

MORI TRUST REIT

MORI TRUST Sogo Reit, Inc.

(Securities Code: 8961)

https://www.mt-reit.jp/en/

Fiscal Period Ended September 2018 (33rd Fiscal Period)
Information Package

(Asset Management Company)
MORI TRUST Asset Management Co., LTD.

MEMO

Contents

1. Overview of the Settlement and Forecasts 3

Fiscal Period Ended September 2018 Settlement Highlights 4

Overview of the Settlement for the Fiscal Period Ended September 2018 5

Factors for Change in Distributions per Unit (the fiscal period ended September 2018) 6

Forecasts for the Fiscal Period ending March 2019 7

Factors for Change in Distributions per Unit (the fiscal period ending March 2019) 8

Fiscal Period Ending September 2019 Forecasts and Changes in Internal Reserves 9

Changes in Distributions 10

2. Portfolio Operations Data 11

Investment Strategy 12

Initiatives for Internal Growth (1) (Major Situations of Occupancy of Individual Properties) 13

Initiatives for Internal Growth (2) (Situation of Rent Revision and Initiatives for Cost Reduction) 14

Property Portfolio List as of the End of the Fiscal Period 15

Appraisal Values of Portfolio Properties at the Fiscal Period-End 16

Overview of Occupancy Rate and Lease Contracts at the Fiscal Period-End 17

3. Financial Operations Data 19

Loans Made in the Fiscal Period Under Review and Loan Repayment Schedule Diversification 20

Interest-Bearing Liabilities and Rating 21

Interest-Bearing Liabilities 22

(Reference) Investors 23

4. Initiatives Related to ESG 24

Initiatives Related to ESG 25

5. Characteristics of MORI TRUST Sogo Reit, Inc. 28

Basic Policy and Characteristics of MORI TRUST Sogo Reit, Inc. 29

Mori Trust Group 31

Major Properties Held, Developed, etc. in Central Tokyo by Mori Trust Group 32

6. Reference 33

Balance Sheets 34

Statements of Income and Retained Earnings 35

Statement of Cash Distributions / Statements of Cash Flows 36

Changes in Indicators 37

Changes in Occupancy Rate 38

Portfolio Summary and Breakdown of Property-Related Revenues/Expenses 39

Changes in Asset Size, LTV and Distribution Per Unit 42

Changes in Unit Prices 43

Asset Management Company Remuneration Methods 44

Disclaimer / Contact Information

Cover picture: Kioicho Building

Disclaimer:
This document is intended to provide information about the business performance and strategies of MORI TRUST Sogo Reit, Inc. (MTR). It is not intended and should not be construed as an inducement or invitation to purchase or invest in the products or investment units of MTR. We caution readers to contact their securities company representative if intending to acquire or sell any of MTR's investment products or investment units, and to undertake investment decisions subject to individual determination. Statements in this document that are not historical facts are "forward-looking statements." While MTR takes all reasonable care in the preparation of this document, it does not guarantee the accuracy and completeness of its content. Readers are also cautioned that the contents of this document may be changed or deleted without prior notice.

1. Overview of the Settlement and Forecasts

Fiscal Period Ended September 2018 Settlement Highlights

Distribution Per Unit

¥3,650 (+/- 0 vs. the fiscal period ended March 2018, +/- 0 vs. forecast)

Distribution per unit excluding the portion appropriated from retained earnings was ¥3,638 (up ¥23 from the previous fiscal period, up ¥57 vs. forecast)

As of September, 2018 (change from the previous fiscal period in parentheses)

Asset

Number of property: 15 properties (–)

Asset size: ¥324.0 billion (–) (Note 1)

Occupancy rate: 99.6% (down 0.2%)
* Sublease basis 99.5% (up 0.05%) (Note 2)

Appraisal values of portfolio properties at the fiscal period end: ¥351.3 billion (up ¥7.0 billion)

Unrealized profit: ¥41.4 billion (up ¥8.0 billion) (Note 3)

Investment ratio: [by area] Tokyo metropolitan area 80.2% (–)
[by use] Office building 71.2% (–)

Debt

Balance of interest-bearing debt: ¥155.0 billion (–)

Average interest rate for borrowings during fiscal period: 0.59% (down 0.03%)

LTV: 47.1% (down 0.1%)

Long-term rating of issuers: AA (stable)
/ Japan Credit Rating Agency, Ltd. JCR

Equity

Number of units issued: 1,320,000 units (–)

NAV per unit: ¥152,538 (up 4.2%)

Investment unit price: ¥162,000
/ closing price on September 28, 2018)

(Note 1) Asset size is the total acquisition price.
(Note 2) For the properties that adopt the master lease contract with the system of linking rental revenue with rents under the sublease contract or the master lease contract of the pass-through type, the occupancy rate calculated based on the occupancy rate under the sublease contract is stated.
(Note 3) Unrealized profit is the difference between total appraisal value at the end of the fiscal period and total book value at the end of the fiscal period.

Overview of the Settlement for the Fiscal Period Ended September 2018

In addition to occupancy of Hiroo MTR Building (Note 1) **that was acquired in the previous fiscal period, throughout the fiscal period, rental revenue grew mainly due to the steady filling of vacant lots, and reduced repair expenses and loan costs. As a result, operating revenues were up ¥133 million from the previous fiscal period and up ¥38 million from the forecast, and ordinary income was up ¥30 million from the previous fiscal period and up ¥74 million from the forecast.**

(Unit: Million yen)

	Period ended March 2018 actual (A)	Period ended September 2018 forecast (B)	Period ended September 2018 actual (C)	Vs. previous fiscal period (C-A)	Vs. forecast (C-B)
Operating revenues	8,686	8,780	8,819	133	38
Rental revenues (a)	8,686	8,780	8,819	133	38
Operating expenses	3,438	3,579	3,556	118	-23
Property-related expenses (b)	2,990	3,130	3,091	100	-38
Property and other taxes	876	899	898	21	-1
Overhead expenses	831	968	931	100	-36
Depreciation (c)	1,282	1,262	1,262	-20	-0
Selling, general and adminis	447	448	464	17	15
Profits and losses from real estatebusiness (d)=(a)-(b)	5,695	5,650	5,727	32	77
Earnings before depreciation and amortization (NOI) (d)+(c)	6,978	6,913	6,990	12	76
Operating income	5,248	5,201	5,263	15	62
Non-operating revenues	10	1	3	-6	1
Non-operating expenses	486	475	464	-22	-10
Ordinary income	4,771	4,727	4,802	30	74
Profit before income taxes	4,771	4,727	4,802	30	74
Income taxes - current	0	1	0	-0	-0
Income taxes - deferred (*)	-14	-28	-5	9	23
Profit	4,785	4,755	4,806	21	51
Reversal of reserves for reduction entry (*)	32	62	11	-21	-51
Total distribution	4,818	4,818	4,818	—	—
Distribution per unit (yen)	3,650	3,650	3,650	—	—
Total number of outstanding investment units	1,320,000	1,320,000	1,320,000	—	—

■ Internal reserves (*)

(Unit: Million yen)

	Period ended March 2018 actual	Period ended September 2018 Forecast	Period ended September 2018 Actual	Vs. previous fiscal period	Vs. forecast
Amount of reduction	47	91	16	-30	-74

(Note 1) On August 1, 2018, the name was changed from Hiroo SK Building.
(Note 2) Utilities expenses, repair expenses, depreciation and other operating expenses for Hiroo MTR Building are included in this item.
(Note 3) Properties whose fixed asset taxes are linked to rents are excluded.

Main factors for change

Vs. previous fiscal period

(Unit: Million yen)

Operating revenues

- Increase in revenues due to occupancy of Hiroo MTR Building throughout the full fiscal period 76
- Change in revenues due to move-in/out of tenants, etc. 24
- Increase in utilities revenues due to seasonal factors, etc. 17
- Temporary factors relating to Tenjin Prime (penalty due to vacation of tenant, etc.) 30

Operating expenses

- Increase in expenses due to the occupancy of Hiroo MTR Building throughout the fiscal period, etc. (Note 2) 36
- Increase in fixed asset tax, etc. (Note 3) 36
- Increase in utilities expenses due to seasonal fluctuation etc. 42
- Increase in brokerage fees, etc. 33
- Decrease in depreciation -28

Non-operating expenses

- Decrease in interest expenses -22

Vs. forecast

(Unit: Million yen)

Operating revenues

- Higher-than-forecast rents, etc. 28
- Higher-than-forecast utilities revenues due to seasonal factors, etc. 10

Operating expenses

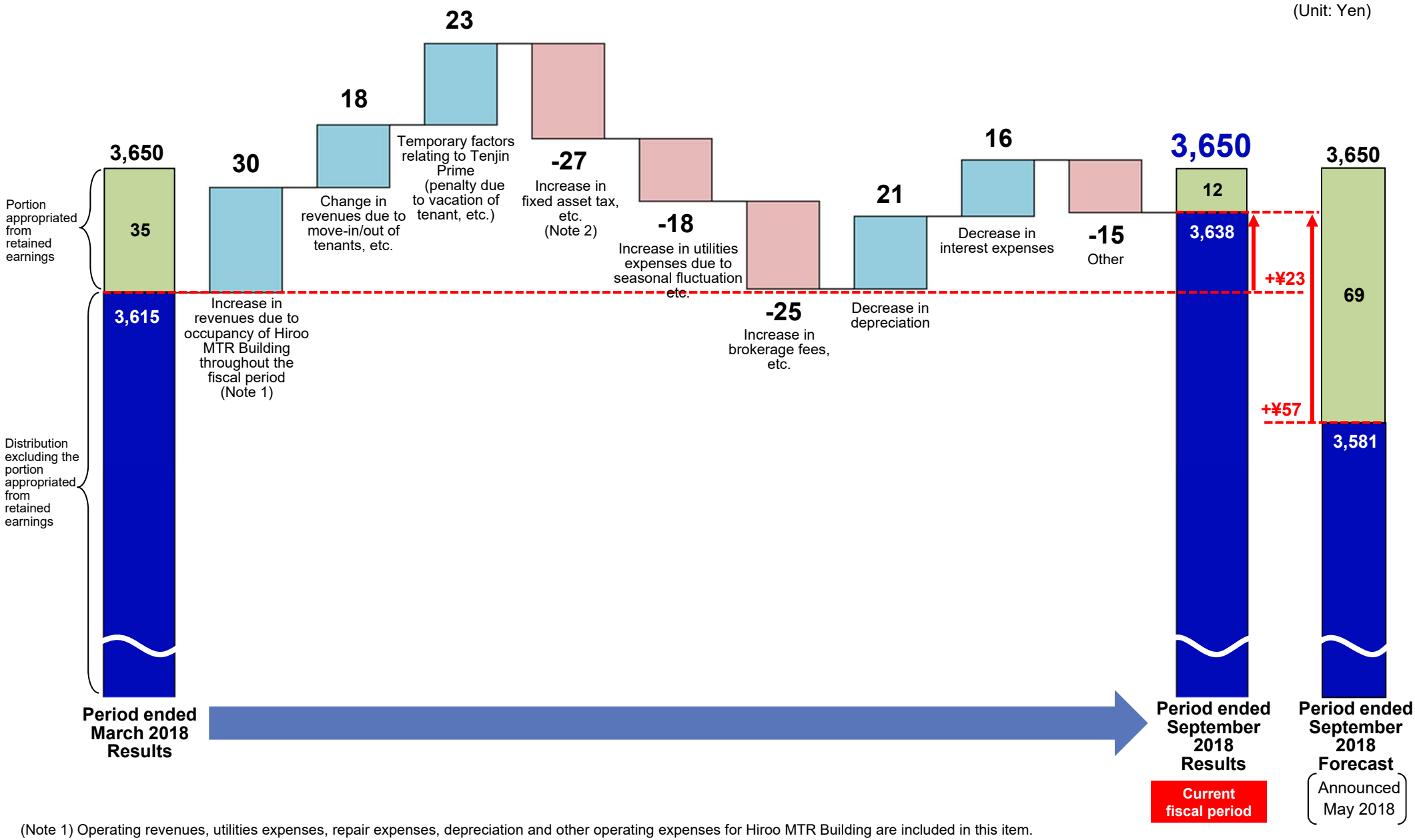
- Higher-than-forecast utilities expenses due to seasonal factors, etc. 11
- Higher-than-forecast brokerage fees, etc. 6
- Lower-then-forecast repair expenses etc. -54

Non-operating expenses

- Lower-than-forecast interest expenses -10

Factors for Change in Distributions per Unit (the fiscal period ended September 2018)

Distribution per unit excluding the portion appropriated from retained earnings was up ¥23 from the previous fiscal period and up ¥57 from the forecast.



(Note 1) Operating revenues, utilities expenses, repair expenses, depreciation and other operating expenses for Hiroo MTR Building are included in this item.

(Note 2) Properties whose fixed asset taxes are linked to rents are excluded.

Forecasts for the Fiscal Period ending March 2019

Both operating revenues and ordinary income are revised upward due to the steady filling of the spaces vacated in the previous fiscal period (operating revenues: up ¥128 million; ordinary income: ¥114 million).

(Unit: Million yen)

	Period ended September 2018 actual (A)	Previous forecast for the fiscal period ending March 2019 (B)	New forecast for the fiscal period ending March 2019 (C)	Vs. previous fiscal period (C-A)	Change from the previous forecast (C-B)
Operating revenues	8,819	8,630	8,759	-60	128
Rental revenues (a)	8,819	8,630	8,759	-60	128
Operating expenses	3,556	3,458	3,491	-64	32
Property-related expenses (b)	3,091	3,010	3,038	-53	27
Property and other taxes	898	897	895	-2	-1
Overhead expenses	931	844	877	-54	32
Depreciation (c)	1,262	1,267	1,264	2	-3
Selling, general and adminis	464	448	453	-10	5
Profits and losses from real estatebusiness (d)=(a)-(b)	5,727	5,620	5,721	-6	101
Earnings before depreciation and amortization (NOI) (d)+(c)	6,990	6,888	6,986	-4	97
Operating income	5,263	5,172	5,268	4	95
Non-operating revenues	3	1	6	3	5
Non-operating expenses	464	474	461	-2	-13
Ordinary income	4,802	4,698	4,813	10	114
Profit before income taxes	4,802	4,698	4,813	10	114
Income taxes - current	0	1	1	0	—
Income taxes - deferred (*)	-5	-37	-1	3	36
Profit	4,806	4,735	4,814	7	78
Reversal of reserves for reduction entry (*)	11	82	3	-7	-78
Total distribution	4,818	4,818	4,818	—	—
Distribution per unit (yen)	3,650	3,650	3,650	—	—
Total number of outstanding investment units	1,320,000	1,320,000	1,320,000	—	—

■ Internal reserves (*)

(Unit: Million yen)

	Period ended September 2018 actual	Previous forecast for the fiscal period ending March 2019	New forecast for the fiscal period ending March 2019	Vs. previous fiscal period	Change from the previous forecast
Amount of reduction	16	120	5	-10	-114

■ Main factors for change

Vs. previous fiscal period

(Unit: Million yen)

Operating revenues

- Increase in revenues due to new occupation and rent revisions, among others 27
- Temporary decrease in revenues due to the replacement of tenants in Tenjin Prime -12
- Decrease in revenues upon the revision of the contract of Ito-Yokado (hereinafter IY) Shonandai -20
- Decrease in utilities revenues due to seasonal factors, etc. -17
- Absence of temporary factors relating to Tenjin Prime (penalty due to vacation of tenant, etc.) -30

Operating expenses

- Decrease in brokerage fees, etc. -47
- Decrease in utilities expenses due to seasonal factors, etc. -41
- Increase in repair expenses (partial acceleration of the repairs originally scheduled to be conducted in the following fiscal period, etc.) 38

Vs. previous forecast

(Unit: Million yen)

Operating revenues

- Higher-than-forecast rents, etc. 128

Operating expenses

- Higher-than-forecast repair expenses (partial acceleration of the repairs originally scheduled to be conducted in the following fiscal period, etc.) 43

