

[Translation]

April 25, 2018

Report on the Management Structure and System of the Issuer of Real Estate Investment Trust Units and Related Parties

Issuer of Real Estate Investment Trust Units

Mori Hills REIT Investment Corporation

Hideyuki Isobe, Executive Director

(Securities Code: 3234)

Asset Manager

Mori Building Investment Management Co., Ltd.

Hideyuki Isobe, President & CEO

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1. Basic Information

(1) Basic Policy concerning Compliance

The directors of Mori Hills REIT Investment Corporation (the “Company”) ensure thorough compliance by complying with the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (the “Investment Trust Act”), the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”), and other relevant laws and regulations and internal rules. In addition, in order to ensure that the supervisory directors exercise their supervisory rights and investigative rights, the Company has established a system by which executive directors report to supervisory directors concerning execution of business

and ensures that the Company's board meetings can be held flexibly (such as by utilizing telephone conference or similar means of communication). With respect to the two supervisory directors, the Company is making efforts to build a strong governance structure by appointing outside experts, namely as a lawyer and a real estate appraiser and by fully utilizing internal checking functions.

Mori Building Investment Management Co., Ltd. (the "Asset Manager") is required to perform its business operations in good faith and with due care of a prudent manager for the Company in line with the purpose of the investment management business, and accordingly performs sincere asset investment and management pertaining to real estate properties based on an appropriate compliance structure and internal control structure in order for the Company to gain high trust from the securities market and investors.

In addition, well aware that failure to ensure thorough compliance can undermine investors' trust in the securities market and the corporate management base of the Company and the Asset Manager, the Asset Manager positions thorough compliance as a basic principle of corporate management and, headed by the Asset Manager's Board of Directors, the President & CEO (the person responsible ultimately for compliance), Compliance Department, Compliance Officer (the person responsible for overseeing compliance), and the Compliance Committee make decisions on the various matters concerning compliance and conduct inspections of compliance (inspections of compliance with laws and regulations, etc.) under their respective authority and responsibility.

The "compliance structure" of the Asset Manager is as follows:

(i) Asset Manager's Board of Directors

The Asset Manager's Board of Directors consists of two directors and one outside director elected from outside the Asset Manager, and in addition to performing the monitoring function of directors with one corporate auditor, establishes and amends the basic policies for compliance, the "compliance manual," and the "compliance program" as the decision-making body for basic matters relating to promotion of compliance. The Asset Manager's Board of Directors receives a report from the Compliance Department about progress of the compliance program at least once every three months and as necessary. In principle, the acquisition and disposition of properties, the establishment and amendment of the management policies (including the management guidelines and asset management plan), and related party transactions between the Company and certain related parties (subject to "2. Management Structure and System of the Company and the Asset Manager – (3) Policies on Transactions Involving Conflicts of Interest – (i) Policy and Management System for Dealing with Transactions Involving Conflicts of Interest – (A) Internal Rules Regarding Prevention of Transactions Involving Conflicts of Interest" below; the same applies hereafter) require resolutions by the Asset Manager's Board of Directors.

(ii) President & CEO

President & CEO is the person ultimately responsible for compliance.

(iii) Compliance Department

The Compliance Department organizes, plans, and promotes compliance in general as a department responsible for overseeing compliance. In addition, if the Compliance Department determines that a problem is arising or likely to arise from compliance viewpoint, the Compliance Department gives related departments necessary opinions or instructions.

(iv) Compliance Officer

The Compliance Officer is the person responsible for overseeing compliance and the chairman of the Compliance Committee. In addition, at present, the Compliance Officer concurrently serves as a head of the Compliance Department to organize, plan, and promote compliance in general. With respect to matters to be deliberated at the Compliance Committee, the Compliance Officer performs certain deliberative functions such as deliberation from the viewpoint of laws and regulations, etc.

(v) Compliance Committee

The Compliance Committee deliberates and resolves matters set forth in “Regulations of the Compliance Committee” in terms of ensuring compliance. For details, please refer to “2. Management Structure and System of the Investment Corporation and the Asset Manager – (3) Policies on Transactions Involving Conflicts of Interest – (i) Policy and Management System for Dealing with Transactions Involving Conflicts of Interest – (D) Overview of the Compliance Committee” below.

## (2) Unitholders

As of January 31, 2018

Name	Relationship with the Company, the Asset Manager, or the Sponsor and the Background to the Unit holding	Number of Units Owned (units)	Percentage (%) (Note 1)
Japan Trustee Services Bank, Ltd. (Trust account)	N/A	377,591	21.6
Mori Building Co., Ltd.	The parent company of the Asset Manager. It has concluded a Support Agreement (Note 2) with the Company and the Asset Manager.	262,772	15.0
The Master Trust Bank of Japan, Ltd. (Trust account)	N/A	223,923	12.8
The Nomura Trust & Banking Co., Ltd. (Investment Trust account)	N/A	76,300	4.4
Trust & Custody Services Bank of Japan, Ltd. (Securities investment trust account)	N/A	72,502	4.1
STATE STREET BANK AND TRUST COMPANY 505012	N/A	27,609	1.6
THE BANK OF NEW YORK 133970	N/A	27,415	1.6
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT 505233	N/A	26,134	1.5
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	N/A	24,111	1.4
JP MORGAN CHASE BANK 385632	N/A	20,086	1.1
Top 10 Unitholders Total		1,138,443	65.0

(Note 1) The “percentage” means the ratio of the number of units owned to the total number of issued units, and is indicated by rounding all numbers down to the first decimal place.

(Note 2) For details, please refer to “(5) Matters concerning the Sponsor – (ii) Agreements on the Supply of Properties and Information Provision with the Sponsor Company Group – (A) Terms of the Support Agreement” below.

(3) Major Shareholders of the Asset Manager

As of April 25, 2018

Name	Relationship with the Company, the Asset Manager, or the Sponsor and the Background to the Shareholding	Number of Shares Held (shares)	Percentage (%) (Note 1)
Mori Building Co., Ltd.	The Sponsor. It has concluded a Support Agreement (Note 2) with the Company and the Asset Manager. It is a major shareholder of the Asset Manager.	4,000	100.0

(Note 1) The “percentage” means the ratio of the number of shares held to the total number of issued shares, and is indicated by rounding all numbers down to the first decimal place.

(Note 2) For details, please refer to “(5) Matters concerning the Sponsor – (ii) Agreements on the Supply of Properties and Information Provision with the Sponsor Company Group – (A) Terms of the Support Agreement” below.

(4) Investment Policy and Investment Targets

Please refer to “Part 1. Fund Information - I. Status of the Fund - 2. Investment Policies” in the Company’s securities report for the 23rd fiscal period (from August 1, 2017 to January 31, 2018) filed on April 25, 2018.

(4)-2 Matters Related to Tenant Selection Criteria

In order to secure stable income from the overall portfolio in the medium to long term, the Company shall set the most appropriate rent and other terms based on an understanding of the market and strive to secure blue-chip tenants. In addition, rent levels shall be determined based on an overall determination of the ratio of the rent revenue to the overall portfolio and type of lease agreement (length of term and whether the term is fixed or not) after confirming the potential tenant’s creditworthiness and relationship with anti-social forces. Same shall apply for selection of a master lease company.

(4)-3 Matters concerning Overseas Real Estate Investment

Investment Stance toward Overseas Real Estate Properties

There is no plan to invest in overseas real estate.

(5) Matters concerning the Sponsor

(i) Details of Businesses of Sponsor Company Group

The major businesses of Mori Building Co., Ltd. and its 22 affiliates (including one parent company, 17 consolidated subsidiaries, two equity-method affiliates and two other affiliates) are as follows (as of March 31, 2017):

Mori Building Co., Ltd.

Name	Major Business
Mori Building Co., Ltd.	General developer (lease, sales of property, facility operations and overseas)

Parent Company (one company)

Name	Major Business
Mori Kiyo Co., Ltd.	Lease

Consolidated Subsidiaries (17 companies)

Name	Major Business
Mori Hospitality Corporation	Facility operations
Mori Building Investment Management Co., Ltd. (Asset Manager)	Lease
Mori Urban Planning Corporation	Lease
Shanghai World Financial Center Investment No.1 (Cayman) Limited	Overseas
Shanghai World Financial Center Investment No.2 (Cayman) Limited	Overseas
Shanghai World Financial Center Investment No.3 (Cayman) Limited	Overseas
Shanghai Hills Hotel Management Co., Ltd.	Overseas
Mori Building China (Shanghai) Co., Ltd.	Overseas
Shanghai Senmao International Real Estate Co., Ltd.	Overseas

Shanghai World Financial Center Co., Ltd	Overseas
Shishido Golf Club Co., Ltd.	Facility operation
Shanghai Hills Observatory & Forum Co., Ltd.	Overseas
Shanghai World Financial Center Investment Co., Ltd.	Overseas
Roppongi Energy Service Co., Ltd.	Lease
ARK Hills Heating & Cooling Supply Co., Ltd.	Lease
Silent Partnership AR ONE	Lease
Silent Partnership Roppongi Hills Financial Corp	Lease

