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## MTR Announces Financial Results for its 31st Fiscal Period

**Tokyo, November 14, 2017** – Mori Trust Sogo Reit, Inc. (MTR) has announced financial results for its 31st fiscal period (from April 1, 2017 to September 30, 2017).

### 1. Operational/Asset Conditions for the September 2017 period (April 1, 2017 – September 30, 2017)

(Amounts are rounded down to the nearest million yen)

#### (1) Operating results

(% shows change vs. previous period)

	Operating Revenues		Operating Income		Ordinary Income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal period ended September 30, 2017	11,606	30.9	7,794	48.9	7,280	54.7	7,049	49.3
Fiscal period ended March 31, 2017	8,869	2.4	5,233	4.1	4,707	5.1	4,722	2.7

	Basic earnings per unit	Rate of return on equity	Ordinary income to total assets ratio	Ordinary income to operating revenues ratio
	Yen	%	%	%
Fiscal period ended September 30, 2017	5,340	4.4	2.2	62.7
Fiscal period ended March 31, 2017	3,577	3.0	1.4	53.1

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## (2) Distributions

	Distributions per unit (excluding distributions in excess of profit)	Total Distributions (excluding total distributions in excess of profit)	Distributions in excess of profit per unit	Total distributions in excess of profit	Payout ratio	Ratio of distributions to net assets
	Yen	Millions of yen	Yen	Millions of yen	%	%
Fiscal period ended September 30, 2017	4,964	6,552	0	0	92.9	4.1
Fiscal period ended March 31, 2017	3,603	4,755	0	0	100.7	3.0

(Note 1) The difference between distributions per unit and profit per unit in the fiscal period ended September 30, 2017 is due to a provision of reserves for reduction entry (¥497 million).

(Note 2) The difference between distributions per unit and profit per unit in the fiscal period ended March 31, 2017 is due to a reversal of the reserve for reductions entry (¥33 million).

(Note 3) The payout ratio is rounded down to one decimal place.

## (3) Financial positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per unit
	Millions of yen	Millions of yen	%	Yen
Fiscal period ended September 30, 2017	327,438	161,658	49.4	122,468
Fiscal period ended March 31, 2017	332,575	159,364	47.9	120,730

## (4) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal period ended September 30, 2017	20,431	(1,170)	(12,255)	23,788
Fiscal period ended March 31, 2017	6,235	(166)	(5,240)	16,782

## 2. Forecast for the March 2018 period (October 1, 2017 to March 31, 2018) and the September 2019 period (April 1, 2018 to September 30, 2018)

(% shows change vs. previous period)

	Operating revenues		Operating income		Ordinary income		Profit		Distributions per unit (excluding distributions in excess of profit)	Distributions in excess of profit per unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal period ending March 31, 2018	8,538	(26.4)	5,087	(34.7)	4,603	(36.8)	4,671	(33.7)	3,650	0
Fiscal period ending September 30, 2018	8,551	0.2	5,033	(1.1)	4,559	(1.0)	4,640	(0.7)	3,650	0

(Reference) The profit per unit forecast is ¥3,538 for the fiscal period ending March 31, 2018 and ¥3,515 for the fiscal period ending September 30, 2018.

(Note 1) Distributions per unit for the fiscal period ending March 31, 2018 are calculated based on the assumption that part of the reserve for reduction entry (148 million yen) will be appropriated to distributions.

(Note 2) Distributions per unit for the fiscal period ending September 30, 2018 are calculated based on the assumption that part of the reserve for reduction entry (177 million yen) will be appropriated to distributions.

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### 3. Status of Asset Management

#### (a) Summary of results for the current fiscal period

##### (i) Transition of the Investment Corporation

The Investment Corporation was established on October 2, 2001, with Mori Trust Asset Management Co., Ltd. (changed trade name from Nihon Sogo Fund Co., Ltd. on November 1, 2003) as the organizer, pursuant to the Act on Investment Trusts and Investment Corporations.

On March 28, 2002, the Investment Corporation began asset management, starting with the acquisition of the trust beneficiary right in Frespo Inage, land related to leased land agreement for business use.

Since then the Investment Corporation has steadily expanded the size of its assets, and was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange (Stock Code: 8961).

As a result, the real estate held by the Investment Corporation as of September 30, 2017, numbered 14 properties, with a total acquisition price of ¥327,438 million.

##### (ii) Investment environment and performance

The Japanese economy during the fiscal period under review remained on a modest recovery path amid signs of an upturn in personal consumption under a favorable employment situation and income environment, together with continued improvement in corporate earnings attributable to the expansion of domestic demand and global economic recovery.

In the real estate investment market, a keenness to purchase among domestic and foreign investors, encouraged by a favorable financing environment, caused competition for acquisition to become overheated. However, the rising selling prices of good properties in central Tokyo resulted in transactions being dispersed over a wider area and the ratio of transactions in the surrounding areas and regional cities increased.

In the real estate leasing market, the improvement in the market for office buildings continued thanks to firm office demand. In central Tokyo, the vacancy rate gradually decreased as new buildings steadily attracted tenants. The vacancy rates of other major cities in Japan were also largely on a downward trend amid tight supply and strong demand.

In the market for commercial facilities, while sales at department stores and supermarkets seesawed, there were also signs of recovery in some areas, with sales at large-scale specialty retailers for home electric appliances showing improvement.

In the market for luxury rental housing in Tokyo, both the occupancy rate and rent level remained firm thanks to a reduction in new supply and solid demand.

In terms of market conditions for hotels, the number of foreign visitors to Japan continued to rise, mainly due to a relaxation of the visa requirements, and the number of Japanese guests also increased. As a result, high occupancy rates were maintained.

Under these investment conditions, the Investment Corporation sold Ito-Yokado Shin-Urayasu, following a large tenant's decision to vacate the property, at a price which exceeded the book value on July 31, 2017, and also continued to seek to secure stable revenues in its management of other properties in the fiscal period under review. As a result, as of September 30, 2017, the Investment Corporation owned 14 properties with a total book value of ¥303,497 million, and the occupancy rate of the properties owned by the Investment Corporation as of September 30, 2017 was 99.7%.

##### (iii) Financing

In the fiscal period under review, the Investment Corporation borrowed ¥8,000 million in April 2017, ¥8,000 million in August 2017, and ¥1,500 million in September 2017 to apply to the repayment of existing loans that became due.

In addition to the foregoing, the Investment Corporation also used some of the proceeds of the sale of Ito-Yokado Shin-Urayasu to repay existing loans that became due to ¥7,500 million.

As a result, interest-bearing debt amounted to ¥152,000 million, of which long-term loans payable amounted to ¥133,500 million (including long-term loans payable of ¥33,000 million due for repayment within 1 year) and investment corporation bonds amounted to ¥13,000 million (including investment corporation bonds of ¥4,000 million due for redemption within 1 year). The ratio of interest-bearing debt to total assets as of September 30, 2017 was 46.4% (compared with 48.0% as of March 31, 2017).