Non-operating expenses

- Lower-than-forecast interest expenses -13

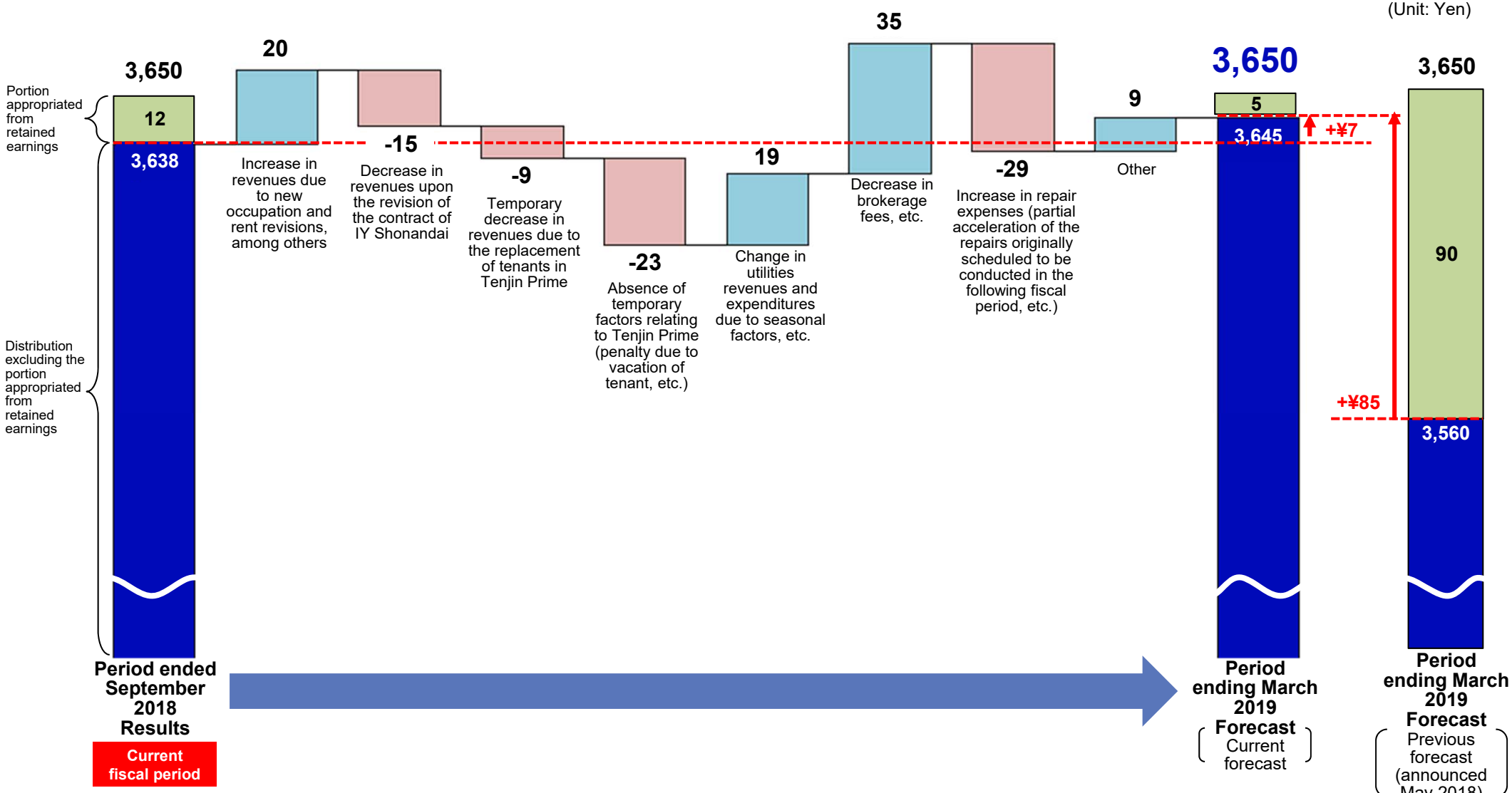
Factors for Change in Distributions per Unit (the fiscal period ending March 2019)

Distribution Per Unit

¥3,650 (Unchanged from the forecast for the previous fiscal period)

Distribution per unit excluding the portion appropriated from retained earnings was ¥3,645 (up ¥7 from the previous fiscal period, up ¥85 vs. forecast)

(Unit: Yen)



Fiscal Period Ending September 2019 Forecasts and Changes in Internal Reserves

(Fiscal Period Ending September 2019 Forecast)

Distribution Per Unit

¥3,650 (Unchanged from the forecast for the fiscal period ending March 2019)

Distribution per unit excluding the portion appropriated from retained earnings was ¥3,645 (the same as the forecast for the fiscal period ending March 2019).

Although a temporary decrease in revenues is forecast due to the vacation of tenants, due to occupancy of the tenants who moved in during the previous fiscal period throughout the fiscal period and the upward revision to rents, among other causes, operating revenues will increase ¥21 million yen.
Although increases in fixed asset tax and expenses for general meetings of unitholders are forecast, the same profit level as that of the previous fiscal period will be maintained.

(Unit: Million yen)

	Period ending March 2019 Forecast (34th fiscal period) (A)	Period ending September 2019 Forecast (35th fiscal period) (B)	Change (B-A)
Operating revenues	8,759	8,780	21
Operating income	5,268	5,270	2
Ordinary income	4,813	4,813	–
Profit	4,812	4,812	–
Total distribution	4,818	4,818	–
Distribution per unit (yen)	3,650	3,650	–
Total number of outstanding investment units	1,320,000	1,320,000	–

Main factors for change

(Unit: Million yen)

Operating revenues

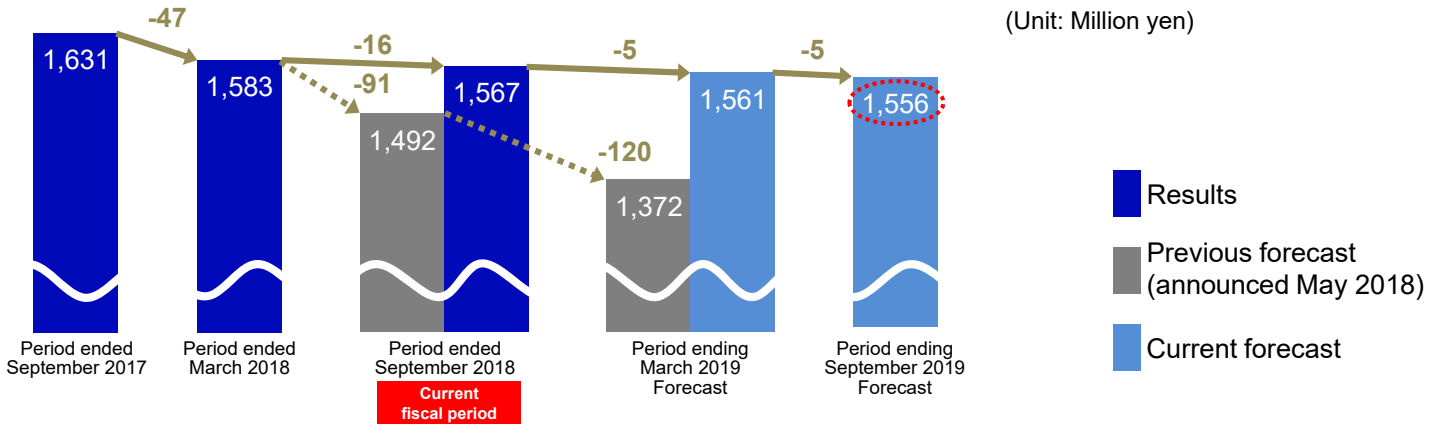
Temporary decrease in revenues due to the vacation of tenants of Osaki MT Building	-62
Increase in revenues due to occupancy of the tenants who moved in during the previous fiscal period throughout the fiscal period and upward revision of rents, among others.	55
Increase in utilities revenues due to seasonal factors, etc.	21

Operating expenses

Increase in fixed asset tax, etc. (including the fixed asset tax assessed on Hiroo MTR Building)	52
Increase of utilities expenses due to seasonal variations and others	35
Reduction of repair expenses (partly brought forward from the previous period)	-87
Expenses for general meetings of unitholders	12

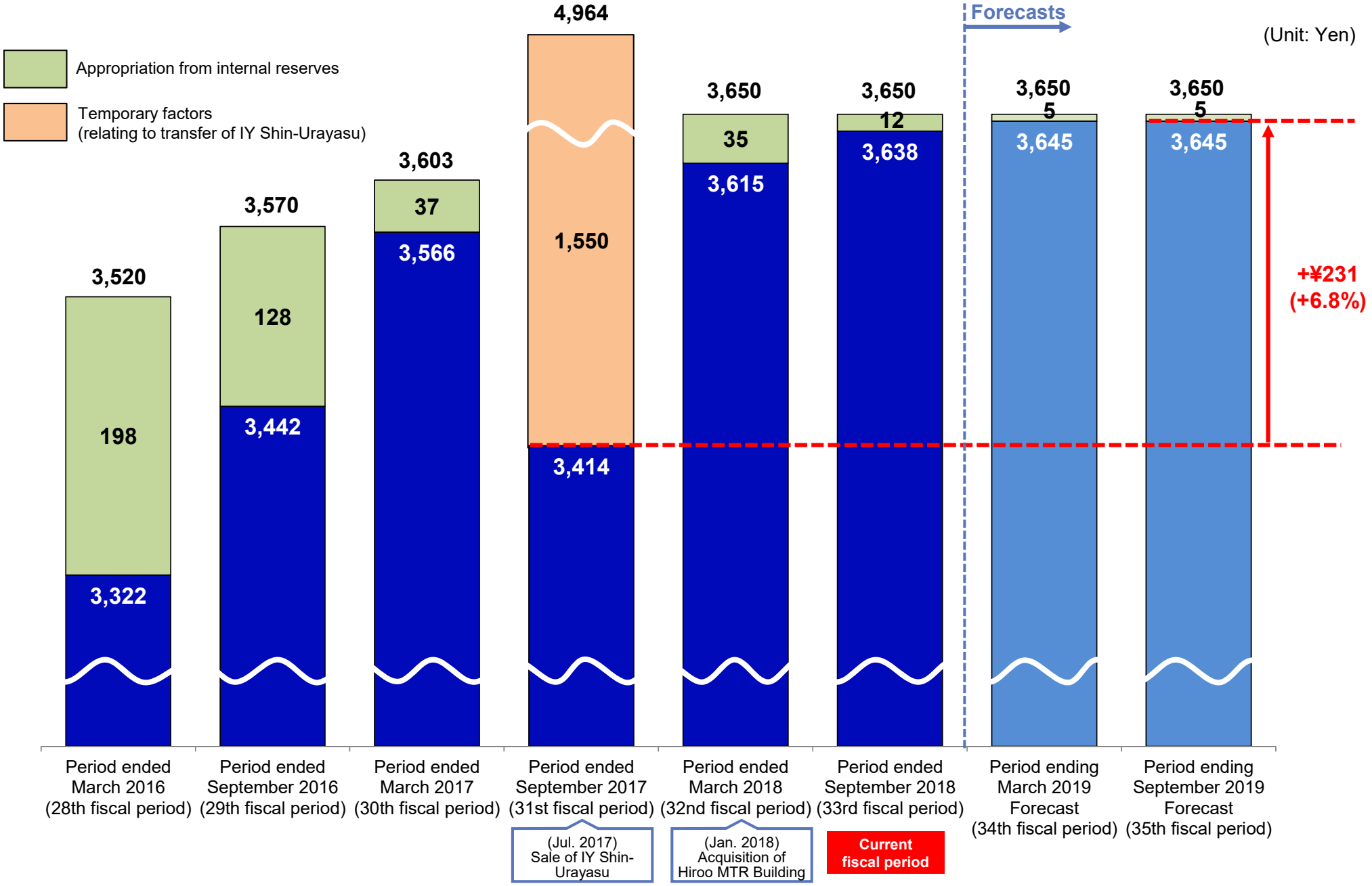
(Internal Reserves)

The balance of retained earnings at the end of the fiscal period ending September 2019 is forecast to be ¥1,556 million.



Changes in Distributions

Distribution per unit excluding the portion appropriated from retained earnings will grow steadily. Distribution per unit of ¥3,650 will come into view.



2. Portfolio Operations Data

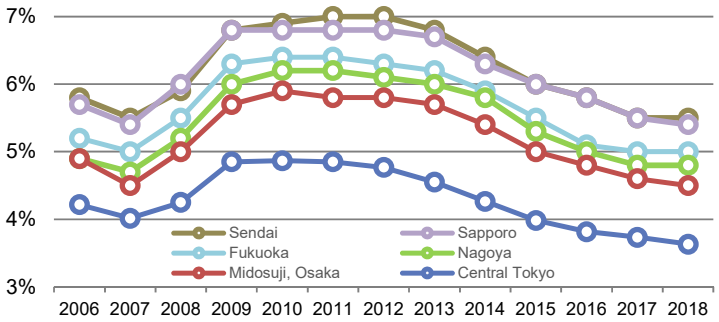
Investment Strategy

Recognition of Present Conditions

- **The sale prices for large-scale promising properties in central Tokyo and major provincial cities remain high.**
- **Transactions in areas surrounding cities are brisk with demand for transaction opportunities and the yield. The market environment where sellers have an advantage continues.**
- **Most consider that the market cycle has reached the peak.**

Conditions of Real Estate Investment Market

■ Trend in transaction yield of standard Class-A buildings

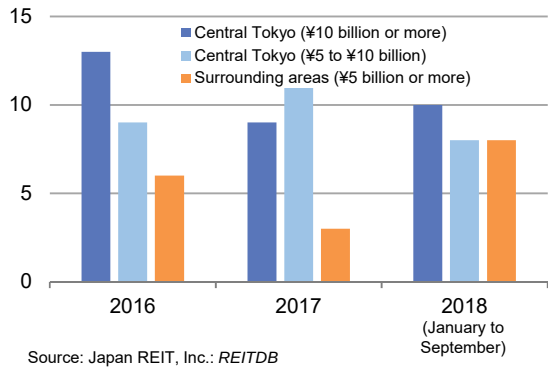


Source: Prepared by the Company based on Japan Real Estate Institute: *The Japanese Real Estate Investor Survey*

The figure for Central Tokyo represents the simple mean value of the data obtained in the survey in Marunouchi-Otemachi, Nihonbashi, Toranomon, Nishishinjuku, Shibuya and Osaki.
A standard Class-A building refers to the highest-class building in the local district in terms of location, architectural design and construction, facility materials, maintenance and management, tenants and amenities.

