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Press Release

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Notice Concerning Planned Purchase — the Hotel Okura Kobe

Tokyo, August 31, 2006 — MORI TRUST Sogo Reit, Inc. (MTR) has announced its decision to acquire an asset — the Hotel Okura Kobe. Brief details are as follows:

1. Acquisition Summary (planned)

- 1) Type of asset: Trust beneficiary rights in real estate
- 2) Property name: Hotel Okura Kobe
(hereafter the building at the aforementioned property shall be referred to as “the Building in Trust,” the land at the aforementioned property shall be referred to as “the Land in Trust,” and the building and land together at the aforementioned property shall be referred to as “the Property”).
- 3) Acquisition price: 19,000 million yen (excluding purchase overheads and taxes)
- 4) Planned contract date: September 20, 2006
- 5) Planned closing date: September 20, 2006
- 6) Seller: Lambda Properties Japan, Inc. (Please refer to 4. Seller’s Overview)
- 7) Acquisition financing: cash on hand and loans
- 8) Settlement method: payment in full at the time of acquisition

Note: The purchase is scheduled to take place based upon the premise that the trustee consents to the terms of the transfer of trust beneficiary rights.

2. Reason for the Acquisition

MTR decided to acquire trust beneficiary rights in the Property in accordance with its fundamental investment policies set forth in MTR’s articles of incorporation. This serves to progress reinforced investment in properties for other use (hotels).

The following matters were of particular importance in our decision to acquire the Property.

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(1) Location

The Meriken Park area where the Property is located is an area recognized throughout Japan for being one of the premier sightseeing districts of Kobe. It is conveniently located 10 minutes on foot from Motomachi Station on the JR and Hanshin railway lines, or 12 minutes by car from Shin-Kobe Station on the bullet train.

In close proximity to symbolic buildings in the area including Kobe Port Tower and the Kobe Maritime Museum, the Property also possesses a high degree of visibility.

(2) Structure and building facilities

The Property is managed as an international luxury hotel under the “Hotel Okura” brand. In addition to over 480 rooms, the hotel also boasts one of the largest banquet halls in the Kansai region, a chapel, sports facilities and a diverse range of dining and drinking establishments.

Guests enjoy attractive scenery from upper floors at the hotel, including the Kobe Harbor, Rokko Mountain and the city’s commercial district.

3. Acquisition Details

(1) Overview of the Property

| | | |
|--------------------------------|--|--|
| Trustee | Mitsubishi UFJ Trust and Banking Corporation | |
| Location | Land | City block number 48, lot 1 and others of Hatoba-cho, Chuo-ku, Kobe |
| | Building | City block number 48 of Hatoba-cho, Chuo-ku, Kobe |
| | Address | 2-1 Hatoba-cho, Chuo-ku, Kobe |
| Real estate usage | Hotel | |
| Type of ownership | Land | Title |
| | Building | Title |
| Area | Land | 30,944.44 m ² (Registered land area) |
| | Building | 72,240.49 m ² (Registered floor area, including annex buildings) |
| Construction | Steel-framed reinforced concrete and steel, 35 floors above ground, two floors below ground (Registered structure) | |
| Parking lot capacity | 429 vehicles | |
| Completion date | March 1989 | |
| | Annex (Parking lot tower): Newly built April, 1992 Chapel: added, March 1995 | |
| Architect | Kanko Kikaku Sekkeisha CO., LTD | |
| Construction companies | Kajima Corporation, Taisei Corporation, Obayashi Corporation, Nomura Construction Industrial Co., Ltd. | |
| Construction inspection agency | Kobe City, Hyogo Prefecture | |

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| | |
|---------------------------------|---|
| Appraisal value of the Property | 18,600 million yen (Appraisal date: August 29, 2006) |
| | 18,700 million yen according to the direct capitalization method (5.0% capitalization rate) |
| | 18,500 million yen according to the discounted cash flow method (4.7% discount rate, 5.1% terminal capitalization rate) |
| | 13,800 million yen according to the cost method |
| Appraisal agency | Rich Hyoka Institute Co., Ltd. |
| Seismic risk (PML) | 17.8% (according to the building seismic risk investigation report produced by Takenaka Corporation). Though the figure is in excess of MTR's investment standards (under 15% for individual properties), the property is insured against earthquakes. |
| Collateral | None (Note) |
| Special notes | <p>1. In the event that MTR is to transfer its trust beneficiary rights or the Real Estate in Trust to a third party, MTR shall grant preferential negotiating rights concerning such a transaction to Hotel Okura Kobe Co., Ltd. or to Hotel Okura Co., Ltd.</p> <p>2. A portion of the foliage on the adjoining land encroaches upon the boundary of the Land in Trust. In addition, a portion of the objects (including foliage) of the Real Estate in Trust encroaches upon the boundary of the adjoining land.</p> <p>3. According to district planning stipulations (restrictions on the positioning of walls) that were newly enacted after the construction of a facility with an outdoor swimming pool comprising a portion of the Real Estate in Trust, the aforementioned facility is, in its current state, non-compliant with the new stipulations.</p> <p>4. Application procedures to confirm conformity with building codes have not been made for a portion of the buildings on the Land in Trust. MTR intends to remove or take other appropriate measures regarding these buildings.</p> |

Note: Though collateral for third parties is currently required in relation to the trust beneficiary rights, the seller intends to cancel collateral requirements before the purchase of the trust beneficiary rights.

