

Press Release

Issuer of Real Estate Investment Trust Securities

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Acquisition of Assets – Additional Acquisition of the Osaki MT Building

Tokyo, December 25, 2014— 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 acquisition of an asset. Details are as follows:

1. Acquisition Summary

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|-------------------------------|--|
| (1) Type of asset: | Real estate |
| (2) Property name: | Osaki MT Building (hereinafter “the Property”) |
| (3) Acquisition price: | 860 million yen (excluding purchase overheads and taxes) |
| (4) Contract date: | December 25, 2014 |
| (5) Planned acquisition date: | January 30, 2015 |
| (6) Seller: | Please refer to 5. Seller Overview |
| (7) Acquisition financing: | MTR’s own fund |
| (8) Settlement method: | Payment in full at the time of acquisition |

2. Reason for Acquisition

MTR acquired co-owned interest in part of the land and a building related to the Property on March 31, 2005 and October 28, 2005.

By additionally acquiring co-owned interest in the Property (hereinafter “the Additional Acquisition”) in accordance with its investment criteria set forth in MTR’s Articles of Incorporation, and in order to strengthen its investments in central Tokyo and office buildings, MTR will increase the ratio of its interest in the Property and stabilize its status as a co-owner.

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3. Asset overview (Asset additionally acquired)

Location	Land	5-756-1 Kitashinagawa, Shinagawa-ku, Tokyo and other plots
	Building	5-746-1 Kitashinagawa, Shinagawa-ku, Tokyo and other plots
	Address	5-9-11 Kitashinagawa, Shinagawa-ku, Tokyo
Real estate usage		Office building (Registered types of use: office, retail, and parking)
Ownership	Land	Owned (Co-owned interest: 371,326/1,081,560)
	Building	Owned (Co-owned interest: 68,981/1,000,000)
Area	Land	1,073.67 m ² (Registered land area) (Note 1)
	Building	26,980.68 m ² (Registered floor area) (Note 2)
Construction		Steel frame and steel-reinforced concrete, 14 floors above ground and three underground floors (Registered structure)
Completion date		July 1994
Architect		Mori Building Architects and Engineers Co., Ltd.
Construction company		Obayashi Corporation
Construction inspection agency		Tokyo Metropolitan Government
Real estate appraisal value		860 million yen (Appraisal date: October 31, 2014)
Appraisal agency		Japan Real Estate Institute
Seismic risk (PML)		11.5% (according to the building seismic risk investigation report produced by Takenaka Corporation)
Collateral		None
Remarks		MTR has successfully completed an agreement with the other co-owners which mutually grants preferential negotiation rights in relation to the transfer of all or part of the Property.

(Note 1) The land is co-owned by MTR and the seller, the co-owner of the Property, and, after the Additional Acquisition, MTR will become the sole owner.

(Note 2) The building is a co-owned building and the area that is calculated by multiplying the building area by co-owned interest that MTR will acquire through this acquisition (68,981/1,000,000) is 1,861.15 m². In addition, the area that is calculated by multiplying MTR's co-owned interest (907,880/1,000,000), including the area that MTR has already acquired (838,899/1,000,000), is 24,495.21 m².

4. Lease overview after the Additional Acquisition (plan)

MTR plans to enter into a master lease agreement (a revised agreement of the existing master lease agreement) for the asset additionally acquired under the same conditions as those in the existing master lease agreement in which MORI TRUST CO., LTD. is master lessee. An overview of lease after the Additional Acquisition is as follows. (The effective date of the revised agreement is expected to be January 30, 2015.)

Number of tenants	1 (Note 1)
Agreement type	Fixed-term building lease agreement (Master lease agreement)
Agreement period	From April 1, 2013 to March 31, 2016
Monthly rent (excluding consumption tax)	53,993,495 yen (Note 2)
Security deposit	916,805,859 yen (Note 2)
Total rent area	24,495.21 m ² (Note 3)
Total rentable area	24,495.21 m ² (Note 3)
Occupancy rate	100% (Note 4)
Remarks	The Property adopts a master lease agreement that is structured in such a way that rental income is linked with rents of the sub-lease agreement (a lease agreement between the master lessee and the existing tenants). As a

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	result, monthly rents and the amount of security deposits fluctuate, mainly due to the revision of rents of the sub-lease agreement.
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(Note 1) The total number of tenants of the Osaki MT Building based on the sub-lease agreement as of the end of November 2014 was 12.

