



*Semi-Annual Report for the Eighth Fiscal Period*

*October 1, 2005 to March 31, 2006*

## Profile

MORI TRUST Sogo Reit, Inc. (hereafter “MTR”) is a real estate investment corporation engaged in the acquisition and management of primarily large-scale office buildings located in central Tokyo. With an eye to property type, use and geographic diversification, MTR also invests in retail facilities, residential properties and other assets located in Tokyo’s surrounding areas and major regional towns and cities.

Guided by investment and management strategies that focus on “Growth Potential,” “Profitability” and “Stability,” MTR strives to ensure consistent growth in its investment portfolio by leveraging property acquisition channels in collaboration with the Mori Trust Group. In an effort to maximize returns to shareholders, MTR also places equal importance on securing stable income gains over the medium to long terms.

## Corporate Logo



**MORI**  
**TRUST REIT**

Consistent with the logo used by the Mori Trust Group, MTR employs a combination of the letters “M” and “T.” The three vertical oval figures, representing trees, that run parallel left to right signify the components of the Japanese character “MORI,” which means forest. Increasing in size, the image also depicts concrete growth and growth potential. The horizontal bar in combination with each vertical mark represents not only the “T” in “TRUST,” but also enduring stability. In total, the four marks represent the core qualities that underpin MTR, namely Credibility, Continuity, Reward-sharing and Sociality.

## Contents

Financial Highlights .....	1	Organization .....	19
Growth Potential, Profitability and Stability .....	2	Corporate Governance .....	20
Message from Management .....	8	Management’s Discussion and Analysis .....	22
Portfolio Summary .....	12	Financial Statements .....	26
Portfolio .....	13	Shareholder Information .....	37
Overview of Properties .....	14	Corporate Data .....	38

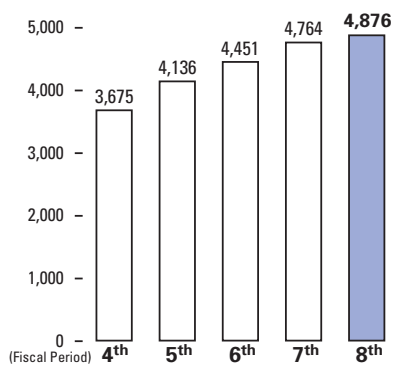
## Financial Highlights

	Millions of yen					U.S. dollars (Note 1)
	8 <sup>th</sup> Period Ended March 31, 2006	7 <sup>th</sup> Period Ended September 30, 2005	6 <sup>th</sup> Period Ended March 31, 2005	5 <sup>th</sup> Period Ended September 30, 2004	4 <sup>th</sup> Period Ended March 31, 2004	8 <sup>th</sup> Period Ended March 31, 2006
Operating revenues (Note 2)	¥ 4,876	¥ 4,764	¥ 4,451	¥ 4,136	¥ 3,675	\$ 41,419,940
Operating income	3,279	3,139	2,940	2,754	2,797	27,855,835
Income before income taxes	3,083	2,948	2,799	2,641	2,439	26,190,275
Net income	3,082	2,947	2,798	2,640	2,438	26,181,857
Total distribution	3,082	2,947	2,798	2,640	2,438	26,181,942
Distribution per share (Yen)	19,265	18,422	17,493	16,503	15,243	164
Total assets (a)	145,726	139,815	139,526	127,959	116,074	1,237,798,493
Shareholders' equity (b)	83,082	82,947	82,798	82,640	82,438	705,703,346
Shareholders' equity ratio (b/a)	57.0%	59.3%	59.3%	64.6%	71.0%	57.0%

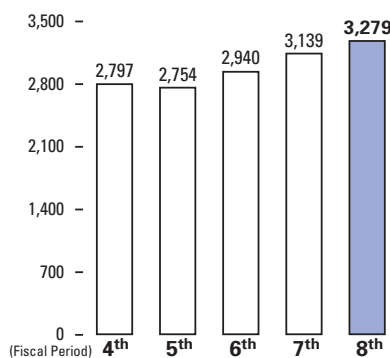
(Note 1) The rate of ¥117.73=US\$1.00, the foreign exchange rate on March 31, 2006, has been used for translation.

(Note 2) Consumption tax is not included in operating revenues and other figures.

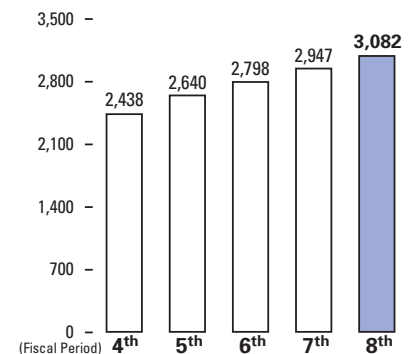
Operating Revenues  
(Millions of yen)



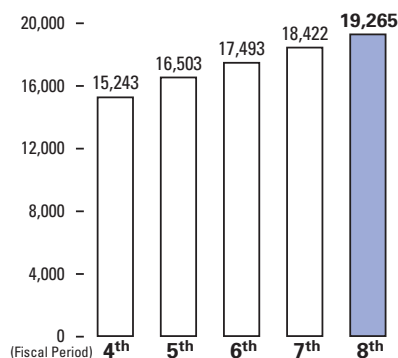
Operating Income  
(Millions of yen)



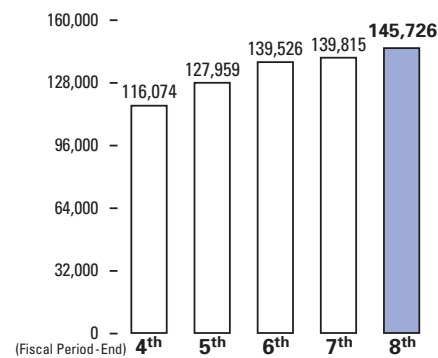
Net Income  
(Millions of yen)



Distribution per Share  
(Yen)



Total Assets  
(Millions of yen)



MTR is set on achieving renewed growth by capitalizing on its reserve capacity for the acquisition of prominent properties through low-level leveraging of debt and latitude in property acquisition channels, a benefit of collaboration with the Mori Trust Group.



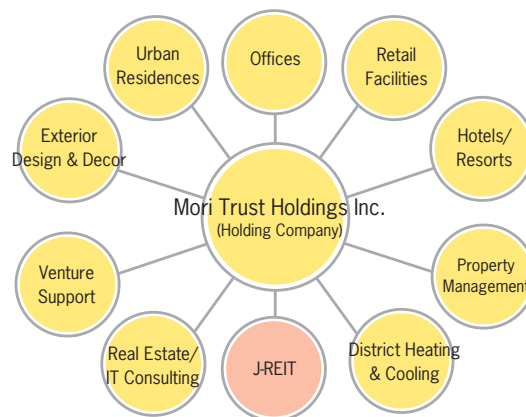
# *Growth Potential*

### Property Acquisition Channel Linked with the Mori Trust Group

MTR and the Mori Trust Group have concluded an agreement concerning the mutual exchange of information related to properties among MTR and each of the Mori Trust Group companies, and have built a structure wherein MTR is able to obtain information related to the possible sale of properties held by these Group companies.

The Mori Trust Group is an enterprising business group retained by holding company Mori Trust Holdings Inc. The Group is engaged in integrated operations supported by its three business pillars of real estate, hotel and resort, and investment businesses. In the fiscal year ended March 31, 2006, the Group's consolidated operating revenues totaled ¥147,866 million and income before income taxes reached ¥41,544 million, demonstrating its success in maintaining top performance within Japan's real estate industry.

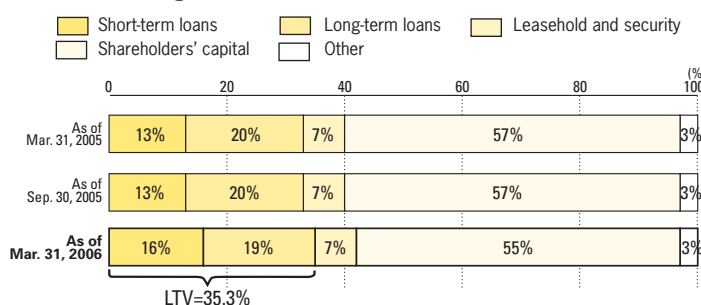
The Mori Trust Group



### Prominent Property Acquisition Capabilities

At the end of the eighth fiscal period (October 1, 2005 – March 31, 2006), MTR's loans to value (LTV) ratio, a ratio of interest-bearing debt to total assets, stood at 35.3%. MTR aims to limit its LTV ratio to a maximum of 50%, allowing for prominent property acquisition capabilities set against a background of borrowing capacity.

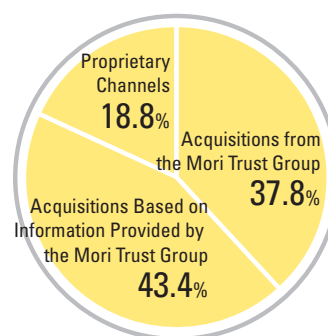
Interest-Bearing Liabilities



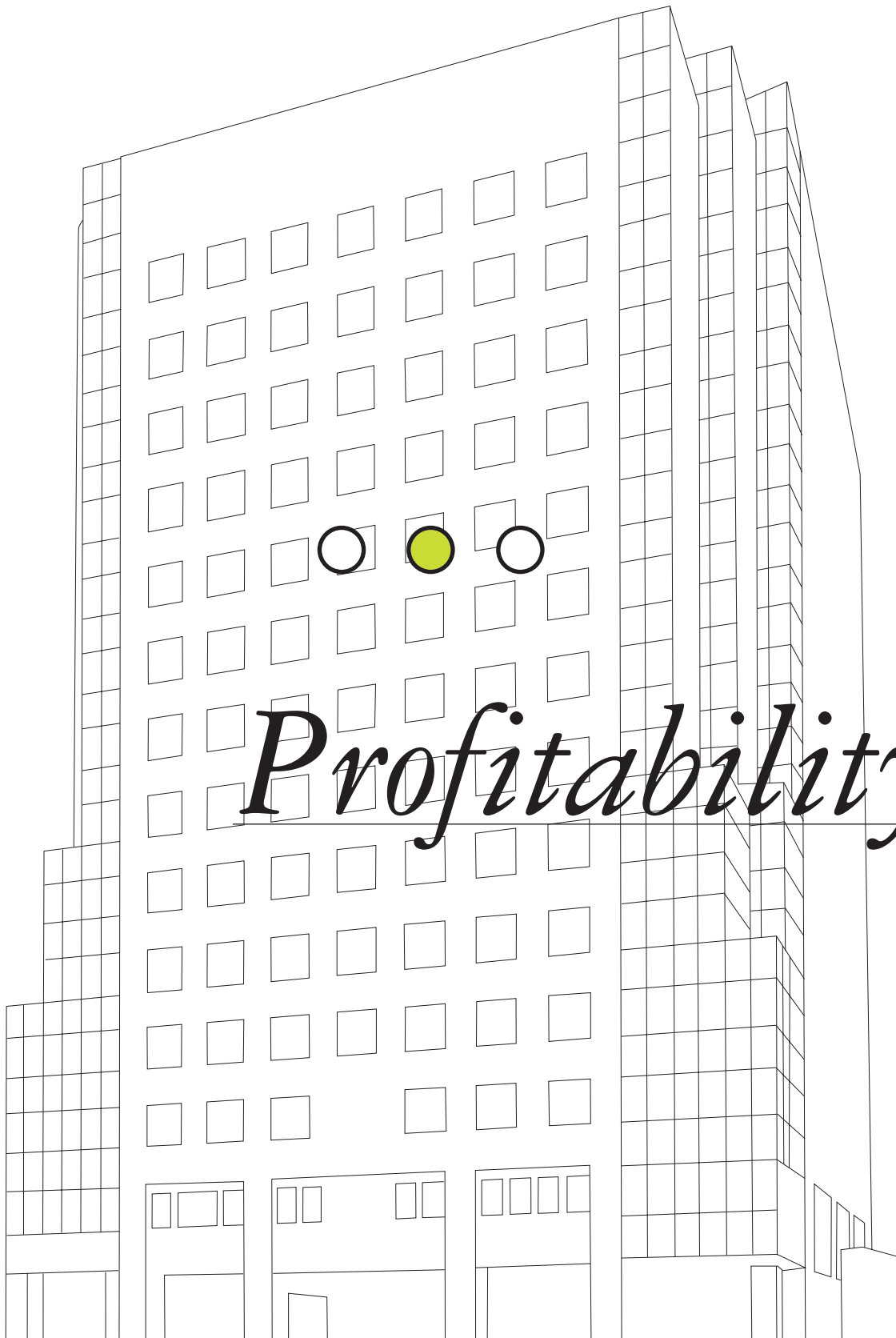
### Early Attainment of Appropriate Asset Scale

MTR considers its appropriate asset scale to be ¥400 billion. In order to promptly realize this asset scale, MTR works in collaboration with the Mori Trust Group and cultivates proprietary channels to facilitate its active pursuit of property acquisitions.

