

Press Release

MORI TRUST Sogo Reit, Inc.
1-25-5 Toranomon, Minato-ku, Tokyo
Satoshi Horino
Executive Director
(TSE code 8961)
Asset Management Company:
MORI TRUST Asset Management Co., Ltd.
Satoshi Horino
President and Representative Director
Contact:
Hajime Tanaka
Director and General Manager, Planning and Finance Department
Phone: +81-3-5511-2461

Acquisition of Asset (Conclusion of a Contract)—ON building

Tokyo, August 27, 2008—Mori Trust Sogo Reit, Inc. (MTR) has announced the acquisition of an asset as follows:

1. Acquisition Summary

- (1) Type of asset: real estate trust beneficiary right
- (2) Property name: ON Building (hereafter “the Property”)
- (3) Acquisition price: 39,900 million yen (excluding purchase overheads and taxes)
- (4) Contract date: August 27, 2008
- (5) Planned acquisition date: August 29, 2008
- (6) Seller: SIA KING 2 Co., Ltd. (see 4., Seller Overview, below)
- (7) Acquisition financing: cash on hand and loans
- (8) Settlement method: payment in full at the time of acquisition

2. Reason for Acquisition

MTR has acquired the trust beneficiary right for the Property (hereafter “the Trust Beneficiary Right”) in accordance with its investment criteria set forth in MTR’s articles of incorporation. This serves to advance the reinforcement of its investments in office buildings in central Tokyo.

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

(1) Location

The Property, located in the Osaki area, is designated as one of the seven subcenters of Tokyo that is changing into a multicore urban formation. The Osaki Area is also recognized as “a town where advanced technological information is available,” and large-scale redevelopment plans have been

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undertaken in recent years.

The Property is located in the “Osaki Business Garden,” one of the redevelopment projects in the Osaki Area. Together with the neighboring Osaki MT Building, owned by MTR, the Property is part of the Osaki Business Garden office complex.

(2) Structure and building facilities

The Property is a class A 21-story office building with two underground levels. With the total floor space of over 32,000 m², standard utilization space of approximately 1,000 m² and free-access floors 100mm in height, the Property boasts one of the greatest scales and most extensive facilities in the Osaki area. The building also features high-performance, heat-reflecting glass on the exterior.

(3) Synergy effect with existing ownerships of property

With the acquisition of the Property, MTR will own almost all of the land in the Osaki Business Garden as well as most of the buildings, including the Osaki MT Building comprising the Osaki Business Garden. This will enable MTR to establish a leading position in the management of the Osaki Business Garden, facilitating the efficient administration of buildings and outdoor facilities. In addition, MTR will be able to flexibly implement the upgrade of facility specifications and building interiors for the purpose of increasing the future property value.

(4) Growth target portfolio

With the acquisition of the Property, MTR’s total acquisition value will amount to 199,976 million yen with 13 properties. MTR’s portfolio by property type after the acquisition of the Trust Beneficiary Right will be 65.9%* for office buildings (57.4% before the acquisition of the Trust Beneficiary Right). By area, the ratio of acquired properties in the Tokyo metropolitan area stood at 66.8%* (58.6% before the acquisition of the Trust Beneficiary Right), bringing MTR close to its target portfolio of 70–90% for office buildings and 60–80% in the Tokyo metropolitan area.

* The abovementioned investment ratio is based on the acquisition price of investment assets.

3. Acquisition Details

(1) Asset overview

Trustee		Mitsubishi UFJ Trust and Banking Corporation
Location	Land	5-746-1 Kita-Shinagawa, Shinagawa-ku
	Building	5-746-1 Kita-Shinagawa, Shinagawa-ku
	Address	5-9-11 Kita-Shinagawa, Shinagawa-ku
Real estate usage		Office building (Registered types of use: office and parking)

