

Mori Hills REIT Investment Corporation

Results of the 22nd Fiscal Period ended July 31, 2017

Presentation Material

September 15, 2017



TSE Code: 3234

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

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

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

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1. Executive summary	3	3. Operation highlights	25
2. Investment highlights	4	Factors that led to changes in dividends per unit	
Unit price performance	5	from the previous fiscal period	26
Financial results	6	Change in assets under management	27
Overview of new acquisitions (Scheduled as of March 1, 2018)	7	Change in unrealized capital gain/loss	28
Forecasts	10	Appraisal value	29
Dividends per unit growth record	11	Change in the rent and occupancy rates	30
Increase in appraisal NAV per unit	12	Overview of fixed rent master lease properties	31
Overview of portfolio	13	Tenant status by month and tenants with large leased space	32
External growth	16	Financial overview (as of July 31, 2017)	33
Internal growth	19	Debt status (as of July 31, 2017)	34
Financial management	21	Unitholders breakdown (as of July 31, 2017)	35
Competitive strength of Central Tokyo	23	4. Business environment recognition & MHR's policy/strategy	36
		Business environment recognition	37
		MHR's policy/strategy	38
		Market-related information	39
		5. Appendix	45

22nd period (Jul. 2017)

- **Operating revenue: 8,491 million yen, operating income: 5,395 million yen, net income: 4,755 million yen** Increased revenue and income period-over-period
- **Disposed of Moto-Azabu Hills for 2,030 million yen (July 2017)**
Profit on disposition: +410 million yen (180 million yen was allocated to provision of reserve for reduction entry)
- **DPU: 2,610 yen (+4 yen from 21st period)** Increasing for 14 consecutive fiscal periods

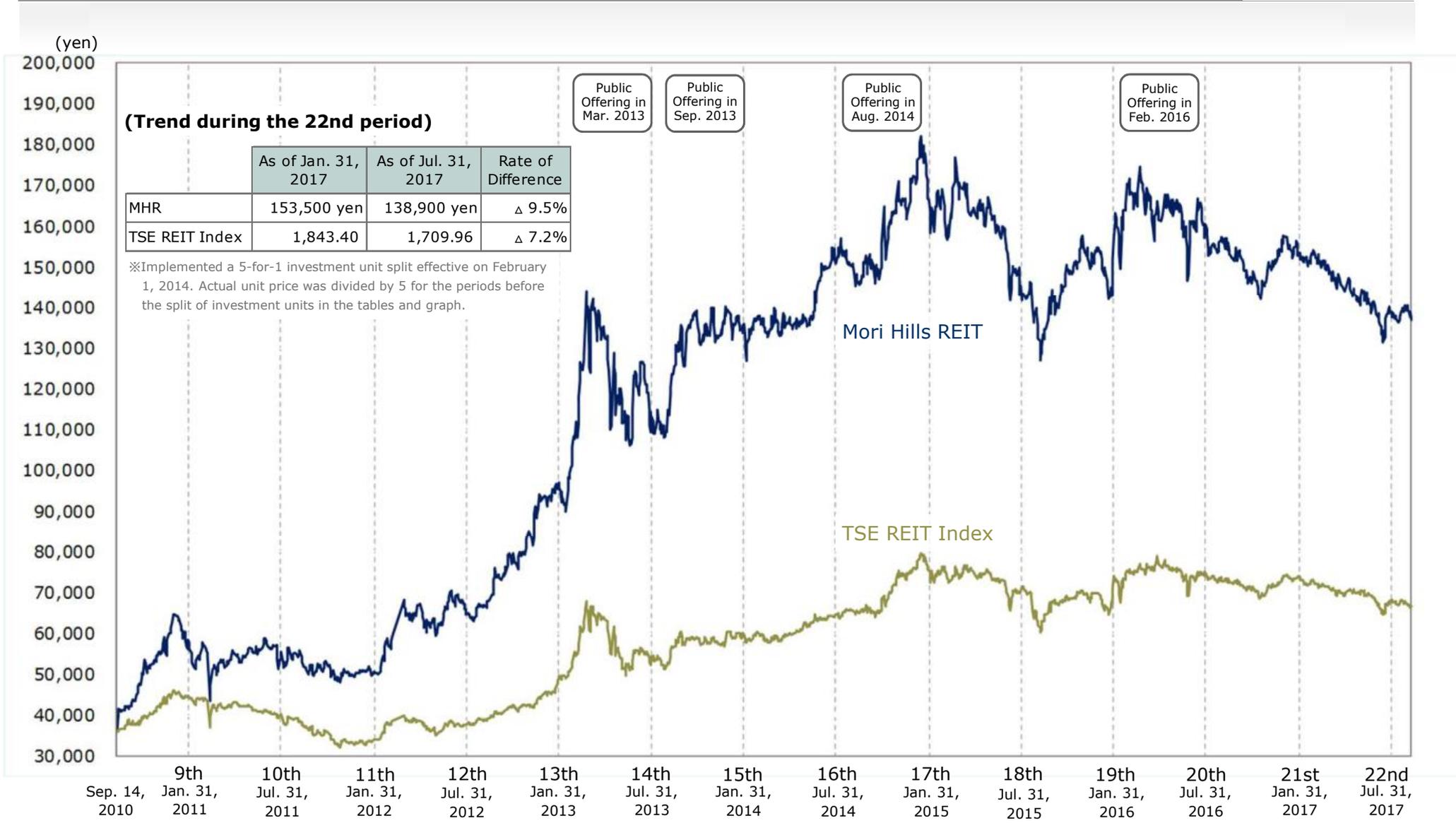
After 23rd period (Jan. 2018)

- **Acquired Toranomon Hills Mori Tower for 5,070 million yen and Holland Hills Mori Tower for 9,330 million yen as of August 2017**
- **Additional acquisition of Toranomon Hills Mori Tower for 5,070 million yen and Holland Hills Mori Tower for 2,430 million yen as of March 2018**
- **DPU (forecast): 2,640 yen (23rd period), 2,700 yen (24th period)**
- **Substantially completed leasing the large-scale vacancy (11 floors) of ARK Hills South Tower** Rate of progression 97%

2. Investment highlights



2-1 Unit price performance



Market value
41.9 bn yen
(Sep. 14, 2010)

240 bn yen
(Sep. 8, 2017)

(Note 1) Unless otherwise stated in this document, all amounts are rounded down below the unit and all fractions are rounded up to one digit 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

	21st period	22nd period		22nd period
	Jan. 31, 2017	Jul. 31, 2017		Jul. 31, 2017
	Actual	Actual	Difference	Forecasted
Operating Highlights (million yen)				
Operating revenue	8,248	8,491	+ 243	8,491
Rent revenues	8,056	7,853	Δ 202	7,838
Other operating revenues	192	225	+ 32	241
Gain on sales of real estate properties	—	413	+ 413	411
Operating expenses	3,041	3,096	+ 55	3,186
Expenses related to properties	2,696	2,788	+ 92	2,877
SG&A	344	307	Δ 37	308
Operating income	5,207	5,395	+ 188	5,305
Non-operating income	2	0	Δ 1	0
Non-operating expenses	643	640	Δ 3	640
Ordinary income	4,566	4,756	+ 190	4,666
Net income	4,562	4,755	+ 193	4,664
Reserve for reduction entry	—	186	+ 186	95
Total dividends	4,562	4,569	+ 7	4,569
DPU				
Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,606	2,610	+ 4	2,610
Other Indices (million yen)				
Profit on real estate rental	5,552	5,289	Δ 262	5,202
Depreciation	994	1,000	+ 5	1,006
NOI	6,546	6,290	Δ 256	6,209
NOI yield	3.8%	3.7%	Δ 0.1PT	3.7%
Acquisition price (weighted average based on the number of operating days during the period) (Note)	339,856	339,847	Δ 9	339,847

Increase/decrease factor (21st – 22nd)

- **Operating revenue (+243 mn yen)**
 - Profit on disposition of Moto-Azabu Hills +413
 - Office (Pass-through) Δ122
 - "Fixed rent ML" revision/change (22nd period) Δ49
- **Operating expenses (+55 mn yen)**
 - Property taxes for property acquired in 20th period +44
 - Leasing fee +33
 - Maintenance and repairs +22
 - Asset management fee Δ33
- **Non-operating expenses (Δ3 mn yen)**
 - Interest on investment corporation bonds +7
 - Interest expenses, etc. (current borrowings) Δ10

Increase/decrease factor for 22nd period (Forecasted – Actual)

- **Operating income (+90 mn yen)**
 - Increase in rent and common area revenue +14
 - Decrease in property management fees +9
 - Decrease in maintenance and repairs +57
- **Reserve for reduction entry (+90 mn yen)**

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

Toranomon Hills Mori Tower (Additional acquisition)



Acquisition price

5,070 mn yen

Appraisal value

5,610 mn yen

NOI yield

3.4%

Earthquake PML

0.50%

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	7% quasi-co-ownership interest in trust beneficial interests

Total to be acquired: 14% quasi-co-ownership interest including past acquisition

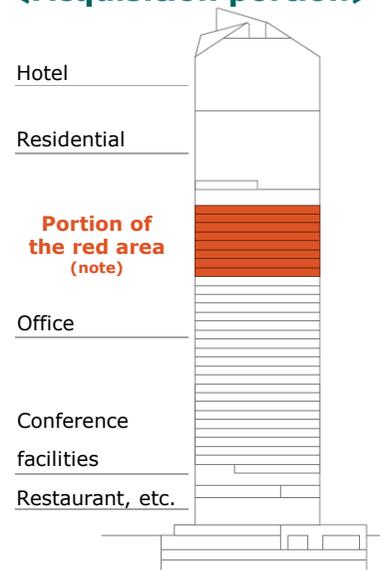
1. Super high rise tower - Tokyo's new landmark

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

<Acquisition portion>



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

Holland Hills Mori Tower (Additional acquisition)



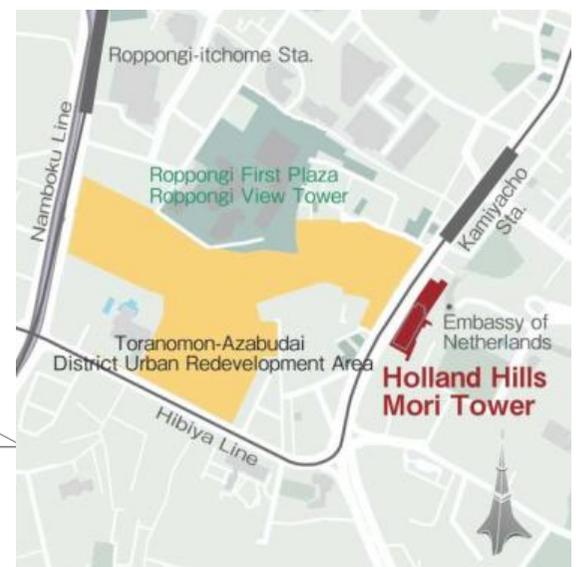
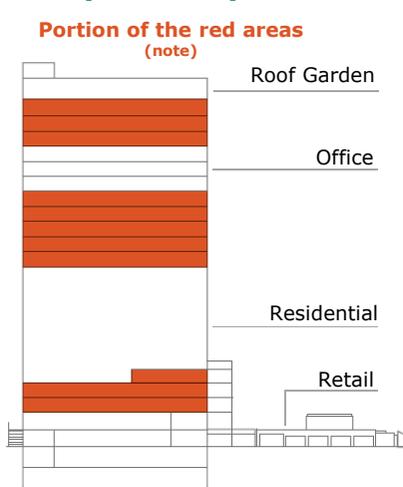
1. High rise tower integrating the greenery of the Embassy of the Netherlands

- 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 portion>



Acquisition price
2,430 mn yen

Appraisal value
2,770 mn yen

NOI yield
4.3%

Property Number	O-10
Location (Residential indication)	11-2, Toranomon 5-chome, Minato-ku, Tokyo
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	15% quasi-co-ownership interest in trust beneficial interests

Earthquake PML
0.85%

Total to be acquired: 72% quasi-co-ownership interest including past acquisition

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

2-5 Overview of new acquisitions

Outline of transactions

		Acquired as of August 1, 2017 (A)	To acquire as of March 1, 2018 (B)	(A) + (B)	
Toranomon Hills Mori Tower	Acquisition price	5,070 million yen	5,070 million yen	10,140 million yen	<p>Total acquired area Approx. 3.4% of office area Approx. 1.9% of total</p>
	NOI yield	3.4%	3.4%	3.4%	
	NOI	172 million yen	173 million yen	345 million yen	
	Total leasable floor area	1,709.27m ²	1,709.27m ²	3,418.54m ²	
		+	+		
Holland Hills Mori Tower	Acquisition price	9,330 million yen	2,430 million yen	11,760 million yen	<p>Total acquired area Approx. 55.5% of office area Approx. 34.9% of total</p>
	NOI yield	4.3%	4.3%	4.3%	
	NOI	401 million yen	104 million yen	505 million yen	
	Total leasable floor area	5,794.07m ²	1,524.76m ²	7,318.83m ²	
		▼	▼		
Total	Acquisition price	14,400 million yen	7,500 million yen		
	NOI yield	3.9%	3.7%		
	NOI	574 million yen	277 million yen		

2-6 Forecasts

	22nd period	23rd period		24th period
	Jul. 31, 2017	Jan. 31, 2018		Jul. 31, 2018
	Actual	Forecast	Difference	Forecast
Operating Highlights (million yen)				
Operating revenue	8,491	8,492	+ 0	8,679
Rent revenues	7,853	8,271	+ 418	8,465
Other operating revenues	225	221	△ 4	214
Gain on sales of real estate properties	413	—	△ 413	—
Operating expenses	3,096	3,236	+ 140	3,325
Expenses related to properties	2,788	2,934	+ 146	3,007
SG&A	307	301	△ 5	318
Operating income	5,395	5,256	△ 139	5,353
Non-operating income	0	1	+ 0	1
Non-operating expenses	640	634	△ 5	627
Ordinary income	4,756	4,622	△ 133	4,727
Net income	4,755	4,621	△ 134	4,726
Reserve for reduction entry	186	—	△ 186	—
Total dividends	4,569	4,621	+ 52	4,726
DPU				
Total units outstanding (units)	1,750,640	1,750,640	—	1,750,640
DPU (yen)	2,610	2,640	+ 30	2,700
Other Indices (million yen)				
Profit on real estate rental	5,289	5,557	+ 267	5,672
Depreciation	1,000	1,034	+ 34	1,040
NOI	6,290	6,592	+ 302	6,713
NOI yield	3.7%	3.7%	△ 0.0PT	3.8%
Acquisition price (weighted average based on the number of operating days during the period)	339,847	352,550	+ 12,702	358,889

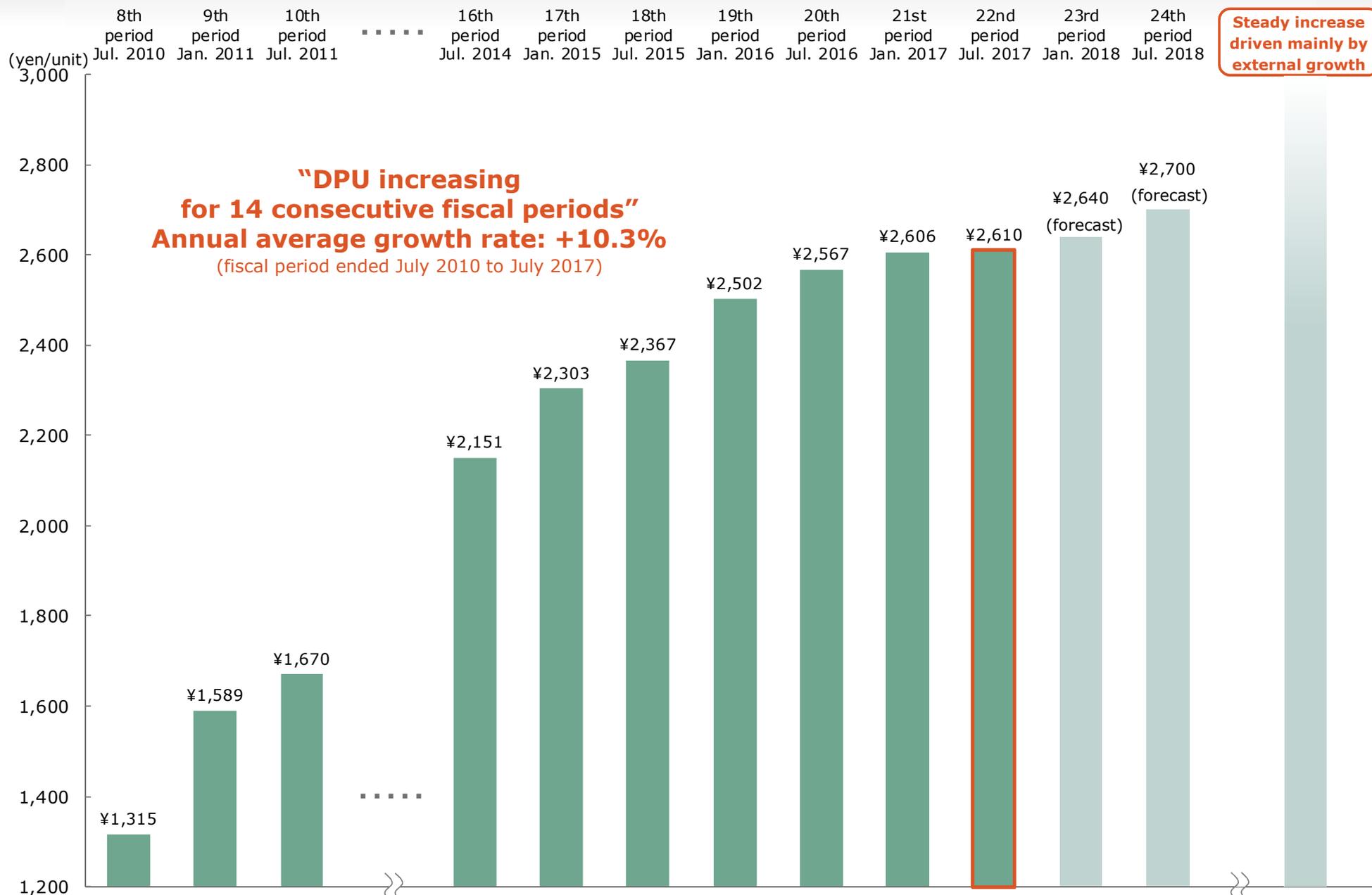
Increase/decrease factor (22nd – 23rd)

• Operating revenue (+0 mn yen)	
- Property acquisition in 23rd period	+412
- Office (Pass-through)	+116
- Profit on disposition and rent revenue of Moto-Azabu Hills	△471
- Full period contribution of "fixed rent ML" revision in 22nd period	△49
• Operating expenses (+140 mn yen)	
- Property acquisition in 23rd period	+140
- Property taxes for property acquired in 20th period	+44
- Leasing fee	△28
- Expenses related to properties of Moto-Azabu Hills	△24
• Non-operating expenses (△5 mn yen)	
- Interest expenses, etc. (New borrowings in 23rd period)	+17
- Amortization of investment unit issuance cost	△27

Increase/decrease factor (23rd – 24th)

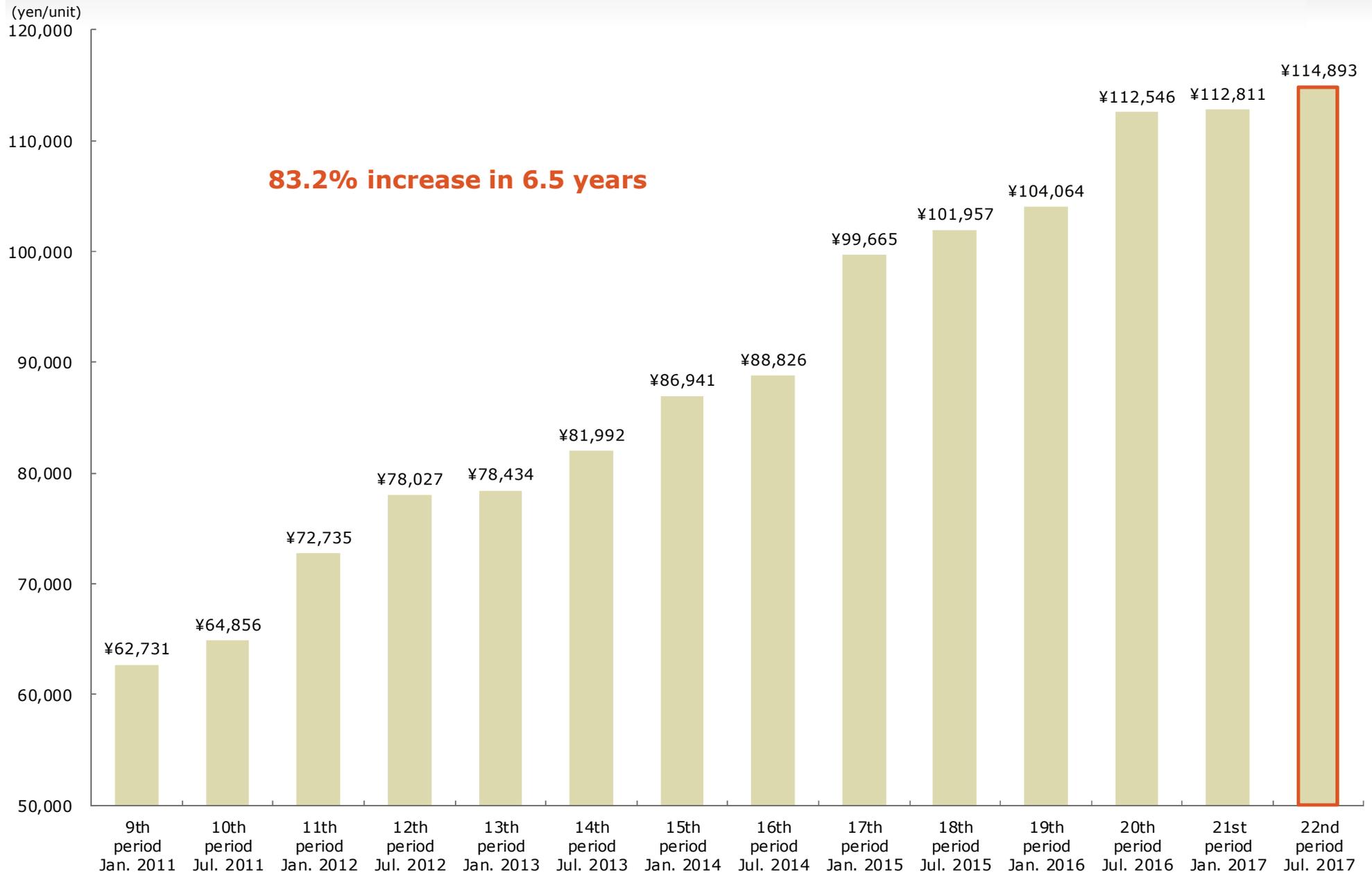
• Operating revenue (+187 mn yen)	
- Property acquisition in 24th period	+155
- Office (Pass-through)	+22
• Operating expenses (+89 mn yen)	
- Property acquisition in 24th period	+47
- Maintenance and repairs	+18
- Property taxes for existing properties	+18
- Property taxes for properties acquired in 23rd period	+14
• Non-operating expenses (△6 mn yen)	
- Interest expenses, etc. (New borrowings in 24th period)	+19
- Interest expenses, etc. (current borrowings)	△16
- Amortization of investment unit issuance cost	△8

2-7 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.