(2) Lease overview

| | | |
|-------------------|---|--|
| Number of tenants | 1 (Hotel Okura Kobe Co., Ltd.) | |
| Contract type | Fixed-term leasing agreement (Lease for entire building) | |
| Lease period | April 25, 2002 to March 31, 2022 | |
| Monthly rent | Fixed rent | 88,637,500 yen |
| | Variable rent | 1/12 for the amount of the sum of property tax, city planning tax and total insurance fees |

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| | |
|---------------------|--|
| Deposit | 1,312,500,000 yen |
| Total rent area | 72,240.49 m ² (Customer rooms: 489; Banquet halls: 15; Dining and drinking establishments: 8) |
| Total rentable area | 72,240.49 m ² (Customer rooms: 489; Banquet halls: 15; Dining and drinking establishments: 8) |
| Occupancy rate | 100% |

Note 1: MTR intends to make changes to the leasing agreement subject to the transfer of the trust beneficiary rights. The overview contained above reflects the terms of the leasing agreement after changes have been made.

Note 2: A portion of the Land in Trust is being used for free by the tenant.

4. Seller's Overview

| | |
|------------------------|--|
| Business name: | Lambda Properties Japan, Inc. |
| Headquarters: | 2711 Centerville Road, Suite 400 Wilmington, Delaware, U.S.A. |
| Branch location: | 1-1-3 Marunouchi, Chiyoda-ku, Tokyo |
| Japan representative: | Benjamin Seiver |
| Capital | US\$50 |
| Principal business: | Real estate ownership, management and leasing |
| Relationship with MTR: | None |

5. Operating Forecasts

The purchase of these trust beneficiary rights is expected to have little impact on MTR's operating results for the fiscal period ending September 30, 2006. Accordingly MTR is not revising its forecasts for the fiscal period ending September 30, 2006.

[Attachments]

| | |
|-------------|---|
| Reference 1 | Assumptions for NOI for the trust beneficiary rights |
| Reference 2 | Portfolio after acquisition of the trust beneficiary rights |
| Reference 3 | Photograph of the Property |

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[Reference 1]

Assumptions for NOI for the Trust Beneficiary Rights

(Millions of yen)

| | |
|---|-------|
| Revenues | 1,286 |
| Expenses (excluding depreciation expense) | 308 |
| NOI (Net Operating Income) | 977 |

Note: NOI (Net Operating Income) is the amount of real estate rental revenues less real estate rental expenses (excluding depreciation expense).

Preconditions:

1. The above figure is the annual NOI and excludes special factors in the fiscal year of acquisition.
2. Revenue is based on an assumed occupancy rate of 100%.
3. Expenses include taxes and public dues, insurance premiums, cost of repairs and trust fees, etc.

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[Reference 2]

Portfolio after acquisition of the trust beneficiary rights

| Area | Usage | Property Code | Property name | Acquisition date | Acquisition price (millions of yen) | % of total | |
|---------------|---------------------------------|-----------------------------|--|------------------------|--|------------|-------|
| Central Tokyo | Office buildings | A-2 | Nissan Motor New Headquarters Building | 2003.3.31 | 16,000 | 11.3% | |
| | | A-3 | Mita MT Building | 2003.12.1 | 16,000 | 11.3% | |
| | | A-6 | Osaki MT Building | 2005.3.31 | 7,870 | 5.5% | |
| | | | | 2005.10.28 | 5,656 | 4.0% | |
| | | Total | 13,526 | 9.5% | | | |
| | A-7 | Akasaka-mitsuke MT Building | 2006.5.29 | 27,000 | 19.0% | | |
| | Subtotal | | | | | 72,526 | 51.0% |
| | Other (Residential property) | C-1 | Park Lane Plaza | 2004.12.24 | 3,200 | 2.3% | |
| | Subtotal | | | | | 3,200 | 2.3% |
| | Subtotal | | | | | 75,726 | 53.3% |
| Other | Office buildings | A-4 | Marubeni Osaka Headquarters Building | 2002.9.30 | 12,500 | 8.8% | |
| | | A-5 | Shin-Yokohama TECH Building | 2003.11.14 | 6,900 | 4.9% | |
| | Subtotal | | | | | 19,400 | 13.7% |
| | Retail facilities | B-1 | Ito-Yokado Shonandai | 2003.3.28 | 11,600 | 8.2% | |
| | | B-2 | Cresse Inage | 2002.3.28 | 4,200 | 3.0% | |
| | | B-3 | Ito-Yokado Shin-Urayasu | 2004.7.30 | 12,150 | 8.6% | |
| | Subtotal | | | | | 27,950 | 19.7% |
| | Other (Hotel) | C-2 | Hotel Okura Kobe | 2006.9.20 (Planned) | 19,000 | 13.4% | |
| Subtotal | | | | | 19,000 | 13.4% | |
| Subtotal | | | | | 66,350 | 46.7% | |
| Total | | | | | 142,076 | 100.0% | |

Notes: Acquisition price is stated in millions of yen rounded down.

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[Reference 3]

Photograph of the Property



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