

Report of Independent Auditors

The Board of Directors
MORI TRUST Sogo Reit, Inc.

We have audited the accompanying balance sheets of MORI TRUST Sogo Reit, Inc. as of September 30, 2010 and March 31, 2010, 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, 2010 and March 31, 2010, 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, 2010 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 Shin Nihon LLC

December 17, 2010

FINANCIAL STATEMENTS

BALANCE SHEETS

As of September 30, 2010 and March 31, 2010

	September 30, 2010	March 31, 2010	September 30, 2010
	Thousands of yen		U.S. dollars (Note 1)
Assets			
Current Assets:			
Cash and cash equivalents	¥11,347,506	¥10,477,548	\$136,191,861
Rental and other receivables	101,611	64,461	1,219,532
Consumption taxes refundable	817,107	-	9,806,849
Other current assets	68,335	31,209	820,145
Total current assets	12,334,559	10,573,218	148,038,387
Property and Equipment, at Cost:			
Buildings and structures including trust accounts	64,444,370	43,454,604	773,456,202
Machinery and equipment including trust accounts	130,835	138,643	1,570,268
Tools, furniture and fixtures including trust accounts	113,793	115,882	1,365,733
Land including trust accounts	226,827,507	164,019,716	2,722,365,662
Less: accumulated depreciation	(9,496,131)	(8,696,562)	(113,971,811)
Net property and equipment	282,020,374	199,032,283	3,384,786,054
Investments and Other Assets:			
Deposits	10,000	10,000	120,019
Long-term prepaid expenses	9,527	18,359	114,351
Other	240	276	2,880
Total investments and other assets	19,767	28,635	237,250
Total Assets	¥294,374,700	¥209,634,136	\$3,553,061,691
Liabilities			
Current Liabilities:			
Accounts payable	¥211,597	¥397,916	\$2,539,569
Short-term loans	27,000,000	21,500,000	324,051,848
Long-term loans due within one year	20,900,000	15,900,000	250,840,134
Distributions payable	11,004	10,253	132,066
Consumption taxes payable	-	12,950	-
Rents received in advance	1,430,110	1,071,558	17,164,063
Accrued expenses and other current liabilities	540,756	252,465	6,490,110
Total current liabilities	50,093,467	39,145,142	601,217,790
Long-Term Liabilities:			
Long-term loans	90,200,000	55,400,000	1,082,573,212
Leasehold and security deposits including trust accounts	12,612,453	13,847,838	151,373,660
Total long-term liabilities	102,812,453	69,247,838	1,233,946,872
Total Liabilities	152,905,920	108,392,980	1,835,164,662
Net Assets:			
Shareholders' equity:			
Shares authorized: 2,000,000 shares			
Shares issued and outstanding: 242,000 shares at September 30, 2010 and 182,000 shares at March 31, 2010	136,609,600	97,600,000	1,639,577,532
Retained earnings	4,859,180	3,641,156	58,319,497
Total Net Assets	141,468,780	101,241,156	1,697,897,029
Total Liabilities and Net Assets	¥294,374,700	¥209,634,136	\$3,553,061,691

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, 2010 and March 31, 2010

	April 1, 2010 to September 30, 2010	October 1, 2009 to March 31, 2010	April 1, 2010 to September 30, 2010
	Thousands of yen		U.S. dollars (Note 1)
Operating Revenues:			
Rental revenues	¥8,842,291	¥6,736,116	\$106,124,476
Gain on sale of investment property	185,030	-	2,220,714
Operating Expenses:			
Property-related expenses	2,563,786	2,117,877	30,770,361
Asset management fees	252,001	204,357	3,024,493
Custodian and administrative service fees	68,490	52,946	822,008
Other operating expenses	86,347	56,778	1,036,330
Operating Income	6,056,697	4,304,158	72,691,998
Non-Operating Revenues:			
Interest income	2,993	3,819	35,921
Other non-operating revenues	1,232	1,913	14,788
Non-Operating Expenses:			
Interest expense	1,095,723	667,810	13,150,783
Investment share issuance expenses	105,086	-	1,261,238
Income before Income Taxes	4,860,113	3,642,080	58,330,686
Income Taxes:			
Current	996	995	11,952
Deferred	(0)	(2)	(1)
Net Income	4,859,117	3,641,087	58,318,735
Retained Earnings at the Beginning of Period	64	69	762
Retained Earnings at the End of Period	¥4,859,181	¥3,641,156	\$58,319,497

