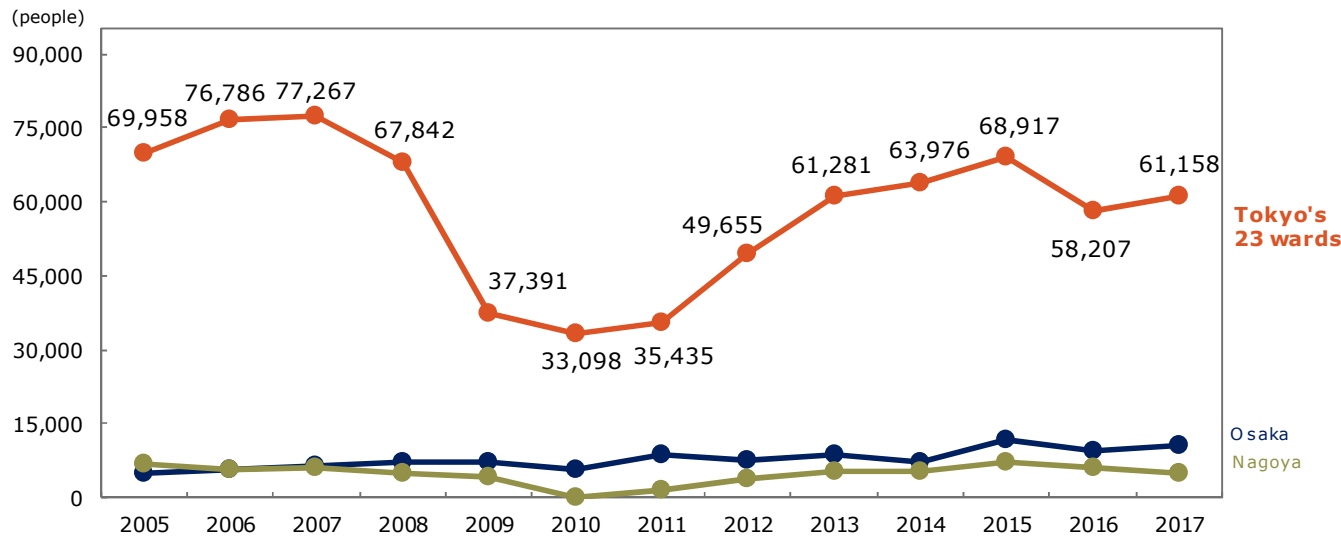
2017			2030		
Rank	Urban concentration area	Population	Rank	Urban concentration area	Population
1	Tokyo (Japan)	37,397	1	Delhi (India)	38,939
2	Delhi (India)	27,602	2	Tokyo (Japan)	36,574
3	Shanghai (China)	24,862	3	Shanghai (China)	32,869
4	Mexico City (Mexico)	21,500	4	Dhaka (Bangladesh)	28,076
5	São Paulo (Brazil)	21,392	5	Cairo (Egypt)	25,517
6	Mumbai (India)	19,756	6	Mumbai (India)	24,572
7	Cairo (Egypt)	19,648	7	Beijing (China)	24,282
8	Osaka (Japan)	19,289	8	Mexico City (Mexico)	24,111
9	Beijing (China)	19,211	9	São Paulo (Brazil)	23,824
10	Dhaka (Bangladesh)	18,894	10	Kinshasa (Congo)	21,914

(Source) Prepared by the Asset Manager based on "World Urbanization Prospects 2018" by the Department of Economic and Social Affairs of the United Nations.

- In a comparison of GDP among the world's metropolitan areas, Tokyo outperformed New York, London and Paris to rank as the world's largest
- Tokyo is expected to maintain one of the world's leading largest metropolitan area in terms of the world's urban population

2-26 Competitive strength of Central Tokyo

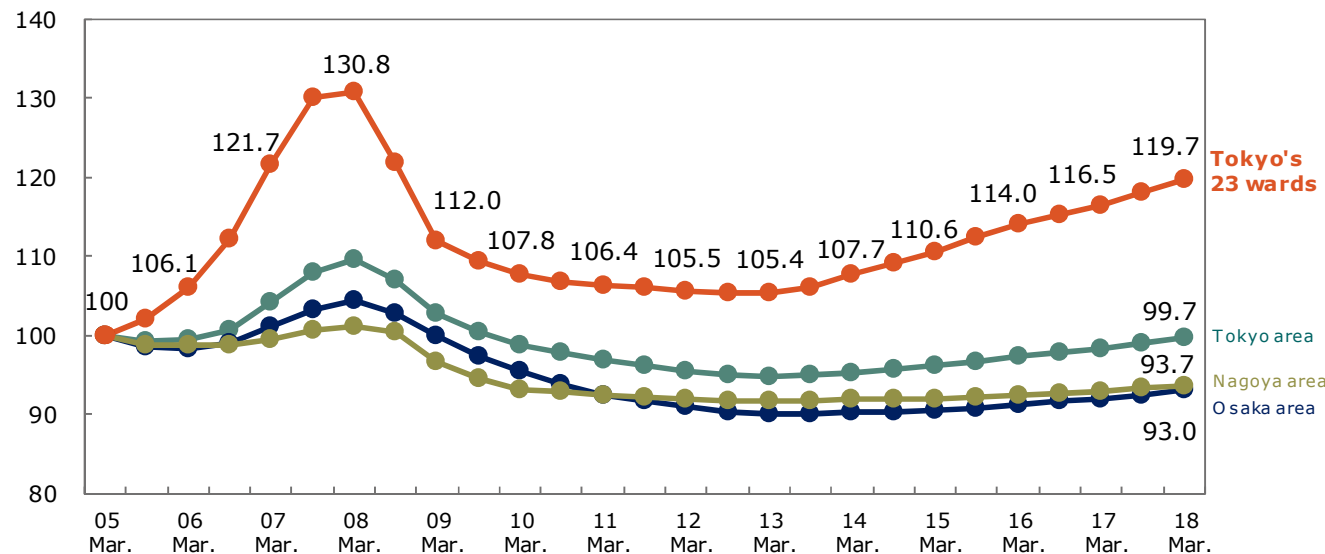
Trend of net migration



- Tokyo's 23 wards have experienced net population growth for 21 consecutive years since 1997, indicating a high level of consistent net population growth even in comparison with the other major cities in Japan.

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

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



- Land price level of central Tokyo has consistently surpassed the level of March 2005, showing a clear difference from those of other metropolitan areas in Japan that have been on a declining trend.

- However, since investment should be made carefully after asset values have surged, we intend to exercise prudence concerning investment prices.

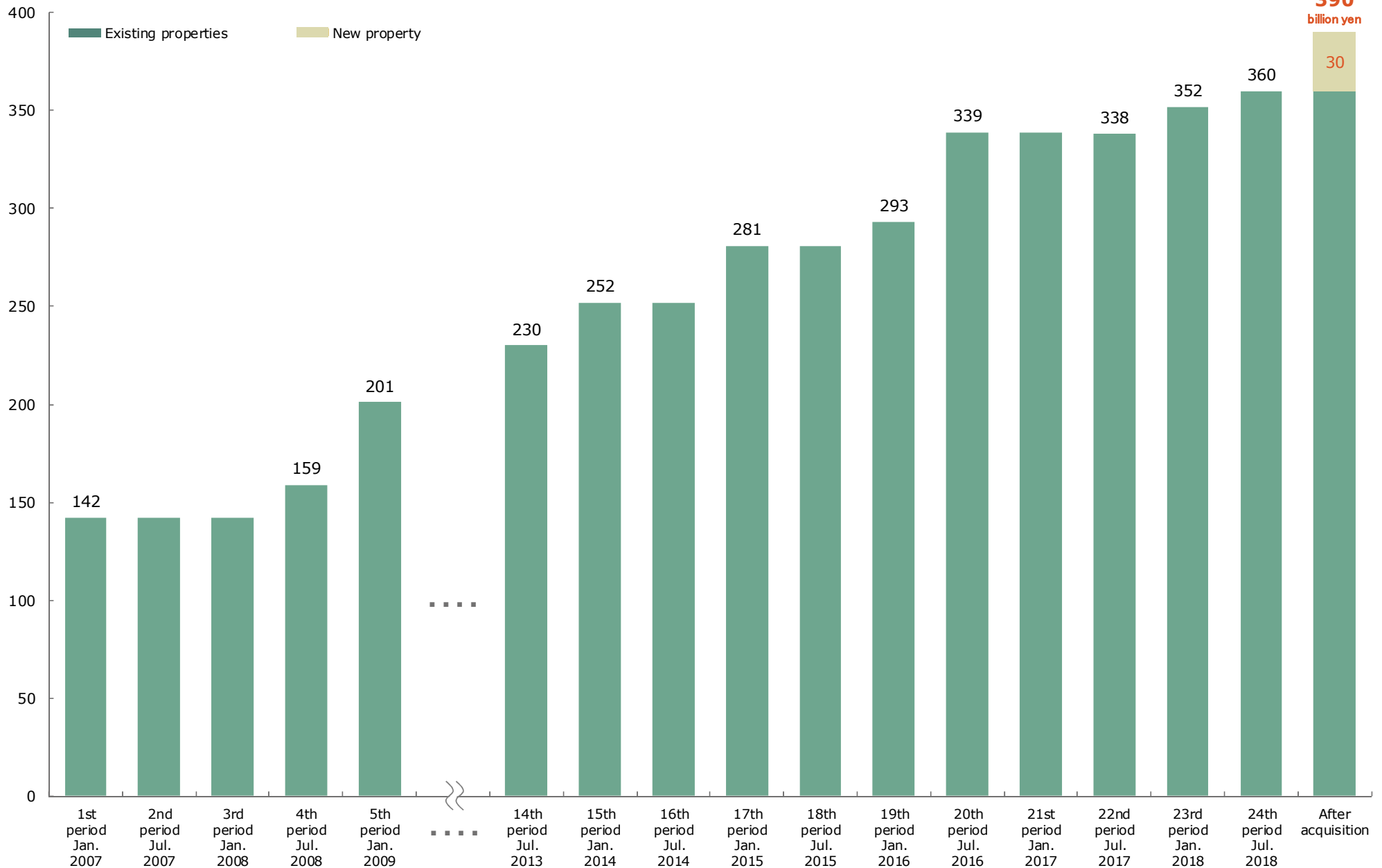
(Source) Prepared by the Asset Manager based on "Urban Land Price Index" by the Japan Real Estate Institute.