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Ownership	Land	Joint ownership (MTR's co-ownership ratio: 840,139/1,000,000)
	Building	Fee simple
Area	Land	10,850.67 m ² (Registered land area)
	Building	32,812.27 m ² (Registered floor area)
Construction		Steel frame, steel-framed reinforced concrete, 21 floors above ground, two floors below ground (Registered structure)
Parking lot capacity		79 vehicles
Completion date		November 1990
Architect		Obayashi Corporation
Construction company		Obayashi Corporation
Construction inspection agency		Shinagawa-ku, Tokyo
Appraisal value of the real estate		<p>41,000 million yen (Appraisal date: August 1, 2008)</p> <p>40,600 million yen according to the direct capitalization method (4.3% capitalization rate)</p> <p>39,700 million yen according to the discounted cash flow method (4.0% discount rate, 4.5% terminal capitalization rate)</p> <p>36,600 million yen according to the cost method</p> <p>Appraisal values are the total amount of each price of the ON Building calculated in accordance with the above appraisal methods and the value of the Osaki MT Building owned by MTR, which resulted in the increment of the total value of the Property.</p>
Appraisal agency		Japan Real Estate Institute
Seismic risk (PML)		8.0% (according to the building seismic risk investigation report produced by Takenaka Corporation)
Collateral		None
Remarks		<p>(1) Rights</p> <p>The land area of the Property is the total of three sections owned by the trustee (hereafter “the Trustee”), with MTR standing as the sole beneficiary, possessing 840,139/1,000,000 of co-ownership. The remainder of the three sections is co-owned by MTR as the premises of the Osaki MT Building.</p> <p>(2) Right of Land Use</p> <p>The building of the Property was constructed as a part of a joint development project to erect two buildings, including the said building (the other is Osaki MT Building), on land that is divided</p>

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	<p>into sections and separately owned by several owners (the entire area is called the Osaki Business Garden). Each owner of the two buildings (including co-owners) owns the buildings based on rights of land use or leasehold rights from each land owner of the Osaki Business Garden. Therefore, the Trustee’s rights of land use for the building ownership of the Property is regarded as a co-ownership area in terms of the relationship between the entire land and the land of the co-ownership area of the Property, and as rights of land use or leasehold rights set for each section of land in terms of the relationship with MTR’s co-ownership area and the other areas of the Property. In addition, the Trustee undertakes the obligations of land use of the Property for the purpose of each co-owner of the adjoining Osaki MT Building to hold co-ownership of the said building.</p> <p>(3) Borders There is a tiny area where the borders are yet to be fixed.</p> <p>(4) Encroachments A part of the wall of the Property is transgressing the adjoining land, and branches of trees in the adjoining property may transgress the Property.</p> <p>(5) Structures Of all structures established on the land of the Property, a small part of the retaining wall did not undergo an inspection upon completion, and thus has not received a legal certification. Therefore, MTR conducted a Buildings Standards Law compatibility assessment carried out by JAPAN ERI CO., LTD., an inspection organization appointed by the Minister of Land, Infrastructure and Transport. As a result of the assessment, MTR received a report that the relevant structure meets the requirement of the Buildings Standards Law and has no obstruction in its structural safety.</p>
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(2) Lease overview

Number of tenants	1 (Kobe Steel, Ltd.)
Contract type	Leasing agreement (for entire office-use space)

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Lease period	April 1, 1999 to March 31, 2011
Total rent area	20,654.60 m ²
Total rentable area	20,654.60 m ²
Occupancy rate	100%

Note: Monthly rent and lease deposit of this Property are not disclosed due to unavoidable circumstances. However, assumptions for NOI for the Property are included in Reference 1.

4. Seller Overview

- (1) Business name: SIA KING 2 Co., Ltd.
- (2) Headquarters: 1-2-1 Marunouchi, Chiyoda-ku, Tokyo
- (3) Representative: Shoji Matsuyama, Director
- (4) Capital: 300 million yen (as of August 27, 2008)
- (5) Major shareholder: SIA Tree Intermediate Corporation
- (6) Principal businesses: Real estate ownership, lease and administration
- (7) Relationship with MTR: None

5. Transactions with Related Parties

Upon the acquisition of the Trust Beneficiary Right, Mori Trust Co., Ltd. (informant) served as a broker, and thus MTR will pay 798 million yen (excluding taxes) as brokerage fees.