As of September 30, 2017, the Investment Corporation has obtained a long-term issuer rating of AA (rating outlook: stable) from Japan Credit Rating Agency, Ltd. (JCR)

#### **(iv) Overview of financial results and distributions**

As a result of the above-mentioned operations, operating revenue came to ¥11,606 million, operating income came to ¥7,794 million, ordinary income after deduction of loan-related interest expenses from operating income, came to ¥7,280 million, and profit came to ¥7,049 million.

With the intention that the maximum amount of profit distributions would be included in tax deductible expenses under application of special provisions for taxation (Article 67-15 of the Act on Special Measures Concerning Taxation), the Investment Corporation decided to distribute all of the undistributed profit at the end of the fiscal period after deduction of the reserve for book entry reduction accumulated using “Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc. in 2009 and 2010” of Article 66-2 of the Act on Special Measures Concerning Taxation and income taxes deferred relating to the reserve for book entry reduction, and distribution per investment unit amounted to ¥4,964.

### **(b) Outlook for the next fiscal period**

#### **(i) Outlook for overall performance**

The Japanese economy is expected to remain on a modest recovery path, supported mainly by growth in exports due to global economic recovery, an increase in plant and equipment investment associated with an improvement in business confidence, and further improvement in the employment situation and income environment. On the other hand, it may be necessary to bear in mind the impact on the Japanese economy of global uncertainty such as policy operation in the U.S. and the North Korea crisis.

In the real estate investment market, investment demand is expected to remain robust due to the favorable financial environment. Against this backdrop, competition to acquire properties in a wide range of areas including regional cities is likely to remain tough.

In the real estate leasing market, conditions are likely to continue to show general improvement, supported by firm office demand arising mainly from new entry and expansion on the back of improvement in corporate earnings and job growth. In central Tokyo, while new supply is expected to increase in the medium term, in the fiscal year of 2017, market conditions are likely to continue improving thanks to a low level of supply and solid demand.

In the market for commercial facilities, while it will still be necessary to bear in mind the difference in performance depending on type of facility, an upturn is expected thanks to a continued improvement in the employment situation and income environment and a recovery in inbound consumption due to the rising number of foreign visitors to Japan.

As for luxury rental apartments in Tokyo, although both the occupancy rate and rent level are expected to remain firm reflecting steady supply and demand, it may be necessary to keep an eye on future international situations and economic developments.

The occupancy rate of hotels is expected to remain at a high level due to growth in the number of foreign visitors to Japan and firm demand among Japanese.

#### **(ii) Future investment policy**

Regarding the form of lease agreements of the real estate owned by the Investment Corporation, the Investment Corporation will maintain the weight of fixed-term building lease agreements with fixed rent over the medium and long term at a certain percentage, to ensure that a drop in the level of market rents does not immediately have a major impact on the revenue of the real estate owned by the Investment Corporation.

However, when entering into a new lease agreement, the Investment Corporation will examine the agreement term and the fixing of rents in the medium or long term based on an assessment of the location and features of the real estate and will aim to maximize revenue.

In addition, the Investment Corporation will operate and manage real estate in accordance with the following policy to maintain and increase market competitiveness and to enable stable operation.

1. The Investment Corporation will work to improve the satisfaction of tenants and consider measures such as thoroughgoing implementation of preventive maintenance and safety management and enhancement of customer relations with tenants based on an assessment of the features of each portfolio real estate, and endeavor to maintain high occupancy rates of the real estate it owns. When real estate becomes vacant or is due to become vacant, the Investment Corporation will conduct well-aimed market research and then focus on leasing in cooperation with the Mori Trust Group,

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real estate agents and property management companies.

2. When entering into a new lease agreement, the Investment Corporation will endeavor to conclude a medium- or long-term fixed-term building lease agreement or an agreement that otherwise considers fixing the rent or lengthening the agreement term to ensure future rental revenue. In the case of portfolio real estate that can be expected to achieve stable internal growth, the Investment Corporation will also incorporate agreements designed to tap into growth in income gain.
3. Based on consideration of the aging and age of portfolio real estate, the Investment Corporation will endeavor to maintain stable occupancy rates by renovating aged facilities, etc. and actively making investments to increase market competitiveness so that portfolio real estate compares favorably with competing properties.

### **(iii) Investment strategy for new investment real estate**

The Investment Corporation's basic policy is to make investments based on the following investment strategies, with a focus on seeking to further develop and cultivate property information routes and endeavoring to gather high quality property information, to expand the size of its assets under management (AUM) and acquire new investment real estate.

1. The Investment Corporation will invest primarily in real estate in central Tokyo regardless of its use, aiming for an investment portfolio in which central Tokyo properties account for 60 -80% of total AUM. It will also invest in certain investment real estate located in other regions, such as office buildings located in areas with a high concentration of office buildings and convenient transport links and high-quality commercial facilities that are highly competitive within their trade area.
2. The Investment Corporation will invest in investment real estate intended for "office building" use, aiming to build a portfolio in which office buildings account for 70-90% of total AUM. Besides office buildings, it will also invest in commercial facilities (10-30% of total AUM) and "Others" (0-10% of total AUM). However, for the present time, it will invest only in residential properties and hotels in the "others" category.
3. The Investment Corporation's basic strategy is to conclude medium-to-long-term lease agreements with tenants. Also, where possible, it will endeavor to conclude fixed-term building lease agreements or other agreements that take fixing the rent or lengthening the agreement period into consideration. The agreement for the lease of investment real estate may take the form of leasing the investment real estate directly to the tenant or the form of using a master lessee as an intermediary between the Investment Corporation and tenants and leasing to the master lessee. The Investment Corporation will actively examine a master lease agreement in cases where, upon consideration of factors such as the size and use of the real estate and the characteristics of tenants, this arrangement is deemed to have certain benefits,

### **(iv) Financial strategy, etc.**

The Investment Corporation will endeavor to strike a good balance between short-term loans and long-term loans when raising funds, giving consideration to reducing financing costs and mitigating the impact of changes in the financing environment. The Investment Corporation will also consider issuing investment corporation bonds.

When selecting finance providers, the Investment Corporation will negotiate with a number of eligible financial institutions and compare the terms offered before making a decision.

### **(v) Significant events after balance sheet date**

Not applicable

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#### (vi) Forecasts of performance

The Investment Corporation forecasts that performance in the next fiscal period 32nd fiscal period (from October 1, 2017 to March 31, 2018) will be as follows. Assuming that the assumptions of forecasts of performance are correct, performance forecasts for the 33rd fiscal period (from April 1, 2018 to September 30, 2018) are as follows.

