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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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