

## 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, 2007 and September 30, 2006, and the related statements of income and retained earnings, changes in shareholders' equity, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MORI TRUST Sogo Reit, Inc. at March 31, 2007 and September 30, 2006, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shin Nihon*

June 11, 2007

FINANCIAL STATEMENTS

**BALANCE SHEETS**

As of March 31, 2007 and September 30, 2006

	March 31, 2007	September 30, 2006	March 31, 2007
	Thousands of yen		U.S. dollars (Note 1)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (Note11)	¥9,186,658	¥9,529,807	\$77,826,652
Rental and other receivables	35,233	41,587	298,487
Consumption taxes refundable	-	143,416	-
Other current assets	44,617	27,790	377,975
Total current assets	9,266,508	9,742,600	78,503,114
<b>Property and Equipment, at Cost: (Note3)</b>			
Land including trust accounts	112,102,220	112,078,176	949,696,879
Buildings and structures including trust accounts	34,166,049	33,875,460	289,444,672
Machinery and equipment	53,821	53,821	455,955
Tools, furniture and fixtures	11,312	9,970	95,833
Less: accumulated depreciation	(3,846,586)	(3,113,061)	(32,587,135)
Net property and equipment	142,486,816	142,904,366	1,207,106,204
<b>Investments and Other Assets:</b>			
Deposits	10,000	10,000	84,717
Other	276	277	2,338
Total investments and other assets	10,276	10,277	87,055
<b>Total Assets</b>	<b>¥151,763,600</b>	<b>¥152,657,243</b>	<b>\$1,285,696,373</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable	¥97,074	¥407,566	\$822,381
Short-term loans (Note4)	19,000,000	21,500,000	160,962,386
Current portion of long-term loans (Note5)	-	5,500,000	-
Distribution payable	13,264	12,066	112,367
Consumption taxes payable	193,121	49,970	1,636,061
Rents received in advance (Note9)	824,774	826,580	6,987,246
Accrued expenses and other current liabilities (Note9)	250,946	164,511	2,125,941
Total current liabilities	20,379,179	28,460,693	172,646,382
<b>Long-Term Liabilities:</b>			
Long-term loans (Note5)	38,500,000	30,500,000	326,160,624
Leasehold and security deposits (Note9)	9,884,995	10,004,511	83,742,757
Total long-term liabilities	48,384,995	40,504,511	409,903,381
<b>Total Liabilities</b>	<b>68,764,174</b>	<b>68,965,204</b>	<b>582,549,763</b>
<b>Net Assets : (Note6)</b>			
Shareholders' equity:			
Shares authorized: 2,000,000 shares			
Shares issued and outstanding: 160,000 shares	80,000,000	80,000,000	677,736,360
Retained earnings	2,999,426	3,692,039	25,410,250
<b>Total Net Assets</b>	<b>82,999,426</b>	<b>83,692,039</b>	<b>703,146,610</b>
<b>Total Liabilities and Net Assets</b>	<b>¥151,763,600</b>	<b>¥152,657,243</b>	<b>\$1,285,696,373</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, 2007 and September 30, 2006

	October 1, 2006 to March 31, 2007	April 1, 2006 to September 30, 2006	October 1, 2006 to March 31, 2007
	Thousands of yen		U.S. dollars(Note 1)
<b>Operating Revenues:</b>			
Rental revenues (Notes 9 and 10)	¥4,957,479	¥4,564,350	\$41,998,297
Gain on sale of investment property (Note 10)	-	925,152	-
<b>Operating Expenses:</b>			
Property-related expenses (Note 10)	1,395,241	1,300,951	11,820,070
Asset management fees (Note9)	164,911	170,517	1,397,075
Custodian and administrative service fees	44,656	41,631	378,315
Other operating expenses	62,208	75,268	527,005
<b>Operating Income</b>	<b>3,290,463</b>	<b>3,901,135</b>	<b>27,875,832</b>
<b>Non-Operating Revenues:</b>			
Interest income	8,721	1,414	73,886
Other non-operating revenues	1,966	100	16,653
<b>Non-Operating Expenses:</b>			
Interest expense	300,256	202,835	2,543,684
Amortization of organization costs	-	6,844	-
Other non-operating expenses	491	-	4,160
<b>Income before Income Taxes</b>	<b>3,000,403</b>	<b>3,692,970</b>	<b>25,418,527</b>
<b>Income Taxes: (Note 7)</b>			
Current	1,017	986	8,616
Deferred	(1)	0	(14)
<b>Net Income</b>	<b>2,999,387</b>	<b>3,691,984</b>	<b>25,409,925</b>
<b>Retained Earnings at the Beginning of Period</b>	<b>39</b>	<b>55</b>	<b>325</b>
<b>Retained Earnings at the End of Period</b>	<b>¥2,999,426</b>	<b>¥3,692,039</b>	<b>\$25,410,250</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, 2007 and September 30, 2006