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, 2010 and March 31, 2010

	Thousands of yen			U.S. dollars (Note 1)	
	Shares	Common shares	Retained earnings	Total net assets	Total net assets
Balance as of September 30, 2009	182,000	¥97,600,000	¥4,126,372	¥101,726,372	
Cash dividends paid	-		(4,126,303)	(4,126,303)	
Net income	-		3,641,087	3,641,087	
Balance as of March 31, 2010	182,000	97,600,000	3,641,156	101,241,156	\$1,215,088,280
Additional issuance of new investment shares through public offering on May 31, 2010	60,000	39,009,600	-	39,009,600	468,190,110
Cash dividends paid	-		(3,641,093)	(3,641,093)	(43,700,096)
Net income	-		4,859,117	4,859,117	58,318,735
Balance as of September 30, 2010	242,000	¥136,609,600	¥4,859,180	¥141,468,780	\$1,697,897,029

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

STATEMENTS OF CASH FLOWS

For the six-month periods ended September 30, 2010 and March 31, 2010

	April 1, 2010 to September 30, 2010	October 1, 2009 to March 31, 2010	April 1, 2010 to September 30, 2010
	Thousands of yen		U.S. dollars (Note 1)
Cash Flows from Operating Activities:			
Income before income taxes	¥4,860,113	¥3,642,080	\$58,330,686
Depreciation and amortization	1,347,239	806,321	16,169,458
Investment share issuance expenses	105,086	-	1,261,238
Interest income	(2,993)	(3,819)	(35,921)
Interest expense	1,095,723	667,810	13,150,783
Changes in assets and liabilities:			
Rental and other receivables	(37,150)	5,000	(445,874)
Accounts payable and accrued expenses	(3,126)	75,787	(37,520)
Consumption taxes refundable	(817,107)	-	(9,806,849)
Consumption taxes payable	(12,950)	(102,698)	(155,428)
Rents received in advance	358,551	(31,952)	4,303,303
Decrease due to sale of investment property	26,700,609	-	320,458,577
Other	64,299	(16,245)	771,712
Subtotal	33,658,294	5,042,284	403,964,165
Interest received	2,956	4,280	35,478
Interest paid	(846,461)	(654,338)	(10,159,156)
Income taxes paid	(735)	(867)	(8,820)
Net cash provided by operating activities	32,814,054	4,391,359	393,831,667
Cash Flows from Investing Activities:			
Payments of time deposits	(500,000)	-	(6,000,960)
Purchases of property and equipment including trust accounts	(111,219,132)	(1,066,040)	(1,334,843,163)
Repayment of leasehold and security deposits	(1,521,276)	(1,230,004)	(18,258,236)
Proceeds from leasehold and security deposits including trust accounts	232,140	431,787	2,786,123
Net cash used in investing activities	(113,008,268)	(1,864,257)	(1,356,316,236)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans	5,500,000	(3,000,000)	66,010,561
Proceeds from long-term loans	44,000,000	20,500,000	528,084,493
Repayment of long-term loans	(4,200,000)	(15,625,000)	(50,408,065)
Proceeds from issuance of shares	38,904,514	-	466,928,873
Distributions paid to shareholders	(3,640,342)	(4,125,711)	(43,691,090)
Net cash provided by (used in) financing activities	80,564,172	(2,250,711)	966,924,772
Net Change in Cash and Cash Equivalents	369,958	276,391	4,440,203
Cash and Cash Equivalents at the Beginning of Period	10,477,548	10,201,157	125,750,698
Cash and Cash Equivalents at the End of Period	¥10,847,506	¥10,477,548	\$130,190,901

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

NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended September 30, 2010 and March 31, 2010

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 various 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, 2010, MTR owned a portfolio of 13 properties with a total rentable area of 502,850.23 sq. meters occupied by 33 tenants. The occupancy rate was 98.5%.

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 Financial Instruments 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 ¥83.32 = U.S.\$1.00, the foreign exchange rate prevailing on September 30, 2010, 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 including trust accounts.....	3 - 17 years
Tools, furniture and fixtures including trust accounts.....	3 - 15 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.

Deferred assets

All costs associated with the issuance of the new investment shares are expensed as incurred.

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 ¥492,091 thousand (\$5,906 thousand) for the period ended September 30, 2010.

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 sheets and statements of income and retained earnings 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.

