

## Report of Independent Auditors

The Board of Directors  
MORI TRUST Sogo Reit, Inc.

We have audited the accompanying balance sheets of MORI TRUST Sogo Reit, Inc. as of March 31, 2011 and September 30, 2010, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MORI TRUST Sogo Reit, Inc. at March 31, 2011 and September 30, 2010, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young Shin Nihon LLC*

June 20, 2011



## FINANCIAL STATEMENTS

### BALANCE SHEETS

As of March 31, 2011 and September 30, 2010

	March 31, 2011	September 30, 2010
	Thousands of yen	
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	¥7,040,207	¥11,347,506
Rental and other receivables	84,250	101,611
Consumption taxes refundable	-	817,107
Other current assets	33,591	68,335
Total current assets	7,158,048	12,334,559
<b>Property and Equipment, at Cost:</b>		
Buildings and structures including trust accounts	64,851,515	64,444,370
Machinery and equipment including trust accounts	130,835	130,835
Tools, furniture and fixtures including trust accounts	116,065	113,793
Land including trust accounts	227,086,220	226,827,507
Less: accumulated depreciation	(10,843,813)	(9,496,131)
Net property and equipment	281,340,822	282,020,374
<b>Investments and Other Assets:</b>		
Deposits	10,000	10,000
Long-term prepaid expenses	-	9,527
Deferred investment corporation bond issuance costs	22,840	-
Other	3,392	240
Total investments and other assets	36,232	19,767
<b>Total Assets</b>	<b>¥288,535,102</b>	<b>¥294,374,700</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	¥304,302	¥211,597
Short-term loans	22,500,000	27,000,000
Long-term loans due within one year	18,400,000	20,900,000
Distributions payable	15,539	11,004
Consumption taxes payable	371,085	-
Rents received in advance	1,406,130	1,430,110
Accrued expenses and other current liabilities	455,280	540,756
Total current liabilities	43,452,336	50,093,467
<b>Long-Term Liabilities:</b>		
Investment corporation bonds	5,000,000	-
Long-term loans	86,500,000	90,200,000
Leasehold and security deposits including trust accounts	12,015,542	12,612,453
Total long-term liabilities	103,515,542	102,812,453
<b>Total Liabilities</b>	<b>146,967,878</b>	<b>152,905,920</b>
<b>Net Assets:</b>		
Shareholders' equity:		
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 242,000 shares	136,609,600	136,609,600
Retained earnings	4,957,624	4,859,180
<b>Total Net Assets</b>	<b>141,567,224</b>	<b>141,468,780</b>
<b>Total Liabilities and Net Assets</b>	<b>¥288,535,102</b>	<b>¥294,374,700</b>

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



## STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended March 31, 2011 and September 30, 2010

	October 1, 2010 to March 31, 2011	April 1, 2010 to September 30, 2010
	Thousands of yen	
<b>Operating Revenues:</b>		
Rental revenues	¥8,886,298	¥8,842,291
Gain on sale of investment property	-	185,030
<b>Operating Expenses:</b>		
Property-related expenses	2,515,225	2,563,786
Asset management fees	284,063	252,001
Custodian and administrative service fees	55,087	68,490
Other operating expenses	55,790	86,347
<b>Operating Income</b>	<b>5,976,133</b>	<b>6,056,697</b>
<b>Non-Operating Revenues:</b>		
Interest income	1,771	2,993
Interest on tax refund	3,931	-
Receipt insurance	1,879	-
Other non-operating revenues	867	1,232
<b>Non-Operating Expenses:</b>		
Interest expense	1,007,217	1,095,723
Interest expense on investment corporation bonds	3,866	-
Amortization of investment corporation bond issuance costs	732	-
Investment share issuance expenses	-	105,086
<b>Extraordinary loss</b>		
Loss on disaster	14,240	-
<b>Income before Income Taxes</b>	<b>4,958,526</b>	<b>4,860,113</b>
<b>Income Taxes:</b>		
Current	962	996
Deferred	2	(0)
<b>Net Income</b>	<b>4,957,562</b>	<b>4,859,117</b>
<b>Retained Earnings at the Beginning of Period</b>	<b>62</b>	<b>64</b>
<b>Retained Earnings at the End of Period</b>	<b>¥4,957,624</b>	<b>¥4,859,181</b>