3. Operation highlights

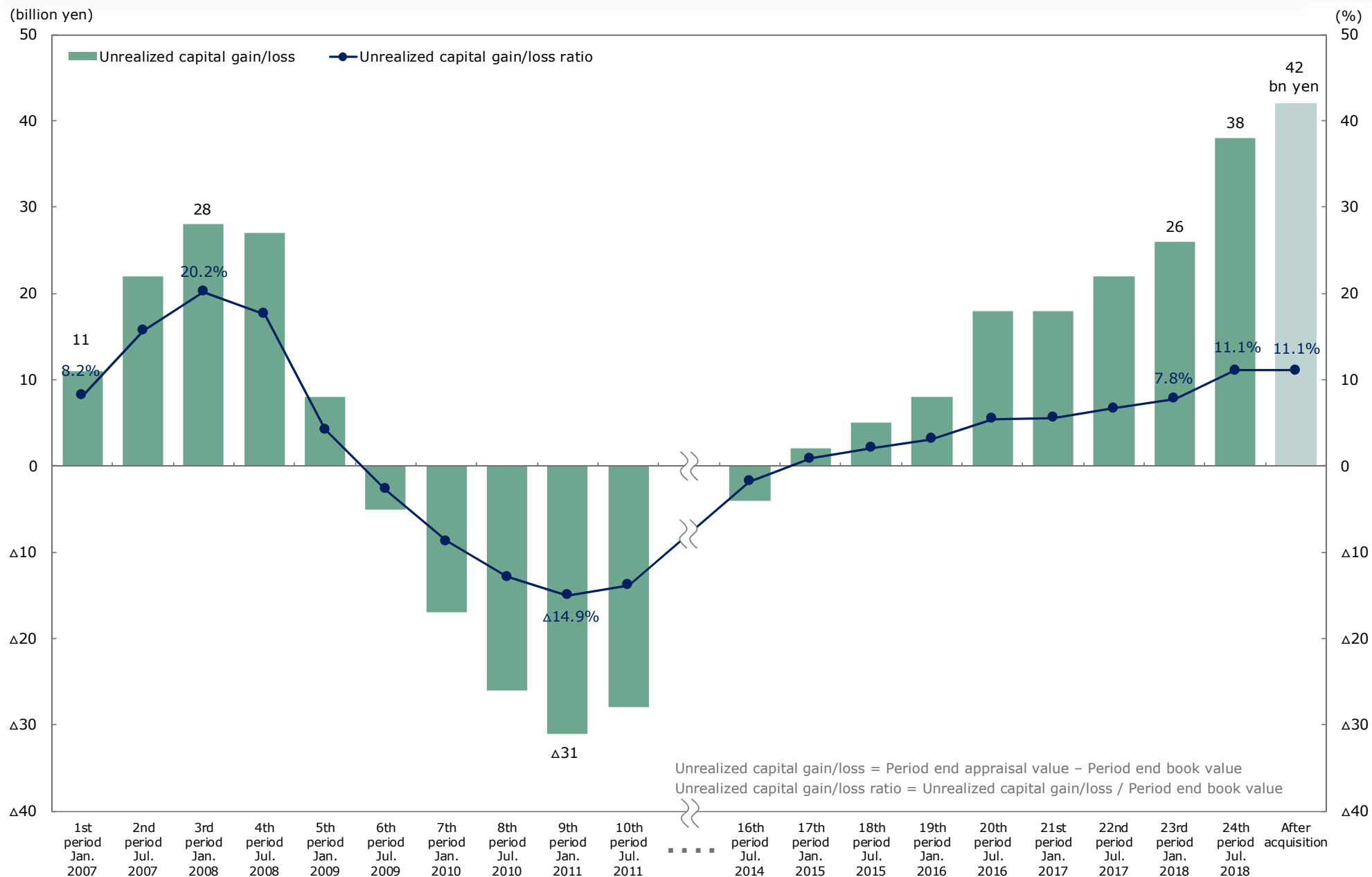


3-1 Change in assets under management

(billion yen)



3-2 Change in unrealized capital gain/loss



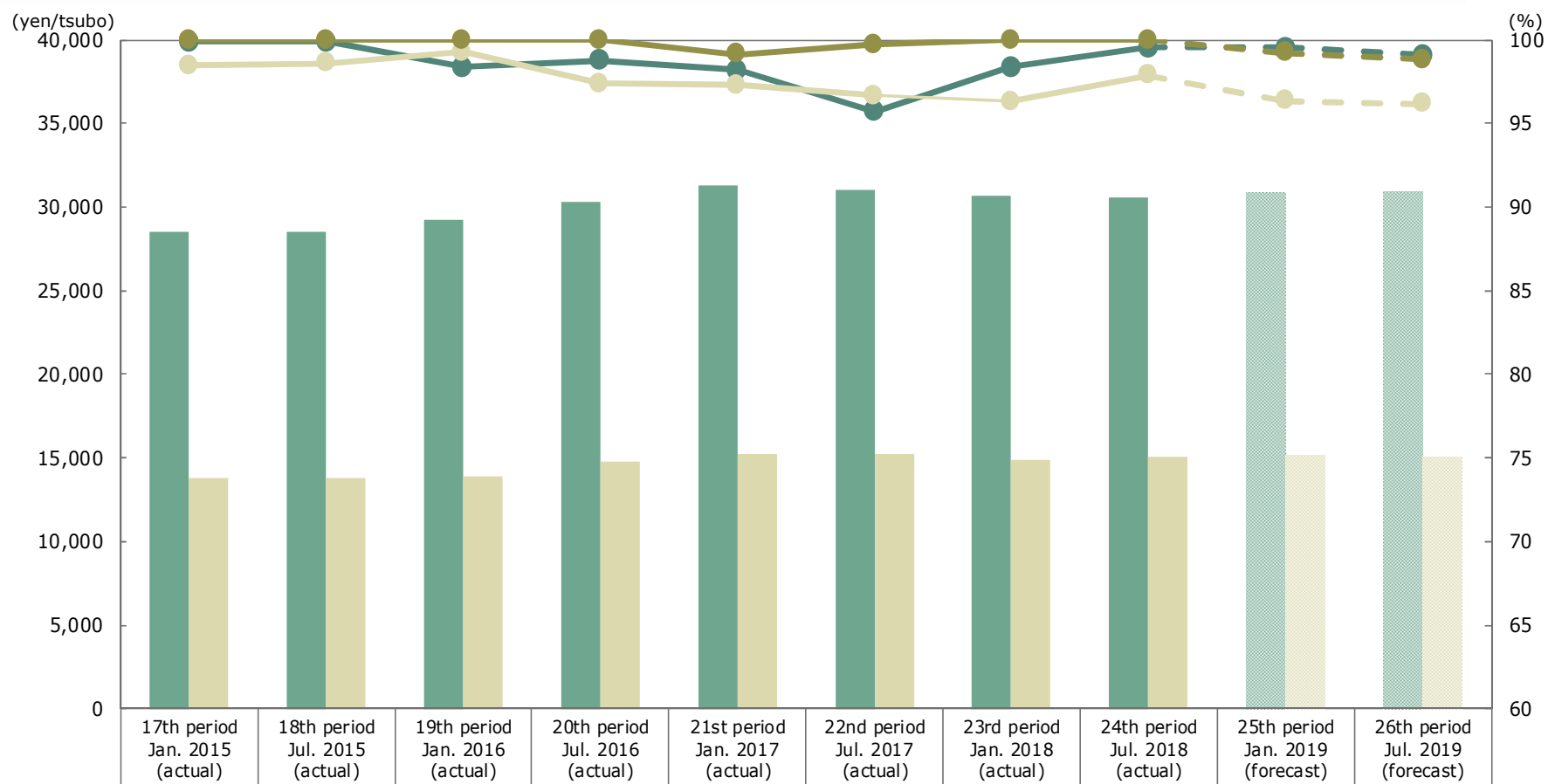
3-3 Appraisal value

					Reflects the impact of additional acquisitions							(million yen)	
Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 23rd period Jan. 31, 2018		As of end of 24th period Jul. 31, 2018				Difference (B)－(A)	Difference (B)/(A)－1	Unrealized capital gain (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	112,621	134,800	3.3%	138,500	3.2%	2.9%	3.4%	3,700	2.7%	25,878
	ARK Mori Building	O-1	62,480	61,573	57,900	3.6%	59,400	3.5%	3.2%	3.7%	1,500	2.6%	△ 2,173
	Koraku Mori Building	O-4	27,200	24,891	23,400	3.8%	24,100	3.7%	3.3%	4.0%	700	3.0%	△ 791
	Akasaka Tameike Tower	O-6	43,930	41,878	30,100	3.6%	31,100	3.5%	3.2%	3.7%	1,000	3.3%	△ 10,778
	Atago Green Hills	O-7	42,090	40,548	42,700	3.8%	43,800	3.7%	3.2%	3.9%	1,100	2.6%	3,251
	ARK Hills South Tower	O-8	19,150	18,875	24,400	3.2%	24,500	3.2%	3.0%	3.4%	100	0.4%	5,624
	Toranomon Hills Mori Tower	O-9	10,140	10,136	5,607	3.0%	11,606	2.9%	2.6%	3.1%	5,999	－	1,469
	Holland Hills Mori Tower	O-10	11,760	11,778	10,659	3.6%	13,896	3.5%	3.1%	3.7%	3,237	－	2,117
Sub total			332,130	322,304	329,566	－	346,902	－	－	－	17,336	5.3%	24,597
Residential	Roppongi First Plaza	R-3	2,100	2,254	2,060	4.3%	2,170	4.2%	4.0%	4.4%	110	5.3%	△ 84
	Roppongi View Tower	R-4	4,000	4,024	2,720	4.4%	2,780	4.3%	4.1%	4.5%	60	2.2%	△ 1,244
	Sub total		6,100	6,278	4,780	－	4,950	－	－	－	170	3.6%	△ 1,328
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	36,100	4.1%	37,600	－	4.0%	－	1,500	4.2%	15,525
	Sub total		21,820	22,074	36,100	－	37,600	－	－	－	1,500	4.2%	15,525
Total			360,050	350,656	370,446	－	389,452	－	－	－	19,006	5.1%	38,795

(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 23rd period shows the discount rate used in the DCF analysis.

