

Report of Independent Auditors

The Board of Directors
MORI TRUST Sogo Reit, Inc.

We have audited the accompanying financial statements of MORI TRUST Sogo Reit, Inc., which comprise the balance sheet as at September 30, 2011 and March 31, 2011, and the statements of income, retained earnings, changes in net assets, and cash flows for the six-month periods then ended, and all expressed in yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes: designing, implementing and maintaining internal control as management determines is necessary to enable to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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., Ltd. at September 30, 2011 and March 31, 2011, 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.

Ernst & Young Shin Nihon LLC

December 16, 2011



FINANCIAL STATEMENTS

BALANCE SHEETS

As of September 30, 2011 and March 31, 2011

	September 30, 2011	March 31, 2011
	Thousands of yen	
Assets		
Current Assets:		
Cash and cash equivalents	¥8,618,609	¥7,040,207
Rental and other receivables	100,404	84,250
Other current assets	49,861	33,591
Total current assets	<u>8,768,874</u>	<u>7,158,048</u>
Property and Equipment, at Cost:		
Buildings and structures including trust accounts	64,985,343	64,851,515
Machinery and equipment including trust accounts	130,835	130,835
Tools, furniture and fixtures including trust accounts	118,622	116,065
Land including trust accounts	227,086,220	227,086,220
Less: accumulated depreciation	<u>(12,185,029)</u>	<u>(10,843,813)</u>
Net property and equipment	280,135,991	281,340,822
Investments and Other Assets:		
Deposits	10,000	10,000
Deferred investment corporation bond issuance costs	18,901	22,840
Other	3,392	3,392
Total investments and other assets	<u>32,293</u>	<u>36,232</u>
Total Assets	¥288,937,158	¥288,535,102
Liabilities		
Current Liabilities:		
Accounts payable	¥217,676	¥304,302
Short-term loans	22,500,000	22,500,000
Long-term loans due within one year	27,875,000	18,400,000
Distributions payable	17,293	15,539
Consumption taxes payable	121,527	371,085
Rents received in advance	1,411,656	1,406,130
Accrued expenses and other current liabilities	609,301	455,280
Total current liabilities	<u>52,752,453</u>	<u>43,452,336</u>
Long-Term Liabilities:		
Investment corporation bonds	5,000,000	5,000,000
Long-term loans	77,825,000	86,500,000
Leasehold and security deposits including trust accounts	12,195,874	12,015,542
Total long-term liabilities	<u>95,020,874</u>	<u>103,515,542</u>
Total Liabilities	147,773,327	146,967,878
Net Assets:		
Shareholders' equity:		
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 242,000 shares	136,609,600	136,609,600
Retained earnings	4,554,231	4,957,624
Total Net Assets	141,163,831	141,567,224
Total Liabilities and Net Assets	¥288,937,158	¥288,535,102

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, 2011 and March 31, 2011

	April 1, 2011 to September 30, 2011	October 1, 2010 to March 31, 2011
Thousands of yen		
Operating Revenues:		
Rental revenues	¥8,801,972	¥8,886,298
Operating Expenses:		
Property-related expenses	2,904,057	2,515,225
Asset management fees	275,746	284,063
Custodian and administrative service fees	62,113	55,087
Other operating expenses	62,997	55,790
Operating Income	5,497,059	5,976,133
Non-Operating Revenues:		
Interest income	764	1,771
Interest on tax refund	-	3,931
Receipt insurance	-	1,879
Other non-operating revenues	825	867
Non-Operating Expenses:		
Interest expense	918,503	1,007,217
Interest expense on investment corporation bonds	20,977	3,866
Amortization of investment corporation bond issuance costs	3,939	732
Extraordinary Loss		
Loss on disaster	-	14,240
Income before Income Taxes	4,555,229	4,958,526
Income Taxes:		
Current	1,012	962
Deferred	(2)	2
Net Income	4,554,219	4,957,562
Retained Earnings at the Beginning of Period	12	62
Retained Earnings at the End of Period	¥4,554,231	¥4,957,624

