

Press Release

Issuer of Real Estate Investment Trust Securities

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## Sale of Asset (Ito-Yokado Shin-Urayasu)

**Tokyo, May 16, 2017**— Mori Trust Asset Management Co., Ltd. (hereinafter “the asset manager”), the asset management company which manages assets on behalf of Mori Trust Sogo Reit, Inc. (MTR), has announced the sale of an asset. Details are as follows:

### 1. Sale Summary

- |                                |   |
|--------------------------------|---|
| (1) Type of asset:             | Real estate   |
| (2) Property name:             | Ito-Yokado Shin-Urayasu (hereinafter “the Property”)  |
| (3) Sale price:                | 14,250 million yen (excluding sale overheads and taxes)   |
| (4) Book value:                | 11,245 million yen (at the end of March 2017)   |
| (5) Profit:                    | Approximately 2.8 billion yen<br>(Because of unconfirmed elements, including expenses for the sale, the amounts above are approximate estimates.)   |
| (6) Contract date:             | May 16, 2017  |
| (7) Planned closing date:      | July 31, 2017   |
| (8) Buyer:                     | Please refer to 4. Buyer Overview indicated below.  |
| (9) Settlement method:         | Single payment at the time of delivery  |
| (10) Forward commitment, etc.: | The sale falls under forward commitment, etc. (a postdated sales contract, in which settlement and delivery take place once one month has passed after the contract is concluded, hereinafter referred to as “the forward commitment.”)<br>The forward commitment may be terminated in certain cases, including when a serious obstacle to the purpose of the contract occurs. In the event that the forward commitment is terminated due to a breach of obligation, the person responsible for the termination shall pay the counterparty a penalty equivalent |

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to 20% of the sale price for the said real estate.

## 2. Reason for Sale

MTR has decided to sell the Property in accordance with its investment criteria set forth in MTR's Articles of Incorporation. The following is the background to the decision.

The immediate task for the Property was to deal with the exit of the large tenant (the lease contract will be terminated as of July 30, 2017), and MTR has considered appropriate responses from the perspectives of both leasing and sale.

In terms of leasing, it entails uncertainty as to whether a tenant can be secured at the current rent level due to changes in the environment surrounding the retail industry and other factors, although the Property is located in a highly convenient area. Furthermore, there is concern that repair expenses, etc. will increase to maintain the competitiveness of the Property in the future.

MTR determined that the sale of the Property in the current booming real estate market, rather than continuing to own it, would be more beneficial for MTR, considering the competitiveness of the Property and expenses that could arise in the future.

MTR will utilize the gains from the sale to acquire properties, repay loans, etc. in the future.

## 3. Sale Overview

Location	Land	4-1-1 Akemi, Urayasu-shi, Chiba Prefecture and others
	Building	4-1-1 Akemi, Urayasu-shi, Chiba Prefecture and others
	Address	4-1-1 Akemi, Urayasu-shi, Chiba Prefecture
Real estate use		Retail Facilities (Registered type of use: Store and parking)
Ownership form	Land	Owned
	Building	Owned
Area	Land	33,538.15 m <sup>2</sup> (Registered site area)
	Building	57,621.38 m <sup>2</sup> (Registered floor area)
Construction		Steel frame, flat roof, 5 floors above ground (Registered structure)
Parking space		1,280 spaces
Completion date		September 2000
Architect		Pacific Urban Development Institute Inc.
Construction company		Takenaka Corporation
Acquisition date		July 30, 2004
Acquisition price		12,150 million yen
Appraisal value of the real estate		Appraisal value of the real estate: 8,940 million yen Appraisal date: March 31, 2017 Appraisal agency: Japan Real Estate Institute

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Seismic risk (PML)	18.9% (according to the building seismic risk investigation report produced by Takenaka Corporation)
Collateral	None
Details of tenants	
Number of tenants	1
Revenue in real estate rental	378 million yen (Note 1)
Security deposit	756 million yen
Total rental area	57,621.38 m <sup>2</sup>
Total rentable area	57,621.38 m <sup>2</sup>
Occupancy rate	100% (as of April 30, 2017) (Note 2)

(Note 1) Actual revenue in the period ended March 31, 2017 (October 1, 2016 to March 31, 2017) is stated.

(Note 2) MTR has received a termination notice from the tenant stating that the lease contract will be terminated as of July 30, 2017.

#### 4. Buyer Overview

The buyer is a Japanese operating company, but its information cannot be disclosed due to a lack of consent to make disclosure. MTR and the asset manager have no particular capital, human, or business relationships with the buyer. The buyer does not fall under a related party.

#### 5. Intermediary Overview

Intermediary (1)

Corporate name	MORI TRUST CO., LTD.
Head office location	2-3-17 Toranomom, Minato-ku, Tokyo
Representative	Miwako Date, President and CEO
Capital	30,000 million yen (as of March 31, 2017)
Main business	Real estate development, hotel management, investment business
Established	June 10, 1970
Fee	142.5 million yen (excluding consumption and other taxes)
Relationship with MTR and the asset manager	
Capital relationship	The intermediary is the parent company of the asset manager (with a shareholding ratio of 75%) that manages assets on behalf of MTR and falls under Parent Juridical Persons, etc. set forth in the Financial Instruments and Exchange Act (hereinafter the "FIEA") and the asset manager's Interested Persons, etc. set forth in the Act on Investment Trusts and Investment Corporations (hereinafter "Interested Persons, etc.").
Human relationship	The intermediary falls under an assignor company of employees of the

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	asset manager.
Business relationship	The intermediary has concluded a master lease contract with MTR in some properties.
Relevance to a related party	The intermediary falls under the subsidiary of other affiliated companies of MTR and the parent company of the asset manager.

