



Mori Hills REIT Investment Corporation

Results of the 25th Fiscal Period ended January 31, 2019

Presentation Material

March 18, 2019



TSE Code: 3234

<https://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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1 Executive summary

Financial summary 25th (Jan. 2019)

- Operating revenue: 9,423 million yen, operating income: 5,945 million yen, net income: 5,292 million yen **Increased revenue and income period-over-period**
- DPU: 2,822 yen (+2.5% from 24th period) **Increasing for 17 consecutive fiscal periods**
- DPU increased by +6.1% over the last year, continuing steady rate of growth
- NAV per unit increased by +14.4% during the last year **The largest among J-REITs**

External growth

- Executed public offering in August 2018, additionally acquired Toranomom Hills Mori Tower and Holland Hills Mori Tower for 30.6 billion yen in September
- Acquired high-quality assets in central Tokyo by utilizing sponsor pipeline and avoiding going through competitive bidding process
- Further improvement in asset value of MHR's properties are expected due to development by sponsor in surrounding area

Internal growth

- Occupancy ratio continued to be strong, office 99.7% and residential 97.7%
- Achieved steady internal growth with rent revision rate of office +6.9% and residential +5.3% (Average of all renewals)
- Rate of office rent gap increased from $\Delta 3.7\%$ in 24th period to $\Delta 4.0\%$ in 25th period

Financial management

- Maintained the target level by book value basis LTV 46.2%, appraisal value basis LTV 40.4%, remaining duration of debt 4.3 years
- MHR redeemed the investment corporation bond (3 billion yen) after the financial closing and the book value basis LTV after redemption is 45.8%
- Fixed interest rate ratio increased to 90.2%

2. Investment highlights



2-1 Unit price performance



Market value

41.9 bn yen
(Sep. 14, 2010)

263 bn yen
(Mar. 8, 2019)

(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

	24th period	25th period		25th period
	Jul. 31, 2018	Jan. 31, 2019		Jan. 31, 2019
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	8,751	9,423	+ 672	9,372
Rent revenues	8,533	9,170	+ 636	9,141
Other operating revenues	217	253	+ 36	231
Operating expenses	3,318	3,477	+ 159	3,488
Expenses related to properties	2,995	3,131	+ 135	3,168
SG&A	323	346	+ 23	320
Operating income	5,432	5,945	+ 513	5,884
Non-operating income	2	1	△ 1	1
Non-operating expenses	613	653	+ 39	653
Ordinary income	4,820	5,293	+ 472	5,232
Net income	4,819	5,292	+ 472	5,231
Total dividends	4,819	5,291	+ 471	5,231
DPU				
Total units outstanding (units)	1,750,640	1,874,960	124,320	1,874,960
DPU (yen)	2,753	2,822	+ 69	2,790
Other Indices (million yen)				
Profit on real estate rental	5,755	6,292	+ 537	6,204
Depreciation	1,031	1,074	+ 43	1,100
NOI	6,787	7,367	+ 580	7,305
NOI yield	3.8%	3.8%	△ 0.0PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	358,889	385,194	+ 26,305	385,194

Increase/decrease factor (24th - 25th)

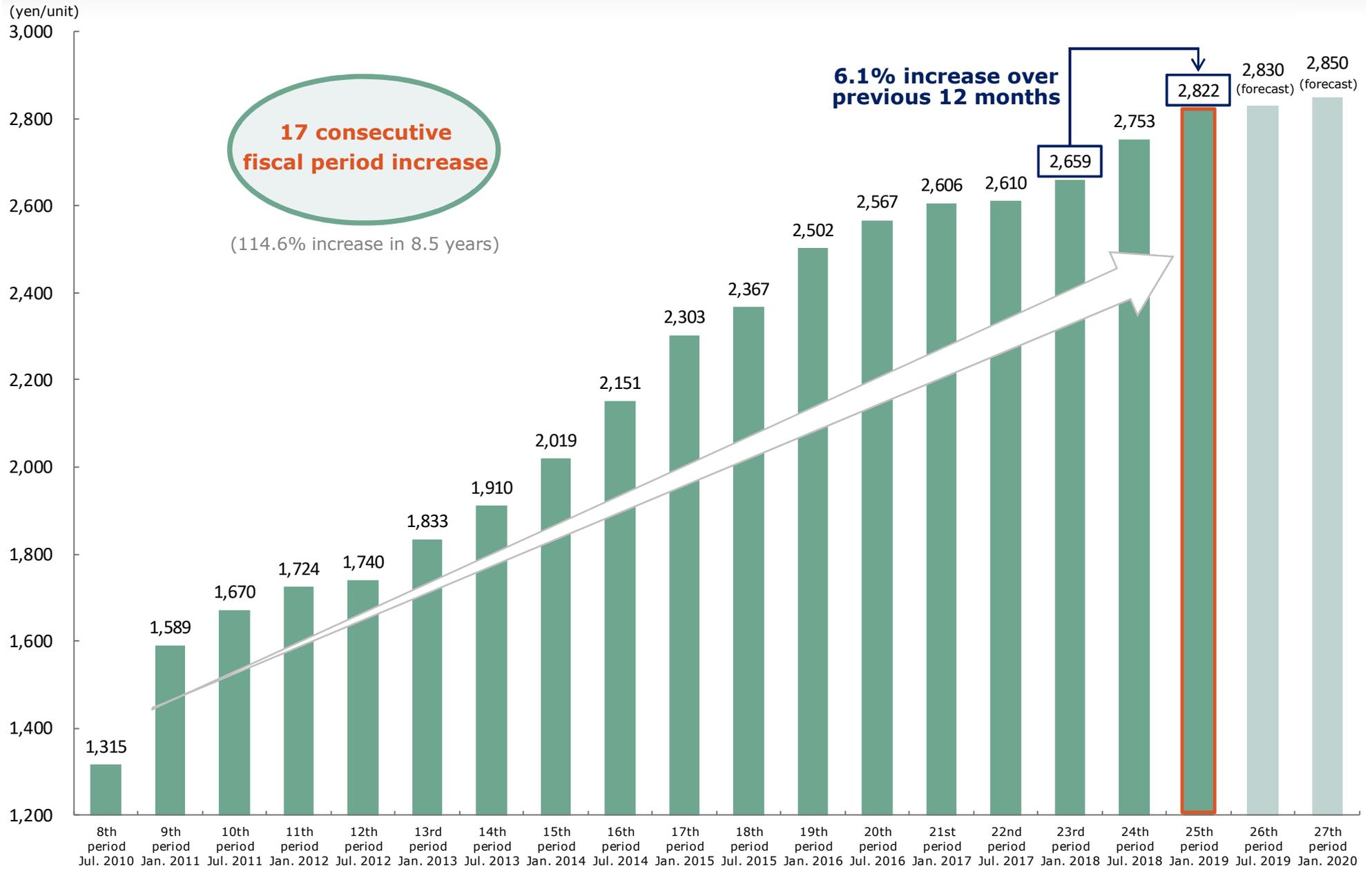
- **Operating revenue (+672 mn yen)**
 - Property acquisition in 25th period +587
 - Office (Pass-through) +39
 - Full period contribution of property acquisition in 24th period +33
 - Residential (Pass-through) +12
- **Operating expenses (+159 mn yen)**
 - Property acquisition in 25th period +148
 - Asset Management Fee +18
 - Property taxes for properties acquired in 23rd period +13
 - Property taxes for existing properties +11
 - Full period contribution of property acquisition in 24th period +6
 - Maintenance and repairs △33
- **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 △9

Increase/decrease factor for 25th period (Forecasted - Actual)

- **Operating income (+61 mn yen)**
 - Office (Pass-through) +50
 - Residential (Pass-through) +10

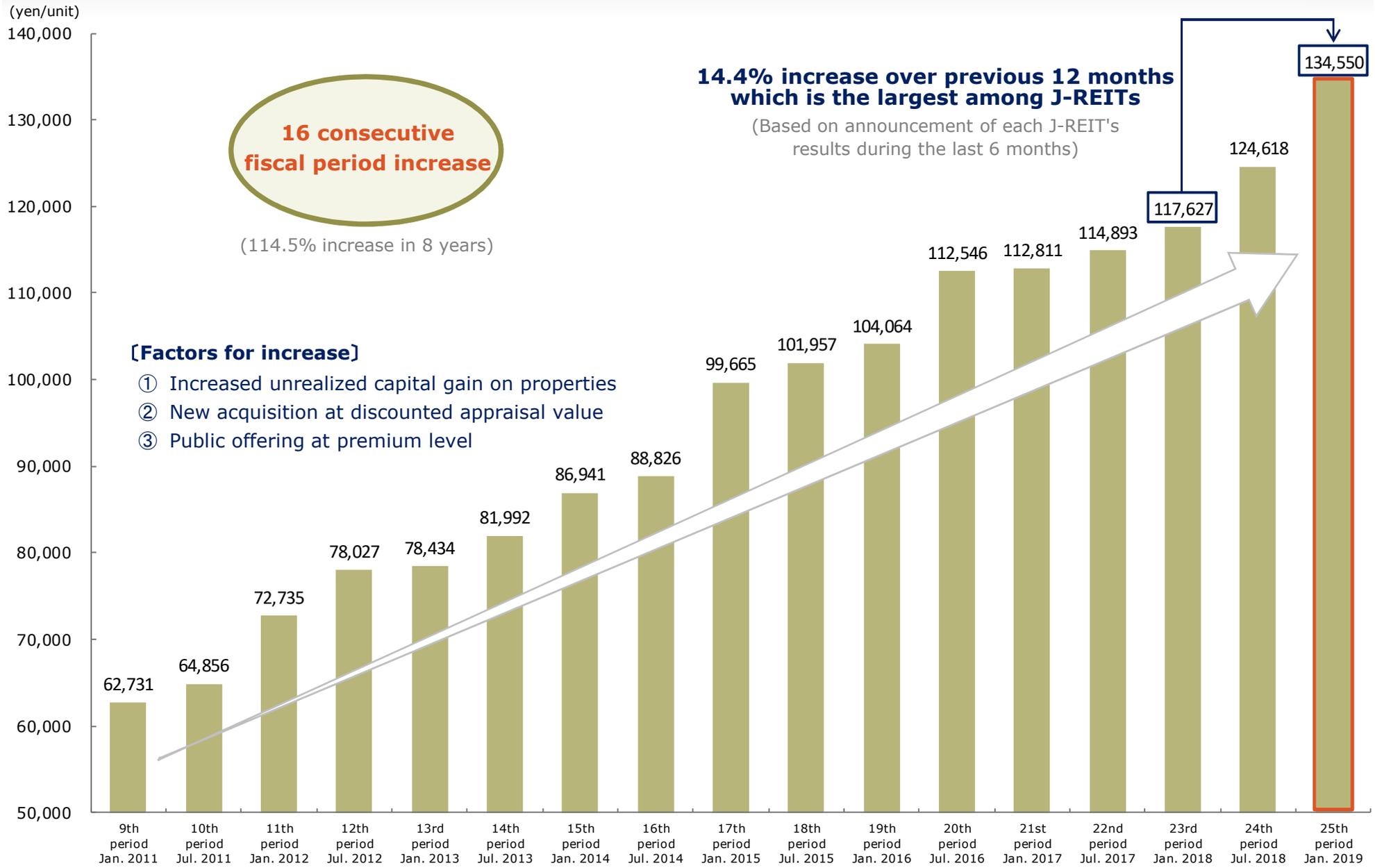
(Note) If properties are acquired during the period, the acquisition price is the weighted average based on the number of operating days.

2-3 Dividends per unit growth record



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

2-4 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.

Toranomon Hills Mori Tower (Additional acquisition)



Acquisition price	Appraisal value	NOI yield
26,070 mn yen	28,830 mn yen	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

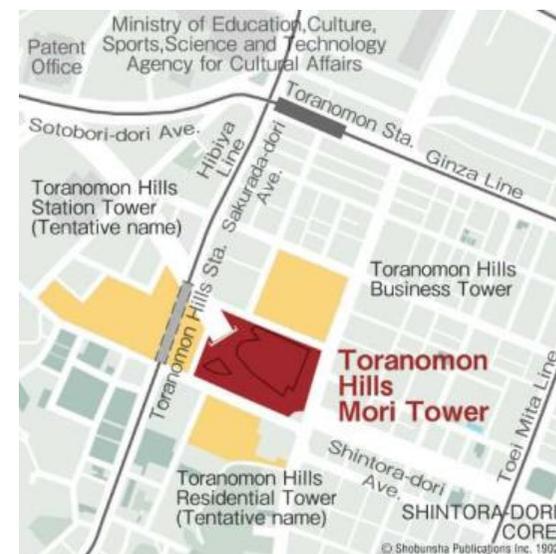
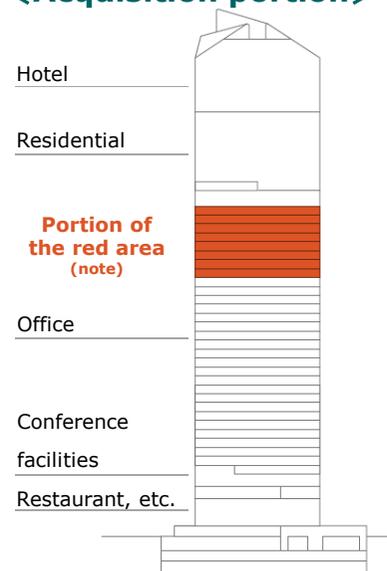
1. Super high rise tower - Tokyo's new landmark

- 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 Toranomon Hills Station 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

Holland Hills Mori Tower (Additional 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 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

<Acquisition portion>



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

2-7 Forecasts

	25th period Jan. 31, 2019	26th period Jul. 31, 2019		27th period Jan. 31, 2020
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	9,423	9,538	+ 114	9,559
Rent revenues	9,170	9,300	+ 130	9,302
Other operating revenues	253	238	△ 15	256
Operating expenses	3,477	3,604	+ 126	3,587
Expenses related to properties	3,131	3,257	+ 126	3,240
SG&A	346	347	+ 0	347
Operating income	5,945	5,934	△ 11	5,971
Non-operating income	1	1	+ 0	0
Non-operating expenses	653	629	△ 24	627
Ordinary income	5,293	5,307	+ 13	5,345
Net income	5,292	5,306	+ 13	5,344
Total dividends	5,291	5,306	+ 14	5,343
DPU				
Total units outstanding (units)	1,874,960	1,874,960	—	1,874,960
DPU (yen)	2,822	2,830	+ 8	2,850
Other Indices (million yen)				
Profit on real estate rental	6,292	6,281	△ 11	6,318
Depreciation	1,074	1,063	△ 11	1,051
NOI	7,367	7,345	△ 22	7,370
NOI yield	3.8%	3.8%	△ 0.0PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period)	385,194	390,690	+ 5,495	390,690

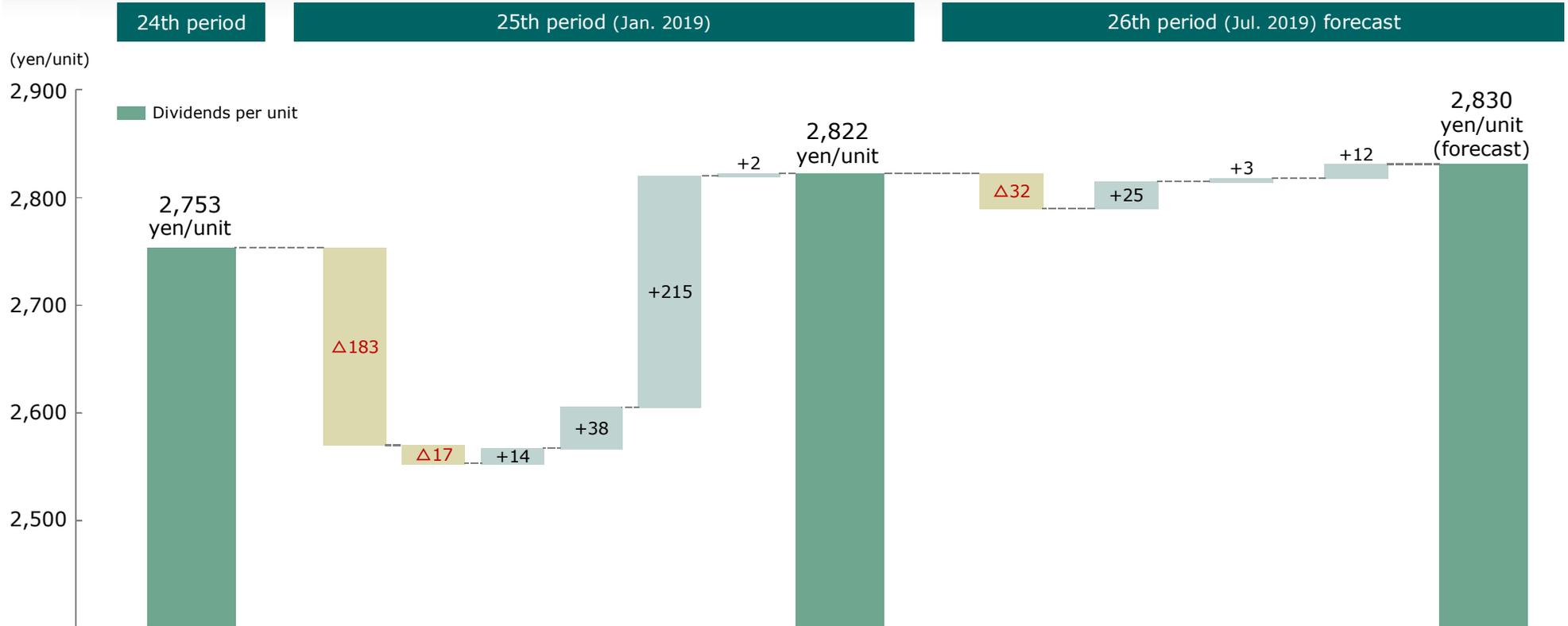
Increase/decrease factor (25th – 26th)

- **Operating revenue (+114 mn yen)**
 - Full period contribution of properties acquired in 25th period +123
 - Residential (Pass-through) △12
- **Operating expenses (+126 mn yen)**
 - Maintenance and repairs +83
 - Full period contribution of property acquisitions in 25th period +48
 - Property taxes for properties acquired in 24th and 25th period +30
 - Depreciation of existing properties △24
- **Non-operating expenses (△24 mn yen)**
 - Amortization of investment unit issuance cost △21
 - Interest on investment corporate bonds △6

Increase/decrease factor (26th – 27th)

- **Operating revenue (+20 mn yen)**
 - Office (Pass-through) +12
 - Rent revision of land (Laforet Harajuku) +9
- **Operating expenses (△17 mn yen)**
 - Property taxes for properties acquired in 24th and 25th period +30
 - Property taxes for existing properties +16
 - Maintenance and repairs △72

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



Dilution due to PO Others Full period contribution of acquisition in 24th NOI change in existing properties Properties acquired in 25th Financing costs decrease NOI change in existing properties Full period contribution of acquisition in 25th Financing costs decrease Others

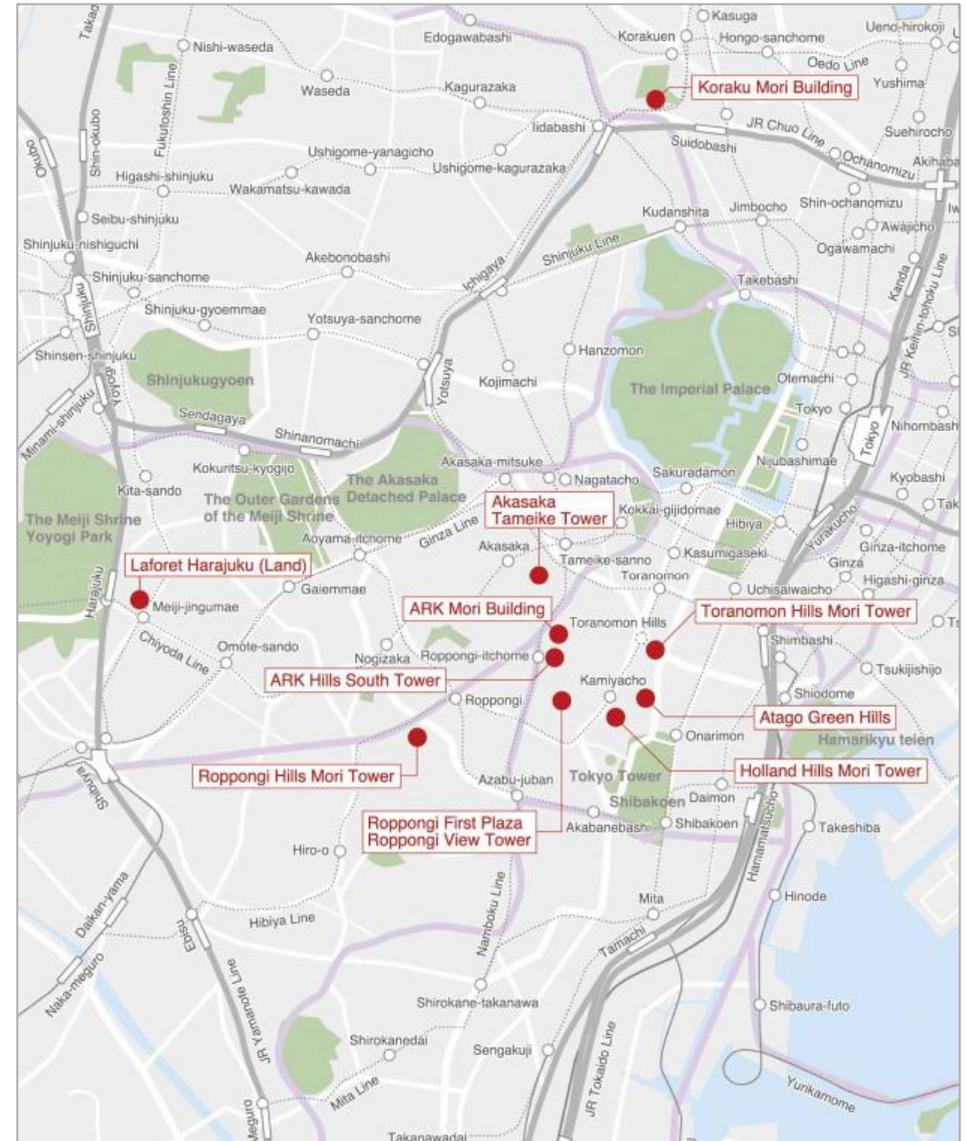
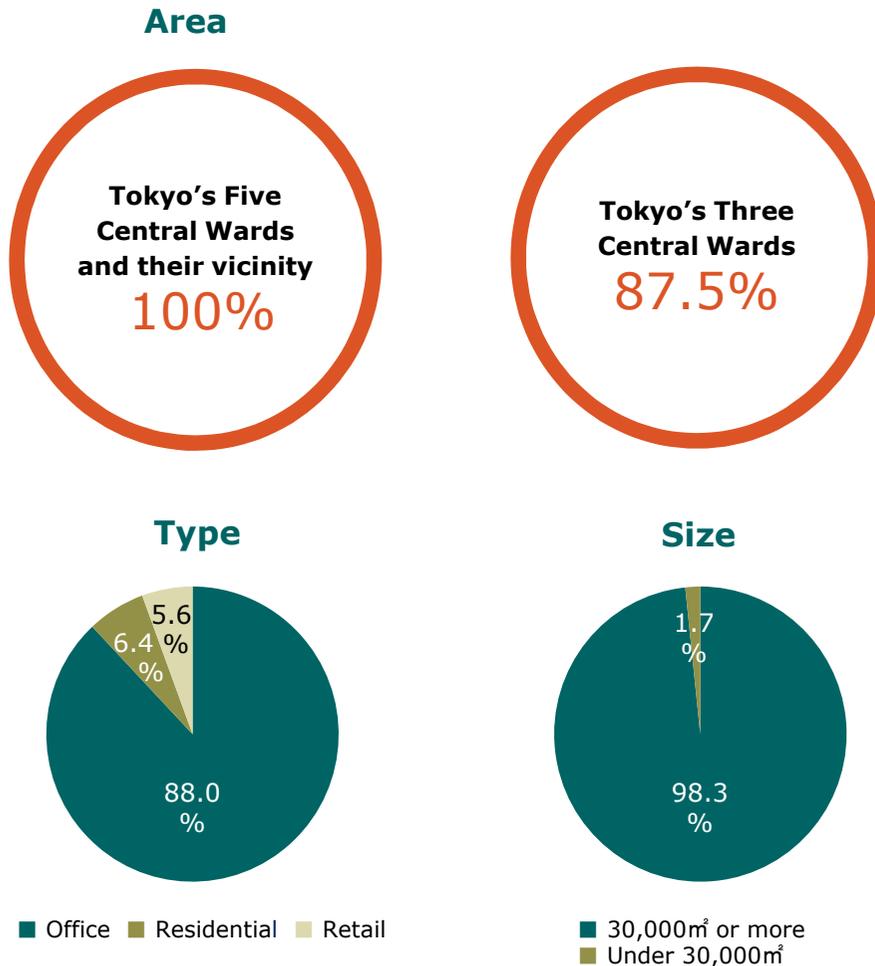
Major factors behind change in NOI from existing properties:	
+ Decrease in maintenance and repairs	+18
+ Decrease in depreciation	+15
+ Rent revenue of office (Pass-through)	+7
+ Decrease in property management fee	+6
+ Rent revenue of residential (Pass-through)	+6
- Property taxes for properties acquired in 23rd period recorded as expense (equivalent to 3 months)	△7
- Increase in property taxes for existing properties	△6

Major factors behind change in NOI from existing properties:	
+ Decrease in depreciation	+13
+ Rent revenue of office (Pass-through)	+10
- Increase in maintenance and repairs	△44
- Rent revenue of residential (Pass-through)	△7
- Property taxes for properties acquired in 24th period recorded as expense (equivalent to 3 months)	△4

(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,874,960 units and indicated as an approximate figure in yen.

