

Report of Independent Auditors

To the Board of Directors and Shareholders of
MORI TRUST Sogo Reit, Inc.

We have audited the accompanying balance sheets of MORI TRUST Sogo Reit, Inc. as of September 30, 2007 and March 31, 2007, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MORI TRUST Sogo Reit, Inc. at September 30, 2007 and March 31, 2007, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended September 30, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shinohara

December 10, 2007

FINANCIAL STATEMENTS

BALANCE SHEETS

As of September 30, 2007 and March 31, 2007

	September 30, 2007	March 31, 2007	September 30, 2007
	Thousands of yen		U.S. dollars (Note 1)
Assets			
Current Assets:			
Cash and cash equivalents (Note 11)	¥7,535,653	¥9,186,658	\$65,362,587
Rental and other receivables	40,793	35,233	353,828
Other current assets	29,601	44,617	256,758
Total current assets	<u>7,606,047</u>	<u>9,266,508</u>	<u>65,973,173</u>
Property and Equipment, at Cost: (Note 3)			
Buildings and structures including trust accounts	35,614,397	34,166,049	308,911,413
Machinery and equipment	129,414	53,821	1,122,509
Tools, furniture and fixtures	15,354	11,312	133,175
Land including trust accounts	128,854,043	112,102,220	1,117,651,513
Construction in progress	5,369	-	46,569
Less: accumulated depreciation	<u>(4,595,376)</u>	<u>(3,846,586)</u>	<u>(39,859,275)</u>
Net property and equipment	160,023,201	142,486,816	1,388,005,904
Investments and Other Assets:			
Deposits	10,000	10,000	86,738
Other	276	276	2,394
Total investments and other assets	<u>10,276</u>	<u>10,276</u>	<u>89,132</u>
Total Assets	<u>¥167,639,524</u>	<u>¥151,763,600</u>	<u>\$1,454,068,209</u>
Liabilities			
Current Liabilities:			
Accounts payable	¥237,562	¥97,074	\$2,060,562
Short-term loans (Note 4)	24,500,000	19,000,000	212,507,590
Distributions payable	10,400	13,264	90,207
Consumption taxes payable	52,207	193,121	452,833
Rents received in advance (Note 9)	903,052	824,774	7,832,871
Accrued expenses and other current liabilities	172,516	250,946	1,496,368
Total current liabilities	<u>25,875,737</u>	<u>20,379,179</u>	<u>224,440,431</u>
Long-Term Liabilities:			
Long-term loans (Note 5)	46,500,000	38,500,000	403,330,731
Leasehold and security deposits (Note 9)	<u>12,181,495</u>	<u>9,884,995</u>	<u>105,659,596</u>
Total long-term liabilities	58,681,495	48,384,995	508,990,327
Total Liabilities	<u>84,557,232</u>	<u>68,764,174</u>	<u>733,430,758</u>
Net Assets: (Note 6)			
Shareholders' equity:			
Shares authorized: 2,000,000 shares			
Shares issued and outstanding: 160,000 shares	80,000,000	80,000,000	693,902,333
Retained earnings	3,082,292	2,999,426	26,735,118
Total Net Assets	<u>83,082,292</u>	<u>82,999,426</u>	<u>720,637,451</u>
Total Liabilities and Net Assets	<u>¥167,639,524</u>	<u>¥151,763,600</u>	<u>\$1,454,068,209</u>

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended September 30, 2007 and March 31, 2007

	April 1, 2007 to September 30, 2007	October 1, 2006 to March 31, 2007	April 1, 2007 to September 30, 2007
	Thousands of yen		U.S. dollars (Note 1)
Operating Revenues:			
Rental revenues (Notes 9 and 10)	¥5,351,252	¥4,957,479	\$46,415,575
Operating Expenses:			
Property-related expenses (Note 10)	1,557,826	1,395,241	13,512,234
Asset management fees	178,268	164,911	1,546,255
Custodian and administrative service fees	53,790	44,656	466,562
Other operating expenses	72,002	62,208	624,529
Operating Income	3,489,366	3,290,463	30,265,995
Non-Operating Revenues:			
Interest income	14,274	8,721	123,805
Other non-operating revenues	1,774	1,966	15,388
Non-Operating Expenses:			
Interest expense	422,200	300,256	3,662,068
Other non-operating expenses	-	491	-
Income before Income Taxes	3,083,214	3,000,403	26,743,120
Income Taxes: (Note 7)			
Current	987	1,017	8,561
Deferred	1	(1)	13
Net Income	3,082,226	2,999,387	26,734,546
Retained Earnings at the Beginning of Period	66	39	571
Retained Earnings at the End of Period	¥3,082,292	¥2,999,426	\$26,735,117