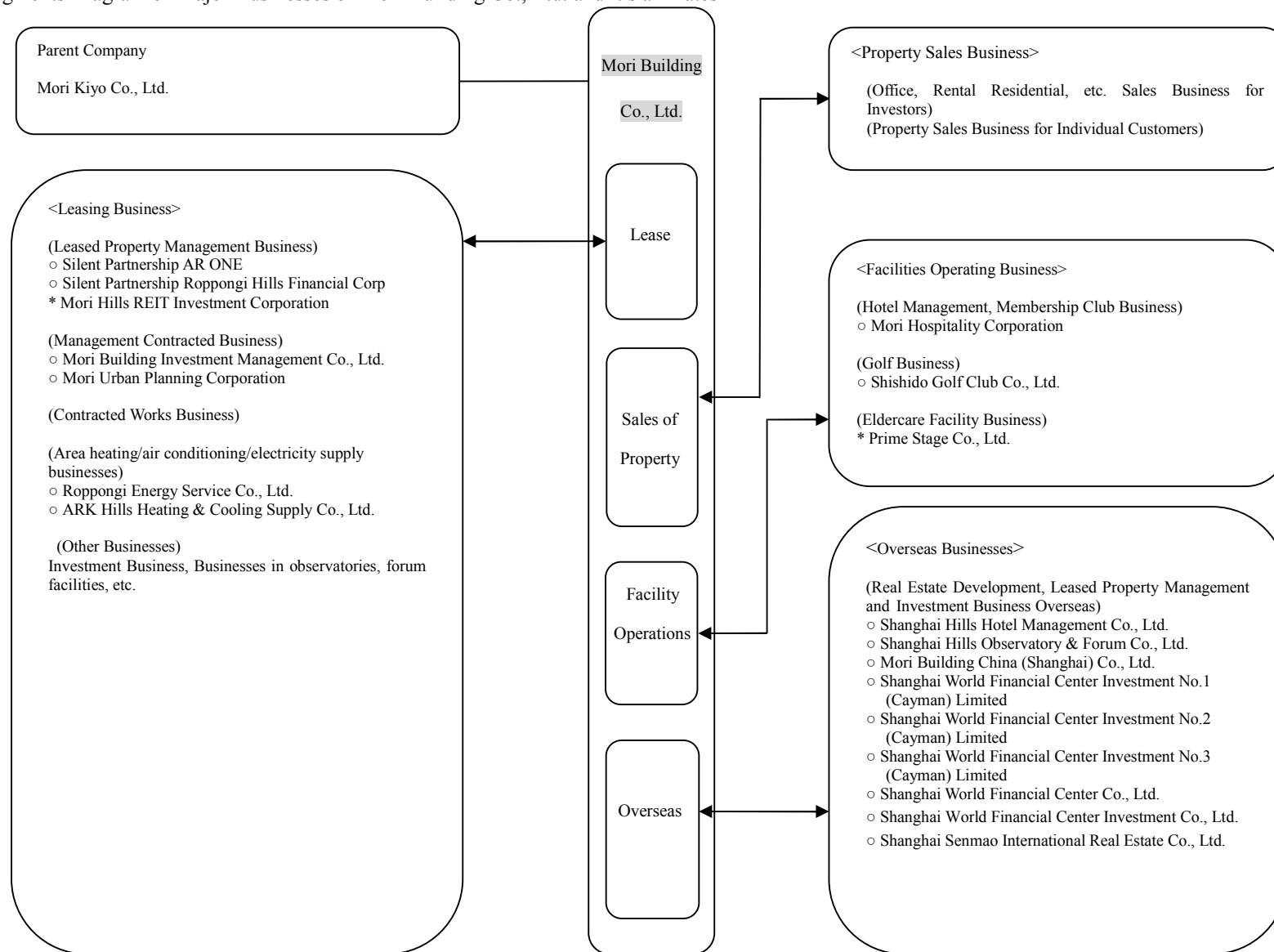
Equity-method Affiliates (two companies)

Name	Major Business
Prime Stage Co., Ltd.	Facility operations
Mori Hills REIT Investment Corporation (the Company)	A real estate investment company. Assets are managed by the Asset Manager.

Other Affiliated Companies (two companies)

The other two affiliated companies are omitted since they are not material.

<Segments Diagram of Major Businesses of Mori Building Co., Ltd. and it's affiliates>



(Note) ○: Consolidated subsidiaries, \*: Equity-method affiliates



(ii) Agreements on the Supply of Properties and Information Provision with the Sponsor Company Group

(A) Terms of the Support Agreement

The details of the support provided by Mori Building Co., Ltd. to the Company and the Asset Manager under the support agreement dated August 10, 2006 executed between the Company and the Asset Manager, and Mori Building Co., Ltd. are as set out below.

a. Grant of preferential negotiation rights to the Company and the Asset Manager

With respect to properties (whether before or after completion) owned or developed by Mori Building Co., Ltd., if Mori Building Co., Ltd. intends to dispose of a property that meets the investment criteria of the Company (for types, purpose of use, areas, ages and other matters of the properties, please refer to “Part 1. Fund Information - I. Status of the Fund - 2. Investment Policies” in the Company’s securities report for the 23rd fiscal period (from August 1, 2017 to January 31, 2018) filed on April 25, 2018) or a property that is likely to meet the investment criteria of the Company (including, but not limited to, beneficial interests in trusts and equity interests in anonymous associations (*tokumei kumiai*) backed by the property) (an “Eligible Property”), or a property that is potential Eligible Property (including the property under development) (together with the Eligible Property, a “Target Property”), it will provide the information for such property to the Company and the Asset Manager before providing it to any third party, and grant to the Company preferential negotiating rights (a “First Refusal Right”) in respect of the property. The period of the First Refusal Right (the “Negotiation Period”) granted by Mori Building Co., Ltd. to the Company is a period separately determined by the Asset Manager and Mori Building Co., Ltd. to be a reasonable period of time (for ten (10) business days or more from the day on which such information is provided) necessary for the negotiation of sale and purchase. The Asset Manager will notify Mori Building Co., Ltd. whether the Company intends to purchase the property (in the case of the purchase, including the terms of purchase) within the Negotiation Period. If Mori Building Co., Ltd. agrees to the terms of purchase notified by the Asset Manager, Mori Building Co., Ltd. will consult with the Company and the Asset Manager in good faith with an aim to execute an agreement for the sale and purchase of the property. Mori Building Co., Ltd. will not provide any information relating to such property to any third party and will not negotiate sale and purchase of such property with any third party during the Negotiation Period (or, if the Asset Manager gives notice of an intention to not purchase the property before the expiration of the Negotiation Period, until that time). After the expiration of the Negotiation Period, if the negotiation for the execution of the agreement for the sale and purchase of the property continues between the Company and the Asset Manager, and Mori Building Co., Ltd., the same will apply to the period separately determined by the Asset Manager and Mori Building Co., Ltd. to be a reasonable period of time necessary for such consultation. However, the restrictions described above will not apply if the Target Property falls under any of the following:

- i. properties developed or acquired by Mori Building Co., Ltd. through a joint venture (including the case where Mori Building Co., Ltd. is involved in the joint venture as a participating partner, specified constructor, specified business collaborator, etc. of a statutory redevelopment project, or project management consignee, business consultant, etc. of a general development project) with any third party, whereby Mori Building Co., Ltd. promises to assign, or grant the First Refusal Right of, part of the property to a third party which is entitled under such joint venture (including the case where Mori Building Co., Ltd. makes such promise after the execution of the relevant support agreement);
- ii. properties with respect to which Mori Building Co., Ltd. promises to assign, or grant the First Refusal Right of, co-ownership of the property or equity interests in corporations holding the property (including, but not limited to, equity interests in anonymous associations (*tokumei kumiai*), and whether directly or indirectly invested) under certain conditions to other co-owners of such property or other investors of such corporations (including indirect investors) (including the case where Mori Building Co., Ltd. makes such promise after the execution of the relevant support agreement);
- iii. properties that are the subject of any transaction necessary for the business of Mori Building Co., Ltd. (such as an equivalent exchange, a reciprocal transaction for purchase of specified assets, a sale for redevelopment or a land readjustment project) ; and
- iv. properties to be sold at the request of any administrative agency.

b. Information provision to the Company and the Asset Manager

If Mori Building Co., Ltd. receives information regarding the sale of properties from a third party, Mori Building Co., Ltd. will decide not to purchase such property at its discretion, and if such property is a Target Property, Mori Building Co., Ltd. will provide information on such property to the Asset Manager and the Company as soon as practicable only subject to prior approval of the current owner and other concerned parties.

c. Other support

Upon the request of the Asset Manager, Mori Building Co., Ltd. will provide personnel support (including secondees or transferees) and other support to the extent permitted under the Investment Trust Act and other laws or regulations.

(B) Segregation from, or Overlapping with, the Investments of the Sponsor Company Group and the Investment Corporation

Considering the nature of business of Mori Building Co., Ltd. which is a Sponsor, it is possible that the type of properties held by Mori Building Co., Ltd. overlaps with the type of properties held by the Company.

As described above, however, Mori Building Co., Ltd. and the Company have executed a support agreement, and if Mori Building Co., Ltd. disposes of the property owned or developed by Mori Building Co., Ltd. that is a Target Property, the Company has the First Refusal Right (with some exceptions), and information

regarding third party property obtained by Mori Building Co., Ltd. in which Mori Building Co., Ltd. decides not to invest and that meets the Company's investment criteria is to be provided to the Company.

With respect to property leases and management, because Mori Building Co., Ltd. conducts the lease and management business of its properties, it is possible that its properties overlap those held by the Company considering that Mori Building Co., Ltd. and the Company are independent and separate corporations. However, Mori Building Co., Ltd., which is a property management company of the properties held by the Company, has established a system to avoid conflicts of interest by which a property manager is not involved in the properties of Mori Building Co., Ltd. and instead dedicated to maintain and improve the performance of the properties held by the Company performs property management services (the "PM Services").