2-9 Overview of portfolio (1) Location

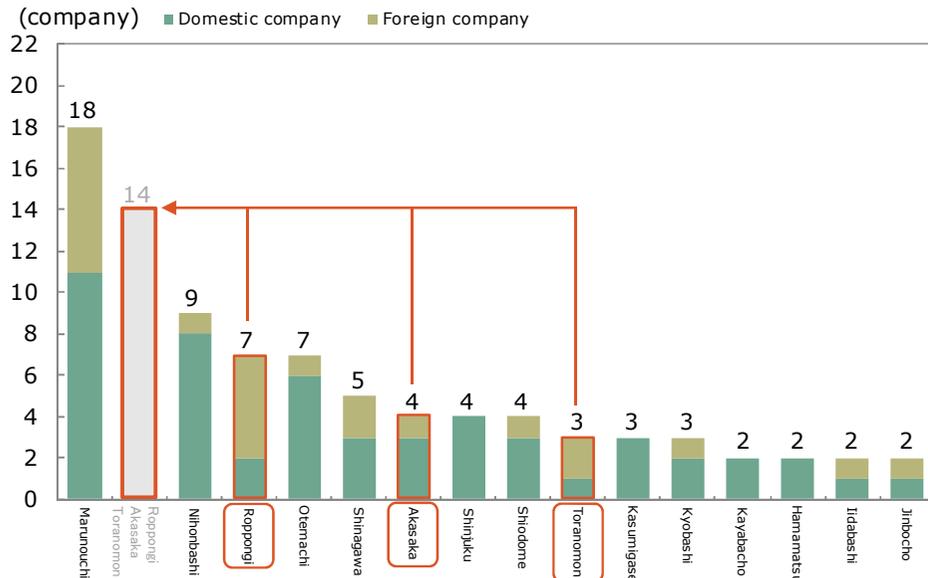
Highest property percentage in Central Tokyo among J-REITs



(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.

2-10 Overview of portfolio (1) Location

Large corporate headquarters in central Tokyo



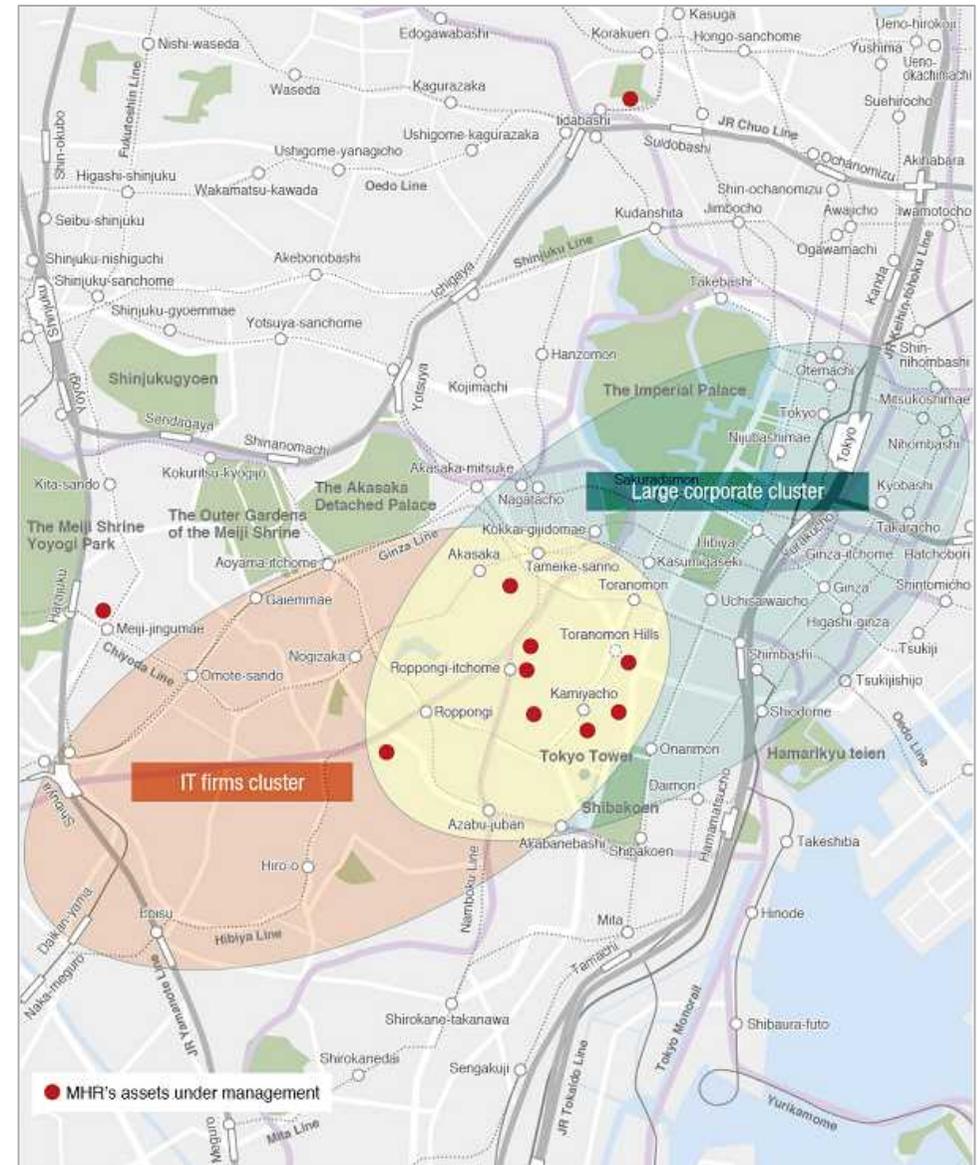
(Source) "Large corporation" is the top 100 domestic companies and the top 30 foreign companies based on its' market capitalization. Prepared by the Asset Manager based on market capitalization data as of April 30, 2018 by Refinitiv and publicly available information for the headquarters' locations.

IT firms located in Minato ward

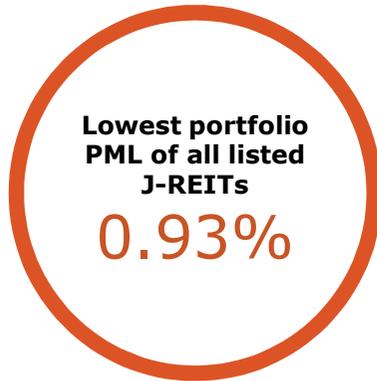
- | | | |
|---------------|---------------|---------------|
| Apple | Oracle Japan | RPA Holdings |
| Facebook | SBI Holdings | Itokuro |
| Microsoft | Mercari | HEROZ |
| Tencent | Monex Group | UUUM |
| Cisco Systems | GREE | Evolable Asia |
| Netflix | NHN JAPAN | Gunosy |
| Softbank | OpenDoor | 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 Aug. 31, 2018.

Overlapping zone of large corporate and IT firms in central Tokyo



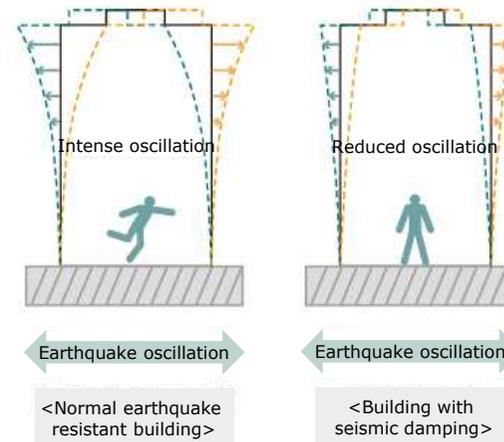
Best portfolio PML among J-REITs



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

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

Seismic damping

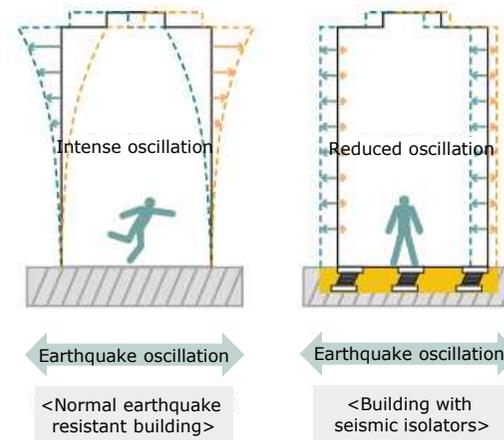


Seismic damping reduces earthquake magnitude of oscillation by approx. 20%



Viscous seismic damping wall

Seismic isolators



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



Seismic isolators

Highest ratio of green building (GB) certified properties among J-REITs



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

CASBEE for Existing Buildings: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (MORI Tower)



Toranomon Hills Mori Tower



Holland Hills Mori Tower

CASBEE for Existing Buildings : Rank A



Akasaka Tameike Tower



Koraku Mori Building



ARK Hills South Tower

DBJ Green Building Certification: Four stars

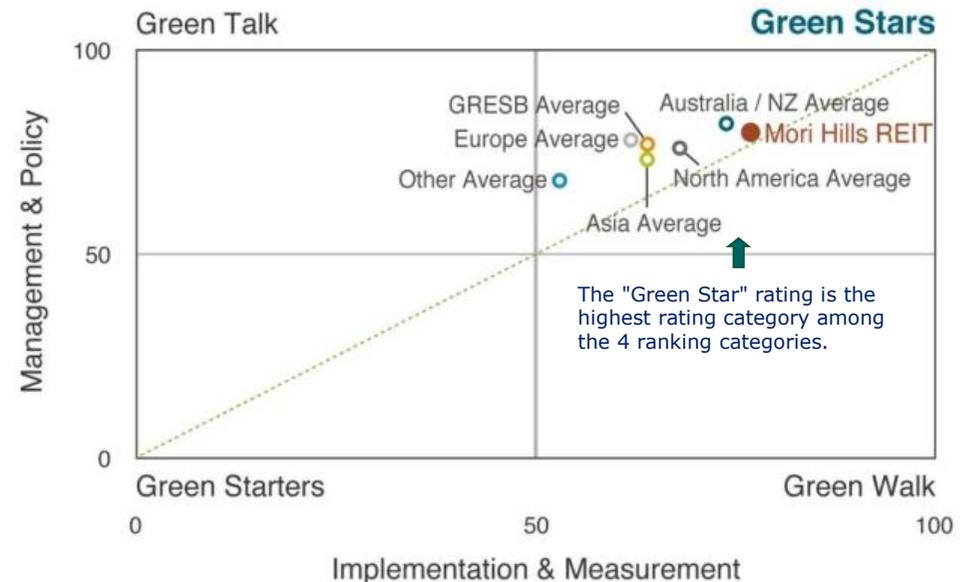
<GRESB Green Star Designation>

In the 2018 GRESB Assessment, MHR was designated as Green Star rating for the seventh 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 B.V., composed primarily of European pension fund groups.

GRESB Four-Quadrant Model Scores by Region



(Source) Prepared by the Asset Manager based on the disclosed data of 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).

2-13 Internal growth

Business environment recognition

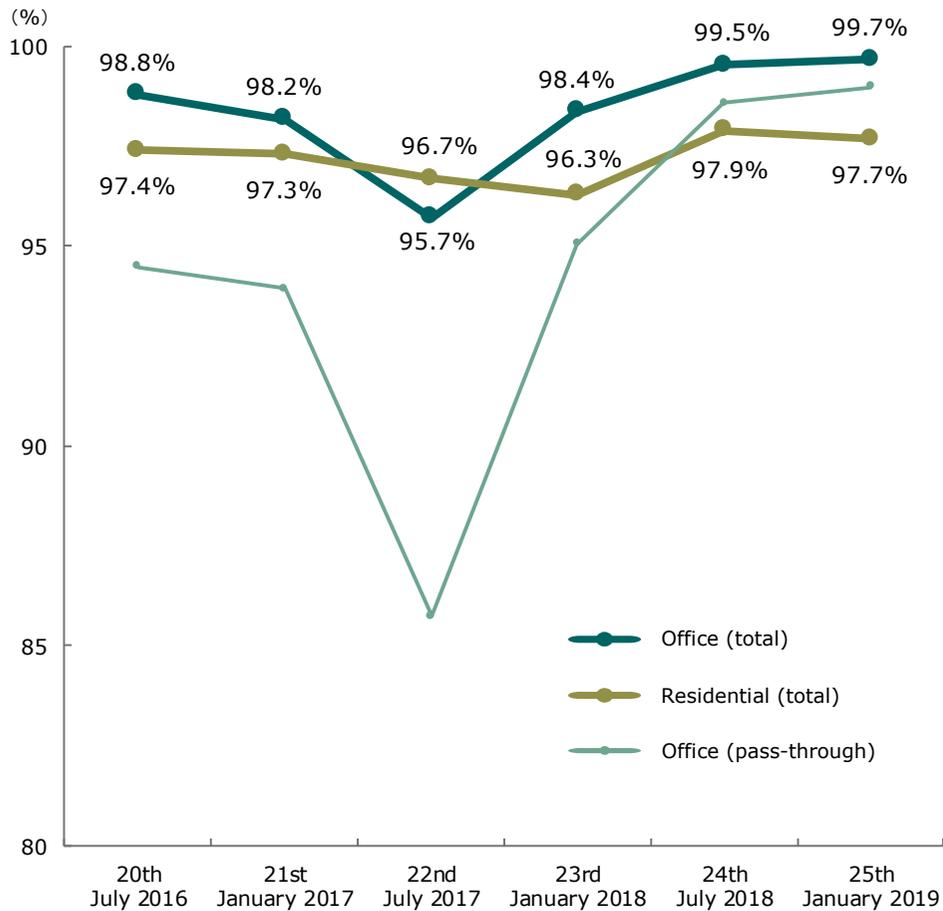
Central Tokyo office rents forecast to continue moderate rise, but close attention to be paid to demand trends

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

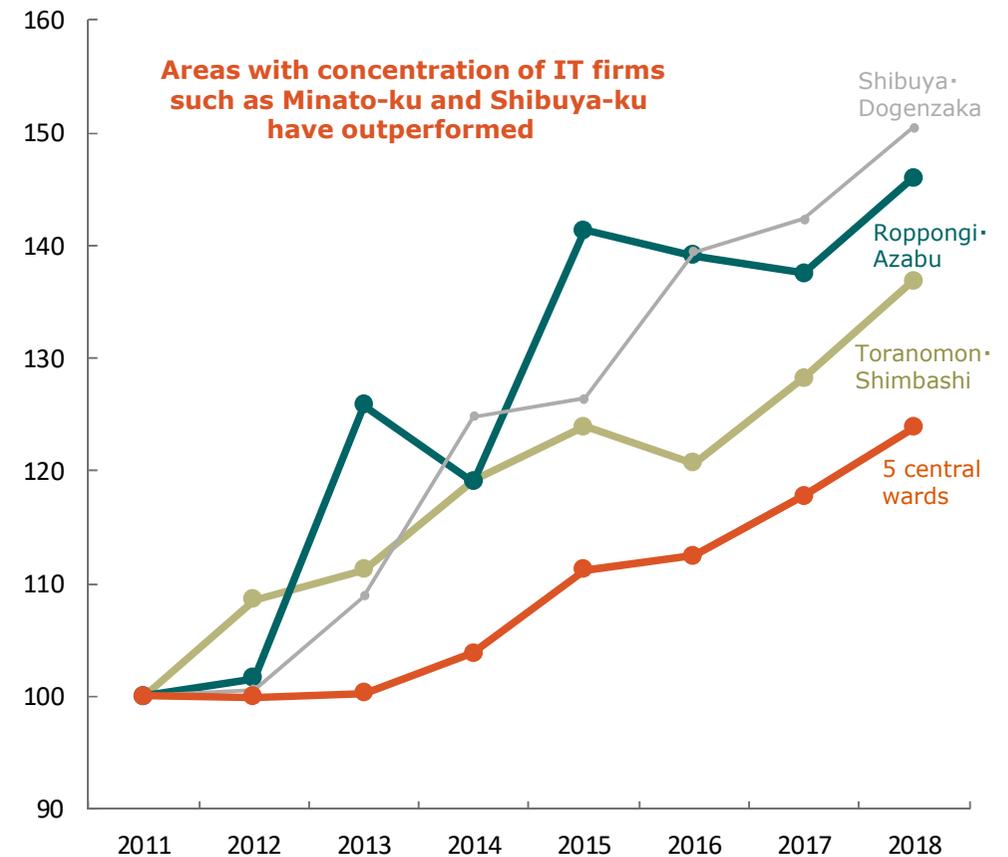
Internal growth policy

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

Trend in occupancy rates



Trend in asking rent

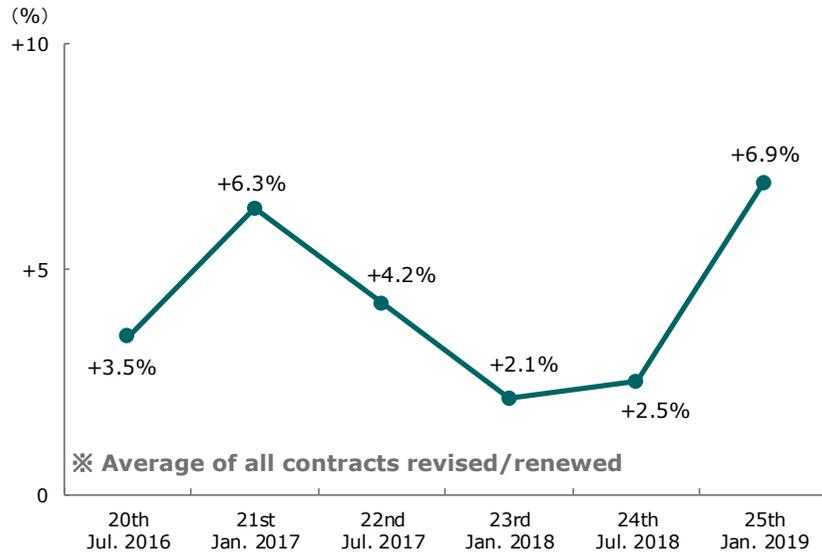


(Source) Prepared by the Asset Manager based on "Office Market Report" by Sanko Estate Co., Ltd.

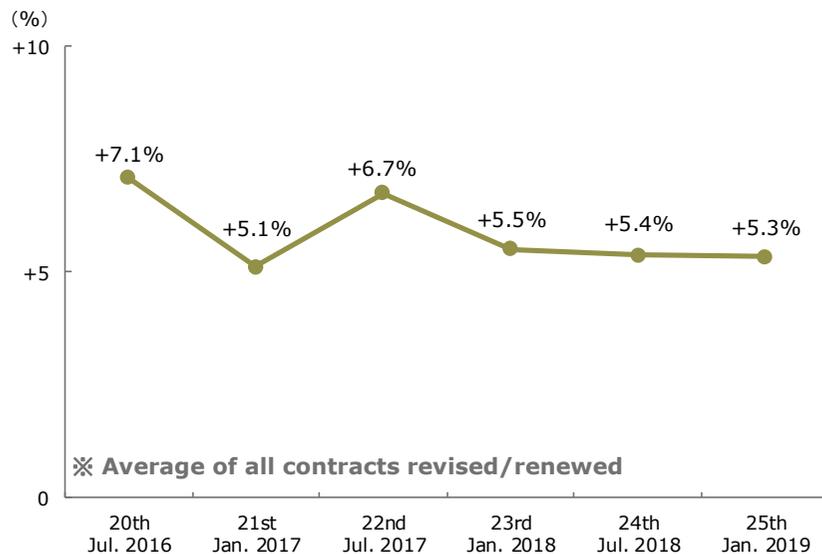
(Note) The average of asking rent (including common area revenue) that targets a large scale building with a standard floor area of 200 tsubo or more is rebased to 100 as of 2011.