* Figures as of October of each year/ Figures as of April for 2018 only

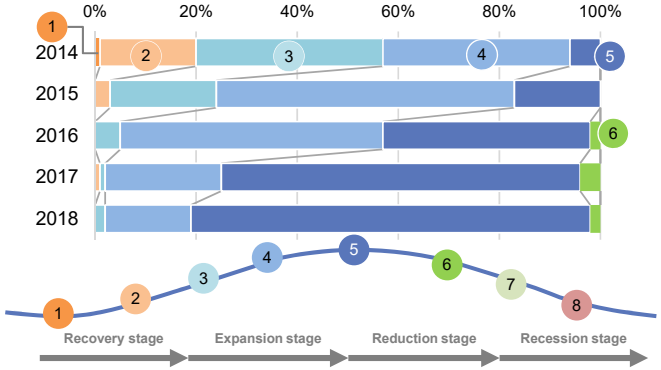
■ Change in number of office building transactions by J-REIT (¥5 billion or more)



Source: Japan REIT, Inc.: *REITDB*

Central Tokyo refers to Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa wards.
Surrounding areas (Tokyo (other than central Tokyo), Kanagawa, Chiba, Saitama)

■ Situations of recognition of the market cycle among real estate investors



Source: Prepared by the Company based on Japan Real Estate Institute: *The Japanese Real Estate Investor Survey*

* Recognition of the market cycle (market trends) in relation to Tokyo (Marunouchi/Otemachi districts)
* Survey as of April of each year

Future Investment Strategy

- **In view of the present conditions and the current state of management, sourcing activities will be promoted by watching environmental changes closely.**
- **An investment strategy of careful selection focusing on the quality improvement of portfolios rather than the expansion of scale will be continued.**

Initiatives for Internal Growth (1) (Major Situations of Occupancy of Individual Properties)

Occupancy rate at the fiscal period-end (sublease basis)

99.5%

Up 0.05% from the previous fiscal period

Tenant Move-ins and Move-outs

15 move-ins (5,688m²)

11 move-outs (5,106m²)

(Scope)
Move-ins: Tenants who moved in during April to September 2018
Move-outs: Tenants who moved out during April to September 2018

Major situations of occupancy of individual properties

Tenjin Prime

- Agreed on the termination of the contracts at the end of July, three months earlier than the initial contract term, the end of October 2018, with the tenants on the first to third floors.
  (However, a penalty equivalent to the rents for August to October 2018 was received.)
- Numerous inquiries from the entities reveal high regard for the location of this property, among other conditions.
  As a result, the **move-in of the succeeding tenants was achieved earlier than the initial contract term for the former tenant.**

(Occupancy Rates)

2018/7	2018/8	2018/9	2018/10
100%	69.6%	89.1%	100%
		Move-in on the 1st/2nd floors	Move-in on the 3rd floor

Hiroo MTR Building (Note 1)

- Despite the vacation of some tenants during the fiscal period, demand for this property was brisk. **There was success in early filling-in. Upon the replacement of tenants, monthly rents increased by 17.5%.**

(Occupancy Rates)

2018/3	2018/6	2018/8	2018/9	2018/11
99.5%	95.9%	76.7%	84.2%	100% (forecast)

Shin-Yokohama TECH Building

- **Steady progress of leasing. The occupancy rate rose to 98.7%.**

(Occupancy Rates)

2017/9	2017/10	2018/3	2018/9
92.6%	89.4%	95.7%	98.7%

Osaki MT Building

- Completion of leasing of vacant space. However, the vacation of some tenants is expected from 2019/3 onward.
- In corporation with the sponsor Mori Trust, MTR will step up its efforts to fill the property in better forms.

(Occupancy Rates * based on sublease contract)

2018/3	2018/9	2019/3	2019/4
92.7%	100%	80.2% (forecast)	76.0% (forecast)

(Note 1) On August 1, 2018, the name was changed from Hiroo SK Building.

(Note 2) The expected occupancy rates described above are the estimates based on the lease contracts concluded and notices of termination received before the end of October 2018, among other documents.

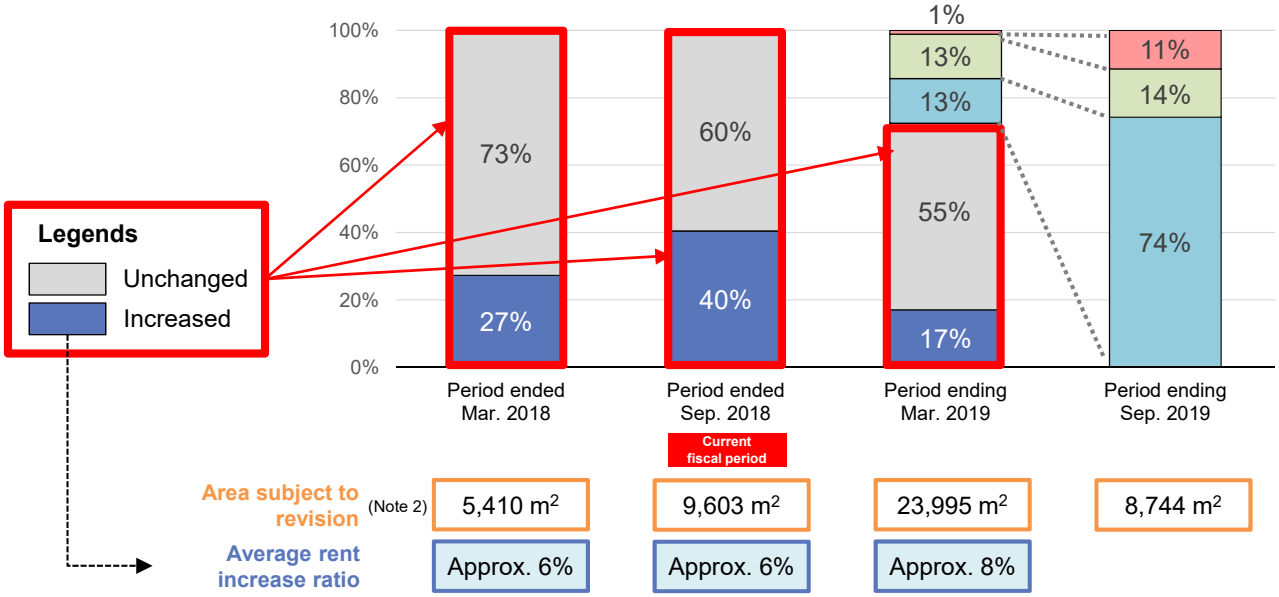
Initiatives for Internal Growth (2) (Situation of Rent Revision and Initiatives for Cost Reduction)

Situation of Rent Revision for Multi-tenant Properties Mainly for Office Use

An upward revision to rents is carried out on the basis of the brisk real estate lease market.

- **Of the tenants subject to revision during the current fiscal period, upward revisions were made for 40% of them (3,883 m²) (average rent increase ratio: 6%). No downward revisions were made.**
- **Of the tenants subject to revision during the following fiscal period, upward revisions were determined for 17% (4,105 m²) at the end of October 2018 (average rent increase ratio: 8%).**

Rent gap between revision results and revision for contracts to be renewed (on an area basis)



Legends

	Negotiation policy	Rent gap as standard
	Unchanged	Target contract rent < Actual rent (with a gap rate of more than 3%)
	Increased or unchanged	Target contract rent ≈ Actual rent (with a gap rate ranging from -3% to 3%)
	Increased	Target contract rent > Actual rent (with a gap rate of more than -3%)

Note 1: Multi-tenant properties mainly for office use refer to Kioicho Building, Osaki MT Building, Midosuji MTR Building, Hiroo MTR Building, Tenjin Prime, and Shin-Yokohama TECH Building.
Note 2: For the properties that adopt the master lease contract, the diagram covers lease areas under sublease contracts. These do not include areas to be vacated, residences and storage spaces.
Note 3: Target contract rent: A target rent at the time of attracting a new tenant presumed at the time by MTR's asset management company

Initiatives for Cost Reduction

Change of the electric power company for one property to reduce electricity charges during the current fiscal period → **A reduction of about 4.3% is expected based on trial calculation.**

Property Portfolio List as of the End of the Fiscal Period

(Million yen)

Use	Name	Location	Construction completion	Acquisition date	Acquisition price	Ratio	Book value at end of 33rd fiscal period	Appraisal value at end of 33rd fiscal period	NOI	Yield
Office Buildings	Tokyo Shiodome Building	Minato Ward, Tokyo	Jan. 2005	Apr. 2010	110,000	33.9%	102,811	131,000	2,384	4.3%
	ON Building	Shinagawa Ward, Tokyo	Nov. 1990	Aug. 2008	39,900	12.3%	39,403	31,400	625	3.1%
	Kioicho Building	Chiyoda Ward, Tokyo	Nov. 1989	Oct. 2014	34,300	10.6%	33,652	37,100	639	3.7%
	Osaki MT Building	Shinagawa Ward, Tokyo	Jul. 1994	Mar. 2005, etc.	14,386	4.4%	13,222	13,700	263	3.7%
	Midosuji MTR Building	Chuo Ward, Osaka	Mar. 1999	Apr. 2015	10,170	3.1%	10,149	10,400	168	3.3%
	Hiroo MTR Building	Shibuya Ward, Tokyo	Nov. 1992	Jan. 2018	8,100	2.5%	8,398	8,150	133	3.3%
	Tenjin Prime	Chuo Ward, Fukuoka	Oct. 2008	Jul. 2012	6,940	2.1%	6,680	8,440	232	6.7%
	Shin-Yokohama TECH Building	Kohoku Ward, Yokohama	Feb. 1986, etc.	Nov. 2003	6,900	2.1%	6,768	6,160	192	5.6%
Retail Facilities	SHIBUYA FLAG	Shibuya Ward, Tokyo	Aug. 2009	Apr. 2013	32,040	9.9%	32,568	40,600	688	4.3%
	Shinbashi Ekimae MTR Building	Minato Ward, Tokyo	Apr. 1999	Apr. 2007	18,000	5.6%	17,376	21,200	424	4.7%
	Ito-Yokado Shonandai	Fujisawa City, Kanagawa	Nov. 2002	Mar. 2003	11,600	3.6%	9,937	11,700	324	5.6%
	Kohnan Sagamihara-Nishihashimoto	Midori Ward, Sagamihara	Aug. 2005	Oct. 2012	7,460	2.3%	7,344	8,500	222	6.0%
	Frespo Inage	Inage Ward, Chiba	–	Mar. 2002	2,100	0.6%	2,193	2,650	115	11.0%
Hotel	Hotel Okura Kobe	Chuo Ward, Kobe	Mar. 1989	Sep. 2006	19,000	5.9%	16,184	16,700	494	5.2%
Residential	Park Lane Plaza	Shibuya Ward, Tokyo	Jun. 1988	Dec. 2004	3,200	1.0%	3,168	3,630	81	5.1%
Total	–	–	–	–	324,096	100%	309,860	351,330	6,990	4.3%

(Note 1) For details, please refer to “Appraisal Value of Portfolio Properties at the Fiscal Period-End” and “Portfolio Summary and Breakdown of Property-Related Revenues/Expenses” described below.
(Note 2) NOI earnings yield: NOI in the fiscal period ended September 2018 (annual basis) /Acquisition price

Appraisal Values of Portfolio Properties at the Fiscal Period-End

(Million yen)

Use	Name	Acquisition price	End-of-period book value		End-of-period appraisal value			Direct reduction method			Discounted cash flow (DCF) method		Appraiser (Note 3)
								Cap rate		Comparison with the previous fiscal period			
			Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Difference	Period ended March 2018	Period ended September 2018		Discount rate	Terminal cap rate	
Office Buildings	Tokyo Shiodome Building	110,000	103,320	102,811	128,000	131,000	3,000	3.6%	3.4%	-0.2%	3.4%	3.6%	Richi Appraisal
	ON Building	39,900	39,471	39,403	30,700	31,400	700	3.9%	3.8%	-0.1%	3.5%	4.0%	Japan Real Estate
	Kioicho Building	34,300	33,785	33,652	36,800	37,100	300	3.3%	3.3%	—	3.1%	3.5%	Daiwa Real Estate
	Osaki MT Building	14,386	13,268	13,222	13,000	13,700	700	3.8%	3.7%	-0.1%	3.4%	3.9%	Japan Real Estate
	Midosuji MTR Building	10,170	10,168	10,149	10,400	10,400	—	3.7%	3.7%	—	3.5%	3.9%	Daiwa Real Estate
	Hiroo MTR Building	8,100	8,392	8,398	8,140	8,150	10	3.8%	3.8%	—	3.5%	3.9%	Daiwa Real Estate
	Tenjin Prime	6,940	6,697	6,680	8,440	8,440	—	4.3%	4.2%	-0.1%	3.9%	4.4%	Japan Real Estate
	Shin-Yokohama TECH Building	6,900	6,758	6,768	5,650	6,160	510	5.1%	4.9%	-0.2%	4.7%	5.2%	Nippon Tochi-Tatemono
Retail Facilities	SHIBUYA FLAG	32,040	32,591	32,568	39,200	40,600	1,400	3.3%	3.2%	-0.1%	3.0%	3.4%	Japan Real Estate
	Shinbashi Ekimae MTR Building	18,000	17,393	17,376	20,900	21,200	300	4.0%	3.9%	-0.1%	3.7%	4.1%	Nippon Tochi-Tatemono
	Ito-Yokado Shonandai	11,600	9,947	9,937	11,700	11,700	—	5.3%	5.3%	—	5.0%	5.5%	Japan Real Estate
	Kohnan Sagamihara-Nishihashimoto	7,460	7,381	7,344	8,500	8,500	—	5.2%	5.2%	—	4.9%	5.4%	Japan Real Estate
	Frespo Inage	2,100	2,193	2,193	2,650	2,650	—	—(Note 1)	—(Note 1)	—	7.9%	—(Note 2)	Japan Real Estate
Hotel	Hotel Okura Kobe	19,000	16,305	16,184	16,700	16,700	—	4.9%	4.9%	—	4.7%	5.0%	Richi Appraisal
Residential	Park Lane Plaza	3,200	3,178	3,168	3,470	3,630	160	3.9%	3.7%	-0.2%	4.4%	3.4%	Nippon Tochi-Tatemono

	Acquisition price	End-of-period book value		End-of-period appraisal value			Difference		
		Period ended March 2018 (A)	Period ended September 2018 (B)	Period ended March 2018 (C)	Period ended September 2018 (D)	Difference	Period ended March 2018 (C-A)	Period ended September 2018 (D-B)	Difference
Total	324,096	310,854	309,860	344,250	351,330	7,080	33,395	41,469	8,074

(Note 1) For Frespo Inage, the direct reduction method is not adopted.
(Note 2) For Frespo Inage, the cap rate and the terminal cap rate have not been established.
(Note 3) Richi Appraisal: Richi Appraisal Institute, Japan Real Estate: Japan Real Estate Institute, Daiwa Real Estate: Daiwa Real Estate Appraisal Co., Ltd., Nippon Tochi-Tatemono: Nippon Tochi-Tatemono Co., Ltd.

Overview of Occupancy Rate and Lease Contracts at the Fiscal Period-End

Use	Name		Occupancy rate	Total number of tenants	Major tenant/master lessee				
						Type of lease contract		Lease contract expiry	
Office Buildings	Tokyo Shiodome Building		100%	1	Mori Trust Co., Ltd.	Master lease	Fixed-term building lease	(Offices/retailers) April 12, 2020 (Hotel) December 31, 2035	(Note 7)
	ON Building		100%	1	Kobe Steel Ltd.	Direct lease	Building lease	March 31, 2019	
	Kioicho Building	(Note 1)	99.9% (99.9%)	36 (70)	—	—	—	—	
	Osaki MT Building	(Note 2)	100% (100%)	1 (15)	Mori Trust Co., Ltd.	Master lease (Note 2)	Fixed-term building lease	March 31, 2019	(Note 7)
	Midosuji MTR Building	(Note 3)	100% (96.4%)	1 (33)	Japan Property Solutions Co., Ltd.	Master lease (Note 3)	Building lease	March 31, 2020	
	Hiroo MTR Building	(Note 4)	84.2%	7	—	—	—	—	
	Tenjin Prime	(Note 4)	89.1%	15	—	—	—	—	
	Shin-Yokohama TECH Building		98.7%	8	Fujitsu Co., Ltd.	Direct lease	Building lease	September 30, 2020	
Retail Facilities	SHIBUYA FLAG	(Note 4)	100%	3	H&M Hennes & Mauritz Japan KK	Direct lease (Note 4)	Undisclosed (Note 5)	Undisclosed (Note 5)	
	Shinbashi Ekimae MTR Building		100%	1	Yamada Denki Co., Ltd.	Direct lease	Building lease	May 31, 2019	
	Ito-Yokado Shonandai		100%	1	Ito-Yokado Co., Ltd.	Master lease	Building lease	November 20, 2022	(Note 7)
	Kohnan Sagamihara-Nishihashimoto		100%	1	Kohnan Shoji Co., Ltd.	Master lease	Fixed-term building lease	September 27, 2023	(Note 7)
	Frespo Inage		100%	1	Daiwa Lease Co, Ltd.	Direct lease	Land lease	December 2, 2027	(Note 7)
Hotel	Hotel Okura Kobe		100%	1	Hotel Okura Kobe	Direct lease	Fixed-term building lease	March 31, 2022	(Note 7)
Residential	Park Lane Plaza		100%	18	—	—	—	—	
Total (Note 6)			99.6% (99.5%)	96 (176)					

(Note 1) Regarding the office portion of the Kioicho Building, MTR leases the office portion of the Kioicho Building from a fiduciary trust company under a master lease agreement and subleases it to tenants. Regarding the residential portion, the agreement used is the master lease pass-through model. The occupancy rate and the total number of tenants stated above are those under the sublease agreement for the office portion and the master lease agreement for the residential portion. The figures in brackets for the occupancy rate and the total number of tenants are the occupancy rate and the total number of tenants based on the sublease agreements of the office and residential portions of the building.
(Note 2) A master lease agreement under which rent income is linked to rents under a sublease agreement has been concluded for Osaki MT Building. The figure in brackets for the occupancy rate and the total number of tenants of the building is the occupancy rate and total number of tenants based on the sublease agreement.
(Note 3) The agreement used for the Midosuji MTR Building is the master lease pass-through model. The figure in brackets for the occupancy rate and the number of tenants of the building is the occupancy rate and the total number of tenants based on the sublease agreement.
(Note 4) For Hiroo MTR Building, Tenjin Prime and SHIBUYA FLAG, MORI TRUST Sogo Reit has adopted a scheme under which it subleases the land and the building it rents to tenants in accordance with the master lease contract with the trustee. The occupancy rate and the total number of tenants for each of these properties in the table above represent those under sublease contracts. The types of contracts with major tenants represent the types of sublease contracts.
(Note 5) Lease contract expiry is not shown, as consent from tenants has not been obtained.
(Note 6) The occupancy rate and the total number of tenants in brackets is the total that was calculated based on the occupancy rate and the total number of tenants in the sublease agreements for Kioicho Building, Osaki MT Building and the Midosuji MTR Building.
(Note 7) No cancellation

MEMO

3. Financial Operations Data

Management Results for the Fiscal Period Under Review and Loan Repayment Schedule Diversification

Management results for the fiscal period under review

(Issuance of the 10th investment corporation bonds)

- Issued investment corporation bonds of approximately 3 years for **8 consecutive years**.
- Succeeded in financing with low interest rates (0.010%) **equivalent to those of top-rated companies in Japan** by capturing demand from a wide range of investors, including repeating investors.

