

## Report of Independent Auditors

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

We have audited the accompanying balance sheets of MORI TRUST Sogo Reit, Inc. as of September 30, 2006 and March 31, 2006, and the related statements of income and retained earnings, changes in shareholders' equity, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MORI TRUST Sogo Reit, Inc. at September 30, 2006 and March 31, 2006, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended September 30, 2006 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 Shinchon*

December 11, 2006

MFINANCIAL STATEMENTS

**BALANCE SHEETS**

As of September 30, 2006 and March 31, 2006

	September 30, 2006	March 31, 2006	September 30, 2006
	Thousands of yen		U.S. dollars (Note 1)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (Note11)	¥9,529,807	¥7,487,891	\$80,802,160
Rental and other receivables	41,587	31,257	352,612
Consumption tax refundable	143,416	16,052	1,216,010
Other current assets	27,790	40,244	235,631
Total current assets	9,742,600	7,575,444	82,606,413
<b>Property and Equipment, at Cost: (Note3)</b>			
Land including trust accounts	112,078,176	112,658,500	950,298,255
Buildings and structures including trust accounts	33,875,460	28,721,605	287,226,214
Machinery and equipment	53,821	46,013	456,341
Tools, furniture and fixtures	9,970	4,061	84,532
Construction in progress	-	714	-
Less: accumulated depreciation	(3,113,061)	(3,297,404)	(26,395,286)
Net property and equipment	142,904,366	138,133,489	1,211,670,056
<b>Investments and Other Assets:</b>			
Deposits	10,000	10,000	84,790
Organization costs	-	6,844	-
Other	277	240	2,340
Total investments and other assets	10,277	17,084	87,130
<b>Total Assets</b>	<b>¥152,657,243</b>	<b>¥145,726,017</b>	<b>\$1,294,363,599</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	¥407,566	¥93,925	\$3,455,707
Short-term loans (Note4)	21,500,000	23,500,000	182,296,082
Current portion of long-term loans (Note5)	5,500,000	5,500,000	46,633,882
Distribution payable	12,066	12,762	102,305
Consumption taxes payable	49,970	33,193	423,693
Rents received in advance	826,580	824,242	7,008,475
Accrued expenses and other current liabilities	164,511	103,612	1,394,872
Total current liabilities	28,460,693	30,067,734	241,315,016
<b>Long-Term Liabilities:</b>			
Long-term loans (Note5)	30,500,000	22,500,000	258,606,071
Leasehold and security deposits (Note9)	10,004,511	10,075,828	84,827,127
Total long-term liabilities	40,504,511	32,575,828	343,433,198
<b>Total Liabilities</b>	<b>68,965,204</b>	<b>62,643,562</b>	<b>584,748,214</b>
<b>Net Assets : (Note6)</b>			
Shareholders' capital			
Shares authorized: 2,000,000 shares			
Shares issued and outstanding: 160,000 shares	80,000,000	80,000,000	678,311,006
Retained earnings	3,692,039	3,082,455	31,304,379
<b>Total Net Assets</b>	<b>83,692,039</b>	<b>83,082,455</b>	<b>709,615,385</b>
<b>Total Liabilities and Net Assets</b>	<b>¥152,657,243</b>	<b>¥145,726,017</b>	<b>\$1,294,363,599</b>

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, 2006 and March 31, 2006

	April 1, 2006 to September 30, 2006	October 1, 2005 to March 31, 2006	April 1, 2006 to September 30, 2006
	Thousands of yen		U.S. dollars(Note 1)
<b>Operating Revenues:</b>			
Rental revenues (Notes 9 and 10)	¥4,564,350	¥4,876,369	\$38,700,616
Gain on sale of investment property(Note 10)	925,152	-	7,844,258
<b>Operating Expenses:</b>			
Property-related expenses (Note 10)	1,300,951	1,336,433	11,030,622
Asset management fees	170,517	154,119	1,445,799
Custodian and administrative service fees	41,631	43,158	352,982
Other operating expenses	75,268	63,192	638,188
<b>Operating Income</b>	<b>3,901,135</b>	<b>3,279,467</b>	<b>33,077,283</b>
<b>Non-Operating Revenues:</b>			
Interest income	1,414	32	11,990
Other non-operating revenues	100	-	855
<b>Non-Operating Expenses:</b>			
Interest expense	202,835	189,274	1,719,814
Amortization of organization costs	6,844	6,844	58,034
<b>Income before Income Taxes</b>	<b>3,692,970</b>	<b>3,083,381</b>	<b>31,312,280</b>
<b>Income Taxes:(Note 7)</b>			
Current	986	990	8,366
Deferred	0	1	1
<b>Net Income</b>	<b>3,691,984</b>	<b>3,082,390</b>	<b>31,303,913</b>
<b>Retained Earnings at the Beginning of Period</b>	<b>55</b>	<b>65</b>	<b>466</b>
<b>Retained Earnings at the End of Period</b>	<b>¥3,692,039</b>	<b>¥3,082,455</b>	<b>\$31,304,379</b>