Result of rent revision (pass-through type)

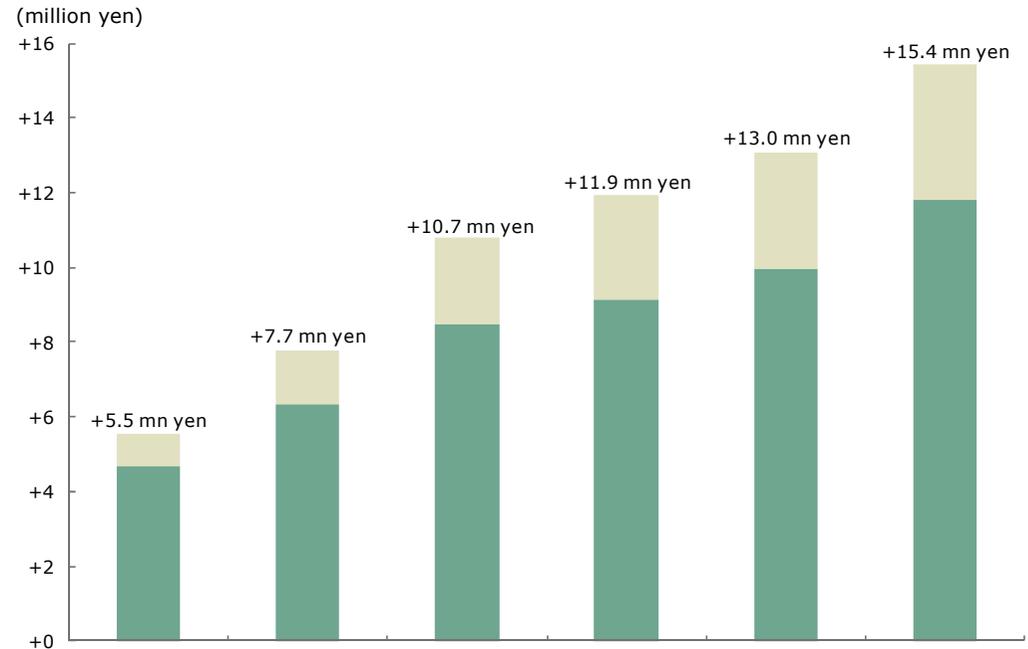
Rent revision rate (office)



Rent revision rate (residential)



Net impact of rent revisions accumulated since 16th period (monthly rent basis)

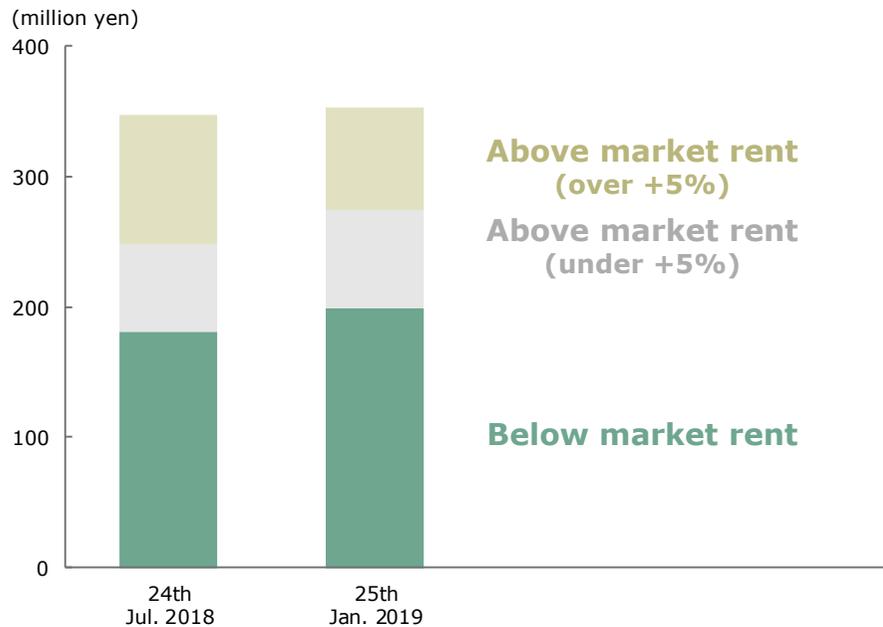


16th period - 20th period	21st period Jan. 2017	22nd period Jul. 2017	23rd period Jan. 2018	24th period Jul. 2018	25th period Jan. 2019
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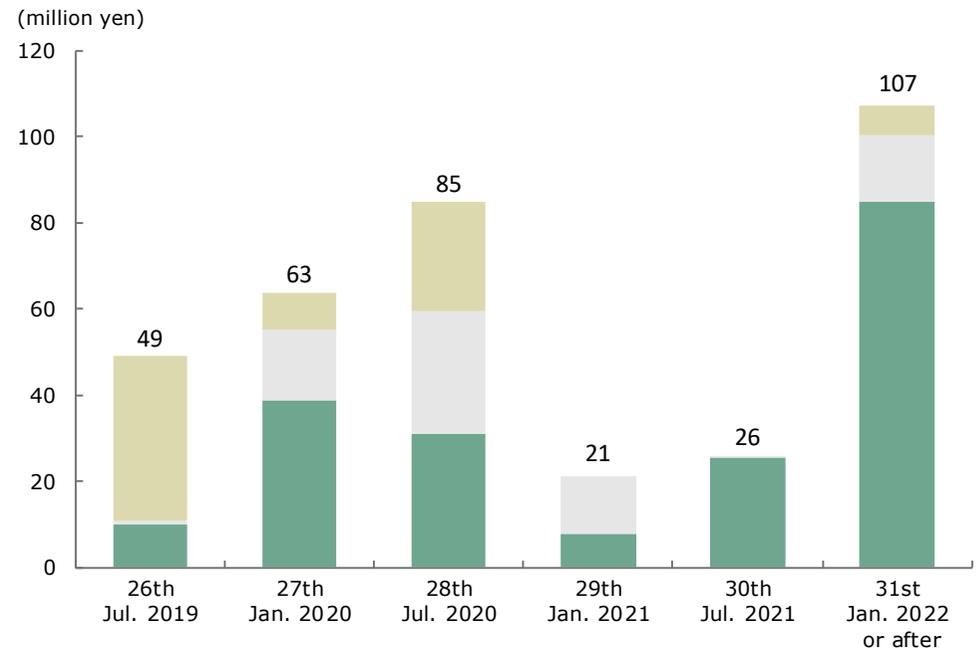
Office					
+4.6 mn yen	+1.6 mn yen	+2.1 mn yen	+0.6 mn yen	+0.8 mn yen	+1.8 mn yen
Residence					
+0.8 mn yen	+0.5 mn yen	+0.8 mn yen	+0.4 mn yen	+0.3 mn yen	+0.5 mn yen
Total					
+5.5 mn yen	+2.2 mn yen	+2.9 mn yen	+1.1 mn yen	+1.1 mn yen	+2.4 mn yen

Comparison with office market rent (pass-through type)

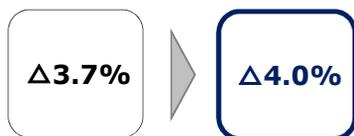
Rent gap (Total monthly rent)



Rent gap by revision (Total monthly rent)



Rate of rent gap



This indicates that contracts have not reached market rent levels and have room for upside

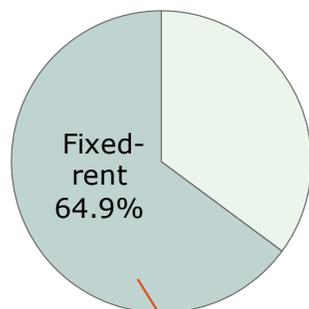
- Occupancy rate remained at high level due to vigorous office demand
- Rents have increased steadily in the area where MHR's properties are located and rent revisions have progressively increased
- Rent gap of MHR's properties are expanding period-over-period and MHR continues to promote internal growth

(Note 1) Market rent is based on the report by CBRE K.K.
 (Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1
 (Note 3) Figures reflect move outs of end tenants confirmed as of January 31, 2019.

2-16 Internal growth

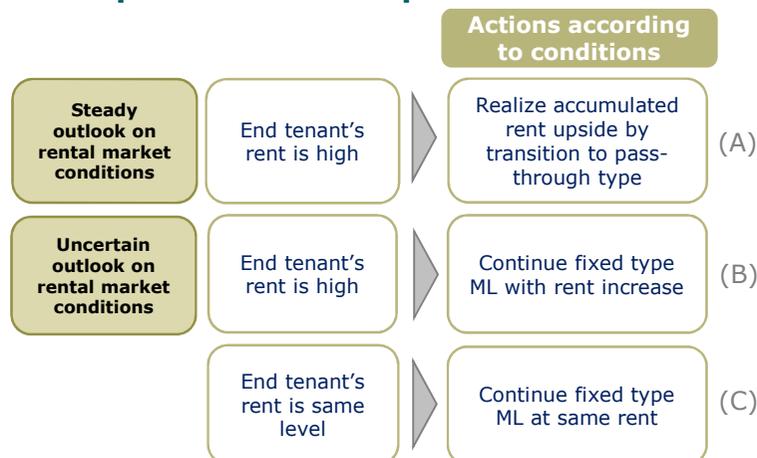
Overview of fixed rent master lease

Ratio of fixed rent master lease

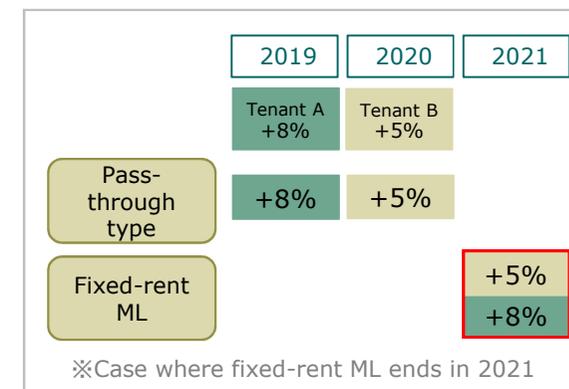


Contract expiration is high in 1Q of 2021

Concept of contract expiration



Breakdown of (A)



Monthly rent by contract expiration

Property name	Total monthly rent (mn yen)	% of portfolio total rent	Breakdown of property	Leased floor area (㎡)	Payer of management associated fee	Monthly rent by contract expiration (mn yen)				Expiration of the lease agreement
						2020	2021	2022	2023 or after	
Roppongi Hills Mori Tower (10 floors)	490.5	31.4%	23rd & 24th	8,993.45	MHR	—	114.6	—	—	Jul. 2021
			19th & 22nd	8,609.47		—	—	—	95.0	Sep. 2023
			20th	3,879.19		—	—	—	42.8	Jul. 2024
			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	14.4%	13th/12th & 22nd	7,952.55	MHR	—	77.9	—	—	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	Master lessee	—	—	—	17.9	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	10.8%	Office, residential & retail	29,667.58	Master lessee	—	—	168.7	—	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	MHR	—	—	129.2	—	Jul. 2022
Total	1,013.8	64.9%				49.2 (4.9%)	510.7 (50.4%)	297.9 (29.4%)	155.8 (15.4%)	

2-17 External growth

Business environment recognition

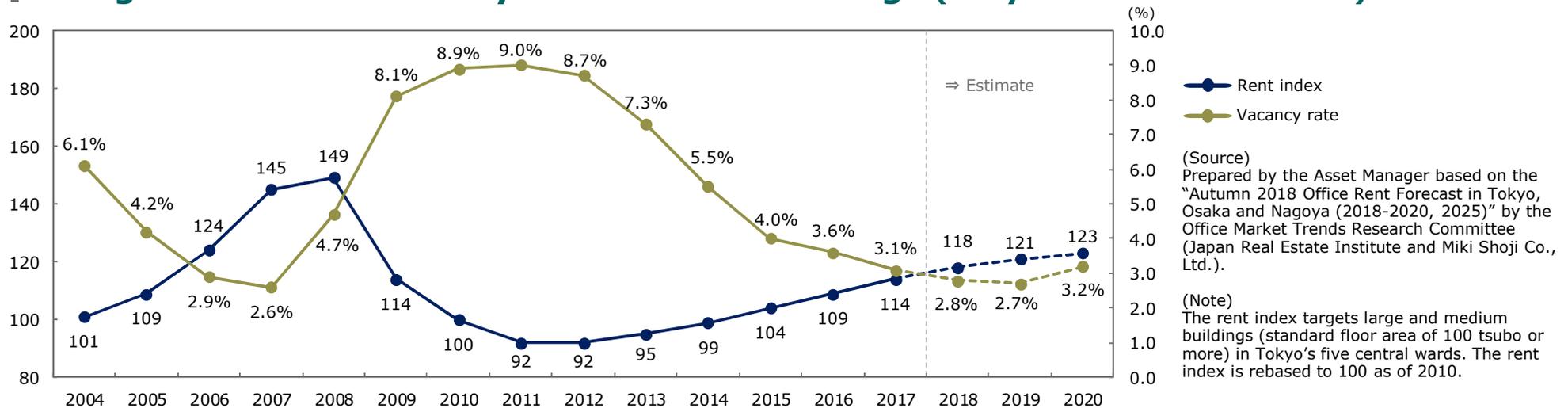
Closely watching the acquisition price level as property acquisition competitions are overheated

External growth policy

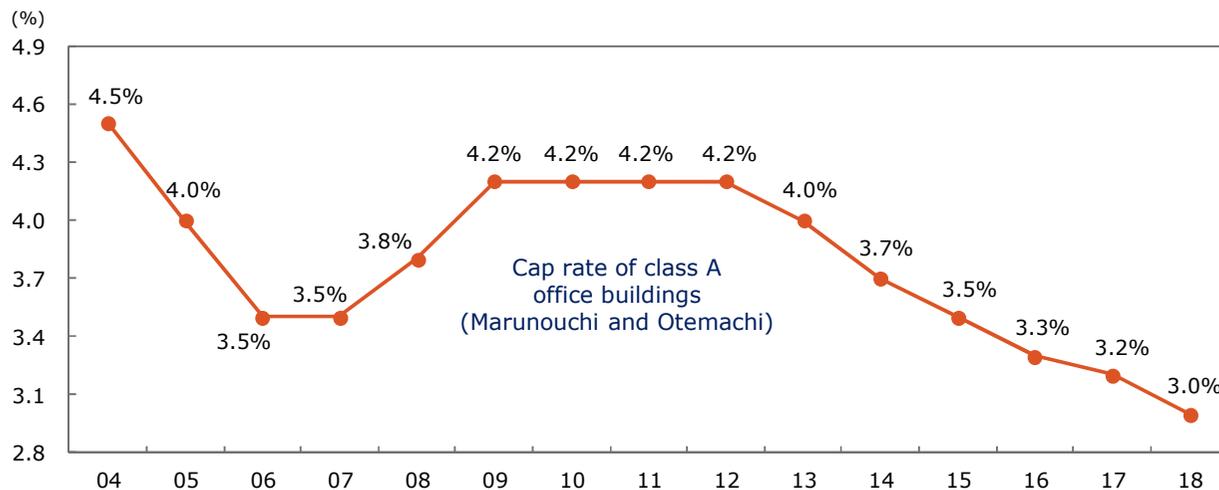
Proceed with external growth utilizing sponsors' abundant property pipeline

(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)



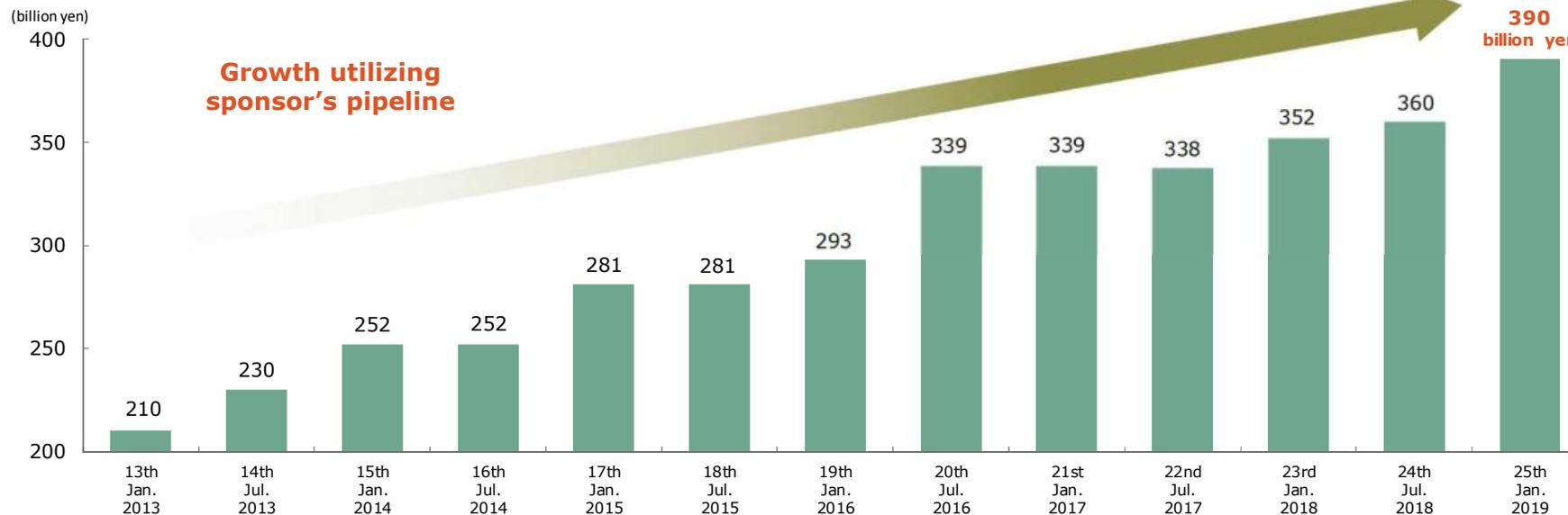
Change in return on real estate investment



(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.

2-18 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)
Discount 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) Discount of acquisition price to appraisal value = (Acquisition price - appraisal value) / appraisal value

2-19 External growth

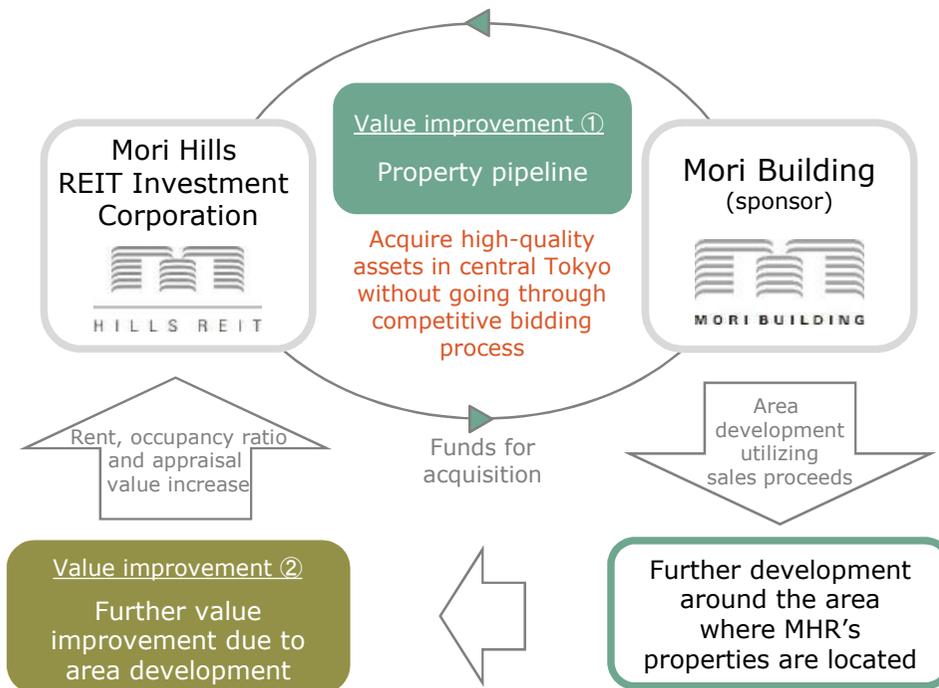
Mori Building's extensive property pipeline

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

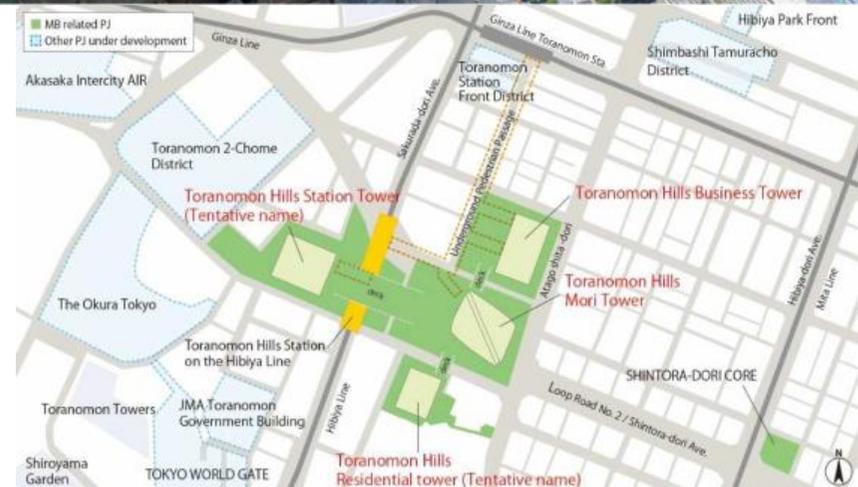
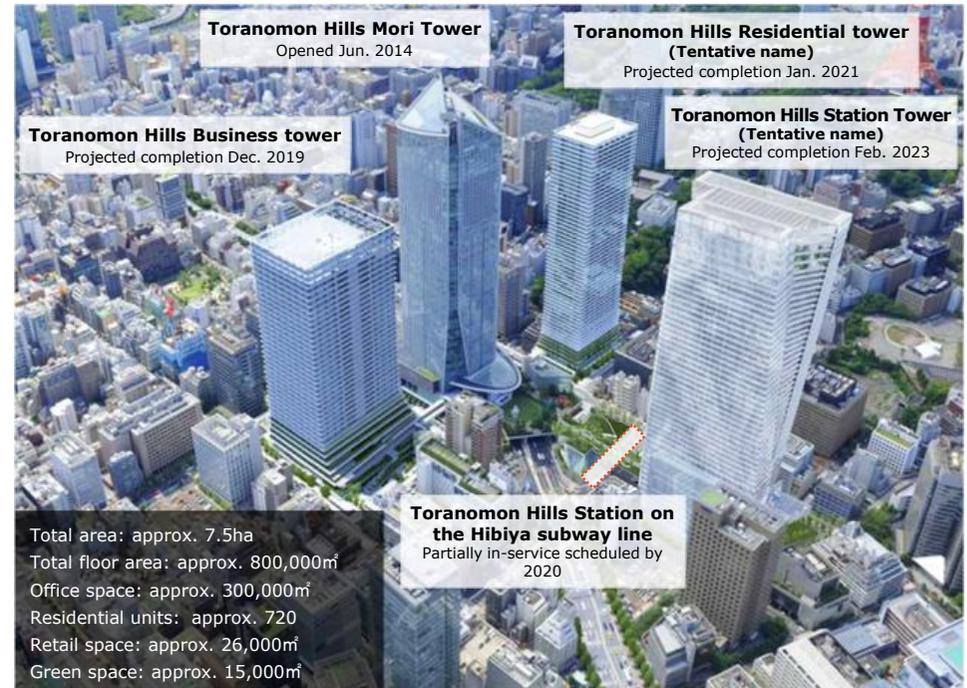
Number of properties under management:
97 buildings
(as of April 1, 2018)

MHR has "preferential negotiation rights"

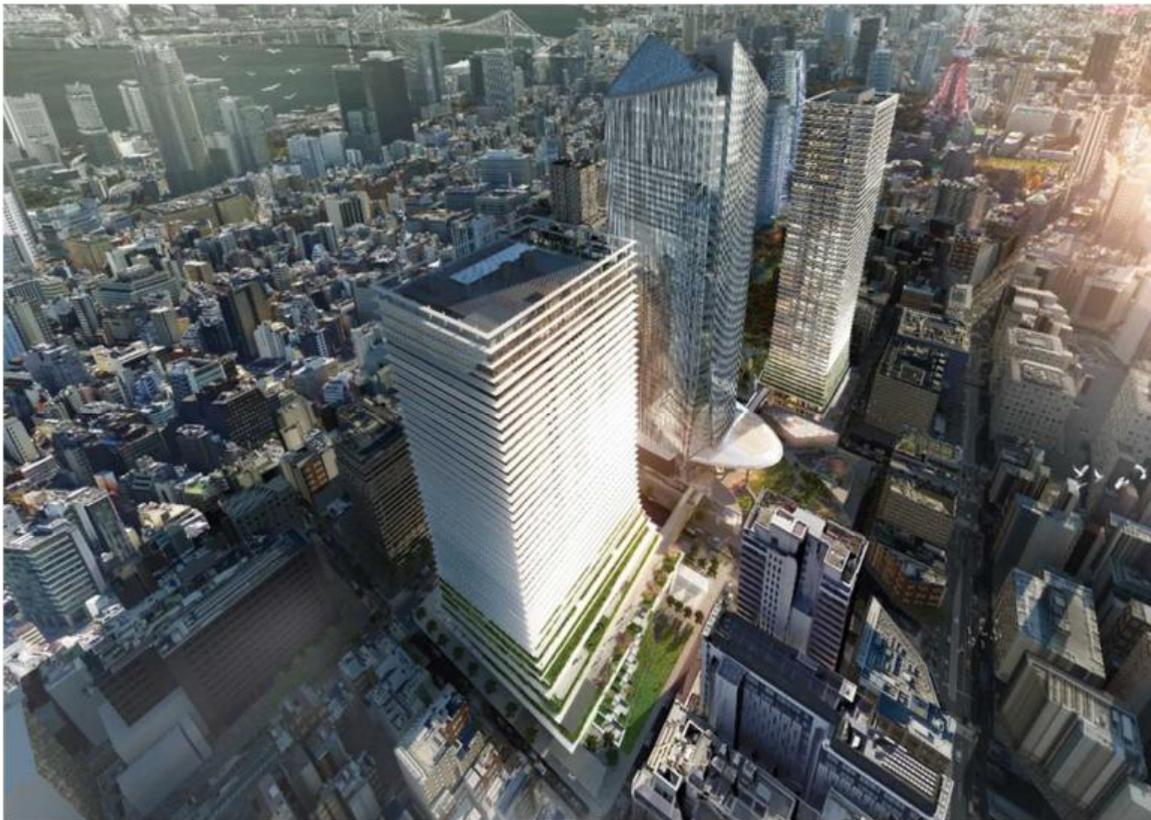
Improve asset value in virtuous cycle by collaborating with sponsor



Recent redevelopment projects (Toranomon Hills area)



Toranomon Hills Business Tower (projected completion Dec. 2019)



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

- Business Tower is a 36-story office tower, featuring international-standard, large-scale office space of approximately 94,000 m², and retail facility area of approximately 6,300 m².
- The tower is directly connected to “Toranomon Hills” Station of the Hibiya subway line as well as the existing Toranomon station. A bus terminal is planned to be established on the first floor to function as a “Gateway to Tokyo” via various bus lines including the BRT (Bus Rapid Transit) connecting city center and waterfront areas, and via airport limousine buses.
- At the 2020 Tokyo Olympics and Paralympics, the bus terminal will serve as a transportation center for athletes and spectators, connecting to athletes’ villages in the Harumi area as well as to all of the stadiums and arenas in the city center and waterfront area.