Please refer to “Assumptions for Forecasts of Performance for the 32nd Fiscal Period (from October 1, 2017 to March 31, 2018) and the 33rd Fiscal Period (from April 1, 2018 to September 30, 2018)” below for further details of the assumptions of forecasts of performance.

	32nd fiscal period	33rd fiscal period
Operating revenues	¥8,538 million	¥8,551 million
Operating income	¥5,087 million	¥5,033 million
Ordinary income	¥4,603 million	¥4,559 million
Profit	¥4,671 million	¥4,640 million
Distribution per unit	¥3,650	¥3,650

(Note 1) The above forecasts are based on certain assumptions and information currently available and are not a guarantee of actual operating revenues, operating income, ordinary income, profit, and distribution per unit, and such may differ according to circumstances occurring in the future.

(Note 2) The distributions for the 32nd fiscal period and the 33rd fiscal period are based on the assumption of internal reserves reduction.

#### Assumptions for Forecasts of Performance for the 32nd Fiscal Period (from October 1, 2017 to March 31, 2018) and the 33rd Fiscal Period (from April 1, 2018 to September 30, 2018)

Item	Assumptions
Portfolio properties	<ul style="list-style-type: none"> <li>We assume that a total of 14 properties will be under management as of September 30, 2017.</li> <li>The actual portfolio may change due to the acquisition or disposal/transfer of other properties.</li> </ul>
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>We assume 1,320,000 investment units issued and outstanding as of September 30, 2017. The number of investment units issued and outstanding may change, however, for reasons such as the issuance of investment units during the fiscal period.</li> </ul>
Interest-bearing debt and refinancing	<ul style="list-style-type: none"> <li>Interest-bearing debt amounted to ¥152,000 million as of November 14, 2017.</li> <li>Concerning the repayment of loans payable of ¥19,000 million and the redemption of investment corporation bonds of ¥4,000 million that will become due during the 32nd fiscal period, we assume the application of funds raised through refinancing, the issuance of investment corporation bonds and the use of own funds. Concerning the repayment of loans payable of ¥19,500 million that will become due during the 33rd fiscal period, we assume application of funds raised through refinancing.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>Concerning leasing business revenues, we take factors such as tenant movements into consideration.</li> <li>We assume that there will be no delayed payment or non-payment by tenants.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Concerning fixed property tax, city planning tax, depreciated asset tax, etc. for owned real estate in trust, the portion of the tax amount to be levied that corresponds to the relevant calculation period is recorded as leasing business expenses. However, the amount equivalent to fixed property tax, city planning tax, etc. for the fiscal year of acquisition reimbursed to the previous owner at the time of acquisition of the real estate, etc. is included in the cost of acquisition of the relevant real estate and is thus not recognized as expenses in the relevant calculation period.</li> <li>Concerning repair expenses, the estimated amount required is recorded as expenses. However, the actual repair expenses may significantly differ from the estimates since (i) an unforeseeable event may cause damage to a building requiring emergency repair expenditure, (ii) in general, amounts vary according to the fiscal period, and (iii) certain types of repair and maintenance expenses are not required in every fiscal period.</li> </ul>

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	<ul style="list-style-type: none"> <li>• We estimate property and other taxes of ¥876 million for the 32nd fiscal period and ¥919 million for the 33rd fiscal period.</li> <li>• We estimate property management fees of ¥424 million for the 32nd fiscal period and ¥413 million for the 33rd fiscal period.</li> <li>• We estimate depreciation of ¥1,281 million for the 32nd fiscal period and ¥1,267 million for the 33rd fiscal period.</li> <li>• We estimate operations expenses other than leasing business expenses (asset management fees, fees for the custody of assets, administrative service fees, etc.) of ¥442 million for the 32nd fiscal period and ¥441 million for the 33rd fiscal period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• We estimate non-operating expenses (loan interest, investment corporation bond interest, etc.) of ¥485 million for the 32nd fiscal period and ¥475 million yen for the 33rd fiscal period. We assume that there will be no borrowing-related expenses.</li> </ul>
Distributions	<ul style="list-style-type: none"> <li>• Distributions (distribution per unit) are calculated based on the cash distribution policy set out in the Investment Corporation's Articles of Incorporation.</li> <li>• On calculation of the distribution for the 32nd fiscal period, we assume that a portion worth ¥216 million (reserve for reduction entry of ¥148 million and relevant deferred tax liabilities of ¥68 million) of the internal reserves totaling ¥1,631 million (the total of reserve for reduction entry of ¥1,115 million and relevant deferred tax liabilities of ¥515 million) accumulated until the 31st fiscal period, under the application of the "Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc. in 2009 and 2010" will finance the distributions.</li> <li>• On calculation of the distribution for the 33rd fiscal period, we assume that a portion worth ¥260 million (reserve for reduction entry of ¥177 million and relevant deferred tax liabilities of ¥82 million) of the internal reserves totaling ¥1,414 million (the total of reserve for reduction entry of ¥967 million and relevant deferred tax liabilities of ¥446 million) accumulated until the 32nd fiscal period, under the application of the "Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc. in 2009 and 2010" will finance the distributions.</li> <li>• Distributions per unit may change due to a variety of factors, including changes in the assets under investment and changes in rental income as a result of changes in tenants, the occurrence of unforeseen repairs, fluctuation in the number of issued investment units and financing.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• We currently have no plans to pay cash distributions in excess of earnings (distributions in excess of earnings per unit).</li> </ul>
Others	<ul style="list-style-type: none"> <li>• Our forecasts assume no revisions that impact on the above projections will be made to laws and regulations, tax systems, accounting standards, securities listing regulations and the rules of The Investment Trusts Association, Japan, or others.</li> </ul>

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## 4. FINANCIAL STATEMENTS

### (1) Balance sheet

Thousands of yen

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	14,206,209	21,105,617
Cash and deposits in trust	2,576,492	2,683,202
Operating accounts receivable	79,397	68,100
Prepaid expenses	33,816	25,422
Deferred tax assets	13	21
Other	—	3,538
Total current assets	16,895,929	23,885,903
Non-current assets		
Property, plant and equipment		
Buildings	42,823,570	39,596,582
Accumulated depreciation	(15,476,538)	( 14,494,419)
Buildings, net	27,347,031	25,102,163
Structures	650,836	563,580
Accumulated depreciation	(594,032)	( 528,827)
Structures, net	56,803	34,752
Machinery and equipment	133,961	133,961
Accumulated depreciation	(104,004)	(105,359)
Machinery and equipment, net	29,956	28,601
Tools, furniture and fixtures	110,757	93,751
Accumulated depreciation	(59,398)	(60,371)
Tools, furniture and fixtures, net	51,358	33,380
Land	146,060,266	136,672,529
Buildings in trust	25,987,771	26,099,915
Accumulated depreciation	(7,321,763)	(7,881,161)
Buildings in trust, net	18,666,008	18,218,754
Structures in trust	108,939	114,715
Accumulated depreciation	(93,046)	(94,564)
Structures in trust, net	15,892	20,150
Machinery and equipment in trust	2,897	2,897
Accumulated depreciation	(2,205)	(2,233)
Machinery and equipment in trust, net	692	664
Tools, furniture and fixtures in trust	54,485	57,799
Accumulated depreciation	(27,488)	(30,605)
Tools, furniture and fixtures in trust, net	26,997	27,193
Land in trust	123,359,160	123,359,160
Total property, plant and equipment	315,614,167	303,497,351
Intangible assets		
Software	95	76
Other	240	240
Total intangible assets	335	316