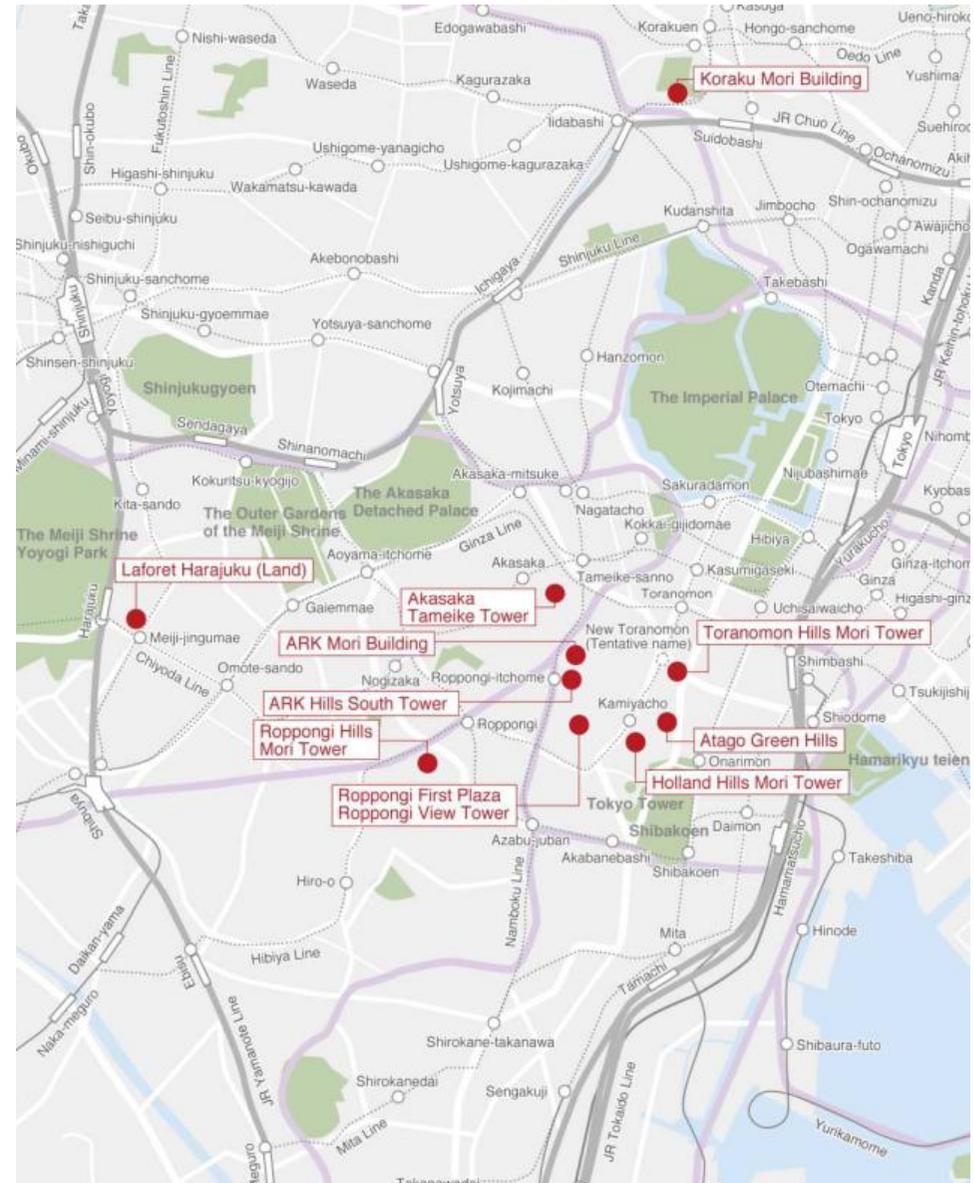
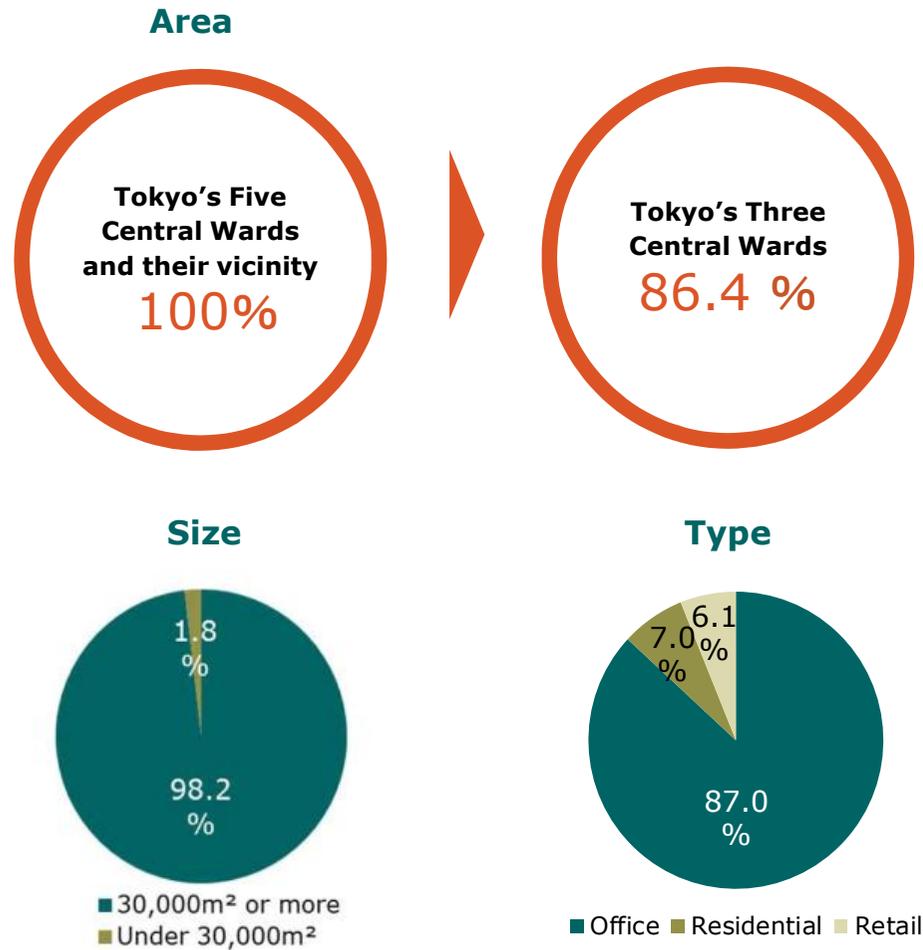
2-8 Increase in appraisal NAV per unit



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

2-9 Overview of portfolio (1) Location

No. 1 property percentage in Central Tokyo



(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.

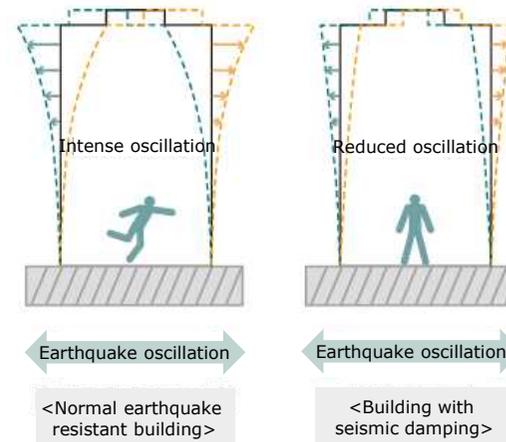
Pursue No. 1 earthquake-resistance capability

**Lowest portfolio
PML of all listed
J-REITs**
0.97%

※ 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

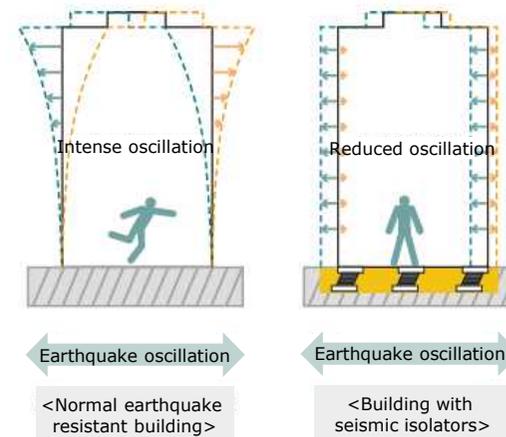


Seismic damping reduces earthquake magnitude of oscillation by approx. 20%



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

Pursue No. 1 environmental performance



CASBEE for Market Promotion: Rank S



Roppongi Hills Mori Tower



ARK Mori Building



Atago Green Hills (Mori Tower)

CASBEE for Buildings (New Construction): Rank S



Toranomon Hills Mori Tower

DBJ Green Buildings Certification: Five stars



ARK Hills South Tower

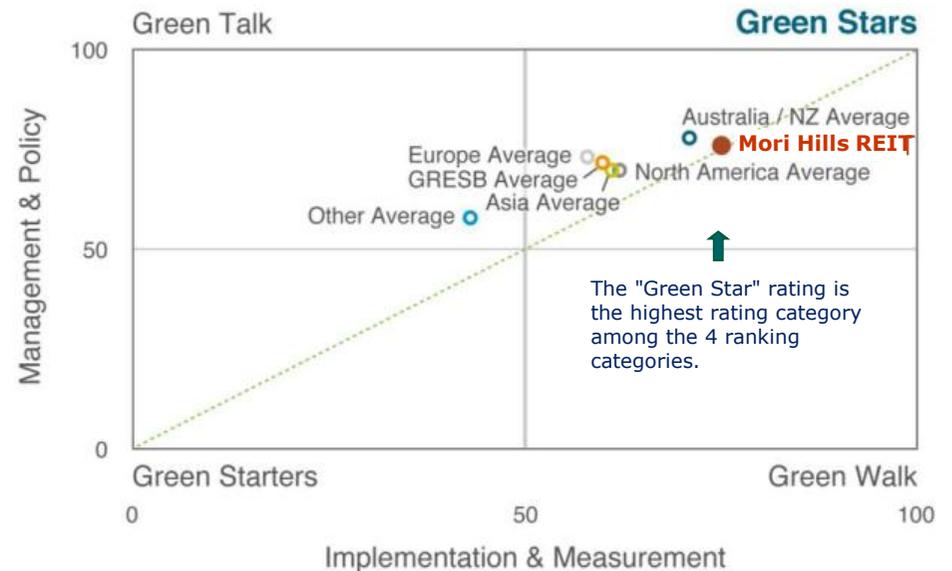
<Acquired GRESB Green Star Rating>

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



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

GRESB Four-Quadrant Model Scores by Region



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

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

2-12 External growth

Business environment recognition

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

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

External growth policy

Focus on external growth utilizing sponsors' abundant property pipeline

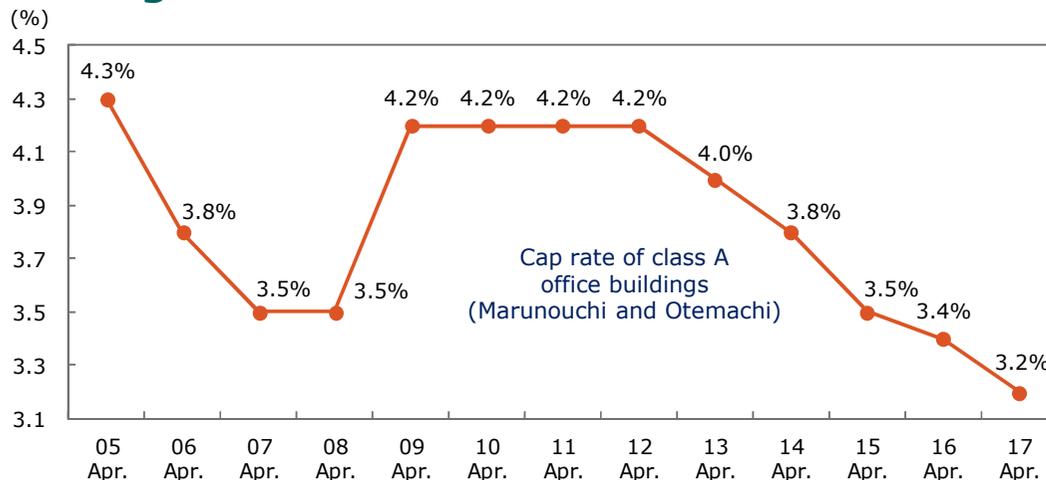
Change in rent and vacancy rate of office buildings (Tokyo's five central wards)



● Rent index
● Vacancy rate

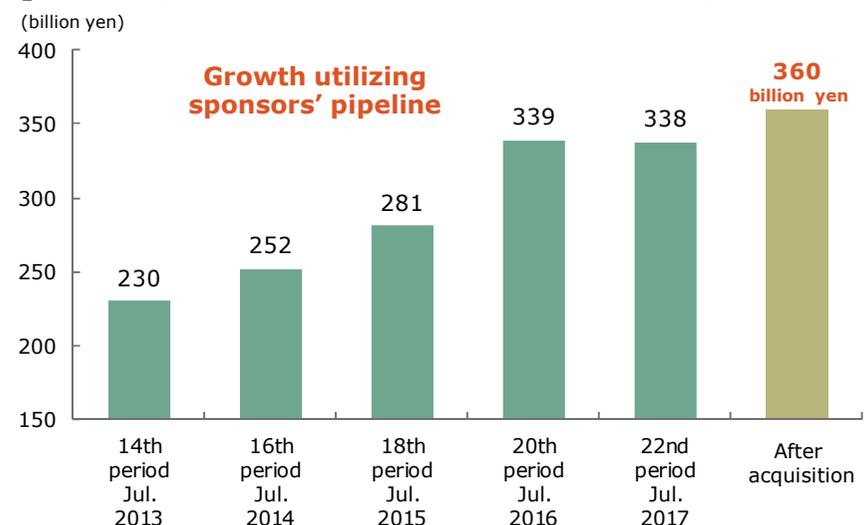
(Source) Prepared by the Asset Manager based on the "Spring 2017 Office Rent Forecast in Tokyo, Osaka and Nagoya (2017-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).
(Note) The rent index targets large and medium buildings (standard floor area of 100 tsubo or more) in Tokyo's five central wards. The rent index is rebased to 100 as of 2010.

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.

Change in assets under management



2-13 External growth

Mori Building's extensive property pipeline | Properties owned by Mori Building Group

Total assets:
1.9 trillion yen
(as of the end of March 2017)

Number of properties
under management:
97 buildings
(as of April 2017)

MHR has "preferential negotiation rights" (Note 1)

Recent redevelopment projects (Toranomon Hills area)

A Toranomon Hills Business tower (Tentative name)



B Toranomon Hills Residential Tower (Tentative name)



- a) Approx. 10,100㎡
- b) Approx. 173,000㎡
- c) Office/Retail/Business support facility/Parking
- d) Toranomon 1-chome District Urban Redevelopment Association (Note 2)
- e) December 2019 (Anticipated)

- a) Approx. 6,530㎡
- b) Approx. 121,000㎡
- c) Residential/Retail/Parenting support facility/SPA and others
- d) Mori Building Co., Ltd.
- e) April 2020 (Anticipated)

a) Land area b) Total floor area c) Uses d) Operator e) Completion date

(Note 1) Some exceptions included.

(Note 2) Mori Building Co., Ltd. is participating in the project as one of participating consortium members.

1 Roppongi Hills
(Partly owned by MHR)



〈Office/Residential/Retail, etc.〉

2 Toranomon Hills
(Partly owned by MHR)



〈Office/Residential/Hotel, etc.〉

3 ARK Hills
(Partly owned by MHR)



〈Office/Residential/Retail, etc.〉

4 Atago Green Hills
(Partly owned by MHR)



〈Office/Residential/Retail〉

5 Holland Hills
(Partly owned by MHR)



〈Office/Residential/Retail〉

6 Roppongi Hills Crosspoint



〈Office/Retail/Residential〉

7 Forest Terrace Toriizaka



〈Residential〉

8 Omotesando Hills



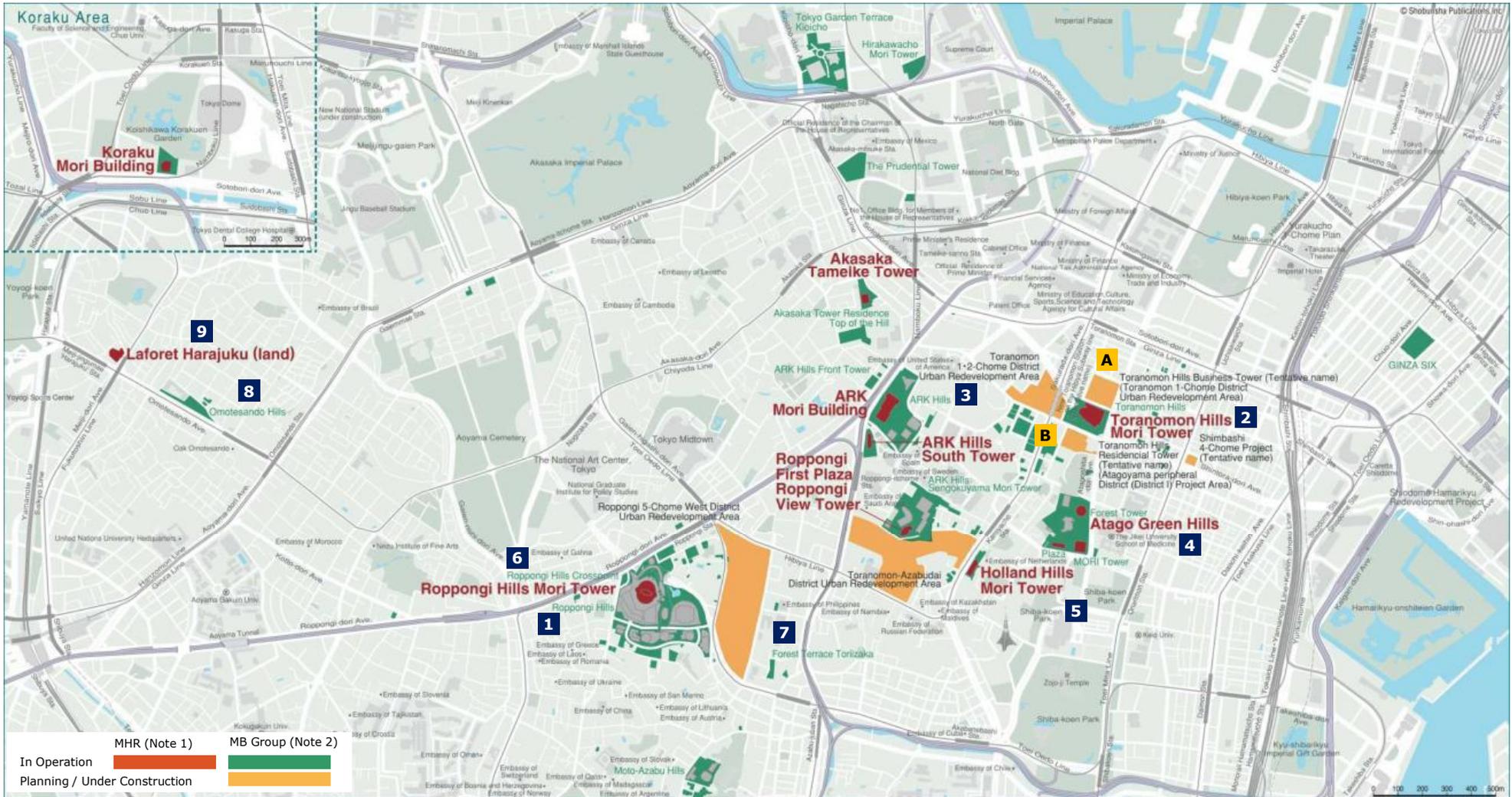
〈Retail/Residential〉

9 Laforet Harajuku
(Land owned by MHR)



〈Retail〉

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 2017."