3-4 Changes in the rent and occupancy rates



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

3-5 Overview of fixed rent master lease properties

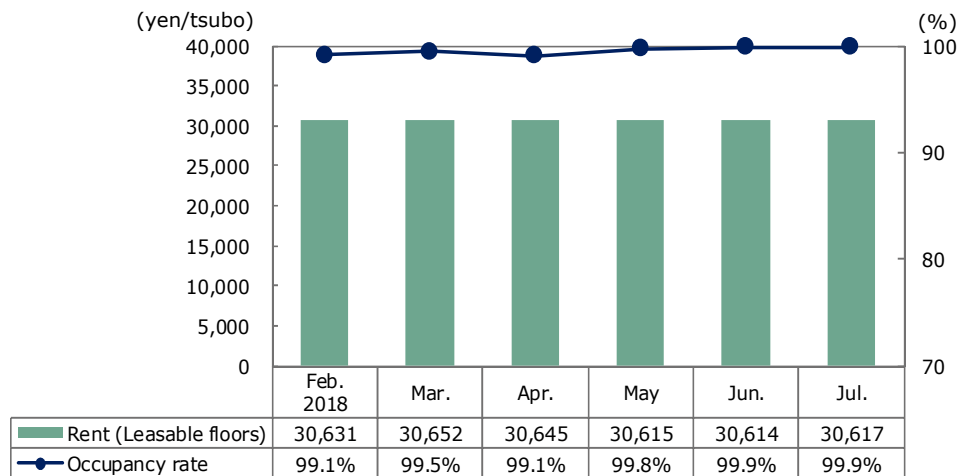
Overview of fixed rent master lease properties by the sponsor

Property name	Total monthly rent (mn yen)	% of portfolio total rent (Note)	Breakdown of property	Leased floor area (m ²)	Monthly rent (mn yen)	Payer of the management association fee	Next rent revision	Expiration of the lease agreement
Roppongi Hills Mori Tower (10 floors)	490.5	31.5%	23rd & 24th	8,993.45	114.6	MHR	—	Jul. 2021
			19th & 22nd	8,609.47	95.0			Sep. 2023
			20th	3,879.19	42.8			Jul. 2019
			28th	4,460.13	49.2			Sep. 2020
			25th	4,156.66	45.8			Jan. 2021
			26th, 27th & 29th	12,942.64	142.9			Mar. 2021
ARK Mori Building (8 floors + DHC)	225.2	14.5%	13th/12th & 22nd	7,952.55	77.9	MHR	—	Jan. 2021
			23rd & 25th	5,742.95	55.5			Jan. 2021
			4th, 15th & 24th	7,680.52	73.8			Jan. 2021
			DHC	3,212.41	17.9	Master lessee		Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.8%	Office, residential & retail	29,667.58	168.7	Master lessee	—	Apr. 2022
Toranomon Hills Mori Tower (approx. 6.9% of entire property)	129.2	8.3%	Part of 28th to 35th floors	12,209.08	129.2	MHR	—	Jul. 2022
Total	1,013.8	65.1%						

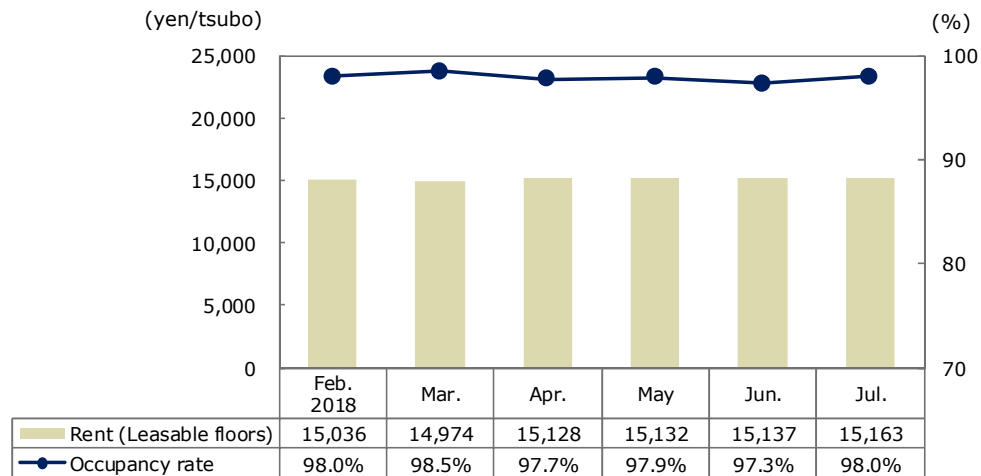
(Note) Figures reflect the acquisition as of September 3, 2018.

3-6 Tenant status by month and tenants with large leased space

Office: Rent and occupancy rate



Residential: Rent and occupancy rate



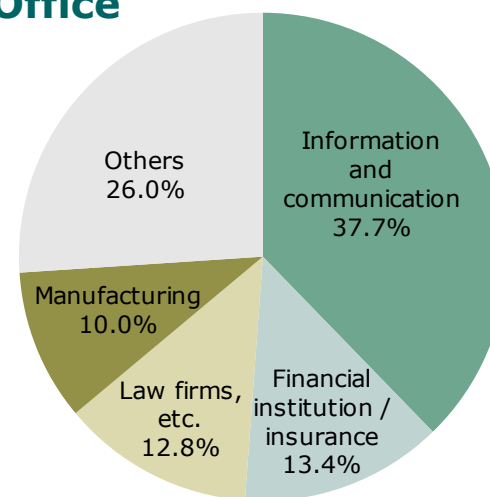
Top 5 tenants

End tenants	Property name	Leased space (Note 1)	Ratio
Mori Building Co., Ltd.	Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Atago Green Hills ARK Hills South Tower Toranomon Hills Mori Tower Roppongi First Plaza Roppongi View Tower	101,818.41 ㎡	62.7%
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 ㎡	1.7%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 ㎡	1.6%
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	2,490.14 ㎡	1.5%
Mitsubishi UFJ Research and Consulting Co., Ltd.	Holland Hills Mori Tower	2,300.84 ㎡	1.4%
Total of top 5 tenants		111,858.35 ㎡	68.9%

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

(Note 2) This indicates the figures as of July 31, 2018.

Tenant Contribution by Industry Type-Office



(Note 1) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of July 31, 2018.

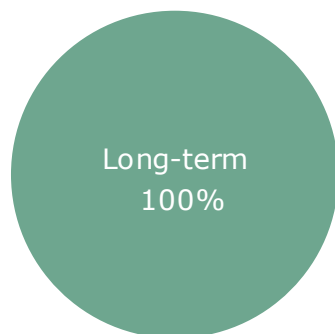
It is multiplied by the relevant percentage of ownership for each property.

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

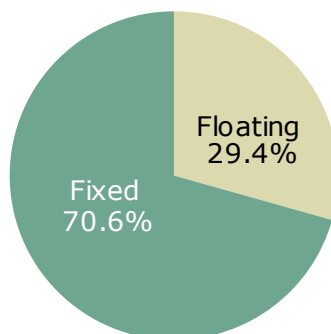
3-7 Financial overview (As of July 31, 2018)

Long and short-term debt ratio/ Fixed rate ratio

<Long and short-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 23rd period Jan. 31, 2018	End of 24th period Jul. 31, 2018
Debt balance	161,222 mn yen	168,122 mn yen
Long-term loan	133,222 mn yen	143,122 mn yen
Investment corporation bonds	28,000 mn yen	25,000 mn yen
LTV (Book value basis) ^(Note 1)	45.4%	46.4%
LTV (Appraisal value basis) ^(Note 2)	42.3%	41.9%
DSCR ^(Note 3)	14.5x	15.6x
Avg. remaining duration	3.7 years	4.0 years
Weighted avg. interest rate	0.52%	0.48%

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

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

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

Outstanding balances

Lenders	Balance	Ratio
MUFG Bank, Ltd.	40,096 mn yen	28.0%
Mizuho Bank, Ltd.	24,498 mn yen	17.1%
Sumitomo Mitsui Banking Corporation	20,825 mn yen	14.6%
Sumitomo Mitsui Trust Bank, Limited	18,523 mn yen	12.9%
The Bank of Fukuoka	6,500 mn yen	4.5%
The Norinchukin Bank	6,200 mn yen	4.3%
Development Bank of Japan Inc.	5,950 mn yen	4.2%
Resona Bank, Limited.	5,630 mn yen	3.9%
Shinsei Bank, Limited	3,900 mn yen	2.7%
Aozora Bank, Ltd.	3,500 mn yen	2.4%
Mizuho Trust & Banking Co., Ltd.	3,000 mn yen	2.1%
The Nishi-Nippon City Bank, Ltd.	1,500 mn yen	1.0%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.7%
Oita Bank Co. Ltd.	1,000 mn yen	0.7%
Shinkin Central Bank	1,000 mn yen	0.7%
Total borrowings	143,122 mn yen	100%
Investment corporation bonds	25,000 mn yen	
Total interest-bearing debt	168,122 mn yen	

3-8 Debt status (As of July 31, 2018)

Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited The Bank of Fukuoka, The Norinchukin Bank Development Bank of Japan Inc., Resona Bank, Limited., Shinsei Bank, Limited, Aozora Bank, Ltd., Mizuho Trust & Banking Co., Ltd.	10,500	0.78% (Note)	2013/9/30	2018/9/30
Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd., Mizuho Bank, Ltd.	1,000	0.35%	2013/11/29	2019/5/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited The Bank of Fukuoka, The Norinchukin Bank, Development Bank of Japan Inc., Shinsei Bank, Limited	11,400	0.44% (Note)	2013/11/29	2019/11/30
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Fukuoka, The Norinchukin Bank	11,000	0.30%	2014/5/30	2019/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	2,022	0.40% (Note)	2014/5/30	2020/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited Resona Bank, Limited.	5,000	0.38% (Note)	2014/8/1	2020/5/31
Aozora Bank, Ltd.	2,000	0.30%	2014/8/29	2019/8/31
Resona Bank, Limited.	2,500	0.30%	2014/8/29	2019/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,000	0.62% (Note)	2014/11/28	2020/11/30
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,500	0.75% (Note)	2014/11/28	2021/11/30
Development Bank of Japan Inc.	1,700	0.80%	2015/3/27	2023/3/27
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,500	0.57% (Note)	2015/5/29	2021/5/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	6,500	0.70% (Note)	2015/5/29	2022/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	6,000	0.49% (Note)	2015/8/31	2021/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited	2,500	0.65% (Note)	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd.	3,200	0.50% (Note)	2015/11/30	2022/11/30
MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited	6,300	0.62% (Note)	2015/11/30	2023/11/30
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. The Norinchukin Bank, Resona Bank, Limited. Shinsei Bank, Limited, Mizuho Trust & Banking Co., Ltd. The Hiroshima Bank, Ltd.	7,500	0.33% (Note)	2016/3/31	2023/3/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited The Bank of Fukuoka, Development Bank of Japan, Inc. Aozora Bank, Ltd.	7,100	0.41% (Note)	2016/3/31	2024/3/31

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
MUFG Bank, Ltd., Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	7,200	0.30%	2016/3/31	2025/3/31
Shinkin Central Bank	1,000	0.18%	2016/3/31	2022/9/30
The Norinchukin Bank	500	0.20%	2017/8/1	2024/7/31
Sumitomo Mitsui Banking Corporation	1,100	0.25%	2017/8/1	2025/7/31
Sumitomo Mitsui Trust Bank, Limited	1,000	0.25%	2017/8/1	2026/7/31
The Bank of Fukuoka	500	0.25%	2017/8/1	2026/7/31
Resona Bank, Limited.	500	0.30%	2017/8/1	2027/7/31
Sumitomo Mitsui Trust Bank, Limited	2,000	0.30%	2017/8/1	2028/7/31
Mizuho Bank, Ltd.	1,100	0.35%	2017/8/1	2029/7/31
Mizuho Trust & Banking Co., Ltd.	500	0.35%	2017/8/1	2029/7/31
Oita Bank Co. Ltd.	1,000	0.23%	2017/11/30	2022/11/30
The Norinchukin Bank	600	0.30%	2017/11/30	2024/11/30
The Nishi-Nippon City Bank, Ltd.	1,000	0.30%	2017/11/30	2024/11/30
The Bank of Fukuoka	500	0.25%	2018/2/28	2025/8/31
Resona Bank, Limited.	500	0.25%	2018/2/28	2025/8/31
Mizuho Trust & Banking Co., Ltd.	1,500	0.25%	2018/2/28	2025/8/31
Shinsei Bank, Limited	500	0.32%	2018/2/28	2025/8/31
The Nishi-Nippon City Bank, Ltd.	500	0.32%	2018/2/28	2025/8/31
Sumitomo Mitsui Banking Corporation	2,650	0.30%	2018/2/28	2026/2/28
Sumitomo Mitsui Trust Bank, Limited	2,600	0.29%	2018/2/28	2027/2/28
Development Bank of Japan Inc.	750	0.35%	2018/2/28	2027/2/28
MUFG Bank, Ltd.	4,700	0.27%	2018/2/28	2027/8/31
Mizuho Bank, Ltd.	2,700	0.35%	2018/2/28	2030/2/28
Mizuho Bank, Ltd.	3,000	0.19%	2018/5/23	2022/5/23
Total	143,122			