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended September 30, 2007 and March 31, 2007

	Thousands of yen				U.S. dollars
	Shares	Common shares	Retained earnings	Total	(Note 1) Total
Balance as of September 30, 2006	160,000	¥80,000,000	¥3,692,039	¥83,692,039	
Cash dividends paid	-		(3,692,000)	(3,692,000)	
Net income	-		2,999,387	2,999,387	
Balance as of March 31, 2007	160,000	80,000,000	2,999,426	82,999,426	\$719,918,691
Cash dividends paid	-		(2,999,360)	(2,999,360)	(26,015,786)
Net income	-		3,082,226	3,082,226	26,734,546
Balance as of September 30, 2007	160,000	¥80,000,000	¥3,082,292	¥83,082,292	\$720,637,451

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the six-month periods ended September 30, 2007 and March 31, 2007

	April 1, 2007 to September 30, 2007	October 1, 2006 to March 31, 2007	April 1, 2007 to September 30, 2007
	Thousands of yen		U.S. dollars (Note 1)
Cash Flows from Operating Activities:			
Income before income taxes	¥3,083,214	¥3,000,403	\$26,743,120
Depreciation and amortization	748,790	733,525	6,494,842
Interest income	(14,274)	(8,721)	(123,805)
Interest expense	422,200	300,256	3,662,068
Changes in assets and liabilities:			
Rental and other receivables	(5,560)	6,354	(48,222)
Consumption taxes refundable	-	143,417	-
Accounts payable and accrued expenses	88,759	(243,994)	769,867
Consumption taxes payable	(140,914)	143,150	(1,222,253)
Rents received in advance	78,278	(1,805)	678,960
Other	46,397	(56,859)	402,438
Subtotal	4,306,890	4,015,726	37,357,015
Interest received	13,203	8,721	114,523
Interest paid	(405,925)	(282,830)	(3,520,906)
Income taxes paid	(1,869)	(2,344)	(16,209)
Net cash provided by operating activities	3,912,299	3,739,273	33,934,423
Cash Flows from Investing Activities:			
Purchases of property and equipment including trust accounts	(18,233,444)	(396,240)	(158,152,870)
Repayment of leasehold and security deposits	(287,724)	-	(2,495,660)
Proceeds from leasehold and security deposits	2,460,088	4,620	21,338,261
Net cash used in investing activities	(16,061,080)	(391,620)	(139,310,269)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans	5,500,000	(2,500,000)	47,705,785
Proceeds from long-term loans	8,000,000	8,000,000	69,390,233
Repayment of long-term loans	-	(5,500,000)	-
Distributions paid to shareholders	(3,002,224)	(3,690,802)	(26,040,627)
Net cash provided by (used in) financing activities	10,497,776	(3,690,802)	91,055,391
Net Change in Cash and Cash Equivalents	(1,651,005)	(343,149)	(14,320,455)
Cash and Cash Equivalents at the Beginning of Period	9,186,658	9,529,807	79,683,042
Cash and Cash Equivalents at the End of Period (Note 11)	¥7,535,653	¥9,186,658	\$65,362,587

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended September 30, 2007 and March 31, 2007

1. ORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Organization

MORI TRUST Sogo Reit, Inc. ("MTR"), a Japanese real estate investment corporation, was incorporated on October 2, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. MTR was originally formed by Mori Trust Co., Ltd., and commenced operations on March 28, 2002 by acquiring a property. MTR is provided professional asset management services of properties of varied types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. ("MTAM"). MTAM is currently owned 65% by Mori Trust Co., Ltd., 10% by PARCO Co., Ltd., 10% by SOMPO JAPAN INSURANCE INC., 5% by Sumitomo Mitsui Banking Corporation, 5% by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and 5% by Mizuho Corporate Bank, Ltd. On February 13, 2004, MTR was listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 8961). As of September 30, 2007, MTR owned a portfolio of 12 properties with a total rentable area of 415,293.05 sq. meters occupied by 29 tenants. The occupancy rate was 99.9%.