(Note 1) Some of the properties have been partially acquired and held by MHR. Alternatively, the properties scheduled to be acquired as of March 1, 2018 are also included.

(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.

2-15 Internal growth

Business environment recognition

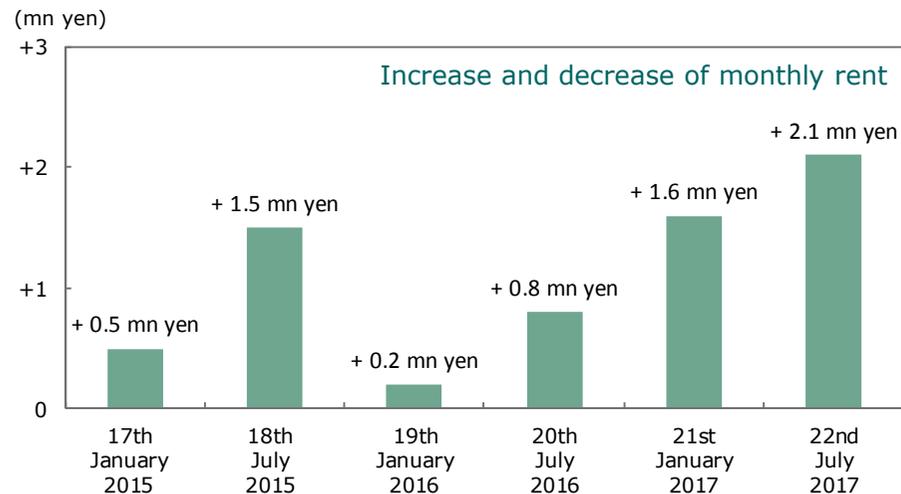
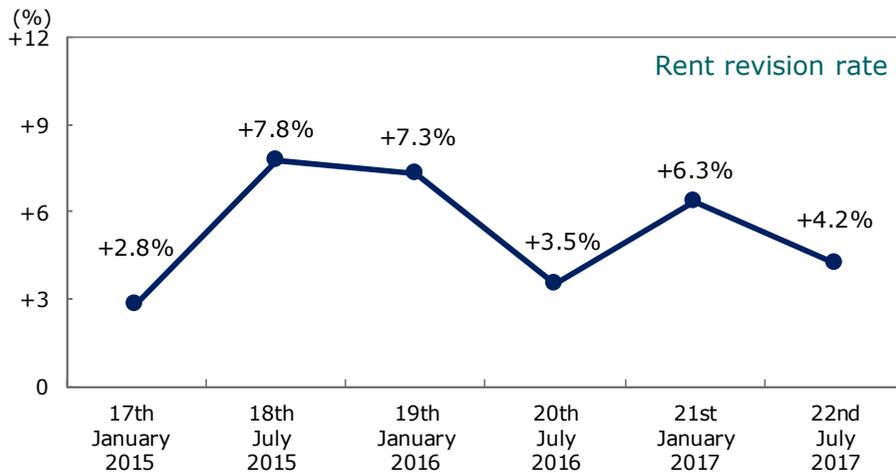
Central Tokyo office rents forecast to continue moderate rise, but as supply increases, the rate of rent increase likely to moderate

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

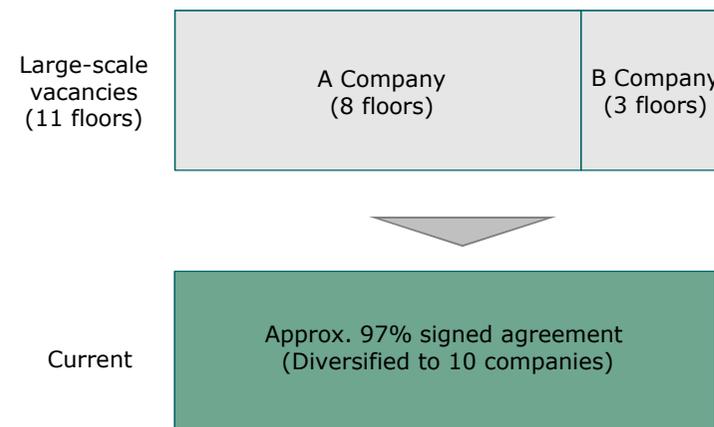
Internal growth policy

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

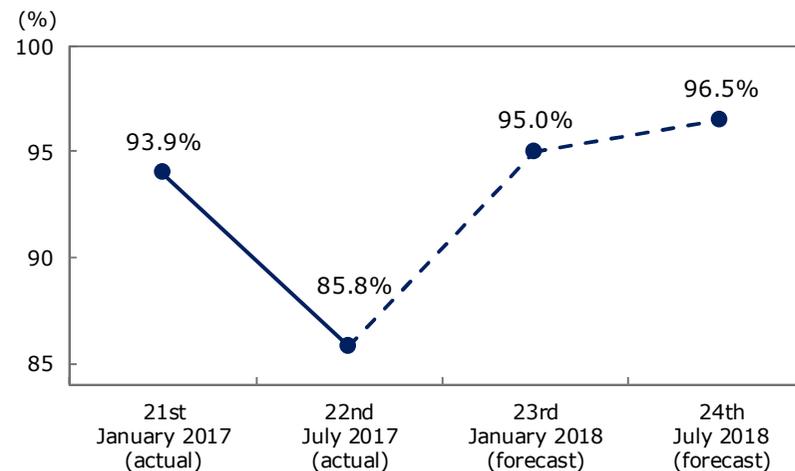
Result of office tenants' rent revision (pass-through)



Status in leasing the large-scale vacancies at ARK Hills South Tower

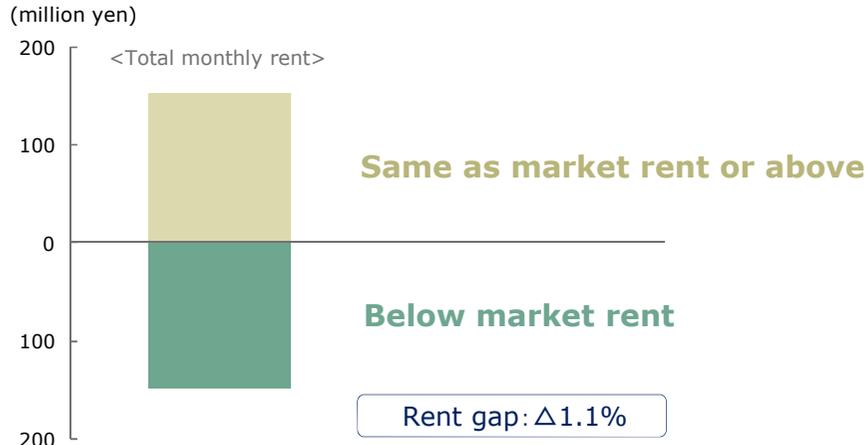


Trend of office's occupancy rate (pass-through)

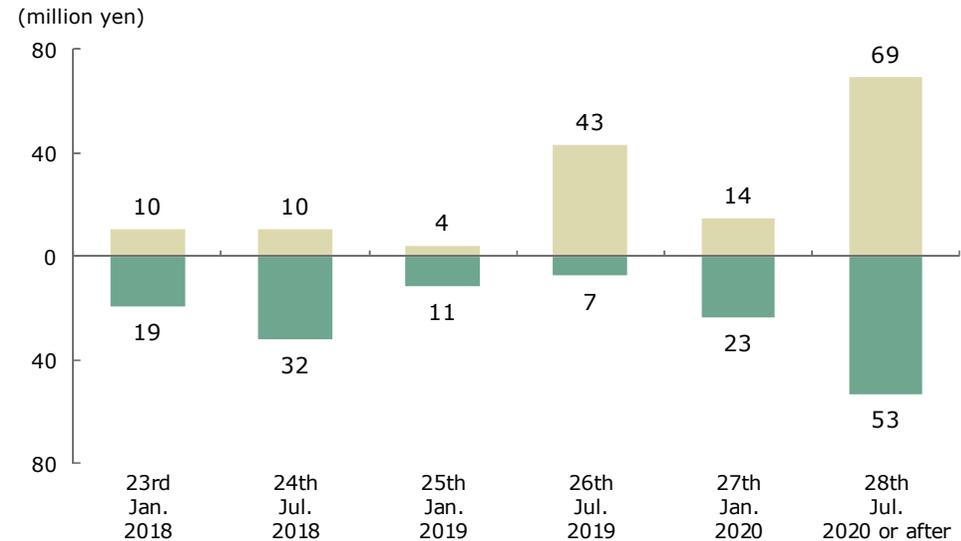


2-16 Internal growth

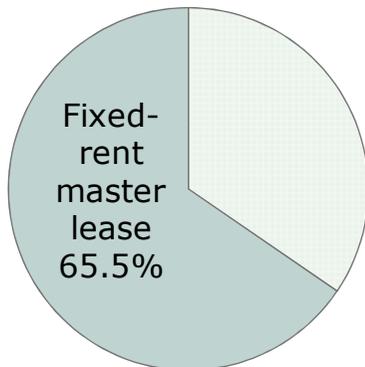
Comparison with office market rent (pass-through)



(Note 1) Market rent is based on the report by Sanko Estate Co., Ltd.
 (Note 2) Rent gap = Total tenants' rent ÷ "Total market rent" - 1
 (Note 3) Figures reflect the acquisition as of August 1, 2017 and March 1, 2018, and move outs of end tenants confirmed as of July 31, 2017.



Ratio of fixed rent master lease (After new acquisitions)



Tenant diversification of pass-through type properties are progressing

Largest tenant's rent ratio is 1.7%

(Note) Figures reflect the acquisition as of August 1, 2017 and March 1, 2018, and move outs of end tenants confirmed as of July 31, 2017.

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

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

Well balanced internal growth scheme

2-17 Financial management

Business environment recognition

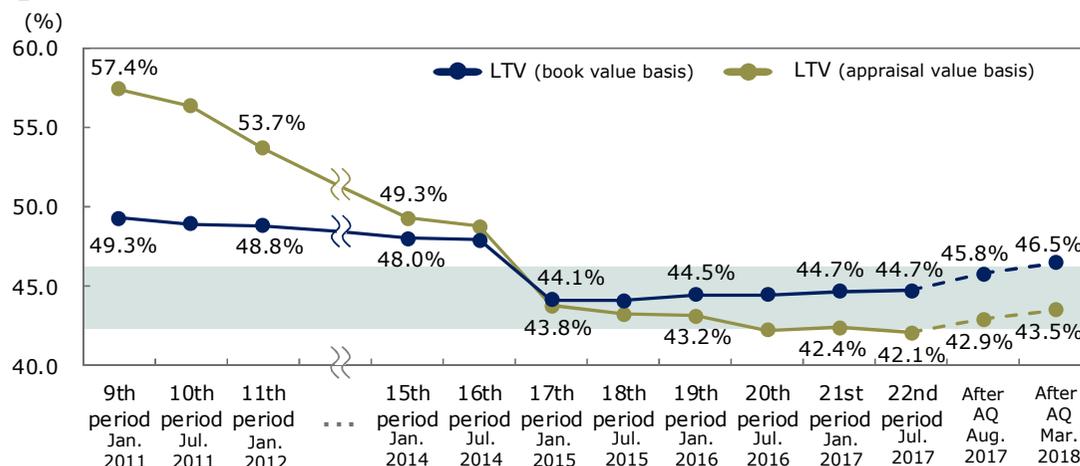
Interest rate level is expected to remain low considering economic conditions and monetary policies

(Note) Please refer to “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



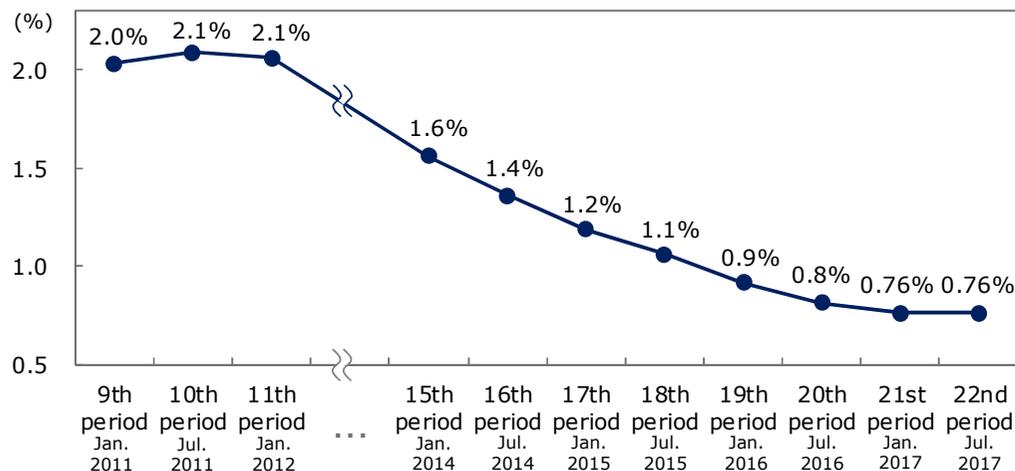
Overview of debt financing

	End of 21st period Jan. 31, 2017	End of 22nd period Jul. 31, 2017
Debt Balance	156,000 mn yen	156,022 mn yen
LTV (book value basis) ^(Note 1)	44.7%	44.7%
LTV (appraisal value basis) ^(Note 2)	42.4%	42.1%
Avg. remaining duration	4.2 years	3.8 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)

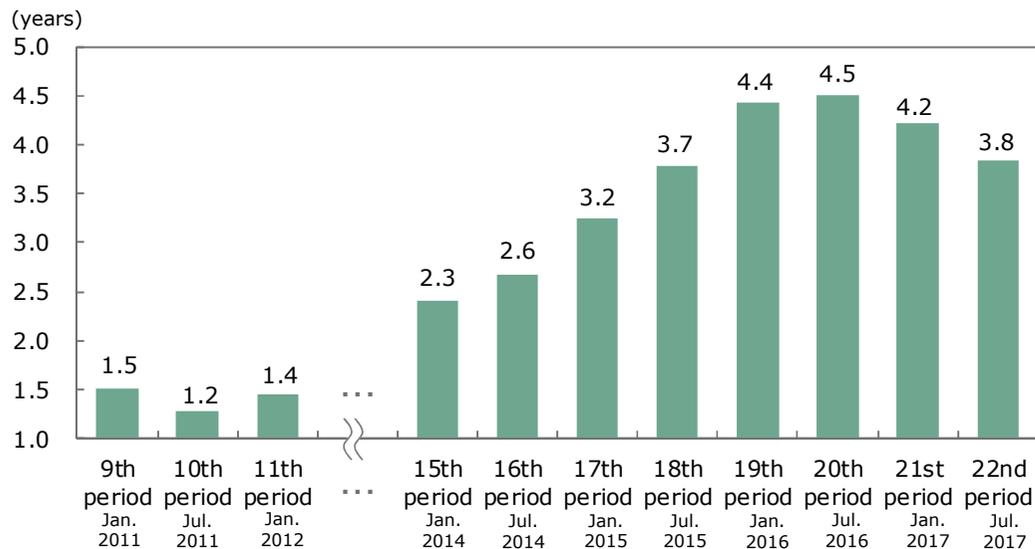


Issuance status of investment corporation bonds

Issue Date	Amount	Maturity	Rate of Interest
Jan. 2017	2,000 mn yen	10 years	0.49%
Jun. 2017	2,000 mn yen	10 years	0.50%

(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



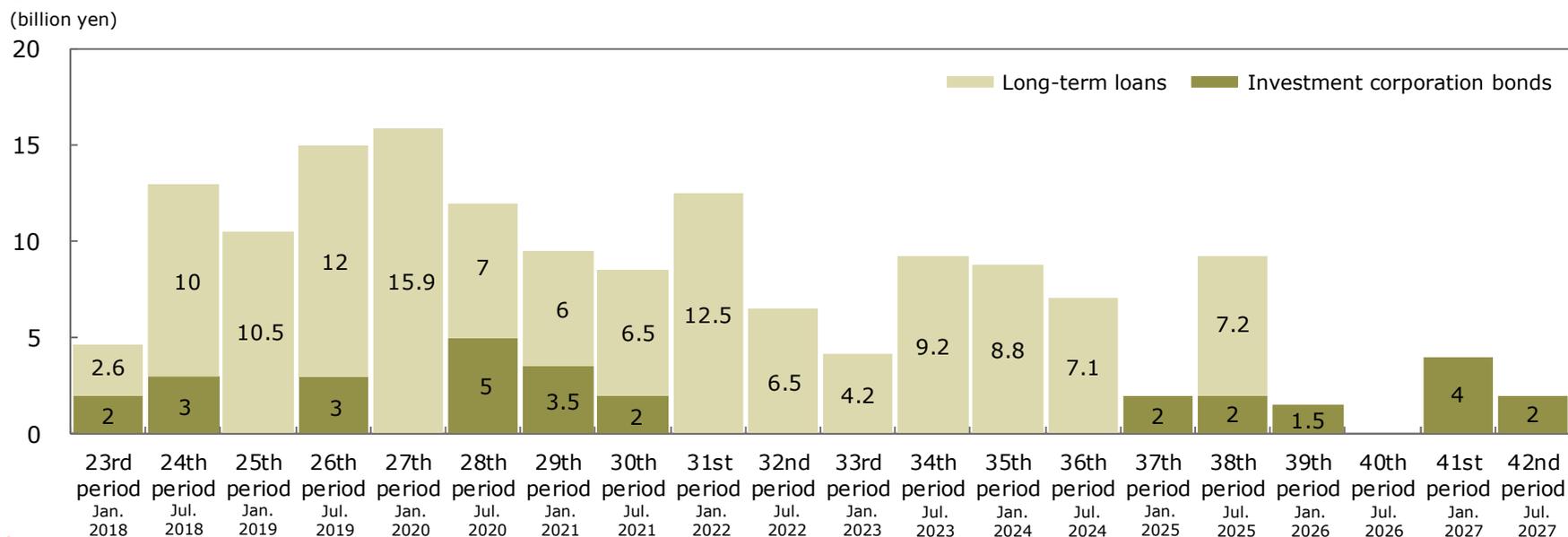
Rating

Japan Credit Rating (JCR)
Long-term issuer rating



Upgraded on May 2017

Overview of maturity (as of July 31, 2017)

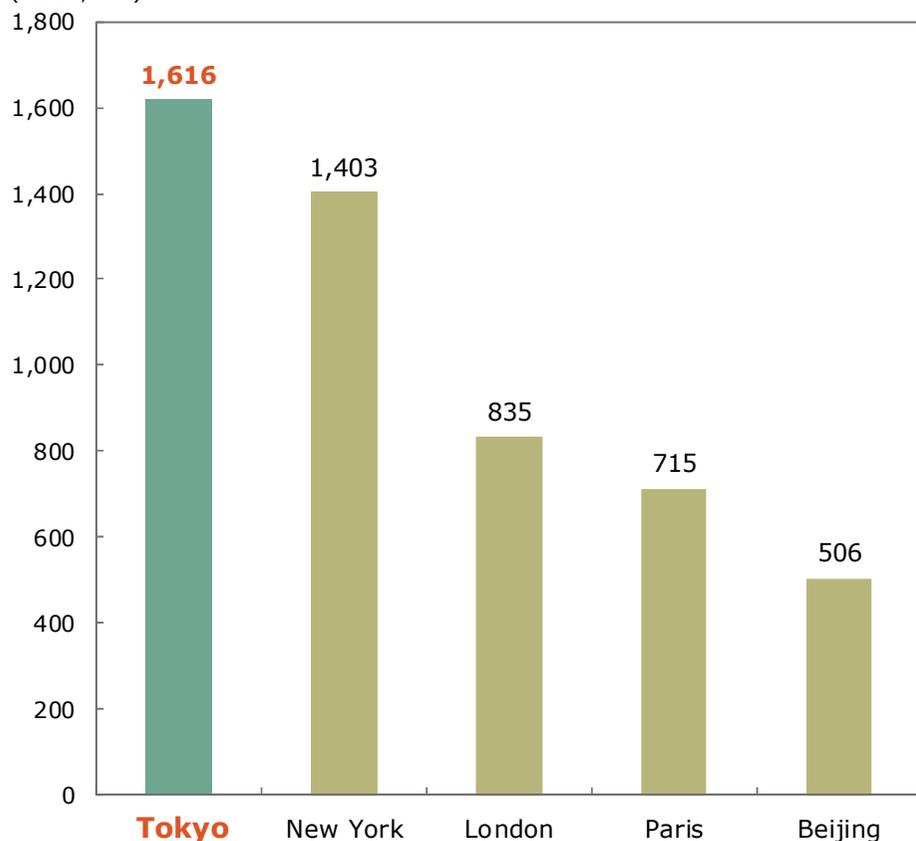


Average interest rate: 0.7%, 1.1%, 1.1%, 0.5%, 0.6%, 0.7%, 0.7%, 0.8%, 0.9%

2-19 Competitive strength of Central Tokyo

GDP of major metropolitan areas

(billion, PPP)