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	As of March 31, 2017	As of September 30, 2017
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	2,130	562
Other	3,602	3,602
Total investments and other assets	15,732	14,164
Total non-current assets	315,630,235	303,511,832
Deferred assets		
Investment corporation bond issuance costs	49,830	40,427
Total deferred assets	49,830	40,427
Total assets	332,575,995	327,438,163
Liabilities		
Current liabilities		
Operating accounts payable	218,194	566,765
Short-term loans payable	6,000,000	5,500,000
Current portion of investment corporation bonds	4,000,000	4,000,000
Current portion of long-term loans payable	38,000,000	33,000,000
Accounts payable – other	102,262	237,354
Accrued expenses	507,244	555,704
Dividends payable	9,731	10,318
Income taxes payable	852	999
Accrued consumption taxes	171,197	359,769
Advances received	1,477,868	1,431,504
Deposits received	4,964	3,377
Total current liabilities	50,492,316	45,665,793
Non-current liabilities		
Investment corporation bonds	9,000,077	9,000,064
Long-term loans payable	102,500,000	100,500,000
Tenant leasehold and security deposits	10,101,531	9,265,115
Tenant leasehold and security deposits in trust	831,828	833,453
Deferred tax liabilities	285,650	515,301
Total non-current liabilities	122,719,087	120,113,934
Total liabilities	173,211,403	165,779,728
Net assets		
Unitholders' equity		
Unitholders' capital	153,990,040	153,990,040
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	652,218	618,592
Total voluntary retained earnings	652,218	618,592
Unappropriated retained earnings	4,722,333	7,049,802
Total surplus	5,374,552	7,668,395
Total unitholders' equity	159,364,592	161,658,435
Total net assets	159,364,592	161,658,435
Total liabilities and net assets	332,575,995	327,438,163

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(2) Statement of income

Thousands of yen

	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
Operating revenue		
Lease business revenue	8,590,929	8,504,468
Other lease business revenue	278,455	289,014
Gain on sale of investment property	—	2,813,198
<b>Total operating revenue</b>	<b>8,869,384</b>	<b>11,606,680</b>
Operating expenses		
Expenses related to rent business	3,195,970	3,285,231
Asset management fee	324,579	364,288
Asset custody fee	15,243	16,557
Administrative service fees	49,762	59,152
Directors' compensations	9,180	7,590
Other operating expenses	41,373	79,592
<b>Total operating expenses</b>	<b>3,636,109</b>	<b>3,812,411</b>
Operating income	5,233,274	7,794,268
Non-operating income		
Interest income	220	372
Reversal of dividends payable	1,153	1,112
Insurance income	1,448	286
Co-sponsor fee	1,000	—
Other	1,133	—
<b>Total non-operating income</b>	<b>4,955</b>	<b>1,771</b>
Non-operating expenses		
Interest expenses	504,325	490,019
Interest expenses on investment corporation bonds	16,474	16,115
Amortization of investment corporation bond issuance costs	9,737	9,402
<b>Total non-operating expenses</b>	<b>530,538</b>	<b>515,538</b>
Ordinary income	4,707,691	7,280,501
Profit before income taxes	4,707,691	7,280,501
Income taxes - current	885	1,056
Income taxes - deferred	(15,527)	229,642
<b>Total income taxes</b>	<b>(14,642)</b>	<b>230,698</b>
Profit	4,722,333	7,049,802
Unappropriated retained earnings	4,722,333	7,049,802

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### (3) Statement of changes in unitholders' equity

For the period from October 1, 2016 to March 31, 2017

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Reserve for reduction entry	Total voluntary retained earnings	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	153,990,040	768,588	768,588	4,596,029	5,364,618	159,354,658	159,354,658
Changes of items during period							
Reversal of reserve for reduction entry		(116,370)	(116,370)	116,370	—	—	—
Dividends of surplus				(4,712,400)	(4,712,400)	(4,712,400)	(4,712,400)
Profit				4,722,333	4,722,333	4,722,333	4,722,333
Total changes of items during period	—	(116,370)	(116,370)	126,304	9,933	9,933	9,933
Balance at end of current period	153,990,040	652,218	652,218	4,722,333	5,374,552	159,364,592	159,364,592

For the period from April 1, 2017 to September 30, 2017

Thousands of yen

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus				Total unitholders' equity	
		Reserve for reduction entry	Total voluntary retained earnings	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	153,990,040	652,218	652,218	4,722,333	5,374,552	159,364,592	159,364,592
Changes of items during period							
Reversal of reserve for reduction entry		(33,626)	(33,626)	33,626	—	—	—
Dividends of surplus				(4,755,960)	(4,755,960)	(4,755,960)	(4,755,960)
Profit				7,049,802	7,049,802	7,049,802	7,049,802
Total changes of items during period	—	(33,626)	(33,626)	2,327,469	2,293,842	2,293,842	2,293,842
Balance at end of current period	153,990,040	618,592	618,592	7,049,802	7,668,395	161,658,435	161,658,435

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(4) Statement of Cash Distributions

(Unit: yen)

	30th Fiscal Period (October 1, 2016 to March 31, 2017)	31st Fiscal Period (April 1, 2017 to September 30, 2017)
I. Unappropriated retained earnings	4,722,333,845	7,049,802,986
II. Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	33,626,155	—
III. Distribution amount	4,755,960,000	6,552,480,000
(Distribution amount per unit)	(3,603)	(4,964)
IV. Voluntary retained earnings		
Provision of reserve for reduction entry	—	497,322,986
V. Retained earnings carried forward	0	0
Calculation method of distribution amount	<p>According to Paragraph 1, Article 29 of the Investment Corporation's Articles of Incorporation, we decided to distribute the total sum of unappropriated retained earnings and the reversal of reserve for reduction entry according to Article 66-2 of the Act on Special Measures Concerning Taxation, whose amount is 4,755,960,000 yen.</p> <p>In addition, we will not distribute funds in excess of the profit set forth in Paragraph 2, Article 29 of the Investment Corporation's Articles of Incorporation.</p>	<p>According to Paragraph 1, Article 29 of the Investment Corporation's Articles of Incorporation, we decided to distribute the total balance of unappropriated retained earnings after deduction of the reserve for reduction entry according to Article 66-2 of the Act on Special Measures Concerning Taxation, the amount of which is 6,552,480,000 yen.</p> <p>In addition, we will not distribute funds in excess of the profit set forth in Paragraph 2, Article 29 of the Investment Corporation's Articles of Incorporation.</p>

