

Press Release

Issuer of Real Estate Investment Trust Securities

MORI TRUST Sogo Reit, Inc.
4-3-1 Toranomon, Minato-ku, Tokyo
Masayuki Yagi,
Executive Director
(TSE code 8961)
Asset Management Company:
MORI TRUST Asset Management Co., Ltd.
Masayuki Yagi,
President and Representative Director
Contact:
Michio Yamamoto
Director
Phone: +81-3-6435-7011

Acquisition of Asset - Hiroo SK Building

Tokyo, December 25, 2017—Mori Trust Asset Management Co., Ltd., 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

- | | |
|---------------------------------|---|
| (1) Type of asset: | Real estate trust beneficiary right |
| (2) Property name: | Hiroo SK Building(hereinafter “the Property”) |
| (3) Acquisition price: | 8,100 million yen(excluding purchase overheads and taxes) |
| (4) Contract date: | December 25, 2017 |
| (5) Scheduled acquisition date: | January 19, 2018 |
| (6) Seller: | Godo Kaisha PR First (see 4. Seller Overview below) |
| (7) Acquisition financing: | MTR's own funds and loans (scheduled) |
| (8) Settlement method: | Payment in full at the time of acquisition |

2. Reason for the Acquisition

MTR will acquire the trust beneficiary right for the Property in accordance with the investment criteria set forth in MTR's Articles of Incorporation.

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

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(1) Location

The Hiroo area where the Property is located is a prominent exclusive residential district in Tokyo prefecture. It is characterized by a notable international flavor exemplified by embassies and universities. This image will attract demand from foreign-affiliated companies and design and IT enterprises which place importance on a calm working environment.

In particular, the Property has an excellent visibility as it faces Gaien West Avenue. The occupants are the offices and store tenants that recognize this feature. Traffic convenience is also excellent given the nearest station, Hiroo Station of Tokyo Metro Hibiya Line, only one stop to Ebisu Station and Roppongi Station and many bus routes.

(2) Building and facilities

The Property is a medium-scale office building with seven floors above the ground and one basement level with a total floor area of more than 2,000 tsubo. The area of the standard floor of the Property is more than 180 tsubo, which gives it strong competitiveness in the Hiroo area where there are many small-scale buildings with a standard floor area of less than 100 tsubo. In addition, the building faces Gaien West Avenue with a wide frontage. The stately appearance of the stone pitching gives a high-grade impression and presence.

3. Acquisition Details

(1) Asset overview

Date of trust		December 22, 2006
Trustee of trust		Mitsubishi UFJ Trust and Banking Corporation
Expiration of trust period (Note 1)		January 31, 2038 (plan)
Location	Land	2-91-1 and others, Ebisu, Shibuya-ku, Tokyo
	Building	2-91-1, Ebisu, Shibuya-ku, Tokyo
	Address	2-36-13, Ebisu, Shibuya-ku, Tokyo
Real estate usage		Office building (Registered types of use: office, retail, and parking space, among others)
Ownership	Land	Owned
	Building	Owned
Area	Land	1,671.79 m ² (Registered land area) (Note 2)
	Building	6,709.80 m ² (Registered floor area)
Construction		Steel frame and steel-reinforced concrete with flat roof, 7 floors above ground and one underground floor (registered structure)

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Completion date	November 1992
Architect	Takenaka Corporation
Construction company	Takenaka Corporation
Construction inspection agency	Tokyo Prefecture
Appraisal value	<p>Appraisal value: 8,140 million yen Appraisal date: November 30, 2017 Appraisal agency: Daiwa Real Estate Appraisal Co., Ltd. Summary of appraisal:</p> <p>Return according to the direct capitalization method 8,310 million yen (capitalization rate: 3.8%)</p> <p>Return according to the DCF method 8,070 million yen (discount rate: 3.5%, terminal capitalization rate: 3.9%)</p> <p>Accumulated value 5,660 million yen</p>
Seismic risk (PML)	7.3% (according to the building seismic risk investigation report produced by Takenaka Corporation)
Collateral	None
Remarks	<ol style="list-style-type: none"> 1. This building is the unit ownership building. The trust fiduciary whose only trust beneficiary is MTR only has all the unit ownership rights. 2. Part of this building and walls cross the border between this site and the adjacent site and the walls of the adjacent site cross the border of this site. This is acknowledged in a memorandum executed with the owner of the adjacent site.