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

## STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended March 31, 2011 and September 30, 2010

	Thousands of yen			
	Shares	Common shares	Retained earnings	Total net assets
<b>Balance as of March 31, 2010</b>	182,000	¥97,600,000	¥3,641,156	¥101,241,156
Additional issuance of new investment shares through public offering on May 31, 2010	60,000	39,009,600	-	39,009,600
Cash dividends paid	-		(3,641,093)	(3,641,093)
Net income	-		4,859,117	4,859,117
<b>Balance as of September 30, 2010</b>	<b>242,000</b>	<b>136,609,600</b>	<b>4,859,180</b>	<b>141,468,780</b>
Cash dividends paid	-		(4,859,118)	(4,859,118)
Net income	-		4,957,562	4,957,562
<b>Balance as of March 31, 2011</b>	<b>242,000</b>	<b>¥136,609,600</b>	<b>¥4,957,624</b>	<b>¥141,567,224</b>

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



## STATEMENTS OF CASH FLOWS

For the six-month periods ended March 31, 2011 and September 30, 2010

	October 1, 2010 to March 31, 2011	April 1, 2010 to September 30, 2010
	Thousands of yen	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥4,958,526	¥4,860,113
Depreciation and amortization	1,347,681	1,347,239
Amortization of investment corporation bond issuance costs	732	-
Investment share issuance expenses	-	105,086
Interest income	(1,771)	(2,993)
Interest expense	1,011,083	1,095,723
Loss on disaster	14,240	-
Changes in assets and liabilities:		
Rental and other receivables	17,361	(37,150)
Accounts payable and accrued expenses	(14,556)	(3,126)
Consumption taxes refundable	817,819	(817,107)
Consumption taxes payable	371,085	(12,950)
Rents received in advance	(23,980)	358,551
Decrease due to sale of investment property	-	26,700,609
Other	(36,106)	64,299
Subtotal	8,462,114	33,658,294
Interest received	1,793	2,956
Interest paid	(1,016,386)	(846,461)
Income taxes paid	(782)	(735)
Net cash provided by operating activities	7,446,739	32,814,054
<b>Cash Flows from Investing Activities:</b>		
Payments of time deposits	-	(500,000)
Proceeds from withdrawal of time deposits	500,000	-
Purchases of property and equipment including trust accounts	(575,820)	(111,219,132)
Repayment of leasehold and security deposits	(638,918)	(1,521,276)
Proceeds from leasehold and security deposits including trust accounts	42,007	232,140
Other	(3,153)	-
Net cash used in investing activities	(675,884)	(113,008,268)
<b>Cash Flows from Financing Activities:</b>		
Net (decrease) increase in short-term loans	(4,500,000)	5,500,000
Proceeds from long-term loans	5,500,000	44,000,000
Repayment of long-term loans	(11,700,000)	(4,200,000)
Proceeds from issuance of investment corporation bonds	5,000,000	-
Payments of investment corporation bond issuance costs	(23,571)	-
Proceeds from issuance of shares	-	38,904,514
Distributions paid to shareholders	(4,854,583)	(3,640,342)
Net cash (used in) provided by financing activities	(10,578,154)	80,564,172
<b>Net Change in Cash and Cash Equivalents</b>	(3,807,299)	369,958
<b>Cash and Cash Equivalents at the Beginning of Period</b>	10,847,506	10,477,548
<b>Cash and Cash Equivalents at the End of Period</b>	¥7,040,207	¥10,847,506

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



## NOTES TO FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2011 and September 30, 2010

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

#### Organization

MORI TRUST Sogo Reit, Inc. ("MTR"), a Japanese real estate investment corporation, was incorporated on October 2, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. MTR was originally formed by Mori Trust Co., Ltd., and commenced operations on March 28, 2002 by acquiring a property. MTR is provided professional asset management services of properties of various types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. ("MTAM"). MTAM is currently owned 65% by Mori Trust Co., Ltd., 10% by PARCO Co., Ltd., 10% by SOMPO JAPAN INSURANCE INC., 5% by Sumitomo Mitsui Banking Corporation, 5% by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and 5% by Mizuho Corporate Bank, Ltd. On February 13, 2004, MTR was listed on the J-REIT section of the Tokyo Stock Exchange (securities code: 8961). As of March 31, 2011, MTR owned a portfolio of 13 properties with a total rentable area of 502,850.23 sq. meters occupied by 37 tenants. The occupancy rate was 98.9%.