#### Intermediary (2)

The intermediary is a Japanese operating company, but its information cannot be disclosed due to a lack of consent to make disclosure. MTR and the asset manager have no particular capital, human, or business relationships with the intermediary except that it owns investment units of MTR. The intermediary does not fall under a related party. The fee is 71.25 million yen (excluding consumption and other taxes).

### 6. Transactions with interested persons

In accordance with the “Regulations on Transactions with Interested Persons” for the asset manager, the payment of the fee pertaining to the intermediary of the sale was deliberated at its Risk Management Committee and the resolution was passed at its Management Investment Committee. It was subsequently approved at the Board of Management of MTR.

### 7. Operating Forecasts

A certain portion (about 718 million yen) of the gain on the sale of investment property (about 2.8 billion yen) is planned to be appropriated for internal reserves. For further details, please refer to the press release “Notice of Revisions to Performance Forecast for Fiscal Period Ending September 30, 2017” dated today.

### 8. Overview of Appraisal Report

Property name	Ito-Yokado Shin-Urayasu
Name of appraisal agency	Japan Real Estate Institute
Appraisal value of real estate	8,940,000 thousand yen
Appraisal date	March 31, 2017

Point to be checked	Appraisal value (unit: thousand yen)	Grounds for appraisal
Revenue value	8,940,000	Appraised by application of the DCF method and the direct capitalization method
Value by direct capitalization method	8,980,000	
Operating revenue	875,274	
Potential total revenue	891,057	Booked the expected stably receivable revenue in the mid to long term
Loss due to vacancy, etc.	15,783	Calculated on the assumption of a stable occupancy rate in the mid to long term
Operating expense	340,633	

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Maintenance and operation cost	125,000	Calculated by reference to the maintenance and operation cost of similar real estate
PM fee	42,000	Calculated by reference to the PM fee of similar real estate
Utilities cost	30,000	Calculated by reference to the utilities cost of similar real estate
Repair cost	9,469	Calculated by reference to the cost level, engineering report, etc. of similar real estate
Cost for finding tenants, etc.	2,499	Appraised on the basis of the assumed tenant cycle
Taxes and public dues	86,531	Calculated on the basis of the materials related to taxes and public dues
Non-life insurance premium	1,634	Calculated in consideration of the past records as well as the premiums, etc. for similar buildings
Other expenses	43,500	Booked the sales promotion cost, etc.
Net Operating Income (NOI)	534,641	
Investment gain from lump-sum payments	8,753	Appraised on the basis of the investment gains considered appropriate in view of the interest rate levels of both investment and financing
Capital expenditure	22,710	Calculated by reference to similar real estate, the engineering report, etc.
Net revenue	520,684	
Capitalization rate	5.8%	Appraised in view of the location conditions, structural conditions, uncertainty in the future, etc. of the target real estate as well as the transaction yield, etc. of similar real estate
Value by DCF method	8,890,000	
Discount rate	4.9%	Appraised by comprehensively taking into consideration the individuality, etc. of the target real estate with reference to the investment yield, etc. of similar real estate
Final capitalization rate	5.4%	Appraised by comprehensively taking into consideration the transaction cases for similar real estate, the future trend of investment yields, the risk of the target real estate, the future economic growth rate forecast, trends in real estate prices, etc.
Integrated value	8,830,000	
Land ratio	76.8%	
Building ratio	23.2%	

Other points to be checked by the appraisal agency for the appraisal	None
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Attachment

Reference Portfolio after the sale

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## Portfolio after the sale

Area	Usage	Property Code	Property Name	Acquisition Date	Acquisition Price (Million yen)	% of Total	
Central Tokyo	Office Buildings	A-1	Tokyo Shiodome Building	2010.4.13	110,000	34.8%	
		A-2	ON Building	2008.8.29	39,900	12.6%	
		A-3	Kioicho Building	2014.10.1	34,300	10.9%	
		A-4	Osaki MT Building	2005.3.31 2005.10.28 2015.1.30 Total	7,870 5,656 860 14,386		4.6%
	Subtotal					198,586	62.8%
	Retail Facilities	B-1	SHIBUYA FLAG	2013.4.24	32,040	10.1%	
		B-2	Shinbashi Ekimae MTR Building	2007.4.25	18,000	5.7%	
	Subtotal					50,040	15.8%
	Other (Residential property)	C-2	Park Lane Plaza	2004.12.24	3,200	1.0%	
	Subtotal					3,200	1.0%
Subtotal					251,826	79.7%	
Other	Office Buildings	A-5	Midosuji MTR Building	2015.4.30	10,170	3.2%	
		A-6	Tenjin Prime	2012.7.12	6,940	2.2%	
		A-7	Shin-Yokohama TECH Building	2003.11.14	6,900	2.2%	
	Subtotal					24,010	7.6%
	Retail Facilities	-	Ito-Yokado Shin-Urayasu	-	-	-	
		B-3	Ito-Yokado Shonandai	2003.3.28	11,600	3.7%	
		B-4	Kohnan Sagamihara-Nishihashimoto	2012.10.18	7,460	2.4%	
		B-5	Frespo Inage	2002.3.28	2,100	0.7%	
Subtotal					21,160	6.7%	
Other (Hotels)	C-1	Hotel Okura Kobe	2006.9.20	19,000	6.0%		
Subtotal					19,000	6.0%	
Subtotal					64,170	20.3%	
Total					315,996	100.0%	

(Note1) Acquisition prices are rounded down to the nearest million yen.

(Note2) For properties with multiple uses, their attributes are determined based on their major usage.

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