New accounting standard for asset retirement obligations

In the period ended September 30, 2010, MTR adopted Accounting Standard for Asset Retirement Obligations (Statement No.18 issued by the Accounting Standards Board of Japan (ASBJ) on March 31, 2008) and the Implementation Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21 issued on March 31, 2008). The new accounting standard is required to be adopted in fiscal periods beginning on or after April 1, 2010. The adoption of this new standard had no effect on the statement of income and retained earnings for the fiscal period ended September 30, 2010.

3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2010 and March 31, 2010 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2010		As of March 31, 2010		As of September 30, 2010	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥175,872,190	¥175,872,190	¥113,064,399	¥113,064,399	\$2,110,804,008	\$2,110,804,008
Buildings and structures	50,460,340		29,534,335		605,620,980	
Accumulated depreciation	(7,231,442)	43,228,898	(6,721,116)	22,813,219	(86,791,194)	518,829,786
Machinery and equipment	128,557		136,365		1,542,932	
Accumulated depreciation	(74,078)	54,479	(76,203)	60,162	(889,077)	653,855
Tools, furniture and fixtures	97,822		99,911		1,174,050	
Accumulated depreciation	(19,000)	78,822	(14,522)	85,389	(228,032)	946,018
Land in trust	50,955,317	50,955,317	50,955,317	50,955,317	611,561,654	611,561,654
Buildings and structures in trust	13,984,030		13,920,269		167,835,222	
Accumulated depreciation	(2,168,331)	11,815,699	(1,882,715)	12,037,554	(26,024,137)	141,811,085
Machinery and equipment in trust	2,278		2,278		27,336	
Accumulated depreciation	(1,483)	795	(1,141)	1,137	(17,804)	9,532
Tools, furniture and fixtures in trust	15,971		15,971		191,683	
Accumulated depreciation	(1,797)	14,174	(865)	15,106	(21,567)	170,116
Total		¥282,020,374		¥199,032,283		\$3,384,786,054

4. SHORT-TERM LOANS

Short-term loans at September 30, 2010 and March 31, 2010 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Due on	Use of funds	Note
	As of September 30, 2010	As of March 31, 2010	As of September 30, 2010	Average interest rate (%) (1)			
Mizuho Corporate Bank, Ltd.	-	¥ 5,000,000	-	-	-		
Mitsubishi UFJ Trust & Banking Corporation	-	3,500,000	-	-	-		
The Sumitomo Trust & Banking Co., Ltd.	-	2,500,000	-	-	-		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	2,000,000	-	-	-		
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	-	-		
Mizuho Corporate Bank, Ltd.	-	500,000	-	-	-	-	-
Sumitomo Mitsui Banking Corporation	-	500,000	-	-	-		
The Sumitomo Trust & Banking Co., Ltd.	-	500,000	-	-	-		
Mitsubishi UFJ Trust & Banking Corporation	-	500,000	-	-	-		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	500,000	-	-	-		
Mizuho Corporate Bank, Ltd.	¥ 3,000,000	3,000,000	\$ 36,005,761	1.02	February 28, 2011		
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	12,001,920	1.21	February 28, 2011		
The Sumitomo Trust & Banking Co., Ltd.	1,000,000	1,000,000	12,001,920	1.02	February 28, 2011		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,000,000	-	84,013,442	0.97	April 13, 2011	(2)	(3)
Mizuho Corporate Bank, Ltd.	5,000,000	-	60,009,602	0.97	April 13, 2011		
Mizuho Corporate Bank, Ltd.	4,000,000	-	48,007,681	0.90	August 31, 2011		
Mitsubishi UFJ Trust & Banking Corporation	3,500,000	-	42,006,721	0.90	August 31, 2011		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	-	30,004,801	0.90	August 31, 2011		
Total short-term loans	¥ 27,000,000	¥ 21,500,000	\$ 324,051,848	-	-	-	-

(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 floating rates.

MTR has committed lines of credit of ¥20,000 million (\$240,038 thousand) in the aggregate with one bank to reduce a refinancing risk. The aggregate unused amount of such committed lines of credit was ¥20,000 million (\$240,038 thousand) at September 30, 2010.