#### Basis of presentation of financial statements

MTR maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Law, the Financial Instruments and Exchange Law of Japan and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying financial statements are a translation of the financial statements of MTR, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of MTR filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information. MTR does not prepare consolidated financial statements as it has no subsidiaries.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property and equipment

Property and equipment is stated at cost less accumulated depreciation. The costs of land, buildings and building improvements include the purchase prices of properties, legal fees and acquisition costs. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets ranging as follows:

Buildings including trust accounts.....	3 - 41 years
Structures including trust accounts.....	2 - 20 years
Machinery and equipment including trust accounts.....	3 - 17 years
Tools, furniture and fixtures including trust accounts.....	3 - 15 years

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

#### Revenue recognition

Revenues from leasing of investment properties are recognized as rent accrued over the lease period.

#### Deferred assets

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

#### Taxes on property and equipment

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally expensed during the period. The sellers of the properties were liable for property taxes for the calendar year including the period from the date of purchase by MTR through the end of the year since the taxes were imposed on the registered owners as of January 1, based on assessments made by local governments.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks and short-term investments which are highly liquid, readily convertible to cash and with an insignificant risk of price fluctuation, and with an original maturity of three months or less.

### Accounting treatment of beneficiary interests in trust assets including real estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheets and statements of income and retained earnings accounts.

### Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the accompanying statements of income and retained earnings. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld is included in current assets and the excess of amounts withheld over payments is included in current liabilities.

## 3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2011 and September 30, 2010 consisted of the following:

	Thousands of yen			
	As of March 31, 2011		As of September 30, 2010	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥176,130,903	¥176,130,903	¥175,872,190	¥175,872,190
Buildings and structures	50,728,682		50,460,340	
Accumulated depreciation	(8,273,880)	42,454,802	(7,231,442)	43,228,898
Machinery and equipment	128,557		128,557	
Accumulated depreciation	(79,370)	49,187	(74,078)	54,479
Tools, furniture and fixtures	100,094		97,822	
Accumulated depreciation	(25,945)	74,149	(19,000)	78,822
Land in trust	50,955,317	50,955,317	50,955,317	50,955,317
Buildings and structures in trust	14,122,832		13,984,030	
Accumulated depreciation	(2,460,062)	11,662,770	(2,168,331)	11,815,699
Machinery and equipment in trust	2,278		2,278	
Accumulated depreciation	(1,826)	452	(1,483)	795
Tools, furniture and fixtures in trust	15,971		15,971	
Accumulated depreciation	(2,729)	13,242	(1,797)	14,174
Total		¥281,340,822		¥282,020,374

#### 4. SHORT-TERM LOANS

Short-term loans at March 31, 2011 and September 30, 2010 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2011	As of September 30, 2010				
Mizuho Corporate Bank, Ltd.	-	¥3,000,000	-	-		
Sumitomo Mitsui Banking Corporation		1,000,000			-	-
The Sumitomo Trust & Banking Co., Ltd.		1,000,000				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		7,000,000				
Mizuho Corporate Bank, Ltd.	¥3,500,000	5,000,000	0.93	April 13, 2011		
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	0.88	August 31, 2011		
Mitsubishi UFJ Trust & Banking Corporation	3,500,000	3,500,000	0.88	August 31, 2011		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	2,500,000	0.88	August 31, 2011	(2)	(3)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,500,000	-	0.68	February 29, 2012		
Mizuho Corporate Bank, Ltd.	3,000,000	-	0.63	February 29, 2012		
The Sumitomo Trust & Banking Co., Ltd.	500,000	-	0.63	February 29, 2012		
Total short-term loans	¥22,500,000	¥27,000,000	-	-	-	-

(1) Average interest rate for each loan has been rounded to the second decimal place.

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

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

MTR has committed lines of credit of ¥20,000 million in the aggregate with one bank to reduce a refinancing risk. The aggregate unused amount of such committed lines of credit was ¥20,000 million at March 31, 2011.