(Source) Prepared by the Asset Manager based on "Global Metro Monitor 2014" published by the Brookings Institution

Population of urban concentration areas

(in thousands)

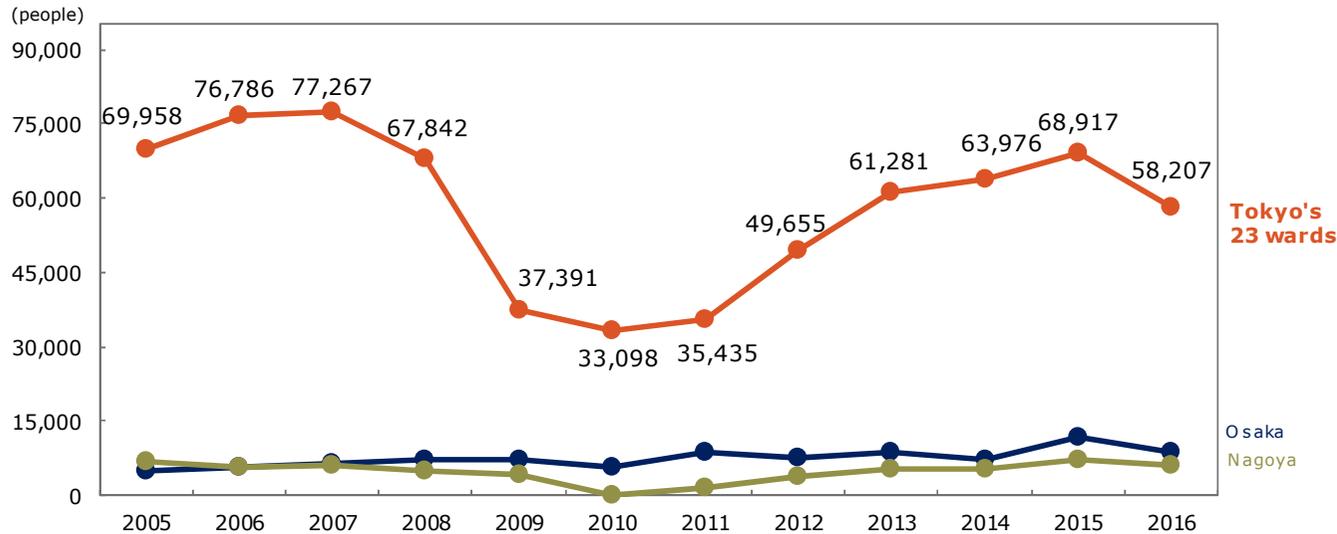
2014			2030		
Rank	Urban concentration area	Population	Rank	Urban concentration area	Population
1	Tokyo (Japan)	37,833	1	Tokyo (Japan)	37,190
2	Delhi (India)	24,953	2	Delhi (India)	36,060
3	Shanghai (China)	22,991	3	Shanghai (China)	30,751
4	Mexico City (Mexico)	20,843	4	Mumbai (India)	27,797
5	São Paulo (Brazil)	20,831	5	Beijing (China)	27,706
6	Mumbai (India)	20,741	6	Dhaka (Bangladesh)	27,374
7	Osaka (Japan)	20,123	7	Karachi (Pakistan)	24,838
8	Beijing (China)	19,520	8	Cairo (Egypt)	24,502
9	New York (USA)	18,591	9	Lagos (Nigeria)	24,239
10	Cairo (Egypt)	18,419	10	Mexico City (Mexico)	23,865

(Source) Prepared by the Asset Manager based on "World Urbanization Prospects: The 2014 Revision" by the Population Division of 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 and London to rank as the world's largest.
- In terms of the world's urban population, Tokyo is projected to maintain its rank as the world's largest metropolitan area.

2-20 Competitive strength of Central Tokyo

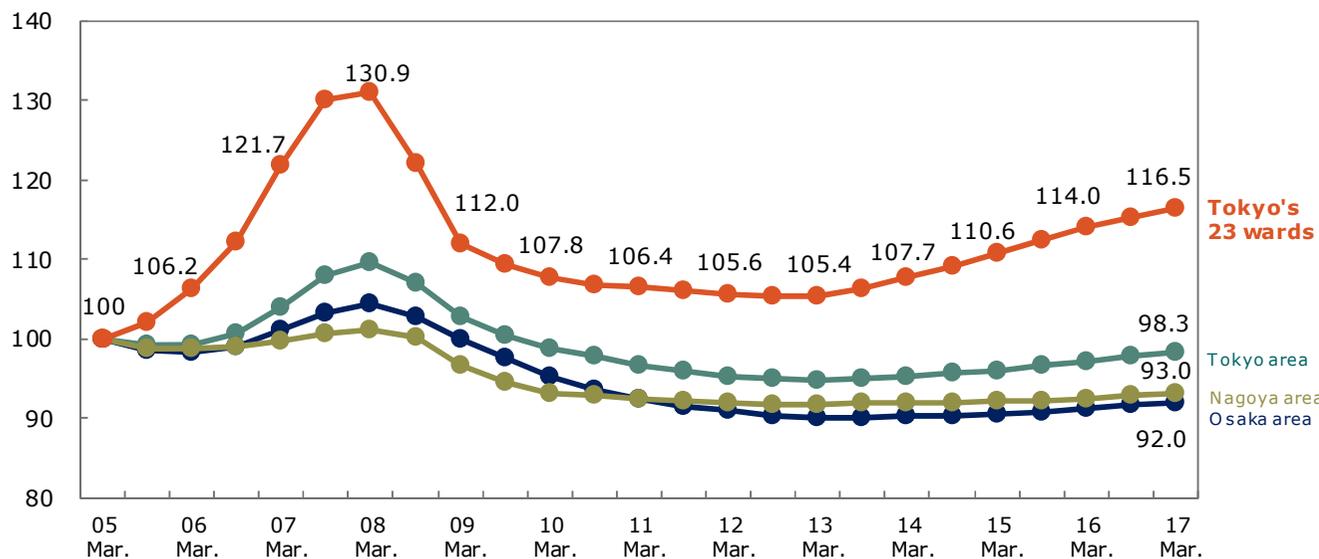
Trend of net migration



- Tokyo's 23 wards have experienced net population growth for 20 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 Factors that led to changes in dividends per unit from the previous fiscal period



Major factors behind change in NOI from existing properties:

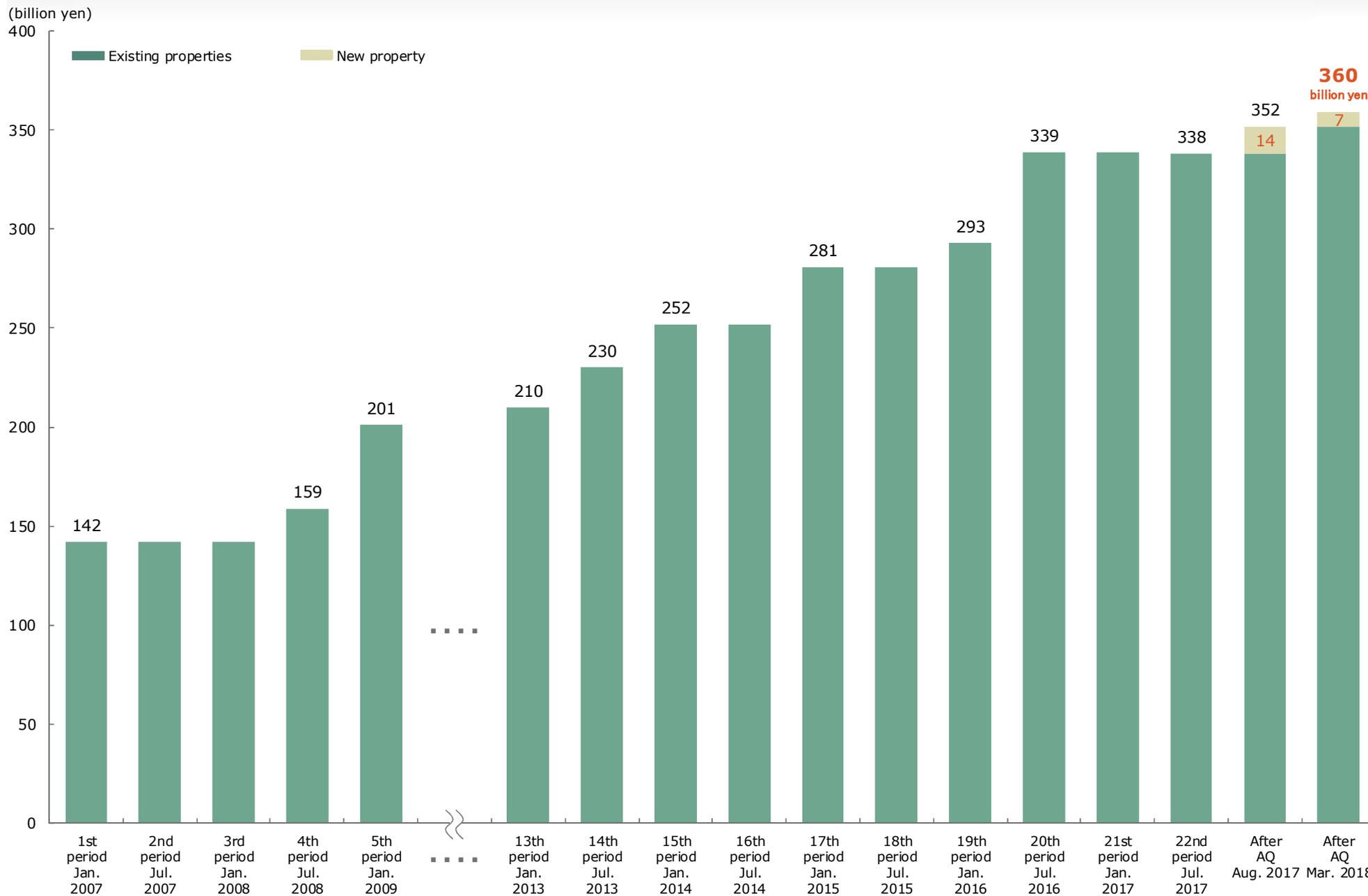
+ Net tenant lease activities and upward rent revision at Koraku Mori Building	+30
- Net tenant lease activities and upward rent revision at ARK Hills South Tower	Δ88
- Net tenant lease activities and upward rent revision at Akasaka Tameike Tower	Δ29
- Property taxes for properties acquired in 20th period recorded as expense (equivalent to 3 months)	Δ26
- Increase in maintenance and repairs	Δ13

Major factors behind change in NOI from existing properties:

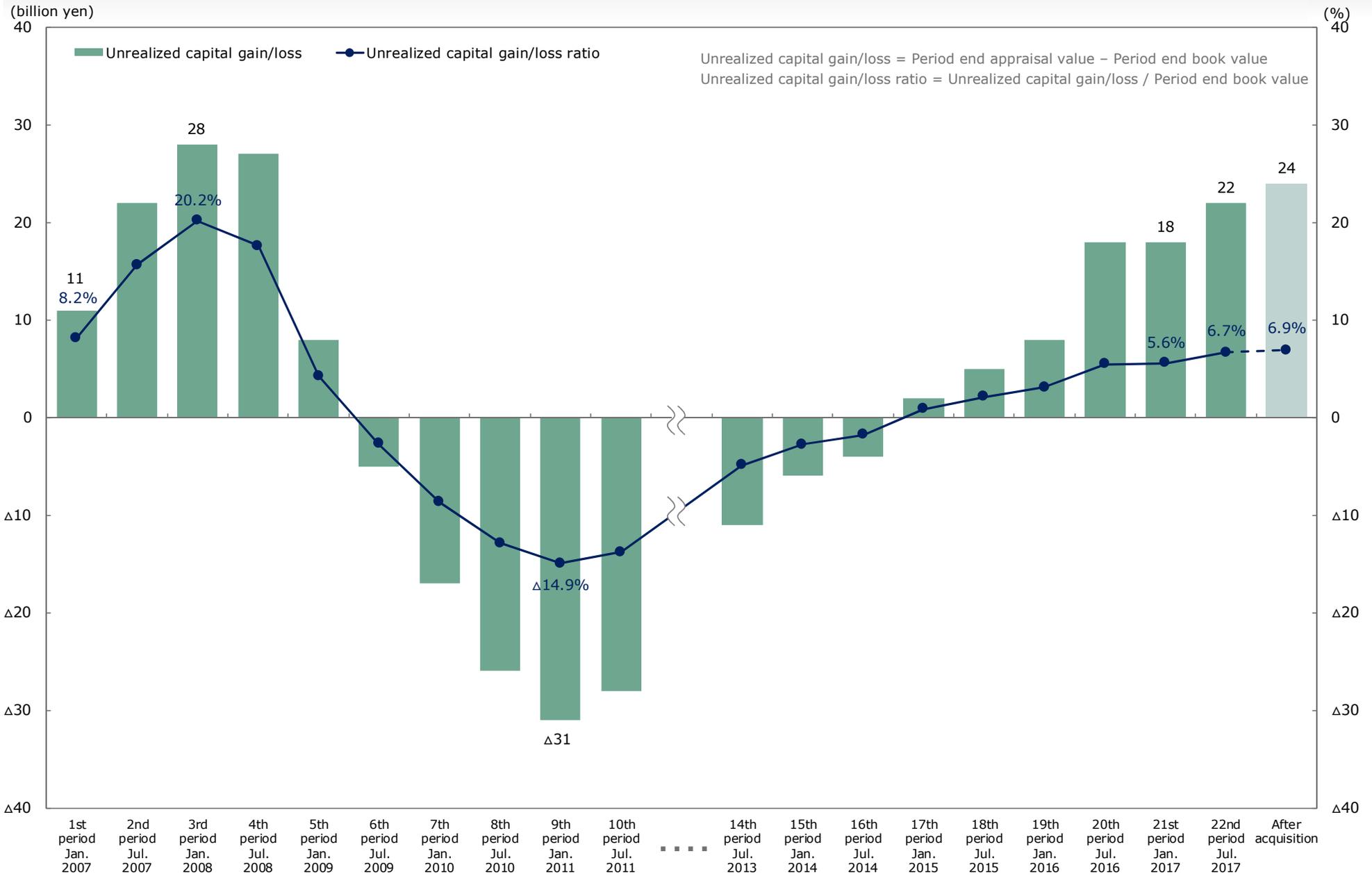
+ Net tenant lease activities and upward rent revision at ARK Hills South Tower	+55
+ Net tenant lease activities and upward rent revision at Akasaka Tameike Tower	+24
- Property taxes for properties acquired in 20th period recorded as expense (remaining 3 months)	Δ26
- Net tenant lease activities and rent revision at residential pass-through property	Δ5

(Note) Factors that led to change are arrived at by dividing the change from the previous fiscal period by 1,750,640 units and indicated as an approximate figure in yen.

3-2 Change in assets under management



3-3 Change in unrealized capital gain/loss



3-4 Appraisal value

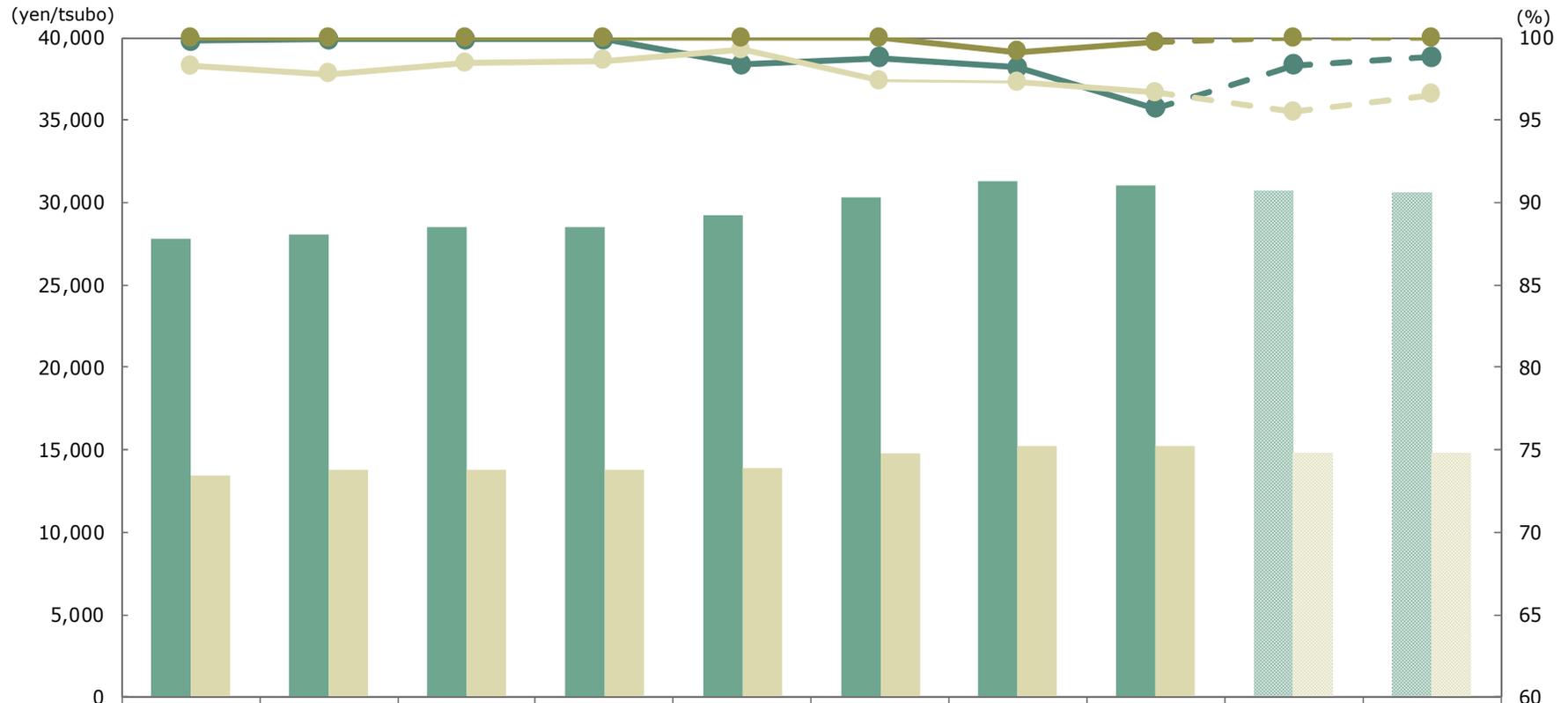
(million yen)

Principal use	Property name	Property No.	Acquisition price	Book value	As of end of 21st period Jan. 31, 2017		As of end of 22nd period Jul. 31, 2017				Difference (B)–(A)	Difference (B)/(A)–1	Unrealized capital gain (B)-book value
					(A) Appraisal value	Yield (direct capitalization method)	(B) Appraisal value	Yield (direct capitalization method)	Discount rate (DCF)	Terminal yield (DCF)			
Office	Roppongi Hills Mori Tower	O-0	115,380	113,323	134,900	3.3%	134,900	3.3%	3.0%	3.5%	0	0.0%	21,576
	ARK Mori Building	O-1	62,480	61,591	57,500	3.6%	57,400	3.6%	3.3%	3.8%	△ 100	△ 0.2%	△ 4,191
	Koraku Mori Building	O-4	27,200	24,990	23,700	3.9%	23,400	3.8%	3.4%	4.1%	△ 300	△ 1.3%	△ 1,590
	Akasaka Tameike Tower	O-6	43,930	42,003	29,500	3.7%	30,100	3.6%	3.3%	3.8%	600	2.0%	△ 11,903
	Atago Green Hills	O-7	42,090	40,860	42,300	3.9%	43,300	3.8%	3.3%	4.0%	1,000	2.4%	2,439
	ARK Hills South Tower	O-8	19,150	18,960	23,100	3.4%	23,600	3.3%	3.1%	3.5%	500	2.2%	4,639
Sub total			310,230	301,729	311,000	—	312,700	—	—	—	1,700	0.5%	10,970
Residential	Moto-Azabu Hills	R-1	—	—	2,030	3.9%	—	—	—	—	△ 2,030	—	—
	Roppongi First Plaza	R-3	2,100	2,266	1,870	4.4%	2,000	4.3%	4.1%	4.5%	130	7.0%	△ 266
	Roppongi View Tower	R-4	4,000	3,997	2,610	4.5%	2,690	4.4%	4.2%	4.6%	80	3.1%	△ 1,307
Sub total			6,100	6,264	6,510	—	4,690	—	—	—	△ 1,820	△ 28.0%	△ 1,574
Retail and others	Laforet Harajuku (Land) (Note 2)	S-1	21,820	22,074	33,400	4.3%	34,700	—	4.2%	—	1,300	3.9%	12,625
Sub total			21,820	22,074	33,400	—	34,700	—	—	—	1,300	3.9%	12,625
Total			338,150	330,068	350,910	—	352,090	—	—	—	1,180	0.3%	22,021

(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 21st period shows the discount rate used in the DCF analysis.

