

## 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 March 31, 2010 and September 30, 2009, 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 March 31, 2010 and September 30, 2009, 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.

### *Supplemental Information*

As described in Note 15, Subsequent Events, MORI TRUST Sogo Reit, Inc. has sold one property and acquired one property, and entered into new loan agreements and completed a public offering.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended March 31, 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*

June 11, 2010

# FINANCIAL STATEMENTS

## BALANCE SHEETS

As of March 31, 2010 and September 30, 2009

	March 31, 2010	September 30, 2009	March 31, 2010
	Thousands of yen		U.S. dollars (Note 1)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	¥10,477,548	¥10,201,157	\$112,155,301
Rental and other receivables	64,461	69,461	690,015
Other current assets	31,209	49,253	334,072
Total current assets	10,573,218	10,319,871	113,179,388
<b>Property and Equipment, at Cost:</b>			
Buildings and structures including trust accounts	43,454,604	42,235,579	465,153,120
Machinery and equipment including trust accounts	138,643	138,643	1,484,080
Tools, furniture and fixtures including trust accounts	115,882	50,444	1,240,439
Land including trust accounts	164,019,716	164,019,716	1,755,723,782
Less: accumulated depreciation	(8,696,562)	(7,890,240)	(93,091,008)
Net property and equipment	199,032,283	198,554,142	2,130,510,413
<b>Investments and Other Assets:</b>			
Deposits	10,000	10,000	107,043
Long-term prepaid expenses	18,359	-	196,521
Other	276	276	2,954
Total investments and other assets	28,635	10,276	306,518
<b>Total Assets</b>	<b>¥209,634,136</b>	<b>¥208,884,289</b>	<b>\$2,243,996,319</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	¥397,916	¥104,107	\$4,259,435
Short-term loans	21,500,000	24,500,000	230,143,438
Long-term loans due within one year	15,900,000	19,750,000	170,199,101
Distributions payable	10,253	9,660	109,756
Consumption taxes payable	12,950	115,648	138,624
Rents received in advance	1,071,558	1,103,511	11,470,333
Accrued expenses and other current liabilities	252,465	200,184	2,702,460
Total current liabilities	39,145,142	45,783,110	419,023,147
<b>Long-Term Liabilities:</b>			
Long-term loans	55,400,000	46,675,000	593,020,766
Leasehold and security deposits including trust accounts	13,847,838	14,699,806	148,232,051
Total long-term liabilities	69,247,838	61,374,806	741,252,817
<b>Total Liabilities</b>	<b>108,392,980</b>	<b>107,157,916</b>	<b>1,160,275,964</b>
<b>Net Assets:</b>			
<b>Shareholders' equity:</b>			
Shares authorized: 2,000,000 shares			
Shares issued and outstanding: 182,000 shares	97,600,000	97,600,000	1,044,744,166
Retained earnings	3,641,156	4,126,373	38,976,189
<b>Total Net Assets</b>	<b>101,241,156</b>	<b>101,726,373</b>	<b>1,083,720,355</b>
<b>Total Liabilities and Net Assets</b>	<b>¥209,634,136</b>	<b>¥208,884,289</b>	<b>\$2,243,996,319</b>

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, 2010 and September 30, 2009

	October 1, 2009 to March 31, 2010	April 1, 2009 to September 30, 2009	October 1, 2009 to March 31, 2010
	Thousands of yen		U.S. dollars (Note 1)
<b>Operating Revenues:</b>			
Rental revenues	¥6,736,116	¥7,105,333	\$72,105,713
<b>Operating Expenses:</b>			
Property-related expenses	2,117,877	2,006,239	22,670,482
Asset management fees	204,357	219,672	2,187,507
Custodian and administrative service fees	52,946	59,516	566,755
Other operating expenses	56,778	77,209	607,777
<b>Operating Income</b>	<b>4,304,158</b>	<b>4,742,697</b>	<b>46,073,192</b>
<b>Non-Operating Revenues:</b>			
Interest income	3,819	4,436	40,876
Other non-operating revenues	1,913	893	20,486
<b>Non-Operating Expenses:</b>			
Interest expense	667,810	620,795	7,148,467
<b>Extraordinary income:</b>			
Compensation for transfer of head office	-	-	-
<b>Income before Income Taxes</b>	<b>3,642,080</b>	<b>4,127,231</b>	<b>38,986,087</b>
<b>Income Taxes:</b>			
Current	995	965	10,646
Deferred	(2)	4	(16)
<b>Net Income</b>	<b>3,641,087</b>	<b>4,126,262</b>	<b>38,975,457</b>
<b>Retained Earnings at the Beginning of Period</b>	<b>69</b>	<b>111</b>	<b>731</b>
<b>Retained Earnings at the End of Period</b>	<b>¥3,641,156</b>	<b>¥4,126,373</b>	<b>\$38,976,188</b>