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month periods ended September 30, 2006 and March 31, 2006

	Thousands of yen			U.S. dollars (Note 1)	
	Shares	Common shares	Retained earnings	Total	
<b>Balance as of September 30, 2005</b>	160,000	¥80,000,000	¥2,947,585	¥82,947,585	
Cash dividends paid	-		(2,947,520)	(2,947,520)	
Net income	-		3,082,390	3,082,390	
<b>Balance as of March 31, 2006</b>	160,000	¥80,000,000	¥3,082,455	¥83,082,455	\$704,446,794
Cash dividends paid	-		(3,082,400)	(3,082,400)	(26,135,322)
Net income	-		3,691,984	3,691,984	31,303,913
<b>Balance as of September 30, 2006</b>	160,000	¥80,000,000	¥3,692,039	¥83,692,039	\$709,615,385

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

## STATEMENTS OF CASH FLOWS

For the six-month periods ended September 30, 2006 and March 31, 2006

	April 1, 2006 to September 30, 2006	October 1, 2005 to March 31, 2006	April 1, 2006 to September 30, 2006
	Thousands of yen	Thousands of yen	U.S. dollars (Note 1)
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥3,692,970	¥3,083,381	\$31,312,280
Depreciation and amortization	592,319	608,451	5,022,206
Amortization of organization costs	6,844	6,844	58,034
Interest income	(1,414)	(32)	(11,990)
Interest expense	202,835	189,274	1,719,814
Changes in assets and liabilities:			
Investment property	41,039,949	-	347,973,110
Rental and other receivables	(10,330)	4,029	(87,587)
Consumption tax refundable	(127,365)	(16,052)	(1,079,910)
Other assets	-	(1,650)	-
Accounts payable and accrued expenses	247,440	12,777	2,098,016
Consumption taxes payable	16,778	(144,281)	142,256
Rents received in advance	2,338	15,191	19,820
Other liabilities	65,996	(1,406)	559,571
Subtotal	45,728,360	3,756,526	387,725,620
Interest received	1,414	32	11,990
Interest paid	(193,444)	(187,763)	(1,640,192)
Income taxes paid	(1,221)	(1,014)	(10,344)
Net cash provided by operating activities	45,535,109	3,567,781	386,087,074
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment including trust accounts	(46,336,944)	(5,477,763)	(392,885,739)
Purchases of intangible assets	(36)	-	(305)
Repayments of leasehold and security deposits	(2,806,120)	(6,736)	(23,792,776)
Proceeds from leasehold and security deposits	2,733,004	380,979	23,172,830
Net cash used in investing activities	(46,410,096)	(5,103,520)	(393,505,990)
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term loans	(2,000,000)	5,500,000	(16,957,775)
Proceeds from long-term loans	8,000,000	3,000,000	67,831,100
Repayments of long-term loans	-	(3,000,000)	-
Distributions paid to shareholders	(3,083,097)	(2,947,117)	(26,141,230)
Net cash provided by financing activities	2,916,903	2,552,883	24,732,095
<b>Net Change in Cash and Cash Equivalents</b>	2,041,916	1,017,144	17,313,179
<b>Cash and Cash Equivalents at the Beginning of Period</b>	7,487,891	6,470,747	63,488,981
<b>Cash and Cash Equivalents at the End of Period (Note 11)</b>	¥9,529,807	¥7,487,891	\$80,802,160

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

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATIONS AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### Organizations

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 its operation on March 28, 2002 by acquiring the property. MTR is provided professional asset management services of properties of varied types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. ("MTAM"). MTAM is currently owned 65% by Mori Trust Co., Ltd., 10% by PARCO Co., Ltd., 10% by SOMPO JAPAN INSURANCE INC., 5% by Sumitomo Mitsui Banking Corporation, 5% by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and 5% by Mizuho Corporate Bank, Ltd. On February 13, 2004, MTR listed on the J-REIT section of the Tokyo Stock Exchange (Securities code: 8961). As of September 30, 2006, MTR owned a portfolio of 11 properties with total rentable area of 407,231.68 sq. m, occupied by 29 tenants. The occupancy rate was 99.9%.