	Thousands of yen			U.S. dollars (Note 1)	
	Shares	Common shares	Retained earnings	Total	Total
<b>Balance as of March 31, 2006</b>	160,000	¥80,000,000	¥3,082,455	¥83,082,455	
Cash dividends paid	-		(3,082,400)	(3,082,400)	
Net income	-		3,691,984	3,691,984	
<b>Balance as of September 30, 2006</b>	160,000	¥80,000,000	¥3,692,039	¥83,692,039	\$709,014,219
Cash dividends paid	-		(3,692,000)	(3,692,000)	(31,277,534)
Net income	-		2,999,387	2,999,387	25,409,925
<b>Balance as of March 31, 2007</b>	160,000	¥80,000,000	¥2,999,426	¥82,999,426	\$703,146,610

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

## STATEMENTS OF CASH FLOWS

For the six-month periods ended March 31, 2007 and September 30, 2006

	October 1, 2006 to March 31, 2007	April 1, 2006 to September 30, 2006	October 1, 2006 to March 31, 2007
	Thousands of yen		U.S. dollars (Note 1)
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥3,000,403	¥3,692,970	\$25,418,527
Depreciation and amortization	733,525	592,319	6,214,210
Amortization of organization costs	-	6,844	-
Interest income	(8,721)	(1,414)	(73,886)
Interest expense	300,256	202,835	2,543,684
Changes in assets and liabilities			
Investment property	-	41,039,949	-
Rental and other receivables	6,354	(10,330)	53,827
Consumption taxes refundable	143,417	(127,365)	1,214,980
Accounts payable and accrued expenses	(243,994)	247,440	(2,067,042)
Consumption taxes payable	143,150	16,778	1,212,726
Rents received in advance	(1,805)	2,338	(15,293)
Other liabilities	(56,859)	65,996	(481,693)
Subtotal	4,015,726	45,728,360	34,020,040
Interest received	8,721	1,414	73,886
Interest paid	(282,830)	(193,444)	(2,396,050)
Income taxes paid	(2,344)	(1,221)	(19,857)
Net cash provided by operating activities	3,739,273	45,535,109	31,678,019
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment including trust accounts	(396,240)	(46,336,944)	(3,356,829)
Purchases of intangible assets	-	(36)	-
Repayment of leasehold and security deposits	-	(2,806,120)	-
Proceeds from leasehold and security deposits	4,620	2,733,004	39,139
Net cash used in investing activities	(391,620)	(46,410,096)	(3,317,690)
<b>Cash Flows from Financing Activities:</b>			
Net decrease in short-term loans	(2,500,000)	(2,000,000)	(21,179,261)
Proceeds from long-term loans	8,000,000	8,000,000	67,773,636
Repayments of long-term loans	(5,500,000)	-	(46,594,375)
Distributions paid to shareholders	(3,690,802)	(3,083,097)	(31,267,384)
Net cash (used in) provided by financing activities	(3,690,802)	2,916,903	(31,267,384)
<b>Net Change in Cash and Cash Equivalents</b>	(343,149)	2,041,916	(2,907,055)
<b>Cash and Cash Equivalents at the Beginning of Period</b>	9,529,807	7,487,891	80,733,707
<b>Cash and Cash Equivalents at the End of Period (Note 11)</b>	¥9,186,658	¥9,529,807	\$77,826,652