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

Investment corporation bonds

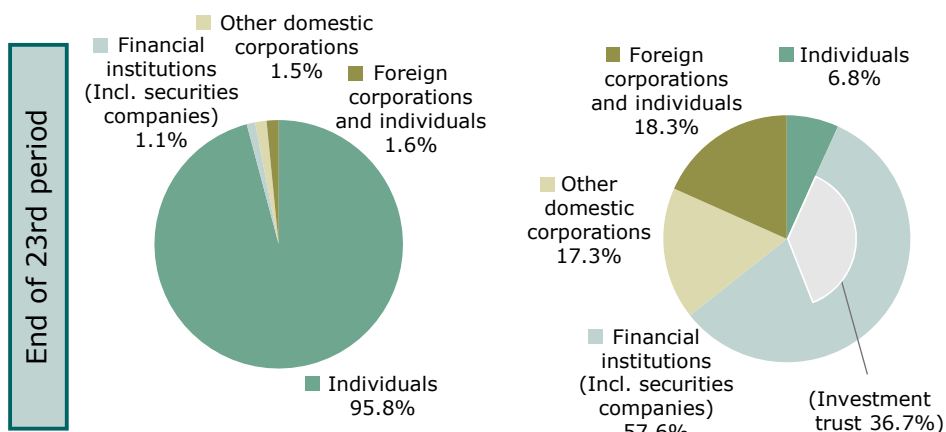
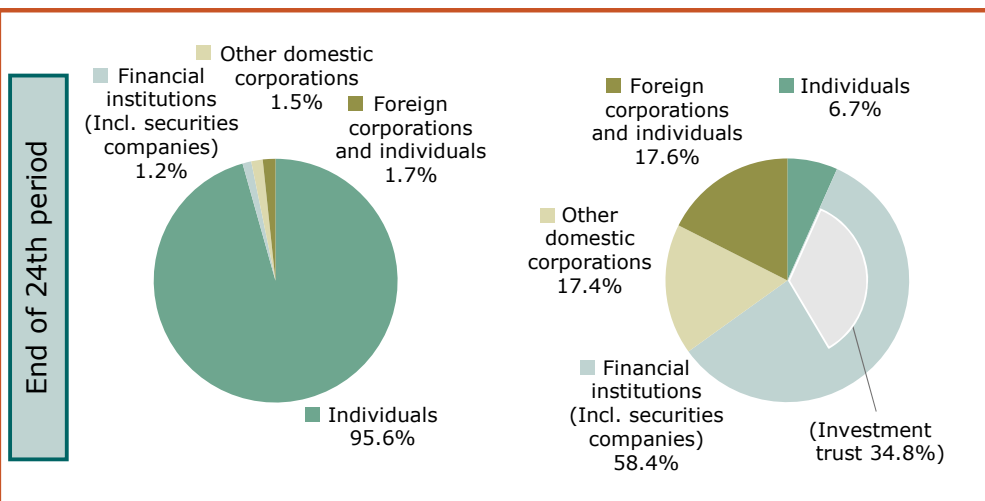
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
9th Series Unsecured Corporation Bond (7 years)	2,000	1.26%	2013/5/24	2020/5/22
10th Series Unsecured Corporation Bond (5 years)	3,000	0.41%	2014/2/24	2019/2/22
11th Series Unsecured Corporation Bond (7 years)	2,000	0.69%	2014/2/24	2021/2/24
12th Series Unsecured Corporation Bond (10 years)	2,000	0.87%	2014/11/27	2024/11/27
13th Series Unsecured Corporation Bond (5 years)	3,000	0.32%	2015/5/26	2020/5/26
14th Series Unsecured Corporation Bond (10 years)	2,000	0.82%	2015/5/26	2025/5/26
15th Series Unsecured Corporation Bond (5 years)	3,500	0.38%	2015/11/26	2020/11/26
16th Series Unsecured Corporation Bond (10 years)	1,500	0.89%	2015/11/26	2025/11/26
17th Series Unsecured Corporation Bond (10 years)	2,000	0.34%	2016/8/30	2026/8/28
18th Series Unsecured Corporation Bond (10 years)	2,000	0.49%	2017/1/31	2027/1/29
19th Series Unsecured Corporation Bond (10 years)	2,000	0.50%	2017/6/30	2027/6/30
Total	25,000			

3-9 Unitholders breakdown (As of July 31, 2018)

Unitholders breakdown

<Number of unitholders>

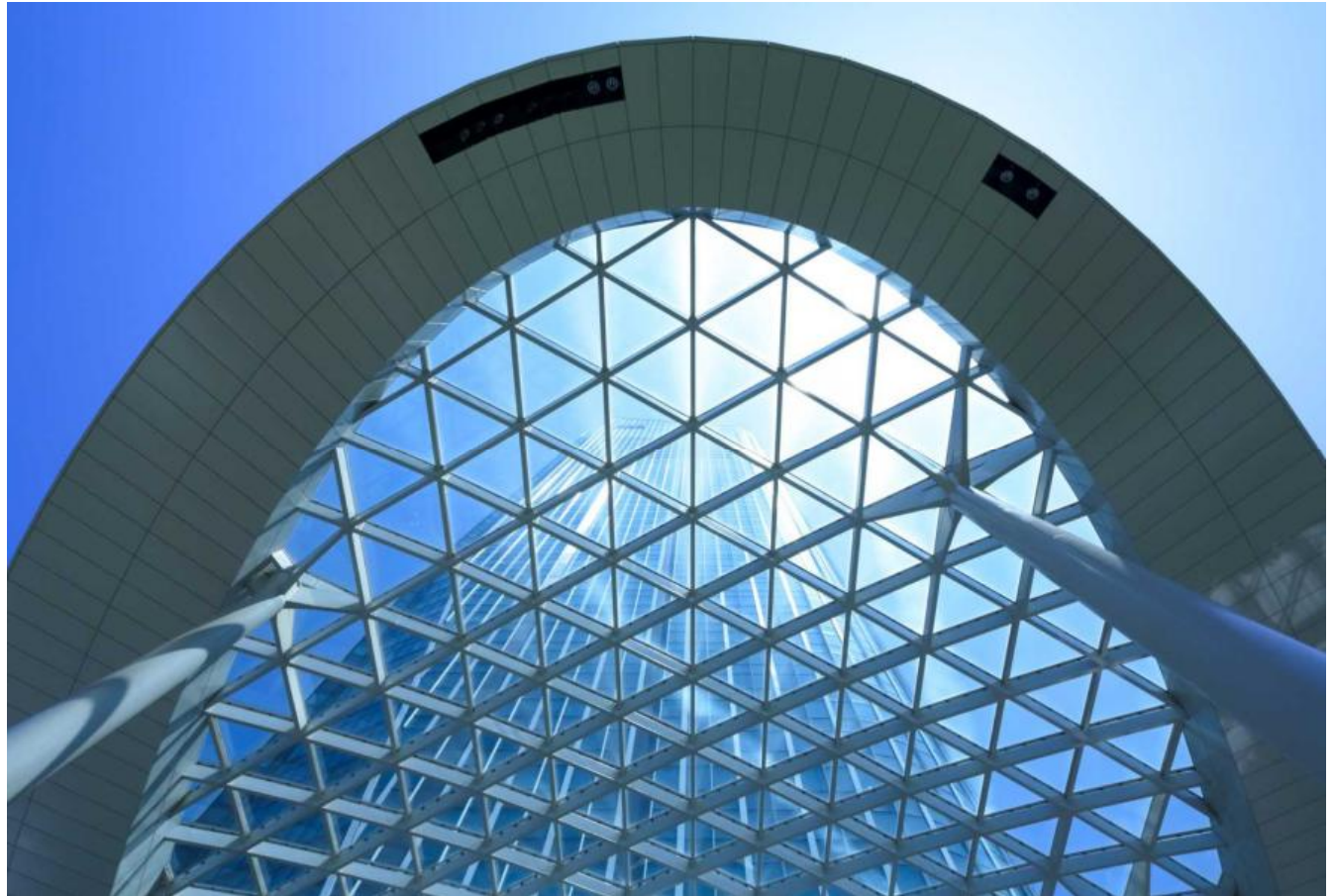
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust account)	355,390	20.3%
2	Mori Building Co., Ltd.	262,772	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	227,407	13.0%
4	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	70,555	4.0%
5	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	65,551	3.7%
6	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	30,696	1.8%
7	THE BANK OF NEW YORK 133970	26,817	1.5%
8	STATE STREET BANK AND TRUST COMPANY 505012	26,309	1.5%
9	STATE STREET BANK WEST CLIENT - TREATY 505234	19,201	1.1%
10	JP MORGAN CHASE BANK 385771	16,901	1.0%
Total of top 10 unitholders		1,101,599	62.9%

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



4-1 Business environment recognition

Real estate market / Lending attitude

- Low vacancy rates and gradual increase of rents of office buildings in central Tokyo is ongoing.
(Forecast of Office Market Trends Research Committee for Tokyo's five central wards)
 - ⇒ Vacancy rate (forecast): 3.2% in 2018 → 3.7% in 2019
 - ⇒ Rent index (forecast): 117 in 2018 → 118 in 2019
- Although cap rates remain at historically low levels, the rate of decrease seems more moderate.
(Japan Real Estate Institute's "The Japanese Real Estate Investor Survey")
 - ⇒ Class A buildings in Marunouchi
Cap rate: 3.2% in October 2017 → 3.0% in April 2018
- Lending attitude toward the real estate industry continues to be highly positive.

Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and the core CPI rate of increase is at a low level.
 - ⇒ 10-year bond rates: 0.110% (August 31, 2018)
 - ⇒ Core CPI: +0.8% (July 2018)
- In the July 2018 preliminary business conditions composite index, the leading index was at 103.5 (1.1 PT decrease from previous month) and the coincident index was at 116.3 (0.6 PT decrease from previous month). Trends over the past few years have been positive, but the recent figures are down.
- The growth of money stock is limited.
The issue of wage increases can be seen from the consumer confidence survey and the monthly labor survey. Future trends will be scrutinized.