## 5. LONG-TERM LOANS

Long-term loans at March 31, 2011 and September 30, 2010 consisted of the following:

Lender	Thousands of yen		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2011	As of September 30, 2010				
Shinsei Bank, Limited	-	¥3,000,000	-	-		
Development Bank of Japan Inc.	-	2,500,000	-	-		
Development Bank of Japan Inc.	-	2,000,000	-	-		
Shinsei Bank, Limited	-	2,000,000	-	-		
Nippon Life Insurance Company	-	1,000,000	-	-		
The Hachijuni Bank, Ltd.	-	1,000,000	-	-		
The Sumitomo Trust & Banking Co., Ltd.	¥5,000,000	5,000,000	1.58	August 31, 2011		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	1.58	August 31, 2011		
Development Bank of Japan Inc.	1,000,000	1,000,000	1.68	August 31, 2011		
Development Bank of Japan Inc.	4,000,000	4,000,000	1.44	February 29, 2012		
The Sumitomo Trust & Banking Co., Ltd.	3,000,000	3,000,000	1.62	February 29, 2012		
Development Bank of Japan Inc.	2,000,000	2,000,000	1.74	February 29, 2012		
Mitsubishi UFJ Trust & Banking Corporation	5,000,000	5,000,000	1.42	April 13, 2012		
The Sumitomo Trust & Banking Co., Ltd.	4,000,000	4,000,000	1.42	April 13, 2012		
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	1.67	August 31, 2012		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	1.67	August 31, 2012		
Development Bank of Japan Inc. (4)	2,700,000	2,775,000	1.81	August 31, 2012		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.58	February 28, 2013		
Mizuho Corporate Bank, Ltd.	3,000,000	3,000,000	1.58	February 28, 2013		
Mitsubishi UFJ Trust & Banking Corporation	3,000,000	3,000,000	1.58	February 28, 2013		
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	2,500,000	1.58	February 28, 2013		
Aozora Bank, Ltd.	2,000,000	2,000,000	1.56	March 12, 2013		
ORIX Trust and Banking Corporation	2,000,000	2,000,000	1.50	March 19, 2013		
Mizuho Corporate Bank, Ltd.	5,000,000	5,000,000	1.59	April 12, 2013	(2)	(3)
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.59	April 12, 2013		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,000,000	6,000,000	1.38	August 30, 2013		
Development Bank of Japan Inc. (5)	1,850,000	1,900,000	1.83	August 30, 2013		
Mizuho Corporate Bank, Ltd.	1,000,000	1,000,000	1.38	August 30, 2013		
Sumitomo Mitsui Banking Corporation	1,000,000	1,000,000	1.38	August 30, 2013		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.69	October 11, 2013		
Mizuho Corporate Bank, Ltd.	4,000,000	4,000,000	1.69	October 11, 2013		
Aozora Bank, Ltd.	1,000,000	1,000,000	1.69	October 11, 2013		
The Bank of Fukuoka, Ltd.	2,000,000	-	1.04	January 24, 2014		
The Dai-ichi Life Insurance Company, Ltd.	2,500,000	2,500,000	1.92	February 28, 2014		
The Hachijuni Bank, Ltd.	1,000,000	-	1.04	February 28, 2014		
Development Bank of Japan Inc. (6)	2,850,000	2,925,000	1.69	March 12, 2014		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	1.79	April 11, 2014		
Development Bank of Japan Inc.	2,000,000	2,000,000	1.79	April 11, 2014		
Development Bank of Japan Inc.	3,000,000	3,000,000	1.96	February 27, 2015		
Nippon Life Insurance Company	1,000,000	-	1.55	October 30, 2015		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000,000	-	1.38	February 29, 2016		
Nippon Life Insurance Company	500,000	-	1.48	August 31, 2016		
Total long-term loans	¥104,900,000	¥111,100,000	-	-	-	-

(1) Average interest rate for each loan has been rounded to the second decimal place.

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

(3) The above loans are unsecured and non-guaranteed with fixed interest rates.

(4) The loan from the "Development Bank of Japan Inc." will be amortized in seven semi-annual installments at the end of each August and February, starting from August 31, 2009 and ending at August 31, 2012.

The repayment amounts are ¥75 million from the 1st to 6th installment, and ¥2,550 million for the final installment.