● Outline of the issuance

Bond name	Term	Issuance amount	Interest rate	Issuance date
10th unsecured investment corporation bonds	2 years and 8 months	3,000 million yen	0.010%	June 21, 2018

(Results of loans)

Succeeded in extending a loan term while simultaneously reducing financing costs.

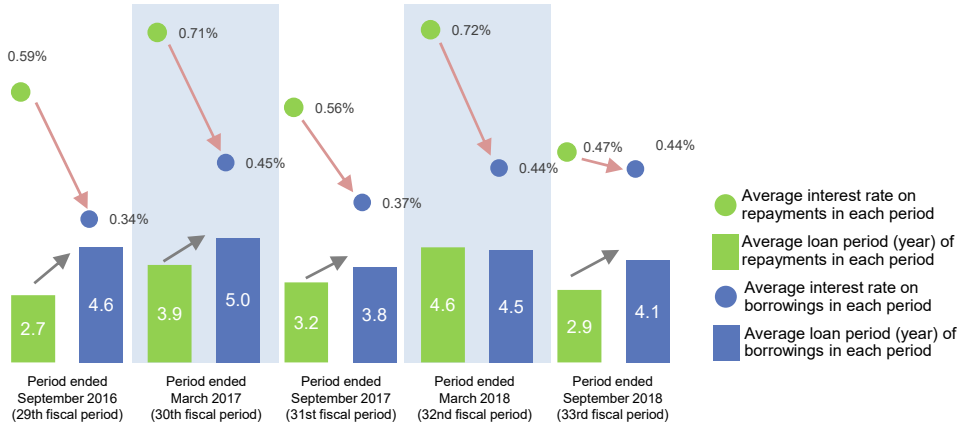
Repayment summary	
Total amount	22,500 million yen
Average loan term	2.9 years
Average interest rate	0.47%

Borrowing summary	
Total amount	19,500 million yen
Average loan term	4.1 years
Average interest rate	0.44%

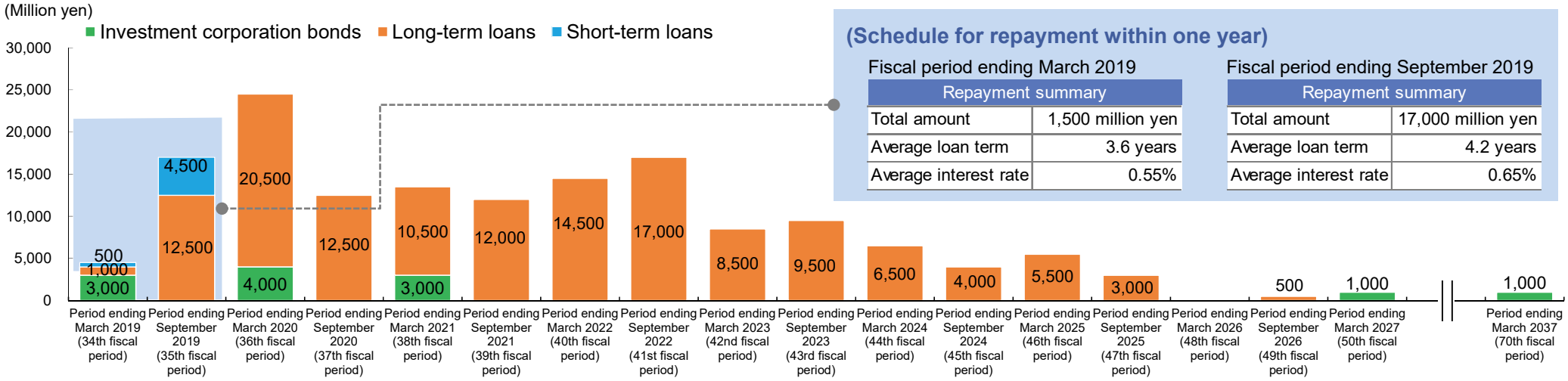
(Note 1) Funds procured from the issuing of investment corporation bonds (3,000 million yen) were allotted to part of repayment sources.

(Note 2) Average interest rates are weighted rates applied when repayments and borrowings are undertaken.

● Changes in borrowings



Loan repayment schedule diversification



(Schedule for repayment within one year)

Fiscal period ending March 2019

Repayment summary	
Total amount	1,500 million yen
Average loan term	3.6 years
Average interest rate	0.55%

Fiscal period ending September 2019

Repayment summary	
Total amount	17,000 million yen
Average loan term	4.2 years
Average interest rate	0.65%

Interest-Bearing Liabilities and Rating

Interest-bearing liabilities

(Million yen)

	March 31, 2018 (End of the 32rd fiscal period)	September 30, 2018 (End of the 33rd fiscal period)	Change
Total interest-bearing liabilities	155,000	155,000	–
Short-term loans	8,500	5,000	-3,500
Long-term loans (including long-term loans due within one year)	137,500	138,000	500
Investment corporation bonds (including investment corporation bonds due within one year)	9,000	12,000	3,000
LTV (Loan To Value ratio)	47.2%	47.1%	-0.1%
Long-term interest-bearing liabilities ratio (including loans expected to be repaid or redeemed within one year)	94.5%	96.8%	2.3%
Fixed interest-bearing liabilities ratio	94.5%	96.8%	2.3%
Average interest for borrowings during fiscal period	0.62%	0.59%	-0.03%
Short-term loans	0.18%	0.18%	0.01%
Long-term loans and investment corporation bonds	0.64%	0.61%	-0.03%
Average duration of interest-bearing liabilities	2.9 years	3.0 years	0.1 years

Rating

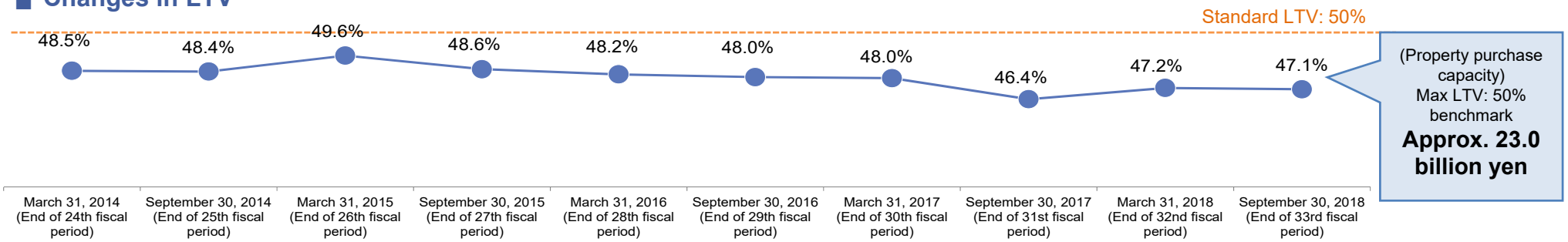
Rating agency	Japan Credit Rating Agency, Ltd. (JCR)
Liabilities rated	Long-Term Issuer Rating
Rating (outlook)	AA (stable)

Breakdown of interest-bearing liabilities (as of the end of September 2018)

(Million yen)

Classification	Lender	Balance of borrowings	(%)
Loans	Mizuho Bank, Ltd.	31,000	20.0%
	MUFG Bank, Ltd.	28,000	18.1%
	Sumitomo Mitsui Banking Corporation	27,000	17.4%
	Sumitomo Mitsui Trust Bank, Limited.	19,000	12.3%
	Development Bank of Japan Inc.	12,500	8.1%
	The Bank of Fukuoka, Ltd.	5,500	3.5%
	Resona Bank, Limited	5,500	3.5%
	Aozora Bank, Ltd.	4,000	2.6%
	The Nishi-Nippon City Bank, Ltd.	2,500	1.6%
	Nippon Life Insurance Company	2,000	1.3%
	Shinkin Central Bank	2,000	1.3%
	The Hachijuni Bank, Ltd.	1,000	0.6%
	Mizuho Trust & Banking Co., Ltd.	1,000	0.6%
	The Ashikaga Bank, Ltd.	1,000	0.6%
	The Dai-ichi Life Insurance Company, Limited	500	0.3%
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	500	0.3%
Subtotal		143,000	92.3%
Investment corporation bonds		12,000	7.7%
Total		155,000	100.0%

Changes in LTV



Interest-Bearing Liabilities

Short-term loans

(Million yen)

Lender	Outstanding balance at end of period	Average interest rate	Draw down date	Repayment date
Resona Bank, Limited	500	Floating 0.19%	October 18, 2017	October 18, 2018
Mizuho Bank, Ltd.	2,000	Floating 0.18%	April 12, 2018	April 12, 2019
THE NISHI-NIPPON CITY BANK, LTD.	1,500	Floating 0.19%	August 31, 2018	August 30, 2019
Resona Bank, Limited	1,000	Floating 0.19%	August 31, 2018	August 30, 2019
Total	5,000			

Long-term loans

(Million yen)

Lender	Outstanding balance at end of period	Average interest rate	Draw down date	Repayment date
Sumitomo Mitsui Banking Corporation	1,000	Fixed 0.72%	February 28, 2014	February 28, 2019
Development Bank of Japan Inc.	2,000	Fixed 0.75%	April 11, 2014	April 11, 2019
Mizuho Bank, Ltd.	1,000	Fixed 0.75%	April 11, 2014	April 11, 2019
Sumitomo Mitsui Banking Corporation	3,000	Fixed 0.96%	April 24, 2013	April 24, 2019
MUFG Bank, Ltd.	2,000	Fixed 1.04%	August 30, 2013	August 30, 2019
Mizuho Bank, Ltd.	1,500	Fixed 0.53%	August 31, 2015	August 30, 2019
Mizuho Bank, Ltd.	1,500	Fixed 0.69%	August 29, 2014	August 30, 2019
Development Bank of Japan Inc.	1,000	Fixed 1.12%	August 31, 2012	August 30, 2019
Tokio Marine & Nichido Fire Insurance Co., Ltd.	500	Fixed 0.17%	August 31, 2016	August 30, 2019
Sumitomo Mitsui Banking Corporation	5,000	Fixed 1.04%	April 12, 2013	October 11, 2019
Sumitomo Mitsui Banking Corporation	2,000	Fixed 0.97%	October 11, 2013	October 11, 2019
Mizuho Bank, Ltd.	1,500	Fixed 0.64%	October 17, 2014	October 17, 2019
Mizuho Bank, Ltd.	1,000	Fixed 0.62%	December 26, 2014	December 26, 2019
The Bank of Fukuoka, Ltd.	500	Fixed 0.62%	December 26, 2014	December 26, 2019
Resona Bank, Limited	500	Fixed 0.62%	December 26, 2014	December 26, 2019
Nippon Life Insurance Company	500	Fixed 0.62%	December 26, 2014	December 26, 2019
THE NISHI-NIPPON CITY BANK, LTD.	500	Fixed 0.57%	December 26, 2014	December 26, 2019
The Bank of Fukuoka, Ltd.	500	Fixed 0.33%	January 31, 2017	January 31, 2020
The Bank of Fukuoka, Ltd.	500	Fixed 0.62%	January 30, 2015	January 31, 2020
MUFG Bank, Ltd.	3,000	Fixed 0.20%	February 29, 2016	February 28, 2020
Sumitomo Mitsui Trust Bank, Limited.	3,000	Fixed 0.63%	February 27, 2015	February 28, 2020
The Hachijuni Bank, Ltd.	1,000	Fixed 0.34%	February 28, 2017	February 28, 2020
Development Bank of Japan Inc.	1,000	Fixed 0.88%	March 12, 2014	March 12, 2020
Sumitomo Mitsui Trust Bank, Limited.	4,000	Fixed 0.65%	April 13, 2015	April 13, 2020
MUFG Bank, Ltd.	4,000	Fixed 1.07%	April 24, 2013	April 24, 2020
MUFG Bank, Ltd.	3,000	Fixed 1.18%	August 30, 2013	August 31, 2020
Nippon Life Insurance Company	500	Fixed 0.63%	August 31, 2015	August 31, 2020
Nippon Life Insurance Company	1,000	Fixed 0.55%	September 30, 2015	September 30, 2020
Sumitomo Mitsui Banking Corporation	3,000	Fixed 1.09%	October 11, 2013	October 9, 2020
MUFG Bank, Ltd.	1,000	Fixed 0.34%	December 26, 2017	December 25, 2020
Mizuho Bank, Ltd.	1,000	Fixed 0.32%	January 19, 2018	January 19, 2021
Development Bank of Japan Inc.	500	Fixed 0.32%	January 19, 2018	January 19, 2021
Sumitomo Mitsui Trust Bank, Limited.	1,500	Fixed 0.27%	February 29, 2016	February 26, 2021
Mizuho Bank, Ltd.	1,000	Fixed 0.27%	February 29, 2016	February 26, 2021
Development Bank of Japan Inc.	1,000	Fixed 1.02%	March 12, 2014	March 12, 2021
MUFG Bank, Ltd.	1,500	Fixed 0.30%	March 31, 2016	March 31, 2021
Sumitomo Mitsui Banking Corporation	5,000	Fixed 1.02%	April 11, 2014	April 9, 2021
MUFG Bank, Ltd.	2,500	Fixed 0.34%	April 13, 2018	April 13, 2021
Resona Bank, Limited	1,000	Fixed 0.28%	April 22, 2016	April 22, 2021
Resona Bank, Limited	500	Fixed 0.28%	May 31, 2016	May 31, 2021
Mizuho Bank, Ltd.	500	Fixed 0.35%	August 30, 2018	August 30, 2021
Mizuho Bank, Ltd.	1,500	Fixed 0.37%	August 31, 2017	August 31, 2021
Mizuho Bank, Ltd.	1,000	Fixed 0.34%	August 31, 2016	August 31, 2021
MUFG Bank, Ltd.	1,500	Fixed 0.89%	October 1, 2014	October 1, 2021
Sumitomo Mitsui Banking Corporation	1,000	Fixed 0.83%	December 26, 2014	December 24, 2021
Sumitomo Mitsui Trust Bank, Limited.	1,000	Fixed 0.41%	December 26, 2017	December 24, 2021
Aozora Bank, Ltd.	500	Fixed 0.83%	December 26, 2014	December 24, 2021
Sumitomo Mitsui Banking Corporation	2,500	Fixed 0.38%	January 19, 2018	January 19, 2022
Mizuho Bank, Ltd.	500	Fixed 0.38%	January 19, 2018	January 19, 2022
The Bank of Fukuoka, Ltd.	2,000	Fixed 0.47%	January 31, 2017	January 31, 2022
Development Bank of Japan Inc.	3,000	Fixed 0.84%	February 27, 2015	February 28, 2022
Sumitomo Mitsui Banking Corporation	1,500	Fixed 0.42%	February 28, 2018	February 28, 2022
MUFG Bank, Ltd.	500	Fixed 0.42%	February 28, 2018	February 28, 2022
The Dai-ichi Life Insurance Company, Limited	500	Fixed 0.45%	February 28, 2017	February 28, 2022
Mizuho Bank, Ltd.	4,000	Fixed 0.47%	April 11, 2017	April 11, 2022
Aozora Bank, Ltd.	1,000	Fixed 0.47%	April 11, 2017	April 11, 2022
MUFG Bank, Ltd.	2,000	Fixed 0.41%	April 13, 2018	April 13, 2022
The Ashikaga Bank, Ltd.	1,000	Fixed 0.44%	April 24, 2017	April 22, 2022
Sumitomo Mitsui Banking Corporation	2,000	Fixed 0.80%	April 30, 2015	April 28, 2022
Sumitomo Mitsui Trust Bank, Limited.	500	Fixed 0.43%	August 30, 2018	August 30, 2022
Sumitomo Mitsui Trust Bank, Limited.	3,500	Fixed 0.44%	August 31, 2017	August 31, 2022
Sumitomo Mitsui Trust Bank, Limited.	2,000	Fixed 0.40%	August 31, 2016	August 31, 2022
Sumitomo Mitsui Trust Bank, Limited.	1,000	Fixed 0.47%	September 29, 2017	September 30, 2022
Sumitomo Mitsui Trust Bank, Limited.	1,500	Fixed 0.44%	January 19, 2018	January 19, 2023
Mizuho Bank, Ltd.	500	Fixed 0.44%	January 19, 2018	January 19, 2023
MUFG Bank, Ltd.	2,500	Fixed 0.49%	February 28, 2018	February 28, 2023
Mizuho Bank, Ltd.	2,000	Fixed 0.49%	February 28, 2018	February 28, 2023
Sumitomo Mitsui Trust Bank, Limited.	1,000	Fixed 0.45%	February 29, 2016	February 28, 2023
Mizuho Trust & Banking, Co., Ltd.	1,000	Fixed 0.45%	February 29, 2016	February 28, 2023
Mizuho Bank, Ltd.	3,500	Fixed 0.47%	April 12, 2016	April 12, 2023
The Bank of Fukuoka, Ltd.	1,000	Fixed 0.43%	April 22, 2016	April 21, 2023
THE NISHI-NIPPON CITY BANK, LTD.	500	Fixed 0.49%	April 24, 2018	April 24, 2023
Mizuho Bank, Ltd.	1,500	Fixed 0.48%	August 31, 2016	August 31, 2023
Development Bank of Japan Inc.	1,000	Fixed 0.51%	August 31, 2018	August 31, 2023
Resona Bank, Limited	1,000	Fixed 0.48%	August 31, 2016	August 31, 2023
MUFG Bank, Ltd.	500	Fixed 0.43%	August 31, 2018	August 31, 2023
Development Bank of Japan Inc.	500	Fixed 0.54%	September 29, 2017	September 29, 2023
Resona Bank, Limited	1,000	Fixed 0.46%	October 18, 2016	October 18, 2023
Development Bank of Japan Inc.	1,500	Fixed 0.64%	February 28, 2017	February 29, 2024
Aozora Bank, Ltd.	2,000	Fixed 0.54%	March 11, 2016	March 11, 2024
Shinkin Central Bank	2,000	Fixed 0.57%	March 19, 2018	March 19, 2024
Mizuho Bank, Ltd.	3,000	Fixed 0.56%	April 24, 2018	April 24, 2024
The Bank of Fukuoka, Ltd.	1,000	Fixed 0.56%	May 31, 2018	May 31, 2024
Mizuho Bank, Ltd.	1,500	Fixed 0.56%	January 19, 2018	January 17, 2025
MUFG Bank, Ltd.	500	Fixed 0.56%	January 19, 2018	January 17, 2025
Mizuho Bank, Ltd.	1,000	Fixed 0.65%	February 28, 2018	February 28, 2025
Sumitomo Mitsui Banking Corporation	1,000	Fixed 0.65%	February 28, 2018	February 28, 2025
MUFG Bank, Ltd.	500	Fixed 0.65%	February 28, 2018	February 28, 2025
Development Bank of Japan Inc.	1,000	Fixed 0.64%	March 19, 2018	March 19, 2025
MUFG Bank, Ltd.	3,000	Fixed 0.68%	August 31, 2018	August 29, 2025
Aozora Bank, Ltd.	500	Fixed 0.72%	April 24, 2018	April 24, 2026
Total	138,000			