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

## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATIONS 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 its operation on March 28, 2002 by acquiring the property. MTR is provided professional asset management services of properties of varied types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. (“MTAM”). MTAM is currently owned 65% by Mori Trust Co., Ltd., 10% by PARCO Co., Ltd., 10% by SOMPO JAPAN INSURANCE INC., 5% by Sumitomo Mitsui Banking Corporation, 5% by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and 5% by Mizuho Corporate Bank, Ltd. On February 13, 2004, MTR listed on the J-REIT section of the Tokyo Stock Exchange (Securities code: 8961). As of March 31, 2007, MTR owned a portfolio of 11 properties with total rentable area of 407,231.68 sq. m, occupied by 30 tenants. The occupancy rate was 99.9%.

#### 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 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 ¥118.04=US\$1.00, the foreign exchange rate prevailing March 31, 2007, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate. MTR does not prepare consolidated financial statements, as MTR has no subsidiaries.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property and equipment

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

(including trust accounts)

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

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

#### Revenue recognition

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

#### Taxes on property and equipment

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally 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 were imposed on the registered owner as of January 1, based on the assessment made by the local government. MTR paid amount equivalent to the property taxes to the respective sellers applicable to the period commencing from the dates of purchase of the respective properties by MTR through the year end and included these amounts in the purchase prices of the respective properties and capitalized as cost of the properties.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks and short-term investments which are highly liquid, readily convertible to cash and with an insignificant risk of price fluctuation, and with 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 sheet and statement of income accounts.

### Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the accompanying 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, 2007 and September 30, 2006 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2007		As of September 30, 2006		As of March 31, 2007	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥96,244,220	¥96,244,220	¥96,220,176	¥96,220,176	\$815,352,591	\$815,352,591
Buildings and structures	26,482,999		26,197,768		224,356,145	
Accumulated depreciation	(3,557,989)	22,925,010	(3,042,631)	23,155,137	(30,142,226)	194,213,919
Machinery and equipment	53,821		53,821		455,955	
Accumulated depreciation	(39,240)	14,581	(34,158)	19,663	(332,430)	123,525
Tools, furniture and fixtures	11,312		9,970		95,833	
Accumulated depreciation	(1,809)	9,503	(931)	9,039	(15,329)	80,504
Land in trust	15,858,000	15,858,000	15,858,000	15,858,000	134,344,288	134,344,288
Buildings and structures in trust	7,683,050		7,677,692		65,088,527	
Accumulated depreciation	(247,548)	7,435,502	(35,341)	7,642,351	(2,097,150)	62,991,377
Total		¥142,486,816		¥142,904,366		\$1,207,106,204

### 4. SHORT-TERM LOANS

Short-term loans at March 31, 2007 and September 30, 2006 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
Unsecured loans from banks and trust banks with floating interest rate, due on February 28, 2007	-	¥5,500,000	-
Unsecured loans from banks and trust banks with floating interest rate, due on August 31, 2007	¥16,000,000	¥16,000,000	\$135,547,272
Unsecured loans from banks and trust banks with floating interest rate, due on February 29, 2008	3,000,000	-	25,415,114
Total	¥19,000,000	¥21,500,000	\$160,962,386

The annual interest rates on short-term loans outstanding are floating rates ranging from 0.66% to 0.81% and from 0.35% to 0.64% at March 31, 2007 and September 30, 2006, respectively. Use of funds for the above includes acquisition of real estate or beneficiary interests.

During the six-month period ended March 31, 2007, MTR obtained committed credit lines of ¥10,000 million (\$84,717 thousand) with certain financial institutions to reduce refinancing risk. The unused amount of these committed credit lines was ¥10,000 million (\$84,717 thousand) at March 31, 2007.