In addition, the Asset Manager to which the investment is consigned by the Company executes the check-and-balance system against the possibility, and the leasing of properties held by Mori Building Co., Ltd. is prioritized, by periodically inquiring about the occupancy rate of the properties held by Mori Building Co., Ltd., verifying the extent of, or reason for, separation comparing the properties held by the Company, and proposing improvements if imbalance arises without reasonable cause.

#### (C) Terms of Advisory Business Consignment Agreement

The details of the advisory services provided by Mori Building Co., Ltd. to the Asset Manager under the advisory business consignment agreement dated August 10, 2006 executed between the Asset Manager and Mori Building Co., Ltd. are as set out below.

##### a. Research-related services

Research, analysis and reports on the following matters:

##### i. Market-related matters

trends in rent (opening and signed contracts)

trends in real estate sale and purchase

trends in supply of new properties

trends in signed contracts and cancellation with large tenants

##### ii. Tenants' needs, etc.

tenant satisfaction relating to the location, facilities, conditions of the surrounding area and services

population and traffic in the building and the traffic in the area and of the nearest public transportation

- iii. Other matters relating to or incidental to the above items
- b. Property acquisition and management advisory and support services
  - Advice and support on the following matters in connection with properties which the Company considers acquiring or properties currently owned, operated and managed by the Company (limited to advice and support when the Asset Manager decides on or determines the acquisition of properties by the Company)
    - i. due diligence
    - ii. rights such as compartmentalized ownership, leasing and other claims and obligations
    - iii. various restrictions under laws and regulations
    - iv. current conditions of buildings, structures and facilities (such as earthquake resistance strength and durable years)
    - v. value-up plan such as future large-scale repairs or renovations
    - vi. future rebuilding or redevelopment
    - vii. design of leased operating plan and establishment of lease conditions
    - viii. design of facility operation and management plan (establishment of operation and management specifications and costs)
    - ix. prediction or verification of cost-effectiveness of facility operation and management
    - x. design of long-term repair plan and budget (establishment of order of priority)
    - xi. Other matters relating to or incidental to the above items

2. Management Structure and System of the Investment Corporation and the Asset Manager

(1) Investment Corporation

(i) Officers of the Investment Corporation (As of April 25, 2018)

Title	Name	Brief profile		Reason for election
Executive Director	Hideyuki Isobe	April 1993	Joined Mitsui Fudosan Co., Ltd.	Mr. Isobe was elected with the expectation that he would be able to undertake business management as Executive Director based on his knowledge and experience, etc. in the real estate financing business from a broad perspective.
		May 2002	MBA from Wharton School, University of Pennsylvania	
		June 2002	Joined Colony Capital Asia Pacific	
		November 2003	Joined Mori Building Urban Fund Management Co., Ltd. (presently, Mori Building Investment Management Co., Ltd.)	
		April 2005	Mori Building Investment Management Co., Ltd, General Manager of Business Development Division	
		October 2005	Mori Building Investment Management Co., Ltd, General Manager of Investment Department	
		July 2007	Mori Building Investment Management Co., Ltd., General Manager of Investment Advisory Department	
		November 2007	Mori Building Co. Ltd., General Manager of Finance Planning Department, Finance Division	
		April 2008	Mori Building Co. Ltd., General Manager of Business Development Department, Finance Division	
		June 2010	Mori Building Investment Management Co., Ltd., President & CEO (current post)	
		April 2011	Mori Hills REIT Investment Corporation, Executive Director (current post)	

Supervisory Director	Masakuni Tamura	April 1977 October 1986 September 1990 April 1997 February 2006 January 2018	Joined Mitsui Construction Co., Ltd. Joined Sigma Planning Institute, Inc. Sigma Planning Institute, Inc., Director ARC Brain, President (current post) Mori Hills REIT Investment Corporation, Supervisory Director (current post) Japan Medical Solutions Co., Ltd., Director (current post)	Mr. Tamura was elected with the expectation that he would be able to oversee the Company's management based on his knowledge and experience, etc. as a real estate professional from a broad perspective. (Real Estate Appraiser)
Supervisory Director	Koji Nishimura	April 1992 April 1992 April 2004 November 2004 June 2007 December 2014 March 2015 June 2015 April 2017	Registered as a lawyer Joined Matsuo Law Offices Chuo University Faculty of Law Full-time Lecturer (current post) Matsuo & Kosugi, Partner (current post) Nihon Parkerizing Co., Ltd., Corporate Auditor Seraku Co., Ltd., External Director (current post) Kanro Co., Ltd., External Corporate Auditor (current post) Nihon Parkerizing Co., Ltd., External Director (current post) Mori Hills REIT Investment Corporation, Supervisory Director (current post)	Mr. Nishimura was elected with the expectation that he would be able to oversee the Company's management based on his knowledge and experience, etc. as a legal professional from a broad perspective. (Lawyer)

(Note) The executive director and supervisory directors may be an officer of any corporations other than those described above, but none of those corporations has any interests with the Company.

(ii) Reasons why the Executive Director of the Investment Corporation concurrently Holds the Position of Officer or Employee of the Asset Manager and Measures for Relationships Involving Conflicts of Interest

Name	Title at the Asset Manager	Reason for concurrently Holding Another Position at the Asset Manager	Measures for Relationships Involving Conflicts of Interest
Hideyuki Isobe	President & CEO	<p>In the legal framework, investment corporations that hold properties of J-REITs are required to delegate substantially all of the activities of their investment management business to asset management companies registered by the Financial Services Agency. While the principal role of executive directors and supervisory directors of investment corporations is to oversee the asset management business of asset management companies, because of the structure of J-REITs described above, executive directors and supervisory directors are expected to perform their supervisory functions without being engaged in any day-to-day management activities.</p> <p>Accordingly, from the perspective of full understanding of management of J-REITs, deep communication between the Asset Manager and the investment corporation and smooth operation, it is considered appropriate that the executive director of the investment corporation concurrently holds a position as officer of the Asset Manager and is overseen by the supervisory directors of the investment corporation.</p>	<p>While the executive director of the Company concurrently holds the position as the President &amp; CEO of the Asset Manager, he makes decisions as executive director or President &amp; CEO in such respective capacities and seeks to avoid acts of conflicts of interest as executive director of the Company, and will fulfill his duties faithfully to the interest of unitholders. In addition, the Board of Directors of the Company is comprised of one executive director and two supervisory directors, and all of the supervisory directors are outside experts, namely a lawyer and a real estate appraiser so that internal checking functions are fully ensured.</p> <p>Furthermore, the Asset Manager is a consolidated subsidiary of the Sponsor, but in order to prevent the interest of the Company from being prejudiced, the mechanism is established to avoid conflicts of interest in transactions with the Sponsor by establishing the “Related Parties Transaction Guidelines” as internal rules.</p>

(iii) Relationships Involving Conflicts of Interest due to Other Positions Held concurrently by Officers of the Investment Corporation (excluding the details described in (ii) above)

Name	Place where Other Position is concurrently Held	Response and Initiatives, Future Policy, etc. for Relationships, Transactions, etc. Involving Conflicts of Interest
—	—	N/A

(2) Asset Manager

(i) Officers of the Asset Manager (As of April 25, 2018)

Title/ Full-time or Part-time	Name	Brief Profile		Interlocking of Post/Assignment, Temporal Transfer
President & CEO (Full-time)	Hideyuki Isobe	Please refer to “(1) Company - (i) Officers of the Investment Corporation” described above.		Mr. Isobe concurrently holds the position of executive director of the Company.
Chairman (Full-time)	Toshifumi Saito	April 1977	Joined Mori Building Co., Ltd., Financial Center	
		May 1994	Seconded to Forest Overseas Co., Ltd., Senior Manager	
		April 1996	Seconded to Shanghai Senmao International Real Estate Co., Ltd., President & CEO	
		November 1999	Seconded to Secretariat of Roppongi 6-chome Redevelopment Project, Senior Manager	
		August 2001	Seconded to Forest Overseas Co., Ltd., Deputy General Manager, Planning and Development Division	
		April 2005	Seconded to Shanghai World Financial Center Co., Ltd., Executive Vice President	



		December 2007	Seconded to Mori Building China (Shanghai) Co., Ltd., Executive Vice President	
		January 2009	Mori Building Co., Ltd., General Manager, Research & Planning Department, China, Business Division	
		September 2009	Seconded to Mori Building Investment Management Co., Ltd., Operating Officer, Administration & Accounting Unit	
		October 2009	Mori Hills REIT Investment Corporation, Executive Director	
		July 2010	Mori Building Investment Management Co., Ltd., Operating Officer & General Manager, Administration Department	
		January 2011	Mori Building Investment Management Co., Ltd., Operating Officer	
		June 2011	Mori Building Investment Management Co., Ltd., Chairman (current post)	
External Director (Part-time)	Toshio Takano	April 1968	Sapporo District Public Prosecutors Office, Prosecutor	
		December 1999	Supreme Public Prosecutors Office, Chief of Criminal Investigations	
		November 2000	Tokyo District Public Prosecutors Office, Chief Public Prosecutor	
		November 2001	Sendai High Public Prosecutors Office, Superintendent Public Prosecutor	
		January 2004	Nagoya High Public Prosecutors Office, Superintendent Public Prosecutor	
		February 2006	Takano Law Office, Lawyer (current post)	Concurrent post
		September 2006	Mori Building Investment Management Co., Ltd, External Director (current post)	
		June 2007	Revamp Corporation, External Corporate Auditor	
		June 2008	Nagase & Co., Ltd., External Corporate Auditor (current post)	Concurrent post
		June 2010	Kakaku.com, Inc., External Corporate Auditor (current post)	Concurrent post
		June 2012	Daicel Corporation, External Corporate Auditor (current post)	Concurrent post
		June 2013	Fancl Corporation, External Corporate Auditor (current post)	Concurrent post
		October 2017	Revamp Corporation, External Director, Audit Committee Member (current post)	Concurrent post

			post)	
External Corporate Auditor (Part-time)	Koichi Shibayama	April 1960 October 1966 July 2002 January 2003	Joined Yamaichi Securities Co., Ltd. Price Waterhouse Chuo Aoyama Tax Co. (presently, PwC Tax Japan), Special Advisor (current post) Mori Building Urban Fund Management Co., Ltd. (presently, Mori Building Investment Management Co., Ltd.), External Corporate Auditor (current post)	Concurrent post

(ii) Employees of the Asset Manager (As of April 25, 2018)

	Number of Employees	Interlocking of Assignment
Other than temporary transferees	20	—
Total Number of Employees of the Asset Manager	20	—

(Note) Officers are not included in the total number of employees of the Asset Manager described above and no temporary transfers have been accepted.