<Retail>

A retail area of approx. 6,300 m² located through B1 to the 3rd floor is equipped with high-quality supermarkets, large-scale dining facilities and stores to support the living of the global players in the Toranomon Hills area to live, work and gather.



<Innovation center>

An innovation center of approx. 3,000 m² located in the 4th floor serves as a networking place where entrepreneurs and personnel to executives of large companies can get together. This center aims to support the creation of new businesses to foster innovation.

Toranomon Hills Residential Tower (Tentative name) (projected completion Jan. 2021)

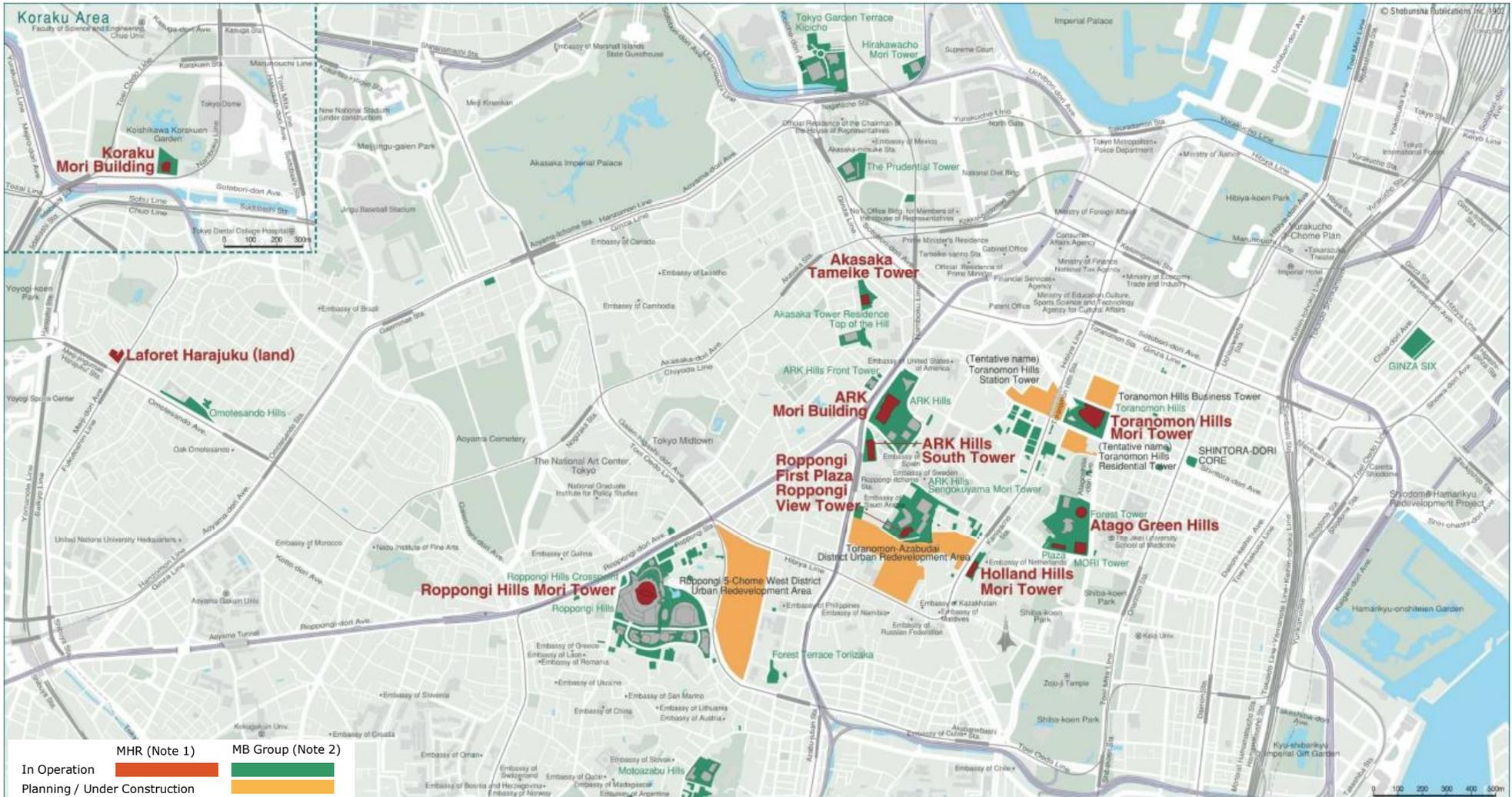


The most luxurious offering of "MORI LIVING"

- The 54-story Residential Tower will provide approximately 550 international-standard residences.
- The Residential Tower will be the most luxurious offering of MORI LIVING which will have its sixth Hills SPA on the property.
- There is a retail facility area of approximately 1,000 m² in the low-rise area to support community life in the Toranomon Hills area by connecting to the Toranomon Hills Mori Tower and the retail facility area of Business Tower through a deck.



Mori Building Group's involvement



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

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

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

2-23 Financial management

Business environment recognition

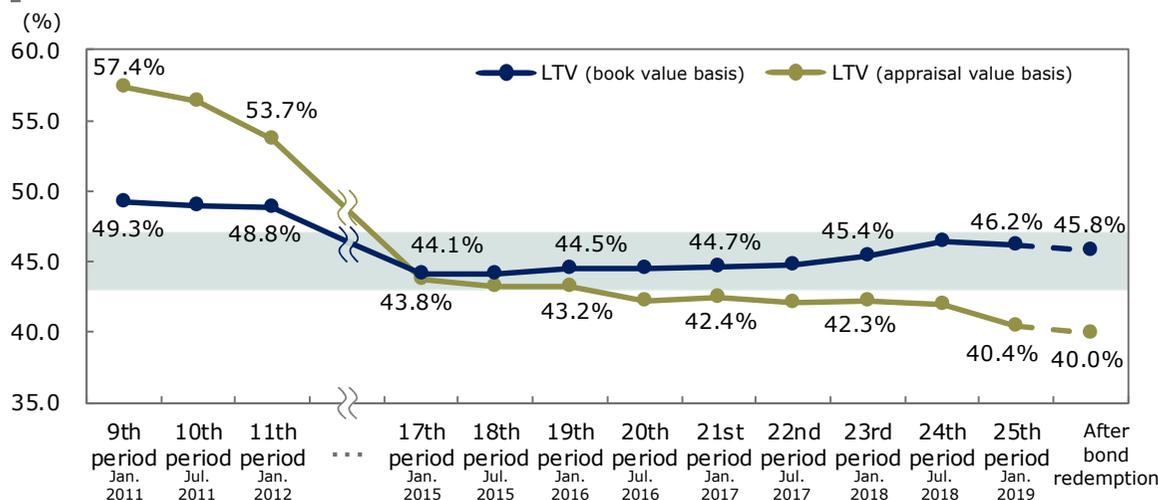
Interest rates are expected to remain low considering monetary policies and assuming rise over the medium to long term

(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



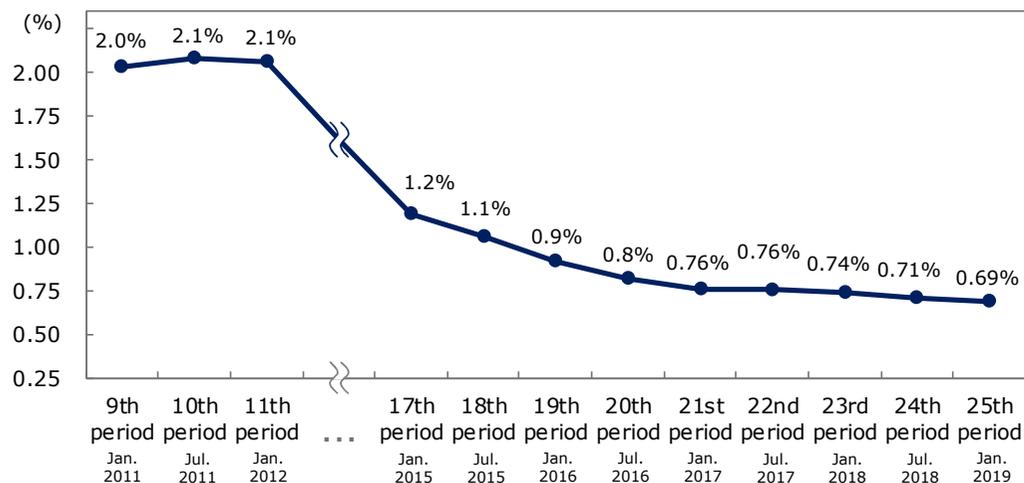
Overview of debt financing

	End of 24th period Jul. 31, 2018	End of 25th period Jan. 31, 2019
Debt Balance	168,122 mn yen	182,222 mn yen
LTV (book value basis) ^(Note 1)	46.4%	46.2%
LTV (appraisal value basis) ^(Note 2)	41.9%	40.4%
Avg. remaining duration	4.0 years	4.3 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)

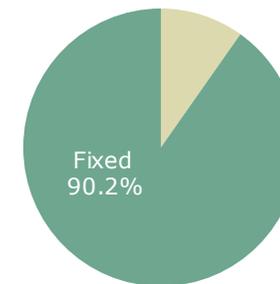


Long-term debt ratio/ Fixed rate ratio

<Long-term debt ratio>

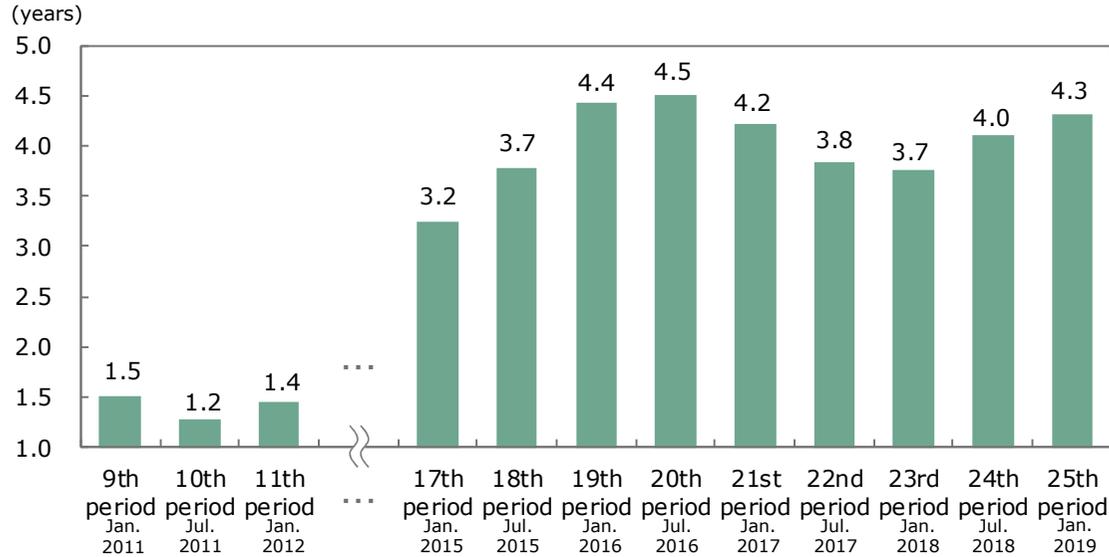


<Fixed rate ratio>



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

Extension in remaining duration of debt

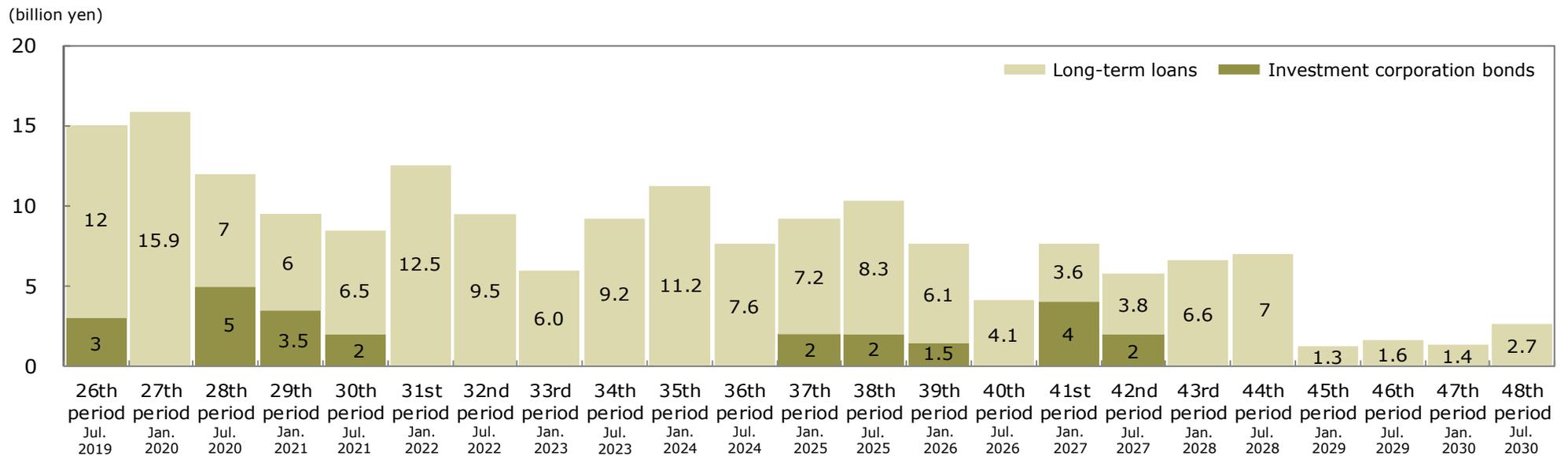


Rating

Japan Credit Rating (JCR)

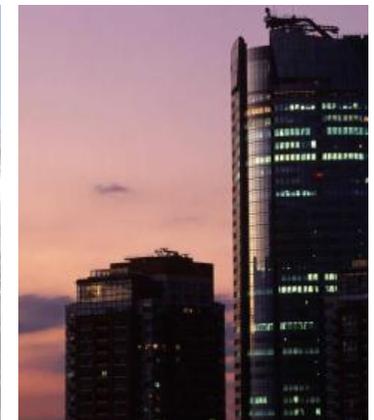
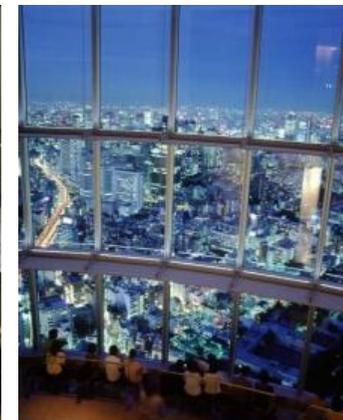
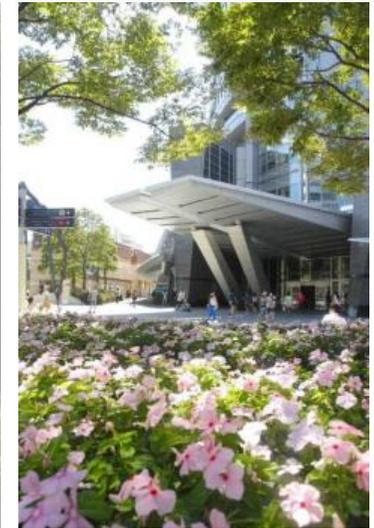
Long-term issuer rating:
AA (Stable)

Overview of maturity (as of January 31, 2019)



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

2-25 MHR's representative property (1) Roppongi Hills



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 leisurely time at the hotel to the fullest extent.



Cinema TOHO Cinemas Roppongi Hills

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



Museum Mori Art Museum

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



Stable Supply of Power from 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.

2-26 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.



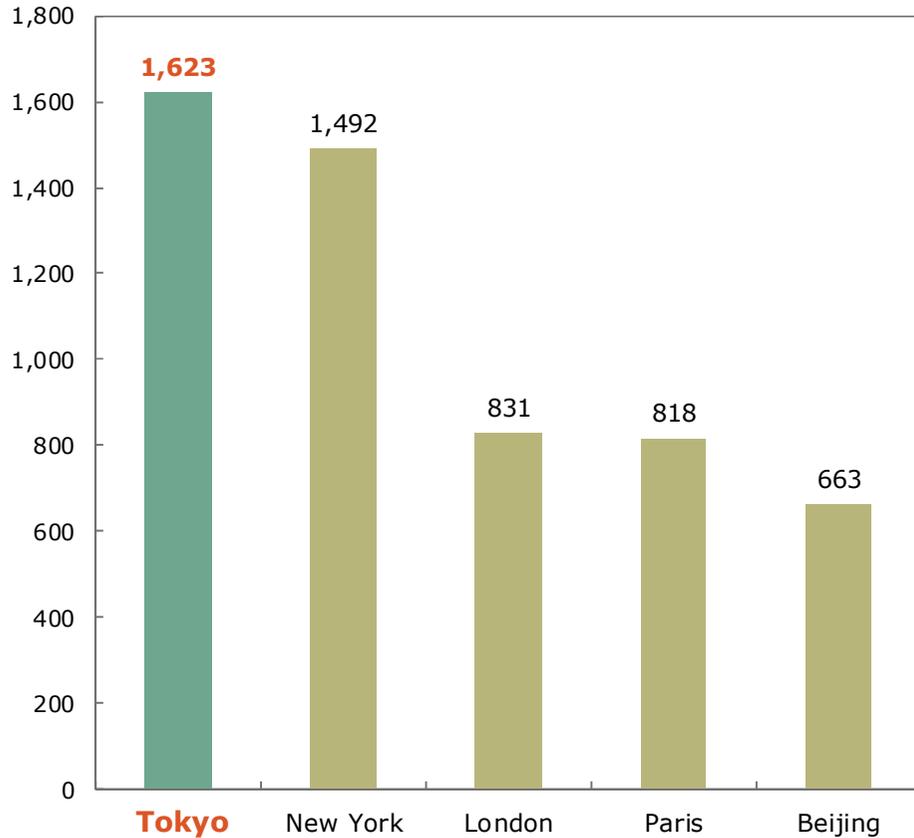
Evolving as an International Urban Center and a Global Business Hub

Upon completion of Toranomon Hills Business Tower, 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.