(5) The loan from the "Development Bank of Japan Inc." will be amortized in eight semi-annual installments at the end of each February and August, starting from February 26, 2010 and ending at August 30, 2013.

The repayment amounts are ¥50 million from the 1st to 7th installment, and ¥1,650 million for the final installment.

(6) The loan from the "Development Bank of Japan Inc." will be amortized in eight semi-annual installments at the end of each September and March, starting from September 12, 2010 and ending at March 12, 2014.

The repayment amounts are ¥75 million from the 1st to 7th installment, and ¥2,475 million for the final installment.

(7) The total amounts of long-term loans repayable expected to be repaid during each of the 5 years subsequent to the current balance sheet date are summarized as follows:

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount of loans (Thousands of yen)	¥36,300,000	¥37,700,000	¥10,000,000	¥2,000,000





## 6. NET ASSETS

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

## 7. INCOME TAXES

At March 31, 2011 and September 30, 2010, MTR's deferred tax assets consisted mainly of enterprise tax payable which is not deductible for tax purposes. A reconciliation of the tax rate differences between the adjusted statutory tax rate and the effective tax rate for the six months ended March 31, 2011 and September 30, 2010 was as follows:

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

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law (STML) of Japan, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of the investment corporation's distributable profit for the accounting period as stipulated in Article 67-15 of the STML. Based on the distribution policy provided by its Articles of Incorporation, MTR made a dividend distribution of approximately 100% of retained earnings in the amount of ¥4,957,612 thousand at March 31, 2011 and treated it as a tax-deductible dividend. MTR does not distribute dividends in excess of accounting profit in accordance with its Articles of Incorporation.

## 8. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at March 31, 2011 and September 30, 2010 and for the six-month periods then ended:

	Yen	
	October 1, 2010 to March 31, 2011	April 1, 2010 to September 30, 2010
Net assets per share at period end	¥584,988	¥584,581
Net income per share	20,485	21,855
Weighted-average number of shares	242,000 shares	222,327 shares

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



## 9. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

(For the six months ended March 31, 2011)

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

Party type	Subsidiary of other related company*
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	-
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Rental revenues
Transaction amount	¥3,301,880 thousand
Account name and balance at period end	Rents received in advance ¥489,125 thousand
	Rental and other receivables ¥376 thousand
	Leasehold and security deposits including trust accounts ¥1,094,787 thousand

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



(For the six months ended September 30, 2010)

(1) Parent company and major corporate shareholders

Party type	Other related company *1*2
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	Direct 28.9%
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Rental revenues
Transaction amount	¥905,098 thousand
	Purchase of the property
	¥110,000,000 thousand
	Sale of the property
	¥26,900,000 thousand
Account name and balance at period end	-

\*1 MTR deemed Mori Trust Co., Ltd. to be an “other related company” under Article 8 of Regulations Concerning Financial Statements.

\*2 70,000 investment shares of MTR held by MORI TRUST Co., Ltd. were transferred to MORI TRUST Holdings, Inc. on June 1, 2010. As a result, the classification for party type of MORI TRUST Co., Ltd. has changed from “Other related company” to “Subsidiary of other related company.”

(2) Directors and major individual shareholders: None applicable

(3) Subsidiaries: None applicable

(4) Sister companies:

Party type	Subsidiary of other related company*
Party name	Mori Trust Co., Ltd.
Address	Minato-ku Tokyo, Japan
Capital	¥10,000,000 thousand
Business	Urban development; hotel management and investment business
Percentage of voting rights held	-
Concurrent board appointment	-
Business relationship	Leasing
Details of transactions	Rental revenues
Transaction amount	¥2,215,476 thousand
Account name and balance at period end	Rents received in advance
	¥489,125 thousand
	Rental and other receivables
	¥595 thousand
	Leasehold and security deposits including trust accounts
	¥1,355,575 thousand

\* 70,000 investment shares of MTR held by MORI TRUST Co., Ltd. were transferred to MORI TRUST Holdings, Inc. on June 1, 2010. As a result, the classification for party type of MORI TRUST Co., Ltd. has changed from “Other related company” to “Subsidiary of other related company.”