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, 2010 and September 30, 2009

	Thousands of yen			U.S. dollars (Note 1)	
	Shares	Common shares	Retained earnings	Total net assets	Total net assets
<b>Balance as of March 31, 2009</b>	182,000	¥97,600,000	¥4,179,194	¥101,779,194	
Cash dividends paid	-	-	(4,179,084)	(4,179,084)	
Net income	-	-	4,126,262	4,126,262	
<b>Balance as of September 30, 2009</b>	182,000	97,600,000	4,126,372	101,726,372	\$1,088,914,283
Cash dividends paid	-	-	(4,126,303)	(4,126,303)	(44,169,385)
Net income	-	-	3,641,087	3,641,087	38,975,457
<b>Balance as of March 31, 2010</b>	182,000	¥97,600,000	¥3,641,156	¥101,241,156	\$1,083,720,355

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

## STATEMENTS OF CASH FLOWS

For the six-month periods ended March 31, 2010 and September 30, 2009

	October 1, 2009 to March 31, 2010	April 1, 2009 to September 30, 2009	October 1, 2009 to March 31, 2010
	Thousands of yen		U.S. dollars (Note 1)
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥3,642,080	¥4,127,231	\$38,986,087
Depreciation and amortization	806,321	863,840	8,631,149
Interest income	(3,819)	(4,436)	(40,876)
Interest expense	667,810	620,796	7,148,467
Changes in assets and liabilities:			
Rental and other receivables	5,000	(4,320)	53,517
Accounts payable and accrued expenses	75,787	(52,630)	811,246
Consumption taxes payable	(102,698)	(150,912)	(1,099,310)
Rents received in advance	(31,952)	20,096	(342,027)
Other	(16,245)	(30,418)	(173,898)
Subtotal	5,042,284	5,389,247	53,974,355
Interest received	4,280	4,757	45,812
Interest paid	(654,338)	(621,174)	(7,004,265)
Income taxes paid	(867)	(359)	(9,279)
<b>Net cash provided by operating activities</b>	<b>4,391,359</b>	<b>4,772,471</b>	<b>47,006,623</b>
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment including trust accounts	(1,066,040)	(152,745)	(11,411,259)
Repayment of leasehold and security deposits	(1,230,004)	(17,742)	(13,166,385)
Proceeds from leasehold and security deposits including trust accounts	431,787	302,411	4,621,998
<b>Net cash provided by (used in) investing activities</b>	<b>(1,864,257)</b>	<b>131,924</b>	<b>(19,955,646)</b>
<b>Cash Flows from Financing Activities:</b>			
Net increase in short-term loans	(3,000,000)	(5,000,000)	(32,113,038)
Proceeds from long-term loans	20,500,000	12,000,000	219,439,093
Payment of long-term loans	(15,625,000)	(7,075,000)	(167,255,406)
Distributions paid to shareholders	(4,125,711)	(4,178,216)	(44,163,039)
<b>Net cash used in financing activities</b>	<b>(2,250,711)</b>	<b>(4,253,216)</b>	<b>(24,092,390)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>276,391</b>	<b>651,179</b>	<b>2,958,587</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<b>10,201,157</b>	<b>9,549,978</b>	<b>109,196,714</b>
<b>Cash and Cash Equivalents at the End of Period</b>	<b>¥10,477,548</b>	<b>¥10,201,157</b>	<b>\$112,155,301</b>

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

## NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2010 and September 30, 2009

### 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, 2010, MTR owned a portfolio of 13 properties with a total rentable area of 420,201.27 sq. meters occupied by 31 tenants. The occupancy rate was 98.3%.

#### 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 ¥93.42 = U.S.\$1.00, the foreign exchange rate prevailing on March 31, 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.