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, 2011 and March 31, 2011

	Thousands of yen			
	Shares	Common shares	Retained earnings	Total net assets
Balance as of September 30, 2010	242,000	¥136,609,600	¥4,859,180	¥141,468,780
Cash dividends paid	-		(4,859,118)	(4,859,118)
Net income	-		4,957,562	4,957,562
Balance as of March 31, 2011	242,000	136,609,600	4,957,624	141,567,224
Cash dividends paid	-		(4,957,612)	(4,957,612)
Net income	-		4,554,219	41,554,219
Balance as of September 30, 2011	242,000	¥136,609,600	¥4,554,231	¥141,163,831

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



STATEMENTS OF CASH FLOWS

For the six-month periods ended September 30, 2011 and March 31, 2011

	April 1, 2011 to September 30, 2011	October 1, 2010 to March 31, 2011
	Thousands of yen	
Cash Flows from Operating Activities:		
Income before income taxes	¥4,555,229	¥4,958,526
Depreciation and amortization	1,341,217	1,347,681
Amortization of investment corporation bond issuance costs	3,939	732
Interest income	(764)	(1,771)
Interest expense	939,480	1,011,083
Loss on disaster	-	14,240
Changes in assets and liabilities:		
Rental and other receivables	(16,154)	17,361
Accounts payable and accrued expenses	(3,832)	(14,556)
Consumption taxes refundable	(712)	817,819
Consumption taxes payable	(249,558)	371,085
Rents received in advance	5,527	(23,980)
Other	141,345	(36,106)
Subtotal	6,715,717	8,462,114
Interest received	779	1,793
Interest paid	(943,337)	(1,016,386)
Payment for loss on disaster	(14,240)	-
Income taxes paid	(763)	(782)
Net cash provided by operating activities	5,758,156	7,446,739
Cash Flows from Investing Activities:		
Proceeds from withdrawal of time deposits	-	500,000
Purchases of property and equipment including trust accounts	(204,229)	(575,820)
Repayment of leasehold and security deposits	(10,220)	(638,918)
Proceeds from leasehold and security deposits including trust accounts	190,553	42,007
Other	-	(3,153)
Net cash used in investing activities	(23,896)	(675,884)
Cash Flows from Financing Activities:		
Net decrease in short-term loans	-	(4,500,000)
Proceeds from long-term loans	10,000,000	5,500,000
Repayment of long-term loans	(9,200,000)	(11,700,000)
Proceeds from issuance of investment corporation bonds	-	5,000,000
Payments of investment corporation bond issuance costs	-	(23,571)
Distributions paid to shareholders	(4,955,858)	(4,854,583)
Net cash used in financing activities	(4,155,858)	(10,578,154)
Net Change in Cash and Cash Equivalents	1,578,402	(3,807,299)
Cash and Cash Equivalents at the Beginning of Period	7,040,207	10,847,506
Cash and Cash Equivalents at the End of Period	¥8,618,609	¥7,040,207

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



NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended September 30, 2011 and March 31, 2011

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, 2011, MTR owned a portfolio of 13 properties with a total rentable area of 502,850.23 sq. meters occupied by 40 tenants. The occupancy rate was 99.5%.

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. The amounts in the filed financial statements originally prepared in Japanese, which were rounded down to the nearest thousand yen, have been rounded off to the nearest thousand in the accompanying financial statements. 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

Deferred investment corporation bonds issue costs are amortized using the straight-line method over the respective terms of the bonds.

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.



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.

Additional information

With regard to changes in accounting policies and error correction for past reports after the beginning of the period ended September 30, 2011, the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24 released on December 4, 2009) and the “Guidance on Accounting Changes and Error Corrections” (ASBJ Guidance No. 24 released on December 4, 2009) have been applied.

3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2011 and March 31, 2011 consisted of the following:

	Thousands of yen			
	As of September 30, 2011		As of March 31, 2011	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥176,130,903	¥176,130,903	¥176,130,903	¥176,130,903
Buildings and structures	50,824,500		50,728,682	
Accumulated depreciation	(9,304,130)	41,520,370	(8,273,880)	42,454,802
Machinery and equipment	128,557		128,557	
Accumulated depreciation	(84,379)	44,178	(79,370)	49,187
Tools, furniture and fixtures	102,651		100,094	
Accumulated depreciation	(33,027)	69,624	(25,945)	74,149
Land in trust	50,955,317	50,955,317	50,955,317	50,955,317
Buildings and structures in trust	14,160,843		14,122,832	
Accumulated depreciation	(2,757,669)	11,403,174	(2,460,062)	11,662,770
Machinery and equipment in trust	2,278		2,278	
Accumulated depreciation	(2,164)	114	(1,826)	452
Tools, furniture and fixtures in trust	15,971		15,971	
Accumulated depreciation	(3,660)	12,311	(2,729)	13,242
Total		¥280,135,991		¥281,340,822