2-27 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)

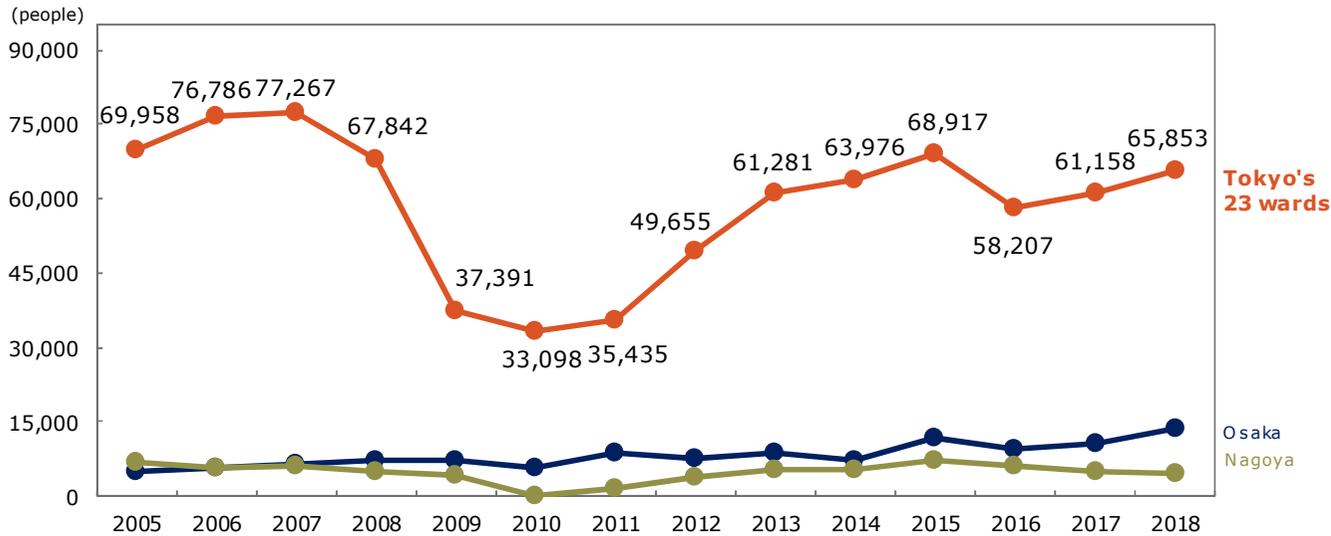
2017			2030		
Rank	Urban concentration area	Population	Rank	Urban concentration area	Population
1	Tokyo (Japan)	37,397	1	Delhi (India)	38,939
2	Delhi (India)	27,602	2	Tokyo (Japan)	36,574
3	Shanghai (China)	24,862	3	Shanghai (China)	32,869
4	Mexico City (Mexico)	21,500	4	Dhaka (Bangladesh)	28,076
5	São 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

2-28 Competitive strength of Central Tokyo

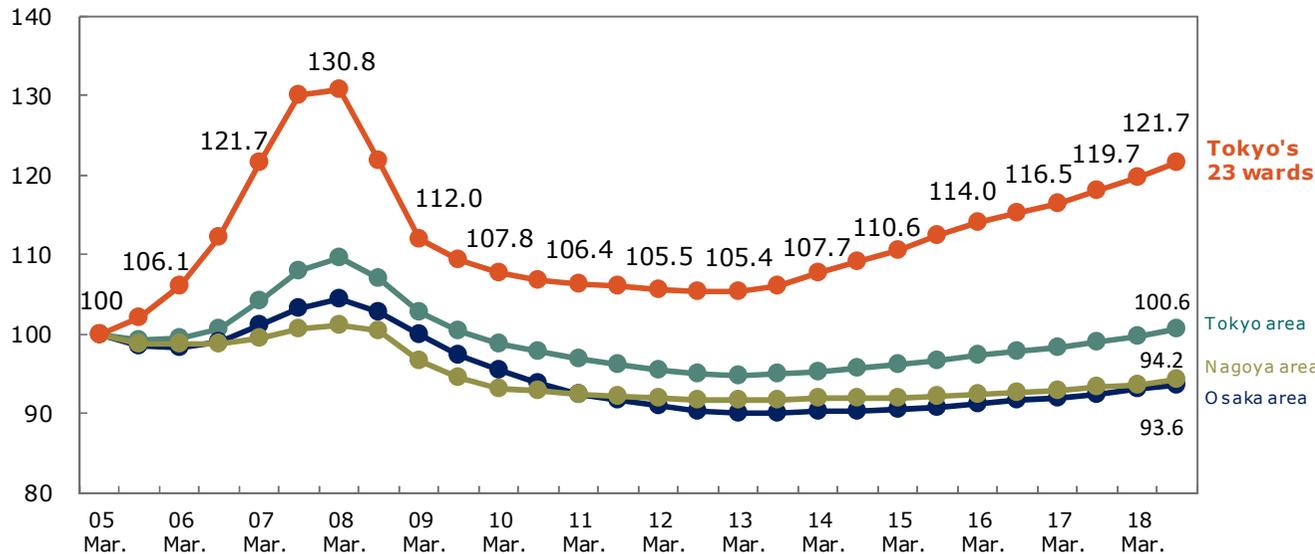
Trend of net migration



- Tokyo's 23 wards have experienced net population growth for 22 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.

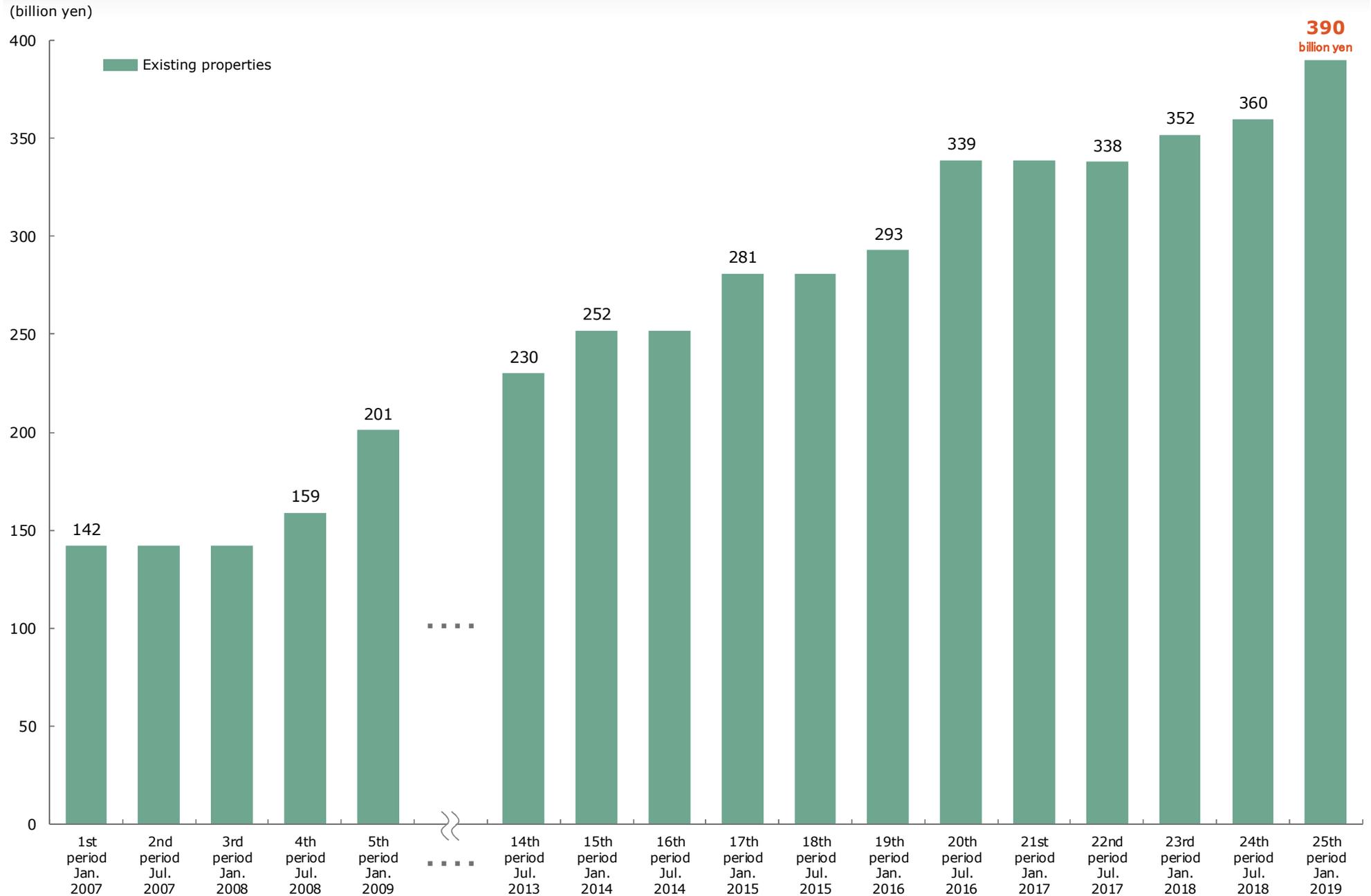
- However, since investment should be made carefully after asset values have surged, we intend to exercise prudence concerning investment prices.

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

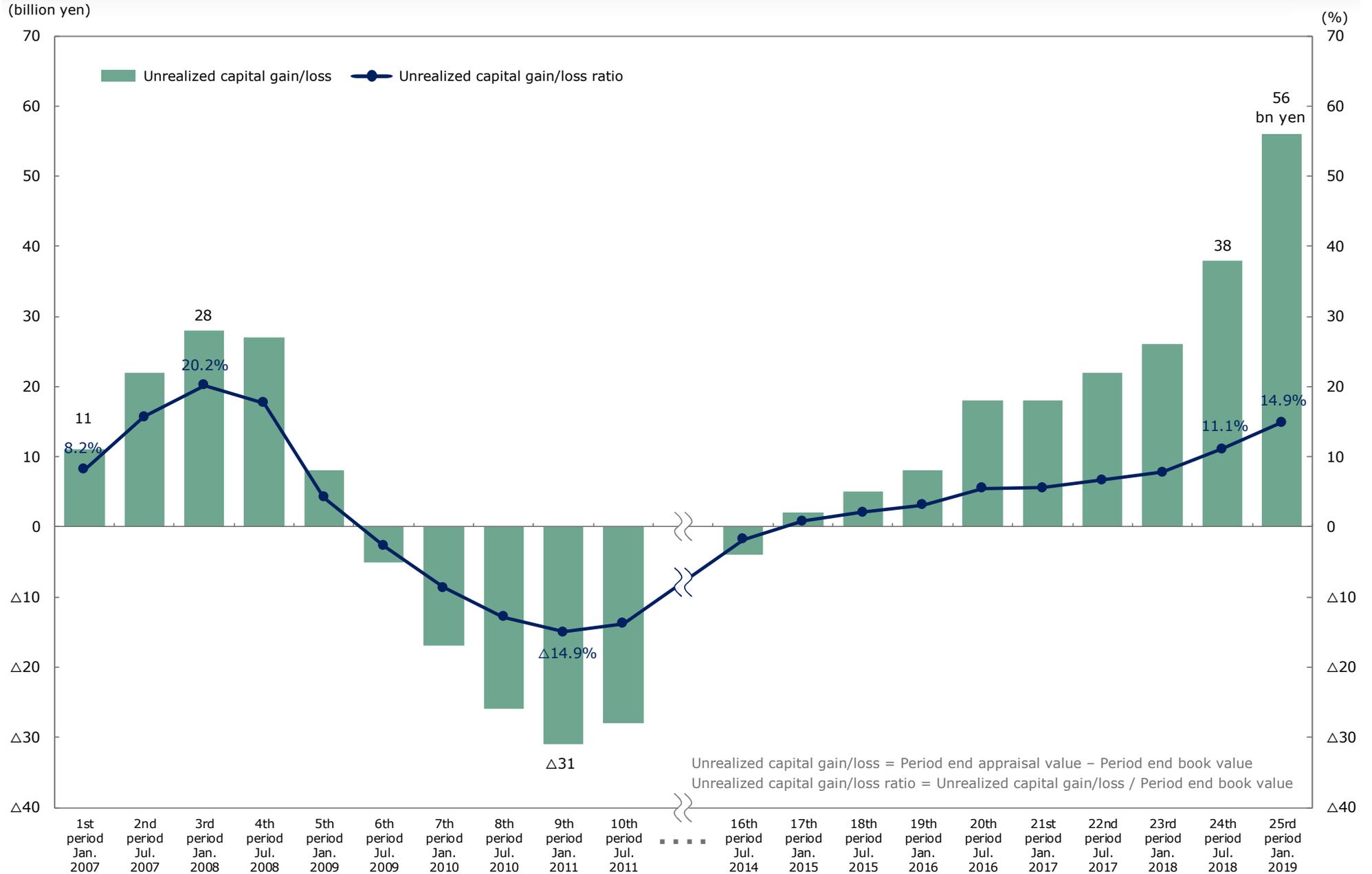
3. Operation highlights



3-1 Change in assets under management



3-2 Change in unrealized capital gain/loss



3-3 Appraisal value

Reflects the impact of additional acquisitions

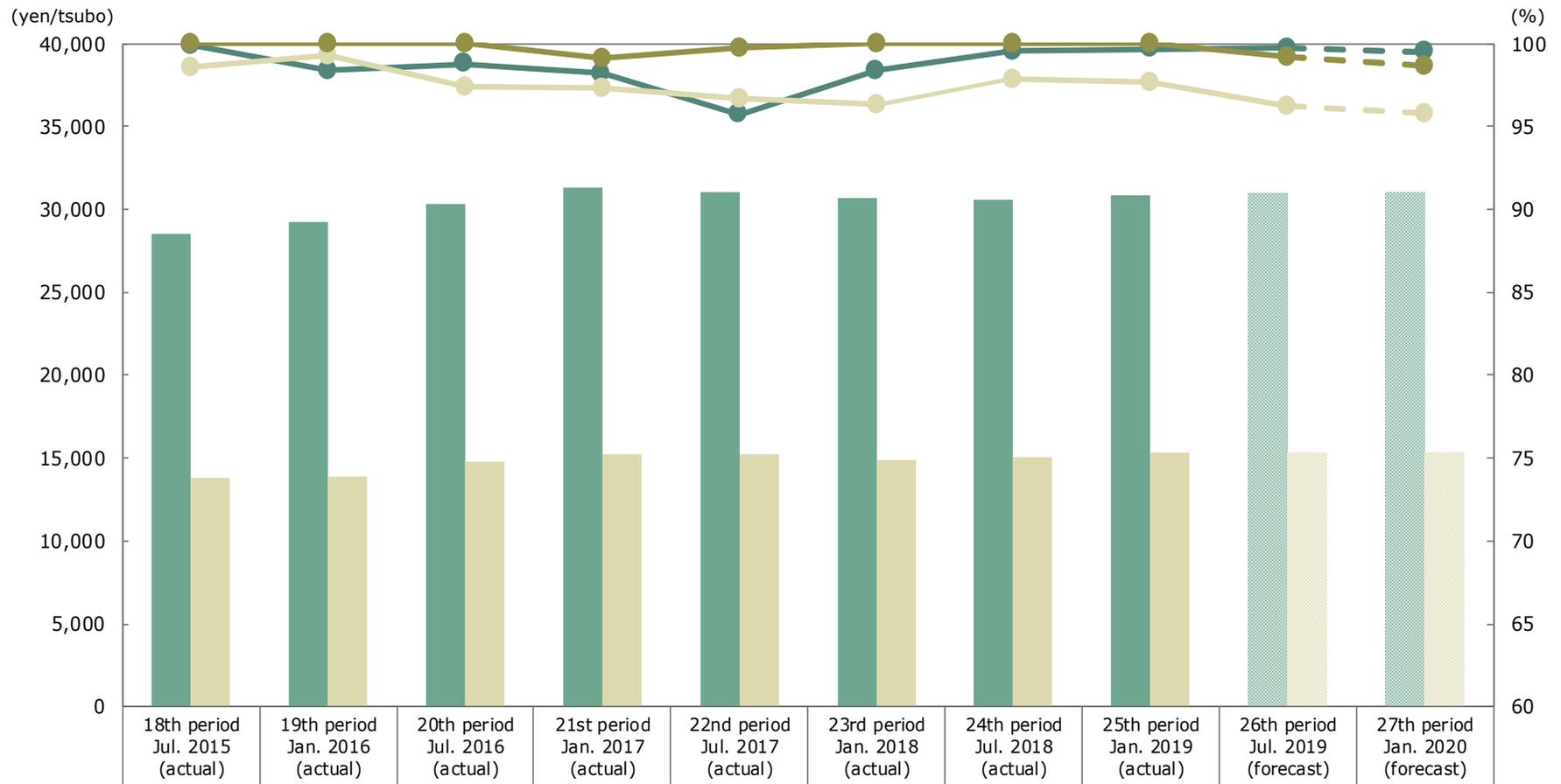
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 24th period July. 31, 2018		As of end of 25th period Jan. 31, 2019				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	112,229	138,500	3.2%	142,800	3.1%	2.8%	3.3%	4,300	3.1%	30,570
	ARK Mori Building	O-1	62,480	61,566	59,400	3.5%	61,100	3.4%	3.1%	3.6%	1,700	2.9%	△ 466
	Koraku Mori Building	O-4	27,200	24,843	24,100	3.7%	24,600	3.6%	3.2%	3.9%	500	2.1%	△ 243
	Akasaka Tameike Tower	O-6	43,930	41,778	31,100	3.5%	32,000	3.4%	3.1%	3.6%	900	2.9%	△ 9,778
	Atago Green Hills	O-7	42,090	40,403	43,800	3.7%	44,900	3.6%	3.1%	3.8%	1,100	2.5%	4,496
	ARK Hills South Tower	O-8	19,150	18,831	24,500	3.2%	24,500	3.2%	3.0%	3.4%	0	0.0%	5,668
	Toranomon Hills Mori Tower	O-9	36,210	36,175	11,606	2.9%	42,850	2.8%	2.5%	3.0%	31,244	–	6,674
	Holland Hills Mori Tower	O-10	16,330	16,331	13,896	3.5%	20,000	3.4%	3.0%	3.6%	6,104	–	3,668
Sub total			362,770	352,159	346,902	–	392,750	–	–	–	45,848	13.2%	40,590
Residential	Roppongi First Plaza	R-3	2,100	2,246	2,170	4.2%	2,340	4.1%	3.9%	4.3%	170	7.8%	93
	Roppongi View Tower	R-4	4,000	4,051	2,780	4.3%	2,940	4.2%	4.0%	4.4%	160	5.8%	△ 1,111
	Sub total			6,100	6,297	4,950	–	5,280	–	–	–	330	6.7%
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	37,600	4.0%	39,200	–	3.9%	–	1,600	4.3%	17,125
	Sub total			21,820	22,074	37,600	–	39,200	–	–	–	1,600	4.3%
Total			390,690	380,532	389,452	–	437,230	–	–	–	47,778	12.3%	56,697

(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 24th period shows the discount rate used in the DCF analysis.

3-4 Changes in the rent and occupancy rates

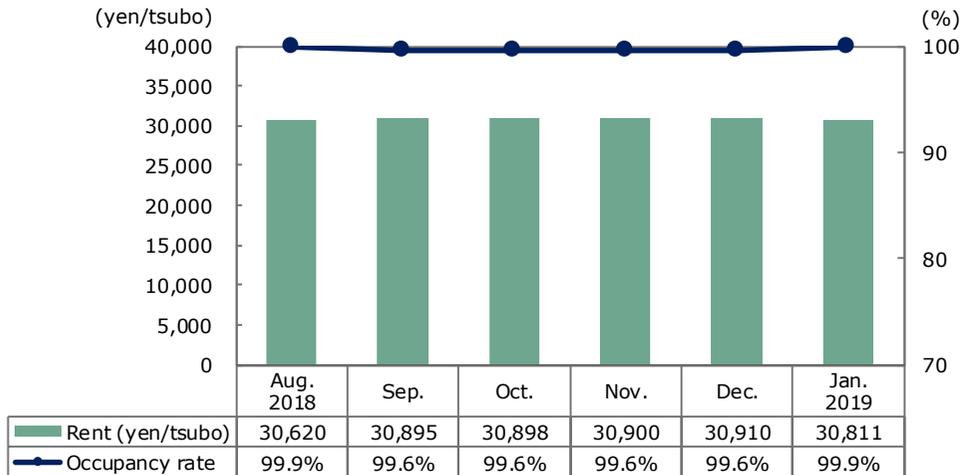


Office rent (yen/tsubo)	28,536	29,253	30,306	31,281	31,069	30,642	30,629	30,842	30,964	31,024
Residential rent (yen/tsubo)	13,765	13,894	14,750	15,272	15,278	14,858	15,095	15,302	15,299	15,348
Office occupancy (%)	100%	98.4%	98.8%	98.2%	95.7%	98.4%	99.5%	99.7%	99.7%	99.5%
Residential occupancy (%)	98.6%	99.3%	97.4%	97.3%	96.7%	96.3%	97.9%	97.7%	96.2%	95.8%
Retail occupancy (%)	100%	100%	100%	99.2%	99.7%	100%	100%	100.0%	99.2%	98.6%

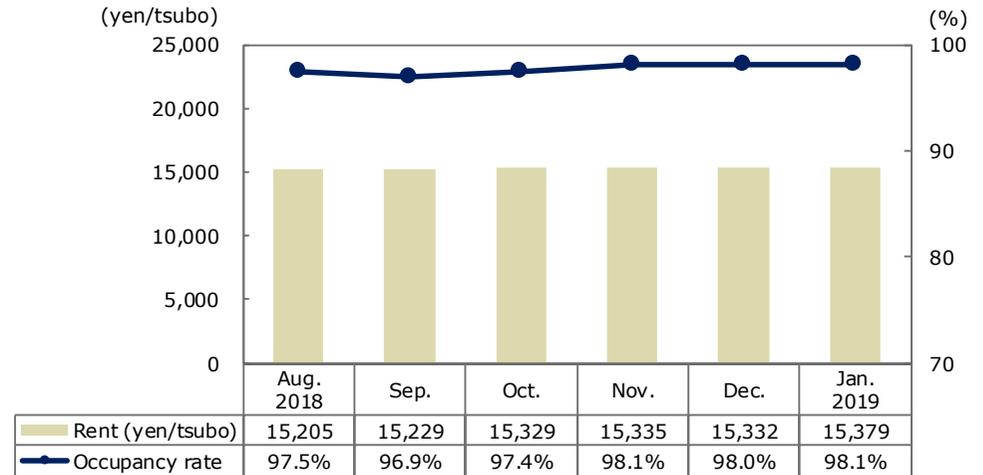
(Note) The above rents and occupancy rates indicate the average rent and the average occupancy rate during relevant fiscal periods.

3-5 Tenant status by month and tenants with large leased space

Office: Rent and occupancy rate



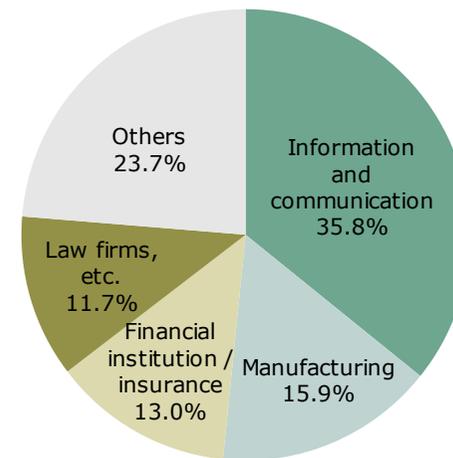
Residential: Rent and occupancy rate



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 Toranomom Hills Mori Tower Roppongi First Plaza Roppongi View Tower	110,408.24 ㎡	63.5%
Mylan Seiyaku Ltd.	Holland Hills Mori Tower	3,458.53 ㎡	2.0%
Mitsubishi UFJ Research and Consulting Co.,Ltd.	Holland Hills Mori Tower	3,195.61 ㎡	1.8%
Showa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 ㎡	1.5%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 ㎡	1.5%
Total of top 5 tenants		122,311.34 ㎡	70.3%

Tenant Contribution by Industry Type-Office



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

(Note 2) This indicates the figures as of January 31, 2019.

(Note 1) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of January 31, 2019.

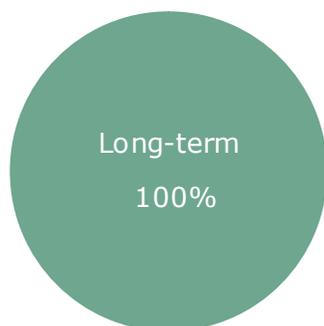
It is multiplied by the relevant percentage of ownership for each property.