#### Basis of presenting 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 Japanese Commercial Code, the Securities and Exchange Law of Japan and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of MTR, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of MTR filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.94=US\$1.00, the foreign exchange rate on September 30, 2006, 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 rate or any other rate. MTR does not prepare consolidated financial statements, as MTR 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 price of property, legal fees and acquisition costs. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as follows:

(including trust accounts)

Buildings.....	3-41 years
Structures.....	2-20 years
Machinery and equipment.....	3-6 years
Tools, furniture and fixtures.....	3-8 years

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

#### Deferred organization costs

Deferred organization costs are amortized using the straight-line method over five years.

#### Revenue recognition

Revenues from leasing of investment property 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 charged to expenses during the period. The sellers of the property 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 are imposed on the registered owner as of January 1, based on the assessment made by the local government. MTR paid the amount equivalent to the property taxes to the sellers applicable to the period since acquisition and included the amount equivalent to the taxes in the purchase price of each property and capitalized as cost of the property. The amount of such taxes included in the costs of real estate acquisition was ¥102,361 thousand for the period ended September 30, 2006 and ¥4,573 thousand for the period ended March 31, 2006.

### 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 insignificant risk of price fluctuation, with original maturity of three months or less.

### Accounting Treatment of Beneficiary Interest in Trust Assets including Real Estate

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

### Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the statements of income. 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 the current assets and the excess of amounts withheld over payments is included in the current liabilities.

## 3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2006 and March 31, 2006 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2006		As of March 31, 2006		As of September 30, 2006	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥96,220,176	¥96,220,176	¥108,271,973	¥108,271,973	\$815,840,058	\$815,840,058
Buildings and structures	26,197,768		28,721,605		222,127,923	
Accumulated depreciation	(3,042,631)	23,155,137	(3,269,582)	25,452,023	(25,798,123)	196,329,800
Machinery and equipment	53,821		46,013		456,341	
Accumulated depreciation	(34,158)	19,663	(27,452)	18,561	(289,620)	166,721
Tools, furniture and fixtures	9,970		4,061		84,532	
Accumulated depreciation	(931)	9,039	(370)	3,691	(7,893)	76,639
Construction in progress	-	-	714	714	-	-
Land in trust	15,858,000	15,858,000	4,386,527	4,386,527	134,458,197	134,458,197
Buildings and structures in trust	7,677,692		-		65,098,291	
Accumulated depreciation	(35,341)	7,642,351	-	-	(299,650)	64,798,641
Total		¥142,904,366		¥138,133,489		\$1,211,670,056

## 4. SHORT-TERM LOANS

Short-term loans at September 30, 2006 and March 31, 2006 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Unsecured loans from banks with floating interest rate, due on August 31, 2006	-	¥12,500,000	-
Unsecured loans from banks and trust banks with floating interest rate, due on February 28, 2007	¥5,500,000	¥11,000,000	\$46,633,881
Unsecured loans from banks and trust banks with floating interest rate, due on August 31, 2007	¥16,000,000	-	\$135,662,201
Total	¥21,500,000	¥23,500,000	\$182,296,082

The annual interest rates on short-term loans outstanding are floating rates and at September 30, 2006 and March 31, 2006 ranging from 0.35% to 0.64% and from 0.16% to 0.28%, respectively. Use of funds for the above includes acquisition of real estate or beneficiary interests.

During the six-month period ended September 30, 2006, MTR obtained committed credit lines of ¥10,000 million (\$84,789 thousand) with certain financial institutions to reduce refinancing risk. The unused amount of these committed credit lines was ¥10,000 million (\$84,789 thousand) at September 30, 2006.