4. SHORT-TERM LOANS

Short-term loans at September 30, 2011 and March 31, 2011 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2011	As of March 31, 2011				
Mizuho Corporate Bank, Ltd.	-	¥3,500,000	-	-		
Mizuho Corporate Bank, Ltd.	-	4,000,000	-	-		
Mitsubishi UFJ Trust & Banking Corporation	-	3,500,000	-	-	-	-
The Sumitomo Trust & Banking Co., Ltd.	-	2,500,000	-	-		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥5,500,000	5,500,000	0.68	February 29, 2012		
Mizuho Corporate Bank, Ltd.	3,000,000	3,000,000	0.63	February 29, 2012		
The Sumitomo Trust & Banking Co., Ltd.	500,000	500,000	0.63	February 29, 2012		
Mizuho Corporate Bank, Ltd.	3,500,000	-	0.63	April 13, 2012		
Resona Bank, Limited.	500,000	-	0.58	May 31, 2012	(2)	(3)
Mitsubishi UFJ Trust & Banking Corporation	5,000,000	-	0.53	August 31, 2012		
The Sumitomo Trust & Banking Co., Ltd.	2,000,000	-	0.53	August 31, 2012		
Mizuho Corporate Bank, Ltd.	1,500,000	-	0.53	August 31, 2012		
Resona Bank, Limited.	1,000,000	-	0.53	August 31, 2012		
Total short-term loans	¥22,500,000	¥22,500,000	-	-	-	-

(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 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 at September 30, 2011.

5. INVESTMENT CORPORATION BOND

Investment corporation bond at September 30, 2011 and March 31, 2011 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of September 30, 2011	As of March 31, 2011				
Unsecured bond due on February 25, 2014	¥5,000,000	¥5,000,000	0.83	February 25, 2014	(1)	(2)
Total	¥5,000,000	¥5,000,000	-	-	-	-

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

(2) The above loans are unsecured and non-guaranteed with floating rates.

(3) Investment corporation bond 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
Investment corporation bond	(Thousands of yen)	-	¥5,000,000	-	-



