

For Immediate Release

Real Estate Investment Trust Securities Issuer
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(Securities Code: 8961)

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Notice Concerning Transfer of Domestic Real Estate
(Hashimoto MTR Building (Former Name: Kohnan Sagamihara-Nishihashimoto))

MORI TRUST Asset Management Co., Ltd. (the “Asset Management Company”), the asset management company that manages assets on behalf of MORI TRUST REIT, Inc. (“MTR”), hereby announces its decision today to transfer of the domestic real estate (the “Asset to be Transferred,” and the transfer of the “Asset to be Transferred”; the “Transfer”) it owns as described below.

Details

1. Overview of the Transfer

(1) Name of the Asset to be Transferred	Hashimoto MTR Building (Former name: Kohnan Sagamihara-Nishihashimoto) (Note1) (i) One-half of co-ownership (the “1st Transfer”) (ii) One-half of co-ownership (the “2nd Transfer”) (As the Transfer is scheduled to be executed over two transactions, in this section, the details related to the 1st Transfer are described as (i) and those related to the 2nd Transfer are described as (ii). Matters common to both the 1st Transfer and the 2nd Transfer are not described separately.)
(2) Anticipated Transfer Price	(i) 4,250 million yen (ii) 4,250 million yen Total 8,500 million yen (Note2)
(3) Book Value	7,026 million yen (Note3)
(4) Gain or Loss on the Transfer (Approximately)	(i) 0.5 billion yen (ii) 0.7 billion yen Total 1.3 billion yen (Note4)

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(5) Buyer	Undisclosed (For details, please refer to “5. Overview of Buyer” below.)
(6) Broker	Yes (Note5)
(7) Anticipated Contract Date	April 22, 2024
(8) Anticipated Transfer Date	(i) April 23, 2024 (ii) September 2, 2024
(9) Settlement Method	Lump sum receipt at delivery on each anticipated transfer date.

(Note1) The name of Kohnan Sagamihara-Nishihashimoto was changed to "Hashimoto MTR Building" on September 28, 2023.

(Note2) Excluding various transfer expenses, settlement money including property tax and city planning tax, etc.

(Note3) Book value indicates the amount as of the end of the fiscal period ended February 2024.

(Note4) The figure is an approximate value calculated as the difference between the anticipated transfer price and the sum of the book value and transfer costs, etc. (some of which have not yet been determined). It may differ from the actual gain or loss on the Transfer.

(Note5) The broker for the Transfer neither falls under the category of interested persons, etc. as provided in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) nor interested parties as provided in the Asset Management Company’s internal rules “Rules for Transactions with Interested Parties.”

2. Reason for Sale

For the Asset to be Transferred, as a tenant that had leased the whole building moved out due to the expiration of the fixed-term building lease agreement on September 27, 2023, MTR carefully considered both re-tenanting (leasing to successor tenant) and sale regarding its future management policy.

MTR decided on the Transfer after judging that executing early sale would contribute to the improvement of unitholder value more than re-tenanting over the medium to long term due to the following reasons.

- As for re-tenanting, it may take time until the move-in by the successor tenant due to the size of the Asset to be Transferred and the status of inquiries in the most recent period, and the level of distributions will continue to be lower than before during the vacancy period due to the burden of ownership cost. In addition, it is highly likely that the rent level will be far below that of the previous tenant.
- On the other hand, as for sale, multiple inquires offering a value exceeding the book value have been received, and it is possible to raise the level of distributions with the gain on sale of real estate over two fiscal periods as well as contribute to the stabilization of future distributions through retaining part of it internally. Also, matters of concern can be solved at a relatively early stage.

3. Details of the Asset to be Transferred

The details of the Asset to be Transferred are presented in the table below.

Name of the Asset to be Transferred		Hashimoto MTR Building (Former name: Kohnan Sagamihara-Nishihashimoto)				
Use		Retail facility				
Type of specified asset		Real estate				
Acquisition date		October 18, 2012				
Acquisition price		7,460 million yen				
Ownership form	Land	Ownership				
	Building	Ownership				
Land	Parcel number	5-4-4 Nishihashimoto, Midori-Ku, Sagamihara				
	Displayed address	5-4-3 Nishihashimoto, Midori-Ku, Sagamihara				
	Site area	19,878.57m ²				
	Use district	Commercial district, fire prevention district				
Building	Structure and number of floors	Steel frame, five floors above ground				
	Completion of construction	August 2005				
	Total floor area	40,283.77m ²				
	Parking lot capacity	862 vehicles				
	Builder	TOA CORPORATION				
Appraisal value (Date of value)		6,620 million yen (February 29, 2024)				
Appraisal agency		Japan Real Estate Institute				
Leasing details	Number of tenants	0				
	Monthly rent	-				
	Leasehold and security deposits	-				
	Rent area	-				
	Rentable area	40,283.77m ²				
	Changes in occupancy rate (Note)	End of Mar. 2022	End of Sep. 2022	End of Feb. 2023	End of Aug. 2023	End of Feb. 2024
	100%	100%	100%	100%	0%	

