

Press Release

Issuer of Real Estate Investment Trust Securities

MORI TRUST Sogo Reit, Inc.

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## **Notice of Conclusion of Merger Agreement of the Asset Management Company, Mori Trust Asset Management Co., Ltd.**

**Tokyo, December 14, 2018** – Mori Trust Asset Management Co., Ltd. (“MTAM”), the asset management company which manages assets on behalf of Mori Trust Sogo Reit, Inc. (MTR), passed a resolution at the Board of Directors’ meeting held today to sign the following merger agreement with Mori Trust Hotel Asset Management Co., Ltd. (“MTHAM”), the asset management company of Mori Trust Hotel Reit, Inc. (“MTH”), (“the Merger”). The Merger concerns the asset management companies, MTAM and MTHAM, and not the investment corporations contracting with the asset management companies for the management of their assets.

### **1. Purpose of the Merger**

In the Mori Trust Group, MTAM has been contracted by MTR, a general listed investment corporation investing primarily in central Tokyo offices, for the management of MTR’s assets, and MTHAM has been contracted by MTH, a specialized listed investment corporation investing primarily in hotels, for the management of MTH’s assets. The two asset management companies, MTAM and MTHAM, have been independent of each other.

The Group has recently decided, however, to merge MTAM and MTHAM in order to build a stable business foundation and provide asset management services of a higher quality than ever by combining the human resources and expertise of the two asset management companies and concentrating the management resources of the Group, and through the reorganization, to further increase the investor value of the entrusting investment corporations.

The Merger is an absorption-type merger, in which MTAM will be the surviving company and MTHAM will be the dissolving company, and MTAM after the Merger (“the Post-Merger Company”) will not change its trade name.

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## 2. Effects of the Merger

The following effects are expected as a result of the Merger.

(1) Enhancement of asset management and other operations by sharing expertise

MTAM and MTHAM undertake the asset management of investment corporations with different types of primary investment properties, and each has been independently building expertise in asset management and regulatory compliance. They will share their expertise with each other through the Merger, which is expected to help further enhance the system of asset management and regulatory compliance.

(2) Increase in opportunities to obtain property information

The combined asset balance of the investment corporations contracting the Post-Merger Company for their asset management will exceed 400 billion yen, which is expected to help raise the presence and recognition of the asset management company in the real estate market. By operating the asset management of multiple investment corporations, the potential for using various means of acquiring properties such as joint bidding and joint investment of the two investment corporations will increase when acquiring mixed-use properties and multiple properties. In addition, the Post-Merger Company will be able to diversify property information by combining the information routes related to property acquisition that are currently held separately by MTAM and MTHAM. This is expected to increase the opportunities for acquiring property information.

(3) Building an efficient asset management system

The Post-Merger Company will be able to build a more efficient asset management system and contribute to raising the quality of the asset management operation by gathering and unifying the asset management and other operations currently performed separately by MTAM and MTHAM, which are overlapping between them.

(4) Human resource development

The Post-Merger Company will work to improve its human resources by combining the human resources of MTAM and MTHAM through the Merger, unifying the training and education that are currently provided separately to increase efficiency, and raising the quality of training and education.

## 3. System for preventing conflicts of interest

The Post-Merger Company will be contracted to undertake asset management for MTR and MTH, which are listed investment corporations. Because MTR invests mainly in offices and also commercial facilities, hotels, houses, and other properties, and MTH invests in hotels, competition for opportunities to acquire hotel properties may arise between the investment corporations.

The Post-Merger Company will prevent the arbitrary distribution of property information and conflicts of interest between the investment corporations by applying the following “rotation rules” to information on hotel properties obtained from a third party other than its sponsor, Mori Trust Co., Ltd. (“MT”), and some of the

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Group companies (collectively the “Sponsor and Others”).

< Rotation rules for information on hotel properties obtained from a third party >

(1) When property information related to a hotel (note) is obtained, the Post-Merger Company will, in principle, examine such information according to the following examination priority.

- First priority: MTH
- Second priority: MTR

(Note) “Hotels” include mixed-use properties whose primary use is lodging.

(2) In the case of a mixed-use property whose principal use is other than lodging, in which the lodging function cannot be separated for acquisition, or in the case of information on the combined acquisition of multiple properties for uses including those other than lodging, in which a single property cannot be separated for acquisition, the Post-Merger Company will examine such information according to the following priority.

- First priority: MTR
- Second priority: MTH

MTR is a listed, general investment corporation investing primarily in office buildings in central Tokyo, whose investment ratio of hotels categorized as “other uses” is originally low, including only one property for hotel use acquired in 2006 from a party other than the sponsor. In addition, since the presence and recognition of the asset management company is expected to increase through the Merger and opportunities to obtain information on properties other than hotels are expected to increase through the diversification of property information based on combined information routes as described in the above section, “2. Effects of the Merger,” the impact of the application of the above rotation rules is considered to be negligible.

MTAM and MTHAM will discuss and determine the details of the system for preventing conflicts of interest including the above rotation rules by the effective date of the Merger.