Source of Acquisitions



MTR strives for increased profitability and works to improve and maintain a steady EPS through the control of expense ratios and the consideration of ROA ratios in investments.



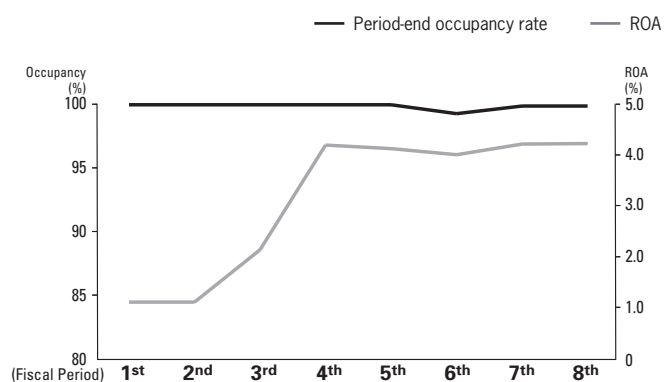
## ROA-Conscious Investment and Control of Expense Ratios

MTR endeavors to optimize its investment strategy that emphasizes potential profitability and the control of expense ratios through utilizing master leases. In the acquisition of properties, for example, when undertaking property examinations centered on high-specification office buildings in central Tokyo, MTR focuses on the potential value of properties (location, redevelopment value and potential for diversification of usage) to determine the appropriateness of acquisition. Also, through the utilization of master leases and tenant-managed schemes for properties, MTR succeeds in decreasing expense ratios and maintaining efficient building management. As a result, ROA (income before income taxes/total assets at the end of the period x annualized rate) in the eighth fiscal period was 4.23%. MTR has consistently attained ROA of 4% or more since its public listing in the fourth fiscal period, maintaining a high level of profitability.

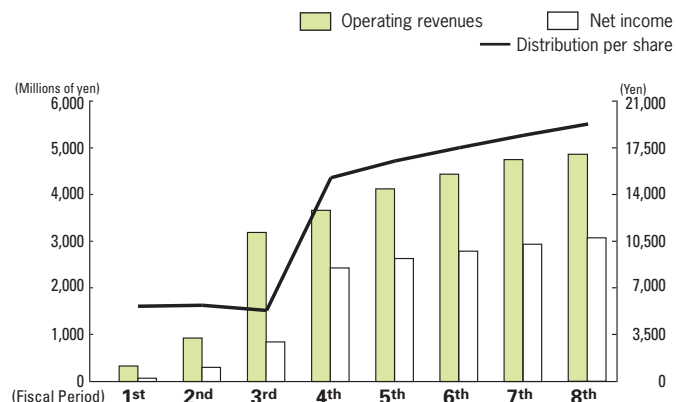
## Maintaining and Improving Earnings per Share (EPS)

EPS for the eighth fiscal period (October 1, 2005 – March 31, 2006) was ¥19,264, an increase of 4.6% compared to the previous fiscal period. MTR also achieved increases in operating revenues and net income for the seventh consecutive fiscal period since its establishment. MTR has realized a stable increase of EPS and delivered a high level of cash distributions. Looking toward the ninth fiscal period (April 1, 2006 – September 30, 2006), an increase in EPS is expected owing to anticipated gains from the sale of property.

## Occupancy Rates and ROA Trends



## Performance Trends



MTR works to improve the stability of its asset management operations through the utilization of master leases, the introduction of medium- to long-term leasing contracts and the elimination of financial risks.



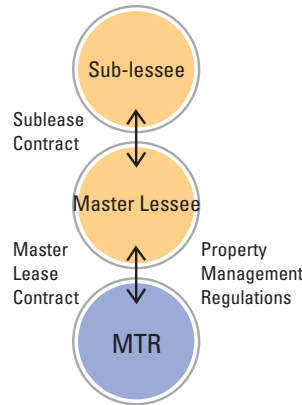


### Utilization of Master Lease Agreements

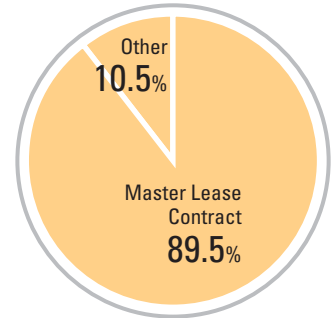
In order to achieve greater efficiency in its management operations and alleviate risks associated with having a variety of tenants, MTR works to actively utilize master lease agreements\*. Accordingly, MTR has consistently maintained high occupancy rates since its public listing. In addition, under master lease agreements, the master lessees undertake tenant and property management operations for a number of properties where everyday repair and maintenance expenses are borne by the master lessees. This contributes to the stability of a property's profitability.

\* Master lease agreements are those in which master lessees act as intermediaries between MTR and tenants (sub-lessees).

Structure of Master Lease Agreements



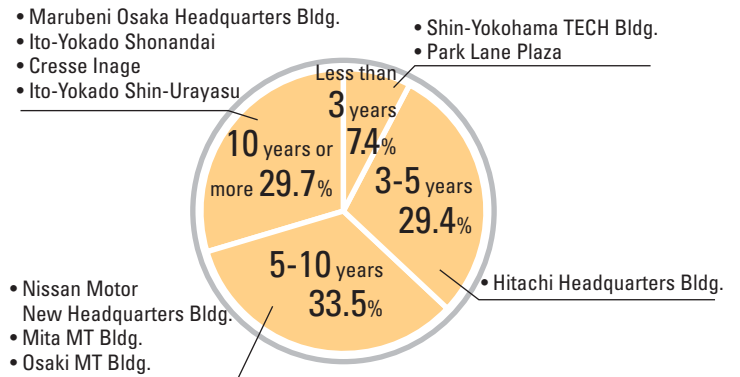
Ratio of Master Lease Agreements Held by MTR



### Securing Medium- to Long-Term Leasing Contracts with Major Corporations

In order to minimize the risk of decreasing rental revenues, MTR strives to reach leasing agreements with fixed rental rates and long-term leasing periods. MTR also aims to ensure earnings stability through its basic stance of concluding medium- to long-term leasing contracts with major corporations. As an example of this, MTR leases on a long-term basis properties used as headquarters by representative Japanese automaker Nissan Motor Co., Ltd. and major trading company Marubeni Corporation.

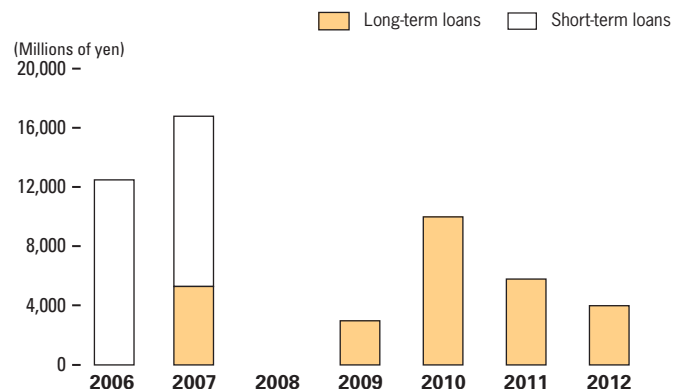
Ratios of Leasing Agreements by Term of Lease



### Financial Stability

In pursuit of financial stability, MTR adheres to a policy of diversifying its loan repayment schedule. MTR works to maintain sound relationships with a variety of lenders such as major domestic banks, life insurance companies and governmental financial institutions, and chooses the most appropriate lender and method of borrowing in each case of funds procurement. MTR is also considering to obtain credit ratings and is examining the issue of corporate bonds. Through such measures, MTR strives to obtain a variety of options for funds procurement, aiming for stability by hedging against the risk of increasing interest rates.

Diversification of Loan Repayment Schedule



## Message from Management



Masaki Murata  
Executive Director

*We are pleased to announce that both revenues and profits have increased for the seventh consecutive fiscal period since MTR's founding.*

I would like to express my sincere gratitude to all shareholders for your continued support and understanding.

Since our founding in 2001, MTR has evolved as a comprehensive real estate investment corporation, investing primarily in large-scale office buildings in central Tokyo while seeking to diversify by region into Tokyo's surrounding urban centers and other major metropolitan areas. MTR also aims for diversification by property type into retail facilities and residential properties. Supported by the strength of a property acquisition channel linked with the Mori Trust Group, we strive to be an investment corporation that continues to gain the trust of our shareholders. With this, we endeavor to conduct investment activities that balance growth potential, profitability and stability, while working to secure steady income gains and stable growth of our investment assets based on our management strategies.

### Performance Results for the Eighth Fiscal Period

MTR's business performance in the eighth fiscal period, the six-month period ended March 31, 2006, is as follows.

In line with our ongoing efforts to maintain stable revenues, MTR acquired additional interests in the Osaki

MT Building in October 2005. Owing to our endeavors to improve and retain high occupancy rates, the overall occupancy rate of MTR's portfolio came to 99.9%. As a result of these factors, operating revenues rose 2.4% above those of the previous period to ¥4,876 million. At the same time, a 4.6% rise in net income to ¥3,082 million was the outcome of determined strategies to maintain high income-efficiency ratios. Once again, we are pleased to announce that both revenues and profits have increased for the seventh consecutive fiscal period since MTR's founding.

The operating income margin and income before income taxes margin both reached high levels, coming to 67.3% and 63.2%, respectively. The ability to achieve such high profit ratios is one of MTR's unique strengths.

Distribution per share was ¥19,265, an increase of ¥843 compared with the previous fiscal period, and ¥1,265 above our previous forecast for the fiscal period under review.

Total assets as of March 31, 2006 totaled ¥145,726 million. In connection with MTR's additional acquisition of interests in the Osaki MT Building in the period under review, MTR undertook the procurement of funds through a ¥5,500 million short-term loan. As a result, interest-bearing liabilities amounted to ¥51,500 million,



comprising ¥23,500 million in short-term loans and ¥28,000 million in long-term loans. The loans to value (LTV) ratio, a ratio of interest-bearing debt to total assets, finished at 35.3% for the period under review.

The annualized ratio of income before income taxes to total assets at the end of the period (ROA) was 4.23%. MTR has maintained a high ROA of above 4% for five consecutive periods since public listing in 2004.

### Market Overview

Enterprising investment activities in the real estate market continued to show clear movement with an abundant influx of capital. Competition intensified for the acquisition of prominent properties particularly in central Tokyo, with similar trends also developing in centers of regional cities. Driving this trend were a more moderate decline in land prices nationwide and an increase in certain land values.

The leasing market for office buildings saw aggressive demand for space from medium-sized companies, reflecting the recovery in corporate earnings. With this bullish demand supporting rental rates, tendencies toward improvement were seen within the market. However, companies' increasingly meticulous selectivity for office space has further polarized rental rates.

In regard to the leasing market for large-scale office buildings specifically in central Tokyo, demand remained vigorous with a significant rise in rental rates.

In the leasing market for retail facilities, healthy personal consumption supported a recovery in sales. Rental rates remained largely unchanged, however, due to intensified market competition in line with reorganization in the industry.

The demand in the market for luxury rental residences was revived on the back of a recovery in the domestic economy, with trends toward improved occupancy and rental rates.

### Market Outlook

Property acquisition activity by real estate investment trusts (REITs) and private funds continues to flourish. MTR anticipates heightening competition to acquire property in central Tokyo as well as other central areas of regional cities, driving acquisition prices upward. We foresee the same trends continuing in the market.