(Note 2) The amount presented is the amount that MTR is potentially able to receive based on its co-owned interest after the Additional Acquisition (907,880/1,000,000).

(Note 3) The area presented is an area that is calculated by multiplying the total rent area (26,980.68 m²) and total rentable area (26,980.68 m²) of the building by MTR's co-owned interest after the Additional Acquisition (907,880/1,000,000).

(Note 4) The occupancy rate of the Osaki MT Building based on the sub-lease agreement as of the end of November 2014 was 98.6%.

5. Seller Overview

The seller is a private party, and because consent on disclosure is not able to be obtained, no details will be disclosed. In addition, there are no notable capital, human resources or business relationships among MTR, the Asset Manager and the seller. The seller is not a related party.

6. Intermediary Overview

Not applicable.

7. Relationship with Seller, etc.

Neither MTR nor the asset management company has any special interest in the party from which the Property will be acquired.

8. Transactions with related parties, etc.

Although leasing based on the master lease agreement as described above in 4. falls under transactions with interested persons, etc., the asset manager deliberated on whether the lease and other terms would violate the Financial Instruments and Exchange Act (hereinafter the "FIEA") and the criteria set forth in the "Regulations on Transactions with Interested Persons" for the asset manager at its Risk Management Committee and Management Investment Committee according to the "Regulations on Transactions with Interested Persons" and confirmed that the lease and other terms do not violate the FIEA or the Regulations on Transactions with Interested Persons for the asset manager given the fact that the prior approval resolution went through approval at the Board of Management of MTR.

<Adoption of the master lease agreement of the Property>

Since MTR initially acquired the Property on March 31, 2005, the master lease agreement on the property with MORI TRUST CO., LTD. has been continually effective, and sound management and maintenance operations have been carried out to date without experiencing any particular problems. MTR believes that

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including the co-owned interest (68,981/1,000,000) that is additionally acquired in the master lease agreement is a reasonable method to continue to carry out steady management and maintenance of the Property and a method that will produce the most economic effects, considering the fact that the existing co-owned interest (838,899/1,000,000) of the Property already acquired has been managed under the master lease with MORI TRUST CO., LTD.

9. Matters related to forward commitments, etc.

This acquisition is applicable to forward commitments, etc., by investment corporations as set forth in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” defined by the Financial Services Agency.

This sales agreement (hereinafter “the Agreement”) defines that, if MTR or the seller fails to fulfill obligations of the Agreement or violates other matters of the Agreement, such as not meeting its obligations under the Agreement, the other party may cancel the Agreement and claim a penalty for the amount equivalent to 10% of the sales price. The Agreement also defines that, if the party verifies damage that has exceeded the penalty as described above, it shall not be prevented from claiming compensation for the amount exceeding the penalty.

10. Operating forecasts

The effects of the acquisition of the Property on the operating results of MTR for the fiscal period ending March 2015 (from October 1, 2014 to March 31, 2015) are negligible and MTR has made no revision to its performance forecasts.

11. Appraisal overview

Appraiser name	Japan Real Estate Institute
Appraisal date	October 31, 2014

(Unit: Thousand yen)

Appraisal item	Appraisal value	Appraisal grounds
An assumption was made based on the independent use of the subject property.	850,000	
The distribution amount of the value increased based on the assumption that the existing holding interest and ON Building, a neighboring property, are used in an integrated manner.	10,000	
Appraisal value	860,000	

Price calculated by the direct capitalization approach	856,000	
Operating income	73,633	

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Potential gross rental income	76,812	Assumed based on the potential stable mid-to long-term income
Losses due to vacancies, etc.	3,179	Assumed based on the expected mid-to long-term stable occupancy rate
Operating expenses	28,333	
Maintenance	12,400	Assumed based on the maintenance in similar properties
Utilities costs	5,840	Assumed based on the performance in previous periods
Repair costs	2,026	Assumed based on engineering reports and similar properties, etc.
Property management fees	2,093	Assumed based on the rates of fees, etc., in similar properties
Advertisements for leasing, etc.	611	Assumed based on the estimated turnover period of tenants
Taxes	5,251	Assumed based on the tax base amount for 2014 tax year
Insurance premium	112	Taking into account the past performance and insurance premium rates, etc., of similar buildings
Other expenses	0	Assumed based on the understanding that there are no specific expenses to be reported as other expenses
Net operating income from leasing (NOI)	45,300	
Profit through management of temporary deposits, etc.	1,372	Assumed based on the management yields that are considered to be appropriate by mainly taking into account interest rate levels of both management and funding
Capital expenditure reserve	4,727	Assumed based on engineering reports and similar properties, etc.
Net cash flow	41,945	
Capitalization rate	4.9%	Assumed based on conditions of the location, the building, future uncertainty, transaction yields of similar properties, etc.