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

A breakdown of property-related revenues and expenses for the six-month periods ended March 31, 2011 and September 30, 2010 is summarized as follows:

### (1) Rental revenues and property-related expenses

	Thousands of yen	
	October 1, 2010 to March 31, 2011	April 1, 2010 to September 30, 2010
Rental Revenues:	¥8,886,298	¥8,842,291
Rental revenues	8,355,198	8,273,702
Common charges	259,582	265,042
Parking revenues	22,410	20,958
Other rental revenues	249,108	282,589
Property-Related Expenses:	2,515,225	2,563,786
Property management fees	259,821	262,987
Utilities	201,297	239,201
Property and other taxes	565,961	592,468
Casualty insurance	29,805	30,098
Repairs and maintenance	98,610	77,373
Depreciation	1,347,681	1,347,239
Other rental expenses	12,050	14,420
Profit	¥6,371,073	¥6,278,505

### (1) Gain on sale of investment property

[Akasaka-Mitsuke MT Building]

	Thousands of yen	
	October 1, 2010 to March 31, 2011	April 1, 2010 to September 30, 2010
Revenue from sale of investment property	-	¥26,900,000
Cost of investment property	-	26,700,608
Other sales expenses	-	14,362
Gain on sale of investment property	-	¥185,030

## 11. FINANCIAL INSTRUMENTS

(For the six months ended March 31, 2011)

### Overview

#### (1) Policy for financial instruments

For efficient and stable management operations, MTR raises funds required for acquisition and renovation of assets, payment of dividends and debt and regular operations mainly through bank borrowings, issuance of investment corporation bonds and issuance of new investment units. MTR manages cash surpluses carefully in consideration of safety, liquidity, interest rate environment and cash flow plans.

#### (2) Types of financial instruments, related risk and risk management for financial instruments

Loans, issuance of investment corporation bonds and issuance of new investment units are undertaken for acquisition of real estate or real estate trust beneficiary rights.

Loans and security deposits are exposed to liquidity risk. MTR prepares and updates its cash flow plans based on reports from each division and maintains the ready liquidity to manage liquidity risk.

In addition, MTR has established commitment lines of credit to ensure flexible fund procurement.

#### (3) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

### Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of March 31, 2011 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen		
	Carrying Value	Estimated Fair Value (1)	Difference
<b>Assets</b>			
1) Cash and cash equivalents	¥7,040,207	¥7,040,207	-
<b>Total Assets</b>	<b>7,040,207</b>	<b>7,040,207</b>	<b>-</b>
<b>Liabilities</b>			
1) Short-term loans	22,500,000	22,500,000	-
2) Long-term loans due within one year	18,400,000	18,505,681	¥105,681
3) Investment corporation bonds	5,000,000	5,024,947	24,947
4) Long-term loans	86,500,000	88,055,117	1,555,117
5) Leasehold and security deposits including trust accounts	4,828,118	4,378,690	(449,428)
<b>Total Liabilities</b>	<b>¥137,228,118</b>	<b>¥138,464,435</b>	<b>¥1,236,317</b>

#### (1) Methods to determine the estimated fair value of financial instruments

##### *Cash and cash equivalents*

Since these items are settled in a short period of time, their carrying value approximates fair value.

##### *Short-term loans*

Since these items are settled in a short period of time, their carrying value approximates fair value.

##### *Long-term loans due within one year and long-term loans*

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

##### *Investment corporation bonds*

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

*Leasehold and security deposits including trust accounts*

The fair value of leasehold and security deposits including trust accounts is based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk. Certain leasehold and security deposits including trust accounts are not included the above table because it is difficult to predict their restoration time. Their carrying value is ¥7,187,424 as of March 31, 2011.

(2) The redemption schedule for monetary claims

	(Thousands of yen)
	Cash and bank deposits
1 year or less	¥7,040,207
1 to 2 years	-
2 to 3 years	-
3 to 4 years	-
4 to 5 years	-
Over 5 years	-

(3) The redemption schedule for loans

		Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Short-term loans	(Thousands of yen)	¥22,500,000	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥18,400,000	-	-	-	-	-
Investment corporation bonds	(Thousands of yen)	-	-	¥5,000,000	-	-	-
Long-term loans	(Thousands of yen)	-	¥36,300,000	¥37,700,000	¥10,000,000	¥2,000,000	¥500,000

(For the six months ended September 30, 2010)

### Overview

#### (1) Policy for financial instruments

For efficient and stable management operations, MTR raises funds required for acquisition and renovation of assets, payment of dividends and debt and regular operations mainly through bank borrowings.