Investment corporation bonds

(Million yen)

Issue	Balance at end of period	Interest rate	Issue date	Maturity date
Seventh unsecured investment corporation bonds	3,000	0.11%	February 25, 2016	February 25, 2019
Eighth unsecured investment corporation bonds	4,000	0.00%	February 23, 2017	February 21, 2020
Tenth unsecured investment corporation bonds	3,000	0.01%	June 21, 2018	February 26, 2021
Sixth unsecured investment corporation bonds	1,000	1.07%	February 26, 2015	February 26, 2027
Nineth unsecured investment corporation bonds	1,000	1.08%	February 23, 2017	February 23, 2037
Total	12,000			

(Note 1) The short-term loans, long-term loans, and investment corporation bonds are all unsecured and unguaranteed.
(Note 2) The interest rate for the 8th unsecured investment corporation bond is 0.001%. In addition, the bond is issued over par (at a price exceeding the par value), and thus the yield to maturity is about 0.0003% annually.

Total interest-bearing liabilities at the end of the period: ¥155,000 million

Borrowed and issued during the 33rd period ended September 2018.

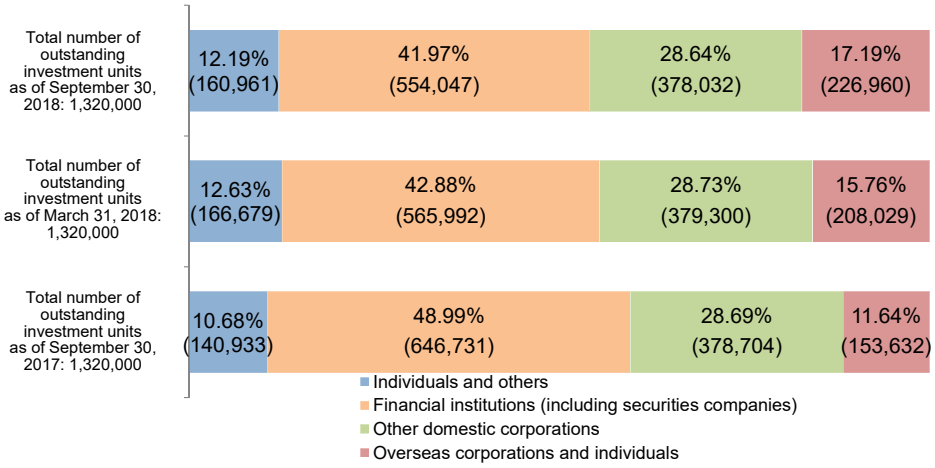
(Reference) Investors

Top 10 Unitholders (Total number of outstanding investment units: 1,320,000)

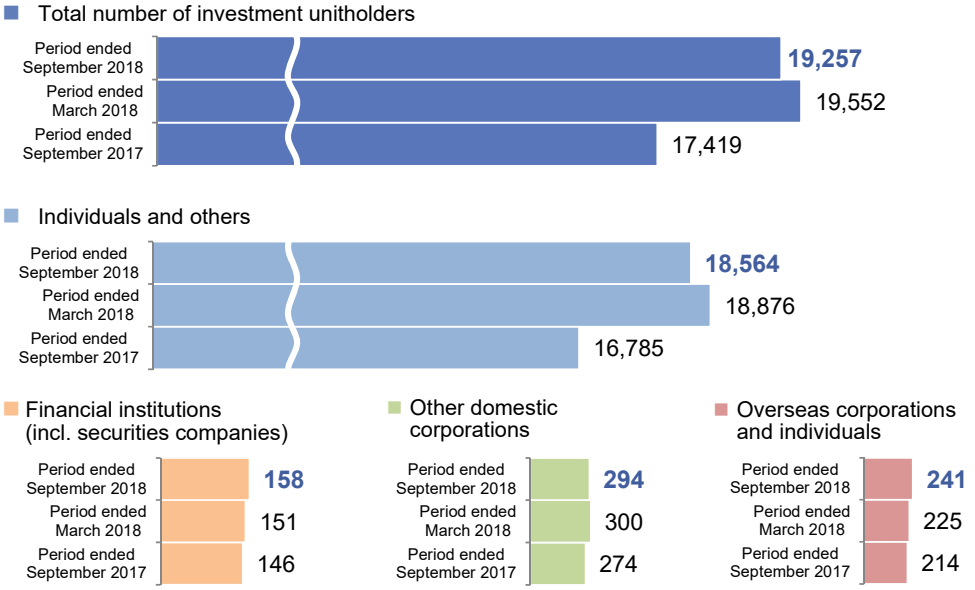
(As of September 30, 2018)

Unitholders	Number of units held	Ownership ratio
MORI TRUST Holdings, Inc.	350,070	26.52%
Japan Trustee Services Bank, Ltd. (trust account)	166,730	12.63%
The Master Trust Bank of Japan, Ltd. (trust account)	132,665	10.05%
The Nomura Trust and Banking Co., Ltd. (investment trust)	41,293	3.13%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	30,841	2.34%
DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	15,141	1.15%
STATE STREET BANK WEST CLIENT - TREATY 505234	14,507	1.10%
NOMURA BANK (LUXEMBOURG) S.A.	14,283	1.08%
LEGAL + GENERAL ASSURANCE PENSIONS MANAGEMENT LIMITED	12,070	0.91%
JP MORGAN CHASE BANK 385771	11,907	0.90%
Total of top 10 unitholders	789,507	59.81%

Changes in investment unitholder ratio by owner (End of each fiscal period)



Changes in number of investment unitholders by owner (End of each fiscal period)



4. Initiatives Related to ESG

Initiatives Related to ESG (1)

Sustainability Policy/System for Promotion of Sustainability

The asset management company of MTR establishes the "sustainability policy" and proceeds with the initiatives for environmental consideration, contribution to society, strengthening of governance in organizations and others in asset management operations to enhance the value of unitholders of the investment corporation in the medium to long term.

Sustainability Policy

1. **Promoting energy savings and GHG emissions reduction**
   Promotion of efficient use of energy in assets under management, introduction of facilities conducive to energy saving and low carbonization
2. **Contributing to recycling-oriented society**
   Promotion of initiatives for effective use of limited resources, including 3R for water saving and waste reduction
3. **Streamlining the internal management system and strengthening compliance**
   Establishment of the internal system for the effective promotion of initiatives under this policy, compliance with laws and regulations, educational and awareness-raising activities concerning ESG directed at employees
4. **Collaborating with external stakeholders**
   Construction of good relationships with tenants, customers, local communities and other external stakeholders
5. **Disclosing ESG information**
   Broad disclosure of this policy and information regarding the situations of initiatives for sustainability, among others

Meeting for promotion of sustainability

To systematically promote initiatives for ESG, the "meeting for promotion of sustainability" is held periodically. Specific future goals are set, progress is checked, and environmental monitoring evaluations of properties held are conducted continuously, among other activities.

Employee training on sustainability

To spread the awareness of sustainability among employees, employee training on sustainability is provided periodically by inviting outside consulting companies as part of the environmental educational and awareness-raising activities.

Acquisition of Outsiders' Recognition

Acquisition of DBJ Green Building certification

Certification program under the five-grade evaluation for real estate with environmental/social consideration that uses the scoring model developed independently by Development Bank of Japan Inc.
Tokyo Shiodome Building acquired "DBJ Green Building certification (2016)." The building is regarded as a building with exceptionally high environmental and social awareness (four stars).



Building with exceptionally high environmental and social awareness

DBJ Green Building 2016

GRESB Real Estate Assessment

Annual benchmarking of environment, society and governance (ESG) performance of the real estate sector, established mainly by a group of European pension funds.
MTR was highly regarded for its excellent environmental consideration and actions for sustainability in management and policy and in implementation and measurement in this assessment in 2018. It thus gained a **Green Star** rating for the second consecutive year.

GRESB REAL ESTATE

Initiatives Related to ESG (2)

Consideration for the Environment

Introduction of LED Lighting

MTR introduced LED lighting and lighting equipment with human sensors successively in rooms for rent and common areas of the properties held. Energy saving activities for reducing the environmental burden are promoted.
(Examples of introduction: ON Building, Kioicho Building, Shin-Yokohama TECH Building, Hiroo MTR Building, etc.)



(Hiroo MTR Building)



(Midosuji MTR Building)

Introduction of Highly Efficient Heating Systems/ Renewal of air-conditioning systems

MTR is working on increasing comfort and reducing CO2 through the introduction of highly efficient heating systems whose energy efficiency is excellent and renewal with highly efficient air-conditioning systems whose energy saving performance is high upon the replacement of air-conditioning systems.
(Examples of introduction: Shin-Yokohama TECH Building, Hotel Okura Kobe, Ito-Yokado Shonandai, etc.)



(Hotel Okura Kobe)

Introduction of green lease

MTR concluded a memorandum for a green lease for the purpose of reducing the environmental burden with the tenants of some of the properties it held. Information sharing about electricity, gas and water consumption and discussions on the improvement of environmental performance will be conducted on a regular basis.

Contribution to Society

Community Cleaning Activities and Launch of public bicycle systems

MTR regularly engages in community cleaning activities around the Shibuya area. In addition, to improve comfort for the health of tenants and convenience for communities, MTR provides the "Chiyokuru" public bicycle system in Chiyoda-ku on the premises of Kioicho Building.



(Around SHIBUYA FLAG)



(Kioicho Building)

Cooperation in community events

Through participation and cooperation in "Midosuji Illuminations 2018" and participation in the town planning council, MTR endeavors to contribute to the sustainable development of local communities.



(Midosuji MTR Building)

Disaster prevention measures, initiatives for increasing tenant satisfaction

- Conduct of disaster drills
- Installation of emergency boxes in elevators
- Provision of a location for the storage of emergency supplies for tenants without charge
- Installation of emergency power supply systems
- Separation of smoking areas
- Installation of Automated External Defibrillators (AEDs)
- Invitation of packed meal sellers

MEMO

5. Characteristics of MORI TRUST Sogo Reit, Inc.

Basic Policy and Characteristics of MORI TRUST Sogo Reit, Inc. (1)

Basic Policy

Stable operations over the medium and long terms

- Progressing with steady accumulation of portfolio property assets
- Securing stable income

Operate with a view toward "Profitability," "Stability" and "Growth Possibility"

Stable operations

- Steady growth of asset size
- Maintaining high occupancy rates
- Stable distributions

Features of MORI TRUST Sogo Reit, Inc.