In the leasing market for office buildings, we forecast an increase in the number of areas that have rising rental rates along with improvements in vacancy rates and demand. We also believe that rental rates overall will continue to climb, reflecting the increasingly salient

## Portfolio Target Ratios

MTR is constructing a portfolio consisting primarily of large-scale office buildings in central Tokyo, with full consideration given to diversification of property usage and location.

		AREA		Total
		Central Tokyo*	Other Areas**	
USAGE	Office Buildings	60–70%	10–20%	70–90%
	Retail Facilities	0–10%	10–20%	10–30%
	Other***			
Total		60–80%	20–40%	100%

\* Central Tokyo refers to the six central wards of Tokyo comprising Chiyoda, Chuo, Minato, Shinagawa, Shibuya, and Shinjuku Wards

\*\* Other Areas refers to greater Tokyo (Kanagawa, Chiba and Saitama Prefectures, and the Tokyo Metropolitan Area excluding central Tokyo), and other major regional cities

\*\*\* Restricted to investments in residential properties and hotels for the foreseeable future

shortage of available office space particularly in central Tokyo's leasing market for large-scale office buildings.

## Business Strategy

In the market environment described above, MTR aims to invest 60 – 80% of its asset value as a pillar of its portfolio primarily in the central Tokyo area where demand is expected to remain strong. We will also consider the acquisition of properties in other areas where a sufficient level of profitability can be expected, including office buildings in areas with convenient transportation access and high office concentrations, as well as prime suburban retail facilities possessing a high degree of competitiveness in their respective areas.

Economic conditions and market trends greatly impact the type of real estate demanded in the market. In order to reduce risks related to the composition of MTR's portfolio, we have determined target ratios for the types of properties to acquire. Our objectives are for a total property portfolio comprised of 70 – 90% in office buildings, which we believe to be the most stable sort of real estate property, followed by 10 – 30% in retail facilities, and 0 – 10% in other properties. Presently, the latter category is limited to residences and hotels.

In order to provide stable income gains, MTR's basic

stance is to settle medium- to long-term lease contracts with tenants. Accordingly, MTR strives to secure fixed-term property lease contracts, as well as to conclude lease contracts with fixed rental rates or long-term lease periods. Whenever possible, MTR endeavors to utilize master lease contracts.

MTR considers its relationship with the Mori Trust Group, through which invaluable information regarding property acquisitions is provided, as pivotal to its future business development. This relationship represents more than one of MTR's strengths—it as an essential strategy for MTR's growth.

In pursuit of our goal of expanding to an appropriate asset scale of ¥400 billion by the fiscal period ending March 31, 2009, we are focusing energy on further cultivating independent acquisition channels and developing new avenues to complement collaborative channels with the Mori Trust Group. Through these initiatives, we intend to accelerate the pace of our growth.

With a focus on improving financial stability, MTR undertakes a financial strategy of low-level leveraging, maintaining an LTV ratio within the range of 30 – 40%. Seeking to lower costs and reduce the risk of rising interest rates, MTR will continue to strike a sound balance between short-term loans and long-term loans in

### Minimum Investment Amount

MTR has determined the minimum investment amount (on an acquisition price basis) per investment property for office buildings and retail facilities in line with the following guidelines:

### Minimum Investment Amount per Investment Property (In Principle)

Type of Property	Minimum Investment Amount
Office Buildings (Central Tokyo)	¥5 billion
Office Buildings (Other Areas)	¥3 billion
Retail Facilities	¥3 billion

its procurement activities. Additionally, in consideration of the prospect of issuing corporate bonds in the future, MTR is examining the acquisition of credit ratings.

### Firm Compliance and Risk-Management System

In light of the diverse risks inherent in the real estate investment business, MTR considers the establishment of a compliance and risk-management system founded upon a high standard of corporate ethics to be one of the most vital issues facing management. MTR not only exercises thorough compliance, but also conducts sound business practices with a high degree of transparency through its stringent internal regulations. Important measures related to MTR's investments and asset management, including activities of its asset management company, MORI TRUST Asset Management Co., Ltd. (hereafter, "MTAM"), require thorough deliberations at the Management Investment Committee. This is the basis for MTR's risk management and compliance system. As a means to confirm the status of MTR's risk management and compliance system, MTAM has appointed a full-time compliance officer and established the Risk Management Committee, whose members comprise a team of outside experts. In these ways, MTAM is making necessary efforts to avoid the

occurrence of the various risks related to investment, and to enhance its compliance structure.

MTR conducts high-quality investment in real estate through collaboration with the Mori Trust Group, a group of companies that have a long and established track record in various aspects of the real estate industry. We endeavor to expand our business with the broader purpose of contributing to the development of the economy overall, and we will press ahead with our efforts to become a corporation that meets the expectations of investors.

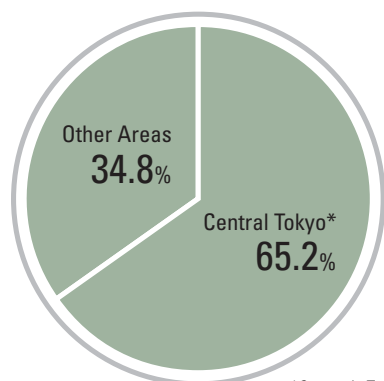
We humbly ask for the steadfast support and encouragement of our investors.



Masaki Murata  
Executive Director

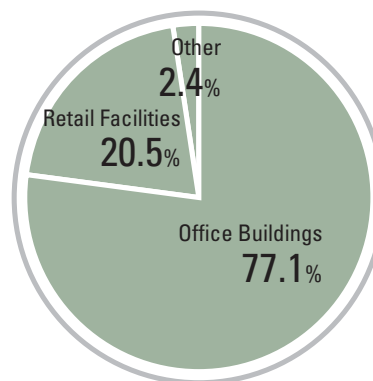
# Portfolio Summary (As of March 31, 2006)

Portfolio Composition by Area

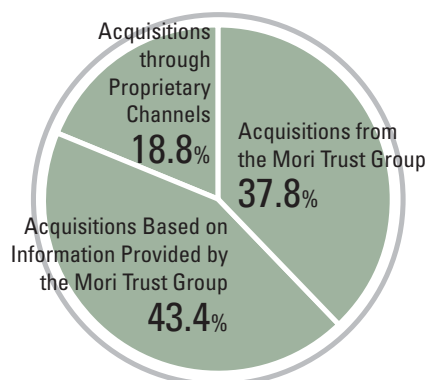


\*Central Tokyo: Chiyoda, Chuo, Minato, Shinagawa, Shibuya, and Shinjuku Wards

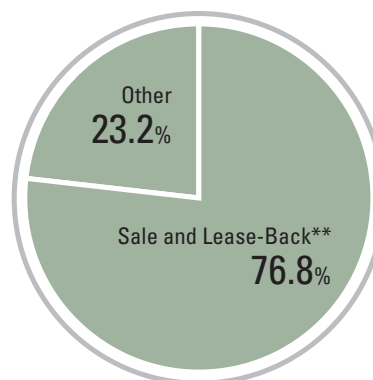
Portfolio Composition by Usage



Source of Acquisitions



Sale and Lease-Back Investment Ratio



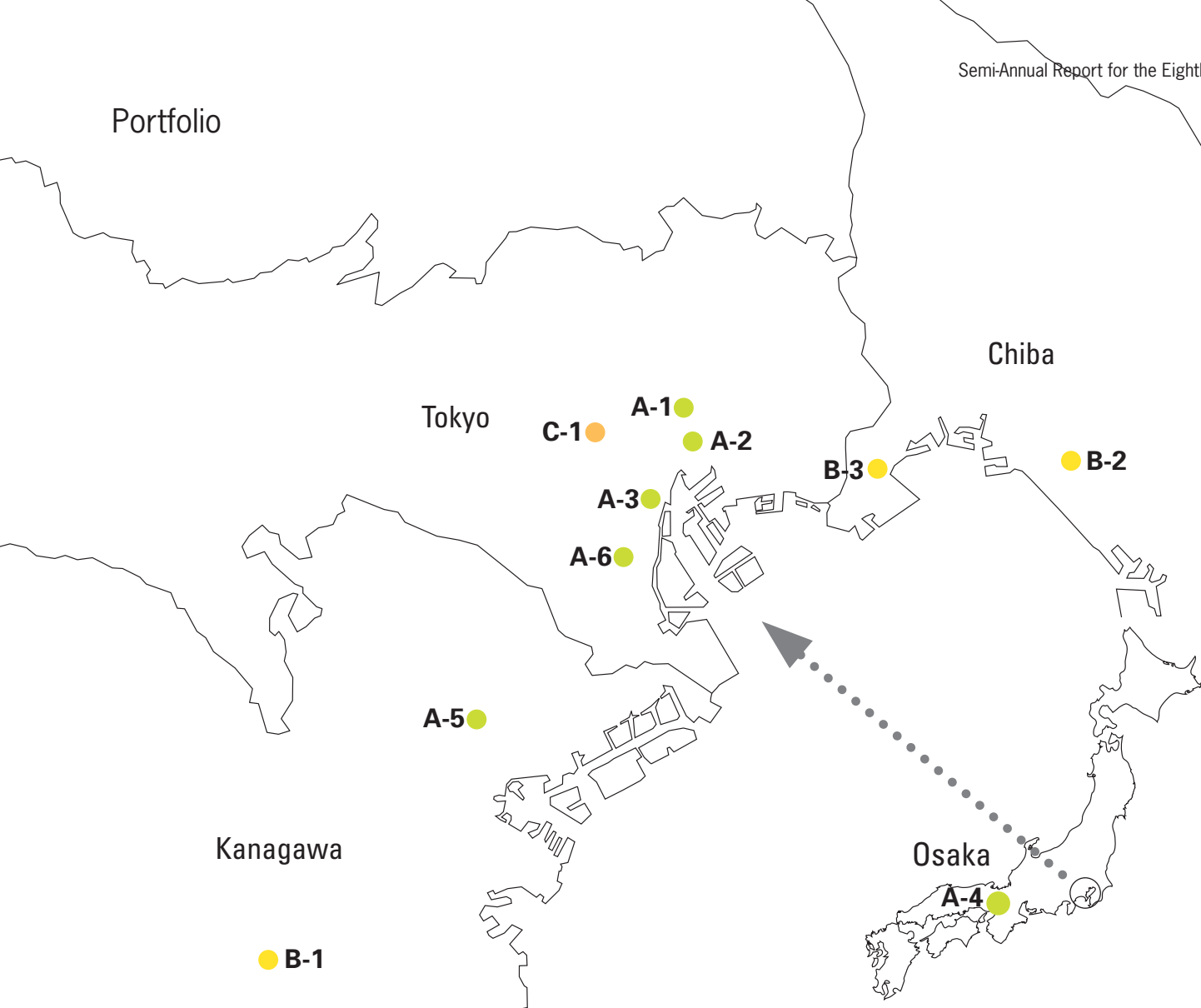
\*\*Sale and lease-back is an arrangement in which the purchaser of a property leases or subleases the property back to the seller after property acquisition.