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

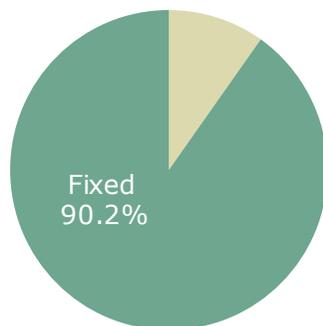
3-6 Financial overview (As of January 31, 2019)

Long-term debt ratio/Fixed rate ratio

<Long-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 24th period Jul. 31, 2018	End of 25th period Jan. 31, 2019
Debt balance	168,122 mn yen	182,222 mn yen
Long-term loan	143,122 mn yen	157,222 mn yen
Investment corporation bonds	25,000 mn yen	25,000 mn yen
LTV (Book value basis) ^(Note 1)	46.4%	46.2%
LTV (Appraisal value basis) ^(Note 2)	41.9%	40.4%
DSCR ^(Note 3)	15.6x	15.6x
Avg. remaining duration	4.0 years	4.3 years
Weighted avg. interest rate	0.48%	0.50%

(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.	42,296 mn yen	26.9%
Mizuho Bank, Ltd.	27,498 mn yen	17.5%
Sumitomo Mitsui Banking Corporation	23,025 mn yen	14.6%
Sumitomo Mitsui Trust Bank, Limited	20,923 mn yen	13.3%
The Bank of Fukuoka	7,300 mn yen	4.6%
The Norinchukin Bank	7,000 mn yen	4.5%
Resona Bank, Limited.	6,430 mn yen	4.1%
Development Bank of Japan Inc.	5,950 mn yen	3.8%
Shinsei Bank, Limited	4,700 mn yen	3.0%
Mizuho Trust & Banking Co., Ltd.	3,800 mn yen	2.4%
Aozora Bank, Ltd.	3,000 mn yen	1.9%
The Nishi-Nippon City Bank, Ltd.	2,300 mn yen	1.5%
The Hiroshima Bank, Ltd.	1,000 mn yen	0.6%
Oita Bank Co. Ltd.	1,000 mn yen	0.6%
Shinkin Central Bank	1,000 mn yen	0.6%
Total borrowings	157,222 mn yen	100%
Investment corporation bonds	25,000 mn yen	
Total interest-bearing debt	182,222 mn yen	

3-7 Debt status (As of January 31, 2019)

Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd., Mizuho Bank, Ltd.	1,000	0.36%	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%	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	0.31%	2014/5/30	2019/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	2,022	0.40%	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%	2014/8/1	2020/5/31
Aozora Bank, Ltd.	2,000	0.31%	2014/8/29	2019/8/31
Resona Bank, Limited.	2,500	0.31%	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%	2014/11/28	2020/11/30
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited 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%	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%	2015/5/29	2022/5/31
Mizuho Bank, Ltd., MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation	6,000	0.49%	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%	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited	3,200	0.50%	2015/11/30	2022/11/30
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%	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%	2016/3/31	2024/3/31
MUFG Bank, Ltd., Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	7,200	0.50%	2016/3/31	2025/3/31
Shinkin Central Bank	1,000	0.18%	2016/3/31	2022/9/30
The Norinchukin Bank	500	0.37%	2017/8/1	2024/7/31
Sumitomo Mitsui Banking Corporation	1,100	0.47%	2017/8/1	2025/7/31
Sumitomo Mitsui Trust Bank, Limited	1,000	0.52%	2017/8/1	2026/7/31
The Bank of Fukuoka	500	0.52%	2017/8/1	2026/7/31
Resona Bank, Limited.	500	0.61%	2017/8/1	2027/7/31
Sumitomo Mitsui Trust Bank, Limited	2,000	0.48%	2017/8/1	2028/7/31

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Mizuho Bank, Ltd.	1,100	0.58%	2017/8/1	2029/7/31
Mizuho Trust & Banking Co., Ltd.	500	0.58%	2017/8/1	2029/7/31
Oita Bank Co. Ltd.	1,000	0.23%	2017/11/30	2022/11/30
The Norinchukin Bank	600	0.49%	2017/11/30	2024/11/30
The Nishi-Nippon City Bank, Ltd.	1,000	0.49%	2017/11/30	2024/11/30
The Bank of Fukuoka	500	0.47%	2018/2/28	2025/8/31
Resona Bank, Limited.	500	0.47%	2018/2/28	2025/8/31
Mizuho Trust & Banking Co., Ltd.	1,500	0.47%	2018/2/28	2025/8/31
Shinsei Bank, Limited	500	0.54%	2018/2/28	2025/8/31
The Nishi-Nippon City Bank, Ltd.	500	0.54%	2018/2/28	2025/8/31
Sumitomo Mitsui Banking Corporation	2,650	0.55%	2018/2/28	2026/2/28
Sumitomo Mitsui Trust Bank, Limited	2,600	0.58%	2018/2/28	2027/2/28
Development Bank of Japan Inc.	750	0.64%	2018/2/28	2027/2/28
MUFG Bank, Ltd.	4,700	0.41%	2018/2/28	2027/8/31
Mizuho Bank, Ltd.	2,700	0.60%	2018/2/28	2030/2/28
Mizuho Bank, Ltd.	3,000	0.19%	2018/5/23	2022/5/23
The Nishi-Nippon City Bank, Ltd.	800	0.26%	2018/8/31	2022/8/31
Sumitomo Mitsui Trust Bank, Limited	2,400	0.33%	2018/8/31	2023/8/31
Mizuho Bank, Ltd.	3,000	0.43%	2018/8/31	2024/8/31
The Bank of Fukuoka	1,300	0.38%	2018/8/31	2024/8/31
The Norinchukin Bank	1,300	0.43%	2018/8/31	2024/8/31
Shinsei Bank, Limited	1,300	0.52%	2018/8/31	2025/8/31
Mizuho Trust & Banking Co., Ltd.	1,300	0.47%	2018/8/31	2025/8/31
Sumitomo Mitsui Banking Corporation	3,600	0.56%	2018/8/31	2026/8/31
Sumitomo Mitsui Trust Bank, Limited	1,400	0.67%	2018/8/31	2027/8/31
Development Bank of Japan Inc.	500	0.67%	2018/8/31	2027/8/31
MUFG Bank, Ltd.	5,000	0.43%	2018/8/31	2028/2/29
Resona Bank, Limited.	1,300	0.48%	2018/8/31	2028/8/31
Mizuho Bank, Ltd.	1,400	0.41%	2018/8/31	2029/8/31
Total	157,222			

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

Investment corporation bonds

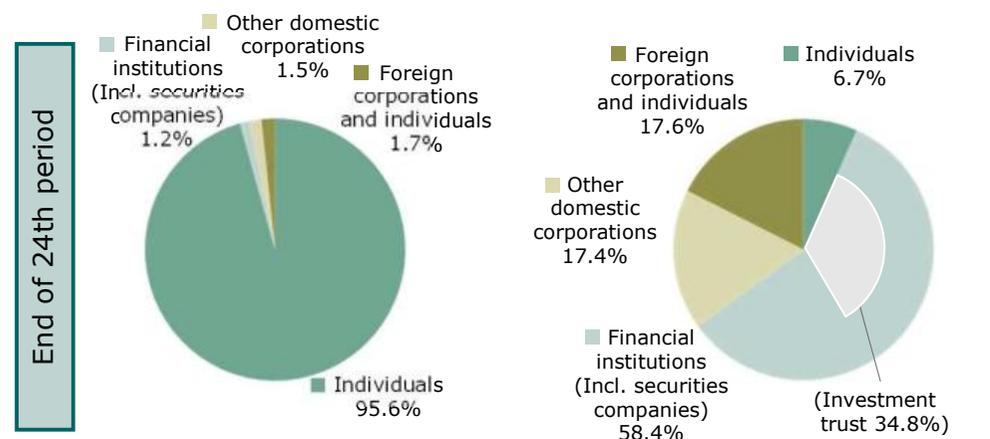
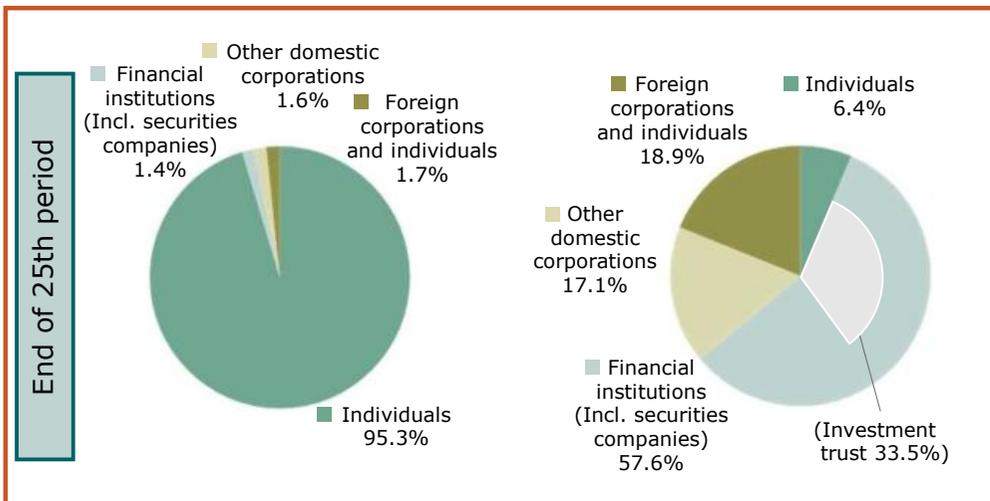
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
9th Series Unsecured Corporation Bond (7 years)	2,000	1.26%	2013/5/24	2020/5/22
10th Series Unsecured Corporation Bond (5 years)	3,000	0.41%	2014/2/24	2019/2/22
11th Series Unsecured Corporation Bond (7 years)	2,000	0.69%	2014/2/24	2021/2/24
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			

3-8 Unitholders breakdown (As of January 31, 2019)

Unitholders breakdown

<Number of unitholders>

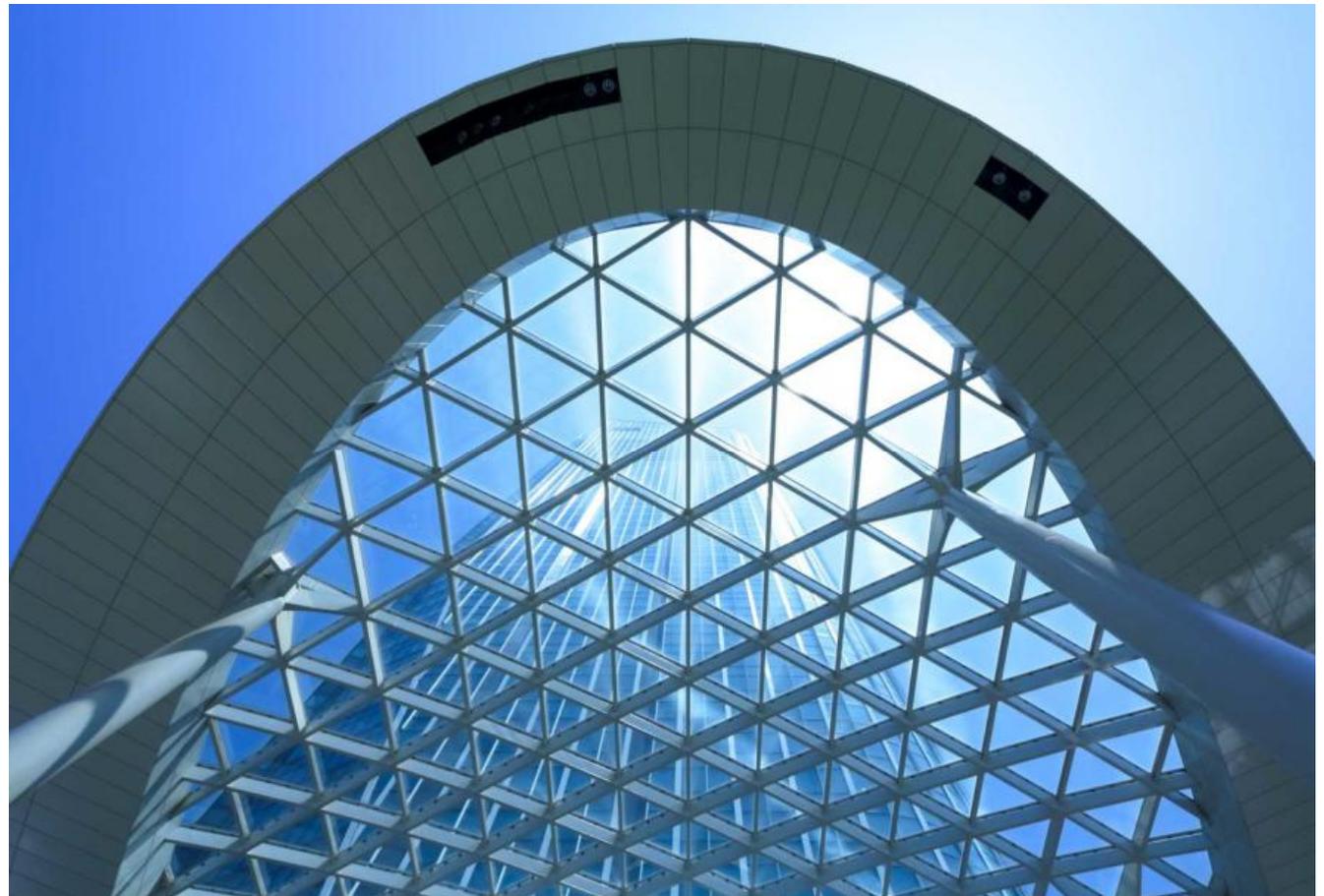
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust account)	395,829	21.1%
2	Mori Building Co., Ltd.	281,272	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	223,685	11.9%
4	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	72,821	3.9%
5	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	54,956	2.9%
6	NOMURA BANK (LUXEMBOURG) S. A.	28,888	1.5%
7	STATE STREET BANK WEST CLIENT - TREATY 505234	21,549	1.1%
8	Trust & Custody Services Bank, Ltd. (Money trust taxable account)	18,254	1.0%
9	JP MORGAN CHASE BANK 385771	18,116	1.0%
10	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	17,866	1.0%
Total of top 10 unitholders		1,133,236	60.4%

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



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): 2.7% in 2019 → 3.2% in 2020
 - ⇒ Rent index (forecast): 121 in 2019 → 123 in 2020
- 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: 3.0% in April 2018 → 3.0% in October 2018
- Lending attitude toward the real estate industry continues to be highly positive.

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

Interest rate trends / Macro environment

- Long-term interest rates remain low due to the monetary easing policy and the core CPI rate of increase is at a low level.
 - ⇒ 10-year bond rates: $\Delta 0.015\%$ (February 28, 2019)
 - ⇒ Core CPI: +0.8% (January 2019)
- In the January 2019 preliminary business conditions composite index, the leading index was at 95.9 (1.3 PT decrease from previous month) and the coincident index was at 97.9 (2.7 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.

- Global business sentiment is partly showing signs of modulation, attention should be paid to future trends.
- 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

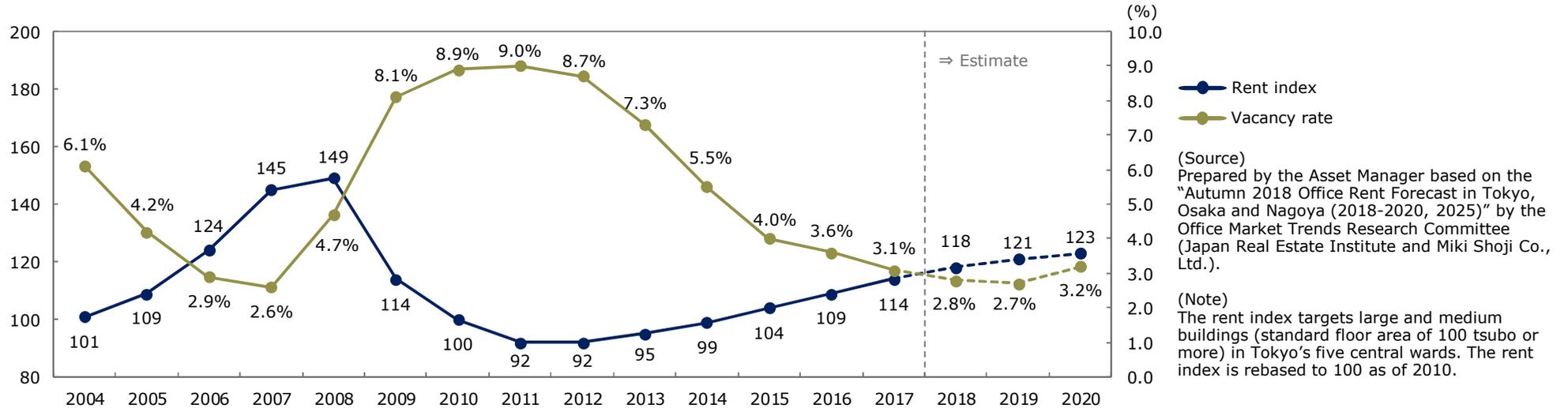
- Target LTV (book value basis) in the mid 40% range (though it may temporarily exceed the target level as necessary) in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years or longer, 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

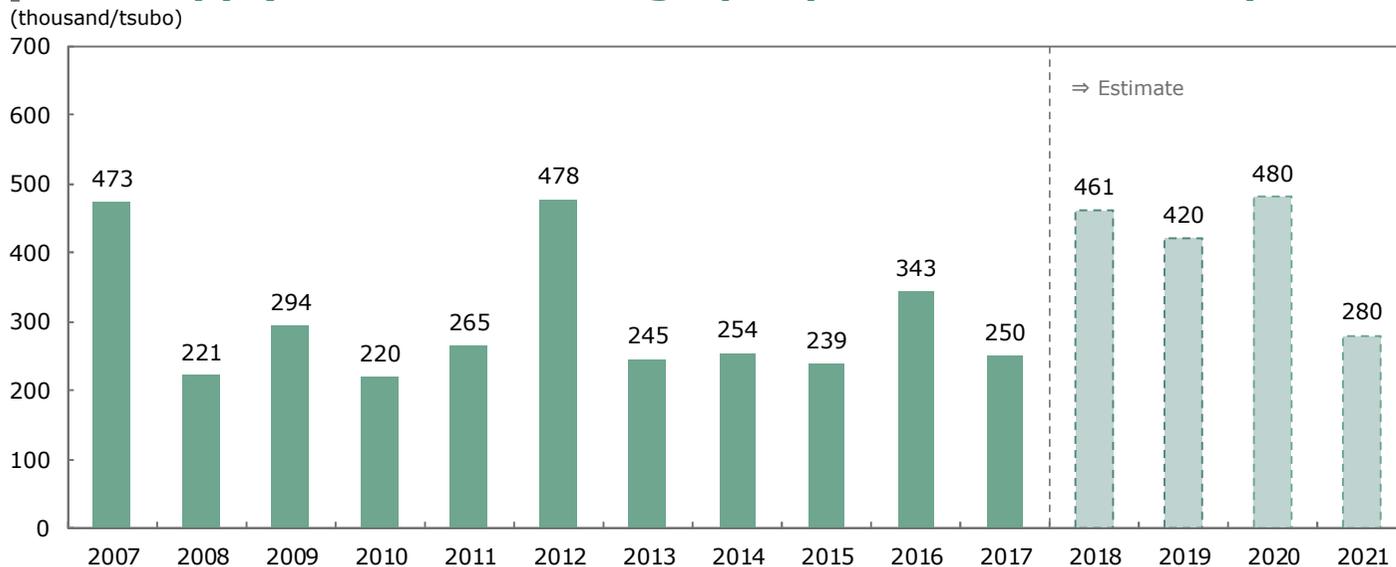
- **Promote portfolio size expansion while maintaining an asset quality level that is one of the best in the industry and aim for continuous improvement of dividends and NAV per unit**

4-3 Market-related information (1)

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

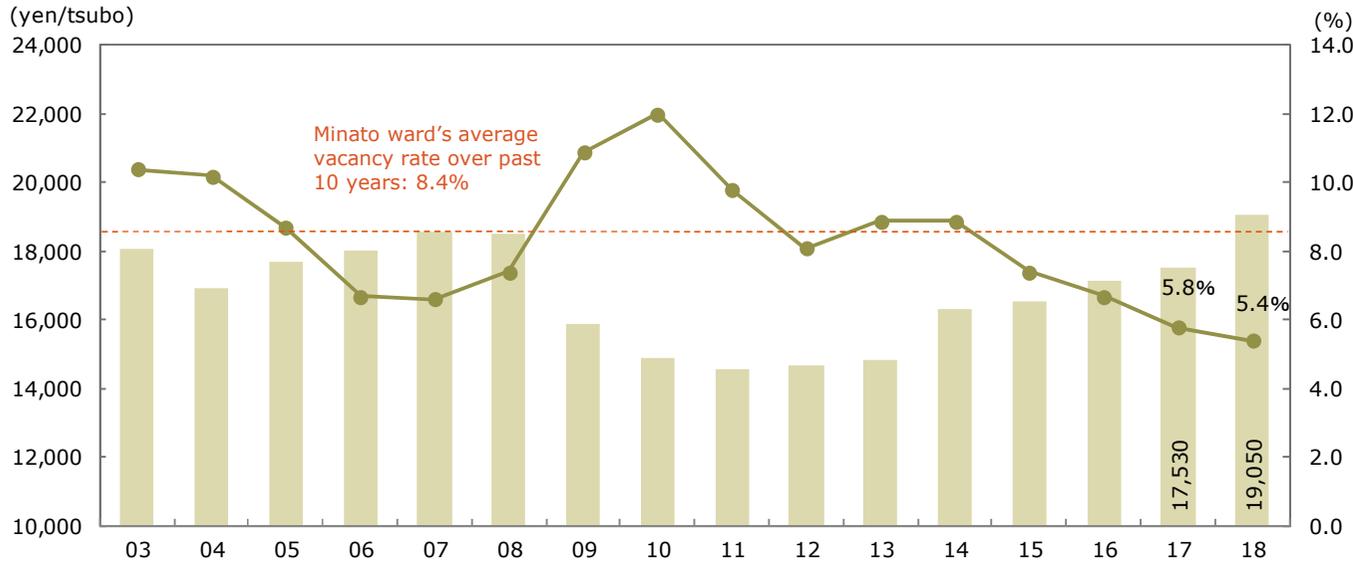


New supply of office buildings (Tokyo's five central wards)



4-4 Market-related information (2)

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

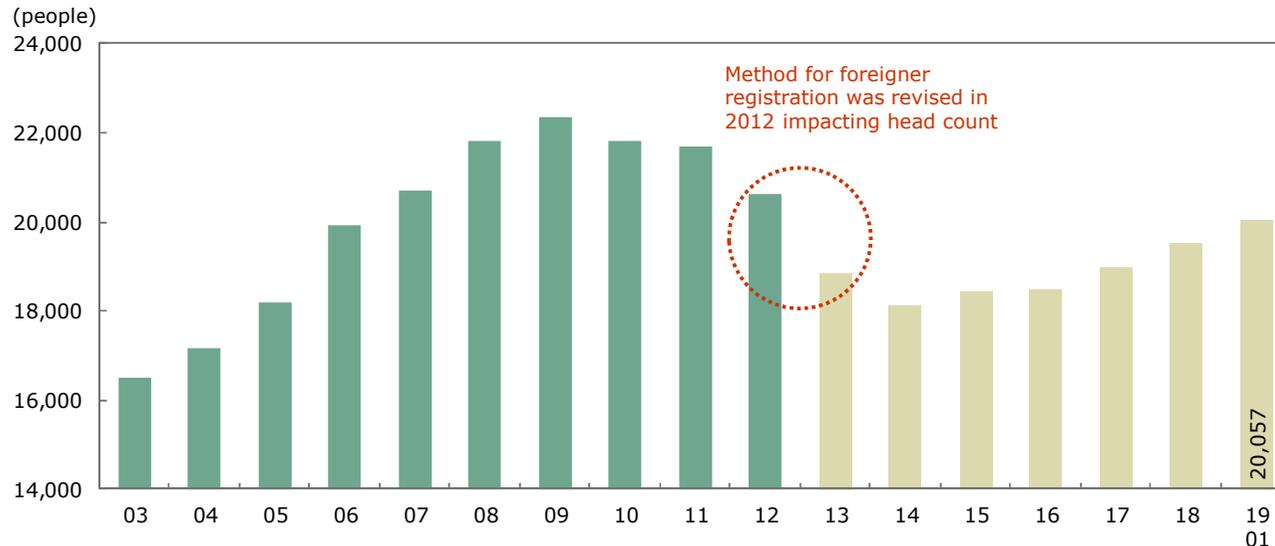


■ Avg. rents of Minato ward
● Avg. vacancy rates of Minato ward

(Source)
 Prepared by the Asset Manager based on Ken Real Estate Investment Advisors' "Ken Residential Market Report" included in real estate appraisal reports by Japan Real Estate Institute regarding properties held by MHR.