"Diversified REIT" with a portfolio consisting mainly of office buildings in central Tokyo

1. Construction of a stable portfolio with selectively acquired properties
   - Selectively investing in properties that contribute to stable operations over the medium and long terms
2. Broad collaboration with the Mori Trust Group
   - Strong pipeline for the acquisition and disposition of real estate
3. Solid financial strategy
   - Maintaining an appropriate level of LTV with conservative LTV as the basis

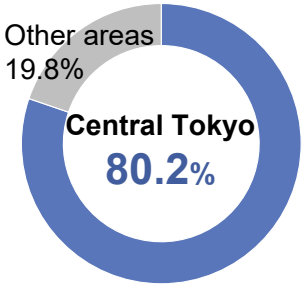
1 Construction of a stable portfolio with selectively acquired properties

Investments (as of September 30, 2018)

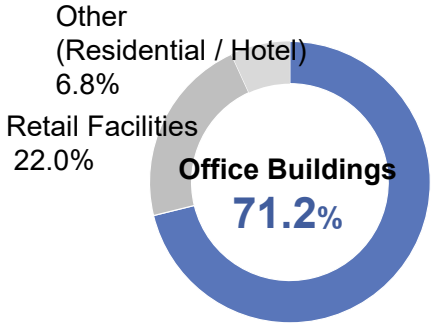
Number of properties: 15 properties

Asset size: 324.0 billion yen
(Total acquisition price)

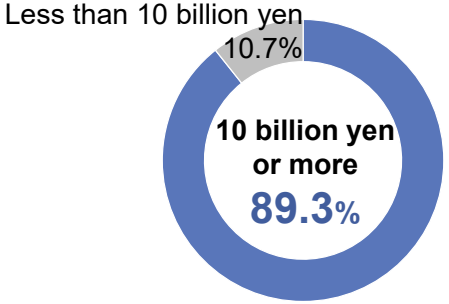
By region



By use



By acquisition price



Target portfolio and actual performance

		Region				Total	
		Central Tokyo (Note 1)		Other areas (Note 2)			
		Target	Actual	Target	Actual	Target	Actual
Use	Office Buildings	60–70%	63.8%	10–20%	7.4%	70–90%	71.2%
	Retail Facilities / Other (Note 3)	0–10%	16.4%	10–20%	12.4%	10–30%	28.8%
Total		60–80%	80.2%	20–40%	19.8%	100%	

(Note 1) "Central Tokyo" refers to Chiyoda, Chuo, Minato, Shinagawa, Shibuya and Shinjuku wards.
(Note 2) "Other Areas" refers to greater Tokyo (Kanagawa, Chiba and Saitama Prefectures, and the Tokyo Metropolitan Area (excluding central Tokyo) and other major regional cities.
(Note 3) Restricted to investments in residential properties and hotels for the foreseeable future.
(Note 4) The investment ratios are based on acquisition prices.

Basic Policy and Characteristics of MORI TRUST Sogo Reit, Inc. (2)

2 Broad collaboration with the Mori Trust Group

Investment units held by the Mori Trust Group **350,070 units (26.5%) held** (as of September 30, 2018)

Pipeline for the acquisition and disposition of real estate

The Investment Corporation and Mori Trust Co., Ltd. have entered into an agreement on the provision of information on real estate, etc. between the Investment Corporation and three companies of the Mori Trust Group.

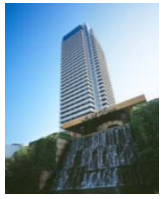
Acquisitions (as of September 30, 2018)

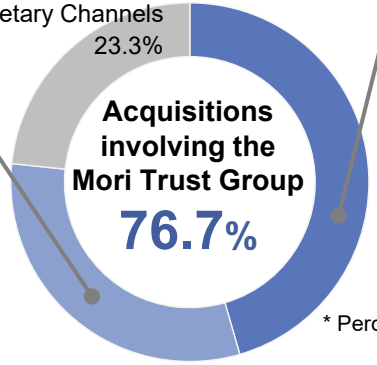
Acquisitions Based on Information Provided by the Mori Trust Group **31.2%**


ON Building

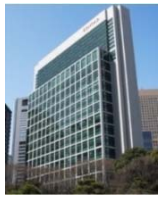

Kioicho Building


Shin-Yokohama TECH Building


Hotel Okura Kobe



Acquisitions from the Mori Trust Group **45.5%**


Tokyo Shiodome Building


Osaki MT Building


Shinbashi Ekimae MTR Building


Ito-Yokado Shonandai

* Percentage based on acquisition price

Recent dispositions

Dispositions to the Mori Trust Group: Akasaka-Mitsuke MT Building (2010), Mita MT Building (2014)

Dispositions based on information provided by the Mori Trust Group: Ginza MTR Building (2014 and 2015), Osaka Marubeni Building (2015), Ito-Yokado Shin-Urayasu (2017)

Harnessing the real estate leasing and management knowhow of the Mori Trust Group

The Investment Corporation seeks to increase the profitability of the portfolio by harnessing the real estate leasing and management knowhow of the Mori Trust Group.

3 Solid financial strategy

- Conservative LTV is the basis, and the 50% upper limit of LTV is the benchmark.
- Diversify repayment maturities
- Procure short-term borrowings and long-term debt in a balanced manner, paying attention to reducing financing costs and the effect of changes in the financial environment
- Establish a credit line to ensure flexible fundraising (Mizuho Bank: ¥10 billion; Sumitomo Mitsui Banking: ¥10 billion)

Mori Trust Group

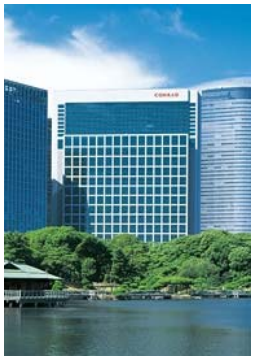
Since its founding in 1951, the Mori Trust Group has engaged in large urban development projects primarily in the central Tokyo area, with property holding, leasing, operation, and management. Through the success of this core business, in which the Group has envisioned the future of cities and continued to provide functions truly needed by people, the Group ensures high profitability and stable income and is building a strong financial foundation.

1st stage 1951 – 1992	2nd stage 1993 – 2004	3rd stage 2005 – 2015	4th stage 2016 –
Founded Mori Trust Group	Increased competitiveness as a corporate group	Developed real estate, hotel, and resort investment business	Respond to globalism and promote innovation

1990 / 2000 / 2005 / 2010 / 2015 / 2020


Gotenyama Trust Tower
Completed in 1990


Shiroyama Trust Tower
Completed in 1991


Tokyo Shiodome Building
Completed in 2005


Marunouchi Trust City
Completed in 2008


Sendai Trust City
Completed in 2010


Kyobashi Trust Tower
Completed in 2014


Tokyo World Gate
Scheduled for completion in 2020


(tentative name)
Akasaka 2-chome Project
Scheduled for completion in 2024

Mori Trust Group lease operation facilities

Holds and operates a large number of properties in central Tokyo and central areas of major cities (Sendai and Osaka)

Total number of facilities: **194**

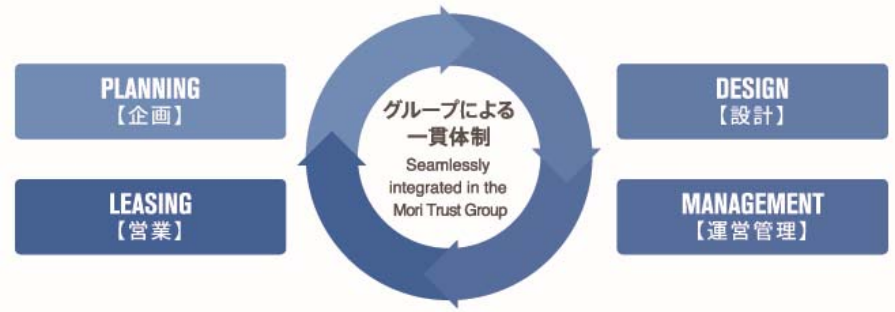
Operated area:
Approx. **1,580,000** m²

Buildings for lease: **177** buildings, approx. **1,340,000** m²

(As of June 30, 2018)

System of real estate development

Applies expertise built in property marketing, operation, and management to building planning and design



Major Properties Held, Developed, etc. in Central Tokyo by Mori Trust Group



(tentative name)
Akasaka 2-chome Project



Shiroyama Garden



Kamiyacho MT Building



Marunouchi Trust City



Kyobashi Trust Tower



Tokyo World Gate

Properties held, developed, etc. by Mori Trust Group
Properties held by the Investment Corporation

Kioicho Building (held by the Investment Corporation)

Imperial Palace

Tokyo Station

Diet Building

Shinbashi Ekimae MTR Building (held by the Investment Corporation)

Shimbashi Station

Tokyo Shiodome Building (held by the Investment Corporation)

Other areas in central Tokyo



Shinagawa

Gotenyama Trust City

Other areas



Sendai

Sendai Trust City



Osaka

Shin-Osaka Trust Tower

Note: As of the end of October 2018, there is not plan for the Investment Corporation to acquire the above properties.

6. Reference

Balance Sheets

(Unit: thousand yen)

	Period ended March 2018 (As of March 31, 2018)	Period ended September 2018 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	14,203,997	15,874,564
Cash and deposits in trust	2,856,068	2,871,670
Operating accounts receivable	57,780	59,097
Prepaid expenses	32,765	39,147
Consumption tax receivable	9474	—
Other	3,276	—
Total current assets	17,163,361	18,844,479
Non-current assets		
Property, plant and equipment		
Buildings	24,463,454	23,848,519
Structures	34,327	34,289
Machinery and equipment	45,100	42,930
Tools, furniture and fixtures	32,913	31,525
Land	136,672,529	136,672,529
Buildings in trust	18,625,958	18,230,844
Structures in trust	21,673	27,032
Machinery and equipment in trust	636	4,579
Tools, furniture and fixtures in trust	26,963	27,832
Land in trust	130,930,959	130,939,930
Total property, plant and equipment	310,854,517	309,860,013
Intangible assets		
Software	57	38
Other	240	240
Total intangible assets	297	278
Investments and other assets		
Guarantee deposits	10,000	10,000
Long-term prepaid expenses	16287	13,219
Other	3,602	3,602
Total investments and other assets	29,889	26,821
Total non-current assets	310,884,704	309,887,113
Deferred assets		
Investment corporation bond issuance costs	31,682	39,245
Total deferred assets	31,682	39,245
Total assets	328,079,749	328,770,839

	Period ended March 2018 (As of March 31, 2018)	Period ended September 2018 (As of September 30, 2018)
Liabilities		
Current liabilities		
Operating accounts payable	187,300	567,456
Short-term loans payable	8,500,000	5,000,000
Current portion of investment corporation bonds	3,000,000	3,000,000
Current portion of long-term loans payable	15,500,000	13,500,000
Accounts payable – other	114,199	153,933
Accrued expenses	500,934	505,657
Dividends payable	10,589	9,998
Income taxes payable	818	682
Accrued consumption taxes	—	281978
Advances received	1,456,726	1,440,423
Deposits received	24,789	14,843
Total current liabilities	29,295,358	24,474,974
Non-current liabilities		
Investment corporation bonds	6,000,050	9,000,037
Long-term loans payable	122,000,000	124,500,000
Tenant leasehold and security deposits	9,486,811	9,545,984
Tenant leasehold and security deposits in trust	905,569	874,186
Deferred tax liabilities	500,351	495,206
Total non-current liabilities	138,892,782	144,415,414
Total liabilities	168,188,140	168,890,389
Net assets		
Unitholders' equity		
Unitholders' capital	153,990,040	153,990,040
Surplus		
Voluntary retained earnings		
Reserve for reduction entry	1,115,915	1,083,568
Total voluntary retained earnings	1,115,915	1,083,568
Unappropriated retained earnings	4,785,653	4,806,841
Total surplus	5,901,568	5,890,409
Total unitholders' equity	159,891,608	159,880,449
Total net assets	159,891,608	159,880,449
Total liabilities and net assets	328,079,749	328,770,839

Statements of Income and Retained Earnings

Statements of Income

(Unit: thousand yen)

	Period ended March 2018 (October 1, 2017 to March 31, 2018)	Period ended September 2018 (April 1, 2018 to September 30, 2018)
Operating revenue		
Lease business revenue	8,406,855	8,428,133
Other lease business revenue	279,452	391,641
Total operating revenue	8,686,308	8,819,775
Operating expenses		
Expenses related to rent business	2,990,885	3,091,850
Asset management fee	328,060	334,082
Asset custody fee	16,364	16,408
Administrative service fees	51,275	53,288
Directors' compensations	6,000	6,000
Other operating expenses	45,536	54,538
Total operating expenses	3,438,121	3,556,168
Operating income	5,248,186	5,263,606
Non-operating income		
Interest income	381	209
Reversal of dividends payable	1,658	759
Interest on tax refund	—	219
Insurance income	6,259	1,989
Other	1,764	—
Total non-operating income	10,063	3,178
Non-operating expenses		
Interest expenses	462,695	444,015
Interest expenses on investment corporation bonds	15,208	12,629
Amortization of investment corporation bond issuance costs	8,745	7,727
Total non-operating expenses	486,648	464,373
Ordinary income	4,771,601	4,802,411
Profit before income taxes	4,771,601	4,802,411
Income taxes - current	876	714
Income taxes - deferred	(14,928)	(5,144)
Total income taxes	(14,051)	(4,430)
Profit	4,785,653	4,806,841
Unappropriated retained earnings	4,785,653	4,806,841

(Breakdown of Real Estate Leasing Business Income)

(Unit: thousand yen)

	Period ended March 2018 (October 1, 2017 to March 31, 2018)	Period ended September 2018 (April 1, 2018 to September 30, 2018)
A. Rental revenues		
Lease business revenue		
Rent	8,029,007	8,048,072
Common charges	254,238	256,451
Land leasing revenues	123,609	123,609
Other lease business revenue	279,452	391,641
Total rental revenues	8,686,308	8,819,775
B. Property-related expenses		
Property management expenses		
Property management fees	421,253	459,139
Utilities	203,054	256,830
Property and other taxes	876,912	898,027
Casualty insurance	17,994	19,156
Repair expenses	161,896	166,918
Depreciation and amortization	1,282,788	1,262,337
Other expenses	26,983	29,441
Tota property-related expenses	2,990,885	3,091,850
C. Profit and losses from real estate business (A-B)	5,695,423	5,727,924

Statement of Cash Distributions / Statements of Cash Flows

Statement of Cash Distributions

(Unit: yen)

	Period ended March 2018 (October 1, 2017 to March 31, 2018)	Period ended September 2018 (April 1, 2018 to September 30, 2018)
I. Unappropriated retained earnings	4,785,653,121	4,806,841,700
II. Reversal of voluntary retained earnings		
Reversal of reserve for reduction entry	32,346,879	11,158,300
III. Distribution amount	4,818,000,000	4,818,000,000
(Distribution amount per unit)	(3,650)	(3,650)
IV. Retained earnings carried forward	0	0

Statements of Cash Flows

(Unit: thousand yen)

	Period ended March 2018 (October 1, 2017 to March 31, 2018)	Period ended September 2018 (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	4,771,601	4,802,411
Depreciation	1,282,788	1,262,337
Amortization of investment corporation bond issuance costs	8,745	7,727
Interest income	(381)	(209)
Interest expenses	477,903	456,645
Decrease (increase) in operating accounts receivable	10,319	(1,316)
Increase (decrease) in operating accounts payable	(379,346)	305,837
Decrease (increase) in consumption tax refund receivable	(9,474)	9,474
Increase (decrease) in accrued consumption taxes	(359,769)	281,978
Increase (decrease) in advances received	25,221	(16,302)
Other, net	(55,649)	663
Subtotal	5,771,961	7,109,246
Interest income received	381	209
Interest expenses paid	(482,803)	(462,535)
Income taxes paid	(1,057)	(850)
Net cash provided by operating activities	5,288,481	6,646,069
Cash flows from investing activities		
Purchase of property, plant and equipment	(240,569)	(119,593)
Purchase of property, plant and equipment in trust	(8,521,688)	(108,533)
Repayments of tenant leasehold and security deposits	(91,991)	(412,708)
Proceeds from tenant leasehold and security deposits	313,686	409,145
Repayments of tenant leasehold and security deposits in trust	(3,810)	(8,139)
Proceeds from tenant leasehold and security deposits in trust	79,345	113,811
Net cash used in investing activities	(8,465,027)	(126,017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,000,000	(3,500,000)
Proceeds from long-term loans payable	22,500,000	15,000,000
Repayments of long-term loans payable	(18,500,000)	(14,500,000)
Proceeds from issuance of investment corporation bonds	—	3,000,000
Redemption of investment corporation bonds	(4,000,000)	—
Payments for investment corporation bond issuance costs	—	(15,290)
Dividends paid	(6,552,208)	(4,818,591)
Net cash used in financing activities	(3,552,208)	(4,833,882)
Net increase (decrease) in cash and cash equivalents	(6,728,754)	1,686,169
Cash and cash equivalents at beginning of period	23,788,819	17,060,065
Cash and cash equivalents at end of period	17,060,065	18,746,235