#### 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.

### 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, 2010 and September 30, 2009 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2010		As of September 30, 2009		As of March 31, 2010	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥113,064,399	¥113,064,399	¥113,064,399	¥113,064,399	\$1,210,280,440	\$1,210,280,440
Buildings and structures	29,534,335		28,527,364		316,145,744	
Accumulated depreciation	(6,721,116)	22,813,219	(6,208,651)	22,318,713	(71,945,149)	244,200,595
Machinery and equipment	136,365		136,365		1,459,699	
Accumulated depreciation	(76,203)	60,162	(70,911)	65,454	(815,707)	643,992
Tools, furniture and fixtures	99,911		43,273		1,069,480	
Accumulated depreciation	(14,522)	85,389	(10,221)	33,052	(155,444)	914,036
Land in trust	50,955,317	50,955,317	50,955,317	50,955,317	545,443,342	545,443,342
Buildings and structures in trust	13,920,269		13,708,215		149,007,376	
Accumulated depreciation	(1,882,715)	12,037,554	(1,599,394)	12,108,821	(20,153,231)	128,854,145
Machinery and equipment in trust	2,278		2,278		24,381	
Accumulated depreciation	(1,141)	1,137	(799)	1,479	(12,215)	12,166
Tools, furniture and fixtures in trust	15,971		7,171		170,959	
Accumulated depreciation	(865)	15,106	(264)	6,907	(9,262)	161,697
Total		¥199,032,283		¥198,554,142		\$2,130,510,413

#### 4. SHORT-TERM LOANS

Short-term loans at March 31, 2010 and September 30, 2009 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Due on	Use of funds	Note
	As of March 31, 2010	As of September 30, 2009	As of March 31, 2010	Average interest rate (%) (1)			
Mizuho Corporate Bank, Ltd.	-	¥6,000,000	-	-	-		
The Sumitomo Trust & Banking Co., Ltd.	-	1,000,000	-	-	-	-	
Sumitomo Mitsui Banking Corporation	-	1,000,000	-	-	-		
Mizuho Corporate Bank, Ltd.	¥5,000,000	5,000,000	\$ 53,521,730	1.32	August 31, 2010		
Mitsubishi UFJ Trust & Banking Corporation	3,500,000	3,500,000	37,465,211	1.32	August 31, 2010		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	2,500,000	26,760,864	1.32	August 31, 2010		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	2,000,000	21,408,692	1.32	August 31, 2010		
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	10,704,346	1.32	August 31, 2010		
Mizuho Corporate Bank, Ltd.	500,000	500,000	5,352,173	1.28	August 31, 2010		
The Sumitomo Trust & Banking Co., Ltd.	500,000	500,000	5,352,173	1.28	August 31, 2010	(2)	(3)
Mitsubishi UFJ Trust & Banking Corporation	500,000	500,000	5,352,173	1.28	August 31, 2010		
Sumitomo Mitsui Banking Corporation	500,000	500,000	5,352,173	1.28	August 31, 2010		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	500,000	500,000	5,352,173	1.28	August 31, 2010		
Mizuho Corporate Bank, Ltd.	3,000,000	-	32,113,038	1.06	February 28, 2011		
The Sumitomo Trust & Banking Co., Ltd.	1,000,000	-	10,704,346	1.06	February 28, 2011		
Sumitomo Mitsui Banking Corporation	1,000,000	-	10,704,346	1.25	February 28, 2011		
<b>Total short-term loans</b>	<b>¥21,500,000</b>	<b>¥24,500,000</b>	<b>\$ 230,143,438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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 (\$214,086 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 (\$214,086 thousand) at March 31, 2010.