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

- Global business confidence continues to be steady but there are instability factors that require attention
- Given the Bank of Japan's monetary policy, the interest rate level is expected to remain low for a while, but it is necessary to assume an interest rate rise in the medium to long term

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

4-2 MHR's policy/strategy

External growth policy

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

Internal growth policy

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

Financial management policy

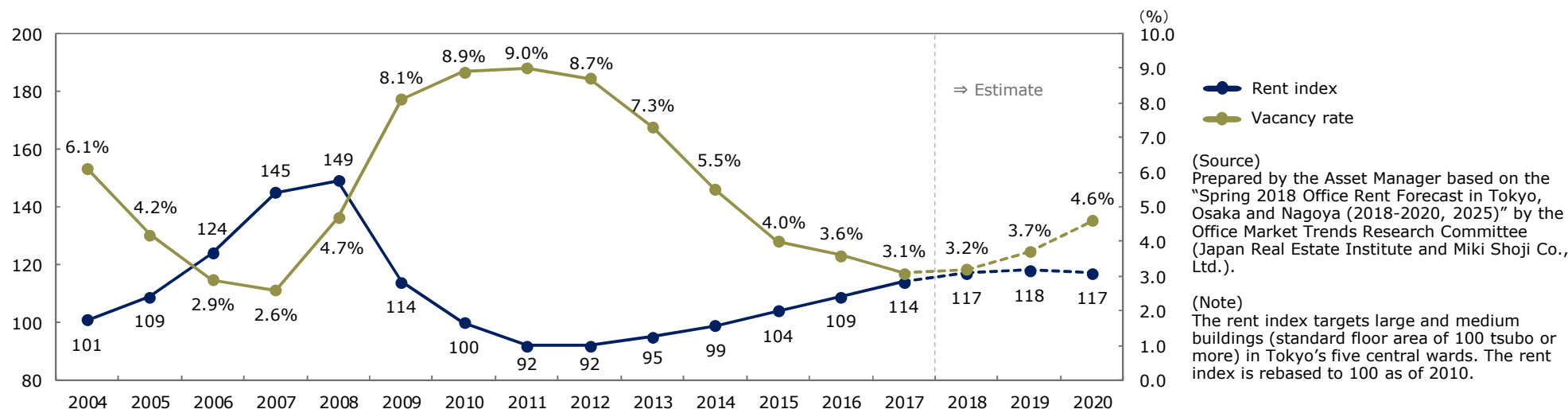
- Target LTV (book value basis) in the mid 40% range (though it may temporarily exceed the target level as necessary) in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years or longer,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

Policy regarding the entire investment corporation

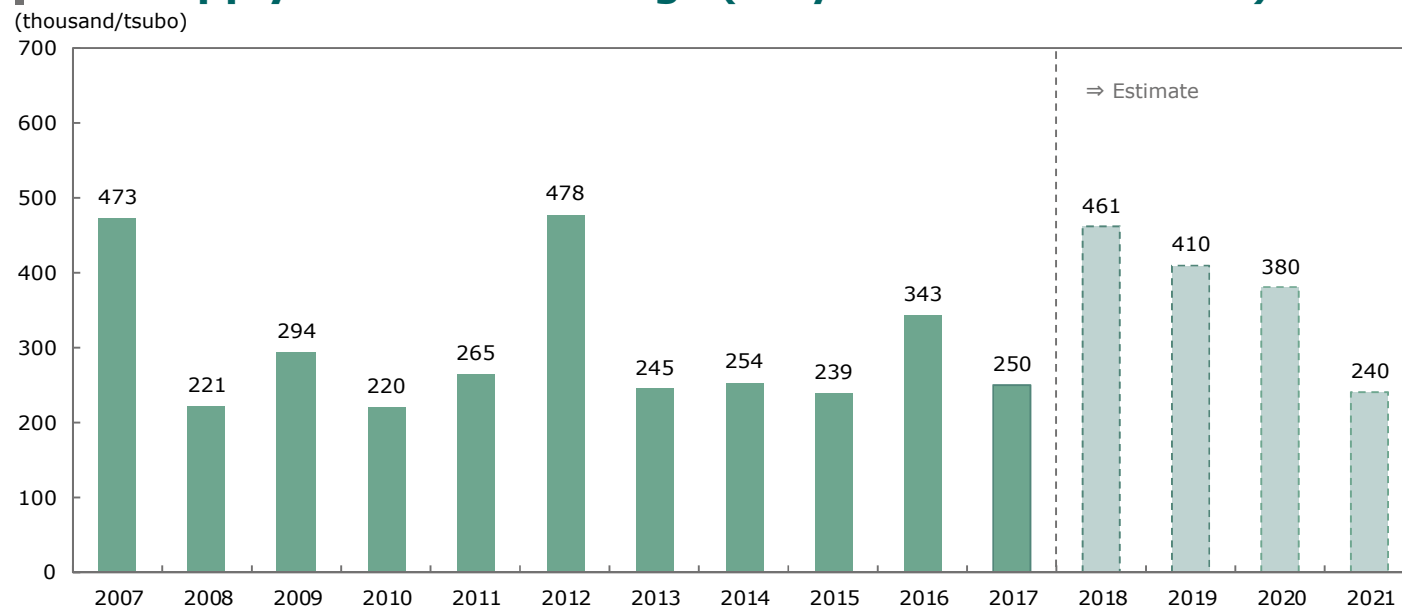
- **Promote portfolio size expansion while maintaining an asset quality level that is one of the best in the industry and aim for continuous improvement of dividends and NAV per unit**

4-3 Market-related information (1)

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



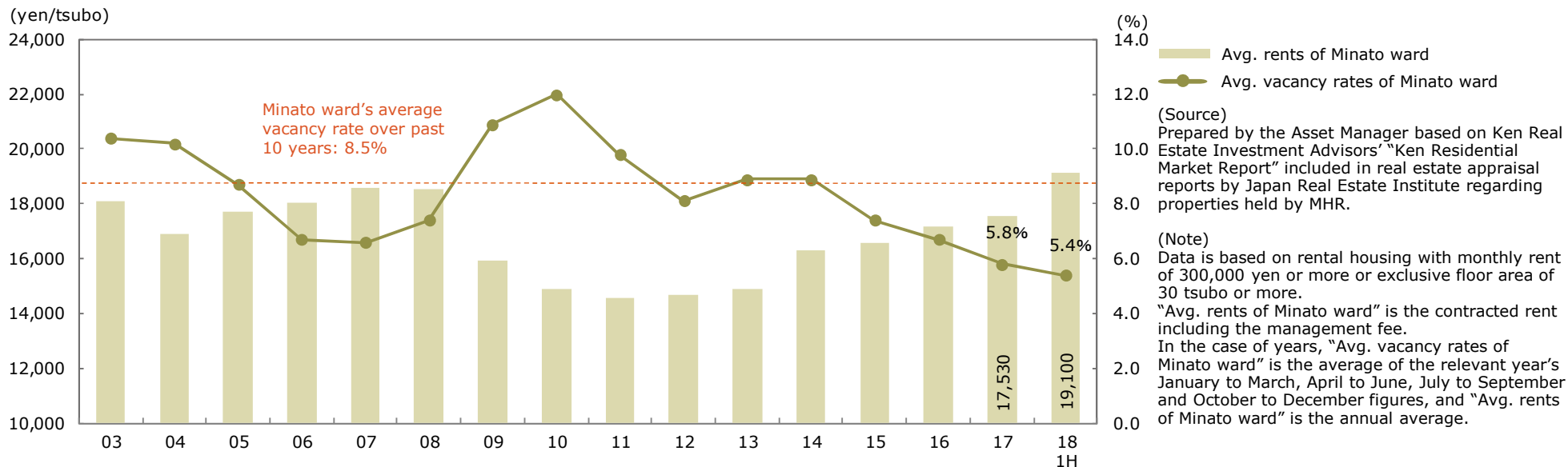
New supply of office buildings (Tokyo's five central wards)



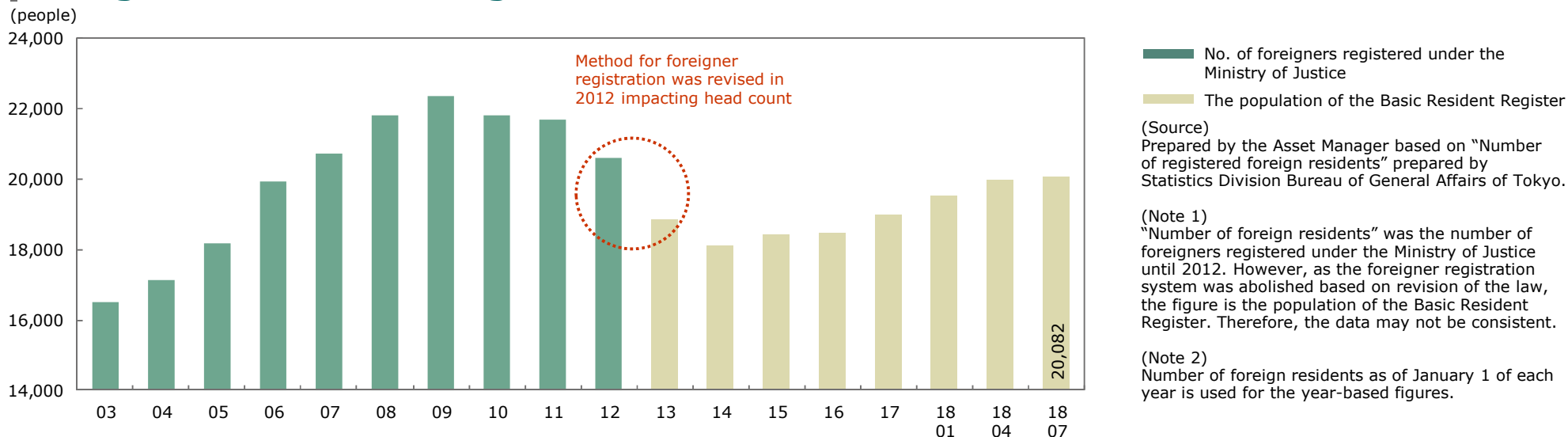
(Source)
Prepared by the Asset Manager based on the "Spring 2018 Office Rent Forecast in Tokyo, Osaka and Nagoya (2018-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

4-4 Market-related information (2)