MTR manages cash surpluses carefully in consideration of safety, liquidity, interest rate environment and cash flow plans.

#### (2) Types of financial instruments, related risk and risk management for financial instruments

Loans are taken out for acquisition of real estate or real estate trust beneficiary rights.

Loans and security deposits are exposed to liquidity risk. MTR prepares and updates its cash flow plans based on reports from each division and maintains the ready liquidity to manage liquidity risk.

In addition, MTR has established commitment lines of credit to ensure flexible fund procurement.

#### (3) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

### Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the balance sheet as of September 30, 2010 and estimated fair value are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Thousands of yen		
	Carrying Value	Estimated Fair Value (1)	Difference
<b>Assets</b>			
1) Cash and cash equivalents	¥11,347,506	¥11,347,506	-
<b>Total Assets</b>	<b>11,347,506</b>	<b>11,347,506</b>	<b>-</b>
<b>Liabilities</b>			
1) Short-term loans	27,000,000	27,000,000	-
2) Long-term loans due within one year	20,900,000	20,973,683	¥73,683
3) Long-term loans	90,200,000	91,292,475	1,092,475
4) Leasehold and security deposits including trust accounts	5,234,794	4,739,204	(495,590)
<b>Total Liabilities</b>	<b>143,334,794</b>	<b>144,005,362</b>	<b>670,568</b>

#### (1) Methods to determine the estimated fair value of financial instruments

##### *Cash and cash equivalents*

Since these items are settled in a short period of time, their carrying value approximates fair value.

##### *Short-term loans*

Since these items are settled in a short period of time, their carrying value approximates fair value.

##### *Long-term loans due within one year and long-term loans*

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

##### *Leasehold and security deposits including trust accounts*

The fair value of leasehold and security deposits including trust accounts is based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk. Certain leasehold and security deposits including trust accounts are not included in the above table because it is difficult to predict their restoration time. Their carrying value is ¥7,377,659 thousand as of September 30, 2010.

(2) The redemption schedule for monetary claims

	(Thousands of yen)
	Cash and bank deposits
1 year or less	¥11,347,506
1 to 2 years	-
2 to 3 years	-
3 to 4 years	-
4 to 5 years	-
Over 5 years	-

(3) The redemption schedule for loans

		Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due after 5 years
Short-term loans	(Thousands of yen)	¥27,000,000	-	-	-	-	-
Long-term loans due within one year	(Thousands of yen)	¥20,900,000	-	-	-	-	-
Long-term loans	(Thousands of yen)	-	¥27,875,000	¥37,350,000	¥21,975,000	¥3,000,000	-

## 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2011 and September 30, 2010 were as follows:

	Thousands of yen	
	As of March 31, 2011	As of September 30, 2010
Cash and bank deposits	¥5,455,154	¥9,772,070
Cash in trust and deposits in trust	1,585,053	1,575,436
Time deposits with maturities of more than three month	-	(500,000)
Cash and cash equivalents	¥7,040,207	¥10,847,506

## 13. LEASES

MTR leases properties and earns rental revenues. Future lease revenues subsequent to March 31, 2011 and September 30, 2010 under non-cancelable operating leases were as follows:

	Thousands of yen	
	As of March 31, 2011	As of September 30, 2010
Due within one year	¥11,970,770	¥12,080,879
Due after one year	82,582,744	88,402,221
Total	¥94,553,514	¥100,483,100



#### 14. INVESTMENT AND RENTAL PROPERTIES

(For the six months ended March 31, 2011)

MTR owns office buildings and retail facilities for lease mainly in Tokyo and other areas. The carrying value in the balance sheet and corresponding fair value of those properties are as follows:

(Thousands of yen)

Use	Carrying Value (1)		Fair Value (3)	
	As of March 31, 2011	Net Changes (2)	As of September 30, 2010	As of March 31, 2011
Office buildings	¥215,233,651	¥(456,589)	¥215,690,240	¥210,000,000
Retail facilities	44,845,390	(174,497)	45,019,887	46,760,000
Others	21,261,781	(48,466)	21,310,247	19,620,000
Total	¥281,340,822	¥(679,552)	¥282,020,374	¥276,380,000

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

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

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

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

(Thousands of yen)

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

\*1 "Rental revenues" and "Property-related expenses," which are rental revenues and related expenses (depreciation, repairs and maintenance, casualty insurance, property and other taxes etc.), are presented in the statements of income and retained earnings as "Rental revenues" and "Property-related expenses."