(Note) In the fiscal period ended February 28, 2023, MTR changed its fiscal period end from the end of March and the end of September each year to the end of February and the end of August each year. In “Changes in occupancy rate,” in order to indicate the occupancy rates as of the end of each fiscal period, the occupancy rates as of the end of March and the end of September each year are indicated until 2022 and the occupancy rates as of the end of February and the end of August each year from 2023.

4. Matters Related to Forward Commitment, Etc. (Note)

The Transfer falls under the category of Forward Commitment, etc.

The purchase and sale agreement regarding the Transfer (the “Agreement”) stipulates that, if the counterparty fails to fulfill its obligations under the Agreement, MTR or the buyer may cancel the Agreement after giving notice. When the Agreement is cancelled due to a breach of obligation, the breaching party shall pay an amount equivalent to 20% of the purchase/sale price as a penalty to the counterparty.

With regard to the Transfer, there are no financing risks and other concerns since MTR is the seller, and it is believed that it is unlikely to have a significant negative impact on MTR's finances and payment of distributions as the risk of being unable to fulfill the obligations under Agreement is low.

(Note) In the Comprehensive Guideline for Supervision of Financial Instruments Business Operators, etc. set by the Financial Services Agency, "Forward Commitment, Etc." is defined as postdated purchase and sale agreement where the settlement and delivery of the asset are to take place one month or more after the conclusion of agreement or similar.

5. Overview of Buyer

The buyer is a Japanese operating company, but its information is not disclosed due to a lack of consent for disclosure. MTR and the Asset Management Company have no particular capital, personnel, or business relationships with the buyer. The buyer does not fall under the category of a related party.

6. Future Outlook

With the Transfer, gain on sale of real estate, etc. will be generated in the fiscal period ending August 2024 (from March 1, 2024 to August 31, 2024) and February 2025 (from September 1, 2024 to February 28, 2025), respectively, and part of which will be internally reserved. For the details of MTR's management status for the fiscal period ending August 2024 and February 2025, please refer to "Financial Summary (REIT) for Fiscal Period Ended February 29, 2024" separately announced today.

7. Summary of Appraisal Report

Property name	Hashimoto MTR Building (Former name: Kohnan Sagamihara-Nishihashimoto)	
Appraisal value	6,620,000 thousand yen	
Appraisal agency	Japan Real Estate Institute	
Date of value	February 29, 2024	
Item	Figures (unit: thousand yen)	Summary, etc.
Indicated value by income approach	6,620,000	Assessed based on DCF method and direct capitalization method
Indicated value by direct capitalization method	6,650,000	-
(1) Operating income ((i) - (ii))	322,812	-
(i) Gross potential income	322,812	Assessed based on the terms and conditions of assumed new lease agreement
(ii) Vacancy loss, etc.	-	Assumed whole building lease, not recorded
(2) Operating expenses	7,377	-
Maintenance expenses	-	Assumed to be paid by lessee, not recorded
Utilities expenses	-	Assumed to be paid by lessee, not recorded
Repair expenses	5,254	Assessed with reference to repair costs, etc. of similar properties
Property management fees	1,200	Assessed with reference to property management fees of similar properties, etc.
Tenant recruiting expenses, etc.	-	Not recognized because long-term lease of the whole building is expected
Property and other taxes	-	Assumed to be paid by lessee, not recorded
Insurance premiums	923	Assessed by referring to the insurance premium based on the insurance contract
Other expenses	-	-
(3) Net operating income (NOI) ((1) - (2))	315,435	-
(4) Financial interests on refundable deposits	3,228	Assessed by multiplying the estimated amount of deposit by an estimated investment yield of 1.0%
(5) Capital expenditure reserve	12,590	Assessed by considering the repairs, maintenance and renewal expenses stated in the engineering report
(6) Net cash flow ((3) + (4) - (5))	306,073	-
(7) Capitalization rate	4.6%	Assessed based on the yield of the property that is considered to have the lowest investment risk, and adding/subtracting the spread based on the property's location, building conditions, etc., as well as considering future uncertainties and transaction yields for similar properties, etc.
Indicated value by DCF method	6,580,000	-
Discount rate	4.0%	Assessed by comprehensively considering the individual characteristics of the subject property, etc., by reference to the investment yields, etc. of similar properties
Terminal capitalization rate	4.5%	Assessed by comprehensively considering the future trend of investment yields, the riskiness of the subject property as targeted for investment, general forecasts of future economic growth rates, and trends in real estate prices and rents, etc., by reference to the transaction yields of similar properties.
Indicated value by cost approach	7,090,000	-
Ratio of land	85.7%	-
Ratio of building	14.3%	-