## Property Acquisitions

Acquisitions from the Mori Trust Group	Acquisitions Based on Information Provided by the Mori Trust Group	Acquisitions through Proprietary Channels
<ul style="list-style-type: none"> <li>Nissan Motor New Headquarters Building</li> <li>Mita MT Building</li> <li>Osaki MT Building</li> <li>Ito-Yokado Shonandai</li> <li>Akasaka-mitsuke MT Building</li> </ul>	<ul style="list-style-type: none"> <li>Hitachi Headquarters Building</li> <li>Ito-Yokado Shin-Urayasu</li> <li>Shin-Yokohama TECH Building</li> </ul>	<ul style="list-style-type: none"> <li>Marubeni Osaka Headquarters Building</li> <li>Cresse Inage</li> <li>Park Lane Plaza</li> <li>Osaki MT Building (additional acquisition)</li> </ul>

Acquisition through sale and lease-back
  Planning to acquire in the ninth fiscal period
  Planning to sell in the ninth fiscal period

## Portfolio



Usage	Property Name	Area	Acquisition Price (Millions of yen)	Tenant / Master Lessee	Floor Area (m <sup>2</sup> )	PML <sup>(*)4</sup> (%)	Occupancy Rate (%) <sup>(*)5</sup>	
<b>A-1</b>	Office Building	Hitachi Headquarters Building	Central Tokyo	40,000	Mori Trust	57,255	4.9	100.0
<b>A-2</b>	Office Building	Nissan Motor New Headquarters Building	Central Tokyo	16,000	Mori Trust	38,902 <sup>(*)1</sup>	8.1	100.0
<b>A-3</b>	Office Building	Mita MT Building	Central Tokyo	16,000	Mori Kanko Trust	21,043	10.5	100.0
<b>A-4</b>	Office Building	Marubeni Osaka Headquarters Building	Other Areas	12,500	Marubeni Corporation	41,574	3.4	100.0
<b>A-5</b>	Office Building	Shin-Yokohama TECH Building	Other Areas	6,900	Fujitsu & others	25,187	8.7	100.0
<b>A-6</b>	Office Building	Osaki MT Building	Central Tokyo	13,526	Mori Trust	26,981 <sup>(*)2</sup>	11.5	100.0
<b>B-1</b>	Retail Facility	Ito-Yokado Shonandai	Other Areas	11,600	Ito-Yokado	53,394	14.0	100.0
<b>B-2</b>	Retail Facility	Cresse Inage	Other Areas	4,200	Daiwa Kosho Lease	79,113 <sup>(*)3</sup>	–	100.0
<b>B-3</b>	Retail Facility	Ito-Yokado Shin-Urayasu	Other Areas	12,150	Ito-Yokado	57,621	18.9	100.0
<b>C-1</b>	Residential Property	Park Lane Plaza	Central Tokyo	3,200	17 tenants	5,247	14.9	92.6
<b>Total</b>	–	–	–	136,076	–	–	4.7	99.9

(\*1) MTR has acquired compartmental ownership in the Nissan Motor New Headquarters Building. The floor area owned by MTR totals 23,614 m<sup>2</sup>.

(\*2) MTR has acquired co-ownership of the building. Ownership share is calculated at a ratio of 838,899/1,000,000.

(\*3) Floor area for Cresse Inage is the real estate investment trust (REIT) land area.

(\*4) PML (Probable Maximum Loss) refers to the expected maximum loss ratio caused by an earthquake based on a loss confidence value of 90%. The expected maximum-level earthquake refers to an earthquake that occurs once every 50 years with 10% excess-probability. This means that this level of earthquake statistically occurs once every 475 years.

(\*5) Occupancy rates are as of March 31, 2006.

## Overview of Properties



### A-6

■ Office Building

#### Osaki MT Building

(Acquired on March 31, 2005)

(Additional interests acquired on October 28, 2005)

Location:	5-9-11 Kita-Shinagawa, Shinagawa-ku, Tokyo
Site Area:	13,852.74 m <sup>2</sup> (Note 1)
Floor Area:	26,980.68 m <sup>2</sup> (Note 2)
Construction:	Steel frame, steel-framed reinforced concrete
Number of Floors:	14 floors above ground, three floors below ground
Completion:	July 1994
Type of Ownership:	Land: Title Building: Title

Notes:

- MTR has acquired independent ownership of 10 (total area: 1,807.12 m<sup>2</sup>) of 17 parcels. MTR shares ownership of 7 other parcels.  
(MTR ownership in 3 lots: 710,234/1,081,560 out of 1,073.67 m<sup>2</sup>; MTR ownership in 1 lot: 1/5 out of 121.28 m<sup>2</sup>; MTR ownership in 3 lots: 159,861/1,000,000 out of 10,850.67 m<sup>2</sup>)
- MTR has acquired co-ownership of this property. MTR's ownership share totals 22,634.06 m<sup>2</sup>, calculated at a ratio of 838,899/1,000,000.

#### Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥364,287
Property-related expenses	¥91,231
Property rental profit	¥273,056



### A-1

■ Office Building

#### Hitachi Headquarters Building

(Acquired on March 31, 2003)

Location:	4-6 Kandasurugadai, Chiyoda-ku, Tokyo
Site Area:	9,540.58 m <sup>2</sup>
Floor Area:	57,254.61 m <sup>2</sup> (Note)
Construction:	Steel frame, steel-framed reinforced concrete
Number of Floors:	20 floors above ground, three floors below ground
Completion:	March 1983
Type of Ownership:	Land: Title Building: Title

Note: Floor area includes 65.45 m<sup>2</sup> of an attached structure.

#### Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥1,316,052
Property-related expenses	¥277,993
Property rental profit	¥1,038,058



## A-2

■ Office Building

## Nissan Motor New Headquarters Building

(Acquired on March 31, 2003)



Location:	6-18-2 Ginza, Chuo-ku, Tokyo
Site Area:	4,655.56 m <sup>2</sup> (Note 1)
Floor Area:	38,901.73 m <sup>2</sup> (Note 2)
Construction:	Steel-framed reinforced concrete, reinforced concrete, steel frame
Number of Floors:	17 floors above ground, five floors below ground
Completion:	March 1982
Type of Ownership:	Land: Title Building: Title

## Notes:

1. MTR has acquired independent ownership of four (total area: 367.69 m<sup>2</sup>) of five parcels. MTR shares ownership of the remaining parcel. (MTR ownership: 6,570/10,000 out of 4,287.87 m<sup>2</sup>)
2. MTR has acquired compartmental ownership of this property. The floor area owned by MTR totals 23,614.49 m<sup>2</sup>.

Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥448,730
Property-related expenses	¥106,846
Property rental profit	¥341,884

## A-3

■ Office Building

## Mita MT Building

(Acquired on December 1, 2003)



Location:	3-13-12 Mita, Minato-ku, Tokyo
Site Area:	3,489.80 m <sup>2</sup>
Floor Area:	21,043.02 m <sup>2</sup> (Note)
Construction:	Steel-framed reinforced concrete
Number of Floors:	11 floors above ground, one floor below ground
Completion:	September 1974 (renovation completed in 1997)
Type of Ownership:	Land: Title Building: Title

Note: Floor area includes 72.70 m<sup>2</sup> of attached structures.Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥503,278
Property-related expenses	¥115,457
Property rental profit	¥387,820



## A-4

■ Office Building

### Marubeni Osaka Headquarters Building

(Acquired on September 30, 2002)

Location:	2-5-7 Honmachi, Chuo-ku, Osaka
Site Area:	5,878.72 m <sup>2</sup>
Floor Area:	41,574.47 m <sup>2</sup>
Construction:	Steel frame, steel-framed reinforced concrete
Number of Floors:	19 floors above ground, three floors below ground
Completion:	March 1984 (expansion completed in February 1986)
Type of Ownership:	Land: Title Building: Title

#### Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥600,177
Property-related expenses	¥151,172
Property rental profit	¥449,005



## A-5

■ Office Building

### Shin-Yokohama TECH Building

(Acquired on November 14, 2003)

Location:	(Annex A) 3-9-18 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa (Annex B) 3-9-1 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
Site Area:	2,671.11 m <sup>2</sup>
Floor Area:	25,187.22 m <sup>2</sup>
Construction:	(Annex A) Steel-framed reinforced concrete (Annex B) Steel frame, steel-framed reinforced concrete
Number of Floors:	(Annex A) Nine floors above ground, one floor below ground (Annex B) 16 floors above ground, one floor below ground
Completion:	(Annex A) February 1986 (Annex B) February 1988
Type of Ownership:	Land: Title Building: Title

#### Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥524,071
Property-related expenses	¥276,841
Property rental profit	¥247,230

# B-1

■ Retail Facility

## Ito-Yokado Shonandai

(Acquired on March 28, 2003)



Location:	6-2-1 Ishikawa, Fujisawa, Kanagawa
Site Area:	35,209.93 m <sup>2</sup>
Floor Area:	53,393.66 m <sup>2</sup> (Note)
Construction:	Steel frame
Number of Floors:	Five floors above ground
Completion:	November 2002
Type of Ownership:	Land: Title Building: Title

Note: Floor area includes 54.88 m<sup>2</sup> of an attached structure.

### Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥395,045
Property-related expenses	¥131,757
Property rental profit	¥263,287

# B-2

■ Retail Facility

## Cresse Inage

(Acquired on March 28, 2002)



Location:	731-17 Naganumahara-cho, Inage-ku, Chiba, Chiba 236-10 Roppo-cho, Inage-ku, Chiba, Chiba
Site Area:	79,113.42 m <sup>2</sup>
Floor Area:	—
Construction:	—
Number of Floors:	—
Completion:	—
Type of Ownership:	Land: Title Building: — (Note)

Note: MTR does not own the structures on the land.

### Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥237,762
Property-related expenses	¥19,581
Property rental profit	¥218,180

## B-3

■ Retail Facility

### Ito-Yokado Shin-Urayasu

(Acquired on July 30, 2004)



Location:	11 Akemi, 12 Akemi, Urayasu, Chiba (Note 1)
Site Area:	33,537.07 m <sup>2</sup> (Note 2)
Floor Area:	57,621.38 m <sup>2</sup>
Construction:	Steel frame
Number of Floors:	Five floors above ground
Completion:	September 2000
Type of Ownership:	Land: Title Building: Title

Notes:

1. Because the property address does not conform to established residential criteria, the registered address is being used.
2. Because the land is provisionally replotting land, actual measurements are recorded in line with a provisional replotting land certificate and provisional replotting land plans.

Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥378,165
Property-related expenses	¥120,968
Property rental profit	¥257,196

## C-1

■ Residential Property

### Park Lane Plaza

(Acquired on December 24, 2004)



Location:	2-30-32 Jingumae, Shibuya-ku, Tokyo
Site Area:	1,702.95 m <sup>2</sup>
Floor Area:	5,246.78 m <sup>2</sup> (Note)
Construction:	Reinforced concrete
Number of Floors:	Seven floors above ground, one floor below ground
Completion:	June 1988
Type of Ownership:	Land: Title Building: Title

Note: Although this is a compartmental ownership building, MTR independently owns all of its parts. The above figure includes two storage areas stipulated as joint ownership space as well.

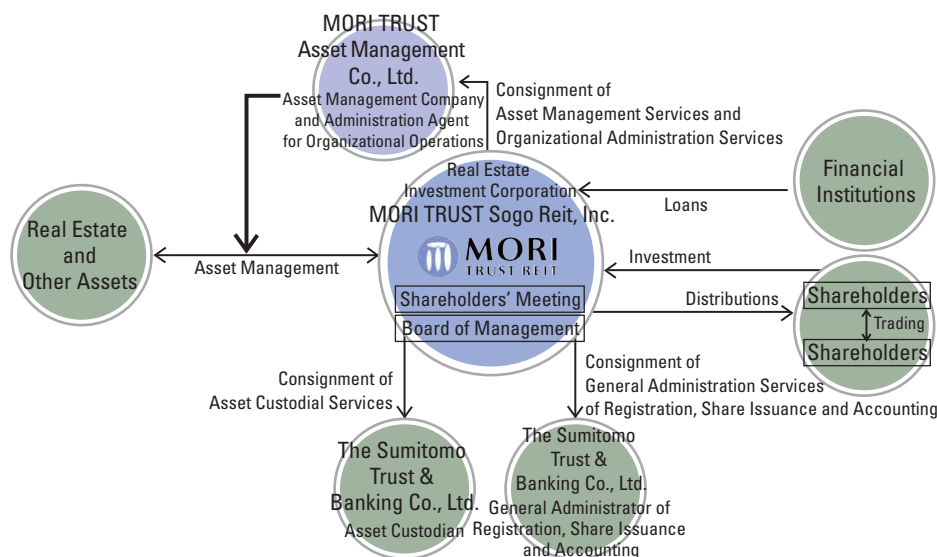
Property Revenue and Expenditure (8<sup>th</sup> Fiscal Period)

(Thousands of yen)

Number of days in operation during the period	182
Rental revenues	¥108,798
Property-related expenses	¥44,582
Property rental profit	¥64,215

## Organization (As of March 31, 2006)

Details of companies related to MTR and their respective roles and activities are identified in the following chart.



### MORI TRUST Sogo Reit, Inc. (MTR: Real Estate Investment Corporation)

Pursuant to its Articles of Incorporation, MTR shall manage funds raised from shareholders and borrowings by investing primarily in real estate, trust beneficiary interests in real estate, etc.

