

Independent Auditor's Report

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 March 31, 2012, and the statements of income, retained earnings, changes in net assets, and cash flows for the six-month periods then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable 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. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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. as at March 31, 2012, and their financial performance and cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

June 22, 2012



FINANCIAL STATEMENTS
BALANCE SHEETS

As of March 31, 2012 and September 30, 2011

	March 31, 2012	September 30, 2011
	Thousands of yen	
Assets		
Current Assets:		
Cash and cash equivalents	¥12,864,594	¥8,618,609
Rental and other receivables	72,746	100,404
Other current assets	39,090	49,861
Total current assets	<u>12,976,430</u>	<u>8,768,874</u>
Property and Equipment, at Cost:		
Buildings and structures including trust accounts	65,210,169	64,985,343
Machinery and equipment including trust accounts	131,155	130,835
Tools, furniture and fixtures including trust accounts	119,626	118,622
Land including trust accounts	224,892,957	227,086,220
Construction in progress	5,573	-
Less: accumulated depreciation	<u>(13,477,126)</u>	<u>(12,185,029)</u>
Net property and equipment	276,882,354	280,135,991
Investments and Other Assets:		
Deposits	10,000	10,000
Long-term prepaid expenses	23,829	-
Deferred investment corporation bond issuance costs	37,746	18,901
Other	3,392	3,392
Total investments and other assets	<u>74,967</u>	<u>32,293</u>
Total Assets	<u>¥289,933,751</u>	<u>¥288,937,158</u>
Liabilities		
Current Liabilities:		
Accounts payable	¥276,898	¥217,676
Short-term loans	22,500,000	22,500,000
Long-term loans due within one year	36,300,000	27,875,000
Distributions payable	15,849	17,293
Consumption taxes payable	182,357	121,527
Rents received in advance	1,394,519	1,411,656
Accrued expenses and other current liabilities	<u>597,074</u>	<u>609,301</u>
Total current liabilities	61,266,697	52,752,453
Long-Term Liabilities:		
Investment corporation bonds	10,000,000	5,000,000
Long-term loans	65,200,000	77,825,000
Leasehold and security deposits including trust accounts	11,989,535	12,195,874
Deferred tax liabilities	50,510	-
Total long-term liabilities	<u>87,240,045</u>	<u>95,020,874</u>
Total Liabilities	<u>148,506,742</u>	<u>147,773,327</u>
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	4,817,409	4,554,231
Total Net Assets	<u>141,427,009</u>	<u>141,163,831</u>
Total Liabilities and Net Assets	<u>¥289,933,751</u>	<u>¥288,937,158</u>

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



STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended March 31, 2012 and September 30, 2011

	October 1, 2011 to March 31, 2012	April 1, 2011 to September 30, 2011
Thousands of yen		
Operating Revenues:		
Rental revenues	¥8,767,368	¥8,801,972
Gain on sale of investment property	246,877	-
Operating Expenses:		
Property-related expenses	2,847,697	2,904,057
Asset management fees	277,371	275,746
Custodian and administrative service fees	55,891	62,113
Other operating expenses	76,911	62,997
Operating Income	5,756,375	5,497,059
Non-Operating Revenues:		
Interest income	817	764
Other non-operating revenues	5,312	825
Non-Operating Expenses:		
Interest expense	864,921	918,503
Interest expense on investment corporation bonds	24,082	20,977
Amortization of investment corporation bond issuance costs	4,581	3,939
Extraordinary Income :		
Subsidy	38,341	-
Extraordinary Loss :		
Loss on reduction of noncurrent assets	38,341	-
Income before Income Taxes	4,868,920	4,555,229
Income Taxes:		
Current	1,034	1,012
Deferred	50,510	(2)
Net Income	4,817,376	4,554,219
Retained Earnings at the Beginning of Period	33	12
Retained Earnings at the End of Period	¥4,817,409	¥4,554,231

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

STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended March 31, 2012 and September 30, 2011