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(5) Statement of cash flows

Thousands of yen

	For the period from October 1, 2016 to March 31, 2017	For the period from April 1, 2017 to September 30, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,707,691	7,280,501
Depreciation	1,394,351	1,373,930
Amortization of investment corporation bond issuance costs	9,737	9,402
Interest income	(220)	(372)
Interest expenses	520,800	506,135
Increase in operating accounts receivable	9,152	11,296
Increase (decrease) in operating accounts payable	(15,781)	345,032
Decrease in accrued consumption taxes	11,664	188,571
Increase (decrease) in advances received	6,186	(46,363)
Decrease due to sale of property and equipment	—	11,213,671
Other, net	115,426	67,582
<b>Subtotal</b>	<b>6,759,009</b>	<b>20,949,389</b>
Interest income received	220	372
Interest expenses paid	(522,653)	(516,897)
Income taxes paid	(880)	(908)
<b>Net cash provided by operating activities</b>	<b>6,235,695</b>	<b>20,431,955</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(67,110)	(233,430)
Purchase of property, plant and equipment in trust	(152,188)	(102,244)
Repayments of tenant leasehold and security deposits	(46,171)	(909,448)
Proceeds from tenant leasehold and security deposits	117,198	73,032
Repayments of tenant leasehold and security deposits in trust	(32,758)	(30,546)
Proceeds from tenant leasehold and security deposits in trust	14,771	32,172
<b>Net cash provided by (used in) investing activities</b>	<b>(166,258)</b>	<b>(1,170,465)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term loans payable	500,000	(500,000)
Proceeds from long-term loans payable	6,500,000	12,500,000
Repayments of long-term loans payable	(7,500,000)	(19,500,000)
Proceeds from issuance of investment corporation bonds	5,000,080	—
Redemption of investment corporation bonds	(5,000,000)	—
Payments for investment corporation bond issuance costs	(28,185)	—
Dividends paid	(4,712,867)	(4,755,373)
<b>Net cash used in financing activities</b>	<b>(5,240,973)</b>	<b>(12,255,373)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>828,463</b>	<b>7,006,117</b>
Cash and cash equivalents at beginning of period	15,954,238	16,782,701
<b>Cash and cash equivalents at end of period</b>	<b>16,782,701</b>	<b>23,788,819</b>

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## 5. Reference Information

### (1) Composition of assets

type	Region	As of March 31, 2017		As of September 30, 2017	
		Total of net book value (Note 1) (Millions of yen)	Ratio to total assets (Note 2) (%)	Total of net book value (Note 1) (Millions of yen)	Ratio to total assets (Note 2) (%)
Real property	Central Tokyo (Note 3)	138,345	41.6	137,751	42.1
	Other (Note 4)	35,199	10.6	24,120	7.4
Trust	Central Tokyo (Note 3)	106,339	32.0	106,068	32.4
	Other (Note 4)	35,729	10.7	35,557	10.9
Subtotal		315,614	94.9	303,497	92.7
other assets		16,961	5.1	23,940	7.3
Total		332,575	100.0	327,438	100.0

(Note 1) "Total of net book value" is based on the amounts presented in the balance sheets (book value after depreciation for real estate and real estate in trust) as of the settlement date.

(Note 2) "Ratio to total assets" is rounded to the first decimal place.

(Note 3) "Central Tokyo" refers to Chiyoda, Chuo, Minato, Shinagawa, Shibuya and Shinjuku Wards.

(Note 4) "Other" refers to greater Tokyo (Kanagawa, Chiba and Saitama Prefectures, and the Tokyo Metropolitan Area excluding central Tokyo) and other major regional cities.

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## (2) Investment Assets

The total number of real estate properties held by MTR and real estate properties in trust associated with the real estate trust's beneficiary rights held by MTR as of September 30, 2017 was 14, and all such real estate is leased by MTR or trust fiduciaries based on trust contracts in the case of real estate in trust.

### (i) List of details of real estate and real estate in trust

The overview of real estate held by MTR and real estate trust's beneficiary rights and real estate in trust, properties in trust subject to such rights, as of September 30, 2017 is as follows (real estate, real estate trust's beneficiary rights and real estate in trust, properties in trust subject to such rights, are hereinafter individually or collectively referred to as the "Portfolio").

#### Overview of the Portfolio

Property name	Location (Parcel number) (Note 1)	Area (Note 1)		Structure (Note 2) /number of floors(Note 1)	Ownership form	
		Land (㎡)	Building (㎡)		Land	Building
Tokyo Shiodome Building (Note 3)	1-12-1 Higashishinbashi, Minato-ku, Tokyo	17,847.73	191,394.06	SRC・RC・S B4/37F	Owned	Owned
ON Building (Note 4) (Note 5)	5-746-1 Kitashinagawa, Shinagawa-ku, Tokyo, etc.	10,850.67	32,812.27	S・SRC B2/21F	Owned	Owned
Kioicho Building (Note 5) (Note 6)	3-3 Kioicho, Chiyoda-ku, Tokyo, etc.	9,291.93	63,535.55	SRC・S B4/26F	Owned	Owned
Osaki MT Building (Note 4)	5-689-2 Kitashinagawa, Shinagawa-ku, Tokyo, etc.	13,852.74	26,980.68	S・SRC B3/14F	Owned	Owned
Midosuji MTR Building (Note 5)	3-43-5 Awajimachi, Chuo-ku, Osaka City	1,560.98	15,129.16	S・SRC B2/13F	Owned	Owned
Tenjin Prime (Note 5) (Note 7)	2-138 Tenjin, Chuo-ku, Fukuoka City, etc.	1,110.73	7,722.04	S・RC B1/12F	Owned	Owned
Shin-Yokohama TECH Building (Note 8)	3-9-1 Shinyokohama, Kohoku-ku, Yokohama City, etc.	2,671.11	A-Wing : 11,636.35 B-Wing : 13,550.87 Total : 25,187.22	A-Wing : SRC B1/9F B-Wing : S・SRC B1/16F	Owned	Owned
SHIBUYA FLAG (Note 5)	81-11 Udagawacho, Shibuya-ku, Tokyo, etc.	1,026.44	7,766.49	S・SRC B2/9F	Owned	Owned
Shinbashi Ekimae MTR Building	2-28-2 Shinbashi, Minato-ku, Tokyo, etc.	1,069.88	7,820.45	S・SRC・RC B2/8F	Owned	Owned
Ito-Yokado Shonandai	6-2-1 Ishikawa, Fujisawa City, Kanagawa Prefecture	35,209.93	53,393.66	S 5 F	Owned	Owned
Kohnan Sagamihara-Nishihashimoto	5-4-4 Nishihashimoto, Midori-ku, Sagamihara City	19,878.57	40,283.77	S 5F	Owned	Owned
Frespo Inage (Note 5)	731-17 Naganumaracho, Inage-ku, Chiba City	39,556.71	—	—	Owned	—
Hotel Okura Kobe (Note 5)	48-1 Hatobacho, Chuo-ku, Kobe City, etc.	30,944.44	72,246.86	SRC・S B2/35F	Owned	Owned
Park Lane Plaza	2-30-6 Jingumae, Shibuya-ku, Tokyo	1,702.95	5,246.78	RC B1/7F	Owned	Owned