Price calculated by the discounted cash flow (DCF) approach	843,000	
Discount rate	4.6%	Assumed based on the yield on investment of similar buildings, the characteristics of the Property, etc.
Terminal capitalization rate	5.1%	Assumed based on the transaction examples of similar buildings, the future movement of the yield on investment, risks of the Property, forecasts of the economic growth rate, price trends of real estate, etc.

Cost approach price	879,000	
Patio of land	79.3%	
Ratio of building	20.7%	

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Other matters to which the appraiser paid attention in appraisal	Osaki MT Building operates in an integrated manner with the neighboring ON Building. The appraisal was made based on this fact.
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Attachment

- Reference 1 Assumptions for NOI for the Property (the property additionally acquired)
- Reference 2 Portfolio as of January 30, 2015
- Reference 3 Photograph of the Property, Vicinity MAP of the Property

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Assumptions for NOI for the Property (the property additionally acquired)

(Unit: Thousand yen)

Revenues	48,500
Expenses (excluding depreciation)	6,800
NOI (Net Operating Income)	41,700

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

Preconditions:

1. The above figure is the annual NOI and excludes special factors in the fiscal year of acquisition.
2. Revenues are based on an assumed occupancy rate of 98.6% after the conclusion of the master lease agreement.
3. Expenses include taxes and public dues, and insurance premiums.

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Portfolio as of January 30, 2015

Area	Usage	Property Code	Property Name	Acquisition Date	Acquisition Price (Million yen)	% of Total	
Central Tokyo	Office Buildings	A-2	Ginza MTR Building	2003.3.31	8,000	2.4%	
		A-6	Osaki MT Building	2005.3.31	7,870	2.3%	
				2005.10.28	5,656	1.7%	
				2015.1.30 (Planned)	860	0.3%	
				Total	14,386	4.3%	
	A-8	ON Building	2008.8.29	39,900	11.8%		
	A-9	Tokyo Shiodome Building	2010.4.13	110,000	32.5%		
	A-11	Kioicho Building	2014.10.1	34,300	10.1%		
	Subtotal					206,586	61.0%
	Retail Facilities	B-4	Shinbashi Ekimae MTR Building	2007.4.25	18,000	5.3%	
		B-6	SHIBUYA FLAG	2013.4.24	32,040	9.5%	
	Subtotal					50,040	14.8%
	Other (Residential property)	C-1	Park Lane Plaza	2004.12.24	3,200	0.9%	
	Subtotal					3,200	0.9%
Subtotal					259,826	76.8%	
Other	Office Buildings	A-4	Osaka Marubeni Building	2002.9.30	12,500	3.7%	
		A-5	Shin-Yokohama TECH Building	2003.11.14	6,900	2.0%	
		A-10	Tenjin Prime	2012.7.12	6,940	2.1%	
	Subtotal					26,340	7.8%
	Retail Facilities	B-1	Ito-Yokado Shonandai	2003.3.28	11,600	3.4%	
		B-2	Frespo Inage	2002.3.28	2,100	0.6%	
		B-3	Ito-Yokado Shin-Urayasu	2004.7.30	12,150	3.6%	
		B-5	Kohnan Sagamihara-Nishihashimoto	2012.10.18	7,460	2.2%	
	Subtotal					33,310	9.8%
	Other (Hotels)	C-2	Hotel Okura Kobe	2006.9.20	19,000	5.6%	
Subtotal					19,000	5.6%	
Subtotal					78,650	23.2%	
Total					338,476	100.0%	

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

(Note2) If a property has more than one use, it is classified according to its main use.

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Photograph of the Property



Vicinity MAP of the Property



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