(iii) Management structure of the Investment Corporation and the Asset Manager (As of April 25, 2018)

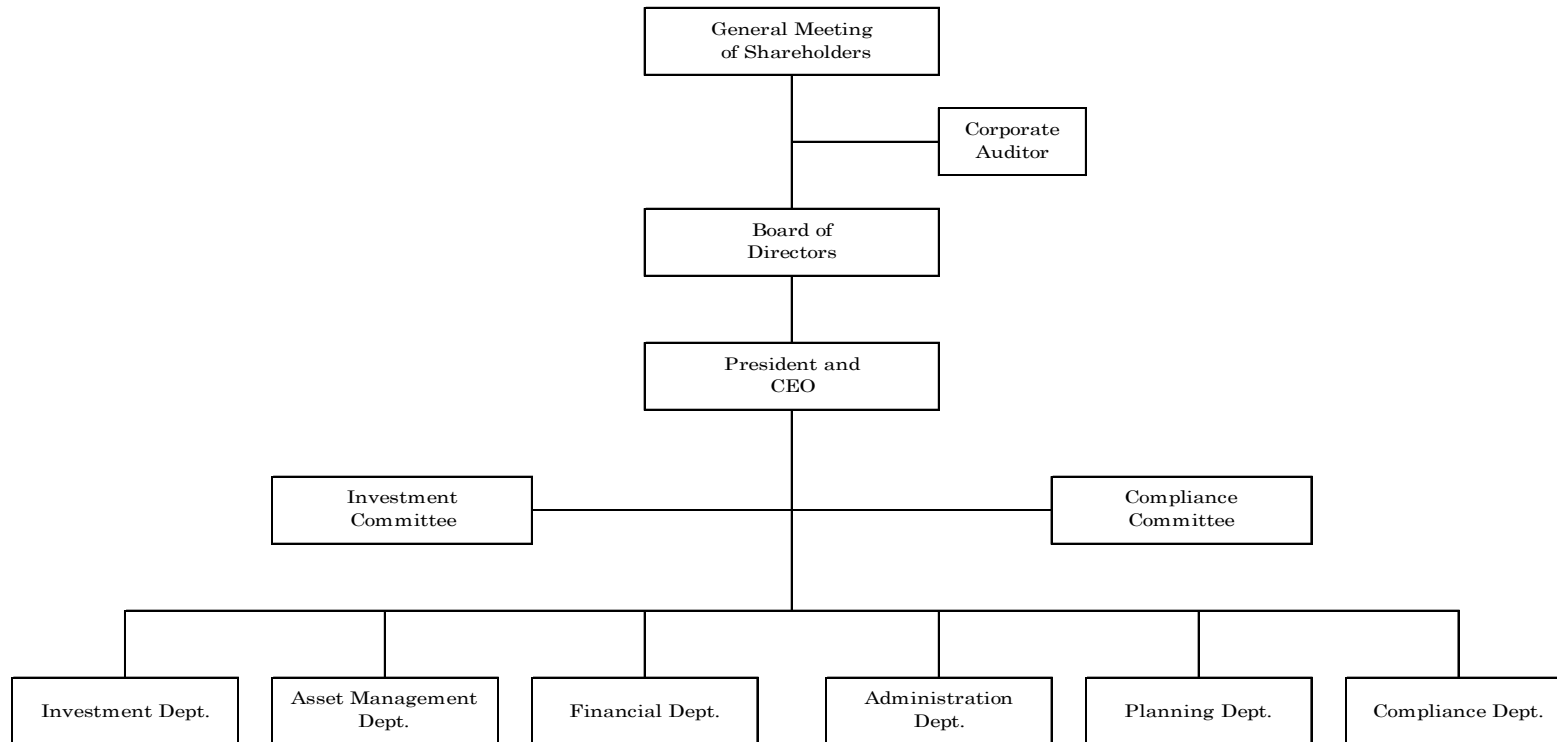
(A) Management Structure of the Investment Corporation

Please refer to “Part 1. Fund Information - I. Status of the Fund - 1. Overview of the Company - (3) Structure of the Company” in the Company’s securities report for the 23rd fiscal period (from August 1, 2017 to January 31, 2018) filed on April 25, 2018.

(B) Management Structure of the Asset Manager

The management organization chart of the Asset Manager and the outline of activities of each organization are as follows.

a. Management organization chart of the Asset Manager



b. Outline of activities of each organization of the Asset Manager

The principal activities of each organization are as follows.

Organization	Outline of the principal activities
Investment Department	<ul style="list-style-type: none"> <li>• Activity relating to acquisition and disposition of properties for the investment management business</li> <li>• Activity relating to establishment and amendment of the management policies (including the management guidelines and asset management plan) for the investment management business</li> <li>• Activity relating to establishment of special purpose companies for the purpose of the acquiring of properties by the Company and acquisition and disposition of properties by such special purpose companies</li> <li>• Activity of examination and analysis relating to the real estate market</li> <li>• Any other activities incidental to the above</li> </ul>
Asset Management Department	<ul style="list-style-type: none"> <li>• Activity relating to management and administration of properties for the investment management business</li> <li>• Activity relating to management and administration of properties of the special purpose companies for the purpose of the acquiring of properties by the Company</li> <li>• Activity relating to establishment and amendment of the management policies (including the management guidelines and asset management plan) for the investment management business</li> <li>• Activity relating to evaluation of performance for the investment management business</li> <li>• Activity of examination and analysis relating to the real estate market</li> <li>• Any other activities incidental to the above</li> </ul>
Financial Department	<ul style="list-style-type: none"> <li>• Activity relating to the capital policy and financial strategy of the Company</li> <li>• Activity relating to establishment and amendment of the financing policy of the Company</li> <li>• Activity relating to establishment and amendment of the annual financing plan of the Company</li> <li>• Activity relating to implementation of financing of the Company</li> <li>• Activity relating to the obtaining of ratings of the Company</li> <li>• Activity relating to establishment and amendment of the management policies (including the management</li> </ul>

	<p>guidelines and asset management plan) for the investment management business</p> <ul style="list-style-type: none"> <li>• Activity of examination and analysis relating to the real estate market</li> <li>• Any other activities incidental to the above</li> </ul>
Administration Department	<ul style="list-style-type: none"> <li>• Activity relating to general, accounting and personnel affairs of the Asset Manager</li> <li>• Activity relating to accounting and tax affairs and fund management of the Company</li> <li>• Activity relating to cash distribution by the Company</li> <li>• Activity relating to analysis and evaluation of accounts of the Company</li> <li>• Activity relating to establishment and amendment of the management policies (including the management guidelines and asset management plan) for the investment management business</li> <li>• Any other activities incidental to the above</li> </ul>
Planning Department	<ul style="list-style-type: none"> <li>• Activity relating to planning and administrating of the Asset Manager</li> <li>• Activity relating to disclosure by the Company</li> <li>• Activity relating to IR activities of the Company</li> <li>• Activity relating to establishment and amendment of the management policies (including the management guidelines and asset management plan) for the investment management business</li> <li>• Any other activities incidental to the above</li> </ul>
Compliance Department	<ul style="list-style-type: none"> <li>• Activity relating to establishment and amendment of compliance regulations, compliance programs and compliance manuals and other controls regarding compliance</li> <li>• Activity of verifying the status of compliance with laws and regulations for operation of activities and transactions in each department</li> <li>• Activity of establishment and implementation of the basic policy for compliance with laws and regulations</li> <li>• Activity of reporting the status of compliance with laws and regulations to the Compliance Committee</li> <li>• Activity of providing opinions or directions for compliance with laws and regulations</li> <li>• Activity relating to risk management</li> <li>• Activity of determining whether proposals of transactions should be submitted to the Compliance</li> </ul>

	<p>Committee or not</p> <ul style="list-style-type: none"> <li>• Activity relating to providing education and training regarding compliance</li> <li>• Activity relating to control of complaint handling, etc.</li> <li>• Activity relating to internal audits</li> <li>• Any other activities incidental to the above</li> </ul>
Investment Committee	Please refer to “(3) Policies on Transactions Involving Conflicts of Interest - (i) Policy and Management System for Dealing with Transactions Involving Conflicts of Interest - (C) Overview of the Investment Committee” described below.
Compliance Committee	Please refer to “(3) Policies on Transactions Involving Conflicts of Interest - (i) Policy and Management System for Dealing with Transactions Involving Conflicts of Interest - (D) Overview of the Compliance Committee” described below.