5. LONG-TERM LOANS

Long-term loans at September 30, 2010 and March 31, 2010 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, 2010	As of March 31, 2010	As of September 30, 2010	As of March 31, 2010				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	¥4,000,000	-	-	-	-	-	-
Shinsei Bank, Limited	¥3,000,000	3,000,000	\$ 36,005,761		1.59	February 28, 2011		
Development Bank of Japan Inc.	2,500,000	2,500,000	30,004,801		1.65	February 28, 2011		
Development Bank of Japan Inc.	2,000,000	2,000,000	24,003,841		1.46	February 28, 2011		
Shinsei Bank, Limited	2,000,000	2,000,000	24,003,841		1.55	February 28, 2011		
Nippon Life Insurance Company	1,000,000	1,000,000	12,001,920		1.46	February 28, 2011		
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	12,001,920		1.55	February 28, 2011		
The Sumitomo Trust & Banking Co., Ltd.	5,000,000	5,000,000	60,009,602		1.58	August 31, 2011		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	36,005,761		1.58	August 31, 2011		
Development Bank of Japan Inc.	1,000,000	1,000,000	12,001,920		1.68	August 31, 2011		
Development Bank of Japan Inc.	4,000,000	4,000,000	48,007,681		1.44	February 29, 2012		
The Sumitomo Trust & Banking Co., Ltd.	3,000,000	3,000,000	36,005,761		1.62	February 29, 2012		
Development Bank of Japan Inc.	2,000,000	2,000,000	24,003,841		1.74	February 29, 2012		
Mitsubishi UFJ Trust & Banking Corporation	5,000,000	-	60,009,602		1.42	April 13, 2012		
The Sumitomo Trust & Banking Co., Ltd.	4,000,000	-	48,007,681		1.42	April 13, 2012		
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	48,007,681		1.67	August 31, 2012		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	36,005,761		1.67	August 31, 2012		
Development Bank of Japan Inc. (4)	2,775,000	2,850,000	33,306,327		1.81	August 31, 2012		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	60,009,602		1.58	February 28, 2013		
Mizuho Corporate Bank, Ltd.	3,000,000	3,000,000	36,005,761		1.58	February 28, 2013	(2)	(3)
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	36,005,761		1.58	February 28, 2013		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	2,500,000	30,004,801		1.58	February 28, 2013		
Aozora Bank, Ltd.	2,000,000	2,000,000	24,003,841		1.56	March 12, 2013		
ORIX Trust and Banking Corporation	2,000,000	2,000,000	24,003,841		1.50	March 19, 2013		
Mizuho Corporate Bank, Ltd.	5,000,000	-	60,009,602		1.59	April 12, 2013		
Sumitomo Mitsui Banking Corporation	5,000,000	-	60,009,602		1.59	April 12, 2013		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,000,000	-	72,011,522		1.38	August 30, 2013		
Development Bank of Japan Inc. (5)	1,900,000	1,950,000	22,803,648		1.83	August 30, 2013		
Mizuho Corporate Bank, Ltd.	1,000,000	-	12,001,920		1.38	August 30, 2013		
Sumitomo Mitsui Banking Corporation	1,000,000	-	12,001,920		1.38	August 30, 2013		
Sumitomo Mitsui Banking Corporation	5,000,000	-	60,009,602		1.69	October 11, 2013		
Mizuho Corporate Bank, Ltd.	4,000,000	-	48,007,681		1.69	October 11, 2013		
Aozora Bank, Ltd.	1,000,000	-	12,001,920		1.69	October 11, 2013		
The Dai-ichi Mutual Life Insurance Company	2,500,000	2,500,000	30,004,801		1.92	February 28, 2014		
Development Bank of Japan Inc. (6)	2,925,000	3,000,000	35,105,615		1.69	March 12, 2014		
Sumitomo Mitsui Banking Corporation	5,000,000	-	60,009,602		1.79	April 11, 2014		
Development Bank of Japan Inc.	2,000,000	-	24,003,841		1.79	April 11, 2014		
Development Bank of Japan Inc.	3,000,000	3,000,000	36,005,761		1.96	February 27, 2015		
Total long-term loans	¥111,100,000	¥71,300,000	\$ 1,333,414,346		-	-	-	-

(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 loan from the "Development Bank of Japan Inc." will be amortized in seven semi-annual installments at the end of each August and February, starting from August 31, 2009 and ending at August 31, 2012. The repayment amounts are ¥75 million (\$900 thousand) from the 1st to 6th installment, and ¥2,550 million (\$30,605 thousand) for the final installment.

(5) The loan from the "Development Bank of Japan Inc." will be amortized in eight semi-annual installments at the end of each February and August, starting from February 26, 2010 and ending at August 30, 2013. The repayment amounts are ¥50 million (\$600 thousand) from the 1st to 7th installment, and ¥1,650 million (\$19,803 thousand) for the final installment.