(Note 1) The trust agreements will be changed on the scheduled date of acquisition for the Property.

(Note 2) Including the burden of the private road in an area of 17.93 m².

(2) Lease overview (as of December 25, 2017)

Number of tenants	7
Monthly rent	24 million yen
Security deposit	276 million yen
Total rent area	4,303.71 m ²
Total rentable area	4,945.31m ²

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Occupancy rate	87.0%
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4. Seller Overview

- (1)Business name: Godo Kaisha PR First
- (2)Headquarters: 1-1-7, Motoakasaka, Minato-ku, Tokyo
- (3) Representative: Terumitsu Nosaka, executor, General Incorporated Association PR First, representative partner
- (4)Specified capital: 100,000 yen (As of November 30, 2017)
- (5)Principal business: acquisition, holding and disposal of securities and trust beneficiary rights and acquisition, development, holding, disposal, management and leasing of real estate for management and sale/ acquisition, holding and disposal of monetary claims
- (6)Relationships with MTR and the asset management company: There are no capital, human resources, or business relationships to be disclosed. The seller is not a related party.

5. Relationship with Seller

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

6. Intermediary Overview

The details of the intermediary, which is a domestic operation company, is not disclosed, as it has not agreed to disclosure. There are no capital, human resources, or business relationships to be disclosed between MTR, the asset management company and the intermediary. The intermediary is not a related party.

7. Operating Forecasts

Impact on the performance of MTR for the fiscal period ending March 31, 2018 (October 1, 2017 to March 31, 2018) and the fiscal period ending September 30, 2018 (April 1, 2018 to September 30, 2018) will be insignificant. The performance forecasts are not changed.

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8. Overview of Appraisal Report

Name of appraisal agency		Daiwa Real Estate Appraisal Co., Ltd
Appraisal value		8,140,000 thousand yen
Appraisal date		November 30, 2017
Appraisal item	Appraisal value (Unit: thousand yen)	Appraisal grounds
Revenue price	8,140,000	Appraised by DFC method and direct capitalization method
Price calculated by the direct capitalization approach	8,310,000	
Operating income	412,218	
Potential gross rent income	432,350	Assumed based on rent levels and trends of rent levels of similar properties, medium- and long-term competitiveness of the Property, and rent income in previous years
Losses due to vacancies, etc.	20,131	Assumed a medium- to long-term, stable vacancy rate based on the vacancy rates of similar properties, losses due to vacancies in previous years, and the competitiveness of the Property
Operating expenses	77,694	
Maintenance	13,722 (Note)	Maintenance fees are assessed with reference to the actual amount of the past fiscal years and the scheduled contract amount. PM fees are assessed with reference to the scheduled terms and conditions of contract.
Property management fees		
Utilities costs	32,107	Assumed based on the results of previous periods
Repair costs	3,924	Assumed based on average yearly expenses indicated in engineering reports
Advertisements for leasing, etc.	3,130	Assumed taking into account the leasing cost appraised based on the level of similar properties, using an assumed turnover and leasing costs in the previous years as a reference
Taxes	23,560	Assumed taking into account the amount of taxes payable, using the amount paid in fiscal 2017 as a reference
Insurance premiums	534	Assumed based on the premiums received from the party to which a quote was requested
Other expenses	713	Assumed based on the actual results of the previous periods

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	Net operating income from leasing (NOI)	334,524	
	Profit through management of temporary deposits, etc.	3,547	Assumed based on the total perspective in terms of both management and funding
	Capital expenditure reserve	22,144	Assumed based on the yearly average expenses indicated in engineering reports
	Net cash flow	315,927	
	Capitalization rate	3.8%	Assumed by adjusting the spread due to the conditions of the location and building of the Property based on the yields of office buildings located in areas with the lowest risk, using the cap rates in the appraisal of J-REIT properties in the area with the same supply and demand as a reference.
	Price calculated by the discounted cash flow (DCF) approach	8,070,000	
	Discount rate	3.5%	Assumed considering the individuality of the Property, using the discount rates in the appraisal of J-REIT properties as a reference
	Terminal capitalization rate	3.9%	Assumed based on the cap rate of the Property, comprehensively considering the individuality of the building and the future prospects of the real estate market
	Cost approach price	5,660,000	
	Ratio of land	88.5%	
	Ratio of building	11.5%	

(Note) If the maintenance and property management fees for the Property were disclosed separately, there is a possibility of affecting other transactions of the companies that are entrusted with the management of buildings and the implementation of PM respectively, thereby preventing the efficient operation entrustment by MTR and causing damage to the interest of investors. Combined fees for maintenance and property management therefore are indicated hereinabove.