### (3) Policies on Transactions Involving Conflicts of Interest

The Asset Manager shall perform its business in good faith and with due care of a prudent manager for the Company in line with the purpose of the investment management business, and is fully aware that failure to ensure thorough compliance, especially inappropriate transactions or transactions involving conflicts of interest with the Sponsor Company Group, may undermine investors’ trust in the securities markets, and the corporate management base of the Company and the Asset Manager. Therefore, the Asset Manager will use its efforts to prevent any negative impact from transactions involving conflicts of interest and carry out strict compliance as follows.

#### (i) Policy and Management System for Dealing with Transactions Involving Conflicts of Interest

##### (A) Internal Rules Regarding Prevention of Transactions Involving Conflicts of Interest

The Asset Manager has established the Related Parties Transaction Guidelines as its internal regulations from the viewpoint of avoiding potential conflicts of interest for the purpose of ensuring to prevent harm to the interests of the Company and to perform its business in compliance with applicable laws and regulations and the asset management agreement when the Company enters into transactions with related parties of the Asset Manager.

“Related parties” as prescribed in the Related Parties Transaction Guidelines means the following entities: The same applies hereafter.

- a. any entity designated as a related party of the Asset Manager under Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Enforcement Ordinance of the Investment Trust Act (Cabinet Order No. 480 of 2000, as amended) (the “Enforcement Ordinance”), and Article 244-3 of the Enforcement Rules of the Investment Trust Act (Ordinance of Prime Minister’s Office No. 129 of 2000, as amended) (the “Enforcement Rules”);
- b. any officers of the Asset Manager or of an entity designated as a related party of the Asset Manager;
- c. any corporation (excluding foreign corporation; the same applies in d. and e. below) on which a major shareholder of the Asset Manager as prescribed in Article 29-4, Paragraph 2 of the Financial Instruments and Exchange Act is able to exert significant influence including the cases where such shareholder holds, directly or indirectly, 15% or more of the voting rights of such corporation, and any officers or employees of such shareholder serve as directors or persons serving in an equivalent role of the corporation;
- d. special purpose companies in which the Asset Manager or persons falling under any of a. and c. above are able to exert significant influence such as by having contributed in total a majority of the capital thereof; and
- e. any corporation which consigns any person falling under any of a. and c. above to perform management services or advisory or agency services.

#### Summary of Related Parties Transaction Guidelines

Under the Related Parties Transaction Guidelines, transactions with related parties that are harmful to the interests of the Company or unnecessary transactions are prohibited, and the following provisions must be complied with in relation to each type of such transactions. When the Company conducts the following transactions with related parties, the Asset Manager shall be required to obtain the approval and resolutions of all the members of the Compliance Committee upon deliberation at the meeting of the Compliance Committee after the Compliance Officer examines the relevant transactions, and to obtain the approval and resolutions of the Asset Manager’s Board of Directors upon deliberation at the meeting of the Asset Manager’s Board of Directors.

- a. Acquisition of real estate assets (which means the assets as stipulated in each item of Article 31(2) of the Company’s Articles of Incorporation; the same applies hereafter) and securities (which means securities as stipulated in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act or the rights deemed as securities based as stipulated in Paragraph 2 of the same article, and excluding real estate assets; the same applies hereafter.)

Upon the acquisition of real estate assets from related parties, the acquisition price shall not exceed the appraisal value by a real estate appraiser (including a corporation; the same applies hereafter) which is not a related party. The acquisition price mentioned in this paragraph means the price of the real estate assets, and does not include the taxes, acquisition costs, costs of creating a trust, reserves in trust accounts, trust earnings and the pro rata portion of real



estate taxes. In addition, if a seller acquires such real estate assets for the later acquisition by the Company, the amount equivalent to the costs and expenses necessary for such acquisition by the seller will be excluded.

When acquiring other specific assets from related parties, the prices of such assets shall be pursuant to the preceding paragraph except for those for which market value may be obtained, in which case such market value shall apply.

b. Disposition of real estate assets and securities

Upon the disposition of real estate assets to related parties, the disposition price shall not fall below the appraisal value by a real estate appraiser which is not a related party.

When selling other specific assets from related parties, the prices of such assets shall be pursuant to the preceding paragraph except for those for which market value may be obtained, in which case such market value shall apply.

c. Execution and amendment of lease agreements on real estate assets and securities except for certain cases

Real estate assets shall be leased to related parties on terms and conditions that are determined to be appropriate after researching market prices and prices in the surrounding areas and referring to the opinions of third parties who are not related parties.

d. Execution and amendment of property management agreements except for certain cases

When outsourcing property management services to related parties, the Asset Manager shall take into account factors such as the related party's trustworthiness and its track record as a property manager, and the management fee must be determined based on market rates, and the nature and volume of the services to be rendered.

If the Company acquires property that is already being managed by the related parties, property management services after the acquisition may be outsourced to such related parties. However, the determination of management fees shall be determined as stated above.

e. Execution and amendment of agency agreements regarding acquisition or disposition and lease of real estate assets

When outsourcing agency services for sale and purchase of real estate assets (excluding beneficial interests in trust) to related parties, the compensation shall be within the range of compensation provided in the Building Lots and Buildings Transaction Business Act (Act No. 176 of 1952, as amended) (the "Building Lots and Buildings Transaction Business Act"), and shall be determined in consideration of the standard of the sale and purchase price and the difficulty of a particular transaction.

When outsourcing agency services for sale and purchase of beneficial interests in trust to related parties, the compensation shall be within the range of compensation calculated in the same way as provided under the Building Lots and Buildings Transaction Business Act, and shall be determined in

consideration of the standard of the rent and the difficulty of a particular transaction. When outsourcing agency services for leasing to related parties, the compensation shall be not exceed the compensation provided in the Building Lots and Buildings Transaction Business Act, and shall be determined in consideration of the standard of the rent and the difficulty of a particular transaction.

- f. Transactions relating to funds such as loan and contribution of funds
- g. Other transactions that may be harmful to the interests of the Company other than certain transactions
- h. When the Asset Manager decides that the Company will conduct transactions in any of a. to g. above with related parties, such transactions shall be promptly disclosed when required in accordance with Securities Listing Regulations and other rules set out by the Tokyo Stock Exchange and other rules related to the Company.

The Asset Manager shall fully verify the conditions of transactions with related parties in compliance with laws, regulations and various rules and the standards prescribed in the Related Parties Transaction Guidelines so as not to cause disadvantage to the Company in comparison with ordinary similar transactions. At the time of the internal audit, the Asset Manager confirms and verifies the status of compliance with laws, regulations and various regulations and internal rules in relation to the prevention of conflicts of interest.

(B) Decision-making Process for Investment and Management

Matters Relating to Acquisition and Disposition of Assets:

The Asset Manager shall follow the following procedures for decisions on the acquisition of assets from related parties:

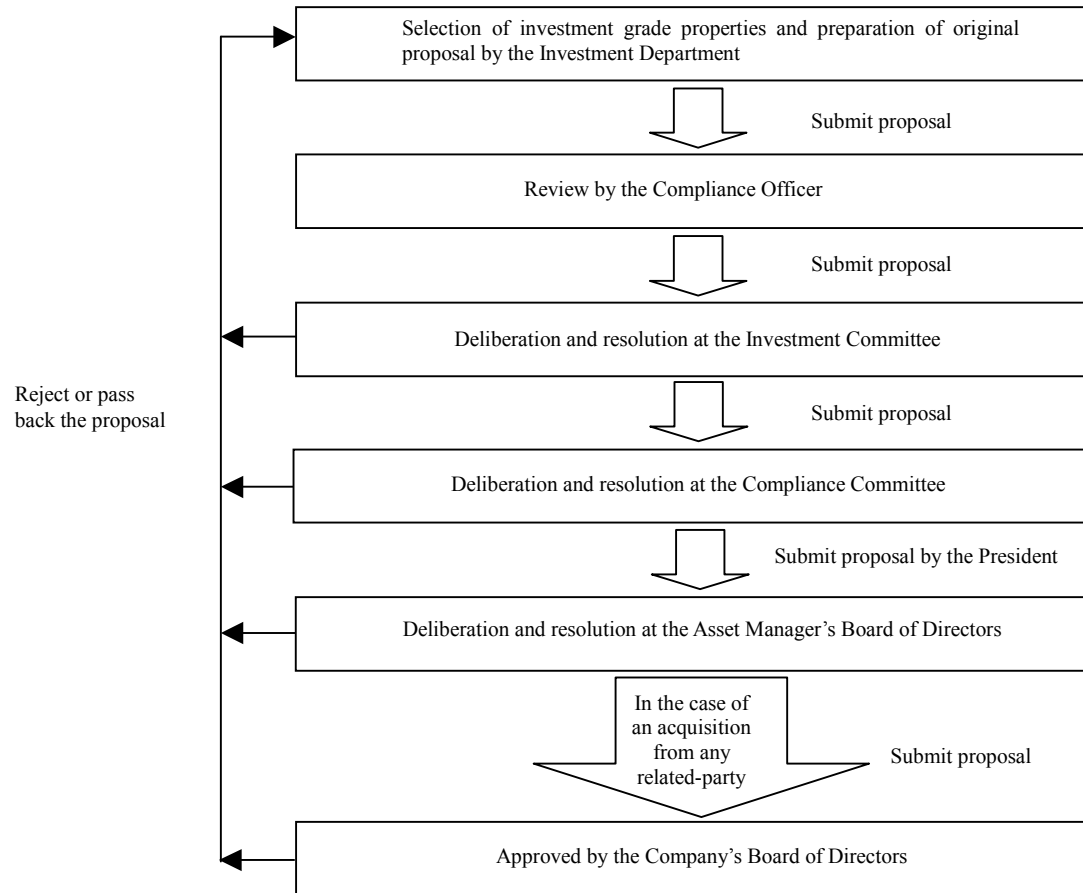
- i. After selecting investment grade assets, the Investment Department will submit a proposal of the acquisition to the Compliance Officer. The details of the method of selecting the investment grade assets will be as prescribed in the management guidelines.
- ii. The Compliance Officer will review the proposal in light of laws and regulations, and submit the proposal to the Investment Committee together with the outcome of its review.
- iii. After reporting the outcome of the review from the Compliance Officer, the proposal will be resolved by the Investment Committee after its deliberation. If the proposal is approved by the Investment Committee as a result of the resolution, the proposal will be submitted to the Compliance Committee. The Chairman of the Investment Committee will report to the Compliance Committee the details of the deliberation at the Investment Committee and the progress thereof.
- iv. If the proposal is resolved by the Compliance Committee after its deliberation, the proposal will be submitted by the President & CEO to the Asset Manager's Board of Directors. The President & CEO will report the details and progress of the deliberation at the Investment Committee and the Compliance Committee to the Asset Manager's Board of Directors.
- v. If the proposal is resolved by the Asset Manager's Board of Directors after its deliberation, the proposal will be submitted to the Company's Board of Directors.
- vi. If the proposal is resolved by the Company's Board of Directors after its deliberation, the acquisition of the investment assets from related parties is approved.