## 5. LONG-TERM LOANS

Long-term loans at March 31, 2010 and September 30, 2009 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Due on	Use of funds	Note
	As of March 31, 2010	As of September 30, 2009	As of March 31, 2010	Average interest rate (%) (1)			
Sumitomo Mitsui Banking Corporation	-	¥5,000,000	-	-	-	-	
Nippon Life Insurance Company	-	3,000,000	-	-	-	-	
Mitsubishi UFJ Trust & Banking Corporation	-	3,000,000	-	-	-	-	
The Sumitomo Trust & Banking Co., Ltd.	-	2,500,000	-	-	-	-	
The Dai-ichi Mutual Life Insurance Company	-	2,000,000	-	-	-	-	
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥4,000,000	4,000,000	¥42,817,384	1.46	August 31, 2010	-	
Shinsei Bank, Limited	3,000,000	3,000,000	32,113,038	1.59	February 28, 2011	-	
Development Bank of Japan Inc.	2,500,000	2,500,000	26,760,864	1.65	February 28, 2011	-	
Development Bank of Japan Inc.	2,000,000	2,000,000	21,408,692	1.46	February 28, 2011	-	
Shinsei Bank, Limited	2,000,000	2,000,000	21,408,692	1.55	February 28, 2011	-	
Nippon Life Insurance Company	1,000,000	1,000,000	10,704,346	1.46	February 28, 2011	-	
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	10,704,346	1.55	February 28, 2011	-	
The Sumitomo Trust & Banking Co., Ltd.	5,000,000	5,000,000	53,521,730	1.58	August 31, 2011	-	
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	32,113,038	1.58	August 31, 2011	-	
Development Bank of Japan Inc.	1,000,000	1,000,000	10,704,346	1.68	February 28, 2011	-	
Development Bank of Japan Inc.	4,000,000	4,000,000	42,817,384	1.44	February 29, 2012	-	
The Sumitomo Trust & Banking Co., Ltd.	3,000,000	3,000,000	32,113,038	1.62	February 29, 2012	-	
Development Bank of Japan Inc.	2,000,000	2,000,000	21,408,692	1.74	February 29, 2012	-	
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	42,817,384	1.67	August 31, 2012	(2)	(3)
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	32,113,038	1.67	August 31, 2012	-	
Development Bank of Japan Inc. (4)	2,850,000	2,925,000	30,507,386	1.81	August 31, 2012	-	
Sumitomo Mitsui Banking Corporation	5,000,000	-	53,521,730	1.58	February 28, 2013	-	
Mizuho Corporate Bank, Ltd.	3,000,000	-	32,113,038	1.58	February 28, 2013	-	
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	-	32,113,038	1.58	February 28, 2013	-	
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	-	26,760,864	1.58	February 28, 2013	-	
Aozora Bank, Ltd.	2,000,000	-	21,408,692	1.56	March 12, 2013	-	
ORIX Trust and Banking Corporation	2,000,000	-	21,408,692	1.50	March 19, 2013	-	
Development Bank of Japan Inc. (5)	1,950,000	2,000,000	20,873,475	1.83	August 30, 2013	-	
The Dai-ichi Mutual Life Insurance Company	2,500,000	2,500,000	26,760,864	1.92	February 28, 2014	-	
Development Bank of Japan Inc. (6)	3,000,000	-	32,113,038	1.69	March 12, 2014	-	
Development Bank of Japan Inc.	3,000,000	3,000,000	32,113,038	1.96	February 27, 2015	-	
<b>Total long-term loans</b>	<b>¥71,300,000</b>	<b>¥66,425,000</b>	<b>\$ 763,219,867</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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 (\$802 thousand) from the 1st to 6th installment, and ¥2,550 million (\$27,296 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 (\$535 thousand) from the 1st to 7th installment, and ¥1,650 million (\$17,662 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 (\$802 thousand) from the 1st to 7th installment, and ¥2,475 million (\$26,493 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:

Amount of loans	(Thousands of yen) (U.S. dollars)	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
		¥18,400,000	¥27,300,000	¥6,700,000	¥3,000,000
		\$196,959,965	\$292,228,645	\$71,719,118	\$32,113,038



## 6. NET ASSETS

MTR is required to maintain net assets of at least ¥50 million (\$535 thousand) as required pursuant to the Investment Trust Law.

## 7. INCOME TAXES

At March 31, 2010 and September 30, 2009, 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 March 31, 2010 and September 30, 2009, was as follows:

	October 1, 2009 to March 31, 2010	April 1, 2009 to September 30, 2009
Statutory tax rate	39.33%	39.33%
Deductible dividend distribution	(39.32%)	(39.32%)
Per capita inhabitants' taxes	0.02%	0.01%
Effective tax rates	0.03%	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 ¥3,641,092 thousand (\$38,975,508) at March 31, 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 March 31, 2010, and September 30, 2009 and for the six-month periods then ended:

	Yen		U.S. dollars
	October 1, 2009 to March 31, 2010	April 1, 2009 to September 30, 2009	October 1, 2009 to March 31, 2010
Net assets per share at period end	¥556,270	¥558,936	\$5,955
Net income per share	20,006	22,672	214
Weighted-average number of shares	182,000	182,000	182,000