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

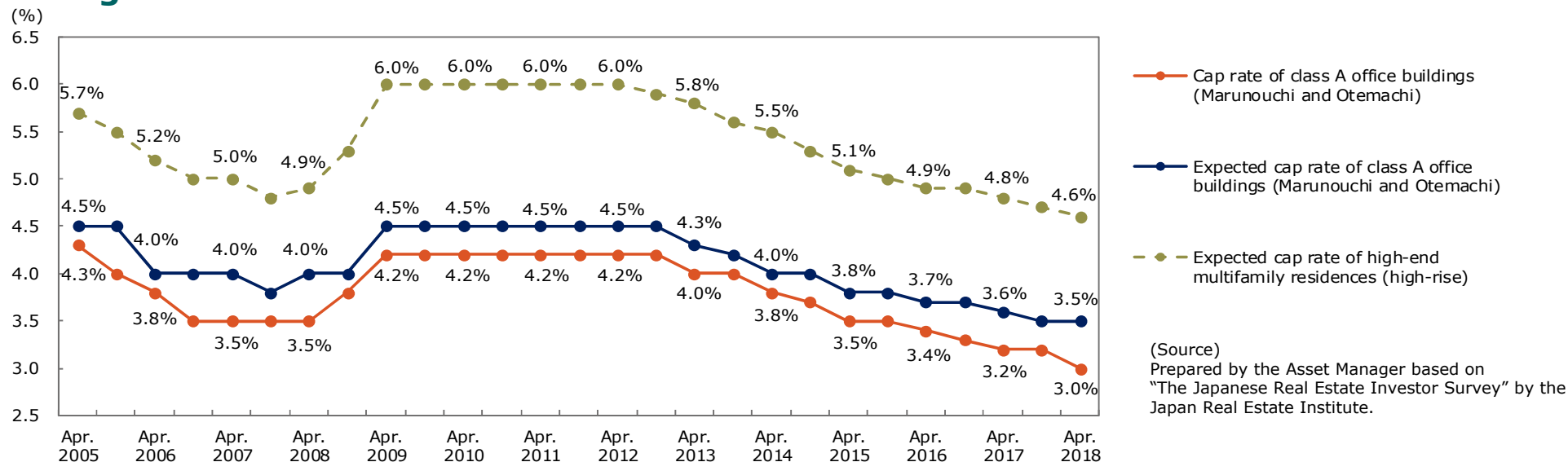


Change in number of foreign residents in Minato ward

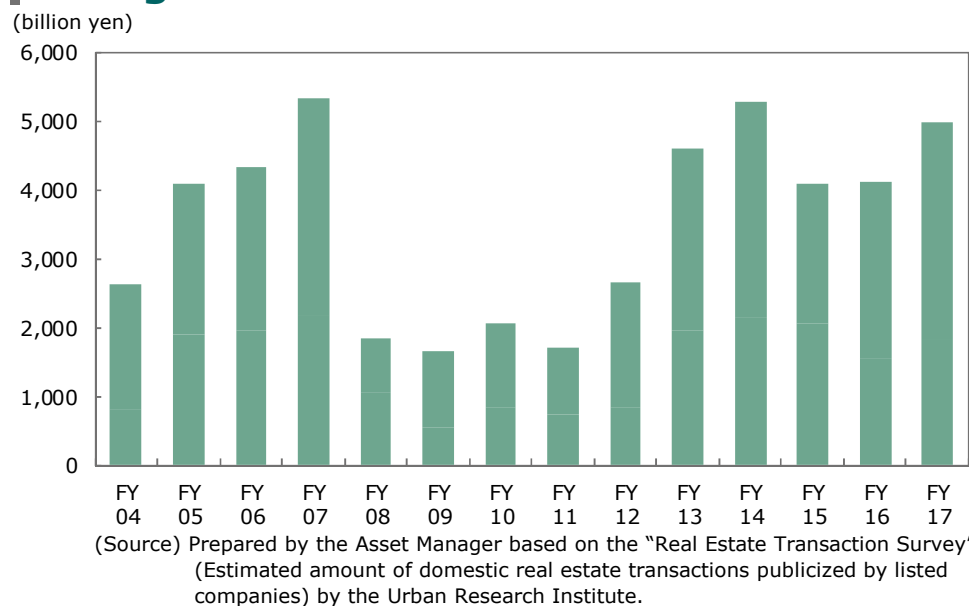


4-5 Market-related information (3)

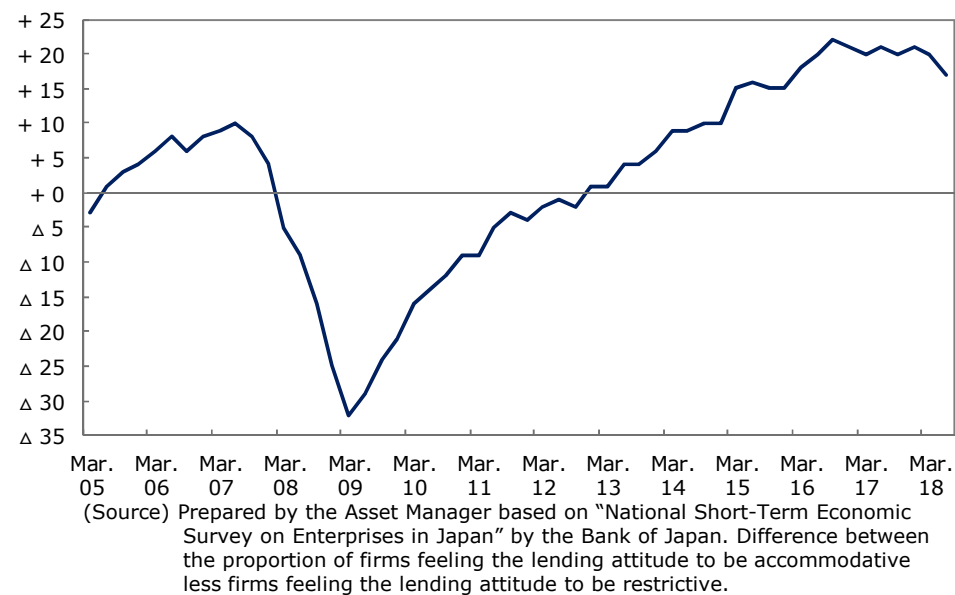
Change in return on real estate investment



Change in real estate transaction amount



Lending attitude DI (real estate industry)



4-6 Market-related information (4)

Change in 10-year bond interest rates



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

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



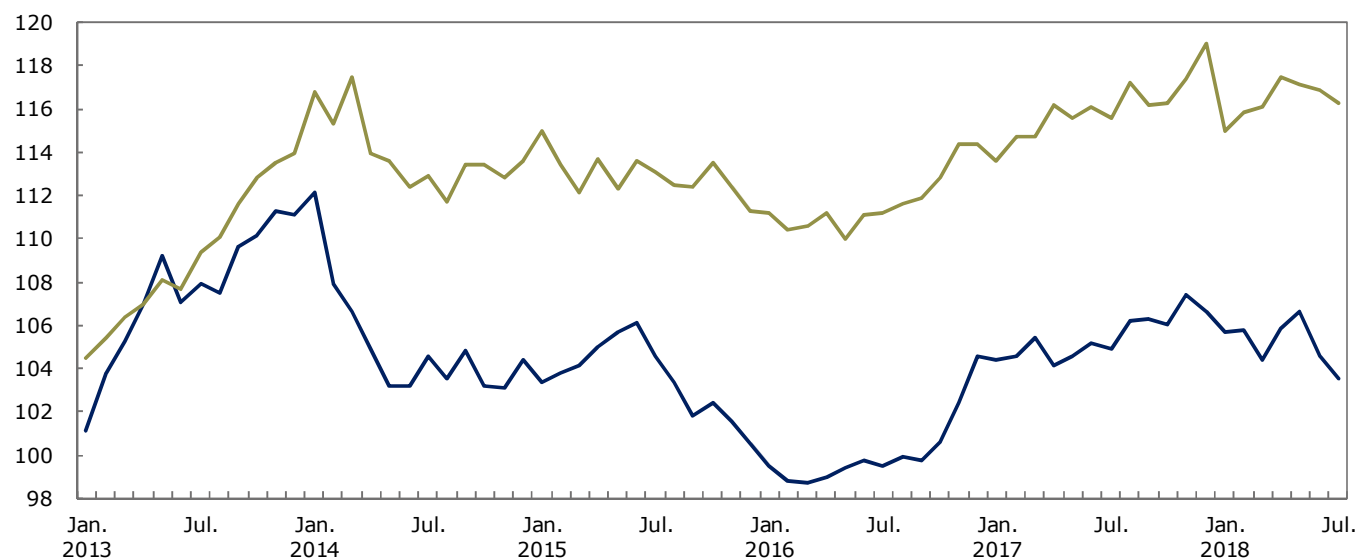
Based on figures excluding the
direct effects of the consumption
tax rate increase

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

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

4-7 Market-related information (5)

Business conditions composite index



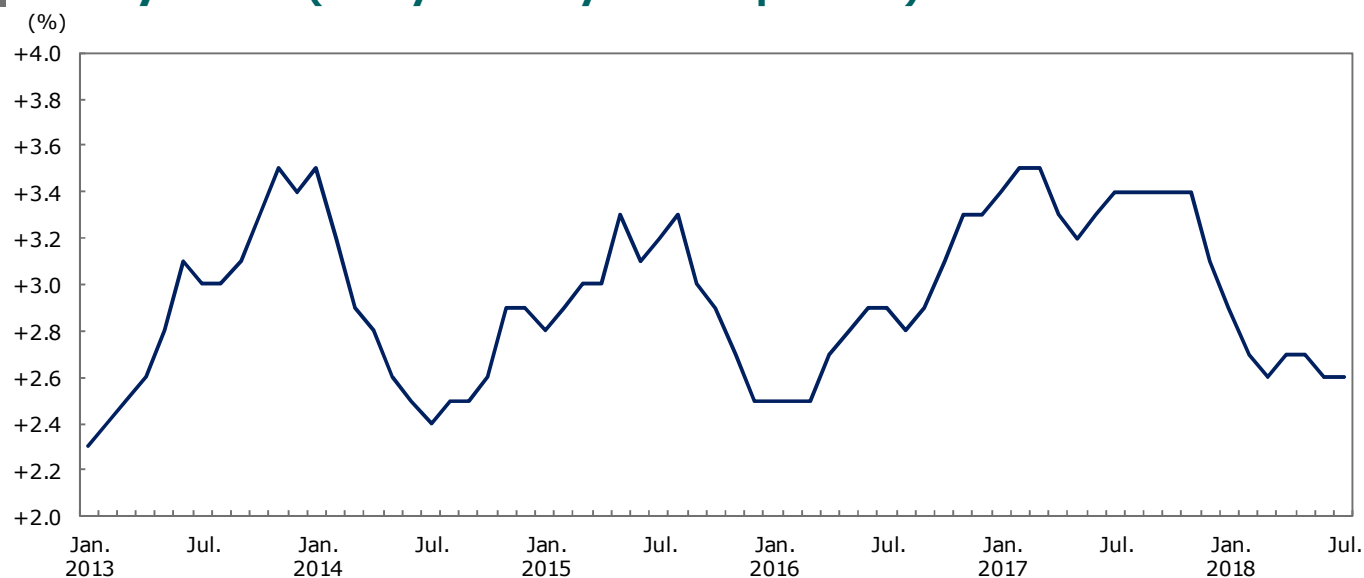
July 2018 figures are based on preliminary data