6. LONG-TERM LOANS

Long-term loans at September 30, 2011 and March 31, 2011 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2011	As of March 31, 2011				
The Sumitomo Trust & Banking Co., Ltd.	-	¥5,000,000	-	-		
Mitsubishi UFJ Trust & Banking Corporation	-	3,000,000	-	-	-	
Development Bank of Japan Inc.	-	1,000,000	-	-		
Development Bank of Japan Inc.	¥4,000,000	4,000,000	1.44	February 29, 2012		
The Sumitomo Trust & Banking Co., Ltd.	3,000,000	3,000,000	1.62	February 29, 2012		
Development Bank of Japan Inc.	2,000,000	2,000,000	1.74	February 29, 2012		
Mitsubishi UFJ Trust & Banking Corporation	5,000,000	5,000,000	1.42	April 13, 2012		
The Sumitomo Trust & Banking Co., Ltd.	4,000,000	4,000,000	1.42	April 13, 2012		
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	1.67	August 31, 2012		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	1.67	August 31, 2012		
Development Bank of Japan Inc. (4)	2,625,000	2,700,000	1.81	August 31, 2012		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.58	February 28, 2013		
Mizuho Corporate Bank, Ltd.	3,000,000	3,000,000	1.58	February 28, 2013		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	1.58	February 28, 2013		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	2,500,000	1.58	February 28, 2013		
Aozora Bank, Ltd.	2,000,000	2,000,000	1.56	March 12, 2013		
ORIX Trust and Banking Corporation (5)	2,000,000	2,000,000	1.50	March 19, 2013		
Mizuho Corporate Bank, Ltd.	5,000,000	5,000,000	1.59	April 12, 2013		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.59	April 12, 2013		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,000,000	6,000,000	1.38	August 30, 2013		
Development Bank of Japan Inc. (6)	1,800,000	1,850,000	1.83	August 30, 2013		
Mizuho Corporate Bank, Ltd.	1,000,000	1,000,000	1.38	August 30, 2013	(2)	(3)
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	1.38	August 30, 2013		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.69	October 11, 2013		
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	1.69	October 11, 2013		
Aozora Bank, Ltd.	1,000,000	1,000,000	1.69	October 11, 2013		
The Bank of Fukuoka, Ltd.	2,000,000	2,000,000	1.04	January 24, 2014		
The Dai-ichi Life Insurance Company, Ltd.	2,500,000	2,500,000	1.92	February 28, 2014		
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	1.04	February 28, 2014		
Development Bank of Japan Inc. (7)	2,775,000	2,850,000	1.69	March 12, 2014		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.79	April 11, 2014		
Development Bank of Japan Inc.	2,000,000	2,000,000	1.79	April 11, 2014		
The Bank of Fukuoka, Ltd.	1,000,000	-	0.85	May 30, 2014		
The Sumitomo Trust & Banking Co., Ltd.	5,500,000	-	0.79	August 29, 2014		
Mitsubishi UFJ Trust & Banking Corporation	1,000,000	-	0.79	August 29, 2014		
Development Bank of Japan Inc.	3,000,000	3,000,000	1.96	February 27, 2015		
Mizuho Corporate Bank, Ltd.	1,500,000	-	0.89	August 31, 2015		
Nippon Life Insurance Company	1,000,000	1,000,000	1.55	October 30, 2015		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	1,000,000	1.38	February 29, 2016		
Mizuho Corporate Bank, Ltd.	1,000,000	-	1.01	August 31, 2016		
Nippon Life Insurance Company	500,000	500,000	1.48	August 31, 2016		
Total long-term loans	¥105,700,000	¥104,900,000	-	-	-	-

(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 from the 1st to 6th installment, and ¥2,550 million for the final installment.

(5) ORIX Trust and Banking Corporation changed its name to ORIX Bank Corporation on October 1, 2011.

(6) 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 from the 1st to 7th installment, and ¥1,650 million for the final installment.

(7) 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 from the 1st to 7th installment, and ¥2,475 million for the final installment.

(8) 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
		¥37,350,000	¥32,475,000	¥4,500,000



7. NET ASSETS

MTR is required to maintain net assets of at least ¥50 million as required pursuant to the Investment Trust Law.

8. INCOME TAXES

At September 30, 2011 and March 31, 2011, 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, 2011 and March 31, 2011 was as follows:

	April 1, 2011 to September 30, 2011	October 1, 2010 to March 31, 2011
Statutory tax rate	39.33%	39.33%
Deductible dividend distribution	(39.32%)	(39.32%)
Per capita inhabitants' taxes	0.01%	0.01%
Effective tax rate	0.02%	0.02%

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 ¥4,554,198 thousand at September 30, 2011 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.

9. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at September 30, 2011 and March 31, 2011 and for the six-month periods then ended:

	Yen	
	April 1, 2011 to September 30, 2011	October 1, 2010 to March 31, 2011
Net assets per share at period end	¥583,321	¥584,988
Net income per share	¥18,819	¥20,485
Weighted-average number of shares	242,000 shares	242,000 shares

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.



10. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

(For the six months ended September 30, 2011)

(1) Parent company and major corporate shareholders: None applicable

(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
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	¥3,215,648 thousand
Account name and balance at period end	Rents received in advance ¥489,125 thousand
	Rental and other receivables ¥539 thousand
	Leasehold and security deposits including trust accounts ¥1,135,042 thousand

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



(For the six months ended March 31, 2011)

(1) Parent company and major corporate shareholders: None applicable

(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
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	¥3,301,880 thousand
Account name and balance at period end	Rents received in advance ¥489,125 thousand
	Rental and other receivables ¥376 thousand
	Leasehold and security deposits including trust accounts ¥1,094,787 thousand