Changes in Indicators

(Million yen)

	Period ended September 2016 (29th fiscal period)	Period ended March 2017 (30th fiscal period)	Period ended September 2017 (31st fiscal period)	Period ended March 2018 (32nd fiscal period)	Period ended September 2018 (33rd fiscal period)	Formula
Operating revenues	8,658	8,869	11,606	8,686	8,819	
Gain on sale of real estate	—	—	2,813	—	—	
Operating expenses	3,630	3,636	3,812	3,438	3,556	
Operating income	5,028	5,233	7,794	5,248	5,263	
Ordinary income	4,477	4,707	7,280	4,771	4,802	
Profit	4,596	4,722	7,049	4,785	4,806	
Total distribution	4,712	4,755	6,552	4,818	4,818	
Total assets	333,092	332,575	327,438	328,079	328,770	
Interest-bearing liabilities	160,000	159,500	152,000	155,000	155,000	
Total net assets	159,354	159,364	161,658	159,891	159,880	
Unrealized gain/loss	19,493	22,195	33,072	33,395	41,469	
NAV	178,847	181,560	194,731	193,287	201,350	NAV = Total net assets + Unrealized gain/loss
Profits from real estate rental business	5,467	5,673	5,508	5,695	5,727	
Depreciation and amortization	1,402	1,394	1,373	1,282	1,262	
NOI	6,869	7,067	6,882	6,978	6,990	NOI = Profits from real estate rental business + Depreciation and amortization
FFO	5,998	6,116	5,610	6,068	6,069	FFO = Profit + Depreciation and amortization – Gain/loss on sale of real estate
Capital improvements	235	151	470	237	253	
Net cash flows	6,633	6,916	6,411	6,740	6,736	NCF = NOI – Capital improvements
ROA (annualized)	2.7%	2.8%	4.4%	2.9%	2.9%	ROA = (Ordinary income / Total assets) / 6 × 12 * Annualized
ROE (annualized)	5.8%	5.9%	8.7%	6.0%	6.0%	ROE = (Profit / Total net assets) / 6 × 12 * Annualized
LTV ratio	48.0%	48.0%	46.4%	47.2%	47.1%	LTV = Interest-bearing liabilities / Total assets
Total number of outstanding investment units	1,320,000 units	1,320,000 units	1,320,000 units	1,320,000 units	1,320,000 units	
Distribution per unit	3,570 yen	3,603 yen	4,964 yen	3,650 yen	3,650 yen	
Total net assets per unit	120,723 yen	120,730 yen	122,468 yen	121,130 yen	121,121 yen	
NAV per unit	135,490 yen	137,545 yen	147,523 yen	146,429 yen	152,538 yen	
FFO per unit	4,544 yen	4,633 yen	4,250 yen	4,597 yen	4,597 yen	

Changes in Occupancy Rate

Monthly Occupancy Rates for Each Use Category (from end of previous period to end of current period)

Use		(Period ended March 2018) March 31, 2018	Apr. 30, 2018	May. 31, 2018	Jun. 30, 2018	Jul. 31, 2018	Aug. 31, 2018	(Period ended September 2018) September 30, 2018
Office Buildings	Master lease basis	99.6%	99.5%	99.5%	99.4%	99.4%	98.1%	99.2%
	(Sublease basis)	(98.9%)	(98.8%)	(98.7%)	(98.7%)	(98.9%)	(97.7%)	(98.9%)
Retail Facilities		100%	100%	100%	100%	100%	100%	100%
Other		99.8%	99.8%	100%	100%	100%	100%	100%
Total	Master lease basis	99.8%	99.7%	99.8%	99.7%	99.7%	99.1%	99.6%
	(Sublease basis)	(99.5%)	(99.4%)	(99.4%)	(99.4%)	(99.5%)	(98.9%)	(99.5%)

Property-Related Occupancy Rate (Most Recent 5 Fiscal Periods)

Use	Name	September 30, 2016 (End of 29th fiscal period)	March 31, 2017 (End of 30th fiscal period)	September 30, 2017 (End of 31st fiscal period)	March 31, 2018 (End of 32nd fiscal period)	September 30, 2018 (End of 33rd fiscal period)
Office Buildings	Tokyo Shiodome Building	100%	100%	100%	100%	100%
	ON Building	100%	100%	100%	100%	100%
	Kioicho Building (Note 2)	96.7% (94.8%)	99.9% (98.1%)	99.9% (98.1%)	99.9% (98.7%)	99.9% (99.9%)
	Osaki MT Building (Note 3)	100% (96.7%)	100% (92.7%)	100% (92.7%)	100% (92.7%)	100% (100%)
	Midosuji MTR Building (Note 4)	100% (96.7%)	100% (95.0%)	100% (95.5%)	100% (100%)	100% (96.4%)
	Hiroo MTR Building (Note 5)	–	–	–	99.5%	84.2%
	Tenjin Prime (Note 5)	94.6%	100%	100%	100%	89.1%
	Shin-Yokohama TECH Building	97.8%	98.8%	92.6%	95.7%	98.7%
Retail Facilities	SHIBUYA FLAG (Note 5)	100%	100%	100%	100%	100%
	Shinbashi Ekimae MTR Building	100%	100%	100%	100%	100%
	Ito-Yokado Shonandai	100%	100%	100%	100%	100%
	Kohnan Sagamihara-Nishihashimoto	100%	100%	100%	100%	100%
	Frespo Inage	100%	100%	100%	100%	100%
Hotel	Hotel Okura Kobe	100%	100%	100%	100%	100%
Residential	Park Lane Plaza	93.5%	100%	100%	96.8%	100%
Total (Note 6)		99.6% (99.3%)	99.9% (99.5%)	99.7% (99.2%)	99.8% (99.5%)	99.6% (99.5%)

(Note 1) The occupancy rate for each asset, such as real estate, is the percentage of the total rented area out of the total rentable area. The total occupancy rate is based on assets, such as real estate, held by MTR as of the end of each fiscal period.
(Note 2) Regarding the office portion of the Kioicho Building, MTR leases the building portion of the Kioicho Building from a fiduciary trust company under a master lease agreement and subleases it to tenants. For the residential section, MTR enters into a pass-through master lease agreement. The occupancy rates stated above are those under the sublease agreement for the office portion and the master lease agreement for the residential portion. The figure in brackets for the occupancy rate of the building is the occupancy rate based on the sublease agreements of the office and residential portions of the building.
(Note 3) A master lease agreement under which rent income is linked to rents under a sublease agreement has been concluded for Osaki MT Building, and the figure in brackets for the occupancy rate of the building is the occupancy rate based on the sublease agreement.
(Note 4) The agreement used for the Midosuji MTR Building is the master lease pass-through model, and the occupancy rate in brackets for the building is that based on the sublease agreement.
(Note 5) MTR leases the land and building of Hiroo MTR Building, Tenjin Prime and SHIBUYA FLAG from a fiduciary trust company under a master lease agreement and subleases it to tenants. The occupancy rates of the above properties are for those under the sublease agreements.
(Note 6) The occupancy rate in brackets is the total that was calculated based on occupancy rates in the sublease agreements for Kioicho Building, Osaki MT Building and the Midosuji MTR Building.

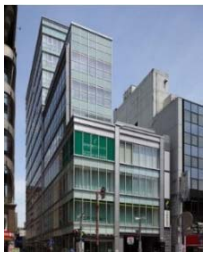
Portfolio Summary and Breakdown of Property-Related Revenues/Expenses (1)

	Office Buildings					
	Tokyo Shiodome Building	ON Building	Kioicho Building	Osaki MT Building	Midosuji MTR Building	Hiroo MTR Building (Former name: Hiroo SK Building)
						
Location	Minato Ward, Tokyo	Shinagawa Ward, Tokyo	Chiyoda Ward, Tokyo	Shinagawa Ward, Tokyo	Chuo Ward, Osaka	Shibuya Ward, Tokyo
Construction completion	January, 2005	November 1990	November 1989	July 1994 (Renovated in 2008)	March 1999	November 1992
Acquisition date	April 2010	August 2008	October 2014	March 2005, and other	April 2015	January 2018
Acquisition price	110,000 million yen	39,900 million yen	34,300 million yen	14,386 million yen	10,170 million yen	8,100 million yen
Book value	102,811 million yen	39,403 million yen	33,652 million yen	13,222 million yen	10,149 million yen	8,398 million yen
Appraisal value	131,000 million yen	31,400 million yen	37,100 million yen	13,700 million yen	10,400 million yen	8,150 million yen
Total floor space	191,394.06 m^2 (Note 1)	32,812.27 m^2	63,535.55 m^2 (Note 2)	26,980.68 m^2 (Note 3)	15,129.16 m^2	6,709.80 m^2
PML (Note 4)	6.0%	8.0%	11.3%	11.5%	2.1%	7.3%

Rental revenues (thousand yen)	Tokyo Shiodome Building		ON Building		Kioicho Building		Osaki MT Building		Midosuji MTR Building		Hiroo MTR Building (Former name: Hiroo SK Building)	
	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018
Rental revenues	2,795,000	2,795,000	Undisclosed (Note 5)	Undisclosed (Note 5)	1,050,664	1,071,612	312,794	321,235	294,525	278,719	98,982	175,069
Rent	2,795,000	2,795,000			942,255	947,800	311,813	320,090	241,208	230,658	69,148	122,621
Common charges	—	—			10,168	10,168	—	—	21,478	14,959	17,973	28,123
Land leasing revenues	—	—			—	—	—	—	—	—	—	—
Other rental revenues	—	—			98,240	113,643	980	1,144	31,838	33,101	11,861	24,324
Property-related expenses	895,059	919,404			559,437	567,024	101,281	113,525	153,397	160,424	21,599	57,729
Property and other taxes	382,515	406,295			86,705	88,343	36,276	36,618	37,617	39,308	—	40
Property taxes	382,515	406,295			85,379	87,018	36,276	36,618	37,617	39,308	—	—
Other taxes	—	—			1,325	1,325	—	—	—	—	—	40
Overhead expenses	3,391	3,744			320,337	343,977	8,386	20,811	60,975	71,330	13,437	41,257
Property management fees	—	—			241,882	240,997	—	6,670	29,869	35,264	3,670	7,687
Utilities	—	—			58,700	86,575	—	—	26,486	27,421	6,166	17,746
Casualty insurance	3,391	3,744			1,246	1,352	713	795	499	557	117	230
Trust fees	—	—			800	800	—	—	500	500	157	400
Other expenses	—	—			17,708	14,252	7,672	13,345	3,620	7,585	3,325	15,192
Depreciation and amortization	509,152	509,364			152,394	134,703	56,618	56,094	54,804	49,785	8,161	16,431
Profits and losses from real estate business	1,899,940	1,875,595	562,036	539,781	491,227	504,587	211,512	207,709	141,127	118,295	77,383	117,340
Earnings before depreciation and amortization (NOI)	2,409,092	2,384,959	646,979	625,200	643,622	639,291	268,131	263,804	195,932	168,080	85,545	133,771
NOI yield (Note 6)	4.3%		3.1%		3.7%		3.7%		3.3%		3.3%	

(Note 1) The Tokyo Shiodome Building is a co-owned building and the floor area of 95,697.03m^2 is calculated by multiplying MTR's co-owned interest (ratio of 50/100) with the total floor space.
(Note 2) MTR has acquired sectional ownership of the Kioicho Building. The total floor space stated is the total floor space for the portion of one building that represents the sectional ownership. The exclusive portion of the floor space owned by a fiduciary of the trust in which MTR is the sole beneficiary is 24,598.85 m^2.
(Note 3) The Osaki MT Building is a co-owned building, and the floor area of 24,495.21m^2 is calculated by multiplying MTR's co-owned interest (ratio of 907,880/1,000,000) with the total floor space.
(Note 4) Probable Maximum Loss (PML) refers to the expected maximum loss ratio caused by an earthquake based on a loss confidence value of 90%. The expected maximum-level earthquake refers to an earthquake that occurs once every 50 years with a 10% excess-probability. This means that an earthquake of this magnitude statistically occurs once every 475 years.
(Note 5) The rental revenues and property-related expenses of ON Building are not disclosed because tenants' consent to disclosure has not been obtained.
(Note 6) NOI earnings yield is calculated by converting NOI in the fiscal period ended September 2018 to an annual basis.

Portfolio Summary and Breakdown of Property-Related Revenues/Expenses (2)

	Office Buildings				Retail Facilities							
	Tenjin Prime		Shin-Yokohama TECH Building		SHIBUYA FLAG		Shinbashi Ekimae MTR Building		Ito-Yokado Shonandai		Kohnan Sagamihara-Nishihashimoto	
												
Location	Chuo Ward, Fukuoka		Kohoku Ward, Yokohama		Shibuya Ward, Tokyo		Minato Ward, Tokyo		Fujisawa City, Kanagawa		Midori Ward, Sagamihara	
Construction completion	October 2008		Building A: February 1986 Building B: February 1988		August 2009		April 1999		November 2002		August 2005	
Acquisition date	July 2012		November 2003		April 2013		April 2007		March 2003		October 2012	
Acquisition price	6,940 million yen		6,900 million yen		32,040 million yen		18,000 million yen		11,600 million yen		7,460 million yen	
Book value	6,680 million yen		6,768 million yen		32,568 million yen		17,376 million yen		9,937 million yen		7,344 million yen	
Appraisal value	8,440 million yen		6,160 million yen		40,600 million yen		21,200 million yen		11,700 million yen		8,500 million yen	
Total floor space	7,722.04 m^2		25,187.22 m^2		7,766.49 m^2		7,820.45 m^2		53,393.66 m^2		40,283.77 m^2	
PML (Note 4)	6.4%		8.7%		11.9%		12.2%		14.0%		13.5%	
Rental revenues (thousand yen)	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018
Rental revenues	278,307	314,229	315,870	333,273			459,000	459,000	395,045	395,045		
Rent	240,684	198,092	279,666	296,687			459,000	459,000	395,000	395,000		
Common charges	20,560	20,560	1,515	96			—	—	—	—		
Land leasing revenues	—	—	—	—			—	—	—	—		
Other rental revenues	17,062	95,576	34,687	36,488			—	—	45	45		
Property-related expenses	79,107	110,179	199,284	198,902			49,551	51,149	148,377	130,737		
Property and other taxes	22,445	24,036	29,488	29,989			30,589	32,636	39,744	39,186		
Property taxes	22,445	24,036	29,488	29,989	Undisclosed (Note 7)	Undisclosed (Note 7)	30,589	32,636	39,744	39,186	Undisclosed (Note 7)	Undisclosed (Note 7)
Other taxes	—	—	—	—			—	—	—	—		
Overhead expenses	28,390	57,710	114,259	111,248			1,387	1,485	45,308	31,662		
Property management fees	7,423	27,978	58,087	58,453			1,200	1,200	1,620	1,620		
Utilities	12,652	12,170	37,147	39,231			—	—	—	—		
Casualty insurance	185	206	723	806			187	205	893	982		
Trust fees	750	750	—	—			—	—	—	—		
Other expenses	7,378	16,605	18,300	12,757			—	80	42,795	29,060		
Depreciation and amortization	28,271	28,432	55,536	57,664			17,574	17,027	63,324	59,888		
Profits and losses from real estate business	199,200	204,050	116,585	134,370	663,928	664,765	409,448	407,850	246,667	264,308	188,340	185,104
Earnings before depreciation and amortization (NOI)	227,471	232,482	172,122	192,035	687,490	688,355	427,022	424,878	309,992	324,196	225,711	222,480
NOI yield (Note 6)	6.7%		5.6%		4.3%		4.7%		5.6%		6.0%	