If a proposal is rejected by resolution at any of the above committee or the Asset Manger's Board of Directors, or is not approved by the Company's Board of Directors, the proposal will be passed back to the Investment Department.

The Asset Manager shall follow the same procedures as those for the acquisition of assets from related parties as described above for decisions on the disposition of assets to related parties.

The Asset Manager must gain consent of the Company beforehand if such falls under transactions as stipulated in Article 201-2, Paragraph 1 of the Investment Trust Act, and must gain approval of the Board of Directors in order to enable the Executive Director giving such consent.

The following chart summarizes the Asset Manager's decision-making process concerning the acquisition of the assets:



Matters Relating to Outsourcing of Real Estate Management Services:

The Asset Manager shall follow the following procedures for decisions on the outsourcing of property management services to related parties:

- i. The Asset Management Department will submit a proposal to the Compliance Officer.
- ii. The Compliance Officer will review the proposal in light of laws and regulations, and submit the proposal to the Compliance Committee together with the outcome of its review.
- iii. If the proposal is resolved by the Compliance Committee after its deliberation, the proposal will be submitted by the President & CEO to the Asset Manager's Board of Directors. The President & CEO will report the details of the deliberation at the Compliance Committee and the progress thereof to the Asset Manager's Board of Directors.
- iv. If the proposal is resolved by the Asset Manager's Board of Directors after its deliberation, the decision is finalized.

When outsourcing property management services to related parties, the Asset Manager shall take into account factors such as the related party's trustworthiness and its track record as a property manager, and the management fee must be determined based on market rates, and the nature and volume of the services to be rendered.

If the Company acquires property that is already being managed by the related parties, property management services after the acquisition may be outsourced to such related parties. However, the management fees shall be as set out above.

(C) Overview of the Investment Committee

Committee members	President & CEO (who serves as the Chairman), full-time directors, General Manager of the Investment Department, General Manager of the Asset Management Department, and one external expert skilled in real estate investments who is appointed by the President & CEO (Note)
Matters for deliberation and resolution	<ul style="list-style-type: none"> <li>• Acquisition and disposition of assets relating to the investment management business</li> <li>• Establishment and amendment of the management policies (including the management guidelines and asset management plan) for the investment management business</li> <li>• Establishment and amendment of asset management regulation and other important regulations for the investment and management of assets relating to the investment management business</li> <li>• Other matters deemed to be necessary under the internal regulations or by the Investment Committee</li> </ul>
Deliberation method, etc.	<ul style="list-style-type: none"> <li>• Attendance of all of the members will constitute a quorum for the Investment Committee, except for any unavoidable case where all members present consider that the absence of member(s) is not caused by the intention of such member(s), in which case a majority of the members will constitute a quorum.</li> <li>• Approval of a majority of the members present is required for the resolution of any proposal. If any proposal is rejected, the Chairman of the Investment Committee will pass such proposal back to the department that originally prepared the proposal.</li> </ul>

(Note) As of the date of this Report, one real estate expert holds the post of an external expert.

(D) Overview of the Compliance Committee

Committee members	President & CEO, Compliance Officer (who serves as the Chairman), one external expert (Note) and part-time corporate auditor
Matters for deliberation and resolution	<ul style="list-style-type: none"> <li>• Establishment and revision of the basic policies for compliance</li> <li>• Establishment and amendment of compliance manuals and compliance programs</li> <li>• Measures for handling complaints that are deemed material</li> <li>• Acquisition and disposition of assets relating to the investment management business</li> <li>• Establishment and amendment of the management policies (including the management guidelines and asset management plan) for the investment management business</li> </ul>

	<ul style="list-style-type: none"> <li>• Establishment and amendment of asset management regulation and other important regulations for the investment and management of assets relating to the investment management business</li> <li>• The following transactions between the Company and related parties: <ul style="list-style-type: none"> <li>(i) Acquisition of real estate assets and securities</li> <li>(ii) Disposition of real estate assets and securities</li> <li>(iii) Execution and amendment of lease agreements on real estate assets and securities except for certain cases</li> <li>(iv) Execution and amendment of property management agreements except for certain cases</li> <li>(v) Execution and amendment of agency agreements regarding acquisition or disposition and lease of real estate assets</li> <li>(vi) Transactions relating to funds such as loan and contribution of funds</li> <li>(vii) Other transactions that may be harmful to the interests of the Company other than certain transactions</li> </ul> </li> <li>• Other matters deemed to be necessary under the internal regulations or by the Compliance Committee</li> </ul>
Deliberation method, etc.	<ul style="list-style-type: none"> <li>• Attendance of a majority of the members, including the President &amp; CEO, the Compliance Officer and the external expert, will constitute a quorum for the Compliance Committee, except for any unavoidable case where all members present consider that the absence of member(s) is not caused by the intention of such member(s), in which case a majority of the members will constitute a quorum.</li> <li>• Approval of all of the members (or after-the fact approval of any absent member) is required for the resolution of any proposal. If any proposal is rejected, the Chairman of the Investment Committee will pass such proposal back to the department that originally prepared the proposal.</li> </ul>

(Note) As of the date of this Report, one lawyer holds the post of an external expert.

(ii) Reason for Adopting the Investment System (Reason for Considering that the Internal Control System is Appropriate)

(A) Role Played by the Executive Director of the Investment Corporation with respect to Transactions with Potential Conflicts of Interest

As set out in “2. Management Structure and System of the Company and the Asset Manager, (1) Company, (ii) Reasons why the Executive Director of the Company concurrently Holds the Position of Officers or Employee of the Asset Manager and Measures for Relationships Involving Conflicts of Interest” above.

(B) Role Played by the Board of Directors of the Asset Manager with respect to Transactions with Potential Conflicts of Interest

The Board of Directors of the Asset Manager comprises three directors (including one external director). One corporate auditor of the Asset Manager is an external corporate auditor (the officers of the Asset Manager are as set out in “2. Management Structure and System of the Company and the Asset Manager, (2) Asset Manager, (i) Officers of the Asset Manager” above).

It is expected that the appointment of directors other than full-time directors and corporate auditors from the Sponsor Company Group will realize the enhancement of governance and secure the appropriateness of the resolutions.

As described above, the Asset Manager has established the “Related Parties Transaction Guidelines” as its internal regulations from the viewpoint of preventing and avoiding potential conflicts of interest, and has established the system to enable the Company to execute only the transactions that satisfy certain conditions in accordance with the strict procedures when the Company enters into the transactions with related parties.

For example, the Asset Manager endeavors to prevent unfair or murky transactions that may result in conflicts of interest by specifically providing that the sale and purchase transactions of the real estate assets with the related parties which threaten to cause conflicts of interest are required to be deliberated and resolved at the Investment Committee (including one external expert), the Compliance Committee (including one external expert and one external corporate auditor), the Asset Manager’s Board of Directors (including one external director), and the Company’s Board of Directors (including two supervisory directors), and by including in each decision-making process two or more external members having check-and-balance functions at multiple levels.

(C) External Members of the Committees

a. Investment Committee

The Investment Committee serves as a body to deliberate on and resolve the investment of assets and otherwise appraise the investment in relation to the execution of the investment management business by the Asset Manager from the viewpoint of appropriateness and reasonableness.



The Investment Committee currently comprises five members: the President & CEO (who serves as the Chairman), a full-time director, the General Manager of the Investment Department, the General Manager of the Asset Management Department, and one external expert skilled in real estate investments who is appointed by the President & CEO. Attendance (including attendance via telephone, video conference and other media) of all of the members will, in principle, constitute a quorum for the Investment Committee, and approval of a majority of the members present is required for the resolution of any proposal.