(6) The loan from the "Development Bank of Japan Inc." will be amortized in eight semi-annual installments at the end of each September and March, starting from September 12, 2010 and ending at March 12, 2014. The repayment amounts are ¥75 million (\$900 thousand) from the 1st to 7th installment, and ¥2,475 million (\$29,705 thousand) for the final installment.

(7) 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:

		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount of loans	(Thousands of yen)	¥27,875,000	¥37,350,000	¥21,975,000	¥3,000,000
	(U.S. dollars)	\$334,553,529	\$448,271,723	\$263,742,199	\$36,005,761

6. NET ASSETS

MTR is required to maintain net assets of at least ¥50 million (\$600 thousand) as required pursuant to the Investment Trust Law.

7. INCOME TAXES

At September 30, 2010 and March 31, 2010, 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 rates for the six months ended September 30, 2010 and March 31, 2010 was as follows:

	April 1, 2010 to September 30, 2010	October 1, 2009 to March 31, 2010
Statutory tax rate	39.33%	39.33%
Deductible dividend distribution	(39.32%)	(39.32%)
Per capita inhabitants' taxes	0.01%	0.02%
Effective tax rates	0.02%	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 distributable profit 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 made a dividend distribution of approximately 100% of retained earnings in the amount of ¥4,859,118 thousand (\$58,318,747) at September 30, 2010 and treated 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, 2010 and March 31, 2010 and for the six-month periods then ended:

	Yen		U.S. dollars
	April 1, 2010 to September 30, 2010	October 1, 2009 to March 31, 2010	April 1, 2010 to September 30, 2010
Net assets per share at period end	¥584,581	¥556,270	\$7,016
Net income per share	21,855	20,006	262
Weighted-average number of shares	242,000shares	182,000shares	

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:

(For the six months ended September 30, 2010)

(1) Parent company and major corporate shareholders

Party type	Other related company *1*2
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand (\$120,019,203)
Business	Urban development; hotel management and investment business
Percentage of voting rights held	Direct 28.9%
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Rental revenues
Transaction amount	¥905,098 thousand (\$10,862,919)
	Purchase of the property
	¥110,000,000 thousand (\$1,320,211,234)
	Sale of the property
	¥26,900,000 thousand (\$322,851,656)
Account name and balance at period end	-

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

*2 70,000 investment shares of MTR held by MORI TRUST Co., Ltd. were transferred to MORI TRUST Holdings, Inc. on June 1, 2010. As a result, the classification for party type of MORI TRUST Co., Ltd. has changed from "Other related company" to "Subsidiary of other related company."

(2) Directors and major individual shareholders: None applicable

(3) Subsidiaries: None applicable

(4) Sister companies:

Party type	Subsidiary of other related company*
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand (\$120,019,203)
Business	Urban development; hotel management and investment business
Percentage of voting rights held	-
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Rental revenues
Transaction amount	¥2,215,476 thousand (\$26,589,970)
Account name and balance at period end	Rents received in advance
	¥489,125 thousand (\$5,870,439)
	Rental and other receivables
	¥595 thousand (\$7,137)
	Leasehold and security deposits including trust accounts
	¥1,355,575 thousand (\$16,269,509)

* 70,000 investment shares of MTR held by MORI TRUST Co., Ltd. were transferred to MORI TRUST Holdings, Inc. on June 1, 2010. As a result, the classification for party type of MORI TRUST Co., Ltd. has changed from "Other related company" to "Subsidiary of other related company."

(For the six months ended March 31, 2010)

(1) Parent company and major corporate shareholders

Party type	Other related company *
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	Direct 38.5%
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Rental revenues
Transaction amount	¥679,716 thousand
Account name and balance at period end	Rental and other receivables ¥445 thousand
	Leasehold and security deposits including trust accounts ¥1,355,323 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, 2010 and March 31, 2010 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen		U.S. dollars
	April 1, 2010 to September 30, 2010	October 1, 2009 to March 31, 2010	April 1, 2010 to September 30, 2010
Rental Revenues:	¥8,842,291	¥6,736,116	\$106,124,476
Rental revenues	8,273,702	6,167,887	99,300,314
Common charges	265,042	279,794	3,181,008
Parking revenues	20,958	20,100	251,542
Other rental revenues	282,589	268,335	3,391,612
Property-Related Expenses:	2,563,786	2,117,877	30,770,361
Property management fees	262,987	277,752	3,156,343
Utilities	239,201	195,452	2,870,876
Property and other taxes	592,468	591,343	7,110,753
Casualty insurance	30,098	27,781	361,233
Repairs and maintenance	77,373	207,288	928,624
Depreciation	1,347,239	806,321	16,169,458
Other rental expenses	14,420	11,940	173,074
Profit	¥6,278,505	¥4,618,239	\$75,354,115