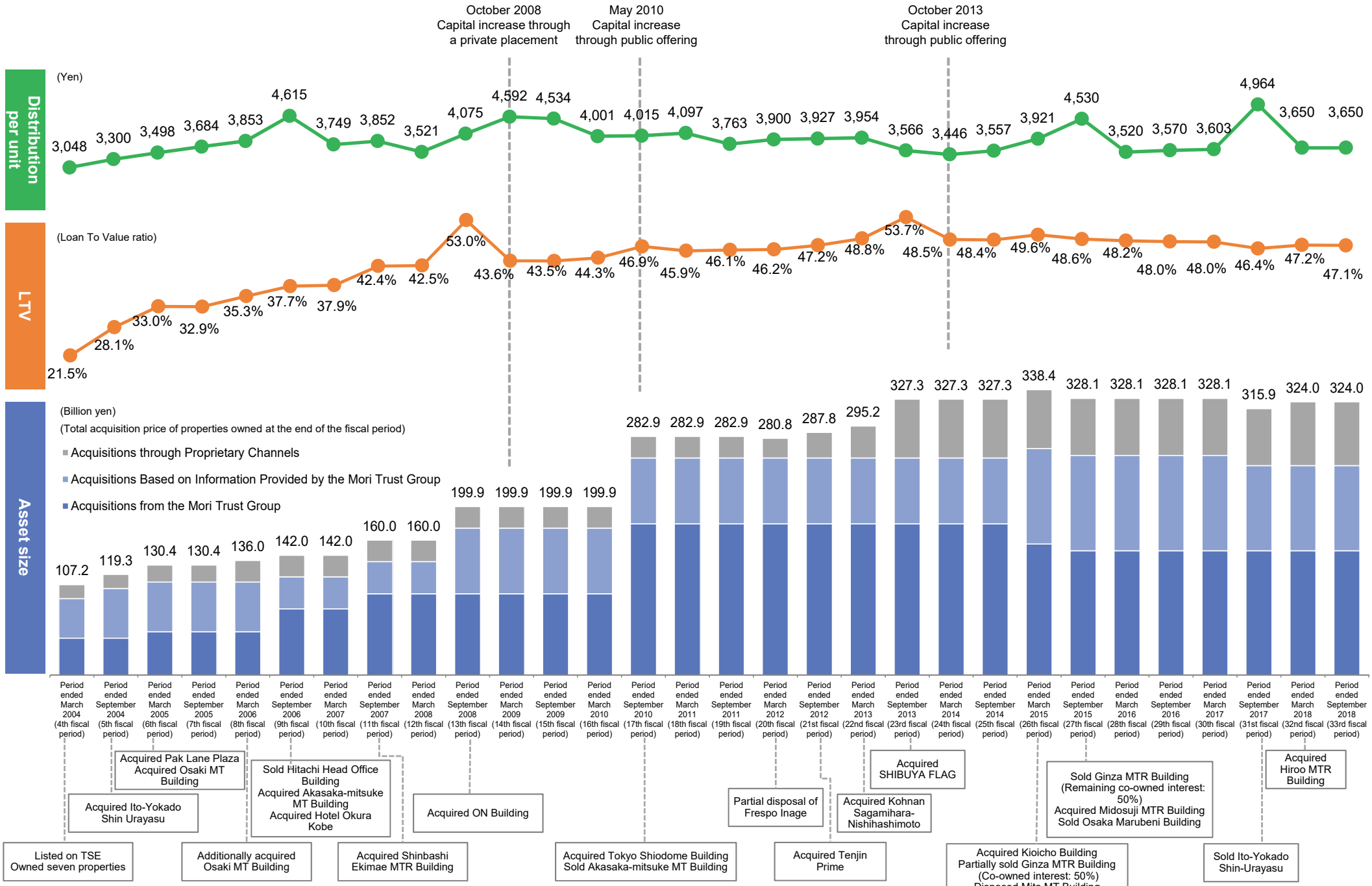
(Note 7) The rental revenues and property-related expenses of SHIBUYA FLAG and Kohnan Sagamihara-Nishihashimoto are not disclosed because tenants' consent to disclosure has not been obtained.

Portfolio Summary and Breakdown of Property-Related Revenues/Expenses (3)

	Retail Facilities		Hotel		Residential		Total	
	Frespo Inage		Hotel Okura Kobe		Park Lane Plaza			
								
Location	Inage Ward, Chiba		Chuo Ward, Kobe		Shibuya Ward, Tokyo		–	
Construction completion	–		March 1989 (Expanded March 1995)		June 1988		–	
Acquisition date	March 2002		September 2006		December 2004		–	
Acquisition price	2,100 million yen		19,000 million yen		3,200 million yen		324,096 million yen	
Book value	2,193 million yen		16,184 million yen		3,168 million yen		309,860 million yen	
Appraisal value	2,650 million yen		16,700 million yen		3,630 million yen		351,330 million yen	
Total floor space	(39,556.71 m^2) (Note 8)		72,246.86 m^2		5,246.78 m^2		–	
PML (Note 4)	–		17.8%		14.9%		5.4% (Note 9)	
Rental revenues (thousand yen)	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018	Period ended March 2018	Period ended September 2018
Rental revenues	123,609	123,609	640,599	625,493	103,553	104,103	8,686,308	8,819,775
Rent	–	–	640,599	625,493	93,836	94,376	8,029,007	8,048,072
Common charges	–	–	–	–	9,043	9,043	254,238	256,451
Land leasing revenues	123,609	123,609	–	–	–	–	123,609	123,609
Other rental revenues	–	–	–	–	672	683	279,452	391,641
Property-related expenses	8,019	8,019	340,381	306,227	31,336	34,794	2,990,885	3,091,850
Property and other taxes	7,269	7,269	88,514	73,428	6,902	7,187	876,912	898,027
Property taxes	7,269	7,269	88,514	73,428	6,902	7,187	875,584	894,709
Other taxes	–	–	–	–	–	–	1,328	3,317
Overhead expenses	750	750	72,509	57,941	12,718	15,904	831,183	931,485
Property management fees	–	–	–	–	7,823	8,580	421,253	459,139
Utilities	–	–	–	–	2,267	2,446	203,054	256,830
Casualty insurance	–	–	8,248	8,291	144	160	17,994	19,156
Trust fees	750	750	2,000	2,000	–	–	6,607	6,850
Other expenses	–	–	62,261	47,649	2,482	4,716	182,272	189,509
Depreciation and amortization	–	–	179,356	174,857	11,716	11,701	1,282,788	1,262,337
Profits and losses from real estate business	115,589	115,589	300,218	319,266	72,216	69,308	5,695,423	5,727,924
Earnings before depreciation and amortization (NOI)	115,589	115,589	479,574	494,123	83,932	81,010	6,978,212	6,990,261
NOI yield (Note 6)	11.0%		5.2%		5.1%		4.3%	

(Note 8) The floor area of Frespo Inage is the area of the real estate trust associated with the real estate trust's beneficiary rights.
(Note 9) Portfolio PML is calculated by assuming an earthquake with an epicenter close to Tokyo's Minato Ward out of multiple earthquake scenarios.

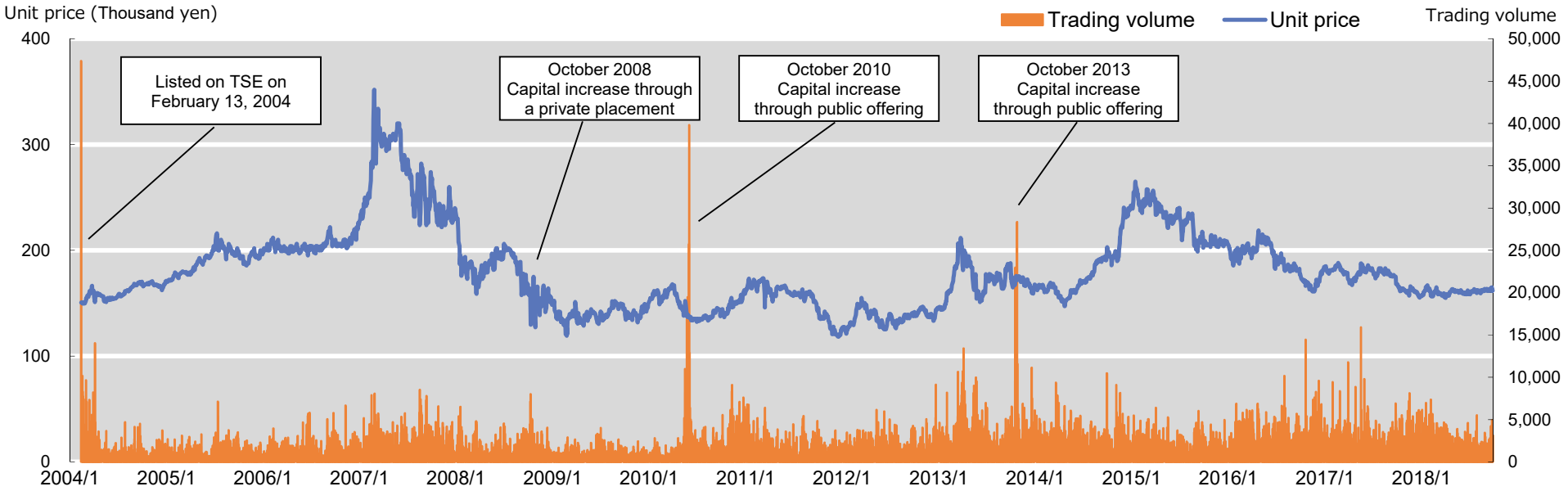
Changes in Asset Size, LTV and Distribution Per Unit



(Note) Investment units were split at a ratio of 1 to 5 as of April 1, 2014. Distribution per unit before the split is the actual distribution per unit divided by five and rounded down to the nearest yen.

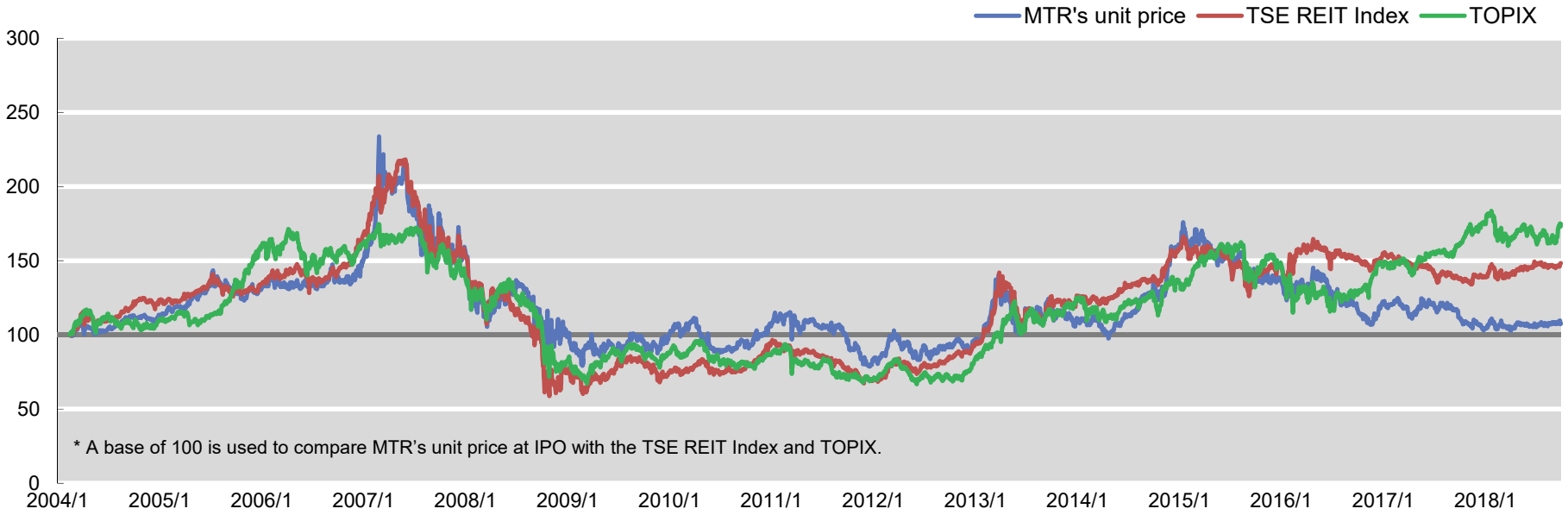
Changes in Unit Prices

Closing Unit price and trading volume February 13, 2004 to September 30, 2018



(Note) Unit price and trading volume take into account the split of investment units (at the ratio of 1 to 5 units) on April 1, 2014, and figures prior to April 1, 2014 are revised accordingly.

Comparative performance of closing Unit price February 13, 2004 to September 30, 2018



Asset Management Company Remuneration Methods

(The end of the fiscal period ended September 2018)

Agreement		Calculation rate for remuneration	Calculation method
Remuneration Method 1	For each operation period, the average amount of the total appraisal value of assets at the end of the settlement period under review and the total appraisal value of assets at the end of the previous settlement period shall be multiplied by up to 0.2%, being the percentage determined by the Board of Management meeting, multiplied by one half.	0.15% (Note 1)	(Total appraisal value of assets at relevant fiscal period-end + Total appraisal value of assets at prior fiscal period-end) ÷ 2 x 0.15% x 1/2
Remuneration Method 2	As determined at the Board of Management meeting, the amount of remuneration shall equal a maximum rate of 3% of distributable income for the relevant fiscal period. Based on standard accounting principles generally accepted in Japan, distributable income is determined as the sum of profit before income taxes and losses carried forward.	1.5% (Note 2)	Distributable income x 1.5%
Remuneration Method 3	In the event MTR acquires specified assets of securities backed by assets for investment primarily in real estate or other real estate, the rate of remuneration shall be a set percentage of the acquisition price of each property acquisition (excluding consumption tax, local consumption tax and transaction-related expenses), as listed below. The percentages listed below may be reduced depending upon surrounding circumstances. - For acquisitions up to ¥15 billion, remuneration is 0.4% of the amount - For acquisitions from ¥15 billion to ¥30 billion, remuneration is 0.1% of the amount - For acquisitions above ¥30 billion, remuneration is 0.05% of the amount	Refer to left column	Total amount of the acquisition price percentage listed in the left column
Remuneration Method 4	In the event MTR transfers specified assets of securities backed by assets for investment primarily in real estate or other real estate, the rate of remuneration shall be 0.05% of the transfer amount of each asset transfer (excluding consumption tax, local consumption tax and transaction-related expenses).	Refer to left column	Transfer amount x 0.05%

(Note 1) At a Board of Management meeting held on September 29, 2003, it was decided that the calculation rate for remuneration in the rate stated above will be reduced.
(Note 2) At a Board of Management meeting held on November 27, 2003, it was decided that the calculation rate for remuneration in the rate stated above will be reduced.

Disclaimer / Contact Information

Disclaimer

- This document is intended to provide information about the business performance and strategies of MORI TRUST Sogo Reit, Inc. (MTR). It is not intended and should not be construed as an inducement or invitation to purchase or invest in the products or investment units of MTR. We caution readers to contact their securities company representative if intending to acquire or sell any of MTR's investment products or investment units.
- This document includes forecasts and other forward-looking statements that are based on certain assumptions and judgments made by MTR and MORI TRUST Asset Management Co., Ltd. based on the information currently available to them. Such forward-looking statements are subject to risks and uncertainties and are not guarantees of future performance. Actual future results may differ materially from the forward-looking statements and forecasts.
- While MTR takes all reasonable care in the preparation of this document, it does not guarantee the accuracy and completeness of its content.
- Readers are also cautioned that the contents of this document may be changed or deleted without prior notice.
- This document should not be construed as a disclosure document prepared in accordance with the Financial Instruments and Exchange Act.
- Readers are advised to exercise their own independent judgment when making any investment decision.
- This English document is provided as a service and is not intended to be an official statement. Should a discrepancy be found, the Japanese original will always govern the meaning and interpretation.

Contact Information

Asset Management Company	MORI TRUST Asset Management Co., Ltd. Finance and Planning Department (IR Section) (Financial instruments and exchange business registration with the Kanto Local Finance Bureau, License No. 407/ Member of the Investment Trusts Association, Japan
Tel.	03-6435-7011

MEMO