Attachment

Reference 1 Assumptions for NOI for the Property

Reference 2 Portfolio as of January 19, 2018

Reference 3 Photograph of the Property, Vicinity MAP of the Property

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Assumptions for NOI for the Property

(Unit: Million yen)

Revenues	357
Expenses (excluding depreciation)	76
NOI (Net Operating Income)	281

(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 95.0%.
3. Expenses include taxes and public dues, and insurance premiums.

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Portfolio as of January 19, 2018

Area	Usage	Property Code	Property Name	Acquisition Date	Acquisition Price (Million yen)	% of Total	
Central Tokyo	Office Buildings	A-1	Tokyo Shiodome Building	2010.4.13	110,000	33.9%	
		A-2	ON Building	2008.8.29	39,900	12.3%	
		A-3	Kioicho Building	2014.10.1	34,300	10.6%	
		A-4	Osaki MT Building	2005.3.31	7,870		
				2005.10.28	5,656		
		Total	14,386	4.4%			
	A-6	Hiroo SK Building	2018.1.19 (Planned)	8,100	2.5%		
	Subtotal					206,686	63.8%
	Retail Facilities	B-1	SHIBUYA FLAG	2013.4.24	32,040	9.9%	
		B-2	Shinbashi Ekimae MTR Building	2007.4.25	18,000	5.6%	
	Subtotal					50,040	15.4%
Other (Residential property)	C-2	Park Lane Plaza	2004.12.24	3,200	1.0%		
Subtotal					3,200	1.0%	
Intermediate total					259,926	80.2%	
Other	Office Buildings	A-5	Midosuji MTR Building	2015.4.30	10,170	3.1%	
		A-7	Tenjin Prime	2012.7.12	6,940	2.1%	
		A-8	Shin-Yokohama TECH Building	2003.11.14	6,900	2.1%	
	Subtotal					24,010	7.4%
	Retail Facilities	B-3	Ito-Yokado Shonandai	2003.3.28	11,600	3.6%	
		B-4	Kohnan Sagamihara-Nishihashimoto	2012.10.18	7,460	2.3%	
				2002.3.28	2,100	0.6%	
	Subtotal					21,160	6.5%
Other (Hotels)	C-1	Hotel Okura Kobe	2006.9.20	19,000	5.9%		
Subtotal					19,000	5.9%	
Intermediate total					64,170	19.8%	
Total					324,096	100.0%	

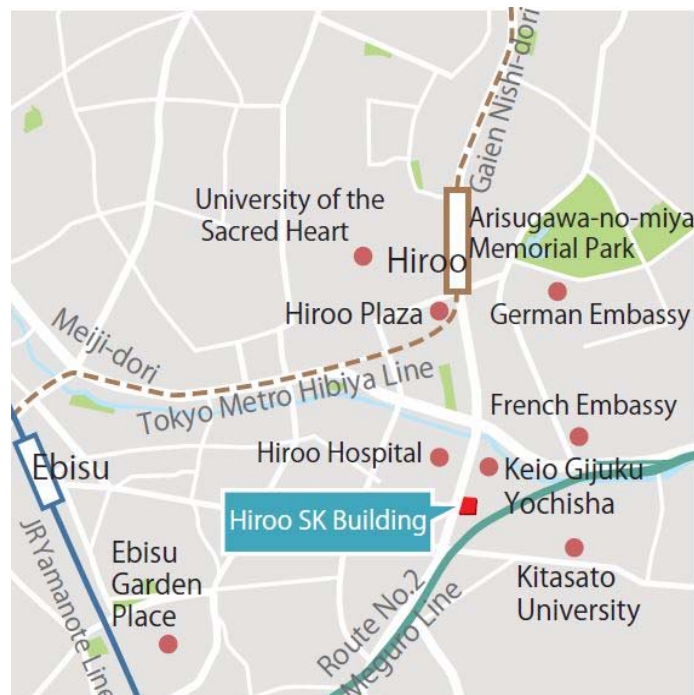
(Note1) Acquisition prices are rounded down to the nearest million yen.

(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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