	Thousands of yen			
	Shares	Common shares	Retained earnings	Total net assets
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	4,554,219
Balance as of September 30, 2011	242,000	136,609,600	4,554,231	141,163,831
Cash dividends paid	-		(4,554,198)	(4,554,198)
Net income	-		4,817,376	4,817,376
Balance as of March 31, 2012	242,000	¥136,609,600	¥4,817,409	¥141,427,009

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



STATEMENTS OF CASH FLOWS

For the six-month periods ended March 31, 2012 and September 30, 2011

	October 1, 2011 to March 31, 2012	April 1, 2011 to September 30, 2011
	Thousands of yen	
Cash Flows from Operating Activities:		
Income before income taxes	¥4,868,920	¥4,555,229
Depreciation and amortization	1,292,097	1,341,217
Amortization of investment corporation bond issuance costs	4,581	3,939
Interest income	(817)	(764)
Interest expense	889,003	939,480
Subsidy	(38,341)	-
Loss on reduction of noncurrent assets	38,341	-
Changes in assets and liabilities:		
Rental and other receivables	27,659	(16,154)
Accounts payable and accrued expenses	27,089	(3,832)
Consumption taxes refundable	-	(712)
Consumption taxes payable	60,830	(249,558)
Rents received in advance	(17,137)	5,527
Decrease due to sale of investment property	2,193,263	-
Other	(22,994)	141,345
Subtotal	9,322,494	6,715,717
Interest received	817	779
Interest paid	(891,305)	(943,337)
Payment for loss on disaster	-	(14,240)
Income taxes paid	(1,023)	(763)
Net cash provided by operating activities	8,430,983	5,758,156
Cash Flows from Investing Activities:		
Purchases of property and equipment including trust accounts	(237,931)	(204,229)
Repayment of leasehold and security deposits including trust accounts	(240,328)	(10,220)
Proceeds from leasehold and security deposits including trust accounts	33,989	190,553
Subsidy	38,341	-
Net cash used in investing activities	(405,929)	(23,896)
Cash Flows from Financing Activities:		
Proceeds from long-term loans	5,000,000	10,000,000
Repayment of long-term loans	(9,200,000)	(9,200,000)
Proceeds from issuance of investment corporation bonds	5,000,000	-
Payments of investment corporation bond issuance costs	(23,427)	-
Distributions paid to shareholders	(4,555,642)	(4,955,858)
Net cash used in financing activities	(3,779,069)	(4,155,858)
Net Change in Cash and Cash Equivalents	4,245,985	1,578,402
Cash and Cash Equivalents at the Beginning of Period	8,618,609	7,040,207
Cash and Cash Equivalents at the End of Period	¥12,864,594	¥8,618,609

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



NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2012 and September 30, 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 March 31, 2012, MTR owned a portfolio of 13 properties with a total rentable area of 461,208.21 sq. meters occupied by 42 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 bond issuance 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.

3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2012 and September 30, 2011 consisted of the following:

	Thousands of yen			
	As of March 31, 2012		As of September 30, 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	50,879,148		50,824,500	
Accumulated depreciation	(10,318,617)	40,560,531	(9,304,130)	41,520,370
Machinery and equipment	128,877		128,557	
Accumulated depreciation	(88,955)	39,922	(84,379)	44,178
Tools, furniture and fixtures	103,655		102,651	
Accumulated depreciation	(40,201)	63,454	(33,027)	69,624
Construction in progress	5,573	5,573	-	-
Land in trust	48,762,054	48,762,054	50,955,317	50,955,317
Buildings and structures in trust	14,331,021		14,160,843	
Accumulated depreciation	(3,022,597)	11,308,424	(2,757,669)	11,403,174
Machinery and equipment in trust	2,278		2,278	
Accumulated depreciation	(2,164)	114	(2,164)	114
Tools, furniture and fixtures in trust	15,971		15,971	
Accumulated depreciation	(4,592)	11,379	(3,660)	12,311
Total		¥276,882,354		¥280,135,991

The compressed amount of tangible assets with government grants under the Corporation Tax Law of Japan was ¥38,341 thousands at March 31, 2012.