(2) Gain on sale of investment property

[Akasaka-Mitsuke MT Building]

	Thousands of yen		U.S. dollars
	April 1, 2010 to September 30, 2010	October 1, 2009 to March 31, 2010	April 1, 2010 to September 30, 2010
Revenue from sale of investment property	¥26,900,000	-	\$322,851,656
Cost of investment property	26,700,608	-	320,458,577
Other sales expenses	14,362	-	172,365
Gain on sale of investment property	¥185,030	-	\$2,220,714

11. FINANCIAL INSTRUMENTS

(For the six months ended September 30, 2010)

Overview

(1) Policy for financial instruments

For efficient and stable management operations, MTR raises funds required for acquisition and renovation of assets, payment of dividends and debt and regular operations mainly through bank borrowings.

MTR manages cash surpluses carefully in consideration of safety, liquidity, interest rate environment and cash flow plans.

(2) Types of financial instruments, related risk and risk management for financial instruments

Loans are taken out for acquisition of real estate or real estate trust beneficiary rights.

Loans and security deposits are exposed to liquidity risk. MTR prepares and updates its cash flow plans based on reports from each division and maintains the ready liquidity to manage liquidity risk.

In addition, MTR has established commitment lines of credit to ensure flexible fund procurement.

(3) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of September 30, 2010 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen			U.S. dollars		
	Carrying Value	Estimated Fair Value (1)	Difference	Carrying Value	Estimated Fair Value (1)	Difference
Assets						
1) Cash and cash equivalents	¥11,347,506	¥11,347,506	-	\$136,191,861	\$136,191,861	-
Total Assets	11,347,506	11,347,506	-	136,191,861	136,191,861	-
Liabilities						
1) Short-term loans	27,000,000	27,000,000	-	324,051,848	324,051,848	-
2) Long-term loans due within one year	20,900,000	20,973,683	¥73,683	250,840,134	251,724,471	\$ (884,337)
3) Long-term loans	90,200,000	91,292,475	1,092,475	1,082,573,212	1,095,685,009	(13,111,797)
4) Leasehold and security deposits including trust accounts	5,234,794	4,739,204	(495,590)	62,827,575	56,879,551	5,948,024
Total Liabilities	143,334,794	144,005,362	670,568	1,720,292,769	1,728,340,879	(8,048,110)

(1) Methods to determine the estimated fair value of financial instruments

Cash and cash equivalents

Since these items are settled in a short period of time, their carrying value approximates fair value.

Short-term loans

Since these items are settled in a short period of time, their carrying value approximates fair value.

Long-term loans due within one year and long-term loans

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Leasehold and security deposits including trust accounts

Leasehold and security deposits including trust accounts is based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk. A part of leasehold and security deposits including trust accounts are not included the above table because it is difficult to predict their restoration time. Their carrying value is ¥7,377,659 thousand (\$88,546,085) as of September 30, 2010.

(2) The redemption schedule for monetary claims

	(Thousands of yen)	(U.S. dollars)
	Cash and bank deposits	Cash and bank deposits
1 year or less	¥11,347,506	\$136,191,861
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	-	-

(3) The redemption schedule for loans

		Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Short-term loans	(Thousands of yen)	¥27,000,000	-	-	-	-	-
	(U.S. dollars)	\$324,051,848	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥20,900,000	-	-	-	-	-
	(U.S. dollars)	\$250,840,134	-	-	-	-	-
Long-term loans	(Thousands of yen)	-	¥27,875,000	¥37,350,000	¥21,975,000	¥3,000,000	-
	(U.S. dollars)	-	\$334,553,529	\$448,271,723	\$263,742,199	\$36,005,761	-

(For the six months ended March 31, 2010)

Effective the six-month period ended March 31, 2010, a new accounting standard for financial instruments and related implementation guidance have been adopted.

Overview

(1) Policy for financial instruments

For efficient and stable management operations, MTR raises funds required for acquisition and renovation of assets, payment of dividends and debt and regular operations mainly through bank borrowings. MTR manages cash surpluses carefully in consideration of safety, liquidity, interest rate environment and cash flow plans.