### MORI TRUST Asset Management Co., Ltd. (MTAM: Asset Management Company and Administration Agent for Organizational Operations)

Pursuant to the Asset Management Agreement, the services provided by MTAM include the following: (1) matters relating to the management of MTR's real estate and other assets including the acquisition, sale, leasing and administration of investment assets (in specific terms, responsibilities include the determination, ratification, confirmation and screening of all important matters as they relate to the management and leasing of MTR's investment assets and funds procurement, including debt financing and equity financing), and; (2) all other matters in connection with the management of MTR's real estate and other assets.

Pursuant to the Administrative Agency Agreement concerning organizational operations, the services provided by MTAM include the following: (1) administration in connection with the management of Shareholders' Meetings (excluding delivery of documents related to Shareholders' Meetings, recipient of

notifications from shareholders related to the exercise of voting rights, and other related matters), (2) administration in connection with the management of the Board of Directors, and (3) related services that are requested by MTR from time to time.

### The Sumitomo Trust & Banking Co., Ltd. (General Administrator of Registration, Share Issuance and Accounting/Asset Custodian)

Pursuant to the Administration Agency Agreement, the services provided by the General Administration Agent include: (1) administration in connection with the registration of shareholders, (2) administration in connection with the issue of share certificates, (3) services in connection with the delivery of documents related to Shareholders' Meetings, (4) administration of accounting matters, (5) administration in connection with the payment of distributions to shareholders, (6) administration in connection with the receipt of notifications from shareholders, including but not limited to requests from shareholders relating to the exercise of voting rights, (7) administration in connection with the preparation of accounting records, and (8) administration in connection with the payment of taxes. In addition, the Sumitomo Trust & Banking Co., Ltd. shall provide services relating to the custody of assets held by MTR pursuant to the Custody Agreement.

# Corporate Governance

## Basic Policy on Corporate Governance

The construction of compliance functions based upon high standards of corporate ethics and the establishment of a system to implement those functions is indispensable to the continued existence of a corporation. We have a keen awareness that we are required not only to comply with all legal decrees, but also to adhere stringently to societal standards and internal regulations in carrying out our daily operations. In order to do so, MTR strives to promote a sound and highly functional corporate governance structure, and to build a corporate ethics system capable of assuring the integrity and transparency of corporate activities.

## MTR's Organization

The Executive Director that represents MTR conducts execution of daily operations. MTR also has Supervisory Directors that oversee the daily operations of the Executive Director. The Board of Management, composed of the Executive Director and the Supervisory Directors, makes important decisions regarding the conduct of MTR's business affairs. MTR also maintains an accounting auditor to oversee accounting procedures.

The Executive Director, Supervisory Directors and accounting auditor are elected at the General Meeting of Shareholders, where a number of items are determined in compliance with MTR's Articles of Incorporation and the Law Concerning Investment Trusts and Investment Corporations.

In accordance with the aforementioned law, MTR must consign asset management and custody operations, as well as operations related to the offer and transfer of shares and corporate bonds.

### 1. General Meeting of Shareholders

At the General Meeting of Shareholders, a number of issues are undertaken and resolved pursuant to MTR's Articles of Incorporation and the Law Concerning Investment Trusts and Investment Corporations. Unless otherwise provided by relevant laws and regulations, resolutions are determined by a majority vote of shareholders in attendance at the General Meeting of Shareholders. Resolution of major issues such as revisions to the Articles of Incorporation require at least a two-thirds majority vote cast by shareholders who hold a majority of the total number of shares issued and outstanding.

### 2. Executive Directors, Supervisory Directors and The Board of Management

MTR may have one or more Executive Directors and two or more

Supervisory Directors (the number of Supervisory Directors must exceed the number of Executive Directors by one or more) appointed to the Board of Management. As of June 30, 2006, one Executive Director and two Supervisory Directors had been elected.

In addition to undertaking the execution of daily business operations, the Executive Director as MTR's representative has overall judicial and extra-judicial power to exercise authority in MTR's business management. However, the approval of the Board of Management must be obtained for items including consent for the cancellation of the Asset Management Agreement concluded with MTAM, the convening of the General Shareholders' Meeting, the consignment of administration services to the General Administration Agent, the conclusion of asset management agreements and custody agreements, and other execution functions determined in compliance with the Law Concerning Investment Trusts and Investment Corporations.

The Supervisory Directors have the authority to oversee the execution function of the Executive Director. In addition to the above-mentioned power of approval in regard to the regular execution of functions, the Board of Management also holds the authority to enforce compliance with the Law Concerning Investment Trusts and Investment Corporations and other relevant rules and regulations, as well as to oversee the execution function of the Executive Director. Unless otherwise provided by such laws and regulations, resolutions by the Board of Management may be made with a majority of its members in attendance and with a majority of those in attendance voting in favor of the given resolution.

The Law Concerning Investment Trusts and Investment Corporations and MTR's management rules stipulate that Executive Directors and Supervisory Directors who maintain a special interest relationship with certain issues cannot vote in the resolution of such issues. Furthermore, these Directors are not included in the calculation of a quorum.

### 3. Accounting Auditor

MTR has chosen Ernst & Young ShinNihon as its accounting auditor. The accounting auditor conducts audits of MTR's financial statements as well as of the execution function of the Executive Director. In the case that the accounting auditor should discover a serious violation of laws or regulations, or fraudulent misconduct in relation to the Executive Director's execution function, Supervisory Directors will be notified and actions stipulated by the law will be enforced.

### MTR's Management Structure

MTR's asset management operations are consigned to MTAM. Consigned tasks include acquisition, transfer, leasing, management outsourcing and other management-related operations for MTR properties.

MTAM is organized according to an operating framework that includes the Planning and Finance Department, which is responsible for MTR's accounting, finance and general administration, the Investment Department, which is responsible for conducting, marketing and managing MTR's investment activities, and the Compliance Officer who is responsible for compliance and internal audits of MTAM. Moreover, just as in ordinary corporations, MTAM has set up a Board of Directors, which also includes an auditing body and other facilities. The following organizations in particular have been established to determine policies regarding MTR's investment and asset management activities:

#### (1) Management Investment Committee

The Management Investment Committee has been established for the purpose of enhancing the flexibility and appropriateness of business decisions at MTAM. The Management Investment Committee is composed of directors, the Investment Department Manager, the Planning and Finance Department Manager, and the Compliance Officer, who deliberate and determine issues related to the following items:

1. Investment policies and funds procurement policies
2. Purchase and sale of properties, funds procurement decisions
3. Large-scale repairs
4. Reporting and investigation of monthly investment conditions and financial conditions

5. Authorization of proposed Articles of Incorporation, and proposed regulations or amendments to regulations concerning management operations
6. Investigation and confirmation of the direction of other important matters
7. Compiling information related to risk conditions and compliance

The Representative Director and President, who acts as Committee Chairman, reports decisions to the Board of Directors as well as to MTR's Board of Management.

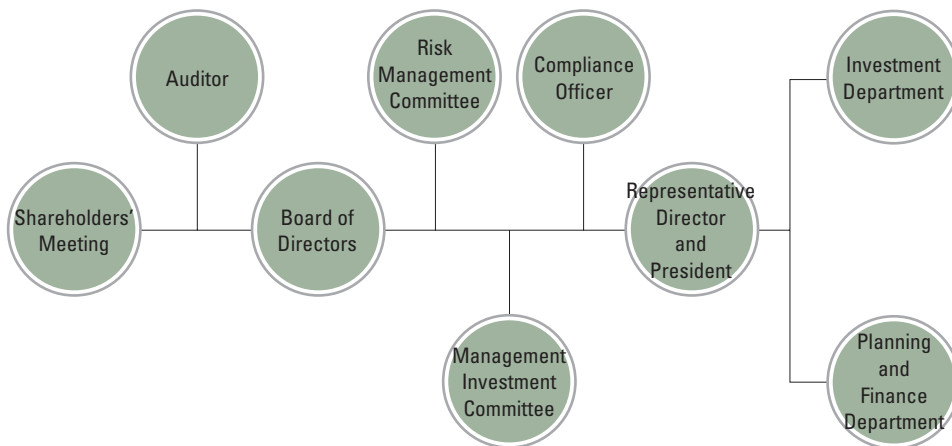
#### (2) Risk Management Committee

In consideration of risk management and compliance requirements, the Risk Management Committee has been established for the purpose of avoiding and minimizing risks, and contributing to the assurance of compliance. The Risk Management Committee is composed of the Compliance Officer and two or more outside Committee members (professionals such as lawyers, certified public accountants and real estate appraisers, or people with academic backgrounds such as graduate school professors), and deliberates on the following items drawn from within matters assigned to the Management Investment Committee:

1. Deliberations related to risk management and compliance surrounding transactions with related parties
2. Other items deemed necessary by the Compliance Officer

The Compliance Officer, who acts as the Committee Chairman, submits results of deliberations to the Management Investment Committee in the form of a written opinion. This contributes to improving the appropriateness of decisions made within the Management Investment Committee.

MTAM Organization Chart



# Management's Discussion and Analysis

Eighth Fiscal Period Ended March 31, 2006

## 1. Business Environment

During the six-month fiscal period ended March 31, 2006, the Japanese economy continued to exhibit underlying indicators of a steady recovery led by domestic consumption, and headed toward a recovery from deflation. Personal consumption also showed solid movement owing to an upswing in employment rates and an increase in disposable incomes. At the same time, capital expenditure increased on the back of healthy corporate earnings.

In the period under review, active investment and an abundance of resources flowed into the real estate market, brought about by low-debt advantages and other such benefits. The curtailment of the fall-off in land values and appreciation across the country further intensified the competitive environment for property acquisition, affecting central Tokyo in particular but also leading to market saturation in central areas of regional cities.

In line with renewed corporate earnings, intense demand was seen in the leasing market for office buildings, fueled by needs for larger floor spaces and office integration activities undertaken by medium-sized enterprises. Although this strong demand supported a recovery in rental rates, the market

continued to polarize as companies became increasingly fastidious in their selection of office buildings.

The large-scale office building leasing market centered on central Tokyo remained healthy through the period under review, with new buildings enjoying high numbers of tenancy agreements prior to construction completion. On the other hand, a supply-side shortage in the market was perceived and inquiries for existing buildings were pronounced. Taking into consideration this bullish demand, the trend toward rising rental rates was marked.

The leasing market for retail facilities showed signs of a recovery thanks to healthy personal consumption, even while competition grew increasingly severe owing to a reorganization of the industry and revised regulations concerning the development of large-scale retail facilities in suburban areas. These factors, however, had minimal impact on rental rates in this leasing market.

In the leasing market for luxury residential properties, demand was stimulated by the upturn in the domestic economy, with indications of improvements in vacancy and rental rates.

## 2. Business Results

	Millions of yen			U.S. dollars (Note)	
	8 <sup>th</sup> Fiscal Period Ended March 31, 2006 (Actual)	8 <sup>th</sup> Fiscal Period Ended March 31, 2006 (Forecast)	7 <sup>th</sup> Fiscal Period Ended September 30, 2005	Change (Actual 8 <sup>th</sup> Fiscal Period Compared with the 7 <sup>th</sup> Fiscal Period)	8 <sup>th</sup> Fiscal Period Ended March 31, 2006 (Actual)
Operating revenues	¥ 4,876	¥ 4,867	¥ 4,764	2.4%	\$41,419,940
Operating income	3,279	3,078	3,139	4.5%	27,855,835
Income before income taxes	3,083	2,881	2,948	4.6%	26,190,275
Net income	3,082	2,880	2,947	4.6%	26,181,857
Distribution per share (Yen)	19,265	18,000	18,422	4.6%	164

Note: The rate of ¥117.73=US\$1.00, the foreign exchange rate on March 31, 2006, has been used for translation.

Working to secure continued stable earnings within this investment environment, MTR efficiently accomplished an additional acquisition of interests in the Osaki MT Building, effective October 2005, while maintaining a high occupancy rate for the entire portfolio. As of March 31, 2006, MTR's real estate portfolio comprised 10 properties with a book value of ¥138,133 million. As a result of efforts to sustain and improve portfolio occupancy rates, the occupancy rate for the entire portfolio was 99.9% for the period under review.