4. SHORT-TERM LOANS

Short-term loans at March 31, 2012 and September 30, 2011 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2012	As of September 30, 2011				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	¥5,500,000	-	-	-	-
Mizuho Corporate Bank, Ltd.	-	3,000,000	-	-	-	-
The Sumitomo Trust & Banking Co., Ltd.(2)	-	500,000	-	-	-	-
Mizuho Corporate Bank, Ltd.	¥3,500,000	3,500,000	0.63	April 13, 2012	-	-
Resona Bank, Limited.	500,000	500,000	0.58	May 31, 2012	-	-
Mitsubishi UFJ Trust & Banking Corporation	5,000,000	5,000,000	0.53	August 31, 2012	-	-
The Sumitomo Trust & Banking Co., Ltd. (2)	2,000,000	2,000,000	0.53	August 31, 2012	-	-
Mizuho Corporate Bank, Ltd.	1,500,000	1,500,000	0.53	August 31, 2012	-	-
Resona Bank, Limited.	1,000,000	1,000,000	0.53	August 31, 2012	(3)	(4)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,000,000	-	0.48	February 28, 2013	-	-
Mizuho Corporate Bank, Ltd.	1,500,000	-	0.48	February 28, 2013	-	-
Sumitomo Mitsui Banking Corporation	1,000,000	-	0.43	February 28, 2013	-	-
The Sumitomo Trust & Banking Co., Ltd. (2)	1,000,000	-	0.48	February 28, 2013	-	-
Mizuho Trust & Banking Co., Ltd.	500,000	-	0.48	February 28, 2013	-	-
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) The Sumitomo Trust & Banking Co., Ltd changed its name to Sumitomo Mitsui Trust Bank, Limited on April 1, 2012.

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

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

MTR has entered into line of credit loan agreements totaling ¥20,000 million with banks to reduce refinancing risk. The unused amount of such credit lines was ¥20,000 million at March 31, 2012.

5. INVESTMENT CORPORATION BONDS

Investment corporation bonds at March 31, 2012 and September 30, 2011 consisted of the following:

	Thousands of yen		Average interest rate (%)	Due on	Use of funds	Note
	As of March 31, 2012	As of September 30, 2011				
Unsecured bonds due on February 25, 2014	¥5,000,000	¥5,000,000	0.83	February 25, 2014	-	(2)
Unsecured bonds due on February 27, 2015	¥5,000,000	-	0.76	February 27, 2015	(1)	(2)
Total	¥10,000,000	¥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 bonds 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 bonds	(Thousands of yen)	¥5,000,000	¥5,000,000	-	-



6. LONG-TERM LOANS

Long-term loans at March 31, 2012 and September 30, 2011 consisted of the following:

Lender	Thousands of yen				Use of funds	Note
	As of March 31, 2012	As of September 30, 2011	Average interest rate (%) (1)	Due on		
Development Bank of Japan Inc.	-	¥4,000,000	-	-		
The Sumitomo Trust & Banking Co., Ltd.(4)	-	3,000,000	-	-	-	-
Development Bank of Japan Inc.	-	2,000,000	-	-		
Mitsubishi UFJ Trust & Banking Corporation	¥5,000,000	5,000,000	1.42	April 13, 2012		
The Sumitomo Trust & Banking Co., Ltd.(4)	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)	2,550,000	2,625,000	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 Bank Corporation	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)	1,750,000	1,800,000	1.83	August 30, 2013		
Mizuho Corporate Bank, Ltd.	1,000,000	1,000,000	1.38	August 30, 2013		
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	(2)	(3)
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)	2,700,000	2,775,000	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	1,000,000	0.85	May 30, 2014		
The Sumitomo Trust & Banking Co., Ltd.(4)	5,500,000	5,500,000	0.79	August 29, 2014		
Mitsubishi UFJ Trust & Banking Corporation	1,000,000	1,000,000	0.79	August 29, 2014		
The Bank of Fukuoka, Ltd.	500,000	-	0.78	January 30, 2015		
Development Bank of Japan Inc.	3,000,000	3,000,000	1.96	February 27, 2015		
The Sumitomo Trust & Banking Co., Ltd.(4)	2,000,000	-	0.78	February 27, 2015		
Mizuho Corporate Bank, Ltd.	1,500,000	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	1,000,000	1.01	August 31, 2016		
Nippon Life Insurance Company	500,000	500,000	1.48	August 31, 2016		
The Bank of Fukuoka, Ltd.	500,000	-	0.96	January 31, 2017		
Development Bank of Japan Inc.	2,000,000	-	0.97	February 28, 2017		
Total long-term loans	¥101,500,000	¥105,700,000	-	-	-	-

(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 Sumitomo Trust & Banking Co., Ltd changed its name to Sumitomo Mitsui Trust Bank, Limited on April 1, 2012.

