

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.

Michio Yamamoto

President and Representative Director

Contact:

Hiroshi Naito

General Manager, Strategic Management Department,

Sogo REIT Management Division

Phone: +81-3-6435-7011

Conclusion of Lease Agreement for Property (Tokyo Shiodome Building)

Tokyo, September 29, 2020 – MORI TRUST Asset Management Co., Ltd. (hereinafter “the Asset Manager”), which manages assets on behalf of Mori Trust Sogo Reit, Inc. (MTR), today decided to conclude the fixed-term building lease contract (the “Agreement”) for the office and store sections of the Tokyo Shiodome Buildings (“the Property”) owned by MTR with MORI TRUST CO., LTD. (hereinafter “the Lessee”), as follows.

1. Outline of the contract

The fixed-term building lease contract entered into by and between MTR and the Lessee (hereinafter “the Existing Contract”) will expire on March 31, 2021. Therefore, MTR has entered into the Agreement, which is a master lease agreement with the Lessee in which MTR leases the whole office and store sections of the Property to the Lessee, who then subleases the sections to a sublessee.

Outline of the Agreement

Contract type	Fixed-term building lease contract
Lease period	From April 1, 2021 to March 31, 2026
Rent	Linked with the rent of the sublease contract (Note 1) (There is a minimum guaranteed rent.)
Deposit	None
Leasable area	77,242.55 m ² (Note 2)
Other relevant information	Management consignment expenses, taxes and public charges, repair costs and other leasing business expenses are borne by MTR.

(Note 1) The sublease contract means a lease contract between the Lessee and sublessee.

(Note 2) It represents an area multiplied by the co-owned interest (50/100) of MTR.

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2. Reason for the conclusion

The Property accounts for 33.9% of the portfolio of MTR (Note 1) and it is a flagship property, the leasable area of the office and store sections of which (Note 2) exceeds 70,000 m².

It has been decided that a sublessee who subleases all office sections of the Property from the Lessee will vacate at the end of June 2021, and leasing activities are now underway. Even after the termination of the Existing Contract, leasing all office sections to a master lessee who has strong leasing and management capabilities for a large-scale office building similar to the Property will contribute to the stability of revenue and management.

The Lessee owns and manages many large-scale buildings mainly in the central area of Tokyo and has an excellent track record and knowhow in terms of high leasing capabilities with an extensive network, good management and operation of the Property, and maintenance of a trust relationship with co-owners. Consequently, it has been judged that the Lessee is the most appropriate master lessee of the Property.

It is anticipated that it will take time to secure tenants chiefly due to impact of the COVID-19 pandemic and we are in an environment where it is difficult to predict the future market outlook. Therefore, it is hard to reach an agreement on appropriate rent into the future with the lessee in a fixed-rent type master lease agreement such as the Existing Contract.

Under these circumstances, it has been determined that it is currently the best choice to have terms and conditions of the Agreement, which is a master lease agreement with a structure likened with the rents of sublease agreements while leaving room for a future upside and secures certain revenue by establishing a minimum guaranteed rent, and with which we can use the rent for the payment of the leasing business expenses.

As a result of comprehensive consideration of the above, the conclusion of the Agreement has been decided.

(Note 1) A ratio of the acquisition price of the Property to the total acquisition prices of the portfolio (including the hotel section outside the scope of the Agreement)

(Note 2) It is the leasable area in the Agreement (including common space) and represents an area multiplied by the co-owned interest (50/100) of MTR.

3. Transactions with related parties

Lease of the Agreement falls under transactions with related parties (Note). With regard to the implementation of the transaction, the Asset Manager gained consent from MTR with approval of the Board of Directors of MTR after obtaining resolutions at the Compliance Committee, the Investment Committee of the Sogo REIT Management Division and the Board of Directors of the Asset Manager in accordance with the Investment Trust and Investment Corporation Act and “Related Party Transaction Regulations” of the Asset Manager.

(Note) The term “related parties” means those that fall under related parties, of the Asset Manager provided for in the Investment Trust and Investment Corporation Act.

4. Outlook

Impact on the performance forecast of MTR for the fiscal period ending September 30, 2020, and the fiscal period ending March 31, 2021, will be insignificant. We will announce the performance forecast for the fiscal period ending September 30, 2021, at the time of the financial results announcement for the fiscal period ending September 30, 2020.

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