## 5. LONG-TERM LOANS

Long-term loans at March 31, 2007 and September 30, 2006 consisted of the following:

Lender	Thousands of yen		U.S. dollars		Average interest rate (%) (1)	Due on	Use of funds	Note
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007	As of September 30, 2006				
Sumitomo Mitsui Banking Corporation	-	¥ 2,000,000	-	-	-	-	-	-
The Hachijuni Bank, Ltd.	-	1,000,000	-	-	-	-	-	-
The Dai-ichi Mutual Life Insurance Company	-	2,500,000	-	-	-	-	-	-
Nippon Life Insurance Company	¥ 3,000,000	3,000,000	\$ 25,415,113	-	1.29	February 27, 2009	-	-
Shinsei Bank, Limited	3,000,000	3,000,000	25,415,113	-	1.22	August 31, 2009	-	Unsecured/ Non-guaranteed/ Fixed rate
Mitsubishi UFJ Trust & Banking Corporation	2,000,000	2,000,000	16,943,409	-	1.24	August 31, 2009	-	
The Chiba Bank, Ltd.	1,000,000	1,000,000	8,471,705	-	1.20	August 31, 2009	-	-
The Sumitomo Trust & Banking Co., Ltd.	1,000,000	1,000,000	8,471,705	-	1.24	August 31, 2009	-	-
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	42,358,523	-	1.15	February 26, 2010	-	-
Nippon Life Insurance Company	3,000,000	3,000,000	25,415,113	-	1.09	February 26, 2010	-	-
The Sumitomo Trust & Banking Co., Ltd.	2,500,000	-	21,179,261	-	1.37	February 26, 2010	-	-
The Dai-ichi Mutual Life Insurance Company	2,000,000	2,000,000	16,943,409	-	1.09	February 26, 2010	(2)	-
Development Bank of Japan	2,500,000	2,500,000	21,179,261	-	1.65	February 28, 2011	-	-
Development Bank of Japan	2,000,000	2,000,000	16,943,409	-	1.46	February 28, 2011	-	-
Shinsei Bank, Limited	2,000,000	-	16,943,409	-	1.55	February 28, 2011	-	-
Nippon Life Insurance Company	1,000,000	1,000,000	8,471,705	-	1.46	February 28, 2011	-	-
The Hachijuni Bank, Ltd.	1,000,000	-	8,471,705	-	1.55	February 28, 2011	-	-
Development Bank of Japan	1,000,000	1,000,000	8,471,705	-	1.68	August 31, 2011	-	-
Development Bank of Japan	4,000,000	4,000,000	33,886,818	-	1.44	February 29, 2012	-	-
The Dai-ichi Mutual Life Insurance Company	2,500,000	-	21,179,261	-	1.92	February 28, 2014	-	-
Total long-term loans	¥ 38,500,000	¥ 36,000,000	\$ 326,160,624	-	-	-	-	-

(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 total amount of long-term loans repayable expected to be repaid during each of 5 years subsequent to the current balance sheet date are 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	¥19,500,000	¥8,500,000	¥5,000,000
		\$25,415,113	\$165,198,238	\$72,009,488	\$42,358,523

## 6. SHAREHOLDERS' EQUITY

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

## 7. INCOME TAXES

At March 31, 2007 and September 30, 2006, 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, 2007 and September 30, 2006 were as follows:

	October 1, 2006 to March 31, 2007	April 1, 2006 to September 30, 2006
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.38%)
Per capita inhabitants tax	0.02%	0.02%
Effective tax rate	0.03%	0.03%

MTR is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan, or the STML, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of invest corporation's 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 ¥2,999,360 thousand (\$25,409,692) at March 31, 2007 and treated it as a tax deductible dividend. MTR does 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, 2007 and September 30, 2006 and for the six-month periods then ended:

	Yen		U.S. dollars
	October 1, 2006 to March 31, 2007	April 1, 2006 to September 30, 2006	October 1, 2006 to March 31, 2007
Net assets per share at period end	¥518,746	¥523,075	\$4,395
Net income per share	18,746	23,074	159
Weighted-average number of shares	160,000	160,000	160,000

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

## 9. RELATED PARTY TRANSACTIONS

MTR entered into the following related party transactions:

(1) Parent company and major corporate shareholders

		October 1, 2006 to March 31, 2007	
		(a)	
Party type		Other related company *	
Party name		Mori Trust Co., Ltd.	
Address		Tokyo, Japan	
Capital		¥10,000,000 thousand	
Business		Urban development; property ownership, leasing and Management	
Percentage of voting rights held		Direct 30.0	
Concurrent board appointment		-	
Business relationship		Leasing	
Details of transactions		Rental revenues	
Transaction amount		¥1,322,198 thousand	
Account name and balance at period end		Rents received in advance: ¥231,384 thousand	
		Leasehold and security deposits: ¥3,230,136 thousand	
		April 1, 2006 to September 30, 2006	
		(a)	(b)
Party type		Other related company *	Main shareholder
Party name		Mori Trust Co., Ltd.	Mori Kanko Shisankanri Co., Ltd.
Address		Tokyo, Japan	Tokyo, Japan
Capital		¥9,000,000 thousand	¥6,000,000 thousand
Business		Urban development; property ownership, leasing and Management	Development and operation of the Laforet members-only hotel chain
Percentage of voting rights held		Direct 17.5	Direct 12.5
Concurrent board appointment		-	-
Business relationship		Leasing	Leasing
Details of transactions		Purchase of the properties	-
Transaction amount		¥27,000,000 thousand	-
		Sale of the properties	-
		¥42,000,000 thousand	-
		Rental revenues	Rental revenues
		¥1,253,877 thousand	¥503,278 thousand
Account name and balance at period end		Rents received in advance: ¥143,311 thousand	Rents received in advance: ¥88,073 thousand
		Leasehold and security deposits: ¥2,223,579 thousand	Leasehold and security deposits: ¥1,006,556 thousand



\* MTR judged Mori Trust Co., Ltd. as an “other related company” under Article 8 of Regulations Concerning Financial Statements.

(2)Directors and major individual shareholders: None applicable

(3)Subsidiaries: None applicable

(4)Sister Companies

October 1, 2006 to March 31, 2007: None applicable

April 1, 2006 to September 30, 2006

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

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

A breakdown of property-related revenues and expenses for the six-month periods ended March 31, 2007 and September 30, 2006 is summarized as follows.

(1)Rental revenue and property-related expenses

	Thousand of yen		U.S. dollars
	October 1, 2006 to March 31, 2007	April 1, 2006 to September 30, 2006	October 1, 2006 to March 31, 2007
Rental Revenues	¥4,957,479	¥4,564,350	\$41,998,297
Rental revenues	4,715,961	4,318,781	39,952,221
Common charges	110,963	110,963	940,050
Parking revenues	6,600	6,600	55,913
Other rental revenues	123,955	128,006	1,050,113
Property-Related Expenses:	1,395,241	1,300,951	11,820,070
Property management fees	114,920	103,965	973,567
Utilities expenses	108,466	113,734	918,888
Property and other taxes	350,065	457,302	2,965,651
Casualty insurance	27,989	17,284	237,118
Repairs and maintenance	51,083	11,957	432,758
Depreciation	733,525	592,319	6,214,210
Other rental expenses	9,193	4,390	77,878
Profit	¥3,562,238	¥3,263,399	\$30,178,227

(2)Gain on sale of investment property

[Hitachi Headquarters Building]

	Thousand of yen		U.S. dollars
	October 1, 2006 to March 31, 2007	April 1, 2006 to September 30, 2006	October 1, 2006 to March 31, 2007
Revenue from sale of investment property	-	¥42,000,000	-
Cost of investment property	-	41,039,948	-
Other sales expenses	-	34,900	-
Gain on sale of investment property	-	¥925,152	-

### 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2007 and as of September 30, 2006 were as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
Cash and cash equivalents	¥9,186,658	¥9,529,807	\$77,826,652

### 12. LEASES

MTR leases property and earns rental revenue. The future lease revenues subsequent to March 31, 2007 and September 30, 2006, under the non-cancelable operating leases were as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
Due within one year	¥8,186,929	¥8,554,492	\$69,357,250
Due after one year	57,018,329	60,732,173	483,042,438
Total	¥65,205,259	¥69,286,665	\$552,399,688

### 13. SUBSEQUENT EVENTS

#### Appropriation of retained earnings

On May 23, 2007, the Board of Directors approved a resolution for the payment of a cash distribution of ¥18,746 per share, aggregating to ¥2,999 million (\$25,410 thousand), to shareholders of record as of March 31, 2007.