(For the six months ended September 30, 2010)

MTR owns office buildings and retail facilities for lease mainly in Tokyo and other areas. The carrying value in the balance sheet and corresponding fair value of those properties are as follows:

Use	(Thousands of yen)			
	Carrying Value (1)		Fair Value (3)	
	As of September 30, 2010	Net Changes (2)	As of March 31, 2010	As of September 30, 2010
Office buildings	¥215,690,240	¥83,309,559	¥132,380,681	¥213,300,000
Retail facilities	45,019,887	(194,032)	45,213,919	46,770,000
Others	21,310,247	(127,436)	21,437,683	19,690,000
Total	¥282,020,374	¥82,988,091	¥199,032,283	¥279,760,000

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

(2)The components of net change in carrying value included increases mainly due to the acquisition of Tokyo Shiodome Building in the amount of ¥110,798,318 thousand and decreases mainly due to the sale of Akasaka-Mitsuke MT Building the amount of ¥26,700,608 thousand.

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

The profit and loss for the six-month period ended September 30, 2010 concerning rental properties is as follows:

Use	(Thousands of yen)			
	Rental Revenues*1	Property-related Expenses*1	Net Income	Gain on Sale of Investment Property*2
Office buildings	¥6,623,116	¥1,865,265	¥4,757,851	¥185,030
Retail facilities	1,468,474	351,800	1,116,674	-
Others	750,701	346,721	403,980	-
Total	¥8,842,291	¥2,563,786	¥6,278,505	¥185,030

\*1 "Rental revenues" and "Property-related expenses," which are rental revenues and related expenses (depreciation, repairs and maintenance, casualty insurance, property and other taxes etc.), are presented in the statements of income and retained earnings as "Rental revenues" and "Property-related expenses."

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

## 15. SEGMENT AND RELATED INFORMATION

(For the six months ended March 31, 2011)

### Segment Information

Since the business of MTR consists of only the “real estate leasing business,” there are no reporting segments. Therefore, segment disclosures have been omitted.

### Related Information

(1)Information about products and services

Since the proportion of operating revenues from external customers for each product and service exceeds 90% of operating revenues, product and service disclosures have been omitted.

(2)Information about geographical areas

①Operating revenues

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

②Property and equipment

Since the proportion of property and equipment located in Japan exceeds 90% of property and equipment located in all countries, property and equipment disclosures have been omitted.

(3)Information about major customers

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

\* Another major customer is Kobe Steel, Ltd.

(For the six months ended September 30, 2010)

### Segment Information

Since the business of MTR consists of only the “real estate leasing business,” there are no reporting segments. Therefore, segment disclosures have been omitted.

### Related Information

(1)Information about products and services

Since the proportion of operating revenues from external customers for each product and service exceeds 90% of operating revenues, product and service disclosures have been omitted.

(2)Information about geographical areas

①Operating revenues

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

②Property and equipment

Since the proportion of property and equipment located in Japan exceeds 90% of property and equipment located in all countries, property and equipment disclosures have been omitted.

(3)Information about major customers

(Thousands of yen)		
Name of major customers	Operating Revenues	Related Segment
Mori Trust Co., Ltd.	¥3,305,604	Leasing Business

\* Another major customer is Kobe Steel, Ltd.

(Additional information)

Effective the six-month period ended September 30, 2010, MTR has adopted a new accounting standard for disclosures about segments of an enterprise and related information and related implementation guidance.

A disclosure of segment information for the previous period under the new standard has been omitted as there were no separate reporting segments.



## **16. SUBSEQUENT EVENTS**

### **DISTRIBUTION OF RETAINED EARNINGS**

On May 13, 2011, the Board of Directors approved a resolution for the payment of a cash distribution of ¥20,486 per share, aggregating to ¥4,957,612 thousand, to its shareholders of record as of March 31, 2011.