In terms of performance in the six-month period ended March 31, 2006, operating revenues rose 2.4% compared with

the previous fiscal period to ¥4,876 million, and net income increased 4.6% to ¥3,082 million. This marked the seventh consecutive period of increased revenues and earnings since incorporation, and demonstrates the steady pace of growth that MTR continues to enjoy. Distribution per share for the fiscal period under review was ¥19,265, an increase of ¥843 compared with the previous period and above the original forecast of ¥18,000. In addition, MTR achieved ROA (income before income taxes/total assets at the end of the period x annualized rate) above 4.0% for the fifth consecutive period since its public listing, recording 4.23% in the eighth fiscal period.



### 3. Assets and Liabilities

In the period under review, MTR procured short-term loans totaling ¥5,500 million as financing for the additional acquisition of interests in the Osaki MT Building. Along with endeavors to diversify short-term loan repayment dates, in terms of long-term loans, MTR converted ¥3,000 million in floating interest rate loans to fixed interest rate loans.

Consequently, as of March 31, 2006, loans stood at ¥51,500 million and included long-term loans (excluding loans due within one year) of ¥22,500 million. Furthermore, as a means to ensure flexible funds procurement, MTR has established a commitment line of credit totaling ¥10,000 million.

#### Interest-Bearing Liabilities for the Eighth Fiscal Period (as of March 31, 2006)

Lender	Drawdown Date	8 <sup>th</sup> Fiscal Period-End Outstanding Balance (Millions of yen)	8 <sup>th</sup> Fiscal Period Average Interest Rate	Repayment Date	Remaining Period	Repayment Method	Remarks
<b>Short-Term Loans</b>							
Mizuho Corporate Bank, Ltd.	February 28, 2006	¥10,000	0.16% Floating	August 31, 2006	5 months		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 28, 2006	1,500	0.28% Floating	August 31, 2006	5 months		
The Joyo Bank, Ltd.	February 28, 2006	1,000	0.28% Floating	August 31, 2006	5 months	Bullet	Unsecured/
The Sumitomo Trust & Banking Co., Ltd.	February 28, 2006	5,000	0.26% Floating	February 28, 2007	11 months	Repayment	Non-Guaranteed
Mitsubishi UFJ Trust and Banking Corporation	February 28, 2006	5,000	0.26% Floating	February 28, 2007	11 months	on Maturity	
The Chiba Bank, Ltd.	February 28, 2006	1,000	0.26% Floating	February 28, 2007	11 months		
Subtotal		¥23,500	0.22%				
<b>Long-Term Loans</b>							
Sumitomo Mitsui Banking Corporation	March 26, 2004	¥ 2,000	0.70% Floating	February 28, 2007	11 months		
The Hachijuni Bank, Ltd.	March 26, 2004	1,000	0.65% Floating	February 28, 2007	11 months		
The Dai-ichi Mutual Life Insurance Company	March 26, 2004	2,500	0.93% Fixed	February 28, 2007	11 months		
Nippon Life Insurance Company	March 26, 2004	3,000	1.29% Fixed	February 27, 2009	2 years 11 months		
Sumitomo Mitsui Banking Corporation	February 28, 2005	5,000	1.15% Fixed	February 26, 2010	3 years 11 months	Bullet	Unsecured/
Nippon Life Insurance Company	February 28, 2005	3,000	1.09% Fixed	February 26, 2010	3 years 11 months	Repayment	Non-Guaranteed
The Dai-ichi Mutual Life Insurance Company	February 28, 2005	2,000	1.09% Fixed	February 26, 2010	3 years 11 months	on Maturity	
Development Bank of Japan	March 26, 2004	2,500	1.65% Fixed	February 28, 2011	4 years 11 months		
Development Bank of Japan	February 28, 2006	2,000	1.46% Fixed	February 28, 2011	4 years 11 months		
Nippon Life Insurance Company	February 28, 2006	1,000	1.46% Fixed	February 28, 2011	4 years 11 months		
Development Bank of Japan	February 28, 2005	4,000	1.44% Fixed	February 29, 2012	5 years 11 months		
Subtotal		¥28,000	1.20%				
Total		¥51,500	0.75%				

### 4. Operation Policies and Issues to Be Addressed

#### (1) Business Environment Outlook for the Ninth Fiscal Period

The outlook for the domestic economy in the ninth fiscal period remains positive overall, despite concerns over rising interest rates and high crude oil prices, both of which constrain corporate earnings. The environment for capital investment, employment and income as well as personal consumption are expected to maintain a steady course while basic economic conditions are forecast to continue toward recovery.

In the real estate market, competition intensified for property acquisition focusing on central Tokyo but also including central areas of regional cities. Such robust activity reflects the

dynamic external growth of REITs and private funds. In line with these factors, the upward trend in acquisition values is becoming more defined, and this trend is not expected to change in the foreseeable future market.

In the leasing market for office buildings, demand is expected to follow the recovery in corporate earnings and increase still further. Additionally, with general improvements in vacancy rates and the balance of supply and demand, along with a bottoming out in rental rates, the number of areas experiencing improved vacancy rates is forecast to grow.

In the leasing market for large-scale office buildings specifically in central Tokyo, an increase in the number of buildings

exhibiting high tenancy levels or full occupancy further exemplifies the existence of the shortage in supply. Accordingly, rental rates are expected to continue to rise.

In the leasing market for retail facilities, although consumer spending is expected to remain strong, a reorganization of the industry is driving increasingly fierce competition, which is expected to continue in the ninth fiscal period. No significant changes are expected to occur in this market.

In the leasing market for residential properties, heightening demand is expected primarily from employees of foreign-affiliated companies, coming on the back of a recovery in the conditions of the domestic economy. Looking toward the future, continued improvements in vacancy and rental rates are expected.

## (2) Operational Strategies for Real Estate Holdings

In order to avoid the risk of rental rate declines in the market and, accordingly, their influence on revenues from property holdings, MTR maintains an approach to lease agreements that ensures a stable rate of fixed-term property lease agreements with fixed rental rates over the medium to long term.

At the conclusion of new leasing agreements and in relation to property leasing periods and rent stabilization over the medium to long term, MTR carefully considers property locations and characteristic features, and also conducts appropriate inspections aimed at maximizing earnings.

In respect to the management operations of MTR's property holdings, while working to maintain and improve its market competitiveness and in order to make stable operations possible, MTR has set forth the following policies:

1. MTR endeavors to maintain high occupancy rates of its property holdings, and in doing so, focuses on the improvement of tenant satisfaction. In addition to ascertaining the features of each of its property holdings, MTR thoroughly undertakes measures toward preventative maintenance and safety management, while also working to enhance tenant-customer relations.
2. At the conclusion of new leasing agreements and in order to ensure future leasing revenues, MTR endeavors to conclude leasing agreements that reflect considerations of medium- to long-term fixed-term property lease agreements, stabilized rents and prolonged leasing periods. For property holdings from which stable internal growth can be expected, MTR also introduces lease agreements that function to increase income gains.

3. MTR undertakes the renovation of aging property holdings and facilities. In order to improve its competitive position in the market, MTR diligently pursues its capital expenditures while working to maintain stable occupancy rates.

## (3) Strategies for New Real Estate Investments

In its aim toward the expansion of its asset scale and the acquisition of new investment properties, MTR strives to develop and cultivate new avenues for obtaining information related to the sale of properties with a focus on highly prominent properties. Accordingly, MTR conducts investment activities based on the following fundamental investment strategies:

1. MTR aims to invest 60 – 80% of its asset value primarily in the central Tokyo area regardless of property usage. MTR also invests in real estate properties located in other areas, which include office buildings located at points of commuter traffic that exhibit a high-convenience factor and significant office population, as well as premium suburban retail facilities with highly competitive market values.
2. In regards to usage of its real estate properties, MTR has established target ratios of its total asset portfolio of 70 – 90% for office buildings, 10 – 30% for retail facilities and 0 – 10% for other properties, which are presently limited to residential properties or hotels.
3. MTR's basic stance is to settle lease agreements that are medium to long term. Whenever possible, MTR endeavors to secure fixed-term property lease contracts and conclude lease contracts with fixed rental rates or long-term lease periods. Furthermore, MTR's approach to lease agreements for its real estate properties is to conclude master lease agreements with master lessees who act as intermediaries between MTR and tenants.

## (4) Financial Strategies

As MTR strives for proper balance in its procurement activities through both long-term and short-term loans, it considers the reduction of funds procurement costs and the alleviation of risk against rising interest rates. In terms of property acquisition, MTR focuses on flexibility and procures funds through short-term loans, while later examining prolonged and stabilized terms on a timely basis. MTR is also considering the prospect of issuing corporate bonds by obtaining credit ratings.

## 5. Property Acquisition and Divestment in the Ninth Fiscal Period

On May 29, 2006, MTR concluded the transfer of the Hitachi Headquarters Building to Mori Trust Co., Ltd., and simultaneously acquired the Akasaka-mitsuke MT Building from Mori Trust Co., Ltd. The following is an overview of this transfer and acquisition.

### (1) Transfer of Asset

Hitachi Headquarters Building

#### 1. Overview of Transfer

Type of Asset: Real estate  
 Land ownership  
 Building ownership  
 Sales price: ¥42.0 billion  
 Gain on Sale: Approximately ¥900 million expected  
 Transfer date: May 29, 2006  
 Buyer: Mori Trust Co., Ltd.

#### 2. Overview of Asset for Transfer

Location: 4-6 Kandasurugadai, Chiyoda-ku, Tokyo  
 Usage: Office building  
 Site area: 9,540.58 m<sup>2</sup>  
 Floor area: 57,254.61 m<sup>2</sup>  
 Construction: Steel frame, steel-framed reinforced concrete; 20 floors above ground, three floors below ground  
 Completion: March 1983

### (2) Acquisition of Asset

Akasaka-mitsuke MT Building

#### 1. Overview of Acquisition

Type of Asset: Real estate  
 Land ownership  
 Building ownership  
 Acquisition value: ¥27.0 billion  
 Acquisition date: May 29, 2006  
 Seller: Mori Trust Co., Ltd.

#### 2. Overview of Asset for Acquisition

Location: 1-2-3 Moto-Akasaka, Minato-ku, Tokyo  
 Usage: Office building  
 Site area: 2,194.38 m<sup>2</sup>  
 Floor area: 17,171.15 m<sup>2</sup>  
 Construction: Steel-framed reinforced concrete; 12 floors above ground, two floors below ground  
 Completion: February 1975 (Large-scale renovations completed in 2005)

#### 3. Overview of Leasing Conditions

Number of tenants: 1  
 Total rentable area: 13,194.20 m<sup>2</sup>  
 Total area leased: 13,194.20 m<sup>2</sup>  
 Occupancy rate: 100%

## 6. Forecasts for the Ninth Fiscal Period Ending September 30, 2006

	Millions of yen		
	9 <sup>th</sup> Fiscal Period (Forecast)	8 <sup>th</sup> Fiscal Period (Actual)	Rate of Increase/Decrease
Operating revenues	¥ 5,440	¥ 4,876	11.6%
Operating income	3,862	3,279	17.8%
Income before income taxes	3,657	3,083	18.6%
Net income	3,656	3,082	18.6%
Distribution per share (yen)	22,850	19,265	18.6%

Forecasts for the ninth fiscal period ending September 30, 2006 include an 11.6% rise in operating revenues to ¥5,440 million compared with the period under review, and an 18.6% surge in net income to ¥3,656 million. Forecasts for the ninth fiscal

period assume that no property transactions will be conducted, other than the sale of the Hitachi Headquarters Building and the acquisition of the Akasaka-mitsuke MT Building. The ninth fiscal period is expected to mark the eighth consecutive period of increases in both operating revenues and net income since MTR's foundation. The property exchange transactions that involved the Hitachi Headquarters Building and the Akasaka-mitsuke MT Building are expected to result in decreased rental revenues, offset by approximately ¥900 million gain on the sale of the Hitachi Headquarters Building. The overall gain on these transactions is the primary factor supporting the anticipated growth in operating revenues and net income. As a result, distribution per share for the ninth fiscal period is forecast at ¥22,850.