3-5 Changes in the rent and occupancy rates



	15th period Jan. 2014 (actual)	16th period Jul. 2014 (actual)	17th period Jan. 2015 (actual)	18th period Jul. 2015 (actual)	19th period Jan. 2016 (actual)	20th period Jul. 2016 (actual)	21st period Jan. 2017 (actual)	22nd period Jul. 2017 (actual)	23rd period Jan. 2018 (forecast)	24th period Jul. 2018 (forecast)
Office rent (yen/tsubo)	27,788	28,119	28,482	28,536	29,253	30,306	31,281	31,069	30,634	30,629
Residential rent (yen/tsubo)	13,432	13,763	13,782	13,765	13,894	14,750	15,272	15,278	14,789	14,810
Office occupancy (%)	99.8%	100%	99.9%	100%	98.4%	98.8%	98.2%	95.7%	98.4%	98.8%
Residential occupancy (%)	98.3%	97.8%	98.5%	98.6%	99.3%	97.4%	97.3%	96.7%	95.5%	96.5%
Retail occupancy (%)	100%	100%	100%	100%	100%	100%	99.2%	99.7%	100%	100%

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

3-6 Overview of fixed rent master lease properties

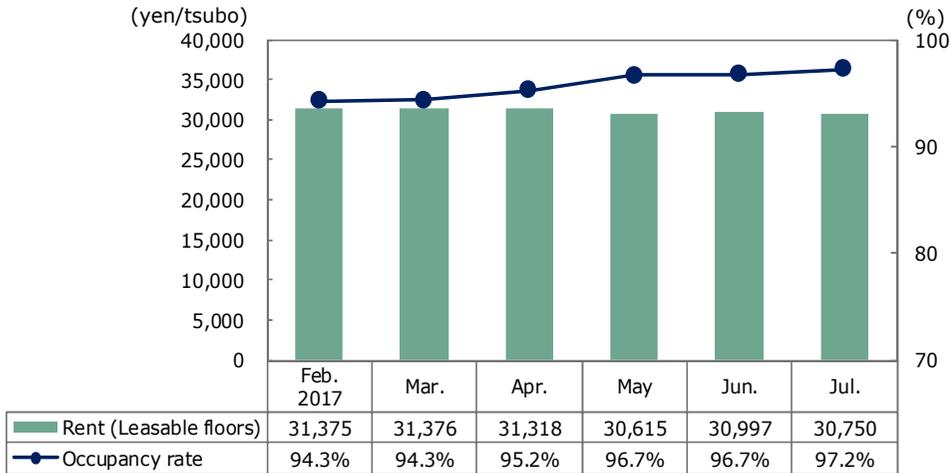
Overview of fixed rent master lease properties by the sponsor

Property name	Total monthly rent (mn yen)	% of portfolio total rent (Note)	Breakdown of property	Leased floor area (m ²)	Monthly rent (mn yen)	Payer of the management association fee	Next rent revision	Expiration of the lease agreement
Roppongi Hills Mori Tower (10 floors)	490.5	34.9%	23rd & 24th	8,993.45	114.6	MHR	—	Jul. 2021
			19th & 22nd	8,609.47	95.0			Sep. 2018
			20th	3,879.19	42.8			Jul. 2019
			28th	4,460.13	49.2			Sep. 2020
			25th	4,156.66	45.8			Jan. 2021
			26th & 27th & 29th	12,942.64	142.9			Mar. 2021
ARK Mori Building (8 floors + DHC)	225.2	16.0%	13th / 12th & 22nd	7,952.55	77.9	MHR	—	Jan. 2021
			23rd & 25th	5,742.95	55.5			Jan. 2021
			4th & 15th & 24th	7,680.52	73.8			Jan. 2021
			DHC	3,212.41	17.9	Master lessee	Apr. 2018	Mar. 2023
Atago Green Hills (approx. 32.9% of entire property)	168.7	12.0%	Office/residential /retail	29,667.58	168.7	Master lessee	—	Apr. 2022
Toranomon Hills Mori Tower (approx. 1.9% of entire property)	36.1	2.6%	Part of 28th to 35th floors	3,418.54	36.1	MHR	—	Jul. 2022
Total	920.7	65.5%						

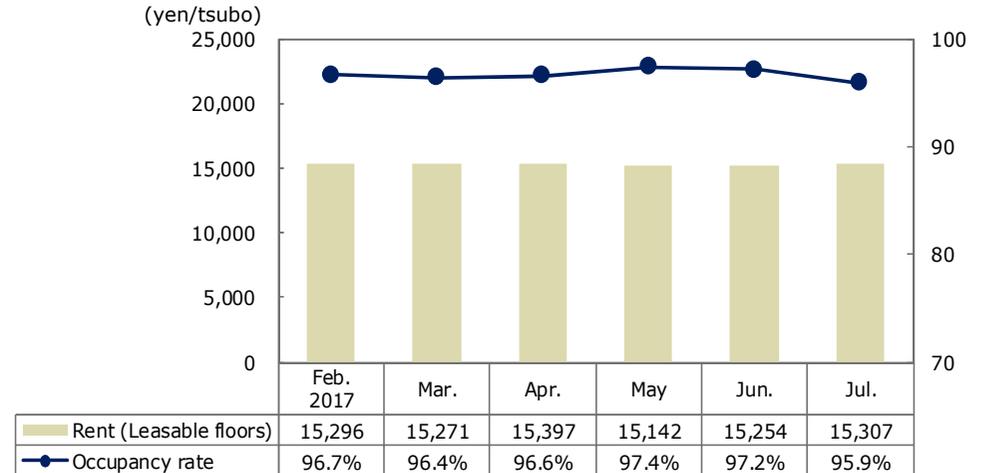
(Note) Figures reflect the acquisition as of August 1, 2017 and March 1, 2018, and move outs of end tenants confirmed as of July 31, 2017.

3-7 Tenant status by month and tenants with large leased space

Office: Rent and occupancy rate



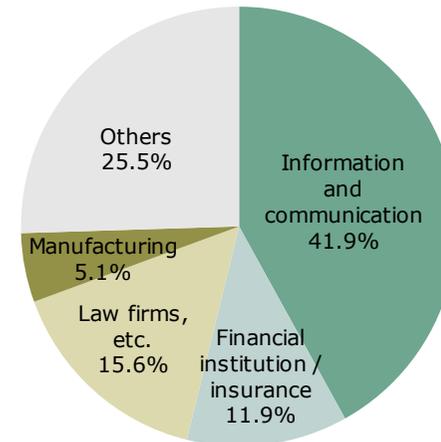
Residential: Rent and occupancy rate



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	97,636.65 m ²	65.9%
Syowa Leasing Co., Ltd.	Koraku Mori Building	2,683.90 m ²	1.8%
Mori Building Ryutsu System Co., Ltd.	Laforet Harajuku (Land)	2,565.06 m ²	1.7%
ITOCHU Techno-Solutions Corporation	Koraku Mori Building	2,116.88 m ²	1.4%
Japan Worker's Credit Fund Association	Koraku Mori Building	1,851.87 m ²	1.3%
Total of top 5 tenants		106,854.36 m²	72.2%

Tenant Contribution by Industry Type-Office



(Note 1) Leased space is the lease area stated in the lease contract with the end tenant. Leased space for co-owned properties is calculated by multiplying by the relevant percentage of co-ownership interest.

(Note 2) This indicates the figures as of July 31, 2017.

(Note 1) As for fixed rent master lease, ratios are based on monthly rents of tenants who are actually using the floor areas as of July 31, 2017. As for properties jointly owned with third parties, ratios are calculated by multiplying by co-ownership interest.

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

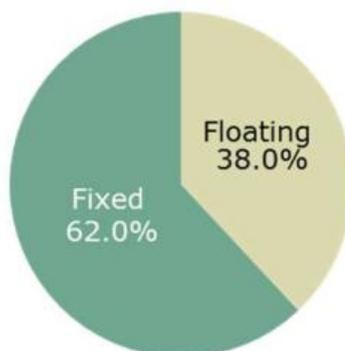
3-8 Financial overview (As of July 31, 2017)

Long and short-term debt ratio/ Fixed rate ratio

<Long and short-term debt ratio>



<Fixed rate ratio>



Major financial indicator

	End of 21st period Jan. 31, 2017	End of 22nd period Jul. 31, 2017
Debt balance	156,000 mn yen	156,022 mn yen
Long-term loan	128,000 mn yen	126,022 mn yen
Investment corporation bonds	28,000 mn yen	30,000 mn yen
LTV (Book value basis) (Note 1)	44.7%	44.7%
LTV (Appraisal value basis) (Note 2)	42.4%	42.1%
DSCR (Note 3)	14.5x	15.1x
Avg. remaining duration	4.2 years	3.8 years
Weighted avg. interest rate	0.53%	0.53%

(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
Mizuho Bank, Ltd.	19,198 mn yen	15.2%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,198 mn yen	15.2%
Mitsubishi UFJ Trust and Banking Corporation	19,198 mn yen	15.2%
Sumitomo Mitsui Banking Corporation	18,575 mn yen	14.7%
Sumitomo Mitsui Trust Bank, Limited	14,423 mn yen	11.4%
Development Bank of Japan Inc.	5,950 mn yen	4.7%
The Norinchukin Bank	5,700 mn yen	4.5%
The Bank of Fukuoka	5,500 mn yen	4.4%
Resona Bank, Limited.	4,630 mn yen	3.7%
Aozora Bank, Ltd.	4,250 mn yen	3.4%
Shinsei Bank, Limited	3,400 mn yen	2.7%
The Hiroshima Bank, Ltd.	2,000 mn yen	1.6%
Mizuho Trust & Banking Co., Ltd.	2,000 mn yen	1.6%
Oita Bank Co. Ltd.	1,000 mn yen	0.8%
Shinkin Central Bank	1,000 mn yen	0.8%
Total borrowings	126,022 mn yen	100%
Investment corporation bonds	30,000 mn yen	
Total interest-bearing debt	156,022 mn yen	

3-9 Debt status (As of July 31, 2017)

Debt

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc., Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	10,000	0.84% (Note)	2013/3/29	2018/3/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Aozora Bank, Ltd. Development Bank of Japan Inc., The Norinchukin Bank The Bank of Fukuoka, Resona Bank, Limited., Shinsei Bank, Limited, Mizuho Trust & Banking Co., Ltd.	10,500	0.78% (Note)	2013/9/30	2018/9/30
The Norinchukin Bank, The Hiroshima Bank, Ltd. Oita Bank Co. Ltd.	2,600	0.28%	2013/11/29	2017/11/30
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation	1,000	0.33%	2013/11/29	2019/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan Inc., The Norinchukin Bank, The Bank of Fukuoka, Shinsei Bank, Limited	11,400	0.38%	2013/11/29	2019/11/30
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation The Norinchukin Bank, The Bank of Fukuoka	11,000	0.28%	2014/5/30	2019/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation	2,022	0.33%	2014/5/30	2020/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Resona Bank, Limited.	5,000	0.33%	2014/8/1	2020/5/31
Aozora Bank, Ltd.	2,000	0.28%	2014/8/29	2019/8/31
Resona Bank, Limited.	2,500	0.28%	2014/8/29	2019/8/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,000	0.62% (Note)	2014/11/28	2020/11/30
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.75% (Note)	2014/11/28	2021/11/30
Development Bank of Japan Inc.	1,700	0.80%	2015/3/27	2023/3/27
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.57% (Note)	2015/5/29	2021/5/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	6,500	0.70% (Note)	2015/5/29	2022/5/31
Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation	6,000	0.49% (Note)	2015/8/31	2021/8/31

Lender	Balance (mn yen)	Rate of interest	Borrowing date	Maturity date
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	2,500	0.65% (Note)	2015/9/16	2023/8/31
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,200	0.50% (Note)	2015/11/30	2022/11/30
Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited, Shinsei Bank, Limited	6,300	0.62% (Note)	2015/11/30	2023/11/30
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Norinchukin Bank, Resona Bank, Limited. Shinsei Bank, Limited, The Hiroshima Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	7,500	0.23%	2016/3/31	2023/3/31
Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited Development Bank of Japan, Inc. The Bank of Fukuoka, Aozora Bank, Ltd.	7,100	0.28%	2016/3/31	2024/3/31
Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited	7,200	0.28%	2016/3/31	2025/3/31
Shinkin Central Bank	1,000	0.18%	2016/3/31	2022/9/30
Total	126,022			

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

Investment corporation bonds

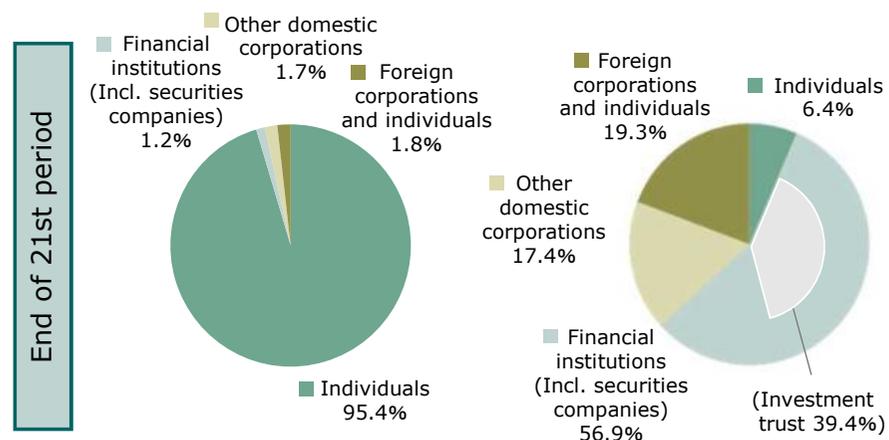
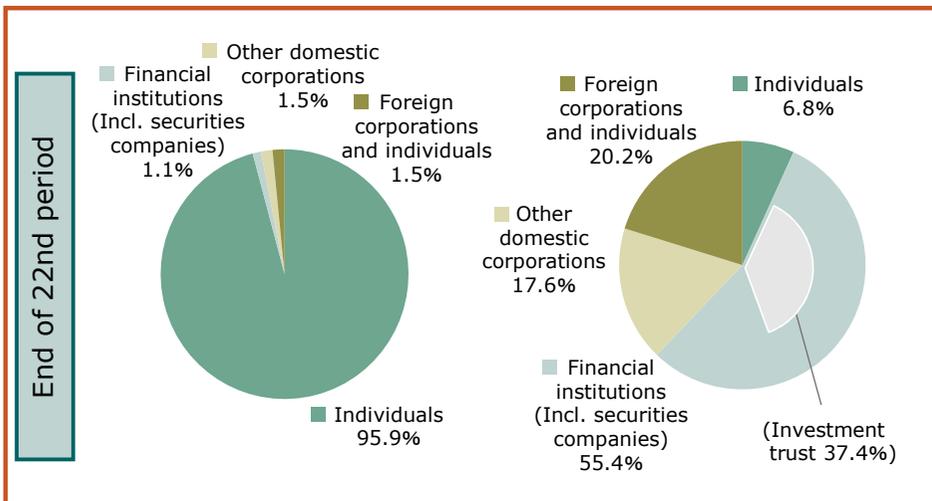
Bond	Amount (mn yen)	Rate of Interest	Payment date	Maturity date
7th Series Unsecured Corporation Bond (5 years)	2,000	0.97%	2012/11/28	2017/11/28
8th Series Unsecured Corporation Bond (5 years)	3,000	0.85%	2013/5/24	2018/5/24
9th Series Unsecured Corporation Bond (7 years)	2,000	1.26%	2013/5/24	2020/5/22
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	30,000			

3-10 Unitholders breakdown (As of July 31, 2017)

Unitholders breakdown

<Number of unitholders>

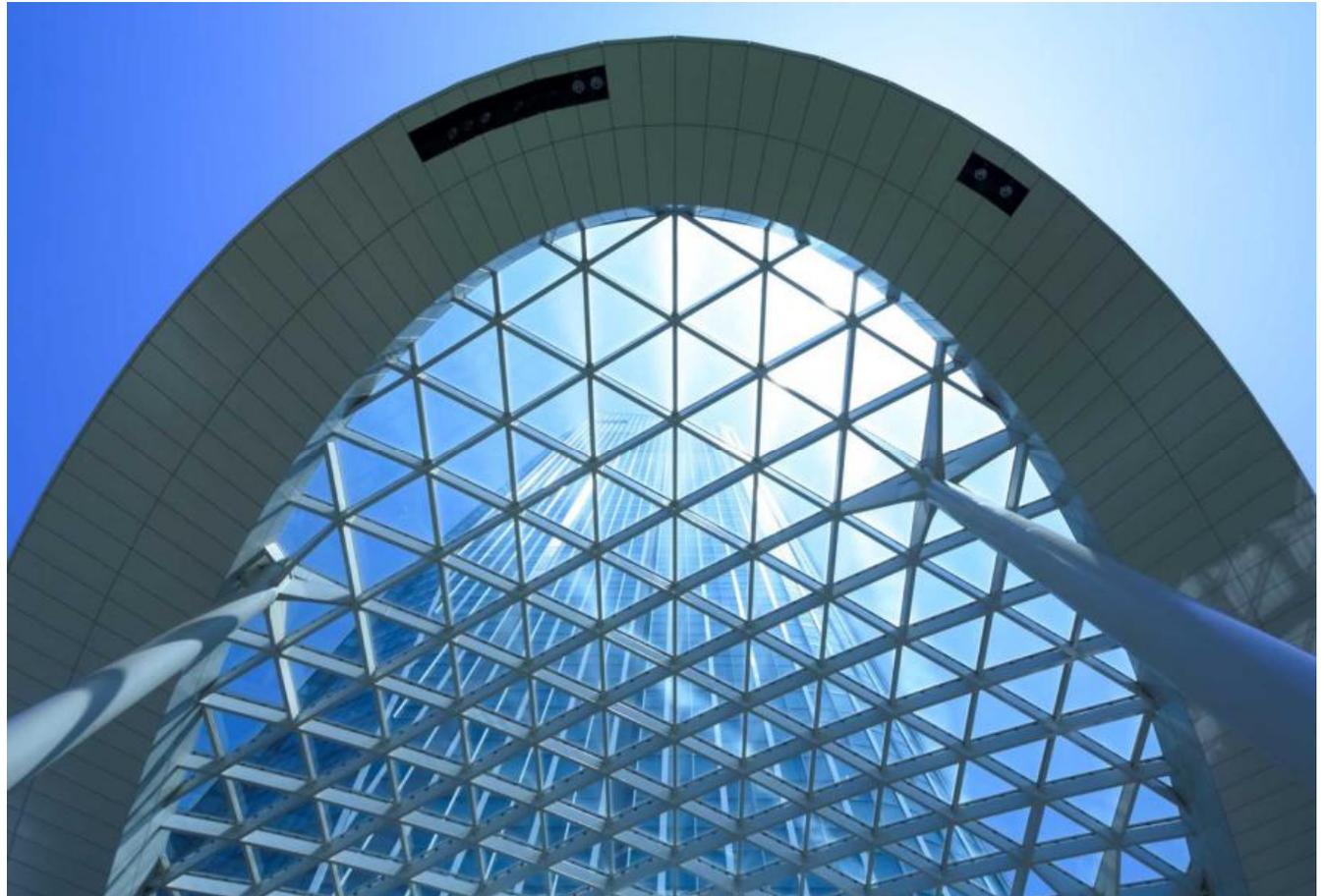
<Number of investment units>



Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust account)	391,261	22.3%
2	Mori Building Co., Ltd.	262,772	15.0%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	148,250	8.5%
4	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	147,021	8.4%
5	The Nomura Trust & Banking Co., Ltd. (Investment trust account)	69,749	4.0%
6	STATE STREET BANK AND TRUST COMPANY 505012	36,099	2.1%
7	STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	23,962	1.4%
8	DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	19,452	1.1%
9	JP MORGAN CHASE BANK 385632	19,210	1.1%
10	STICHTING PENSIOENFONDS METAAL EN TECHNIEK	18,929	1.1%
Total of top 10 unitholders		1,136,705	64.9%

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): 3.6% in 2016 → 4.2% in 2018
 - ⇒ Rent index (forecast): 109 in 2016 → 118 in 2018
- 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: 3.4% in April 2016 → 3.2% in April 2017
- 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: +0.010% (August 31, 2017)
 - ⇒ Core CPI: +0.5 % (July 2017)
- In the July 2017 preliminary business conditions composite index, the leading index was at 105.0 (0.7 PT decrease from previous month) and the coincident index was at 115.6 (1.2 PT decrease from previous month). There seems to be an improvement trend before and after the US presidential election.
- 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.