Leading index
Coincident index

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

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

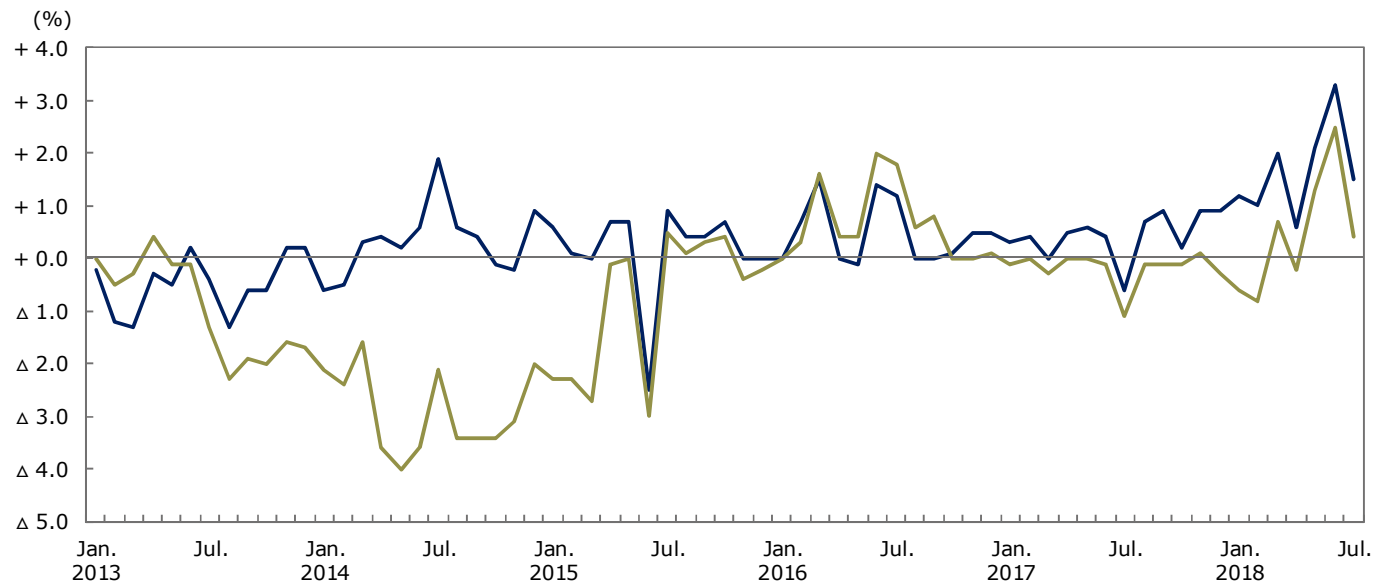
Money stock (M3: year-on-year comparison)



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

4-8 Market-related information (6)

Total cash earnings

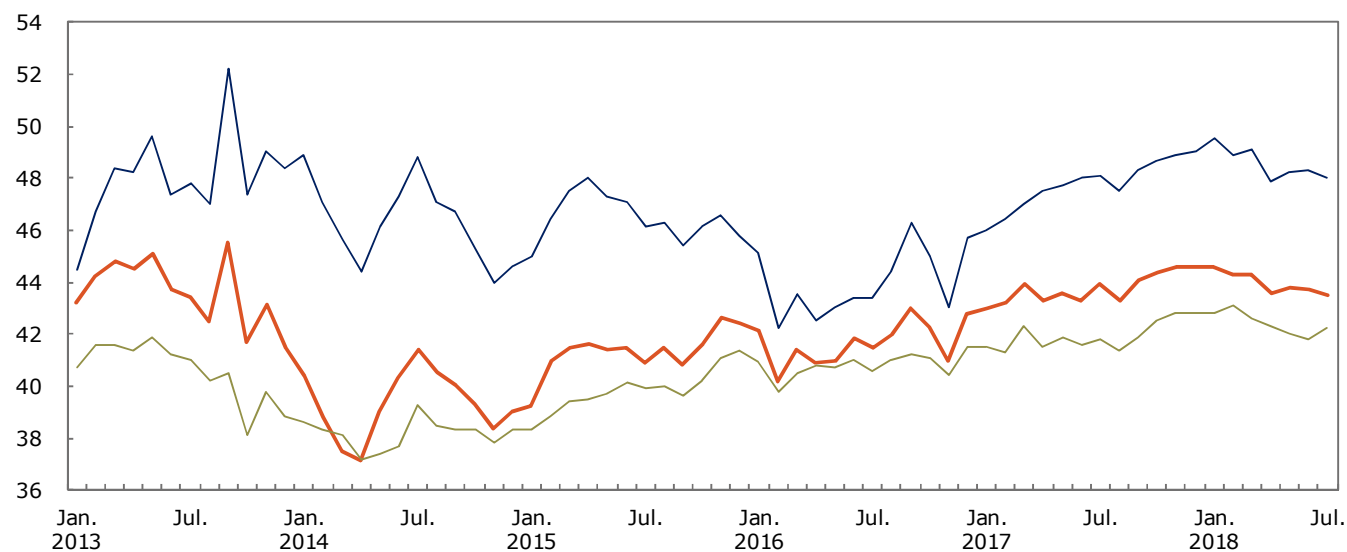


July 2018 figures are based on preliminary data

Legend: Nominal (blue line), Real (olive line)

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

Consumer confidence survey



Legend: Employment (blue line), Consumer confidence index (orange line), Income growth (olive line)

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

5. Appendix



5-1 Financial highlights

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

5-2 Balance sheet

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

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

5-3 Income statement

(thousand yen)

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

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

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

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

Retained earnings

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

5-5 Status of income and expenditures (1)

(thousand yen)

Property number	O-0			O-1			O-4			O-6		
Property name	Roppongi Hills Mori Tower			ARK Mori Building			Koraku Mori Building			Akasaka Tameike Tower		
Acquisition price	115,380,000			62,480,000			27,200,000			43,930,000		
Period	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	97.6%	100%	2.4PT	95.4%	98.0%	2.6PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	97.6%	99.2%	1.6PT	94.4%	97.2%	2.8PT
Number of tenants	1	1	0	1	1	0	22	23	1	136	140	4
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	630,403	642,408	12,004	726,325	751,972	25,646
Other operating revenues	—	—	—	—	—	—	92,597	93,443	846	79,325	75,894	△ 3,430
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	723,000	735,851	12,851	805,650	827,866	22,215
Property management	412,351	412,351	—	181,872	181,872	—	60,418	67,488	7,069	163,544	167,487	3,942
Property taxes (Note 1)	221,761	227,619	5,857	74,177	76,060	1,882	30,669	32,878	2,209	41,705	42,041	336
Utilities	—	—	—	—	—	—	72,608	68,070	△ 4,537	28,329	27,482	△ 846
Maintenance and repairs	—	—	—	370	—	△ 370	19,756	8,238	△ 11,517	27,729	75,008	47,278
Insurance premium	4,179	4,111	△ 68	1,873	1,842	△ 30	1,714	1,686	△ 27	2,027	2,178	150
Depreciation (1)	437,774	417,419	△ 20,355	60,214	62,408	2,193	97,048	92,784	△ 4,264	136,517	138,629	2,111
Other expenses (Note 2)	377	379	1	2,795	2,794	△ 0	75,412	75,413	0	11,082	10,623	△ 458
Total property operating expenses	1,076,445	1,061,880	△ 14,564	321,302	324,978	3,676	357,627	346,559	△ 11,067	410,937	463,453	52,515
Property operating income (2)	1,867,005	1,881,570	14,564	1,030,184	1,026,507	△ 3,676	365,372	389,291	23,918	394,712	364,412	△ 30,299
NOI (3) ((1)+(2))	2,304,780	2,298,989	△ 5,791	1,090,399	1,088,916	△ 1,482	462,421	482,075	19,654	531,230	503,042	△ 28,187
Annualized NOI	4,571,982	4,636,083	64,100	2,163,019	2,195,882	32,862	917,302	972,142	54,839	1,053,799	1,014,423	△ 39,376
Annualized NOI/ Acquisition price	4.0%	4.0%	0.1PT	3.5%	3.5%	0.1PT	3.4%	3.6%	0.2PT	2.4%	2.3%	△ 0.1PT
CAPEX (4)	15,597	137,992	122,395	11,782	92,418	80,635	71,907	19,078	△ 52,828	45,024	103,650	58,625
NCF (3)-(4)	2,289,183	2,160,996	△ 128,186	1,078,616	996,498	△ 82,117	390,513	462,997	72,483	486,205	399,392	△ 86,813

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

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

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

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

5-6 Status of income and expenditures (2)

(thousand yen)

Property number		O-7			O-8			O-9			O-10		
Property name		Atago Green Hills			ARK Hills South Tower			Toranomon Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price		42,090,000			19,150,000			10,140,000 (before acquisition 5,070,000)			11,760,000 (before acquisition 9,330,000)		
Period		23rd Jan. 2018	24th Jul. 2018	Difference	23rd Jan. 2018	24th Jul. 2018	Difference	23rd (Note 3) Jan. 2018	24th (Note 3) Jul. 2018	Difference	23rd (Note 3) Jan. 2018	24th (Note 3) Jul. 2018	Difference
Operation days		184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate		100%	100%	0.0PT	92.8%	98.3%	5.5PT	100%	100%	0PT	96.3%	100%	3.7PT
Avg. Occupancy rate (during period)		100%	100%	0.0PT	87.9%	97.6%	9.7PT	100%	100%	0PT	98.8%	99.7%	0.9PT
Number of tenants		1	1	0	39	42	3	1	1	0	23	24	1
	Rent revenues	1,012,320	1,012,320	—	419,036	463,094	44,057	108,581	199,065	90,484	288,486	357,587	69,100
	Other operating revenues	—	—	—	25,844	28,477	2,632	—	—	—	13,234	19,196	5,962
	Total property operating revenue	1,012,320	1,012,320	—	444,881	491,572	46,690	108,581	199,065	90,484	301,721	376,783	75,062
	Property management	2,664	2,664	—	60,749	48,585	△ 12,164	12,652	23,196	10,543	59,560	73,403	13,842
	Property taxes (Note 1)	68,889	68,774	△ 114	32,741	33,755	1,013	—	4,018	4,018	—	9,947	9,947
	Utilities	—	—	—	29,824	29,826	2	—	—	—	3,559	5,292	1,732
	Maintenance and repairs	—	—	—	2,214	2,359	145	—	—	—	399	1,026	626
	Insurance premium	3,426	3,370	△ 55	1,048	1,031	△ 17	174	308	134	565	680	114
	Depreciation (1)	183,660	184,545	885	44,142	44,198	56	16,537	28,867	12,330	27,453	33,506	6,052
	Other expenses (Note 2)	37,825	37,973	148	1,621	1,529	△ 91	9	18	9	117	146	28
Total property operating expenses		296,465	297,328	862	172,341	161,286	△ 11,055	29,374	56,410	27,035	91,657	124,002	32,345
Property operating income (2)		715,854	714,991	△ 862	272,540	330,285	57,745	79,206	142,655	63,448	210,064	252,781	42,717
NOI (3) ((1)+(2))		899,515	899,537	22	316,682	374,484	57,801	95,744	171,523	75,778	237,517	286,287	48,769
	Annualized NOI	1,784,364	1,813,984	29,620	628,202	755,175	126,973	189,928	374,886	184,958	471,162	596,383	125,220
	Annualized NOI/Acquisition price	4.2%	4.3%	0.1PT	3.3%	3.9%	0.7PT	3.7%	3.7%	△ 0.1PT	5.0%	5.1%	0.0PT
CAPEX (4)		11,765	44,730	32,965	1,900	1,910	10	—	—	—	6,012	11,304	5,292
NCF (3)-(4)		887,749	854,807	△ 32,942	314,782	372,574	57,791	95,744	171,523	75,778	231,504	274,982	43,477