Actual operating revenues, operating income, income before income taxes, net income and cash distributions per share may differ materially from forecasts due to changes in the operating environment. Accordingly, MTR does not guarantee the accuracy of forecast amounts.

# Financial Statements

## Balance Sheets

As of March 31, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars (Note 1)
	March 31, 2006	September 30, 2005	March 31, 2006
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (Note 11)	¥ 7,487,891	¥ 6,470,747	\$ 63,602,230
Rental and other receivables	31,257	35,286	265,498
Consumption tax refundable	16,052	—	136,343
Other current assets	40,244	38,595	341,836
Total current assets	7,575,444	6,544,628	64,345,907
<b>Property and Equipment, at Cost: (Note 3)</b>			
Land including trust accounts	112,658,500	108,037,264	956,922,618
Buildings and structures	28,721,605	27,560,539	243,961,646
Machinery and equipment	46,013	43,553	390,834
Tools, furniture and fixtures	4,061	1,543	34,492
Construction in progress	714	292,775	6,060
Less: accumulated depreciation	(3,297,404)	(2,688,951)	(28,008,179)
Net property and equipment	138,133,489	133,246,723	1,173,307,471
<b>Investments and Other Assets:</b>			
Deposits	10,000	10,000	84,940
Organization costs	6,844	13,688	58,137
Other	240	240	2,038
Total investments and other assets	17,084	23,928	145,115
<b>Total Assets</b>	<b>¥145,726,017</b>	<b>¥139,815,279</b>	<b>\$1,237,798,493</b>

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

	Thousands of yen		U.S. dollars (Note 1)
	March 31, 2006	September 30, 2005	March 31, 2006
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	¥ 93,925	¥ 44,596	\$ 797,796
Short-term loans (Note 4)	23,500,000	18,000,000	199,609,275
Current portion of long-term loans (Note 5)	5,500,000	3,000,000	46,717,065
Distribution payable	12,762	12,359	108,405
Consumption taxes payable	33,193	177,474	281,939
Rents received in advance	824,242	809,051	7,001,122
Accrued expenses and other current liabilities	103,612	123,029	880,082
Total current liabilities	30,067,734	22,166,509	255,395,684
<b>Long-Term Liabilities:</b>			
Long-term loans (Note 5)	22,500,000	25,000,000	191,115,264
Leasehold and security deposits (Note 9)	10,075,828	9,701,185	85,584,199
Total long-term liabilities	32,575,828	34,701,185	276,699,463
<b>Total Liabilities</b>	62,643,562	56,867,694	532,095,147
<b>Shareholders' Equity: (Note 6)</b>			
Shareholders' capital			
Shares authorized: 2,000,000 shares			
Shares issued and outstanding: 160,000 shares	80,000,000	80,000,000	679,520,938
Retained earnings	3,082,455	2,947,585	26,182,408
<b>Total Shareholders' Equity</b>	83,082,455	82,947,585	705,703,346
<b>Total Liabilities and Shareholders' Equity</b>	¥145,726,017	¥139,815,279	\$1,237,798,493

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, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars (Note 1)
	October 1, 2005 to March 31, 2006	April 1, 2005 to September 30, 2005	October 1, 2005 to March 31, 2006
<b>Operating Revenues:</b>			
Rental revenues (Notes 9 and 10)	¥4,876,369	¥4,764,017	\$41,419,940
<b>Operating Expenses:</b>			
Property-related expenses (Note 10)	1,336,433	1,341,655	11,351,683
Asset management fees	154,119	146,615	1,309,083
Custodian and administrative service fees	43,158	71,810	366,585
Other operating expenses	63,192	64,826	536,754
<b>Operating Income</b>	<b>3,279,467</b>	<b>3,139,111</b>	<b>27,855,835</b>
<b>Non-Operating Revenues:</b>			
Interest income	32	28	269
<b>Non-Operating Expenses:</b>			
Interest expense	189,274	183,736	1,607,692
Amortization of organization costs	6,844	6,844	58,137
<b>Income before Income Taxes</b>	<b>3,083,381</b>	<b>2,948,559</b>	<b>26,190,275</b>
<b>Income Taxes: (Note 7)</b>			
Current	990	1,014	8,408
Deferred	1	—	10
<b>Net Income</b>	<b>3,082,390</b>	<b>2,947,545</b>	<b>26,181,857</b>
<b>Retained Earnings at the Beginning of Period</b>	<b>65</b>	<b>40</b>	<b>551</b>
<b>Retained Earnings at the End of Period</b>	<b>¥3,082,455</b>	<b>¥2,947,585</b>	<b>\$26,182,408</b>

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

## Statements of Changes in Shareholders' Equity

For the six-month periods ended March 31, 2006 and September 30, 2005

	Shares	Thousands of yen	U.S. dollars (Note 1)
<b>Balance as of March 31, 2005</b>	160,000	¥82,798,920	
Cash dividends paid	—	(2,798,880)	
Net income	—	2,947,545	
<b>Balance as of September 30, 2005</b>	160,000	82,947,585	\$704,557,758
Cash dividends paid	—	(2,947,520)	(25,036,269)
Net income	—	3,082,390	26,181,857
<b>Balance as of March 31, 2006</b>	<b>160,000</b>	<b>¥83,082,455</b>	<b>\$705,703,346</b>

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

## Statements of Cash Flows

For the six-month periods ended March 31, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars (Note 1)
	October 1, 2005 to March 31, 2006	April 1, 2005 to September 30, 2005	October 1, 2005 to March 31, 2006
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥3,083,381	¥2,948,559	\$ 26,190,275
Depreciation and amortization	608,451	631,245	5,168,190
Amortization of organization costs	6,844	6,844	58,137
Interest income	(32)	(28)	(269)
Interest expense	189,274	183,736	1,607,692
Changes in assets and liabilities			
Rental and other receivables	4,029	(2,721)	34,220
Consumption tax refundable	(16,052)	—	(136,343)
Other assets	(1,650)	(3,541)	(14,016)
Accounts payable and accrued expenses	12,777	5,049	108,526
Consumption taxes payable	(144,281)	144,949	(1,225,526)
Rents received in advance	15,191	24,876	129,033
Other liabilities	(1,406)	2,308	(11,940)
Subtotal	3,756,526	3,941,276	31,907,979
Interest received	32	28	269
Interest paid	(187,763)	(183,255)	(1,594,859)
Income taxes paid	(1,014)	(1,014)	(8,613)
Net cash provided by operating activities	3,567,781	3,757,035	30,304,776
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment	(5,477,763)	(384,951)	(46,528,185)
Repayments of leasehold and security deposits	(6,736)	(110,041)	(57,216)
Proceeds from leasehold and security deposits	380,979	88,973	3,236,038
Net cash used in investing activities	(5,103,520)	(406,019)	(43,349,363)
<b>Cash Flows from Financing Activities:</b>			
Net increase in short-term loans	5,500,000	—	46,717,064
Proceeds from long-term loans	3,000,000	—	25,482,035
Repayments of long-term loans	(3,000,000)	—	(25,482,035)
Distributions paid to shareholders	(2,947,117)	(2,797,893)	(25,032,843)
Net cash provided by (used in) financing activities	2,552,883	(2,797,893)	21,684,221
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,017,144</b>	<b>553,123</b>	<b>8,639,634</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<b>6,470,747</b>	<b>5,917,624</b>	<b>54,962,596</b>
<b>Cash and Cash Equivalents at the End of Period (Note 11)</b>	<b>¥7,487,891</b>	<b>¥6,470,747</b>	<b>\$ 63,602,230</b>

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 a 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 March 31, 2006, MTR owned a portfolio of 10 properties with total rentable area of 379,051.60 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 ¥117.73=US\$1.00, the foreign exchange rate on March 31, 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:

Buildings.....	3–41 years
Structures .....	2–20 years
Machinery and equipment .....	3–6 years
Tools, furniture and fixtures .....	4–6 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 ¥4,573 thousand for the period ended March 31, 2006 and ¥40,987 thousand for the period ended September 30, 2005.



### 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 March 31, 2006 and September 30, 2005 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2006		As of September 30, 2005		As of March 31, 2006	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥ 108,271,973	¥ 108,271,973	¥ 103,650,737	¥ 103,650,737	\$ 919,663,410	\$ 919,663,410
Buildings and structures	28,721,605		27,560,539		243,961,646	
Accumulated depreciation	3,269,582	25,452,023	2,667,202	24,893,337	27,771,867	216,189,779
Machinery and equipment	46,013		43,553		390,834	
Accumulated depreciation	27,452	18,561	21,645	21,908	233,174	157,660
Tools, furniture and fixtures	4,061		1,543		34,492	
Accumulated depreciation	370	3,691	104	1,439	3,138	31,354
Construction in progress	714	714	292,775	292,775	6,060	6,060
Land in trust	4,386,527	4,386,527	4,386,527	4,386,527	37,259,208	37,259,208
Total		¥ 138,133,489		¥ 133,246,723		\$ 1,173,307,471

## 4. Short-Term Loans

Short-term loans at March 31, 2006 and September 30, 2005 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Unsecured loans from banks and trust banks with floating interest rate, due on February 28, 2006	—	¥18,000,000	—
Unsecured loans from banks with floating interest rate, due on August 31, 2006	¥12,500,000	—	\$106,175,147
Unsecured loans from banks and trust banks with floating interest rate, due on February 28, 2007	¥11,000,000	—	\$ 93,434,128
Total	¥23,500,000	¥18,000,000	\$199,609,275

The annual interest rates on short-term loans outstanding are floating rates and at March 31, 2006 and September 30, 2005 ranging from 0.16% to 0.28% and from 0.28% to 0.36%, respectively. Use of funds for the above includes acquisition of real estate or beneficiary interests.

During the six-month period ended March 31, 2006, MTR obtained committed credit lines of ¥10,000 million (\$84,940 thousand) with certain financial institutions to reduce refinancing risk. The unused amount of these committed credit lines was ¥10,000 million (\$84,940 thousand) at March 31, 2006.

## 5. Long-Term Loans

Long-term loans at March 31, 2006 and September 30, 2005 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Due on	Use of funds	Note
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006	Average interest rate (%) (1)			
The Sumitomo Trust & Banking Co, Ltd.	—	¥ 3,000,000	—	—	—		Unsecured/
Sumitomo Mitsui Banking Corporation	¥ 2,000,000	2,000,000	\$ 16,988,024	0.70	February 28, 2007		Non-guaranteed/
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	8,494,012	0.65	February 28, 2007		Floating rate
The Dai-ichi Mutual Life Insurance Company	2,500,000	2,500,000	21,235,029	0.93	February 28, 2007		
Nippon Life Insurance Company	3,000,000	3,000,000	25,482,035	1.29	February 27, 2009		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	42,470,058	1.15	February 26, 2010	(2)	
Nippon Life Insurance Company	3,000,000	3,000,000	25,482,035	1.09	February 26, 2010		Unsecured/
The Dai-ichi Mutual Life Insurance Company	2,000,000	2,000,000	16,988,024	1.09	February 26, 2010		Non-guaranteed/
Development Bank of Japan	2,500,000	2,500,000	21,235,029	1.65	February 28, 2011		Fixed rate
Development Bank of Japan	2,000,000	—	16,988,024	1.46	February 28, 2011		
Nippon Life Insurance Company	1,000,000	—	8,494,012	1.46	February 28, 2011		
Development Bank of Japan	4,000,000	4,000,000	33,976,047	1.44	February 29, 2012		
Long-term loans total	¥ 28,000,000	¥ 28,000,000	\$ 237,832,329	—	—	—	—

(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
		—	¥ 3,000,000	¥ 10,000,000	¥ 5,500,000
		—	\$ 25,482,035	\$ 84,940,117	\$ 46,717,065

## 6. Shareholders' Equity

MTR is required to maintain net assets of at least ¥50 million (\$425 thousand), as required pursuant to the Investment Trust Law.