(2) Types of financial instruments, related risk and risk management for financial instruments

Loans are taken out for acquisition of real estate or real estate trust beneficiary rights. Loans and security deposits are exposed to liquidity risk. MTR prepares and updates its cash flow plans based on reports from each division and maintains the ready liquidity to manage liquidity risk. In addition, MTR has established commitment lines of credit to ensure flexible fund procurement.

(3) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of March 31, 2010 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen		
	Carrying Value	Estimated Fair Value (1)	Difference
Assets			
1) Cash and cash equivalents	¥10,477,548	¥10,477,548	-
Total Assets	10,477,548	10,477,548	-
Liabilities			
1) Short-term loans	21,500,000	21,500,000	-
2) Long-term loans due within one year	15,900,000	15,930,464	¥30,464
3) Long-term loans	55,400,000	55,601,500	201,500
4) Leasehold and security deposits including trust accounts	6,214,926	5,407,745	(807,181)
Total Liabilities	99,014,926	98,439,709	(575,217)

(1) Methods to determine the estimated fair value of financial instruments

Cash and cash equivalents

Since these items are settled in a short period of time, their carrying value approximates fair value.

Short-term loans

Since these items are settled in a short period of time, their carrying value approximates fair value.

Long-term loans due within one year and long-term loans

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Leasehold and security deposits including trust accounts

Leasehold and security deposits including trust accounts is based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk. A part of leasehold and security deposits including trust accounts are not included the above table because it is difficult to predict their restoration time. Their carrying value is ¥7,632,911 thousand as of March 31, 2010.

(2) The redemption schedule for monetary claims

	(Thousands of yen)
	Cash and bank deposits
1 year or less	¥10,477,548
1 to 2 years	-
2 to 3 years	-
3 to 4 years	-
4 to 5 years	-
Over 5 years	-

(3) The redemption schedule for loans

		Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Short-term loans	(Thousands of yen)	¥21,500,000	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥15,900,000	-	-	-	-	-
Long-term loans	(Thousands of yen)	-	¥18,400,000	27,300,000	6,700,000	3,000,000	-

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2010 and March 31, 2010 were as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2010	As of March 31, 2010	As of September 30, 2010
Cash and bank deposits	¥9,772,070	¥9,042,043	\$117,283,609
Cash in trust and deposits in trust	1,575,436	1,435,505	18,908,252
Time deposits with maturities of more than three month	(500,000)	-	(6,000,960)
Cash and cash equivalents	¥108,475,506	¥10,477,548	\$130,190,901

13. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to September 30, 2010 and March 31, 2010 under non-cancelable operating leases were as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2010	As of March 31, 2010	As of September 30, 2010
Due within one year	¥12,080,879	¥7,865,381	\$144,993,743
Due after one year	88,402,221	43,054,713	1,060,996,414
Total	¥100,483,100	¥50,920,094	\$1,205,990,157

14. INVESTMENT AND RENTAL PROPERTIES

(For the six months ended September 30, 2010)

MTR owns office buildings and retail facilities for lease mainly in Tokyo and other areas. The carrying value in the balance sheet and corresponding fair value of those properties are as follows:

Use	(Thousands of yen)			(U.S. dollars)		
	Carrying Value		As of March 31, 2010	Fair Value	Carrying Value	Fair Value
	As of September 30, 2010	Net Changes (2)		(3)	(1)	(3)
Office buildings	¥215,690,240	¥83,309,559	¥132,380,681	¥213,300,000	\$2,588,697,067	\$2,560,009,602
Retail facilities	45,019,887	(194,032)	45,213,919	46,770,000	540,325,096	561,329,812
Others	21,310,247	(127,436)	21,437,683	19,690,000	255,763,891	236,317,811
Total	¥282,020,374	¥82,988,091	¥199,032,283	¥279,760,000	\$3,384,786,054	\$3,357,657,225

(1) The carrying value represents the acquisition cost less accumulated depreciation.

(2) The components of net change in carrying value included increases mainly due to the acquisition of Tokyo Shiodome Building in the amount of ¥110,798,318 thousand (\$1,329,792,584) and decreases mainly due to the sale of Akasaka-Mitsuke MT Building the amount of ¥26,700,608 thousand (\$320,458,577).

(3) The fair value is an appraisal value or an investigation price estimated by real estate appraisers outside the company.