(Note 1) "Location (Parcel number)," "Area" and "Structure/number of floors" present the details stated in real estate registries.

(Note 2) In "Structure," "SRC" means steel-framed reinforced concrete construction, "RC" means reinforced construction and "S" means steel construction.

(Note 3) The land area of the Tokyo Shiodome Building is the area of land jointly owned by MTR, and it includes the area of co-owned interest jointly owned by MTR with other co-owners. In the relevant land, MTR's co-owned interest is a ratio of 50/100. Moreover, the Tokyo Shiodome Building is a co-owned building, and the floor area of 95,697.03m<sup>2</sup> is calculated by multiplying MTR's co-owned interest (ratio of 50/100) by the total floor space.

(Note 4) The land area of the ON Building is the total area (10,850.67m<sup>2</sup>) of the three sections of land in which trust fiduciaries for whom MTR is the sole trust beneficiary own a co-owned interest, and the trust fiduciaries own a co-owned interest of 840,139/1,000,000. The co-owned interest other than the one owned by the trust fiduciaries is owned by MTR as the site of the Osaki MT Building. As a result, the three sections of land in question (total area of 10,850.67m<sup>2</sup>) are stated separately as part of the land area of the Osaki MT Building and the land area of the ON Building. Moreover, the land area of the Osaki MT Building is the total area of all the 17 sections of land that MTR owns or jointly owns, which includes the co-owned interest of other co-owners. Of all the 17 sections of land in question, 13 sections of land (total area of 2,880.79m<sup>2</sup>) are solely owned by MTR. As for one section of land (area of 121.28m<sup>2</sup>), MTR owns a co-owned interest of 1/5 and, as for the three sections of land (total area of 10,850.67m<sup>2</sup>), MTR owns a co-owned interest of 159,861/1,000,000. In addition, the Osaki MT Building is a co-owned building, and the floor area of 24,495.21m<sup>2</sup> is calculated by multiplying MTR's co-owned interest (ratio of 907,880/1,000,000) by the total floor space.

(Note 5) Of the 14 properties listed above, the ON Building, the Kioicho Building, the Midosuji MTR Building, Tenjin Prime, SHIBUYA FLAG, Frespo Inage and Hotel Okura Kobe have been categorized as real estate in trust, and the other seven properties have been categorized as real estate. In addition, real estate in trust associated with Frespo Inage is only land, and the building is not included.

(Note 6) The land area of the Kioicho Building is the total area of the eight sections of land, the site of the relevant building, and it includes the interest of other owners (partial ownership). Of the eight sections of land in question, five sections of land (total area of 7,433.52m<sup>2</sup>) are solely owned by a trust fiduciary

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for whom MTR is the sole trust beneficiary. MTR has acquired sectional ownership of the Kioicho Building. The total floor space stated is the total floor space for the portion of one building that represents the sectional ownership. The exclusive portion of the floor space owned by a fiduciary of the trust in which MTR is the sole beneficiary is 24,598.85 m<sup>2</sup>.

(Note 7) The land area of Tenjin Prime is the total area of the seven sections of land, the site of the relevant building, and part of the land in question includes leased land. Of the seven sections of land in question, six sections of land (total area of 1,081.75m<sup>2</sup>) are solely owned by a trust fiduciary for whom MTR is the sole trust beneficiary, and a trust fiduciary for whom MTR is the sole trust beneficiary has the land lease right over the remaining section of land (area of 28.98m<sup>2</sup>).

(Note 8) The Shin-Yokohama TECH Building is real estate that is comprised of two buildings, A-Wing and B-Wing, and the site for the buildings.

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Categories, prices and investment ratios of the Portfolio

Region	Use (Note 1)	Property name	Acquisition Price (Note 2) (Millions of yen)	Book value at the end of fiscal period (Millions of yen)	End-of-period appraisal value (Note 3) (Millions of yen)	Discounted cash flow (DCF) method			Appraiser	Investment ratio (Note 4)
						Direct reduction method Cap rate	Discount rate	Terminal cap rate		
Central Tokyo	Office buildings	Tokyo Shiodome Building	110,000	103,825	128,000	3.6%	3.6%	3.8%	Rich Appraisal Institute K.K.	34.8%
		ON Building	39,900	39,528	30,700	3.9%	3.6%	4.1%	Japan Real Estate Institute	12.6%
		Kioicho Building	34,300	33,925	36,600	3.3%	3.1%	3.5%	Daiwa Real Estate Appraisal Co., Ltd.	10.9%
		Osaki MT Building	14,386 (Note 5)	13,324	13,000	3.8%	3.5%	4.0%	Japan Real Estate Institute	4.6%
	Subtotal		198,586	190,604	208,300	—				62.8%
	Retail facilities	SHIBUYA FLAG	32,040	32,614	39,200	3.3%	3.1%	3.5%	Japan Real Estate Institute	10.1%
		Shinbashi Ekimae MTR Building	18,000	17,411	20,900	4.0%	3.8%	4.2%	Nippon Tochi-Tatemono Co., Ltd.	5.7%
	Subtotal		50,040	50,025	60,100	—				15.8%
	Other	Park Lane Plaza	3,200	3,189	3,440	3.9%	4.4%	3.6%	Nippon Tochi-Tatemono Co., Ltd.	1.0%
	Subtotal		3,200	3,189	3,440	—				1.0%
Subtotal		251,826	243,819	271,840	—				79.7%	
Other	Office buildings	Midosuji MTR Building	10,170	10,213	10,200	3.8%	3.6%	4.0%	Daiwa Real Estate Appraisal Co., Ltd.	3.2%
		Tenjin Prime	6,940	6,723	8,810	4.3%	4.0%	4.5%	Japan Real Estate Institute	2.2%
		Shin-Yokohama TECH Building	6,900	6,777	5,500	5.2%	5.0%	5.5%	Nippon Tochi-Tatemono Co., Ltd.	2.2%
	Subtotal		24,010	23,714	24,510	—				7.6%
	Retail facilities	Ito-Yokado Shonandai	11,600	9,923	12,400	5.3%	5.0%	5.5%	Japan Real Estate Institute	3.7%
		Kohnan Sagami-hara-Nishihashimoto	7,460	7,418	8,470	5.3%	5.0%	5.5%	Japan Real Estate Institute	2.4%
		Frespo Inage	2,100 (Note 6)	2,193	2,650	— (Note 7)	8.0%	— (Note 8)	Japan Real Estate Institute	0.7%
	Subtotal		21,160	19,535	23,520	—				6.7%
	Other	Hotel Okura Kobe	19,000	16,427	16,700	4.9%	4.7%	5.0%	Rich Appraisal Institute K.K.	6.0%
	Subtotal		19,000	16,427	16,700	—				6.0%
Subtotal		64,170	59,678	64,730	—				20.3%	
Total		315,996	303,497	336,570	—				100.0%	