Currently, a university professor specializing in real estate holds the post of external member. The external member is expected to be able to participate in the Committee based on his knowledge, experience, etc. as a real estate expert from a broad perspective. As a third party who can effectuate the check-and-balance system in his capacity as being independent of and not having any particular relationships with the Sponsor Company Group, the external member is expected to exert an influence on decision-making, thereby contributing to the enhancement of governance that realizes, among other matters, appropriate deliberation and resolution in relation to transactions involving conflicts of interest. In accordance with the agreement whereby the external member is appointed as such member, the information of the external member is not disclosed here.

b. Compliance Committee

The Compliance Committee serves as a body to deliberate on and resolve compliance-related matters in relation to the execution of business by the Asset Manager from the viewpoint of complying with laws and regulations, and various procedures and otherwise ensuring compliance.

The Compliance Committee currently comprises four members: the President & CEO, the Compliance Officer (who serves as the Chairman), one external expert (lawyer), and one part-time director. Attendance (including the attendance via telephone, video conference and other media) of a majority of the members, including the President & CEO, the Compliance Officer and the external expert, will constitute a quorum for the Compliance Committee. Approval of all of the members (or after-the fact approval of any absent member) is required for the resolution of any proposal. These rules ensure the check-and-balance system.

Currently, Mr. Hiroyuki Shimizu, a lawyer, holds the post of external member. Mr. Shimizu is expected to be able to participate in the Committee based on his knowledge, experience, etc. as a legal professional from a broad perspective. As a third party who can effectuate the check-and-balance system in his capacity as being independent of and not having any particular relationships with the Sponsor Company Group, he is expected to exert an influence on decision making, thereby contributing to the enhancement of governance that realizes, among other matters, appropriate deliberation and resolutions in relation to transactions involving conflicts of interest.

Job title	Name	Brief biography	
Member of the Compliance Committee (external member)	Hiroyuki Shimizu	April 1985	Registered as a lawyer (a member of Daiichi Tokyo Bar Association), and joined Nishimura & Sanada (presently, Nishimura & Asahi)
		September 1991	Debevoise & Plimpton LLP (New York, U.S.A.)
		October 1992	Lawyer, Nishimura & Asahi
		June 1993	Partner, Nishimura & Asahi
		April 1994	Lawyer, Aoyama Law Office
		June 2007	Lawyer, Kasahara International Law Office (presently, Shimizu Sogo Law Office) (current post)
		March 2012	Supervisory Director, Nomura Real Estate Private REIT, Inc.
		February 2014	External Corporate Auditor, Kokusai Kogyo Co., Ltd. (presently, Kokusai Kogyo Kanri Co., Ltd.) (current post)

(D) Compliance Officer

The Compliance Officer is the supervisory manager for compliance-related matters and chairs the Compliance Committee. Currently, the Compliance Officer is also the General Manager of the Compliance Department who designs, establishes and promotes the overall compliance. As the supervisory manager for compliance-related matters, the Compliance Officer examines and otherwise verifies the status of compliance with laws and regulations by the Asset Manager in its capacity as being independent from other departments under the organization of the Asset Manager. The Compliance Officer also has a role in the check-and-balance system to prevent transactions involving conflicts of interest by examining in advance, and deliberating and resolving from a fair viewpoint as Chairman of the Compliance Committee on, the details of the transactions with the Sponsor Company Group.

Job title	Name	Brief biography	
General Manager of the Compliance Department (Compliance Officer)	Hiroshi Kamada	<p>April 1983</p> <p>July 1999</p> <p>April 2000</p> <p>January 2004</p> <p>April 2006</p> <p>February 2008</p> <p>July 2008</p> <p>April 2010</p>	<p>Joined Taiyo-Kobe Bank Limited</p> <p>Section chief of the Kamata corporate sales department II of Sakura Bank</p> <p>Group chief of the loan products department of Sakura Bank</p> <p>Senior assistant to director of the Head Office of Sumitomo Mitsui Banking Corporation (seconded to SMBC Consulting Co., Ltd.)</p> <p>Seconded to Creed REIT Advisors, Inc.</p> <p>Compliance officer and chief of the internal auditor office</p> <p>General manager of the internal audit department of Mori Building Investment Management Co., Ltd.</p> <p>Compliance Officer and General manager of the internal audit department of Mori Building Investment Management Co., Ltd.</p> <p>Compliance Officer of Mori Building Investment Management Co., Ltd. (current post)</p>

### 3. Transactions with the Sponsor Companies

#### (1) Transactions with Related Parties

The status of transactions including buying and selling with related parties (Note 1) during the 23rd fiscal period (from August 1, 2017 to January 31, 2018) of the Company is as follows.

##### (i) Status of Transactions

(Unit: thousands of yen)

Classification	Amounts purchased and sold	
	Amount purchased	Amount sold
Total amount	14,400,000	—
Breakdown of transactions with related parties etc.		
Mori Building Co., Ltd.	14,400,000 (100.0%)	—
Total	14,400,000 (100.0%)	—

##### (ii) Amount of Fees Paid

(Unit: thousands of yen)

Classification	Total amount of fees paid (A)	Details of transactions with related parties		Percentage of amount paid to total amount of fees paid (B/A) (%)
		Payee	Amount paid (B)	
Property management fees	980,712	Mori Building Co., Ltd.	210,746	21.5

(Note 1) The term “related parties” means (i) any related parties to the Asset Manager with which the Company has executed the asset management agreement and are prescribed in Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Enforcement Ordinance, and Article 244-3 of the Enforcement Rules, and (ii) any related parties as defined in Article 26 (27) of the Regulations for Performance Reports Relating to Investment Trust and Investment Corporation set out by The Investment Trusts Association, Japan.

(Note 2) Other than fees paid described above, the following fee paid to the related parties have not been written off as a loss but recorded as assets.  
Mori Building Co., Ltd., 7,413 thousand yen

(iii) Summary of Transactions

As of January 31, 2018, the Company has executed with Mori Building Co., Ltd., a 100% shareholder and a related party of the Asset Manager, master lease agreements (Note) regarding the following real estate in trust through the intermediary of the trustee, under which Mori Building Co., Ltd. is a master lease company and is entrusted with the performance of PM Services regarding all of the real estate in trust.

Property name	Lease type	Lease agreement type
Roppongi Hills Mori Tower	Fixed master lease	General building lease agreement
ARK Mori Building	Fixed master lease	General building lease agreement
Koraku Mori Building	Pass-through master lease	Fixed term building lease agreement
Akasaka Tameike Tower	Pass-through master lease	General building lease agreement
ARK Hills South Tower	Pass-through master lease	General building lease agreement
Holland Hills Mori Tower	Pass-through master lease	General building lease agreement
Roppongi First Plaza	Pass-through master lease	Fixed term building lease agreement
Roppongi View Tower	Pass-through master lease	Fixed term building lease agreement

(Note) The master lease is a system in which a trustee or the Company leases to a master lessee (sublessor) and the master lessee subleases to the end tenants (sublessees). Master leases can be classified into pass-through master leases and fixed master leases as described above, and the above table follows that classification.

- Pass-through master leases: a master lease system in which the amount of rent paid by the master lessee and the amount of rent paid by the end tenants are always the same

- Fixed master leases: a master lease system in which the amount of rent paid by the master lessee is fixed to a certain amount without regard to the amount of rent paid to the master lessee by the sublessees

In the above, the term “master lessee” means a party who rents the property in whole from the trustee or the Company and subleases a section of the property to another third party, and the term “end tenant” means a party who actually pays to the lessor a rent for the section of the property it rents (including master lessees under fixed master leases).

As of January 31, 2018, the Company grants through the intermediary of the trustee the right to lease Atago Green Hills and Toranomom Hills Mori Tower to Mori Building Co., Ltd., a 100% shareholder, a related party of the Asset Manager, and a joint owner of Atago Green Hills and Toranomom Hills Mori Tower, and the Company receives payment from such company of a fixed amount in exchange for granting of the right to lease as well as entrusts such company with the performance of PM Services.

As of January 31, 2018, the Company leases the following property to Mori Building Co., Ltd., a 100% shareholder and a related party of the Asset Manager, for the purpose of its own use.

Property name	Leased section	Purpose of usage by its own
Koraku Mori Building	A section of the second floor	To continue shop operation in the form of entrustment of shop operations
ARK Hills South Tower	A section of the third floor	To conduct joint research with a third party

As of January 31, 2018, the Company leases the following property to a related party.

Property name	Leased section	Related party	Purpose of use
Laforet Harajuku (leased land)	Land	Mori Building Ryutsu System Co., Ltd.	To own a building used mainly as commercial facilities and for other business purposes

(2) Status of Property Acquirer, etc.

The status of acquisition and transfer of properties conducted during the 23rd fiscal period (from August 1, 2017 to January 31, 2018) between the Company and any related parties, special purpose companies (or subsidiaries) whose decision-making bodies are controlled by related parties, and any parties otherwise having a special relationship with the Asset Manager (“Parties with Special Interests”) is as follows.