The profit and loss for the six-month period ended September 30, 2010 concerning rental properties is as follows:

Use	(Thousands of yen)				(U.S. dollars)			
	Rental Revenues*1	Property-related Expenses*1	Net Income	Gain on Sale of Investment Property*2	Rental Revenues*1	Property-related Expenses*1	Net Income	Gain on Sale of Investment Property*2
Office buildings	¥6,623,116	¥1,865,265	¥4,757,851	¥185,030	\$79,490,109	\$22,386,763	\$57,103,346	\$2,220,714
Retail facilities	1,468,474	351,800	1,116,674	-	17,624,511	4,222,281	13,402,230	-
Others	750,701	346,721	403,980	-	9,009,856	4,161,317	4,848,539	-
Total	¥8,842,291	¥2,563,786	¥6,278,505	¥185,030	\$106,124,476	\$30,770,361	\$75,354,115	\$2,220,714

*1 "Rental revenues" and "Property-related expenses," which are rental revenues and related expenses (depreciation, repairs and maintenance, casualty insurance, property and other taxes etc.), are presented on presented the statements of income and retained earnings as "Rental revenues" and "Property-related expenses."

*2 "Gain on sale of investment property" is also presented on the statements of income and retained earnings.

(For the six months ended March 31, 2010)

Effective the six-month period ended March 31, 2010, a new accounting standard for disclosures regarding fair value of real estate properties for lease and related implementation guidance have been adopted.

MTR owns office buildings and retail facilities for lease mainly in Tokyo and other areas. The carrying value in the balance sheet and corresponding fair value of those properties are as follows:

Use	Carrying Value (1)		Fair Value (3)	
	As of March 31, 2010	Net Changes (2)	As of September 30, 2009	As of March 31, 2010
Office buildings	¥132,380,681	¥638,811	¥131,741,870	¥127,310,000
Retail facilities	45,213,919	(188,878)	45,402,797	47,090,000
Others	21,437,683	28,208	21,409,475	19,750,000
Total	¥199,032,283	¥478,141	¥198,554,142	¥194,150,000

(1) The carrying value represents the acquisition cost less accumulated depreciation.

(2) The components of net change in carrying value included increases mainly due to renovation of Ginza MTR Building in the amount of ¥735,826 thousand and decreases mainly due to accumulated depreciation.

(3) The fair value is an appraisal value or an investigation price estimated by real estate appraisers outside the company.

The profit and loss for the six-month period ended March 31, 2010 concerning rental properties is as follows:

Use	(Thousands of yen)			
	Rental Revenues*	Property-related Expenses*	Net Income	Rental Revenues*
Office buildings	¥4,513,843	¥1,400,393	¥3,113,450	\$48,317,734
Retail facilities	1,468,617	364,330	1,104,287	15,720,582
Others	753,656	353,154	400,502	8,067,397
Total	¥6,736,116	¥2,117,877	¥4,618,239	\$72,105,713

* "Rental revenues" and "Property-related expenses," which are rental revenues and related expenses (depreciation, repairs and maintenance, casualty insurance, property and other taxes etc.), are presented on the statements of income and retained earnings as "Rental revenues" and "Property-related expenses."

15. SEGMENT AND RELATED INFORMATION

Segment information

Since the business of MTR consists of only the “real estate leasing business,” there are no reporting segments. Therefore segment disclosures have been omitted.

Related Information

(1) Information about products and services

Since the proportion of operating revenues from external customers for each product and service exceeds 90% of operating revenues, product and service disclosures have been omitted.

(2) Information about geographical areas

① Operating revenues

Since the proportion of operating revenues from external customers in Japan exceeds 90% of operating revenues, geographic area disclosures have been omitted.

② Property and equipment

Since the proportion of property and equipment located in Japan exceeds 90% of property and equipment located in all countries, property and equipment disclosures have been omitted.

(3) Information about major customers

Name of major customers	(Thousands of yen)	(U.S. dollars)	Related Segment
	Operating Revenues	Operating Revenues	
Mori Trust Co., Ltd.	¥3,305,604	\$39,673,602	Leasing Business

* Another major customer is Kobe Steel, Ltd.

(Additional information)

Effective the six-month period ended September 30, 2010, MTR has adopted a new accounting standard for disclosures about segments of an enterprise and related information and related implementation guidance.

A disclosure of segment information for the previous period under the new standard has been omitted as there were no separate reporting segments.

16. SUBSEQUENT EVENTS

DISTRIBUTION OF RETAINED EARNINGS

On November 13, 2010, the Board of Directors approved a resolution for the payment of a cash distribution of ¥20,079 per share, aggregating to ¥4,859,118 thousand (\$58,318,747), to its shareholders of record as of September 30, 2010.