For the information on the sale of properties held by the Sponsor and Others, MTH and MTHAM have signed the “Agreement on the Provision of Information on Real Estate, Etc.” with MT, and MTR has signed the “Agreement on the Provision of Information on Real Estate, Etc.” with MT (collectively the “Agreements”). The Agreements provide that information on the sale of real estate, etc. whose principal use is lodging will be provided to MTHAM, the asset management company, for MTH to consider acquisition, and that information on the sale of real estate, etc. whose principal use is not lodging will be provided to MTR; in principle, therefore, competition between the investment corporations for the acquisition of information on the sale of hotel properties held by the Sponsor and Others is considered to be unlikely to

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arise.

#### 4. Summary of the Merger

##### (1) Schedule

Date of resolution of the Board of Directors	December 14, 2018
Contract date	December 14, 2018
Date of Shareholders' Meeting	Late February 2019 (plan)
Effective date of merger	March 1, 2019 (plan)
Date of merger registration	Early March 2019 (plan)
Date of reporting to Prime Minister	Early March 2019 (plan)

##### (2) Method of the Merger

The Merger will be an absorption-type merger, in which MTAM will be the surviving company and MTHAM will be dissolved.

##### (3) Allotment upon the Merger

	MTAM (surviving company)	MTHAM (dissolving company)
Allotment upon the Merger	1	0.18

\* Number of new shares of MTAM issued through the Merger: 1,440 shares of common stock

#### 5. Overview of the companies in the Merger (As of December 14, 2018)

	Surviving company	Dissolving company
(1) Corporate name	MORI TRUST Asset Management Co., Ltd. (MTAM)	MORI TRUST Hotel Asset Management Co., Ltd. (MTHAM)
(2) Address	4-3-1 Toranomom, Minato-ku, Tokyo	4-3-1 Toranomom, Minato-ku, Tokyo
(3) Representative	Masayuki Yagi, President and Representative Director	Amane Sakamoto, President and CEO
(4) Main business	Investment management, operation related to management of investment corporation agencies, etc.	Investment management, operation related to management of investment corporation agencies, etc.
(5) Capital	400 million yen	200 million yen
(6) Date of establishment	February 28, 2000	August 20, 2015
(7) Net assets	2,281 million yen (As of March 31, 2018)	418 million yen (As of March 31, 2018)
(8) Total assets	2,425 million yen (As of March 31, 2018)	432 million yen (As of March 31, 2018)
(9) Major shareholders and shareholding ratios	MORI TRUST CO., LTD. (100%) (Note)	MORI TRUST CO., LTD. (90%) Mori Trust Hotels & Resorts Co., Ltd. (10%)

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(10) Relationship between MTR/MTAM and MTHAM		
Capital relationship	MTAM and MTHAM are members of the corporate group with MT as the parent	
Personnel relationships	None	
Business relationship	None	
Status as related party	The parent of both MTAM and MTHAM is MT. Accordingly, MTHAM and MTAM are related parties.	
(11) Operating results and financial position in the last year		
Fiscal period	Fiscal period ended March 31, 2018	Fiscal period ended March 31, 2018
Total assets	2,425 million yen	432 million yen
Net assets	2,281 million yen	418 million yen
Net sales	739 million yen	183 million yen
Operating income	385 million yen	7 million yen
Ordinary income	385 million yen	7 million yen
Profit	250 million yen	5 million yen

(Note) A major shareholder of MTAM changed as of December 14, 2018. The above represents information after the change. For details, please refer to the release “Notice of Change of Major Shareholder and Other Shareholders of Asset Management Company” dated the same day as this release.

## 6. Status after the Merger

	Surviving company
(1) Corporate name	MORI TRUST Asset Management Co., Ltd.
(2) Address	4-3-1 Toranomon, Minato-ku, Tokyo
(3) Representative	TBA
(4) Main business	Investment management, operation related to management of investment corporation agencies, etc.
(5) Capital	400 million yen
(6) Fiscal period	March
(7) Net assets	TBA
(8) Total assets	TBA

## 7. Outlook

### (1) Revision of asset management agreements of the investment corporations

The asset management agreements signed by MTR and MTAM will not be revised.

### (2) Changes in the organization of the asset management company

MTAM and MTHAM will discuss and determine the changes that will take place after the Merger by the effective date of the Merger.

### (3) Changes in the structure of decision-making in investment management

MTAM and MTHAM will discuss and determine the changes that will take place after the Merger by the effective date of the Merger.

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(4) Changes in the rules for regulatory compliance, stakeholders, etc.

MTAM and MTHAM will discuss and determine the changes that will take place after the Merger by the effective date of the Merger.

(5) Revision of the investment policy

The investment policy will not be revised.

(6) Revision of agreements with the Sponsor and Others

The Agreements on the Provision of Information on Real Estate, Etc. signed with MTR and MT will not be revised.

(7) Prospect of the continuation of the stock listing of the investment corporation

The stock listing of MTR will be maintained as in the past.

(8) Future plans, etc.

For this transaction, the asset management company will perform the necessary procedures such as filing reports in accordance with the Financial Instruments and Exchange Act, the Building Lots and Buildings Transaction Business Act, and other applicable laws and regulations. The matters that are yet to be determined, which are required to be disclosed, will be disclosed as soon as they are determined.

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