Basis of presentation of financial statements

MTR maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Law, the Securities and Exchange Law of Japan and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of MTR, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of MTR filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥115.29 = U.S.\$1.00, the foreign exchange rate prevailing on September 30, 2007, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that or any other rate. MTR does not prepare consolidated financial statements as it has no subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. The costs of land, buildings and building improvements include the purchase prices of properties, legal fees and acquisition costs. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets ranging as follows:

Buildings including trust accounts.....	3 - 41 years
Structures including trust accounts.....	2 - 20 years
Machinery and equipment.....	3 - 8 years
Tools, furniture and fixtures.....	3 - 8 years

Expenditures for repairs and maintenance are charged to income as incurred. Significant renewals and betterments are capitalized.

Revenue recognition

Revenues from leasing of investment properties are recognized as rent accrued over the lease period.

Taxes on property and equipment

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally expensed during the period. The sellers of the properties were liable for property taxes for the calendar year including the period from the date of purchase by MTR through the end of the year since the taxes were imposed on the registered owners as of January 1, based on assessments made by local governments. MTR paid amounts equivalent to the property taxes to the respective sellers applicable to the period commencing from the dates of purchase of the respective properties by MTR through the year end and included these amounts in the purchase prices of the respective properties and capitalized them as cost of such properties. The amount of such taxes included in the costs of real estate acquisition was ¥39,751 thousand (\$345 thousand) for the six-month period ended September 30, 2007.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks and short-term investments which are highly liquid, readily convertible to cash and with an insignificant risk of price fluctuation, and with an original maturity of three months or less.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and statement of income accounts.

Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the accompanying statements of income and retained earnings. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld is included in current assets and the excess of amounts withheld over payments is included in current liabilities.

3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2007 and March 31, 2007 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2007		As of March 31, 2007		As of September 30, 2007	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥112,996,043	¥112,996,043	¥96,244,220	¥96,244,220	\$980,102,725	\$980,102,725
Buildings and structures	27,898,396		26,482,999		241,984,520	
Accumulated depreciation	(4,085,467)	23,812,929	(3,557,989)	22,925,010	(35,436,434)	206,548,086
Machinery and equipment	129,414		53,821		1,122,509	
Accumulated depreciation	(45,902)	83,512	(39,240)	14,581	(398,147)	724,362
Tools, furniture and fixtures	15,354		11,312		133,175	
Accumulated depreciation	(2,778)	12,576	(1,809)	9,503	(24,097)	109,078
Construction in progress	5,369	5,369	-	-	46,569	46,569
Land in trust	15,858,000	15,858,000	15,858,000	15,858,000	137,548,788	137,548,788
Buildings and structures in trust	7,716,001		7,683,050		66,926,893	
Accumulated depreciation	(461,229)	7,254,772	(247,548)	7,435,502	(4,000,597)	62,926,296
Total		¥160,023,201		¥142,486,816		\$1,388,005,904

4. SHORT-TERM LOANS

Short-term loans at September 30, 2007 and March 31, 2007 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2007	As of March 31, 2007	As of September 30, 2007
Unsecured loans from banks and trust banks with floating interest rates, due on August 31, 2007	-	¥16,000,000	-
Unsecured loans from banks and trust banks with floating interest rates, due on February 29, 2008	¥9,000,000	3,000,000	\$78,064,013
Unsecured loans from banks and trust banks with floating interest rates, due on August 29, 2008	15,500,000	-	134,443,577
Total	¥24,500,000	¥19,000,000	\$212,507,590

The annual interest rates on short-term loans outstanding were floating rates ranging from 0.84% to 1.04% and from 0.66% to 0.81% at September 30, 2007 and March 31, 2007, respectively. Use of the above funds includes acquisition of real estate or beneficiary interests.

The Company has committed lines of credit of ¥10,000 million (\$86,738 thousand) in the aggregate with one bank to reduce a refinancing risk. The aggregate unused amount of such committed lines of credit was ¥10,000 million (\$86,738 thousand) at September 30, 2007.