## 5. LONG-TERM LOANS

Long-term loans at September 30, 2006 and March 31, 2006 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006	As of March 31, 2006				
Sumitomo Mitsui Banking Corporation	¥ 2,000,000	¥ 2,000,000	\$ 16,957,775		0.78	February 28, 2007		Unsecured/ Non-guaranteed/ Floating rate
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	8,478,888		0.73	February 28, 2007		
The Dai-ichi Mutual Life Insurance Company	2,500,000	2,500,000	21,197,219		0.93	February 28, 2007	(2)	Unsecured/ Non-guaranteed/ Fixed rate
Nippon Life Insurance Company	3,000,000	3,000,000	25,436,663		1.29	February 27, 2009		
The Chiba Bank, Ltd	1,000,000	-	8,478,888		1.20	August 31, 2009		
Shinsei Bank, Limited	3,000,000	-	25,436,663		1.22	August 31, 2009		
The Sumitomo Trust & Banking Co, Ltd.	1,000,000	-	8,478,888		1.24	August 31, 2009		
Mitsubishi UFJ Trust and Banking Corporation	2,000,000	-	16,957,775		1.24	August 31, 2009		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	42,394,437		1.15	February 26, 2010		
Nippon Life Insurance Company	3,000,000	3,000,000	25,436,663		1.09	February 26, 2010		
The Dai-ichi Mutual Life Insurance Company	2,000,000	2,000,000	16,957,775		1.09	February 26, 2010		
Development Bank of Japan	2,500,000	2,500,000	21,197,219		1.65	February 28, 2011		
Development Bank of Japan	2,000,000	2,000,000	16,957,775		1.46	February 28, 2011		
Nippon Life Insurance Company	1,000,000	1,000,000	8,478,888		1.46	February 28, 2011		
Development Bank of Japan	1,000,000	-	8,478,888		1.68	August 31, 2011		
Development Bank of Japan	4,000,000	4,000,000	33,915,549		1.44	February 29, 2012		
Long-term loans Total	¥ 36,000,000	¥ 28,000,000	\$ 305,239,953		-	-		

(1) Average interest rate is stated for each loan by rounding to the second decimal place.

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

(3) The total amount of long-term loans (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheets and expected to be repaid by specific year(s) is 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
		-	¥10,000,000	¥10,000,000	¥6,500,000
		-	\$84,788,876	\$84,788,876	\$55,112,770

## 6. SHAREHOLDERS' EQUITY

MTR is required to maintain net assets of at least ¥50 million (\$424 thousand), as required pursuant to the Investment Trust Law.

## 7. INCOME TAXES

At September 30, 2006 and March 31, 2006, MTR's deferred tax assets consist mainly of enterprise tax payable, which is not deductible for tax purposes. The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended September 30, 2006 and March 31, 2006 were as follows:

	April 1, 2006 to September 30, 2006	October 1, 2005 to March 31, 2006
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.38%)
Per capita inhabitants tax	0.02%	0.02%
Effective tax rate	0.03%	0.03%

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan, or the STML, 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 its taxable income for the accounting period as stipulated by 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 ¥3,692,000 thousand (\$31,304,053) at September 30, 2006 and treated it as tax deductible dividend. MTR will not distribute the dividends in excess of accounting profit in accordance with its Articles of Incorporation.

## 8. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at September 30, 2006 and March 31, 2006 and for the six-month periods then ended:

	Yen		U.S. dollars
	April 1, 2006 to September 30, 2006	October 1, 2005 to March 31, 2006	April 1, 2006 to September 30, 2006
Net asset per share at period end	¥523,075	¥519,265	\$4,435
Net income per share	23,074	19,264	196
Weighted-average number of shares	160,000	160,000	160,000

In calculating the net assets per share, the amount of the net assets is 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 and convertible bonds were outstanding during the period.