Acquisition of Properties:

(Unit: millions of yen)

Property name (location)	Investment Corporation	Former owner / trustee	Owner before former owner / trustee
A portion of Toranomom Hills Mori Tower (1-23-1 Toranomom, Minato-ku, Tokyo)	(3) The Company acquired the property which matches to the Investment Policy of the Company to further improve profitability and stability while maintaining the image of its portfolio centered on the premium properties (Note 1). Acquired portion was appraised at 5,446 million yen as of February 1, 2017, therefore, we consider this acquisition price reasonable.	(1) Mori Building Co., Ltd. (2) The parent company of the Asset Manager (3) Acquired as the initial property developer	—
	5,070	—	—
	August 2017	May 2014	—
Acquisition price			
Time of acquisition			

A portion of Holland Hills Mori Tower (5-11-2 Toranomon, Minato-ku, Tokyo)	(3) The Company acquired the property which matches to the Investment Policy of the Company to further improve profitability and stability while maintaining the image of its portfolio centered on the premium properties (Note 1). Acquired portion was appraised at 10,431 million yen as of February 1, 2017, therefore, we consider this acquisition price reasonable.	(1) Mori Building Co., Ltd. (2) The parent company of the Asset Manager (3) Acquired as the initial property developer	—
Acquisition price	9,330	—	—
Time of acquisition	August 2017	January 2005	—

(Note 1) “Premium properties” are any properties defined, in the management guidelines of the Asset Manager, as “any office buildings, residential properties, and retail and other facilities with competitive advantages in terms of quality, scale, and other specifications that are expected to continue into the future, located in Tokyo’s five central wards (Minato Ward, Chiyoda Ward, Chuo Ward, Shinjuku Ward, and Shibuya Ward) and their vicinity.” The same applies hereafter.

(Note 2) This column describes (1) names of companies or persons, (2) the relationship with Parties with Special Interests, and (3) process or reasons for the acquisition.



4. Others

(1) Selection Policy on and Summary of Real Estate Appraiser Agent (As of January 31, 2018)

(i) Selection Policy

The real estate appraiser agent is selected from among major appraisal agents who have abundant experience, including in the J-REIT market, and good social credibility.

(ii) Summary

Property name	Summary of real estate appraiser agent			
	Name	Address	The number of real estate appraisers	Reason for selection
Roppongi Hills Mori Tower ARK Mori Building Koraku Mori Building Akasaka Tameike Tower Atago Green Hills Toranomom Hills Mori Tower Holland Hills Mori Tower Roppongi First Plaza Roppongi View Tower Laforet Harajuku (leased land)	Japan Real Estate Institute	Shiodome Shibarikyu Bldg. 1-2-3 Kaigan, Minato-Ku, Tokyo 105-8485	271 (as of June 1, 2017)	The reason for selecting Japan Real Estate Institute is that it has experience in conducting appraisals at the time of acquisition and disposal and at the end of fiscal period, and, as the industry-leading agent, has a wealth of achievements in the J-REIT market as well as good social credibility.

<p>ARK Hills South Tower</p>	<p>Daiwa Real Estate Appraisal Co., Ltd.</p>	<p>11F Orix Honmachi Building, 1-4-1 Nishihonmachi, Nishi-ku, Osaka-shi, Osaka 550-0005</p>	<p>100 (as of March 1, 2017)</p>	<p>The reason for selecting Daiwa Real Estate Appraisal Co., Ltd. is that it has experience in conducting appraisals at the time of acquisition and at the end of fiscal periods, and has a wealth of achievements in the J-REIT market as a major agent in the industry, along with good social credibility.</p>
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(2) Selection Policy on and Summary of Engineering Report Preparation Agent (As of January 31, 2018)

(i) Selection Policy

The engineering report preparation agent is selected from among agents who have abundant experience, including in the J-REIT market, and good social credibility.

(ii) Summary

Property name	Summary of engineering report preparation agent			
	Name	Address	Description of business	Reason for selection
Toranomon Hills Mori Tower Holland Hills Mori Tower	Tokyo Bldg-Tech Center Co., Ltd.	4F MY ARK Nihombashi Building, 10-16 Nihombashitomizawacho, Chuo-ku, Tokyo 103-0006	Designated confirmation and inspection services under the Building Standards Act and investigation, diagnosis, appraisal, and the like of buildings and building facilities	The reason for selecting Tokyo Bldg-Tech Center Co., Ltd. is that it has abundant experience, including in the J-REIT market, as well as good social credibility.

(3) Other Transactions Possibly Involving Conflicts of Interests

Not applicable.

#### (4) Status of IR-Related Activities

##### (i) IR Schedule

The IR schedule of the Company is as follows.

- |   |                     |
|---|---------------------|
| - Last month of accounting period:                            | January and July    |
| - Publication of financial results ( <i>Kessan-Tanshin</i> ): | March and September |
| - Financial results briefing:                                 | March and September |
| - Dispatch of asset management report:                        | April and October   |

The *Kessan-Tanshin*, materials for financial results briefings, and asset management reports are published on the Company's website as necessary.

##### (ii) IR Activity Policy

As to the Company's IR activities, the Company will endeavor to develop a relationship with its investors through having executive directors of the Company and the President & CEO of and general managers in charge in the Asset Manager make a visit to the investors in person, where briefings on financial results are given and the information on the Company's management reports is voluntarily disclosed. The timing of the main activities are as follows (however, although the IR activities basically follow the policy described in the following items, whether or not to perform the activities and the timing of the activities will be determined on a case-by-case basis taking market conditions into consideration).

- (A) After publication of financial results, regular IR activities (for institutional investors in Japan) will be held at a designated time between late March and April and between late September and October respectively.
- (B) After publication of financial results, regular IR activities (for institutional investors outside Japan) will be held at a designated time between early April and May or between early October and November respectively.
- (C) Additional IR activities for institutional investors both inside and outside Japan will be held from time to time at designated times except for periods from the dates near the end of accounting periods to the dates of financial results publication.
- (D) In addition to the above-mentioned IR activities for institutional investors both inside and outside Japan, a briefing for individual investors will be held.

##### (iii) Information Disclosure System

In addition to the disclosure required by laws and regulations, from a viewpoint of securing transparency, the Company will endeavor to disclose accurate and

non-biased information to its investors in an appropriate and easy-to-understand way, and as much as possible make voluntary disclosure of the information that the Company considers important or useful for its investors.

The timely disclosure of the information on the Company's real estate investment trust is entrusted to and made by the Asset Manager. For understanding and managing the facts and accounting settlement information that would have a material impact on investors' investment decision and for making timely, appropriate, and fair information disclosure, the Asset Manager has appointed its planning department as the department in charge of information disclosure (the "Disclosure Department"), with the general manager of the planning department as the person responsible, and has that department undertake the internal process of timely disclosure of information.

(iv) Information Disclosure Process

The internal process for the timely disclosure of information is as follows.

(A) Account Settlement Information

In the case of information relating to the Company's account settlement, the Disclosure Department will prepare disclosure documents, including the accounts settlement information approved under the Investment Trust Act, the information relating to distribution expectations, and the *Kessan-Tanshin* containing management status, and after the Compliance Officer's review and upon receiving approval of the President & CEO of the Asser Manager, will disclose the information in question.

(B) Information on Matters Decided and Matters Arisen

- a. If a matter decided on by the Company's Board of Directors and the Asset Manager's Board of Directors constitutes a matter required to be disclosed by laws and regulations, then the department in charge of the matter in question will prepare disclosure materials upon making a report to the Disclosure Department in advance.
- b. If a matter that arises in relation to the Company or the Asset Manager becomes required to be disclosed by laws and regulations, for example because the matter is found to have a material impact on the investors' investment decision, then the department in charge of the matter in question will immediately make a report to the Disclosure Department and prepare disclosure materials.
- c. The Disclosure Department will confirm the contents of the disclosure materials prepared by the department in charge of the matter in question, and after the Compliance Officer's review and upon receiving approval of the President & CEO of the Asset Manager, will disclose the matter in question.
- d. If the department in charge of the matter in question and the Disclosure Department find it necessary with respect to the contents of the disclosure materials, they will seek experts' opinions from Tokyo Stock Exchange personnel, lawyers, accounting auditors, and tax attorneys as necessary.

(C) Information Designated as Other Important Information

The information designated in the Asset Manager's internal rules as other important information will be also disclosed in accordance with the disclosure process described in (B) a to (B) d.

(D) Information Not Designated as Information Subject to Disclosure

If a matter that is not designated as information subject to disclosure or is difficult to decide whether to disclose or not arises, then the department in charge of the matter in question and the Disclosure Department will collect information on the matter in question, seek experts' opinions from Tokyo Stock Exchange personnel, lawyers, accounting auditors, and tax attorneys as necessary, and discuss whether to disclose and the timing and the contents of the disclosure. If as a result of such discussion it is concluded that the disclosure is necessary, then the matter in question will be disclosed as voluntary disclosure in accordance with the process described in (B) a to (B) d. If as a result of such discussion it is concluded that the disclosure is not necessary, then the matter in question, the details of the discussion, and the reason for the conclusion will be recorded and a report will be made to the Compliance Officer and the President & CEO.

(E) Method of Information Disclosure

The disclosure of information constituting matters for which timely disclosure is required under the "Securities Listing Regulations" and the "Enforcement Rules of Securities Listing Regulations" set out by the Tokyo Stock Exchange will be made, in accordance with those regulations and enforcement rules, by registering such information with the "TDnet (Timely Disclosure network)" run by that exchange. Without delay after the registration to "TDnet," materials for the timely disclosure will be distributed to the press club and published on the Company's website. The disclosure of information not constituting matters for which timely disclosure is required under the Securities Listing Regulations will also be made appropriately in accordance with the purpose of the timely disclosure.

(5) Development of Structure for Elimination of Anti-Social Forces

The Asset Manager provides a statement on "severing all ties, including business ties, with anti-social forces" in its "basic rules on response to anti-social forces." Accordingly, the Asset Manager endeavors to develop an internal structure, such as assigning a person responsible for overseeing and managing responses to anti-social forces and a person responsible for preventing unjust demands, and also ensures that all officers and employees are thoroughly informed of how to respond to anti-social forces, etc. through in-house training, etc.

End.