(Note 1) The attribution of properties that have more than one use is judged based on their main use. The Tokyo Shiodome Building and the Kioicho Building are categorized as “Office buildings,” which is the main use of the buildings, and SHIBUYA FLAG is categorized as “Retail facilities,” which is the main use of the building. The same applies thereafter.

(Note 2) The “Acquisition price” stated is the amount (sales prices stated in sales contracts, etc.) that does not include various expenses (sales commission charges, property and other taxes, etc.) that were incurred when the relevant Portfolio was acquired. The same applies thereafter.

(Note 3) The “End-of-period appraisal value” stated is the value that was calculated based on the capitalization method (based on the price as of September 30, 2017) by real estate appraisers in accordance with MTR’s rules and the Investment Corporation Calculation Rules (Cabinet Office Ordinance No. 47, 2006;

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including revisions thereafter).

(Note 4) The “Investment ratio” is the ratio of the acquisition prices of each asset against the total acquisition price of the Portfolio, and is rounded to the first decimal place.

(Note 5) The acquisition price of the Osaki MT Building stated is the total amount of the acquisition prices on March 31, 2005 (7,870 million yen), October 28, 2005 (5,656 million yen) and January 30, 2015 (860 million yen).

(Note 6) The acquisition price of Frespo Inage stated is the amount equivalent to 50% of 4,200 million yen, the acquisition price of the entire property in question, because 50% of the land in trust was transferred on February 29, 2012.

(Note 7) The direct capitalization method is not adopted for Frespo Inage.

(Note 8) The terminal cap rate of Frespo Inage has not been stipulated.

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(ii) Details of the situation of leasing of the Portfolio

The situation of leasing of the Portfolio held by MTR as of September 30, 2017 is as follows.

Of the Portfolio held by MTR, the property in the Portfolio whose rental revenues account for 10% of the total rental revenues of the entire Portfolio or higher in the 31st fiscal period (six months from April 1, 2017 to September 30, 2017) is two property, Tokyo Shiodome Building and Kioicho Building .

Situation of leasing of the Portfolio

Region	Use	Property name	Rental revenues (Note 1) (Millions of yen)	Ratio to total rental revenues ratio(Note 2)	Rentable area (Note 3)(m <sup>2</sup> )	Rent area (Note 4)(m <sup>2</sup> )	Total number of tenants
Central Tokyo	Office buildings	Tokyo Shiodome Building	2,795	31.8%	95,697.03	95,697.03	1
		ON Building	(Note 5)	(Note 5)	20,654.60	20,654.60	1
		Kioicho Building (Note 6)	1,051	12.0%	24,748.48	24,722.48	38 (69)
		Osaki MT Building (Note 7)	302	3.4%	24,495.21	24,495.21	1 (12)
	Retail facilities	SHIBUYA FLAG (Note 8)	(Note 5)	(Note 5)	5,983.86	5,983.86	3
		Shinbashi Ekimae MTR Building	459	5.2%	8,055.00	8,055.00	1
	Other	Park Lane Plaza (Note 9)	102	1.2%	4,443.03	4,443.03	18
Other	Office buildings	Midosuji MTR Building (Note 10)	286	3.3%	15,129.16	15,129.16	1 (30)
		Tenjin Prime (Note 8)	279	3.2%	5,993.80	5,993.80	15
		Shin-Yokohama TECH Building	288	3.3%	18,238.86	16,881.13	8
	Retail facilities	Ito-Yokado Shonandai	395	4.5%	53,393.66	53,393.66	1
		Kohnan Sagamihara-Nishihashimoto	(Note 5)	(Note 5)	40,283.77	40,283.77	1
		Frespo Inage	123	1.4%	39,556.71	39,556.71	1
	Other	Hotel Okura Kobe	640	7.3%	72,246.86	72,246.86	1
Total (Note 11)			8,793	100.0%	428,920.03	427,536.30	91 (162)

The Investment Corporation sold the property shown below during the 31st fiscal period. Rental revenues from the property shown below and the ratio of these revenues to total revenues during the 31st period are as follows.

Property Name	Rental revenues (Note 1) (Millions of yen)	Ratio to total rental revenues (Note 2)	Date of sale
Ito-Yokado Shin-Urayasu	250	2.8%	July 31, 2017

(Note 1) "Rental revenues" stated are rental revenues (rent, common charges, other rental revenues, etc.) for the 31st fiscal period.

(Note 2) The "Ratio to total rental revenues" is rounded to the first decimal place.

(Note 3) The "Rentable area" includes a rentable area that is able to be used for use other than the main use in question (offices, stores, warehouses, etc.), in addition to the rentable area that is able to be used for leasing, the main use of the Portfolio, and the "Rentable area" stated is the total area of the areas as described above (including common areas, etc. that are leased). The area of the Tokyo Shiodome Building stated is the area calculated by multiplying MTR's co-owned interest (50/100) by the total rentable area of the building (191,394.06m<sup>2</sup>). In addition, the area of the Osaki MT Building stated is the area calculated by multiplying MTR's co-owned interest (907,880/1,000,000) by the total rentable area of the building (26,980.68m<sup>2</sup>).

(Note 4) The "Rent area" stated is the area that includes the rentable area and the area for which lease contracts are actually concluded and the property is leased. The area of the Tokyo Shiodome Building stated is the area calculated by multiplying MTR's co-owned interest (50/100) by the total rent area of the building (191,394.06m<sup>2</sup>). In addition, the area of the Osaki MT Building stated is the area calculated by multiplying MTR's co-owned interest (907,880/1,000,000) by the total rent area of the building (26,980.68m<sup>2</sup>).