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

## 9. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

### (1) Parent company and major corporate shareholders

October 1, 2009 to March 31, 2010

(a)	
Party type	Other related company *
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand (\$107,043,460)
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 (\$7,275,925)
Account name and balance at period end	Rental and other receivables ¥445 thousand (\$4,767)
	Leasehold and security deposits including trust accounts ¥1,355,323 thousand (\$14,507,854)

April 1, 2009 to September 30, 2009

(a)	
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	¥1,046,942 thousand
Account name and balance at period end	Rents received in advance ¥90,764 thousand
	Rental and other receivables ¥422 thousand
	Leasehold and security deposits including trust accounts ¥2,416,027 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 March 31, 2010 and September 30, 2009 is summarized as follows:

### Rental revenues and property-related expenses

	Thousands of yen		U.S. dollars
	October 1, 2009 to March 31, 2010	April 1, 2009 to September 30, 2009	October 1, 2009 to March 31, 2010
<b>Rental Revenues:</b>	¥6,736,116	¥7,105,333	\$72,105,713
Rental revenues	6,167,887	6,494,762	66,023,201
Common charges	279,794	279,794	2,995,015
Parking revenues	20,100	21,713	215,157
Other rental revenues	268,335	309,064	2,872,340
<b>Property-Related Expenses:</b>	2,117,877	2,006,239	22,670,482
Property management fees	277,752	238,109	2,973,148
Utilities	195,452	211,931	2,092,181
Property and other taxes	591,343	592,523	6,329,941
Casualty insurance	27,781	28,591	297,373
Repairs and maintenance	207,288	61,863	2,218,879
Depreciation	806,321	863,840	8,631,149
Other rental expenses	11,940	9,382	127,811
<b>Profit</b>	¥4,618,239	¥5,099,094	\$49,435,231

## 11. FINANCIAL INSTRUMENTS

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 dividend and debt and operations mainly through bank borrowing.

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.

As of March 31, 2010

	Thousands of yen			U.S. dollars		
	Carrying Value	Estimated Fair Value (1)	Difference	Carrying Value	Estimated Fair Value (1)	Difference
<b>Assets</b>						
1) Cash and cash equivalents	¥10,477,548	¥10,477,548	-	\$112,155,301	\$112,155,301	-
<b>Total Assets</b>	<b>10,477,548</b>	<b>10,477,548</b>	<b>-</b>	<b>112,155,301</b>	<b>112,155,301</b>	<b>-</b>
<b>Liabilities</b>						
1) Short-term loans	21,500,000	21,500,000	-	230,143,438	230,143,438	-
2) Long-term loans due within one year	15,900,000	15,930,464	¥30,464	170,199,101	170,525,201	\$326,100
3) Long-term loans	55,400,000	55,601,500	201,500	593,020,766	595,177,686	2,156,920
4) Leasehold and security deposits including trust accounts	6,214,926	5,407,745	(807,181)	66,526,721	57,886,372	(8,640,349)
<b>Total Liabilities</b>	<b>99,014,926</b>	<b>98,439,709</b>	<b>(575,217)</b>	<b>1,059,890,026</b>	<b>1,053,732,697</b>	<b>(6,157,329)</b>

(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 (\$81,705,329) as of March 31, 2010.

(2) The redemption schedule for loans

		Due in	Due in	Due in	Due in	Due in	Due after
		1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 years
Short-term loans	(Thousands of yen)	¥21,500,000	-	-	-	-	-
	(U.S. dollars)	\$230,143,438	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥15,900,000	-	-	-	-	-
	(U.S. dollars)	\$170,199,101	-	-	-	-	-
Long-term loans	(Thousands of yen)	-	¥18,400,000	27,300,000	6,700,000	3,000,000	-
	(U.S. dollars)	-	\$196,959,965	292,228,645	71,719,118	32,113,038	-

## 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2010 and September 30, 2009 were as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2010	As of September 30, 2009	As of March 31, 2010
Cash and bank deposits	¥9,042,043	¥8,577,653	\$96,789,160
Cash in trust and deposits in trust	1,435,505	1,623,504	15,366,141
Cash and cash equivalents	¥10,477,548	¥10,201,157	\$112,155,301

## 13. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to March 31, 2010 and September 30, 2009 under non-cancelable operating leases were as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2010	As of September 30, 2009	As of March 31, 2010
Due within one year	¥7,865,381	¥7,124,105	\$84,193,757
Due after one year	43,054,713	42,962,315	460,872,546
Total	¥50,920,094	¥50,086,420	\$545,066,303