## 7. Income Taxes

At March 31, 2006 and September 30, 2005, MTR's deferred tax assets consisted 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 March 31, 2006 and September 30, 2005 were as follows:

	October 1, 2005 to March 31, 2006	April 1, 2005 to September 30, 2005
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 ¥3,082,400 thousand (\$26,181,942) at March 31, 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 March 31, 2006 and September 30, 2005 and for the six-month periods then ended:

	Yen		U.S. dollars
	October 1, 2005 to March 31, 2006	April 1, 2005 to September 30, 2005	October 1, 2005 to March 31, 2006
Net assets per share at period end	¥519,265	¥518,422	\$4,411
Net income per share	19,264	18,422	164

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:

	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
Details 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

April 1, 2005 to September 30, 2005

	(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
Details of transaction	Rental revenues	Rental revenues
Transaction amount	¥2,034,541 thousand	¥503,278 thousand
Account title and balance at year end	Rents received in advance: ¥355,756 thousand	Rents received in advance: ¥88,073 thousand
	Leasehold and security deposits: ¥4,651,101 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.

## 10. Breakdown of Property-Related Revenues and Expenses

For the six-month periods ended March 31, 2006 and September 30, 2005.

	Thousands of yen		U.S. dollars
	October 1, 2005 to March 31, 2006	April 1, 2005 to September 30, 2005	October 1, 2005 to March 31, 2006
Property-Related Revenues	¥4,876,369	¥4,764,017	\$41,419,940
Rental Revenues	4,876,369	4,764,017	41,419,940
Rental revenues	4,676,187	4,555,601	39,719,588
Common charges	110,963	110,470	942,525
Parking revenues	6,600	6,600	56,060
Other rental revenues	82,619	91,346	701,767
Property-Related Expenses	1,336,433	1,341,655	11,351,683
Property management fees	82,666	89,154	702,169
Utilities expenses	79,281	88,296	673,416
Property and other taxes	486,691	486,296	4,133,961
Casualty insurance	18,072	18,259	153,504
Repairs and maintenance	48,967	22,699	415,924
Depreciation	608,451	631,245	5,168,190
Other rental expenses	12,305	5,706	104,519
Profits	¥3,539,936	¥3,422,362	\$30,068,257

## 11. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2006 and as of September 30, 2005, were as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Cash and cash equivalents	¥7,487,891	¥6,470,747	\$63,602,230

## 12. Leases

MTR leases property and earns rental revenue. As of March 31, 2006 and September 30, 2005, the future lease revenues under the non-cancelable operating leases were as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Due within one year	¥ 6,326,145	¥ 7,417,190	\$ 53,734,347
Due after one year	35,839,174	37,995,425	304,418,368
Total	¥42,165,319	¥45,412,615	\$358,152,715

## 13. Subsequent Events

### APPROPRIATION OF RETAINED EARNINGS

On May 19, 2006, the Board of Directors resolved to effect the payment of a cash distribution of ¥19,265 per share aggregating to ¥3,082 million (\$26,182 thousand) to shareholders at the record date of March 31, 2006.

### SALE AND ACQUISITION OF PROPERTY

MTR sold the Hitachi Headquarters Building and acquired the Akasaka-mitsuke MT Building at the same time after the end of 8th fiscal period as follows:

#### A. Sale of property

##### Hitachi Headquarters Building

1. Sales price	¥42,000 million
2. Type of asset	Real estate
3. Contract date	May 11, 2006
4. Delivery date	May 29, 2006
5. Purchaser	Mori Trust Co., Ltd.
6. Gain on sale	Approximately ¥0.9 billion

#### B. Acquisition of property

##### Akasaka-mitsuke MT Building

1. Acquisition price	¥27,000 million
2. Type of asset	Real estate
3. Contract date	May 11, 2006
4. Delivery date	May 29, 2006
5. Seller	Mori Trust Co., Ltd.

## 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 March 31, 2006 and September 30, 2005, 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 March 31, 2006 and September 30, 2005, 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 March 31, 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.

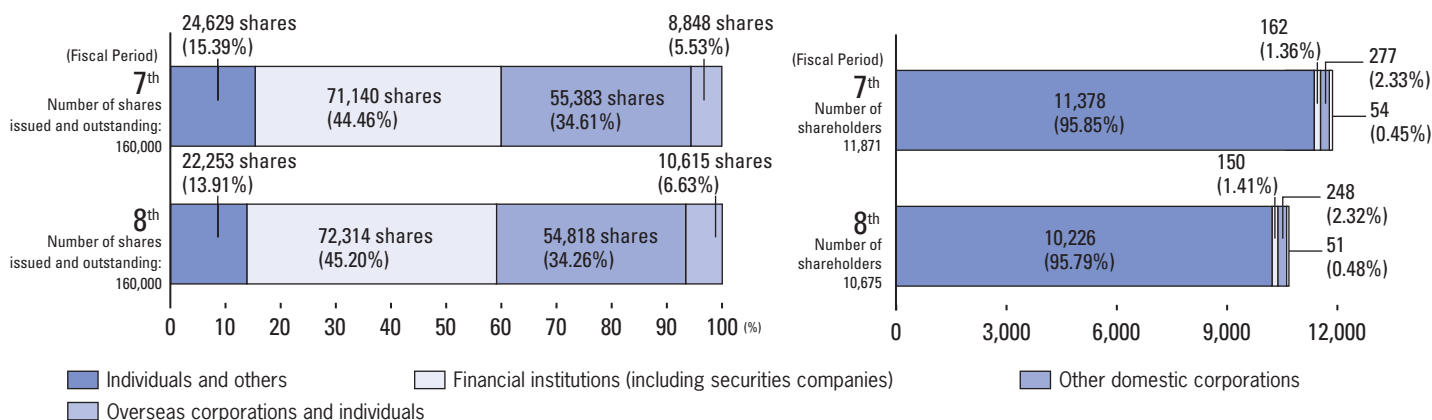
We draw attention to Note 13 to the financial statements, which states that MORI TRUST Sogo Reit, Inc. sold the property and acquired other one on May 29, 2006.

*Ernst & Young Shinnihon*

June 30, 2006

## Shareholder Information

### Shareholder Composition

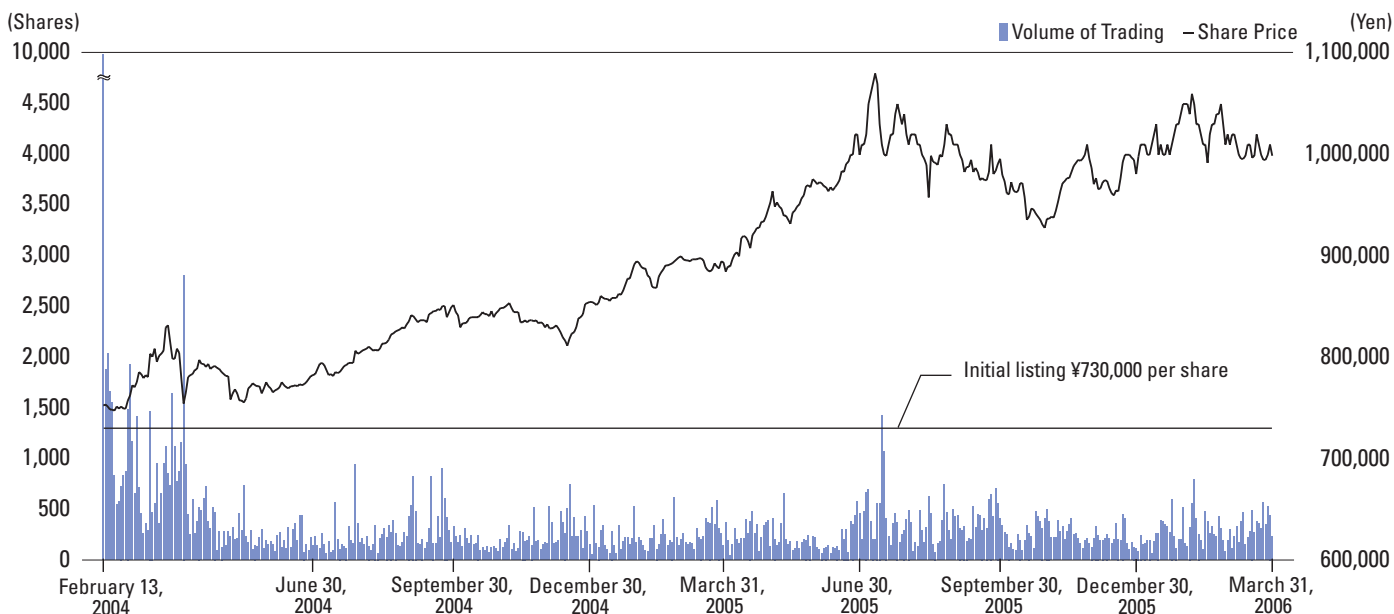


### Top 10 Shareholders (As of March 31, 2006)

Shareholders	Number of shares held	% of total
Mori Trust Co., Ltd.	28,000	17.50
Mori Kanko Trust Co., Ltd.	20,000	12.50
NikkoCiti Trust and Banking Corporation (investment trust)	9,401	5.88
Japan Trustee Services Bank, Ltd. (trust account)	9,056	5.66
The Master Trust Bank of Japan, Ltd. (trust account)	5,584	3.49
Trust & Custody Services Bank, Ltd. (securities investment trust account)	5,137	3.21
The Fuji Fire & Marine Insurance Co., Limited	3,478	2.17
Kansai Urban Banking Corporation	2,959	1.85
Aozora Bank, Ltd.	2,168	1.36
The Joyo Bank, Ltd.	1,810	1.13
<b>Total</b>	<b>87,593</b>	<b>54.75</b>

### Trends in Share Prices

MTR's shares are listed on the Tokyo Stock Exchange. Details of closing share prices and trading volume for the period February 13, 2004 (date of public listing) through March 31, 2006 are as follows.



## Corporate Data

### MORI TRUST Asset Management Co., Ltd. (Asset Management Company)

(As of June 30, 2006)

**Company Name:**

MORI TRUST Asset Management Co., Ltd.

**Address:**

1-25-5 Toranomom, Minato-ku, Tokyo, Japan

**Incorporated:**

February 28, 2000

**Shareholders' Capital:**

¥400 million

**Business Activities:**

Asset Management for the Real Estate Investment Corporation

### Directors

**Representative Director and President:**

Satoshi Horino

**Directors:**

Masashi Kotake

Hajime Tanaka

Shinya Iwata

**Non-Standing Statutory Auditor:**

Shin Takahashi

### Shareholders

Name	Number of Shares Held	% of Total
Mori Trust Co., Ltd.	5,200	65.0
PARCO CO., LTD.	800	10.0
SOMPO JAPAN INSURANCE INC.	800	10.0
Sumitomo Mitsui Banking Corporation	400	5.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400	5.0
Mizuho Corporate Bank, Ltd.	400	5.0
<b>Total</b>	<b>8,000</b>	<b>100.0</b>

### MORI TRUST Sogo Reit, Inc.

(As of June 30, 2006)

**Executive Director:**

Masaki Murata

**Supervisory Directors:**

Kiyoshi Tanaka

Kanehisa Imao

**Settlement of Accounts:**

March 31 and September 30 semi-annually

**Shareholders' Capital:**

¥80,000 million

**Number of Shares Issued and Outstanding:**

160,000

**Number of Shareholders: (As of March 31, 2006)**

10,675

**Transfer Agent:**

The Sumitomo Trust & Banking Co., Ltd.

4-5-33, Kitahama, Chuo-ku, Osaka, Japan

**Stock Listing:**

Tokyo Stock Exchange (Securities Code: 8961)

**Independent Accounting Auditor:**

Ernst & Young ShinNihon

2-2-3 Uchisaiwai-cho, Chiyoda-ku, Tokyo, Japan

**Incorporated:**

October 2, 2001



This semi-annual report includes a translation of documents originally filed under the Securities and Exchange Law of Japan. This report was prepared in English solely for the convenience of readers outside Japan and should not be considered as a disclosure statement. The original Japanese documents shall take precedence in the event of any discrepancies arising from the translation or interpretations contained in this report.

Estimates of MORI TRUST Sogo Reit, Inc. future operating results contained in this semi-annual report are forward-looking statements and are based on information currently available to MTR and its asset management company and are subject to risks and uncertainties. Consequently, these projections should not be relied upon as the sole basis for evaluating MTR. Actual results may differ substantially from the projections depending on a number of factors.



MORI TRUST Sogo Reit, Inc.

<http://www.mt-reit.jp/english/index.html>