(Note)
 Data is based on rental housing with monthly rent of 300,000 yen or more or exclusive floor area of 30 tsubo or more.
 "Avg. rents of Minato ward" is the contracted rent including the management fee.
 In the case of years, "Avg. vacancy rates of Minato ward" is the average of the relevant year's January to March, April to June, July to September and October to December figures, and "Avg. rents of Minato ward" is the annual average.

Change in number of foreign residents in Minato ward



■ No. of foreigners registered under the Ministry of Justice
■ The population of the Basic Resident Register

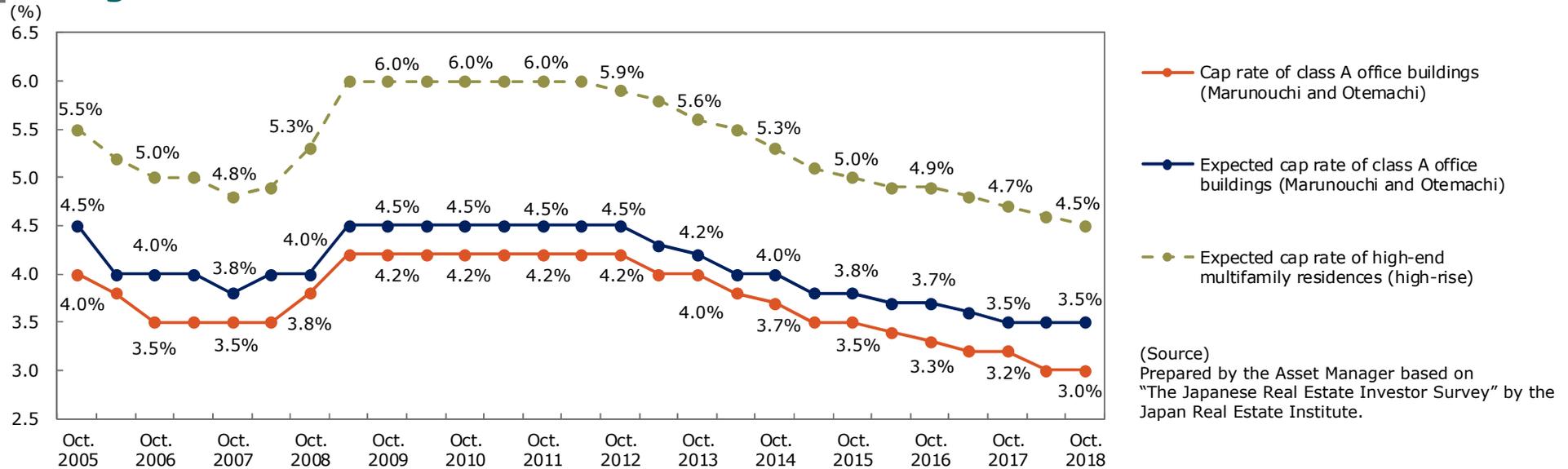
(Source)
 Prepared by the Asset Manager based on "Number of registered foreign residents" prepared by Statistics Division Bureau of General Affairs of Tokyo.

(Note 1)
 "Number of foreign residents" was the number of foreigners registered under the Ministry of Justice until 2012. However, as the foreigner registration system was abolished based on revision of the law, the figure is the population of the Basic Resident Register. Therefore, the data may not be consistent.

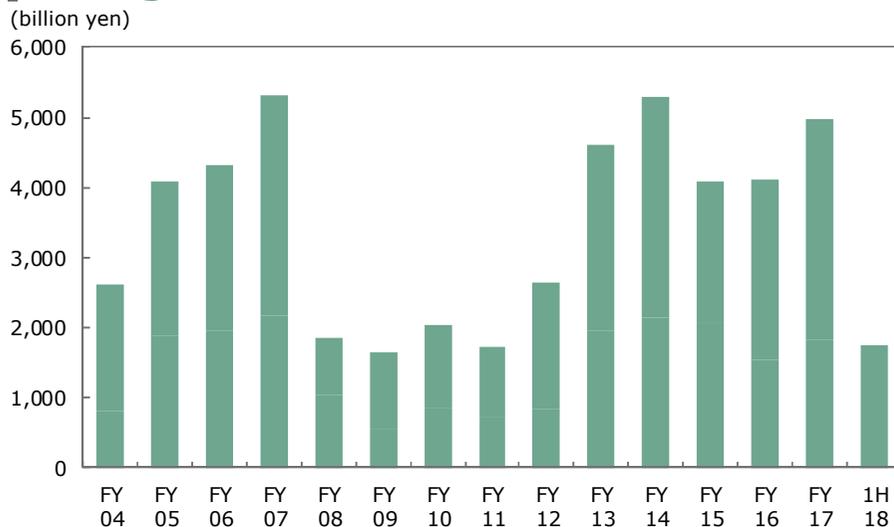
(Note 2)
 Number of foreign residents as of January 1 of each year is used for the year-based figures.

4-5 Market-related information (3)

Change in return on real estate investment

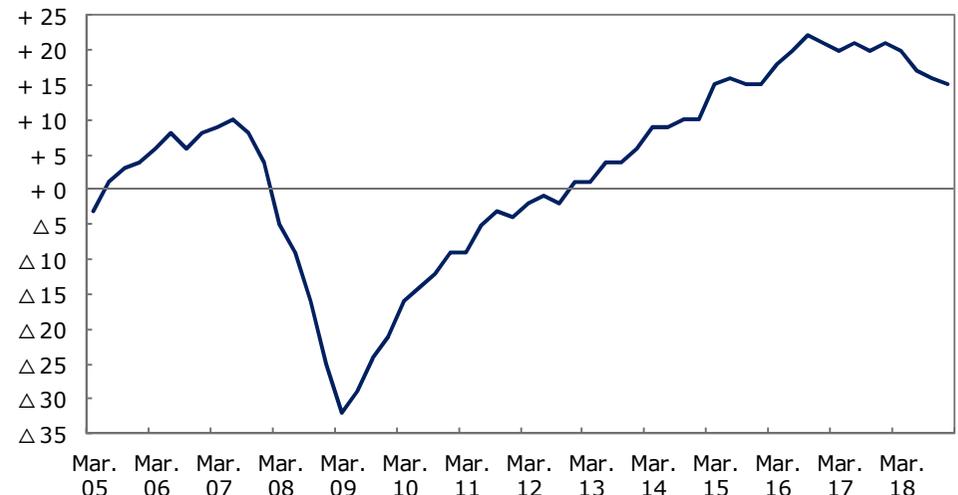


Change in real estate transaction amount



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

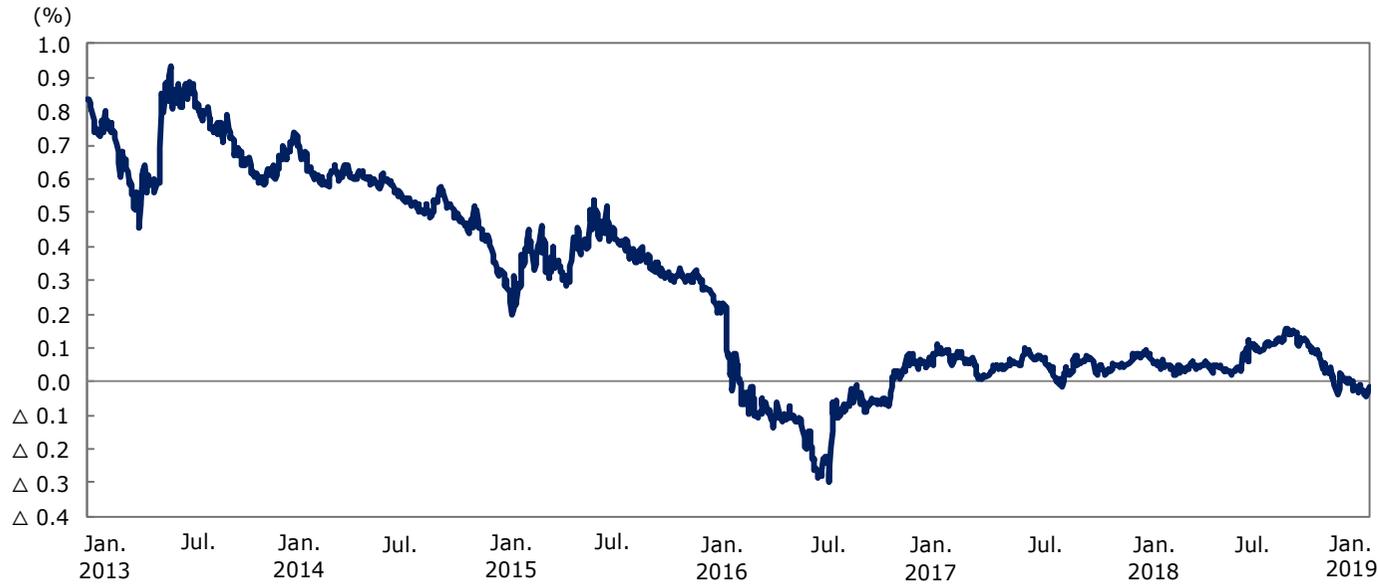
Lending attitude DI (real estate industry)



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

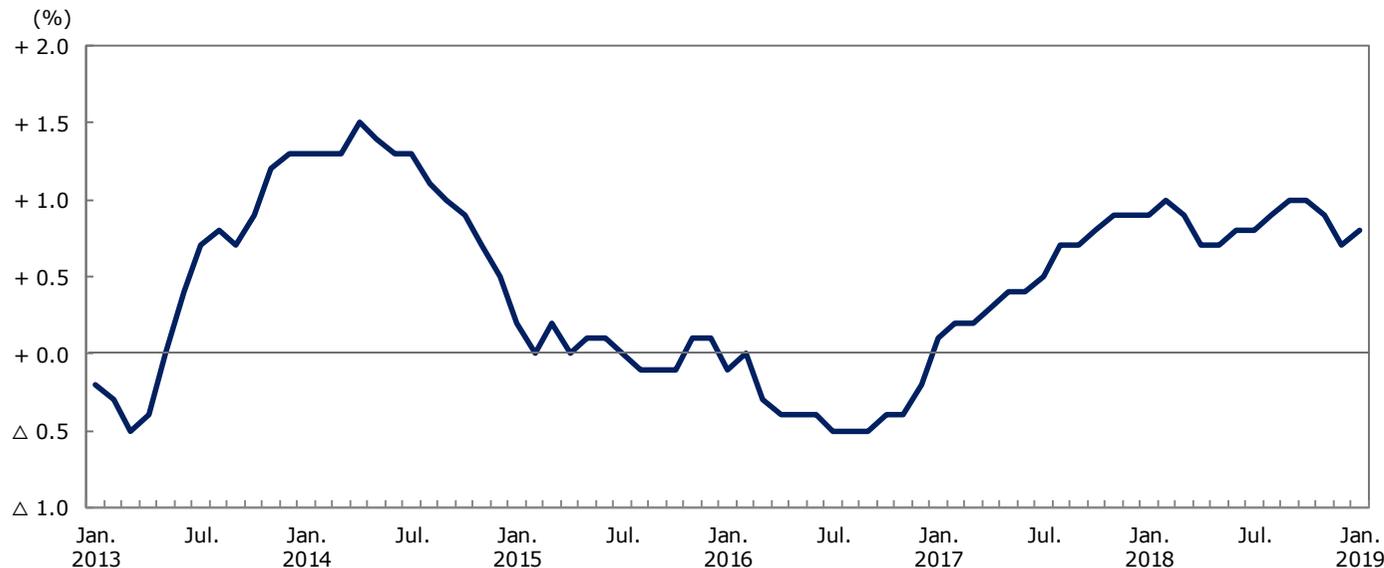
4-6 Market-related information (4)

Change in 10-year bond interest rates



(Source)
Prepared by the Asset Manager based on Refinitiv.

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



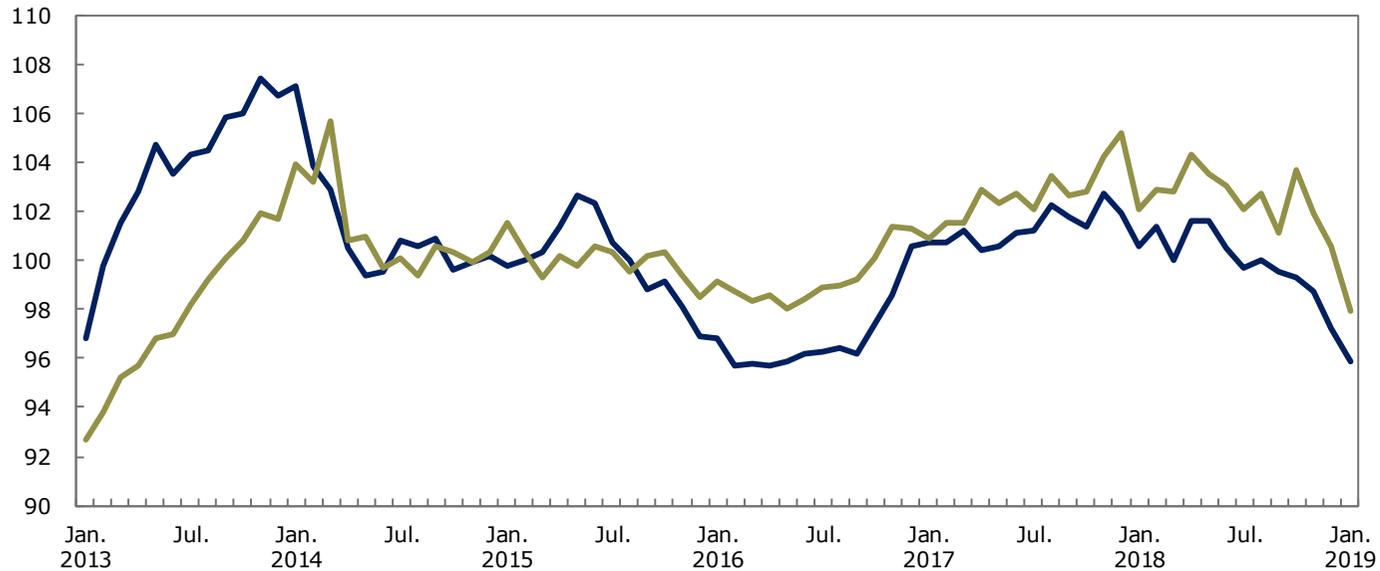
Based on figures excluding the direct effects of the consumption tax rate increase

(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



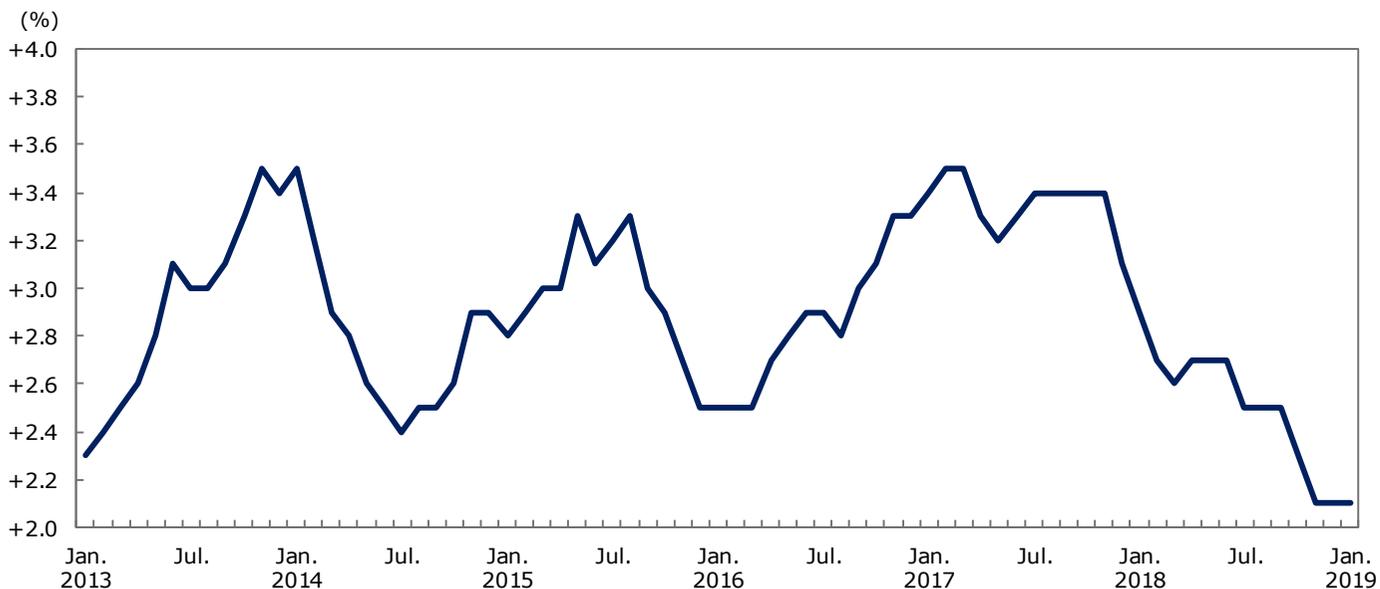
January 2019 figures are based on preliminary data

● 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.

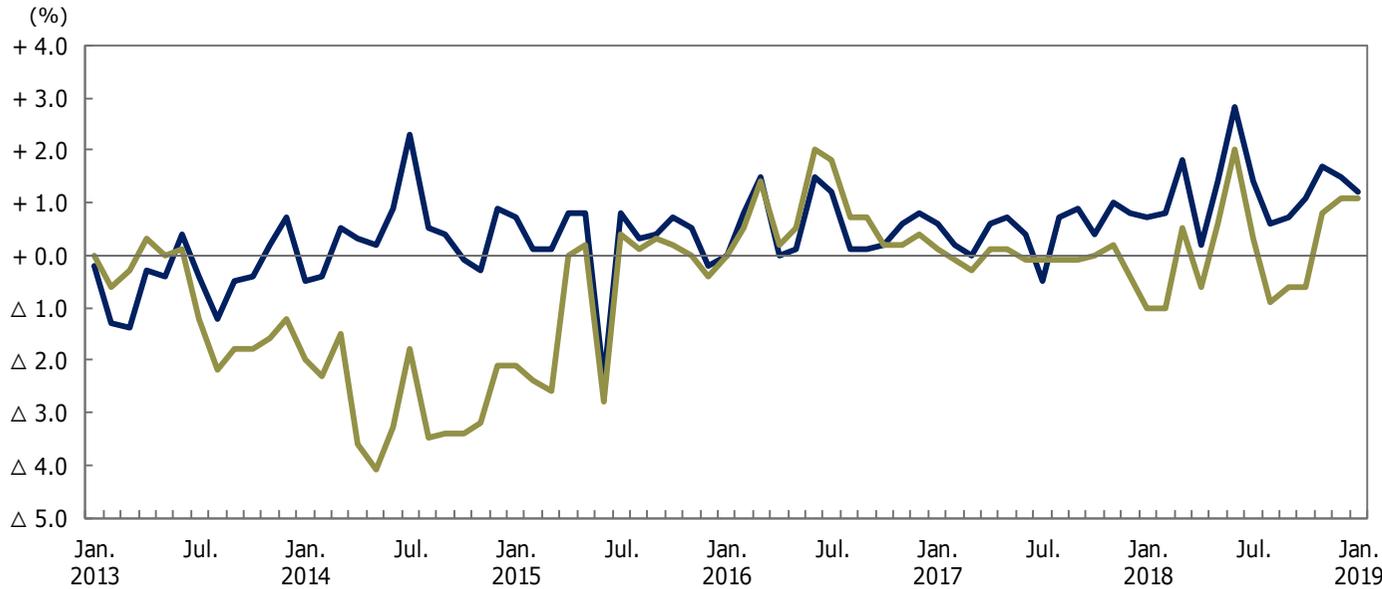
Money stock (M3: year-on-year comparison)



(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 (year-on-year comparison)

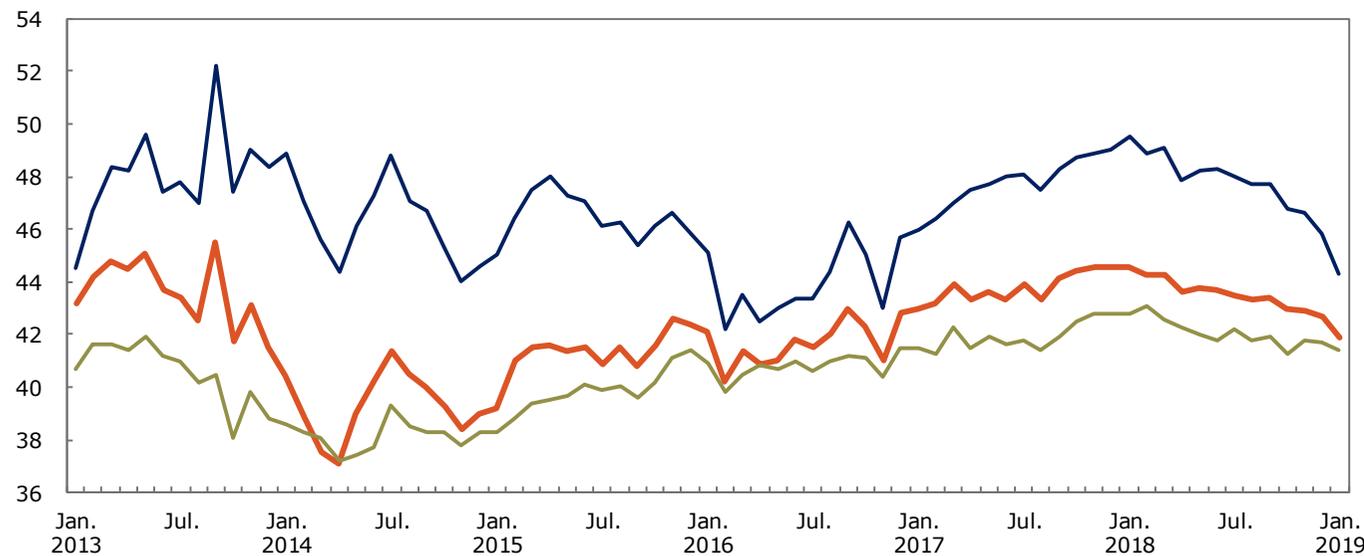


January 2019 figures are based on preliminary data

● Nominal
● Real

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

Consumer confidence survey



● Employment
● Consumer confidence index
● Income growth

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

5. Appendix



5-1 Financial highlights

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

5-2 Balance sheet

(thousand yen)