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- (Note 5) The “Rental revenues” and the “Ratio to total rental revenues” of the ON Building, SHIBUYA FLAG and Kohnan Sagamihara-Nishihashimoto are not disclosed because the agreements of the tenants about disclosing rents have not been able to be obtained.
- (Note 6) Regarding the office portion of the Kioicho Building, MTR leases the office portion of the Kioicho Building from a fiduciary trust company under a master lease agreement and subleases it to tenants. Regarding the residential portion, the agreement used is the master lease pass-through model. The total number of tenants of the relevant properties stated above is that under the sublease agreement for the office portion and the master lease agreement for the residential portion. The figure in brackets for the total number of tenants is the total number of tenants based on the sublease agreements of the office and residential portions of the building.
- (Note 7) A master lease agreement under which rent income is linked to rents under a sublease agreement has been concluded for the Osaki MT Building. The figure in brackets for the total number of tenants of the building is the total number of tenants based on the sublease agreements.
- (Note 8) MTR leases the land and building of SHIBUYA FLAG and Tenjin Prime from a fiduciary trust company under a master lease agreement and subleases it to tenants. The total number of tenants of the above properties is that under the sublease agreements.
- (Note 9) At Park Lane Plaza, if lease contracts for more than one residential unit are concluded with one tenant, the number of residential units is counted as the number of tenants.
- (Note 10) The agreement used for the Midosuji MTR Building is the master lease pass-through model. The figure in brackets for the number of tenants of the building is the total number of tenants based on the sublease agreements.
- (Note 11) The total number of tenants in brackets is the total number of tenants calculated based on the total number of tenants under the sublease agreements for the Osaki MT Building, the Kioicho Building and the Midosuji MTR Building.

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Occupancy rate of the Portfolio

Region	Use	Property name	Occupancy rate over the last five years (%) (Note 1)									
			2017		2016		2015		2014		2013	
			End of Sep.	End of Mar.	End of Sep.	End of Mar.	End of Sep.	End of Mar.	End of Sep.	End of Mar.	End of Sep.	End of Mar.
Central Tokyo	Office buildings	Tokyo Shiodome Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		ON Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Kioicho Building (Note 2)	99.9 (98.1)	99.9 (98.1)	96.7 (94.8)	66.1 (65.5)	60.6 (60.0)	91.4 (90.8)	—	—	—	—
		Osaki MT Building(Note 3)	100.0 (92.7)	100.0 (92.7)	100.0 (96.7)	100.0 (98.2)	100.0 (100.0)	100.0 (98.6)	100.0 (98.6)	100.0 (83.8)	100.0 (65.3)	100.0 (85.9)
	Subtotal (Note 4)		99.9 (99.0)	99.9 (99.0)	99.5 (98.9)	94.9 (94.3)	94.1 (93.6)	98.8 (98.5)	99.9 (96.3)	99.9 (95.1)	99.9 (88.0)	91.0
	Retail facilities	SHIBUYA FLAG (Note 5)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	—
		Shinbashi Ekimae MTR Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Subtotal		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Other	Park Lane Plaza	100.0	100.0	93.5	92.7	96.7	100.0	92.7	100.0	95.9	85.1
	Subtotal		100.0	100.0	93.5	92.7	96.7	100.0	92.7	100.0	95.9	85.1
Subtotal (Note 4)		99.9 (99.1)	99.9 (99.1)	99.4 (98.8)	95.3 (94.8)	94.6 (94.2)	98.9 (98.6)	99.8 (96.5)	99.9 (95.6)	99.9 (89.1)	91.2	
Other	Office buildings	Midosuji MTR Building (Note 6)	100.0 (95.5)	100.0 (95.0)	100.0 (96.7)	100.0 (92.9)	100.0 (90.2)	—	—	—	—	
		Tenjin Prime (Note 5)	100.0	100.0	94.6	100.0	100.0	98.6	98.6	100.0	100.0	
		Shin-Yokohama TECH Building	92.6	98.8	97.8	90.5	90.5	90.5	89.5	89.5	90.5	
	Subtotal (Note 4)		96.6 (94.7)	99.5 (97.9)	98.2 (96.9)	95.6 (92.9)	95.6 (92.1)	92.7	92.3	92.7	91.0	89.0
	Retail facilities	Ito-Yokado Shonandai	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Kohnan Sagamihara-Nishihashimoto	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
		Frespo Inage	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Subtotal		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Other	Hotel Okura Kobe	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Subtotal		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Subtotal (Note 4)		99.4 (99.2)	99.9 (99.8)	99.8 (99.6)	99.4 (99.2)	99.4 (99.1)	98.9	98.8	98.9	98.6	98.3	
Total (Note 4)		99.7 (99.2)	99.9 (99.5)	99.6 (99.3)	97.9 (97.5)	97.6 (97.3)	98.9 (98.8)	99.2 (98.0)	99.3 (97.7)	99.1 (95.2)	95.7	

(Note 1) The “Occupancy rate” is rounded to the first decimal place. The occupancy rate stated for each Portfolio is the percentage of the total rented area out of the total rentable area. The subtotal of the occupancy rate for each category (or the total occupancy rate of the entire Portfolio) is the percentage of the subtotal (or the total) rented area out of the subtotal (or the total) rentable area. The subtotal and total occupancy rates stated are the rates based on the Portfolio held by MTR as of the end of each fiscal period.

(Note 2) Regarding the office portion of the Kioicho Building, MTR leases the office portion of the Kioicho Building from a fiduciary trust company under a master lease agreement and subleases it to tenants. Regarding the residential portion, the agreement used is the master lease pass-through model. The occupancy rates of the relevant properties stated above are those under the sublease agreement for the office portion and the master lease agreement for the residential portion. The figures in brackets for the occupancy rates are the occupancy rates based on the sublease agreements of the office and residential portions of the building.

(Note 3) A master lease agreement under which rent income is linked to rents under a sublease agreement has been concluded for the Osaki MT Building. The figures in brackets for the occupancy rates of the building are the occupancy rates of tenants based on the sublease agreements.

(Note 4) The subtotals and the total occupancy rates in brackets are the rates calculated based on the occupancy rates under the sublease agreements for the Kioicho Building, the Osaki MT Building and the Midosuji MTR Building.

(Note 5) MTR leases the land and building of SHIBUYA FLAG and Tenjin Prime from a fiduciary trust company under a master lease agreement and subleases it to tenants. The occupancy rates of the above properties are those under the sublease agreements.

(Note 6) The agreement used for the Midosuji MTR Building is the master lease pass-through model. The figures in brackets for the occupancy rates of the building are the occupancy rates based on the sublease agreement.

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**Disclaimer:**

This report contains translations of selected information described in the Financial Release (Kessan-Tanshin) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange, and portions of the Financial Statements and the Performance Information Report for the 31st fiscal period from April 1, 2017 to September 30, 2017, of MORI TRUST Sogo Reit, Inc. (MTR), prepared pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

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