#### 14. INVESTMENT AND RENTAL PROPERTIES

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	(Thousands of yen)			(U.S. dollars)		
	Carrying Value		Fair Value	Carrying Value		Fair Value
	As of March 31, 2010	Net Changes (2)	As of September 30, 2009	As of March 31, 2010	As of March 31, 2010	As of March 31, 2010
Office buildings	¥132,380,680	¥638,810	¥131,741,870	¥127,310,000	\$1,417,048,600	\$1,362,770,285
Retail facilities	45,213,919	(188,878)	45,402,797	47,090,000	483,985,436	504,067,651
Others	21,437,683	28,208	21,409,475	19,750,000	229,476,378	211,410,833
<b>Total</b>	<b>199,032,283</b>	<b>478,141</b>	<b>198,554,142</b>	<b>194,150,000</b>	<b>2,130,510,413</b>	<b>2,078,248,769</b>

(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 (\$7,876,537) 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)			(U.S. dollars)		
	Rental Revenues*	Property-related Expenses*	Net Income	Rental Revenues*	Property-related Expenses*	Net Income
Office buildings	¥4,513,843	¥1,400,393	¥3,113,450	\$48,317,734	\$14,990,283	\$33,327,451
Retail facilities	1,468,617	364,330	1,104,287	15,720,582	3,899,912	11,820,670
Others	753,656	353,154	400,502	8,067,397	3,780,287	4,287,110
<b>Total</b>	<b>6,736,116</b>	<b>2,117,877</b>	<b>4,618,239</b>	<b>72,105,713</b>	<b>22,670,482</b>	<b>49,435,231</b>

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

## 15. SUBSEQUENT EVENTS

### DISTRIBUTION OF RETAINED EARNINGS

On May 13, 2010, the Board of Directors approved a resolution for the payment of a cash distribution of ¥20,006 per share, aggregating to ¥3,641,092 thousand (\$38,975,508), to its shareholders of record as of March 31, 2010.

### ACQUISITION OF ASSET

On April 13, 2010, MTR acquired the following asset:

Tokyo Shiodome Building

Type of asset:	Real estate
	Land: Quasi-joint ownership (50/100) *
	Building: Joint ownership (50/100)
Acquisition price:	¥110,000 million (\$1,177,478,056) (excluding purchase overheads and taxes)
Delivery date:	April 13, 2010
Seller:	Mori Trust Co., Ltd.

\* The land is scheduled to become reserved land in the Shiodome Land Readjustment Project, and joint-ownership (50/100) of the land will be transferred to MTR on the day following the date of the official announcement replotting relating to the project. MTR owns the usage rights of the land until the joint-ownership is transferred.

### SALE OF ASSET

On April 13, 2010, MTR sold the following asset:

Akasaka-Mitsuke MT Building

Type of asset:	Real estate
	Land: Title
	Building: Title
Sales price:	¥26,900 million (\$287,946,906)
Gain on sale:	Approximately ¥170 million (\$1,819,738)
Delivery date:	April 13, 2010
Purchaser:	Mori Trust Co., Ltd.

### NEW LOANS

On April 13, 2010, MTR borrowed ¥52,000 million (\$556,625,990) as short-term loans and ¥36,000 million (\$385,356,454) as long-term loans to meet funding requirements for acquisition of the Tokyo Shiodome Building.

On June 11, 2010, ¥40,000 million (\$428,173,838) of the borrowings was repaid accordance with the repayment deadline.

### ISSUANCE OF NEW INVESTMENT SHARES

Based on the approval at meetings of the Board of Management held on May 13 and May 24, 2010, MTR has decided to issue new investment shares, and completed a public offering on May 31, 2010. As a result of the issuance of additional shares, MTR has shareholders' equity of ¥136,609,600 thousand (\$1,462,316 thousand), with 242,000 shares at the time of reporting.

#### (1) Issuance of new investment shares through public offering

Number of new investment shares to be offered:	60,000 shares
Issue price:	¥670,800 per share
Aggregate amount of issue price:	¥40,248,000 thousand (\$430,828,516)
Issue value:	¥650,160 per share
Aggregate amount of issue value:	¥39,009,600 thousand (\$417,572,254)
Closing date:	May 31, 2010
Starting date of computation for dividends:	April 1, 2010

#### (2) Use of the procured funds

On June 11, 2010, the procured funds had been allocated to repay a part of the borrowings for the acquisition of the Tokyo Shiodome Building.