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



11. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the six-month periods ended September 30, 2011 and March 31, 2011 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen	
	April 1, 2011 to September 30, 2011	October 1, 2010 to March 31, 2011
Rental Revenues:	¥8,801,972	¥8,886,298
Rental revenues	8,264,741	8,355,198
Common charges	263,985	259,582
Parking revenues	22,360	22,410
Other rental revenues	250,886	249,108
Property-Related Expenses:	2,904,057	2,515,225
Property management fees	276,679	259,821
Utilities	210,432	201,297
Property and other taxes	923,065	565,961
Casualty insurance	29,715	29,805
Repairs and maintenance	111,667	98,610
Depreciation	1,341,217	1,347,681
Other rental expenses	11,282	12,050
Profit	¥5,897,915	¥6,371,073



12. FINANCIAL INSTRUMENTS

(For the six months ended September 30, 2011)

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, issuance of investment corporation bonds and issuance of new investment units. 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, issuance of investment corporation bonds and issuance of new investment units are undertaken 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 31, 2011 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	¥8,618,609	¥8,618,609	-
Total Assets	8,618,609	8,618,609	-
Liabilities			
1) Short-term loans	22,500,000	22,500,000	-
2) Long-term loans due within one year	27,875,000	28,119,258	¥244,258
3) Investment corporation bonds	5,000,000	5,031,287	31,287
4) Long-term loans	77,825,000	79,221,342	1,396,342
5) Leasehold and security deposits including trust accounts	4,932,281	4,623,522	(308,758)
Total Liabilities	¥138,132,281	¥139,495,409	¥1,363,129

(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.

Investment corporation bonds

The fair value of investment corporation bonds is calculated based on the present value of the total of principal and interest cash flows discounted at the current interest rate is estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.



Leasehold and security deposits including trust accounts

The fair value of 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. Certain 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 ¥7,263,593 as of September 30, 2011.

(2) The redemption schedule for monetary claims

	(Thousands of yen)
	Cash and cash equivalents
1 year or less	¥8,618,609
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)	¥22,500,000	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥27,875,000	-	-	-	-	-
Investment corporation bonds	(Thousands of yen)	-	-	¥5,000,000	-	-	-
Long-term loans	(Thousands of yen)	-	¥37,350,000	¥32,475,000	¥4,500,000	¥3,500,000	-



(For the six months ended March 31, 2011)

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, issuance of investment corporation bonds and issuance of new investment units. 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, issuance of investment corporation bonds and issuance of new investment units are undertaken 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, 2011 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	¥7,040,207	¥7,040,207	-
Total Assets	7,040,207	7,040,207	-
Liabilities			
1) Short-term loans	22,500,000	22,500,000	-
2) Long-term loans due within one year	18,400,000	18,505,681	¥105,681
3) Investment corporation bonds	5,000,000	5,024,947	24,947
4) Long-term loans	86,500,000	88,055,117	1,555,117
5) Leasehold and security deposits including trust accounts	4,828,118	4,378,690	(449,428)
Total Liabilities	¥137,228,118	¥138,464,435	¥1,236,317

(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.

Investment corporation bonds

The fair value of investment corporation bonds is calculated based on the present value of the total of principal and interest cash flows discounted at the current interest rate is estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.



Leasehold and security deposits including trust accounts

The fair value of 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. Certain 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 ¥7,187,424 as of March 31, 2011.

(2) The redemption schedule for monetary claims

	(Thousands of yen)
	Cash and cash equivalents
1 year or less	¥7,040,207
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)	¥22,500,000	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥18,400,000	-	-	-	-	-
Investment corporation bonds	(Thousands of yen)	-	-	¥5,000,000	-	-	-
Long-term loans	(Thousands of yen)	-	¥36,300,000	¥37,700,000	¥10,000,000	¥2,000,000	¥500,000

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2011 and March 31, 2011 were as follows:

	Thousands of yen	
	As of September 30, 2011	As of March 31, 2011
Cash and bank deposits	¥7,038,891	¥5,455,154
Cash in trust and deposits in trust	1,579,718	1,585,053
Cash and cash equivalents	¥8,618,609	¥7,040,207

14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to September 30, 2011 and March 31, 2011 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of September 30, 2011	As of March 31, 2011
Due within one year	¥12,042,073	¥11,970,770
Due after one year	76,815,435	82,582,744
Total	¥88,857,508	¥94,553,514



15. INVESTMENT AND RENTAL PROPERTIES

(For the six months ended September 30, 2011)

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)			Fair Value	
	As of September 30, 2011	Carrying Value (1) Net Changes (2)	As of March 31, 2011	As of September 30, 2011	As of September 30, 2011
Office buildings	¥214,332,089	¥(901,562)	¥215,233,651	¥209,500,000	
Retail facilities	44,701,037	(144,353)	44,845,390	46,050,000	
Others	21,102,865	(158,917)	21,261,782	18,410,000	
Total	¥280,135,991	¥(1,204,831)	¥281,340,822	¥273,960,000	

(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 work of asset and decreases mainly due to depreciation.