- There seems to be an improvement trend in the global business sentiment, but caution should be exercised as there are also instability factors.
- Interest rate level is expected to remain low for the time being partially due to the introduction of the yield curve control policy by the Bank of Japan.

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

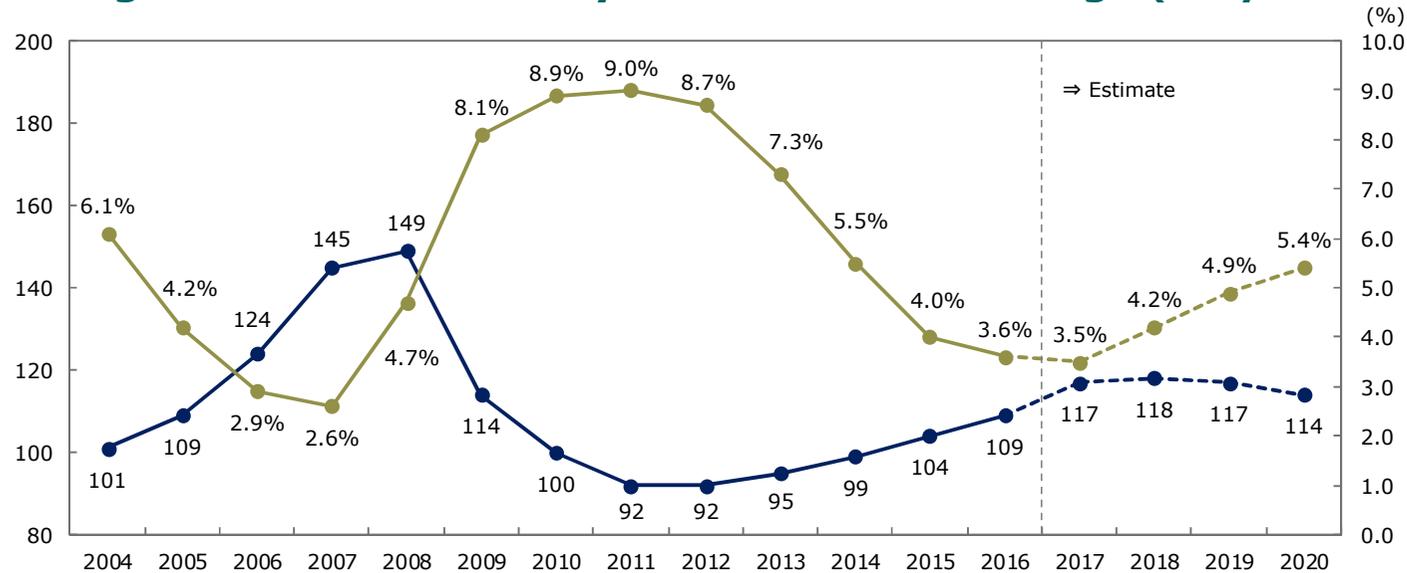
- Target LTV (book value basis) in the mid 40% range (though it may temporarily exceed the target level as necessary) in order to secure property acquisition capacity while maintaining a durable position for times of economic slowdown.
- Target average remaining duration of debt of 4 years or longer,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

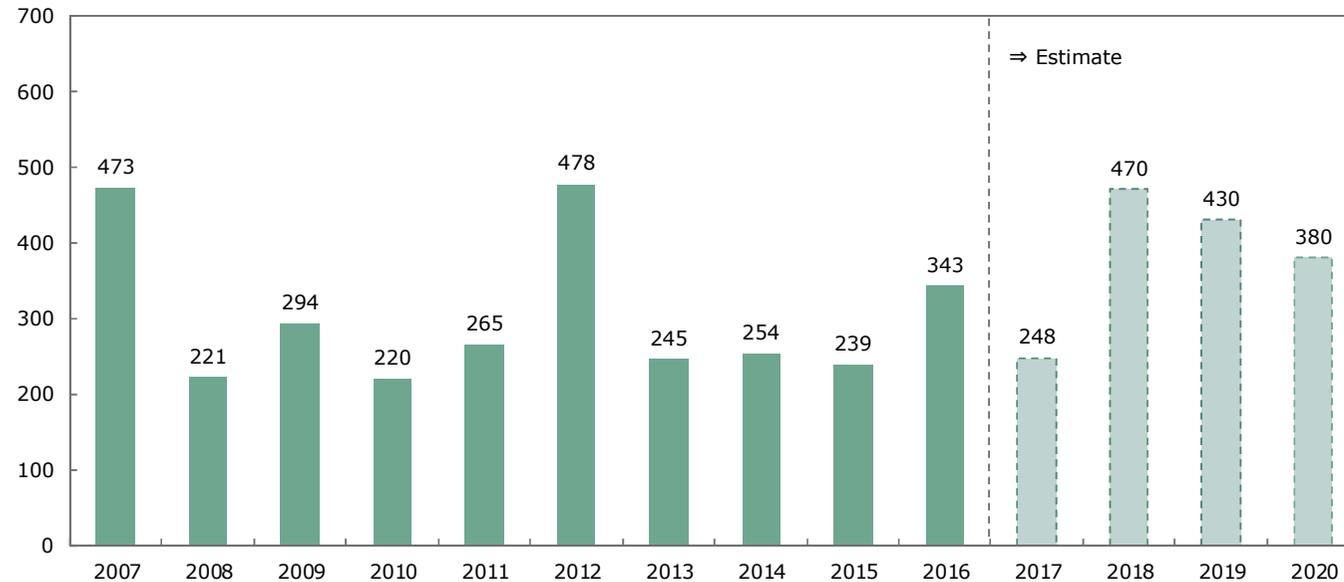


(Source)
Prepared by the Asset Manager based on the "Spring 2017 Office Rent Forecast in Tokyo, Osaka and Nagoya (2017-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

(Note)
The rent index targets large and medium buildings (standard floor area of 100 tsubo or more) in Tokyo's five central wards. The rent index is rebased to 100 as of 2010.

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

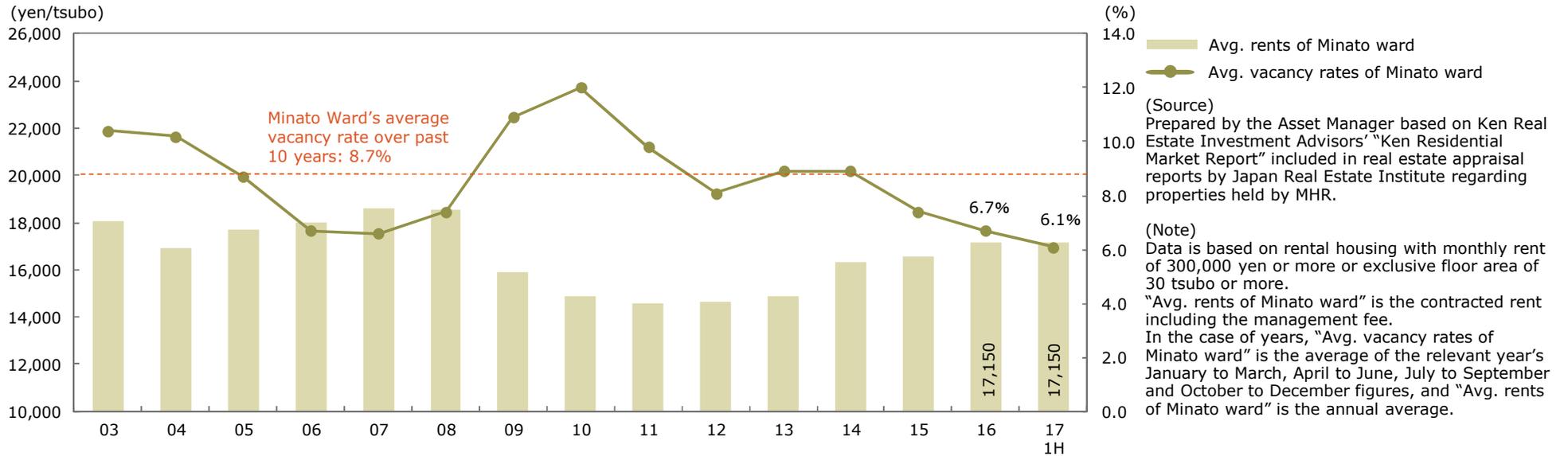
(thousand/tsubo)



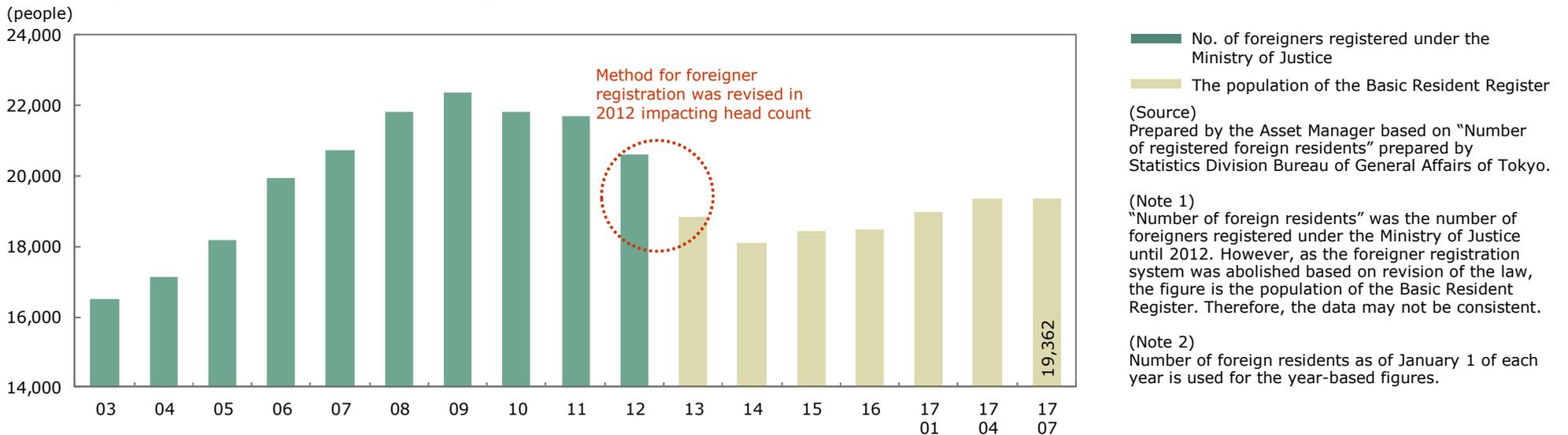
(Source)
Prepared by the Asset Manager based on the "Spring 2017 Office Rent Forecast in Tokyo, Osaka and Nagoya (2017-2020, 2025)" by the Office Market Trends Research Committee (Japan Real Estate Institute and Miki Shoji Co., Ltd.).

4-4 Market-related information (2)

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

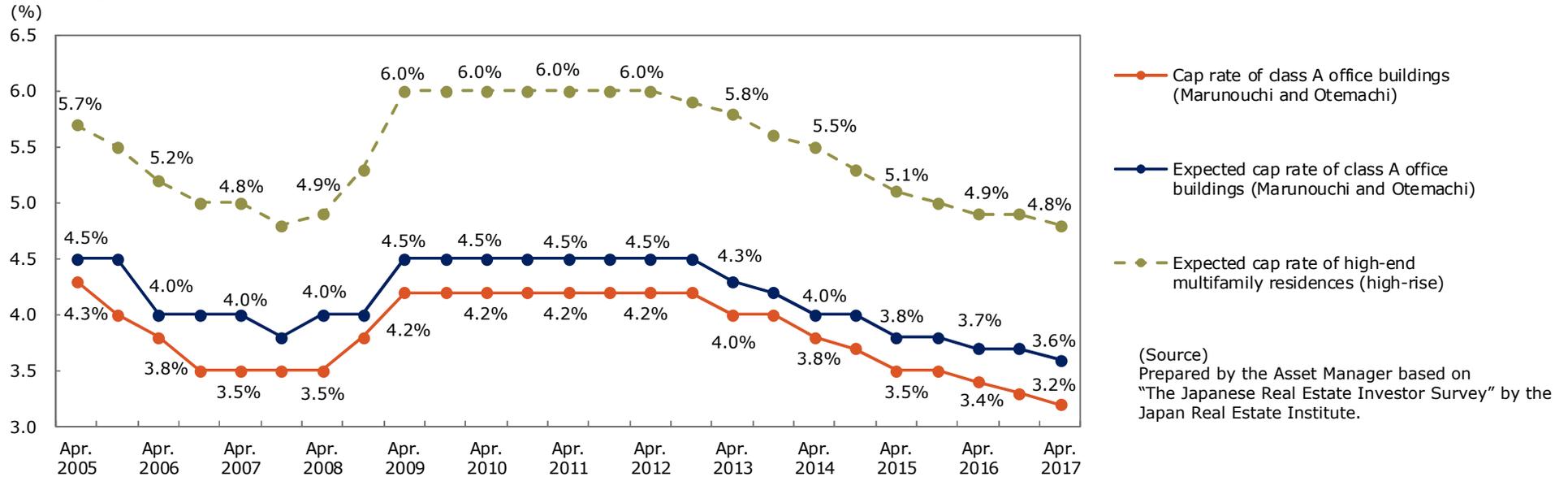


Change in number of foreign residents in Minato ward

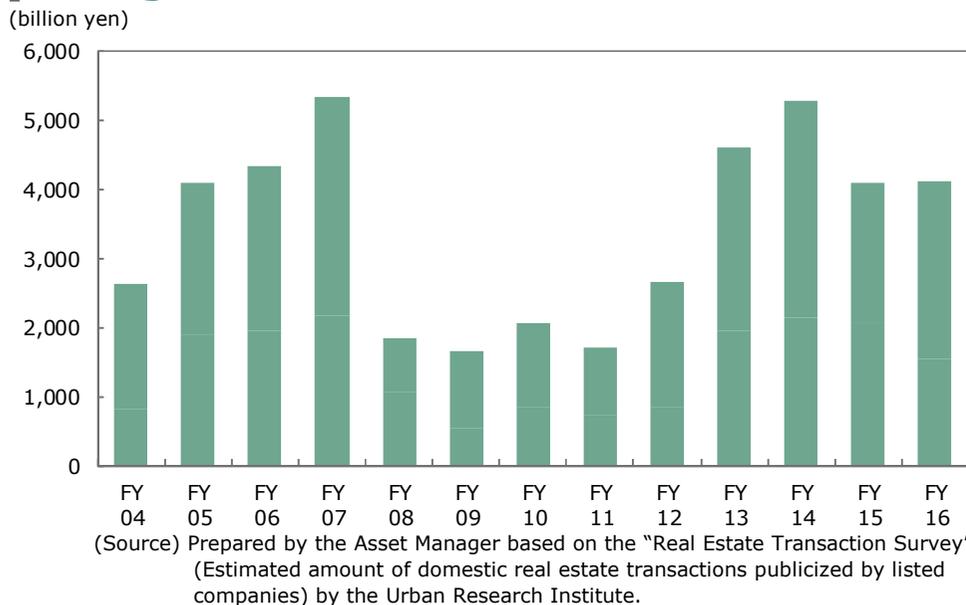


4-5 Market-related information (3)

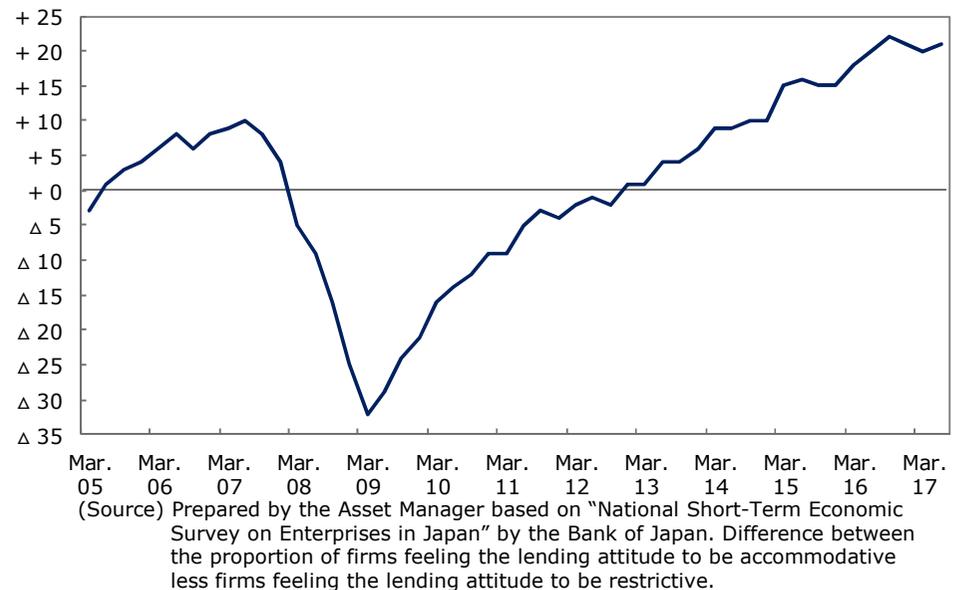
Change in return on real estate investment



Change in real estate transaction amount

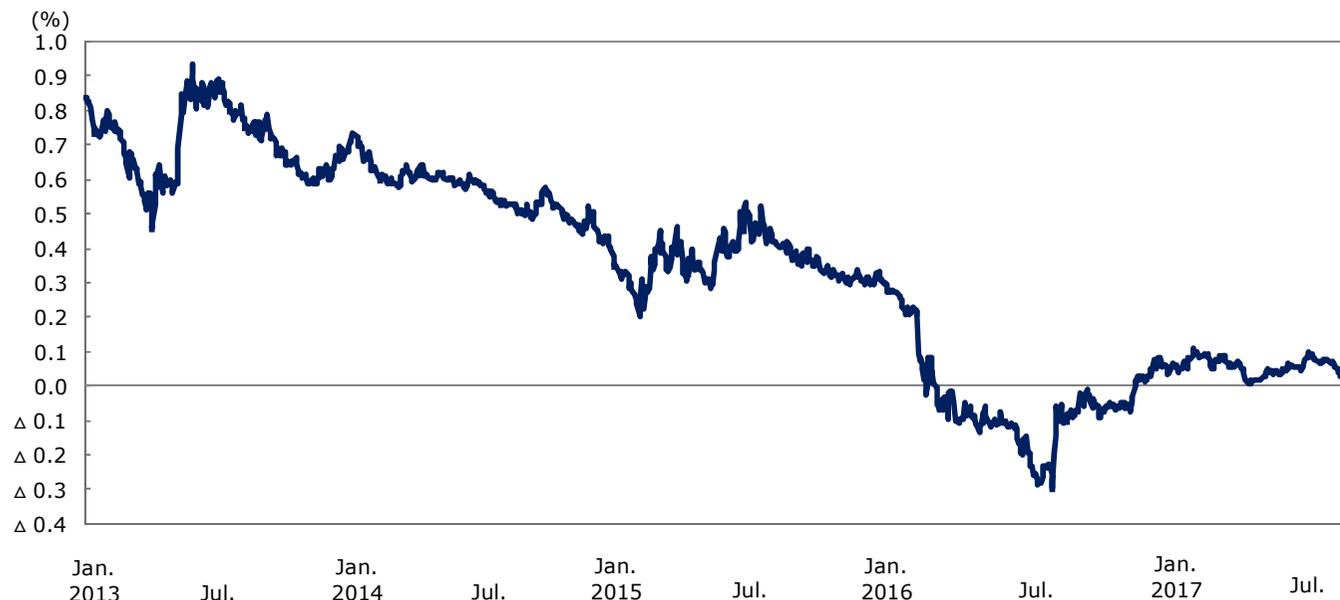


Lending attitude DI (real estate industry)