(5) 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.

(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:

		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount of loans	(Thousands of yen)	¥37,700,000	¥20,000,000	¥3,500,000	¥4,000,000



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 March 31, 2012 and September 30, 2011, MTR's deferred tax assets consisted mainly of enterprise tax payable, which is not deductible for tax purposes.

The significant components of deferred tax assets and liabilities as of March 31, 2012 and September 30, 2011 were as follows:

	As of March 31, 2012	As of September 30, 2011
	Thousands of yen	
Deferred tax assets:		
Accrued enterprise tax	¥19	¥19
Total deferred tax assets	19	19
Deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	50,509	-
Total deferred tax liabilities	50,509	-
Net deferred tax assets (liabilities)	¥(50,490)	¥19

A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rates for the six months ended March 31, 2012 and September 30, 2011 was as follows:

	October 1, 2011 to March 31, 2012	April 1, 2011 to September 30, 2011
Statutory tax rate	39.33%	39.33%
Deductible dividend distribution	(38.13%)	(39.32%)
Per capita inhabitants' taxes	0.01%	0.01%
Decrease in deferred tax assets due to tax rate changes	(0.15%)	-
Effective tax rates	1.06%	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 ¥4,719,968 thousand at March 31, 2012 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 March 31, 2012 and September 30, 2011 and for the six-month periods then ended:

	Yen	
	October 1, 2011 to March 31, 2012	April 1, 2011 to September 30, 2011
Net assets per share at period end	¥584,409	¥583,321
Net income per share	¥19,906	¥18,819
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:

- (1) Parent company and major corporate shareholders: None applicable
- (2) Directors and major individual shareholders: None applicable
- (3) Subsidiaries: None applicable
- (4) Sister companies:

(For the six months ended March 31, 2012)

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	¥3,226,135 thousand
Account name and balance at period end	Rental and other receivables ¥436 thousand
	Rents received in advance ¥489,131 thousand
	Leasehold and security deposits including trust accounts ¥1,157,937 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 September 30, 2011)

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	Rental and other receivables ¥539 thousand
	Rents received in advance ¥489,125 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.



11. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

A breakdown of property-related revenues and expenses for the six-month periods ended March 31, 2012 and September 30, 2011 is summarized as follows:

(1) Rental revenues and property-related expenses

	Thousands of yen	
	October 1, 2011 to March 31, 2012	April 1, 2011 to September 30, 2011
Property-Related Revenues:	¥8,767,368	¥8,801,972
Rental revenues	8,276,521	8,264,741
Common charges	265,910	263,985
Parking revenues	22,110	22,360
Other rental revenues	202,827	250,886
Property-Related Expenses:	2,847,697	2,904,057
Property management fees	272,976	276,679
Utilities expenses	200,860	210,432
Property and other taxes	913,822	923,065
Casualty insurance	29,859	29,715
Repairs and maintenance	127,635	111,667
Depreciation	1,292,097	1,341,217
Other rental expenses	10,448	11,282
Profit	¥5,919,671	¥5,897,915

(2) Gain on sale of investment property

[Part of Frespo Inage]

	Thousands of yen	
	October 1, 2011 to March 31, 2012	April 1, 2011 to September 30, 2011
Revenue from sale of investment property	¥2,450,000	-
Cost of investment property	2,193,263	-
Other sales expenses	9,860	-
Gain on sale of investment property	¥246,877	-



12. FINANCIAL INSTRUMENTS

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, 2012 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	¥12,864,594	¥12,864,594	-
Total Assets	12,864,594	12,864,594	-
Liabilities			
1) Short-term loans	22,500,000	22,500,000	-
2) Long-term loans due within one year	36,300,000	36,484,601	¥184,601
3) Investment corporation bonds	10,000,000	10,029,212	29,212
4) Long-term loans	65,200,000	65,985,938	785,938
5) Leasehold and security deposits including trust accounts	4,725,264	4,489,764	(235,500)
Total Liabilities	¥138,725,264	¥139,489,515	¥764,251

The carrying value of financial instruments on the balance sheet as of September 30, 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 discounted at the current interest rate 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.