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Other matters noted in the appraisal by the appraisal agency

In light of the subject real estate's demand expecting to come primarily from corporate investors making decisions with a focus on profitability due to its various attributes including locational characteristics and building use, the indicated value by income approach replicating the price formation process from the aspect of revenue has been adopted and the appraisal value was determined with a focus on the indicated value by cost approach as just reference

* MORI TRUST REIT's website: <https://www.mt-reit.jp/en/>

[Attachment]

Reference Portfolio List After the Transfer (Scheduled as of September 2, 2024)

[Attachment]

Reference Portfolio List After the Transfer (Scheduled as of September 2, 2024) (Note2)

Usage Etc.	Property Name	Location	Hotel Grade	Acquisition Price (million yen) (Note3)	Investment Ratio (%) (Note4)		
Core Assets	Office	Tokyo Shiodome Building (Hotel: Conrad Tokyo)	Minato Ward, Tokyo	(Luxury)	82,539	17.9	
		Kamiyacho Trust Tower	Minato Ward, Tokyo	—	51,660	11.2	
		ON Building	Shinagawa Ward, Tokyo	—	39,900	8.6	
		Kioicho Building	Chiyoda Ward, Tokyo	—	34,300	7.4	
		Sendai MT Building	Miyagino Ward, Sendai	—	15,800	3.4	
		Osaki MT Building	Shinagawa Ward, Tokyo	—	14,386	3.1	
		Midosuji MTR Building	Chuo Ward, Osaka	—	10,170	2.2	
		Hiroo MTR Building	Shibuya Ward, Tokyo	—	8,100	1.8	
		Tenjin Prime	Chuo Ward, Fukuoka	—	7,050	1.5	
		Shin-Yokohama TECH Building	Kohoku Ward, Yokohama	—	6,900	1.5	
		Sub Total	—	—	270,805	58.6	
	Hotel	Shangri-La Tokyo	Chiyoda Ward, Tokyo	Luxury	49,200	10.7	
		Hilton Odawara Resort & Spa	Odawara City, Kanagawa	Upper upscale	7,100	1.5	
		Hotel Okura Kobe	Chuo Ward, Kobe	Upper upscale	19,000	4.1	
		Courtyard by Marriott Tokyo Station	Chuo Ward, Tokyo	Upscale	17,017	3.7	
		Courtyard by Marriott Shin-Osaka Station	Yodogawa Ward, Osaka	Upscale	17,400	3.8	
		Hotel Sunroute Plaza Shinjuku	Shibuya Ward, Tokyo	Upper midscale	32,500	7.0	
		Sub Total	—	—	142,217	30.8	
	Others	Retail Facility	SHIBUYA FLAG	Shibuya Ward, Tokyo	—	32,040	6.9
			Ito-Yokado Shonandai	Fujisawa City, Kanagawa	—	11,600	2.5
			Frespo Inage	Inage Ward, Chiba	—	2,100	0.5
Residential		Park Lane Plaza	Shibuya Ward, Tokyo	—	3,200	0.7	
Sub Total		—	—	48,940	10.6		
Total		—	—	461,962	100.0		

(Note1) The usage of a property with more than one use is determined based on the main use of the building.

(Note2) The portfolio list assumed as of September 2, 2024, the anticipated completion date of the Transfer.

(Note3) The “acquisition price” stated is the amount (sales prices stated in sales contracts, etc.) that does not include various expenses (sales commission charges, property and other taxes, etc.) that were incurred when the relevant portfolio was acquired. However, for properties owned by MORI TRUST Hotel Reit, Inc. (“MTH”) which merged on March 1, 2023, the appraisal value as of the end of February 2023, which is their worth at the time of merger with MTH, is shown. The amount equivalent to the co-ownership interest or quasi-co-ownership interest held by MTR is indicated.

(Note4) The “investment ratio” is the ratio of the acquisition prices of each asset against the total acquisition price of the portfolio, and is rounded to the first decimal place.

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