5. LONG-TERM LOANS

Long-term loans at September 30, 2007 and March 31, 2007 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2007	As of March 31, 2007	As of September 30, 2007	As of March 31, 2007				
Nippon Life Insurance Company	¥3,000,000	¥3,000,000	\$26,021,337		1.29	February 27, 2009		
Shinsei Bank, Limited	3,000,000	3,000,000	26,021,337		1.22	August 31, 2009		
Mitsubishi UFJ Trust & Banking Corporation	2,000,000	2,000,000	17,347,558		1.24	August 31, 2009		
The Chiba Bank, Ltd.	1,000,000	1,000,000	8,673,779		1.20	August 31, 2009		
The Sumitomo Trust & Banking Co., Ltd.	1,000,000	1,000,000	8,673,779		1.24	August 31, 2009		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	43,368,897		1.15	February 26, 2010		
Nippon Life Insurance Company	3,000,000	3,000,000	26,021,337		1.09	February 26, 2010		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	-	26,021,337		1.39	February 26, 2010		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	2,500,000	21,684,449		1.37	February 26, 2010		
The Dai-ichi Mutual Life Insurance Company	2,000,000	2,000,000	17,347,558		1.09	February 26, 2010		
Shinsei Bank, Limited	3,000,000	-	26,021,337		1.59	February 28, 2011	(2)	(3)
Development Bank of Japan	2,500,000	2,500,000	21,684,449		1.65	February 28, 2011		
Development Bank of Japan	2,000,000	2,000,000	17,347,558		1.46	February 28, 2011		
Shinsei Bank, Limited	2,000,000	2,000,000	17,347,558		1.55	February 28, 2011		
Nippon Life Insurance Company	1,000,000	1,000,000	8,673,779		1.46	February 28, 2011		
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	8,673,779		1.55	February 28, 2011		
Development Bank of Japan	1,000,000	1,000,000	8,673,779		1.68	August 31, 2011		
Development Bank of Japan	4,000,000	4,000,000	34,695,117		1.44	February 29, 2012		
Development Bank of Japan	2,000,000	-	17,347,558		1.74	February 29, 2012		
The Dai-ichi Mutual Life Insurance Company	2,500,000	2,500,000	21,684,449		1.92	February 28, 2014		
Total long-term loans	¥46,500,000	¥38,500,000	\$403,330,731		-	-		

(1) Average interest rate for each loan has been rounded to the second decimal place.

(2) Use of the above funds includes acquisition of real estate or beneficiary interests.

(3) The above loans are unsecured and non-guaranteed with fixed interest rates.

(4) The total amounts of long-term loans repayable expected to be repaid during each of the 5 years subsequent to the current balance sheet date are summarized as follows:

Amount of loans	(Thousands of yen)	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
		(U.S. dollars)	¥10,000,000	¥15,500,000	¥12,500,000
		\$86,737,792	\$134,443,577	\$108,422,240	\$52,042,675

6. NET ASSETS

MTR is required to maintain net assets of at least ¥50 million (\$434 thousand) as required pursuant to the Investment Trust Law.

7. INCOME TAXES

At September 30, 2007 and March 31, 2007, MTR's deferred tax assets consisted mainly of enterprise tax payable which is not deductible for tax purposes. A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rate for the six months ended September 30, 2007 and March 31, 2007 was as follows:

	April 1, 2007 to September 30, 2007	October 1, 2006 to March 31, 2007
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.38%)
Per capita inhabitants' taxes	0.02%	0.02%
Effective tax rate	0.03%	0.03%

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law (STML) of Japan, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of the investment corporation's taxable income for the accounting period as stipulated in Article 67-15 of the STML. Based on the distribution policy provided by its Articles of Incorporation, MTR makes a dividend distribution of approximately 100% of retained earnings in the amount of ¥3,082,240 thousand (\$26,734,669) at September 30, 2007 and treats it as a tax deductible dividend. MTR does not distribute dividends in excess of accounting profit in accordance with its Articles of Incorporation.

8. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at September 30, 2007 and March 31, 2007 and for the six-month periods then ended:

	Yen		U.S. dollars
	April 1, 2007 to September 30, 2007	October 1, 2006 to March 31, 2007	April 1, 2007 to September 30, 2007
Net assets per share at period end	¥519,264	¥518,746	\$4,504
Net income per share	19,263	18,746	167
Weighted-average number of shares	160,000	160,000	160,000

In calculating net assets per share, the amount of the net assets has been adjusted for the cash distribution declared in the subsequent period. Net income per share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted net income per share has not been presented since no warrants or convertible bonds were outstanding during the period.

9. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

(1) Parent company and major corporate shareholders

	April 1, 2007 to September 30, 2007	
	(a)	(b)
Party type	Other related company *	Parent company of other related company
Party name	Mori Trust Co., Ltd.	Mori Trust Holdings Inc.
Address	Tokyo, Japan	Tokyo, Japan
Capital	¥10,000,000 thousand (\$86,737,792)	¥1,000,000 thousand (\$8,673,779)
Business	Urban development; property ownership, leasing and management	Shareholder in group companies; property ownership and leasing
Percentage of voting rights held	Direct 30.0%	-
Concurrent board appointment	-	-
Business relationship	Leasing	Purchasing
Details of transactions	Rental revenues	Purchase of a property
Transaction amount	¥1,322,199 thousand (\$11,468,462)	¥18,000,000 thousand (\$156,128,025)
Account name and balance at period end	Rents received in advance: ¥231,385 thousand (\$2,006,981)	-
	Leasehold and security deposits: ¥3,434,625 thousand (\$29,791,176)	-

	October 1, 2006 to March 31, 2007	
	(a)	
Party type	Other related company *	
Party name	Mori Trust Co., Ltd.	
Address	Tokyo, Japan	
Capital	¥10,000,000 thousand	
Business	Urban development; property ownership, leasing and management	
Percentage of voting rights held	Direct 30.0%	
Concurrent board appointment	-	
Business relationship	Leasing	
Details of transactions	Rental revenues	
Transaction amount	¥1,322,198 thousand	
Account name and balance at period end	Rents received in advance: ¥231,384 thousand	
	Leasehold and security deposits: ¥3,230,136 thousand	

* MTR deemed Mori Trust Co., Ltd. to be an "other related company" under Article 8 of Regulations Concerning Financial Statements.

(2) Directors and major individual shareholders: None applicable

(3) Subsidiaries: None applicable

(4) Sister companies: None applicable

10. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the six-month periods ended September 30, 2007 and March 31, 2007 is summarized as follows:

Rental revenues and property-related expenses

	Thousands of yen		U.S. dollars
	April 1, 2007 to September 30, 2007	October 1, 2006 to March 31, 2007	April 1, 2007 to September 30, 2007
Rental Revenues:	¥5,351,252	¥4,957,479	\$46,415,575
Rental revenues	5,090,450	4,715,961	44,153,440
Common charges	110,963	110,963	962,472
Parking revenues	6,670	6,600	57,854
Other rental revenues	143,169	123,955	1,241,809
Property-Related Expenses:	1,557,826	1,395,241	13,512,234
Property management fees	120,275	114,920	1,043,237
Utilities	122,963	108,466	1,066,555
Property and other taxes	489,555	350,065	4,246,293
Casualty insurance	28,169	27,989	244,329
Repairs and maintenance	40,612	51,083	352,253
Depreciation	748,790	733,525	6,494,842
Other rental expenses	7,462	9,193	64,725
Profit	¥3,793,426	¥3,562,238	\$32,903,341

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2007 and March 31, 2007 were as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2007	As of March 31, 2007	As of September 30, 2007
Cash and bank deposits	¥6,517,851	¥8,165,804	\$56,534,398
Cash in trust and deposits in trust	¥1,017,802	¥1,020,854	\$8,828,189
Cash and cash equivalents	¥7,535,653	¥9,186,658	\$65,362,587

12. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to September 30, 2007 and March 31, 2007, under non-cancelable operating leases were as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2007	As of March 31, 2007	As of September 30, 2007
Due within one year	¥8,006,844	¥8,186,929	\$69,449,597
Due after one year	53,799,416	57,018,329	466,644,250
Total	¥61,806,260	¥65,205,259	\$536,093,847

13. SUBSEQUENT EVENT

DISTRIBUTION OF RETAINED EARNINGS

On November 21, 2007, the Board of Directors approved a resolution for the payment of a cash distribution of ¥19,264 per share, aggregating to ¥3,082 million (\$26,734 thousand), to its shareholders of record as of September 30, 2007.