Leasehold and security deposits including trust accounts

	Thousands of yen	
	As of March 31, 2012	As of September 30, 2011
Leasehold and security deposits including trust accounts	¥7,264,270	¥7,263,593

(2) The redemption schedule for monetary claims

(As of March 31, 2012)

	(Thousands of yen)
	Cash and cash equivalents
1 year or less	¥12,864,594
1 to 2 years	-
2 to 3 years	-
3 to 4 years	-
4 to 5 years	-
Over 5 years	-

(As of September 30, 2011)

	(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

(As of March 31, 2012)

		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)	¥36,300,000	-	-	-	-	-
Investment corporation bonds	(Thousands of yen)	-	¥5,000,000	¥5,000,000	-	-	-
Long-term loans	(Thousands of yen)	-	¥37,700,000	¥20,000,000	¥3,500,000	¥4,000,000	-

(As of September 30, 2011)

		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	-

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2012 and September 30, 2011 were as follows:

	Thousands of yen	
	As of March 31, 2012	As of September 30, 2011
Cash and bank deposits	¥11,677,890	¥7,038,891
Cash in trust and deposits in trust	1,186,704	1,579,718
Cash and cash equivalents	¥12,864,594	¥8,618,609

14. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to March 31, 2012 and September 30, 2011 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of March 31, 2012	As of September 30, 2011
Due within one year	¥11,094,461	¥12,042,073
Due after one year	70,761,583	76,815,435
Total	¥81,856,044	¥88,857,508



15. INVESTMENT AND RENTAL PROPERTIES

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)								
	Carrying Value (1)			Fair Value (3)		Carrying Value (1)			Fair Value (3)
	As of March 31, 2012	Net Changes (2)	As of September 30, 2011	As of March 31, 2012	As of September 30, 2011	Net Changes (2)	As of March 31, 2011	As of September 30, 2011	
Office buildings	¥213,501,029	¥(831,060)	¥214,332,089	¥205,020,000	¥214,332,089	¥(901,562)	¥215,233,651	¥209,500,000	
Retail facilities	42,324,690	(2,376,347)	44,701,037	44,290,000	44,701,037	(144,353)	44,845,390	46,050,000	
Others	21,056,635	(46,230)	21,102,865	18,400,000	21,102,865	(158,917)	21,261,782	18,410,000	
Total	¥276,882,354	¥(3,253,637)	¥280,135,991	¥267,710,000	¥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 periods ended March 31, 2012 and September 30, 2011 concerning rental properties is as follows:

Use	(Thousands of yen)						
	October 1, 2011 to March 31, 2012			April 1, 2011 to September 30, 2011			
	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
Office buildings	¥6,571,201	¥2,105,628	¥4,465,573	-	¥6,582,353	¥2,170,401	¥4,411,952
Retail facilities	1,450,269	362,764	1,087,505	¥246,877	1,468,125	389,288	1,078,837
Others	745,898	379,306	366,593	-	751,494	344,368	407,126
Total	¥8,767,368	¥2,847,697	¥5,919,671	¥246,877	¥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."

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



16. 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.

(For the six months ended March 31, 2012)

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

(Thousands of yen)

Name of major customers	Operating Revenues	Related Segment
Mori Trust Co., Ltd.	¥3,226,135	Leasing Business

* Another major customer is Kobe Steel, Ltd.

(For the six months ended September 30, 2011)

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

(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.



17. SUBSEQUENT EVENTS

DISTRIBUTION OF RETAINED EARNINGS

On June 13, 2012, the Board of Directors approved a resolution for the payment of a cash distribution of ¥19,504 per share, aggregating to ¥4,719,968 thousand, to its shareholders of record as of March 31, 2012.