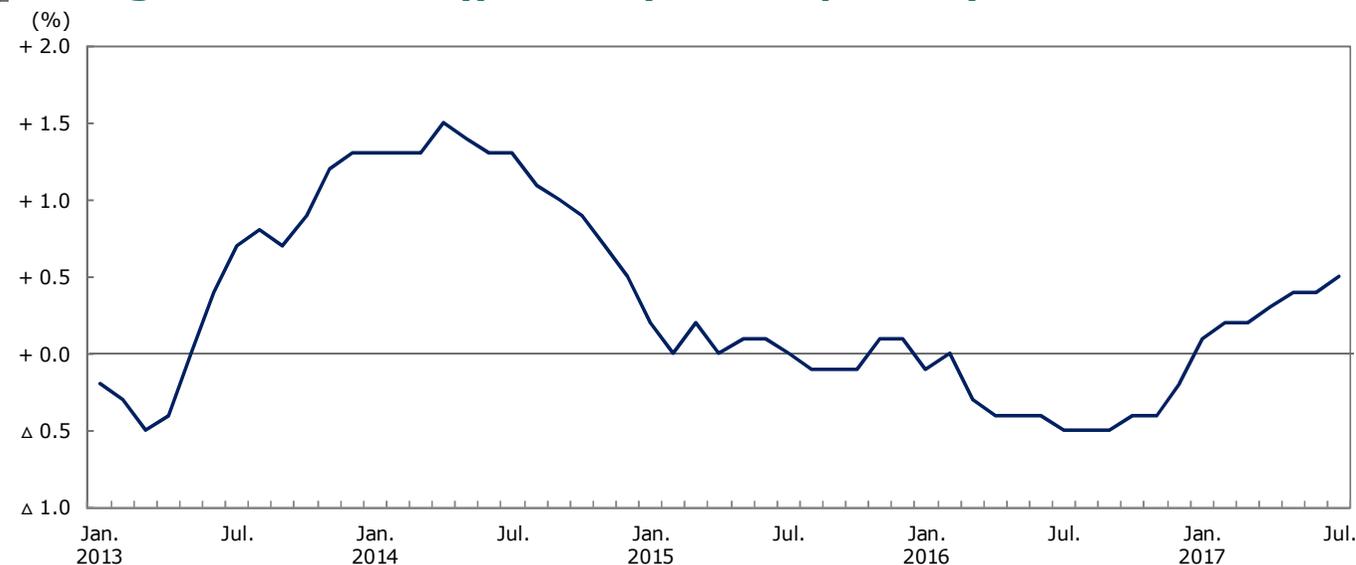
4-6 Market-related information (4)

Change in 10-year bond interest rates



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

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



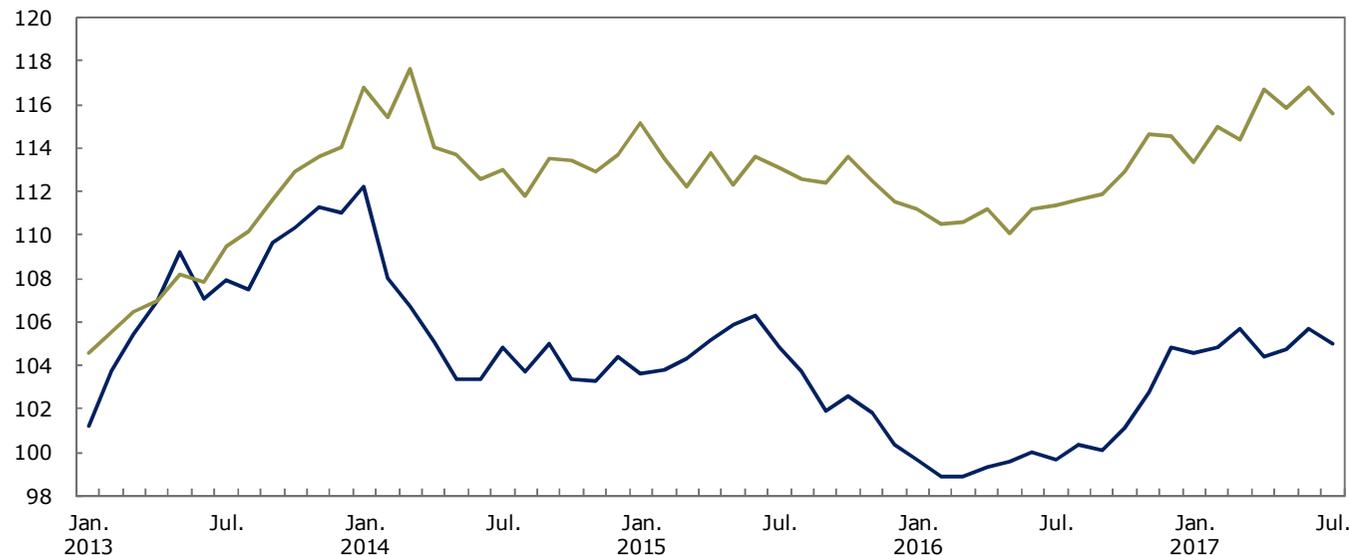
Based on figures excluding the direct effects of the consumption tax rate increase

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

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

4-7 Market-related information (5)

Business conditions composite index



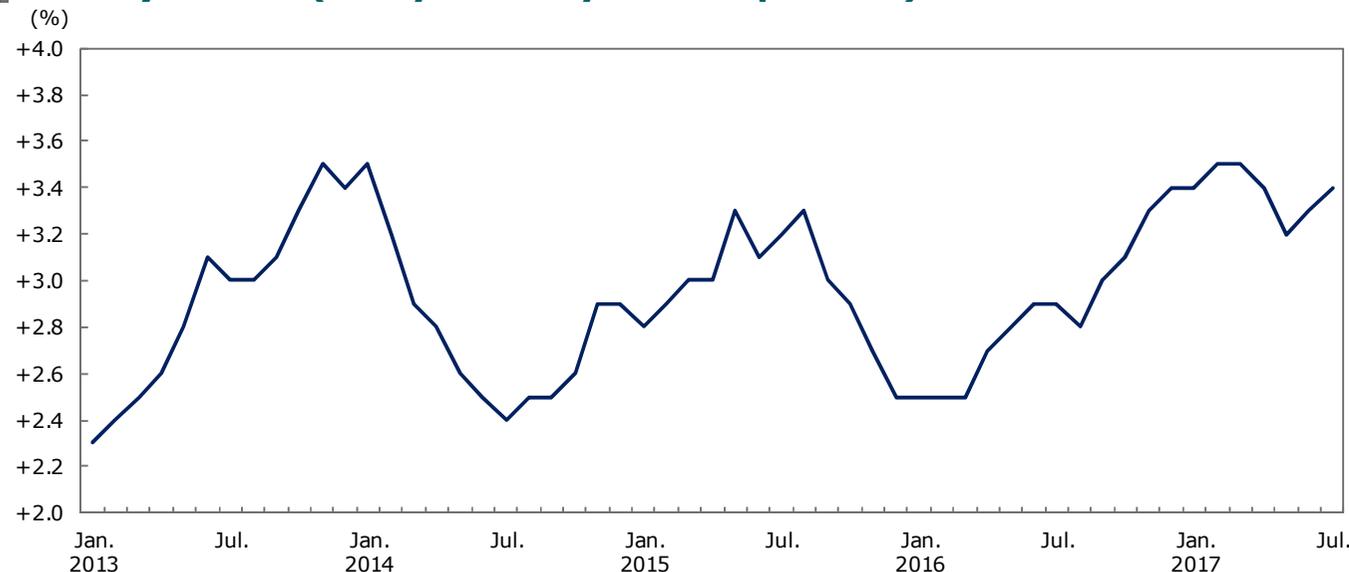
July 2017 figures are based on preliminary data

- Leading index
- Coincident index

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

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

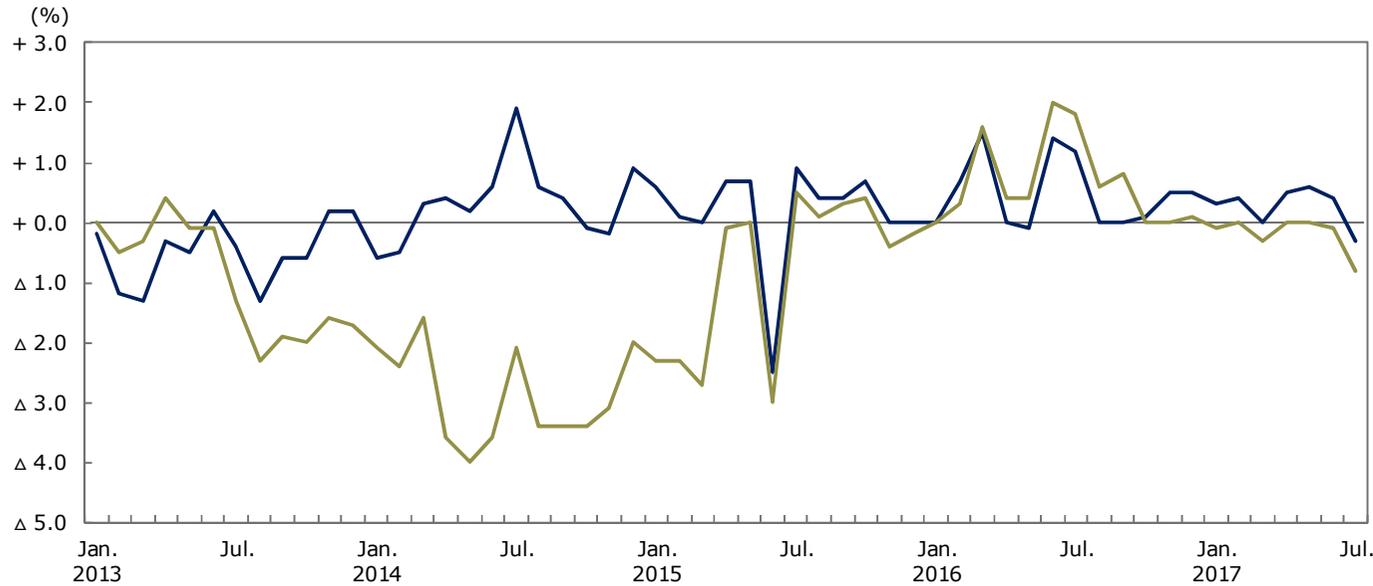
Money stock (M3: year-on-year comparison)



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

4-8 Market-related information (6)

Total cash earnings

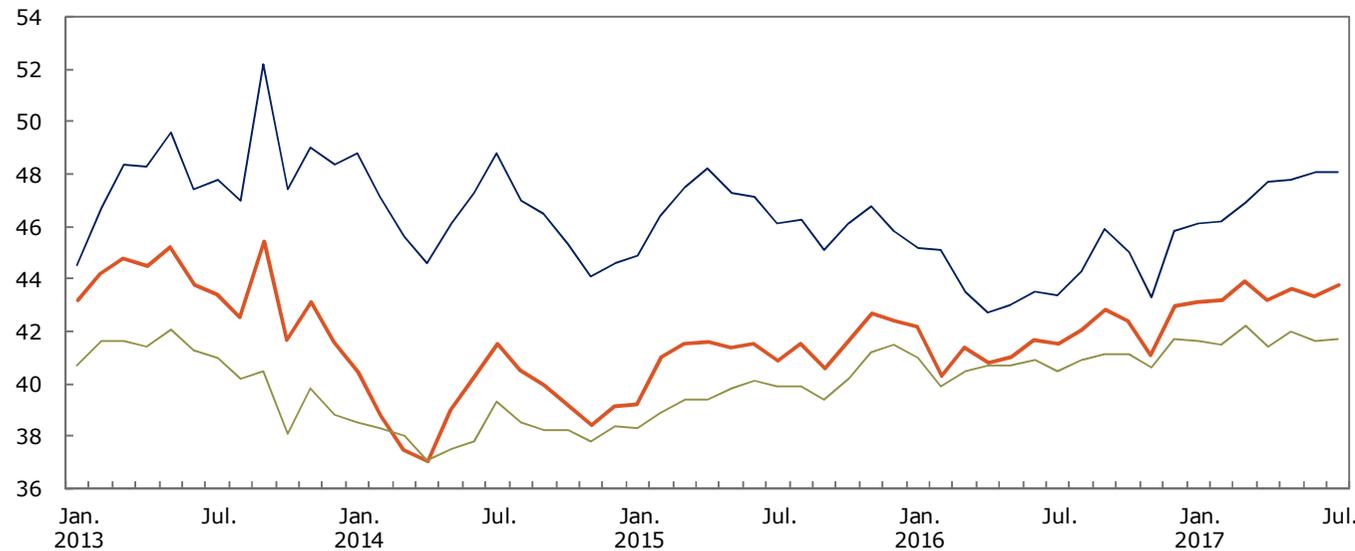


July 2017 figures are based on preliminary data

● 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	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017	Calculation formula
Net income	4,562 mn yen	4,755 mn yen	
Depreciation and amortization	995 mn yen	1,000 mn yen	
CAPEX	462 mn yen	343 mn yen	
Total assets	349,100 mn yen	348,673 mn yen	Average of total assets during the period: 348,887 mn yen
Total net assets	178,921 mn yen	179,115 mn yen	Average of total net assets during the period: 179,018 mn yen
Total net assets/unit (BPS)	102,203 yen	102,314 yen	Total net assets/Total units outstanding
Unit price (as of end of each period)	153,500 yen	138,900 yen	
Total units outstanding	1,750,640 units	1,750,640 units	
Total dividends	4,562 mn yen	4,569 mn yen	
Dividends/unit	2,606 yen	2,610 yen	
Dividend yield	3.4%	3.8%	Dividends per unit (annualized)/Unit price as of end of period
FFO	5,557 mn yen	5,343 mn yen	Net income + Depreciation and amortization - Gain or loss on sales of real estate properties
FFO/unit	3,174 yen	3,052 yen	FFO/Total units outstanding
Annualized	6,297 yen	6,154 yen	Based on a period of 365 days
FFO multiple	24.4x	22.6x	Unit price as of end of period/FFO per unit (annualized)
PER	29.7x	25.4x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.5x	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	2.6%	2.7%	Based on a period of 365 days
ROE	2.6%	2.7%	Net income/Average of total net assets during the period
Annualized	5.1%	5.4%	Based on a period of 365 days
NAV	197,492 mn yen	201,137 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV/unit	112,811 yen	114,893 yen	
NAV multiple	1.4x	1.2x	Unit price as of end of period/NAV per unit
Interest-bearing debt	156,000 mn yen	156,022 mn yen	
LTV (book value basis)	44.7%	44.7%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	42.4%	42.1%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	184 days	181 days	

(Note) As the accounting policy for rent revenues was changed in the 21st period, the figures for the 20th period are figures after retrospective application. The same applies hereafter.

5-2 Balance sheet

(thousand yen)

	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017
Assets		
Current assets	15,573,718	17,591,985
Cash and deposits	7,297,437	9,609,786
Cash and deposits in trust	7,759,698	7,321,280
Other	516,582	660,917
Noncurrent assets	333,293,538	330,895,097
Property, plant and equipment	301,685,377	299,414,737
Intangible assets	30,655,937	30,654,927
Investments and other assets	952,222	825,432
Deferred assets	233,133	186,550
Total assets	349,100,390	348,673,632

(thousand yen)

	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017
Liabilities		
Current liabilities	8,674,401	19,335,284
Current portion of investment corporation bonds	2,000,000	5,000,000
Current portion of long-term loans payable	4,578,000	12,600,000
Other	2,096,401	1,735,284
Noncurrent liabilities	161,504,272	150,222,930
Investment corporation bonds	26,000,000	25,000,000
Long-term loans payable	123,422,000	113,422,000
Lease and guarantee deposited in trust	12,082,272	11,800,930
Total liabilities	170,178,674	169,558,214
Net assets		
Unitholders' equity	178,921,716	179,115,418
Unitholders' capital	174,231,870	174,231,870
Total surplus	4,689,845	4,883,548
Voluntary retained earnings	105,244	105,244
Unappropriated retained earnings	4,584,601	4,778,304
Total net assets	178,921,716	179,115,418
Total liabilities and net assets	349,100,390	348,673,632

5-3 Income statement

(thousand yen)

	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017	
Operating revenue	8,248,756	8,491,973	
Rent revenues	8,056,295	7,853,452	Office 6,327,478
Other operating revenues	192,460	225,208	Residential 800,232
Gain on sales of real estate properties	–	413,312	Retail 91,999
Operating expenses	3,041,041	3,096,102	Land 629,400
Expenses related to properties	2,696,520	2,788,717	Other rent revenue 4,342
Asset management fee	234,850	201,529	
Directors' compensation	5,400	5,200	
Asset custody fee	8,654	8,727	
Administrative service fees	19,321	19,899	
Other operating expenses	76,294	72,028	
Operating income	5,207,714	5,395,871	
Non-operating income	2,002	919	
Interest income	86	58	Parking revenue 43,065
Gain on forfeiture of unclaimed dividends	1,510	861	Utilities and other revenue 140,750
Other	404	–	Cancellation penalty 41,392
Non-operating expenses	643,250	640,124	
Interest expenses	326,571	316,623	
Interest expenses on investment corporation bonds	85,983	92,264	
Amortization of investment corporation bonds issuance cost	13,154	14,073	
Borrowing expenses	166,987	166,568	
Amortization of investment unit issuance cost	48,664	48,664	
Other	1,888	1,930	
Ordinary income	4,566,466	4,756,667	
Income before income taxes	4,566,466	4,756,667	
Net income	4,562,484	4,755,870	
Unappropriated retained earnings	4,584,601	4,778,304	

Office	6,327,478
Residential	800,232
Retail	91,999
Land	629,400
Other rent revenue	4,342

Parking revenue	43,065
Utilities and other revenue	140,750
Cancellation penalty	41,392

Property management fees	936,590
Property taxes	516,999
Utilities	117,171
Maintenance and repairs	64,009
Insurance premium	14,985
Custodian fees	6,638
Depreciation	1,000,345
Rent expenses	112,673
Other lease business expenses	19,304

5-4 Statement of cash flows/Retained earnings

Statement of cash flows

(thousand yen)

	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017
Net cash provided by (used in) operating activities	6,642,067	7,117,018
Income before income taxes	4,566,466	4,756,667
Depreciation and amortization	995,006	1,000,732
Amortization of investment corporation bonds issuance cost	13,154	14,073
Amortization of investment unit issuance cost	48,664	48,664
Interest income	△ 86	△ 58
Gain on forfeiture of unclaimed dividends	△ 1,510	△ 861
Interest expenses	412,555	408,887
Decrease (increase) in operating accounts receivable	1,630	△ 145,505
Decrease (increase) in consumption taxes refund receivable	431,471	—
Increase (decrease) in operating accounts payable	14,234	40,242
Increase (decrease) in accounts payable—other	12,981	△ 13,377
Increase (decrease) in accrued expenses	28,403	△ 36,811
Increase (decrease) in accrued consumption taxes	403,057	△ 238,864
Increase (decrease) in advances received	△ 9,834	△ 31,409
Increase (decrease) in deposits received	△ 2,788	166
Decrease (increase) in prepaid expenses	△ 16,476	4,553
Decrease (increase) in long-term prepaid expenses	161,305	126,790
Decrease in property, plant and equipment in trust due to sale	—	1,608,849
Other, net	△ 2,182	△ 3,574
Subtotal	7,056,053	7,539,164
Interest income received	86	58
Interest expenses paid	△ 413,226	△ 408,061
Income taxes paid	△ 845	△ 14,143

(thousand yen)

	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017
Net cash provided by (used in) investing activities	62,536	△ 686,980
Purchase of property, plant and equipment in trust	△ 266,574	△ 405,638
Repayments of lease and guarantee deposited in trust	△ 479,825	△ 780,144
Proceeds from lease and guarantee deposited in trust	808,936	498,801
Net cash provided by (used in) financing activities	△ 2,521,386	△ 4,556,105
Repayments of long-term loans payable	△ 2,000,000	△ 1,978,000
Proceeds from issuance of investment corporation bonds	3,971,823	1,983,845
Dividends paid	△ 4,493,210	△ 4,561,951
Net increase (decrease) in cash and cash equivalents	4,183,217	1,873,931
Cash and cash equivalents at beginning of the period	10,873,917	15,057,135
Cash and cash equivalents at the end of the period	15,057,135	16,931,067

Retained earnings

(yen)

	21st period Period ended Jan. 31, 2017	22nd period Period ended Jul. 31, 2017
I Unappropriated retained earnings	4,584,601,465	4,778,304,094
II Total dividends	4,562,167,840	4,569,170,400
Dividends per unit	2,606	2,610
III Voluntary retained earnings		
Reserve for reduction entry	—	186,700,069
IV Retained earnings carried forward	22,433,625	22,433,625

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	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd Jul. 2017	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	100%	100%	0.0PT	93.4%	97.6%	4.2PT	95.8%	94.0%	△ 1.8PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	100%	100%	0.0PT	93.0%	94.5%	1.5PT	96.8%	91.4%	△ 5.4PT
Number of tenants	1	1	0	1	1	0	20	22	2	135	134	△ 1
Rent revenues	2,943,450	2,943,450	—	1,351,486	1,351,486	—	592,172	605,650	13,477	737,328	699,002	△ 38,326
Other operating revenues	—	—	—	—	—	—	92,328	131,006	38,678	74,415	74,049	△ 366
Total property operating revenue	2,943,450	2,943,450	—	1,351,486	1,351,486	—	684,500	736,656	52,156	811,743	773,051	△ 38,692
Property management	412,351	412,351	—	181,872	181,872	—	63,698	71,730	8,031	159,375	160,855	1,479
Property taxes (Note 1)	134,381	178,071	43,690	73,024	73,601	576	30,668	32,894	2,226	41,713	41,710	△ 3
Utilities	—	—	—	—	—	—	72,950	66,433	△ 6,517	24,422	24,901	479
Maintenance and repairs	—	—	—	370	—	△ 370	8,568	17,938	9,369	27,206	34,786	7,579
Insurance premium	3,972	4,053	80	1,949	1,882	△ 66	1,778	1,720	△ 57	2,039	2,010	△ 29
Depreciation (1)	442,171	444,416	2,244	60,280	59,973	△ 306	96,192	97,560	1,368	133,145	135,206	2,061
Other expenses (Note 2)	371	377	5	2,793	3,297	504	75,779	75,376	△ 403	10,853	11,695	841
Total property operating expenses	993,248	1,039,269	46,021	320,289	320,627	337	349,635	363,654	14,018	398,757	411,165	12,408
Property operating income (2)	1,950,202	1,904,180	△ 46,021	1,031,196	1,030,859	△ 337	334,864	373,002	38,138	412,986	361,885	△ 51,100
NOI (3) ((1)+(2))	2,392,373	2,348,596	△ 43,776	1,091,477	1,090,832	△ 644	431,056	470,563	39,506	546,131	497,092	△ 49,039
Annualized NOI	4,745,740	4,736,120	△ 9,619	2,165,158	2,199,745	34,587	855,084	948,925	93,840	1,083,358	1,002,423	△ 80,935
Annualized NOI/ Acquisition price	4.1%	4.1%	△ 0.0PT	3.5%	3.5%	0.1PT	3.1%	3.5%	0.4PT	2.5%	2.3%	△ 0.2PT
CAPEX (4)	4,061	129,568	125,507	261,395	32,918	△ 228,477	43,660	56,386	12,725	88,426	48,436	△ 39,989
NCF (3)-(4)	2,388,312	2,219,028	△ 169,284	830,081	1,057,914	227,833	387,395	414,176	26,781	457,705	448,655	△ 9,050