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

The profit and loss for the six-month period ended September 30, 2011 concerning rental properties is as follows:

Use	(Thousands of yen)		
	Rental Revenues*1	Property-related Expenses*1	Net Income
Office buildings	¥6,582,353	¥2,170,401	¥4,411,952
Retail facilities	1,468,125	389,288	1,078,837
Others	751,494	344,368	407,126
Total	¥8,801,972	¥2,904,057	¥5,897,915

*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 in the statements of income and retained earnings as "Rental revenues" and "Property-related expenses."



(For the six months ended March 31, 2011)

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, 2011	Net Changes (2)	As of September 30, 2010	As of March 31, 2011
Office buildings	¥215,233,651	¥(456,589)	¥215,690,240	¥210,000,000
Retail facilities	44,845,390	(174,497)	45,019,887	46,760,000
Others	21,261,781	(48,466)	21,310,247	19,620,000
Total	¥281,340,822	¥(679,552)	¥282,020,374	¥276,380,000

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

(2)The components of net changes in carrying value included increases mainly due to real property acquisition tax on Tokyo Shiodome Building in the amount of ¥486,774 thousand and decreases mainly due to depreciation.

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

The profit and loss for the six-month period ended March 31, 2011 concerning rental properties is as follows:

Use	(Thousands of yen)		
	Rental Revenues*1	Property-related Expenses*1	Net Income
Office buildings	¥6,665,034	¥1,785,035	¥4,879,999
Retail facilities	1,468,292	371,825	1,096,467
Others	752,972	358,365	394,607
Total	¥8,886,298	¥2,515,225	¥6,371,073

*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 in the statements of income and retained earnings as "Rental revenues" and "Property-related expenses."



16. SEGMENT AND RELATED INFORMATION

(For the six months ended September 30, 2011)

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

①Operating revenues

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

②Property 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

(Thousands of yen)

Name of major customers	Operating Revenues	Related Segment
Mori Trust Co., Ltd.	¥3,215,648	Leasing Business

* Another major customer is Kobe Steel, Ltd.

(For the six months ended March 31, 2011)

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

①Operating revenues

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

②Property 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

(Thousands of yen)

Name of major customers	Operating Revenues	Related Segment
Mori Trust Co., Ltd.	¥3,301,880	Leasing Business

* Another major customer is Kobe Steel, Ltd.

17. SUBSEQUENT EVENTS

DISTRIBUTION OF RETAINED EARNINGS

On November 14, 2011, the Board of Directors approved a resolution for the payment of a cash distribution of ¥18,819 per share, aggregating to ¥4,554,198 thousand, to its shareholders of record as of September 30, 2011.



SALE OF ASSET

On November 14, 2011, MTR concluded the following basic agreement with regard to the sale of a portion of real estate.

Overview of the Basic Agreement

Sale of part of a property

Planned type of asset	: real estate (50% of the asset)	(Note)
Planned sale price	: ¥2,450 million yen	
Planned contract date	: Any day until February 29, 2012	
Planned closing date	: February 29, 2012	
Buyer	: Daiwa Lease Co., Ltd.	

Note: The asset will be divided into two sections of equal area – one of which will be sold to the expected buyer as named above.

TERMINATION OF RENTAL AGREEMENT

On November 30, 2011, MTR received notice of cancellation from a major tenant in the Mita MT Building.

Background information

Leased area	: 15,204.74m ²
Percentage of total rentable area of the property	: 98.6% (Note 1)
Percentage of total rentable area in MTR's portfolio	: 3.0% (Note 2)
Scheduled date of cancellation	: November 30, 2012

(Note 1) Total rentable area of the property (as of September 30, 2011)	: 15,419.88m ²
(Note 2) Total rentable area in MTR's portfolio (as of September 30, 2011)	: 502,850.23m ²