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

(thousand yen)

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

5-3 Income statement

(thousand yen)

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

Parking revenue	57,105
Utilities and other revenue	195,559
Cancellation penalty	862
Key-money income	50
Property management fees	1,061,959
Property taxes	607,648
Utilities	160,080
Maintenance and repairs	61,629
Insurance premium	17,014
Custodian fees	5,933
Depreciation	1,074,791
Rent expenses	127,398
Other lease business expenses	14,547

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

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

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

(thousand yen)

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

Retained earnings

(yen)

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

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

5-5 Status of income and expenditures (1)

(thousand yen)

Property number	O-0			O-1			O-4			O-6		
Property name	Roppongi Hills Mori Tower			ARK Mori Building			Koraku Mori Building			Akasaka Tameike Tower		
Acquisition price	115,380,000			62,480,000			27,200,000			43,930,000		
Period	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	100.0%	100%	0.0PT	98.0%	99.0%	1.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	99.2%	100.0%	0.8PT	97.2%	96.8%	△ 0.4PT
Number of tenants	1	1	0	1	1	0	23	23	0	140	143	3
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	642,408	648,400	5,992	751,972	755,277	3,305
Other operating revenues	—	—	—	—	—	—	93,443	100,445	7,002	75,894	85,649	9,755
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	735,851	748,846	12,995	827,866	840,927	13,061
Property management	412,351	412,351	—	181,872	167,795	△ 14,076	67,488	61,268	△ 6,219	167,487	166,741	△ 745
Property taxes (Note 1)	227,619	233,476	5,857	76,060	77,942	1,882	32,878	30,636	△ 2,242	42,041	42,378	336
Utilities	—	—	—	—	—	—	68,070	79,822	11,752	27,482	32,722	5,239
Maintenance and repairs	—	—	—	—	355	355	8,238	5,895	△ 2,342	75,008	41,485	△ 33,522
Insurance premium	4,111	4,179	68	1,842	1,873	30	1,686	1,714	27	2,178	2,134	△ 44
Depreciation (1)	417,419	392,638	△ 24,780	62,408	63,758	1,349	92,784	93,452	668	138,629	139,189	559
Other expenses (Note 2)	379	376	△ 2	2,794	2,793	△ 1	75,413	83,094	7,681	10,623	11,082	458
Total property operating expenses	1,061,880	1,043,022	△ 18,857	324,978	314,519	△ 10,459	346,559	355,884	9,325	463,453	435,734	△ 27,719
Property operating income (2)	1,881,570	1,900,427	18,857	1,026,507	1,036,967	10,459	389,291	392,961	3,669	364,412	405,193	40,780
NOI (3) ((1)+(2))	2,298,989	2,293,066	△ 5,922	1,088,916	1,100,726	11,809	482,075	486,414	4,338	503,042	544,382	41,340
Annualized NOI	4,636,083	4,548,745	△ 87,337	2,195,882	2,183,505	△ 12,376	972,142	964,897	△ 7,244	1,014,423	1,079,889	65,466
Annualized NOI/ Acquisition price	4.0%	3.9%	△ 0.1PT	3.5%	3.5%	△ 0.0PT	3.6%	3.5%	△ 0.0PT	2.3%	2.5%	0.2PT
CAPEX (4)	137,992	—	△ 137,992	92,418	57,027	△ 35,390	19,078	45,077	25,998	103,650	39,884	△ 63,765
NCF (3)-(4)	2,160,996	2,293,066	132,069	996,498	1,043,698	47,200	462,997	441,336	△ 21,660	399,392	504,498	105,105

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

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

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

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

5-6 Status of income and expenditures (2)

(thousand yen)

Property number	O-7			O-8			O-9			O-10		
Property name	Atago Green Hills			ARK Hills South Tower			Toranomori Hills Mori Tower			Holland Hills Mori Tower		
Acquisition price	42,090,000			19,150,000			36,210,000 (before acquisition 10,140,000)			16,330,000 (before acquisition 11,760,000)		
Period	24th Jul. 2018	25th Jan. 2019	Difference	24th Jul. 2018	25th Jan. 2019	Difference	24th (Note 3) Jul. 2018	25th (Note 3) Jan. 2019	Difference	24th (Note 3) Jul. 2018	25th (Note 3) Jan. 2019	Difference
Operation days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days	181 days	184 days	3 days
Occupancy rate	100%	100%	0.0PT	98.3%	98.3%	0.0PT	100%	100%	0.0PT	100.0%	100%	0.0PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	97.6%	98.3%	0.7PT	100%	100%	0.0PT	99.7%	100.0%	0.3PT
Number of tenants	1	1	0	42	42	0	1	1	0	24	24	0
Rent revenues	1,012,320	1,012,320	—	463,094	472,458	9,363	199,065	676,307	477,241	357,587	495,055	137,468
Other operating revenues	—	—	—	28,477	35,814	7,337	—	—	—	19,196	31,666	12,470
Total property operating revenue	1,012,320	1,012,320	—	491,572	508,273	16,701	199,065	676,307	477,241	376,783	526,722	149,938
Property management	2,664	2,664	—	48,585	47,195	△ 1,389	23,196	78,806	55,610	73,403	96,600	23,196
Property taxes (Note 1)	68,774	68,655	△ 118	33,755	32,951	△ 803	4,018	8,030	4,011	9,947	19,895	9,947
Utilities	—	—	—	29,826	36,692	6,866	—	—	—	5,292	8,441	3,149
Maintenance and repairs	—	—	—	2,359	3,001	641	—	—	—	1,026	1,617	590
Insurance premium	3,370	3,426	55	1,031	1,048	17	308	1,104	795	680	946	266
Depreciation (1)	184,545	178,221	△ 6,323	44,198	44,212	14	28,867	89,420	60,552	33,506	44,640	11,134
Other expenses (Note 2)	37,973	44,867	6,893	1,529	978	△ 551	18	63	44	146	202	55
Total property operating expenses	297,328	297,835	507	161,286	166,080	4,794	56,410	177,425	121,015	124,002	172,344	48,341
Property operating income (2)	714,991	714,484	△ 507	330,285	342,192	11,906	142,655	498,881	356,225	252,781	354,378	101,597
NOI (3) ((1)+(2))	899,537	892,706	△ 6,831	374,484	386,405	11,920	171,523	588,302	416,778	286,287	399,019	112,731
Annualized NOI	1,813,984	1,770,858	△ 43,126	755,175	766,510	11,334	374,886	1,340,044	965,158	596,383	833,359	236,976
Annualized NOI/Acquisition price	4.3%	4.2%	△ 0.1PT	3.9%	4.0%	0.1PT	3.7%	3.7%	0.0PT	5.1%	5.1%	0.0PT
CAPEX (4)	44,730	33,649	△ 11,080	1,910	—	△ 1,910	—	—	—	11,304	13,371	2,066
NCF (3)-(4)	854,807	859,056	4,249	372,574	386,405	13,831	171,523	588,302	416,778	274,982	385,647	110,665

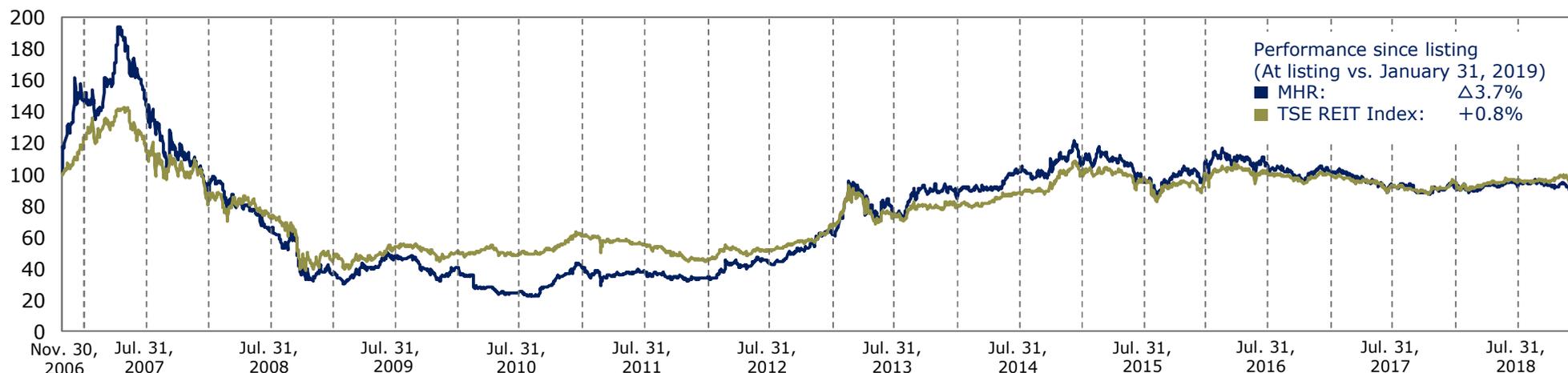
5-7 Status of income and expenditures (3)

(thousand yen)

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

5-8 Unit price performance since IPO

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



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

Unit price per period-end (closing price)

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

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

Accounting period	Unit price
21st (January 2017)	153,500 yen
22nd (July 2017)	138,900 yen
23rd (January 2018)	137,100 yen
24th (July 2018)	138,100 yen
25th (January 2019)	144,500 yen

(Reference)

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

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

Investments focusing on Premium Properties

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

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

Premium Properties

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

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

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

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

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

Office building focus
<p>Office building</p> <p>50% or more</p>

Tokyo' five central wards focus
<p>Tokyo's five central wards and their vicinity</p> <p>50% or more</p> <p>(Tokyo Metropolitan Area: 80% or more)</p>

Earthquake-resistance focus
<p>Investment focused on properties' earthquake resistance, the safety of the area, disaster countermeasures, etc.</p>

5-10 Sustainability initiatives

Approach and System of Sustainability

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

MHR and MIM aim to contribute to the realization of a sustainable society and maximization of unitholder value in the medium to long term by emphasizing ESG (Environment, Social and Governance) and investing in high-quality urban assets while striving to improve various environmental and social performance levels.

Sustainability Promotion System

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

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

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

Initiatives Throughout the Entire Supply Chain

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

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

<Green Building Certification and External Assessment>

○ Green Building Certified Properties

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

(Certificates Coverage Ratio)

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

※ Excluding Laforet Harajuku (Land)

○ GRESB Real Estate Rating



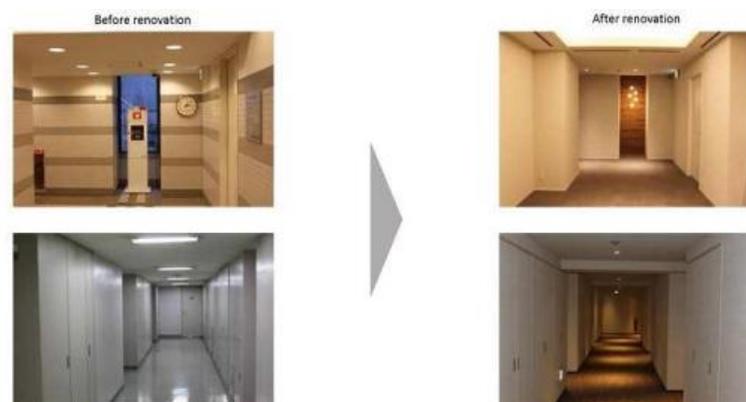
In the 2018 GRESB Survey, MHR received a **"Green Star"** rating for the seventh consecutive year, and **"received 4 Stars"** in the GRESB Rating.

<Reduction of Environmental Loads>

○ Promotion of Energy-conservation

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

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



○ Collaborating with Tenants

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

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

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

<Initiatives with Employees>

○ Talent Development

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

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

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

○ Employee Stock Ownership Plan (ESOP)

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

○ Promoting Women's Participation

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

<Initiatives with Tenants and Local Communities>

○ Tenant Satisfaction Surveys

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

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

○ Local Communities

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



<Initiatives with Investors>

○ All Japanese Listed Companies' Website Ranking

Nikko Investor Relations Co., Ltd. announces a valuation of websites of all listed companies by investigating the degree of information disclosure based on objective evaluation items from its unique perspective. MHR's website has received "Total Ranking: The Best Site" for the fourth consecutive years.



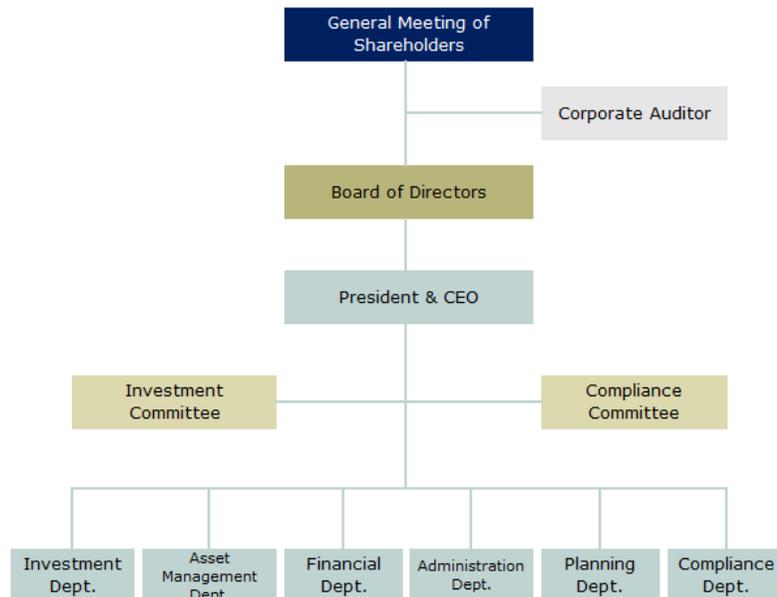
5-13 Sustainability initiatives: Governance

<Corporate Governance>

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

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

(MIM's organization)

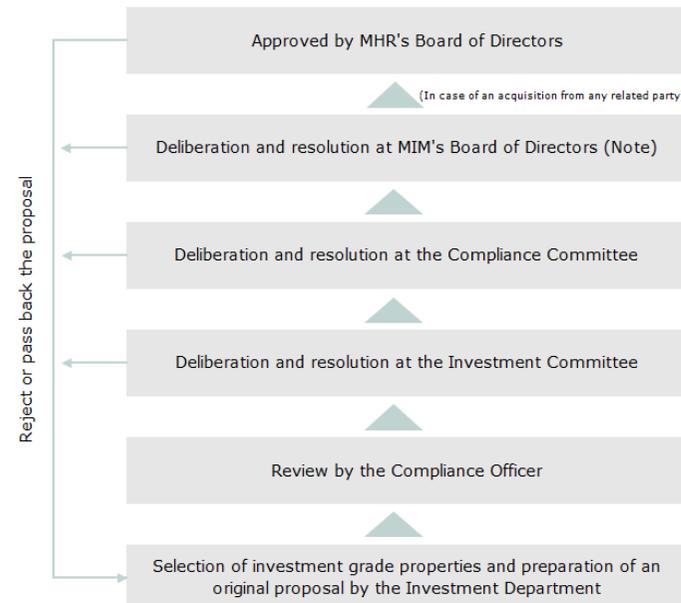


<Compliance>

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

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

(Process to counter transactions involving conflicts of interest)

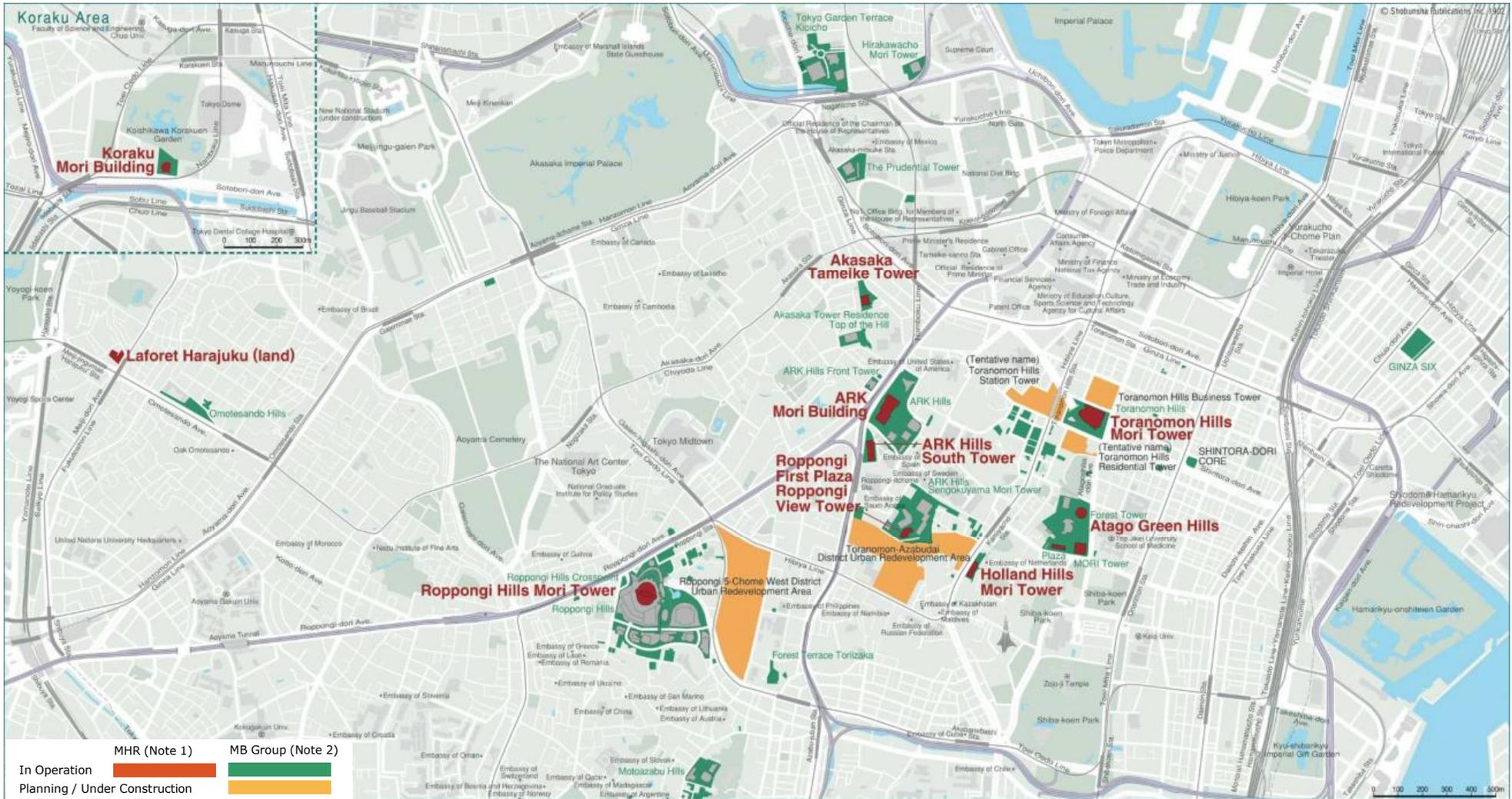


(Note) Director who are classified as a related party officer is not able to participate in the resolution when acquiring asset from a related party.

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



HILLS REIT



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

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

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

5-14 Portfolio overview (As of January 31, 2019)

Type	Office building						Office building (Partly residential)				Residential	Retail		
Property name	Roppongi Hills Mori Tower	ARK Mori Building	Koraku Mori Building	ARK Hills South Tower	Toranomon Hills Mori Tower	Holland Hills Mori Tower	Akasaka Tameike Tower	Atago Green Hills			Roppongi First Plaza	Roppongi View Tower	Laforet Harajuku (Land)	
	O-0	O-1	O-4	O-8	O-9	O-10	O-6	MORI Tower	Forest Tower	Plaza	R-3	R-4	S-1	
Photo														
Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium	Premium			Premium	-	Premium	
Location	Roppongi, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Koraku, Bunkyo-ku, Tokyo	Roppongi, Minato-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Toranomon, Minato-ku, Tokyo	Akasaka, Minato-ku, Tokyo	Atago, Minato-ku, Tokyo		Toranomon, Minato-ku, Tokyo	Roppongi, Minato-ku, Tokyo		Jingumae, Shibuya-ku, Tokyo	
Completion	Apr. 2003	Mar. 1986 (Large-scale renovation in 2005)	Mar. 2000	Jul. 2013	May. 2014	Jan. 2005	Sep. 2000	Jul. 2001	Oct. 2001	Jul. 2001	Oct. 1993		-	
Building age	15 years 9 months	32 years 10 months	18 years 10 months	5 years 6 months	4 years 8 months	14 years 0 month	18 years 4 months	17 years 6 months	17 years 3 months	17 years 6 months	25 years 3 months		-	
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	20 above ground, 4 below	52 above ground, 5 below	24 above ground, 2 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 1 below		-	
Gross floor area	approx. 442,150m ²	approx. 177,486m ²	approx. 46,154m ²	approx. 53,043m ²	approx. 241,581m ²	approx. 35,076m ²	approx. 46,971m ²	approx. 85,266m ²	approx. 60,815m ²	approx. 2,083m ²	approx. 22,906m ²		-	
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (approx. 25%)	Co-ownership (approx. 12.7%)	Co-ownership (approx. 62.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (approx. 47%)	Co-ownership (approx. 46%)	Ownership
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (approx. 25%)	Co-ownership (approx. 6.9%)	Compartmentalized ownership (approx. 48.5%)	Compartmentalized ownership (approx. 65.5%)	Co-ownership (approx. 32.9%)			Compartmentalized ownership (approx. 46.4%)	Compartmentalized ownership (approx. 44.7%)	-
PML (Note 2)	0.59%	0.78%	0.73%	1.56%	0.50%	0.85%	1.79%	2.35%	2.34%	5.94%	2.20%	2.20%	-	
Earthquake-resistant feature (Note 3)	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	Seismic Damping	-	-	-	-				
Acquisition price (mn yen)	115,380	62,480	27,200	19,150	36,210	16,330	43,930	42,090			2,100	4,000	21,820	
Occupancy rate (Note 4)	100%	100%	100%	98.3%	100%	100%	99.0%	100%			92.9%	96.8%	100%	

Average building age
17.9 years (Note 5)

Portfolio PML
0.93% (Note 2)

Total acquisition price
390,690 mn yen

5-14 Portfolio overview (Note)

- (Note 1) "Type of ownership" denotes the type of rights held by MHR or the Trustee. "Ownership" stands for ownership, "Co-ownership" stands for the ownership of beneficiary interests, "Compartmentalized ownership" denotes ownership and the rights for exclusive use in or over parts of a building, and "Leased land" denotes Leasehold land. The land site of Atago Green Hills includes joint ownership in quasi-undivided interests of leasehold land and easement.
- (Note 2) This indicates the figure described in the "Report on evaluation of seismic PML for portfolio" dated June 4, 2018 by Somp Risk Management & Health Care Inc.
- (Note 3) ARK Mori Building adopts "slitwall" as an earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of January 31, 2019.
- (Note 5) For calculation of the "Average building age" of Atago Green Hills, we have assumed that construction of the building was completed on July 30, 2001.