(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 disposed 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			R-1			R-3		
Property name	Atago Green Hills			ARK Hills South Tower			Moto-Azabu Hills			Roppongi First Plaza		
Acquisition price	42,090,000			19,150,000			— (before disposition 1,706,440)			2,100,000		
Period	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd(Note 3) Jul. 2017	Difference	21st Jan. 2017	22nd Jul. 2017	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	180 days	△ 4 days	184 days	181 days	△ 3 days
Occupancy rate	100%	100%	0.0PT	90.4%	73.8%	△ 16.6PT	86.9%	—	△ 86.9PT	95.7%	100%	4.3PT
Avg. Occupancy rate (during period)	100%	100%	0.0PT	92.2%	68.4%	△ 23.8PT	97.8%	86.9%	△ 10.9PT	92.8%	97.6%	4.8PT
Number of tenants	1	1	0	31	36	5	6	—	△ 6	40	42	2
Rent revenues	1,111,765	1,062,042	△ 49,722	465,970	334,011	△ 131,959	64,420	56,581	△ 7,838	72,058	77,965	5,906
Other operating revenues	—	—	—	24,301	18,396	△ 5,904	1,416	1,596	180	—	—	—
Total property operating revenue	1,111,765	1,062,042	△ 49,722	490,271	352,407	△ 137,864	65,836	58,178	△ 7,658	72,058	77,965	5,906
Property management	2,664	2,664	—	53,429	72,138	18,708	9,180	8,176	△ 1,004	12,876	13,229	352
Property taxes (Note 1)	69,353	69,124	△ 229	32,916	33,360	444	2,103	2,282	178	7,126	7,126	△ 0
Utilities	—	—	—	27,818	23,866	△ 3,951	1	57	55	1,171	1,002	△ 169
Maintenance and repairs	—	—	—	1,155	1,806	651	2,689	2,427	△ 261	1,138	6,615	5,477
Insurance premium	3,546	3,436	△ 110	1,096	1,055	△ 40	151	247	95	268	245	△ 22
Depreciation (1)	183,077	183,263	186	44,322	44,120	△ 201	7,143	7,109	△ 33	12,496	12,456	△ 39
Other expenses (Note 2)	37,869	37,825	△ 43	2,842	1,481	△ 1,360	4,085	4,197	111	3,771	3,773	1
Total property operating expenses	296,510	296,313	△ 197	163,579	177,830	14,250	25,356	24,498	△ 858	38,850	44,450	5,599
Property operating income (2)	815,254	765,729	△ 49,525	326,691	174,577	△ 152,114	40,480	33,680	△ 6,800	33,208	33,514	306
NOI (3) ((1)+(2))	998,331	948,992	△ 49,339	371,013	218,697	△ 152,316	47,623	40,789	△ 6,833	45,704	45,971	266
Annualized NOI	1,980,386	1,913,714	△ 66,672	735,978	441,020	△ 294,958	94,470	—	△ 94,470	90,664	92,704	2,040
Annualized NOI/ Acquisition price	4.7%	4.5%	△ 0.2PT	3.8%	2.3%	△ 1.5PT	5.5%	4.8%	△ 0.7PT	4.3%	4.4%	0.1PT
CAPEX (4)	12,133	32,713	20,579	709	1,313	603	—	—	—	22,768	2,636	△ 20,132
NCF (3)-(4)	986,198	916,279	△ 69,918	370,304	217,384	△ 152,919	47,623	40,789	△ 6,833	22,936	43,335	20,399

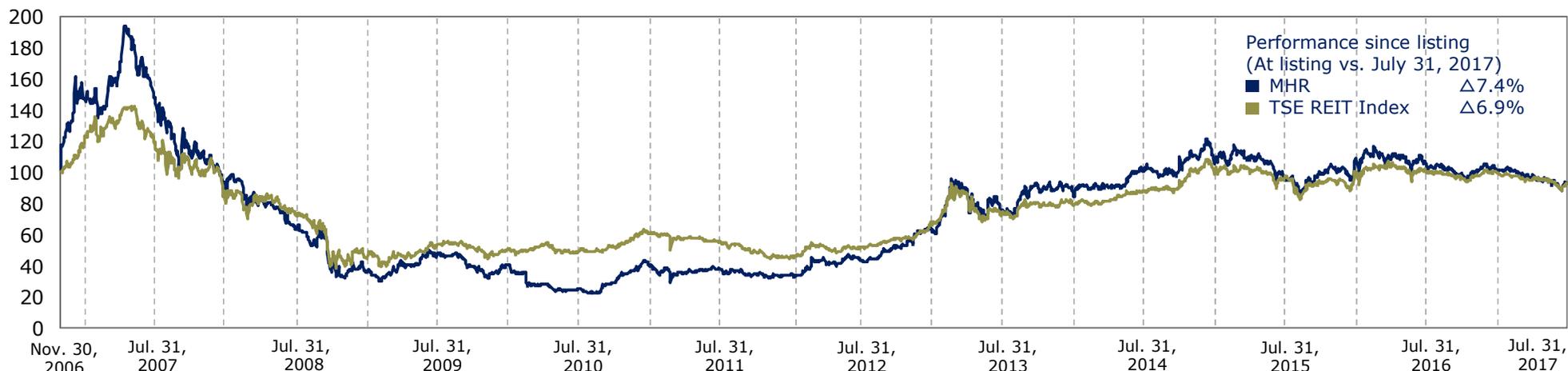
5-7 Status of income and expenditures (3)

(thousand yen)

Property number	R-4			S-1			Portfolio total		
Property name	Roppongi View Tower			Laforet Harajuku (Land)					
Acquisition price	4,000,000			21,820,000			338,150,000 (before disposition 339,856,440)		
Period	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd Jul. 2017	Difference	21st Jan. 2017	22nd(Note 3) Jul. 2017	Difference
Operation days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days	184 days	181 days	△ 3 days
Occupancy rate	93.1%	93.3%	0.2PT	100%	100%	0.0PT	97.8%	97.2%	△ 0.6PT
Avg. Occupancy rate (during period)	94.5%	94.1%	△ 0.4PT	100%	100%	0.0PT	98.1%	96.1%	△ 2.0PT
Number of tenants	86	86	0	1	1	0	322	324	2
Rent revenues	93,242	93,862	619	624,400	629,400	5,000	8,056,295	7,853,452	△ 202,842
Other operating revenues	—	160	160	—	—	—	192,460	225,208	32,748
Total property operating revenue	93,242	94,022	779	624,400	629,400	5,000	8,248,756	8,078,661	△ 170,094
Property management	13,355	13,572	217	—	—	—	908,803	936,590	27,787
Property taxes (Note 1)	10,860	10,870	9	67,956	67,957	1	470,104	516,999	46,894
Utilities	870	910	40	—	—	—	127,234	117,171	△ 10,063
Maintenance and repairs	553	434	△ 119	—	—	—	41,682	64,009	22,326
Insurance premium	311	332	20	—	—	—	15,115	14,985	△ 129
Depreciation (1)	15,791	16,238	447	—	—	—	994,619	1,000,345	5,725
Other expenses (Note 2)	592	591	△ 1	—	—	—	138,960	138,616	△ 344
Total property operating expenses	42,336	42,950	614	67,956	67,957	1	2,696,520	2,788,717	92,196
Property operating income (2)	50,906	51,072	165	556,444	561,442	4,998	5,552,235	5,289,944	△ 262,291
NOI (3) ((1)+(2))	66,698	67,311	612	556,444	561,442	4,998	6,546,855	6,290,289	△ 256,565
Annualized NOI	132,309	135,737	3,428	1,103,815	1,132,190	28,374	12,986,968	12,621,496	△ 365,471
Annualized NOI/ Acquisition price	3.3%	3.4%	0.1PT	5.1%	5.2%	0.1PT	3.8%	3.7%	△ 0.1PT
CAPEX (4)	29,168	39,844	10,676	—	—	—	462,323	343,817	△ 118,505
NCF (3)-(4)	37,530	27,466	△ 10,064	556,444	561,442	4,998	6,084,531	5,946,472	△ 138,059

5-8 Unit price performance since IPO

Relative price performance (Since IPO~July 31, 2017)



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

Unit price per period-end (closing price)

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

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

Accounting period	Unit price
21st (January 2017)	153,500 yen
22nd (July 2017)	138,900 yen

(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's 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>

Corporate governance

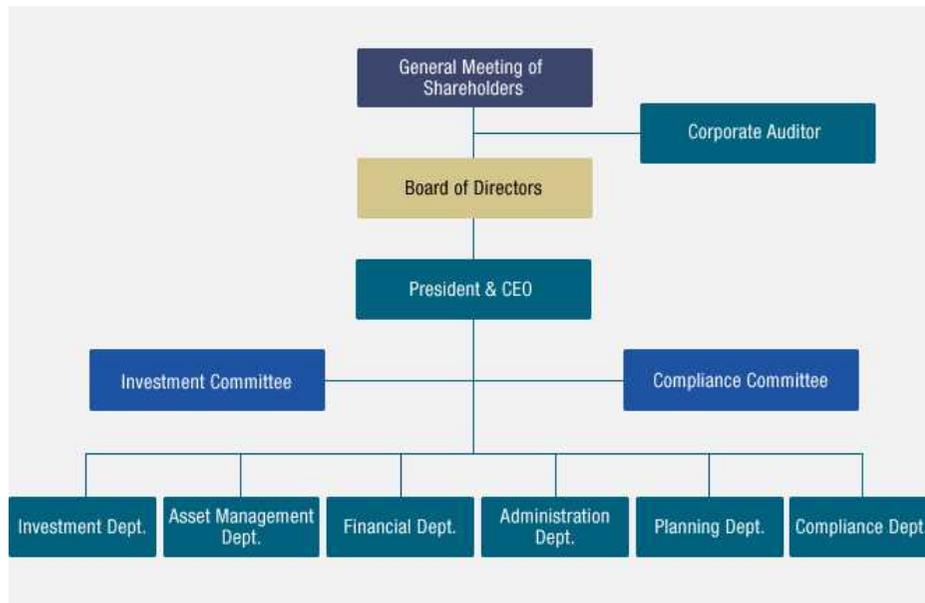
Corporate governance

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 unitholders, which shall be composed of unitholders, MHR's structure consists of one executive director, two supervisory directors, the board of directors and an accounting auditor.

Structure of asset manager for the Investment Corporation

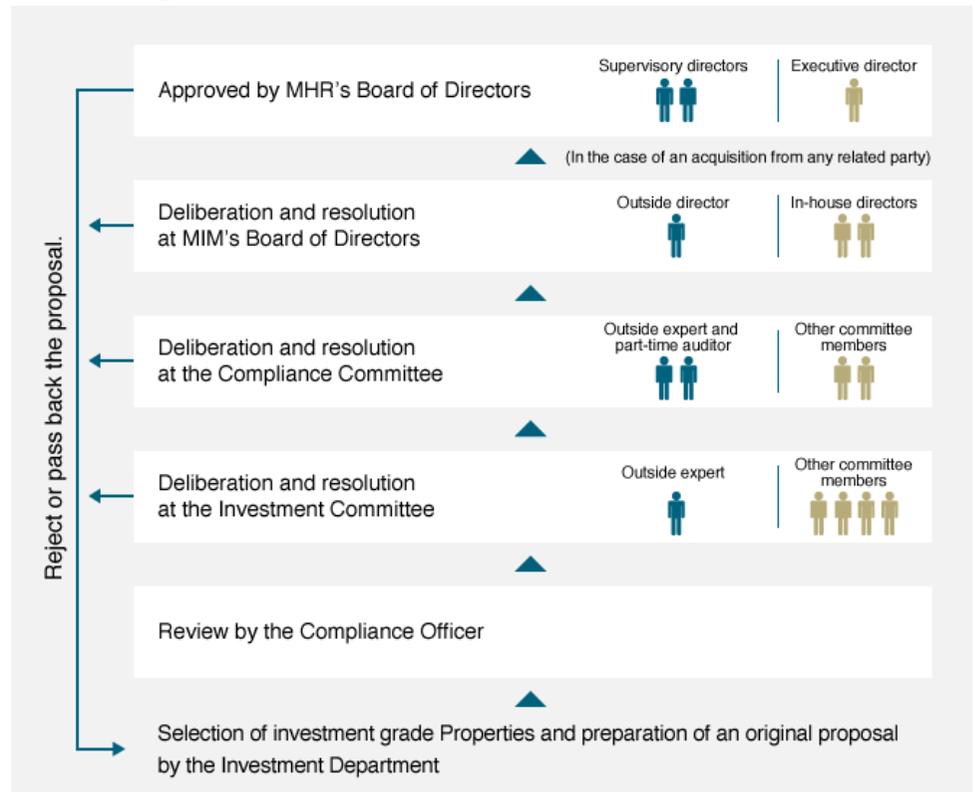
MHR entrusts the management of its assets to the asset manager. The following is the organizational structure of the asset manager.



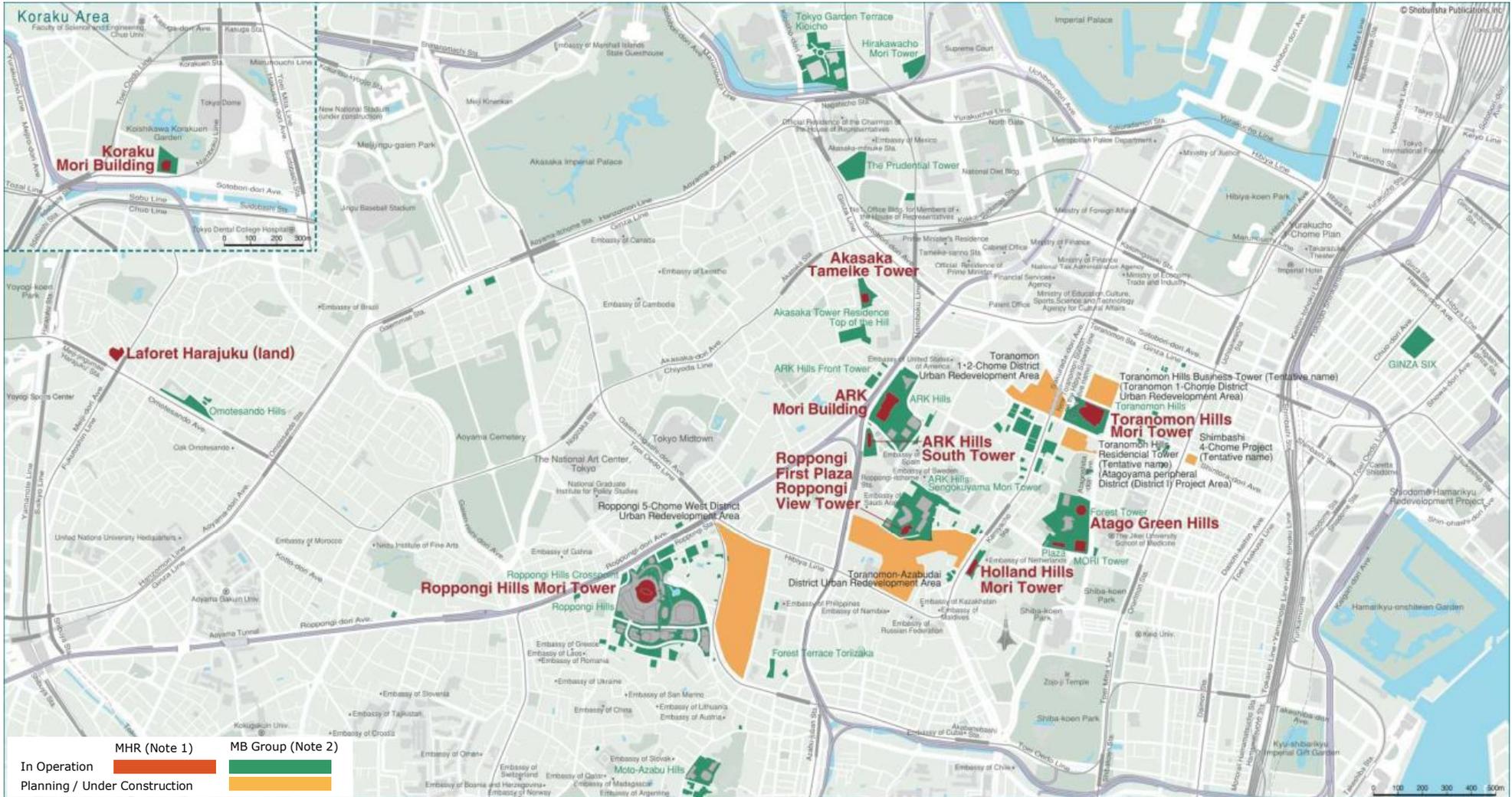
Compliance

The asset manager shall perform its business in good faith and with the due care of a prudent manager for MHR in line with the purpose of the investment management business, and be well aware that failure to ensure thorough compliance, especially inappropriate transactions or transactions involving conflicts of interest with the sponsor company group, may undermine investors' trust in the securities markets, the corporate management base of MHR and the asset manager. Therefore, the asset manager will use its efforts to prevent any negative impact from transactions involving conflicts of interest and carry out strict compliance as follows.

Process to Counter Transactions Involving Conflicts of Interest



5-11 Portfolio Map (As of August 1, 2017)



(Source) Prepared by the Asset Manager based on Mori Building's "Mori Building Handy Map Mori Building Map/Home Route Support Map 2017."

(Note 1) Some of the properties have been partially acquired and held by MHR. Alternatively, the properties scheduled to be acquired as of March 1, 2018 are also included.

(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.

5-12 Portfolio overview (As of August 1, 2017)

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	14 years 4 months	31 years 4 months	17 years 4 months	4 years 0 months	3 years 2 months	12 years 6 months	16 years 10 months	16 years 0 months	15 years 9 months	16 years 0 months	23 years 9 months		-	
Total number of floors	54 above ground, 6 below	37 above ground, 4 below	19 above ground, 6 below	20 above ground, 4 below	52 above ground, 5 below	24 above ground, 2 below	25 above ground, 2 below	42 above ground, 2 below	43 above ground, 4 below	2 above ground, 1 below	20 above ground, 1 below		-	
Gross floor area	approx. 442,150m ²	approx. 177,486m ²	approx. 46,154m ²	approx. 53,043m ²	approx. 241,581m ²	approx. 35,076m ²	approx. 46,971m ²	approx. 85,266m ²	approx. 60,815m ²	approx. 2,083m ²	approx. 22,906m ²		-	
Ownership (Note 1)	Land	Co-ownership (approx. 17.7%)	Co-ownership (approx. 10.9%)	Leased	Co-ownership (approx. 2.5%)	Co-ownership (approx. 1.8%)	Co-ownership (approx. 35.9%)	Co-ownership (approx. 56.4%)	Co-ownership (approx. 28.8%)			Co-ownership (approx. 4.7%)	Co-ownership (approx. 4.6%)	Ownership
	Building	Compartmentalized ownership (approx. 13.6%)	Compartmentalized ownership (approx. 17.9%)	Compartmentalized ownership (approx. 57.9%)	Co-ownership (approx. 2.5%)	Co-ownership (approx. 1.0%)	Co-ownership (approx. 27.6%)	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	5,070	9,330	43,930	42,090			2,100	4,000	21,820	
Occupancy rate (Note 4)	100%	100%	97.6%	73.8%	100%	100%	94.0%	100%			100%	93.3%	100%	

Average building age
17.7years (Note 5)

Portfolio PML
0.98% (Note 2)

Total acquisition price
352,550 mn yen

5-13 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 right 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 February 21, 2017 by Sompo Japan Nipponkoa Risk Management Inc. (Presently, Sompo Risk Management & Health Care Inc.)
- (Note 3) ARK Mori Building adopts "slitwall" as earthquake-resistant feature.
- (Note 4) "Occupancy rate" indicates the figures as of July 31, 2017.
- (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.