Mori Trust is the parent company of MORI TRUST Asset Management Co., Ltd. (hereafter “the Asset Management Company”), MTR’s asset management company. With a 65% investment ratio, Mori Trust falls under the category of the Asset Management Company’s related party stipulated in the Law Concerning Investment Trusts and Investment Corporations (hereafter “the Investment Trust Law”).

Accordingly, the payment of brokerage fees regarding acquisition of the Trust Beneficiary Right falls under the category of transactions with related parties. However, the Asset Management Company followed appropriate procedures, including prior approval from MTR’s Board of Directors in accordance with the Investment Trust Law, adhering to MTR’s articles of incorporation as well as “Regulations on Transactions with Related Parties” set up by the Asset Management Company for brokerage fees and other conditions.

Overview of Interested Parties

Business name: Mori Trust Co., Ltd.

Headquarters: 2-3-17 Toranomom, Minato-ku, Tokyo

Establishment: June 10, 1970

Major shareholder: Mori Trust Holdings, Inc.

Principal businesses: Urban development, real estate ownership, lease and administration

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6. Operating Forecasts

MTR believes that the acquisition of the Property will not have a significant impact on its operating forecasts for the fiscal period ending September 30, 2008.

MTR conducts business operations in pursuit of reaching the loan-to-value (LTV) ratio of up to 50% (hereafter “the Standard Ratio”). The LTV as of the end of fiscal period ended March 31, 2008 stood at 42.5%. On the occasion of the acquisition of the Trust Beneficiary Right, however, MTR plans to undertake new loans (please refer to the press release, “Notice of New Loans and Repayment of Loans” dated August 27, 2008), and the LTV after the undertaking of new loans will exceed the said Standard Ratio (A temporary exceeding of the Standard Ratio in accordance with asset acquisition is allowed, and this case falls under such category). Based on this fact, MTR is reviewing its financial planning to reduce the LTV below the Standard Ratio. Accordingly, the revision of results forecast for the fiscal period ending March 31, 2009 will be announced after a review of financial planning.

Attachments

Reference 1	Assumptions for NOI for the Property
Reference 2	Portfolio after acquisition of the Property
Reference 3	Photograph of the Property

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Reference 1

Assumptions for NOI for the Property

(Millions of yen)

NOI (Net Operating Income)	1,703
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Note: NOI 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, etc.

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Reference 2

Portfolio after acquisition of the Property

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	8.0%	
		A-3	Mita MT Building	2003.12.1	16,000	8.0%	
		A-6	Osaki MT Building	2005.3.31	7,870	3.9%	
				2005.10.28	5,656	2.8%	
		Total			13,526	6.8%	
	A-7	Akasaka-mitsuke MT Building	2006.5.29	27,000	13.5%		
	A-8	ON Building	2008.8.29 (Planned)	39,900	20.0%		
	Subtotal					112,426	56.2%
	Retail Facilities	B-4	Shinbashi Ekimae MTR Building	2007.4.25	18,000	9.0%	
	Subtotal					18,000	9.0%
Other (Residential property)	C-1	Park Lane Plaza	2004.12.24	3,200	1.6%		
Subtotal					3,200	1.6%	
Subtotal					133,626	66.8%	
Other	Office Buildings	A-4	Marubeni Osaka Headquarters Building	2002.9.30	12,500	6.3%	
		A-5	Shin-Yokohama TECH Building	2003.11.14	6,900	3.5%	
	Subtotal					19,400	9.7%
	Retail facilities	B-1	Ito-Yokado Shonandai	2003.3.28	11,600	5.8%	
		B-2	Frespo Inage	2002.3.28	4,200	2.1%	
		B-3	Ito-Yokado Shin-Urawasu	2004.7.30	12,150	6.1%	
	Subtotal					27,950	14.0%
	Other (Hotels)	C-2	Hotel Okura Kobe	2006.9.20	19,000	9.5%	
Subtotal					19,000	9.5%	
Subtotal					66,350	33.2%	
Total					199,976	100.0%	

Note: Acquisition prices are stated in millions of yen rounded down.

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Reference 3

Photograph of the Property



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