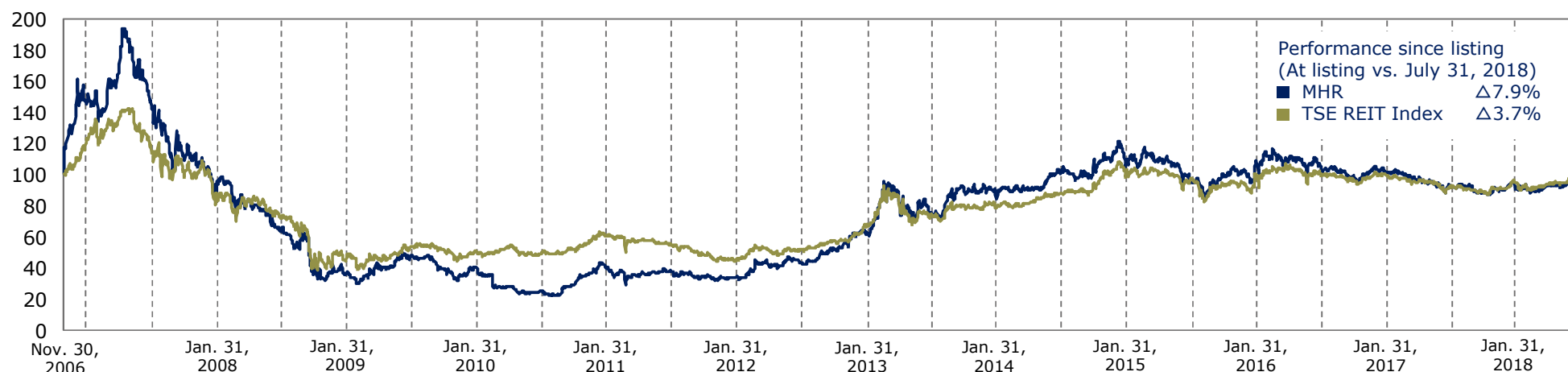
5-7 Status of income and expenditures (3)

(thousand yen)

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

5-8 Unit price performance since IPO

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



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

(Note) Rebased to 100 as per IPO price

Unit price per period-end (closing price)

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

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

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

(Reference)

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

5-9 Investment criteria

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

Investments focusing on Premium Properties

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

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

Premium Properties

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

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

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

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

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

Office building focus

Office building

50% or more

Tokyo's five central wards focus

Tokyo's five central wards and their vicinity

50% or more

(Tokyo Metropolitan Area: 80% or more)

Earthquake-resistance focus

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

Approach and system of sustainability

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

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

Environment initiatives

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

<Environmental policies>

1. Increasing greenery and biodiversity

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

2. Climate change

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

3. Resource recycling and anti-pollution measures

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

4. Collaborating with Suppliers

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

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

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



“Oval Plaza” garden

Social Initiatives

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

<Social policies>

1. Initiatives with Tenants and Local Communities

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

2. Initiatives with Employees

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

3. Initiatives with Investors

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

○ All Japanese Listed Companies' Website Ranking

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

"AAA Website" in 2017

"AAA Website" in 2016

"AAA Website" in 2015



Governance Initiatives

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

<Governance policies>

1. Corporate Governance

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

2. Compliance

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

3. Risk Management

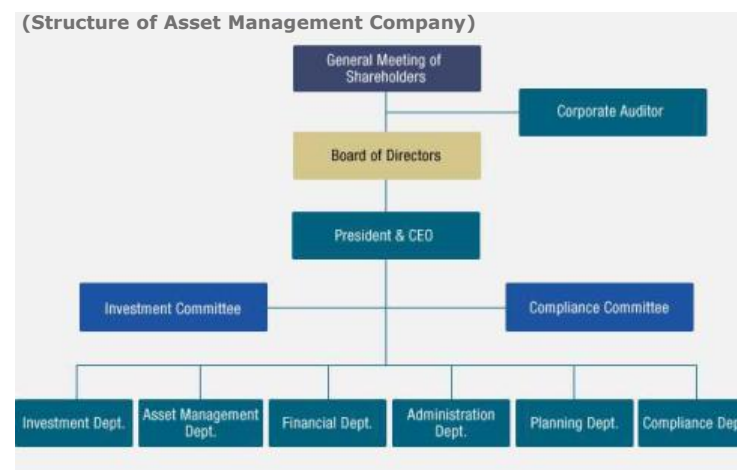
We are well aware that various risks in business execution may undermine our corporate value. We identify risks according to changes in public perceptions and the business environment, and we implement appropriate monitoring and responses to prevent and minimize damage at the time of occurrence of the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

○ Corporate Governance and Structure of Asset Management

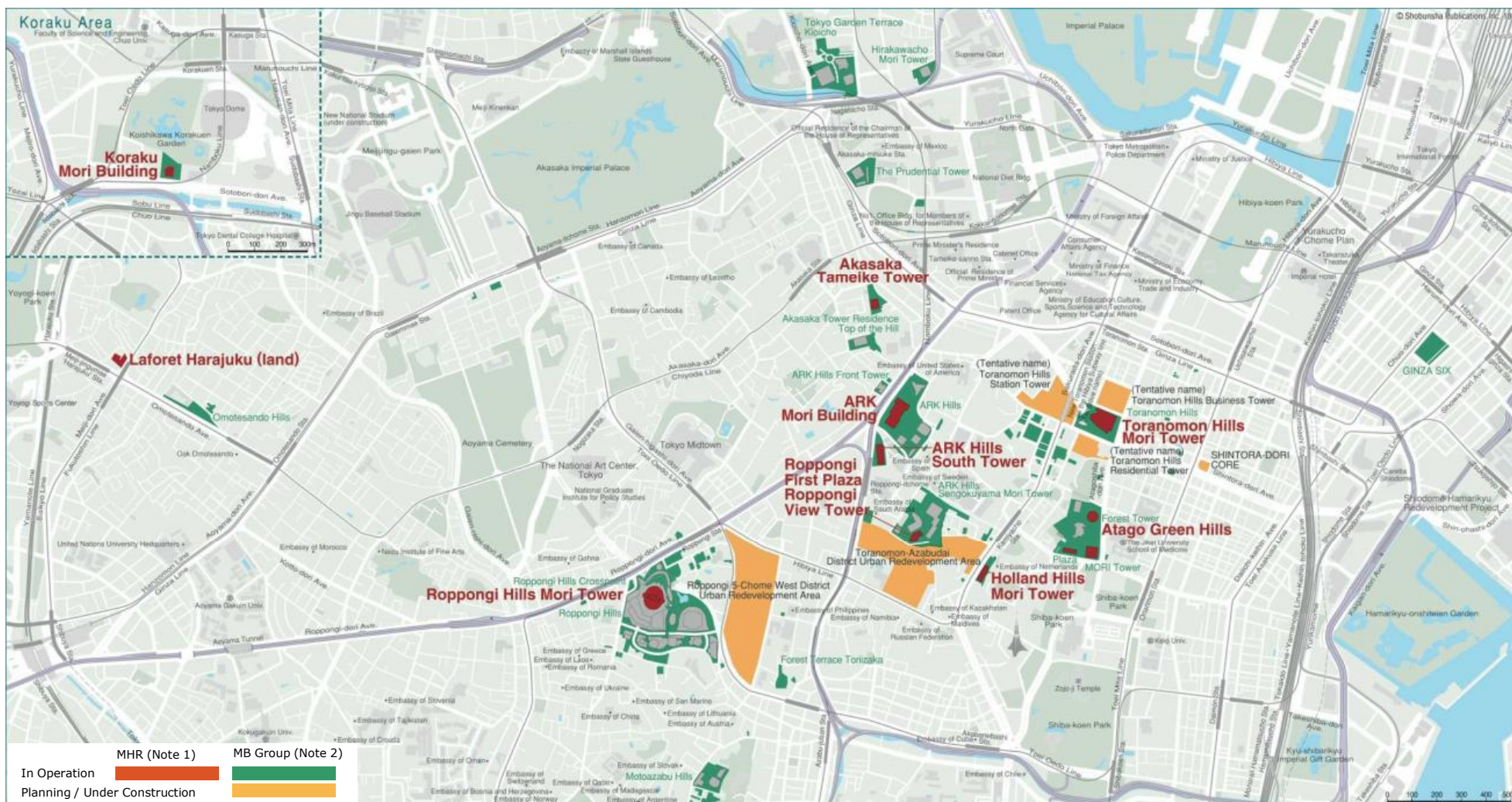
MHR shall have at least one executive director and at least two supervisory directors (or, at least one more than the number of the executive directors), and the board of directors shall be comprised of the executive directors and supervisory directors.

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

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



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














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

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

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

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

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)
									MORI Tower	Forest Tower	Plaza			
		O-0	O-1	O-4	O-8	O-9	O-10	O-6	O-7			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 <small>(Large-scale renovation in 2005)</small>	Mar. 2000	Jul. 2013	May. 2014	Jan. 2005	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Oct. 1993		—
Building age		15 years 5 months	32 years 5 months	18 years 5 months	5 years 1 month	4 years 3 months	13 years 7 months	17 years 11 months	17 years 1 month	16 years 10 months	17 years 1 month	24 years 10 months		—
Total number of floors		54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	20 above ground, 4 below	52 above ground, 5 below	24 above ground, 2 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 1 below		—
Gross floor area		approx. 442,150㎡	approx. 177,486㎡	approx. 46,154㎡	approx. 53,043㎡	approx. 241,581㎡	approx. 35,076㎡	approx. 46,971㎡	approx. 85,266㎡	approx. 60,815㎡	approx. 2,083㎡	approx. 22,906㎡		—
Owner-ship <small>(Note 1)</small>	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. 4.7%)	Co-ownership (approx. 4.6%)	Ownership
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (approx. 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 <small>(Note 2)</small>		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 <small>(Note 3)</small>		Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	—	—	—	—
Acquisition price <small>(mn yen)</small>		115,380	62,480	27,200	19,150	36,210	16,330	43,930	42,090			2,100	4,000	21,820
Occupancy rate <small>(Note 4)</small>		100%	100%	100%	98.3%	100%	100%	98.0%	100%			97.4%	98.0%	100%

Average building age
17.5 years (Note 2)

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 Sompo Risk Management & Health Care Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of July 31, 2018.
- (Note 5) For calculation of the "Average building age" of Atago Green Hills, we have assumed that construction of the building was completed on July 30, 2001.