## 9. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

(1) Parent company and major corporate shareholders

	April 1, 2006 to September 30, 2006	
	(a)	(b)
Party type	Other related company *	Main shareholder
Party name	Mori Trust Co., Ltd.	Mori Kanko Shisankanri Co., Ltd.
Address	Tokyo, Japan	Tokyo, Japan
Capital	¥9,000,000 thousand	¥6,000,000 thousand
Business	Urban development; property ownership, leasing and Management	Development and operation of the Laforet members-only hotel chain
% of voting stock held	Direct 17.5	Direct 12.5
Concurrent board appointment	-	-
Business relationship	Leasing	Leasing
Detail of transaction	Purchase of the properties	Purchase of the properties
Transaction amount	¥27,000,000 thousand	-
	Sale of the properties	Sale of the properties
	¥42,000,000 thousand	-
	Rental revenues	Rental revenues
	¥1,253,877 thousand	¥503,278 thousand
Account title and balance at year end	Rents received in advance: ¥143,311 thousand	Rents received in advance: ¥88,073 thousand
	Leasehold and security deposits: ¥2,223,579 thousand	Leasehold and security deposits: ¥1,006,556 thousand
	October 1, 2005 to March 31, 2006	
	(a)	(b)
Party type	Other related company *	Main shareholder
Party name	Mori Trust Co., Ltd.	Mori Kanko Trust Co., Ltd.
Address	Tokyo, Japan	Tokyo, Japan
Capital	¥9,000,000 thousand	¥6,000,000 thousand
Business	Urban development; property ownership, leasing and management	Development and operation of the Laforet members-only hotel chain
% of voting stock held	Direct 17.5	Direct 12.5
Concurrent board appointment	-	-
Business relationship	Leasing	Leasing
Detail of transaction	Rental revenues	Rental revenues
Transaction amount	¥2,129,058 thousand	¥503,278 thousand
Account title and balance at year end	Rents received in advance: ¥375,443 thousand	Rents received in advance: ¥88,073 thousand
	Leasehold and security deposits: ¥5,023,579 thousand	Leasehold and security deposits: ¥1,006,556 thousand



\* MTR judged Mori Trust Co., Ltd. as 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

April 1, 2006 to September 30, 2006	
Party type	Subsidiary of other related company
Party name	MORI TRUST Asset Management Co., Ltd.
Address	Tokyo, Japan
Capital	¥400,000 thousand
Business	Asset management for investment corporation
% of voting stock held	-
Concurrent board appointment	-
Business relationship	Asset management company
Detail of transaction	Asset management fees
Transaction amount	¥172,017 thousand
Account title and balance at year end	Accrued expenses ¥34,486 thousand

October 1, 2005 to March 31, 2006: None applicable

## 10. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six-month periods ended September 30, 2006 and March 31, 2006.

(1) Rental revenue and property-related expenses

	Thousands of yen		U.S. dollars
	April 1, 2006 to September 30, 2006	October 1, 2005 to March 31, 2006	April 1, 2006 to September 30, 2006
Rental revenues	¥4,564,350	¥4,876,369	\$38,700,616
Rental revenues	4,318,781	4,676,187	36,618,456
Common charges	110,963	110,963	940,847
Parking revenues	6,600	6,600	55,961
Other rental revenues	128,006	82,619	1,085,352
Property-related expenses	1,300,951	1,336,433	11,030,622
Property management fees	103,965	82,666	881,511
Utilities expenses	113,734	79,281	964,338
Property and other taxes	457,302	486,691	3,877,415
Casualty insurance	17,284	18,072	146,549
Repairs and maintenance	11,957	48,967	101,382
Depreciation	592,319	608,451	5,022,206
Other rental expenses	4,390	12,305	37,221
Profits	¥3,263,399	¥3,539,936	\$27,669,994

(2) Gain on sale of investment property

[Hitachi Headquarters Building]

	Thousands of yen		U.S. dollars
	April 1, 2006 to September 30, 2006	October 1, 2005 to March 31, 2006	April 1, 2006 to September 30, 2006
Revenue from sale of investment Property	¥42,000,000	-	\$356,113,278
Cost of investment property	41,039,948	-	347,973,110
Other sales expenses	34,900	-	295,910
Gain on sale of investment property	¥925,152	-	\$7,844,258

### 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of September 30, 2006 and as of March 31, 2006, were as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Cash and cash equivalents	¥9,529,807	¥7,487,891	\$80,802,160

### 12. LEASES

MTR leases property and earns rental revenue. As of September 30, 2006 and as of March 31, 2006, the future lease revenues under the non-cancelable operating leases were as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Due within one year	¥8,554,492	¥6,326,145	\$72,532,574
Due after one year	60,732,173	35,839,174	514,941,269
Total	¥69,286,665	¥42,165,319	\$587,473,843

### 13. SUBSEQUENT EVENTS

#### Appropriation of retained earnings

On November 22, 2006, the Board of Directors resolved to effect the payment of a cash distribution of ¥23,075 per share aggregating ¥3,692million (\$31,304 thousand) to shareholders at the record date of September 30, 2006.