



Growth
Potential

Profitability

Stability

The Power of MORI TRUST Sogo Reit, Inc.

SEMI-ANNUAL REPORT
Seventh Fiscal Period

April 1, 2005 to September 30, 2005



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 term.



CORPORATE LOGO

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.

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FINANCIAL HIGHLIGHTS

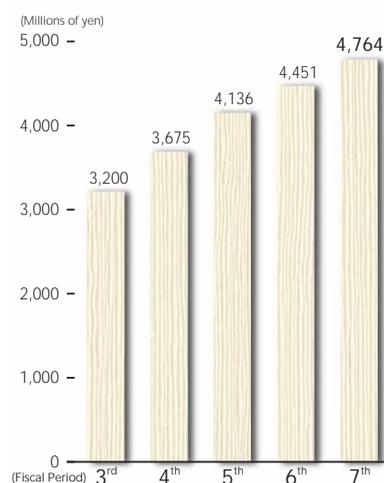
	Millions of yen					U.S. dollars (Note 1)
	7 th Period Ended September 30, 2005	6 th Period Ended March 31, 2005	5 th Period Ended September 30, 2004	4 th Period Ended March 31, 2004	3 rd Period Ended September 30, 2003	7 th Period Ended September 30, 2005
Operating revenues (Note 2)	¥ 4,764	¥ 4,451	¥ 4,136	¥ 3,675	¥ 3,200	\$ 42,014,441
Operating income	3,139	2,940	2,754	2,797	1,852	27,684,199
Income before income taxes	2,948	2,799	2,641	2,439	1,579	26,003,692
Net income (Note 3)	2,947	2,798	2,640	2,438	850	25,994,755
Total distribution	2,947	2,798	2,640	2,438	850	25,994,532
Distribution per share (Yen)	18,422	17,493	16,503	15,243	5,313	162
Total assets (a)	139,815	139,526	127,959	116,074	147,471	1,233,047,704
Shareholders' equity (b)	82,947	82,798	82,640	82,438	80,850	731,524,693
Shareholders' equity ratio (b/a)	59.3%	59.3%	64.6%	71.0%	54.8%	59.3%

(Note 1) The rate of ¥113.39=US\$1.00, the foreign exchange rate on September 30, 2005, has been used for translation.

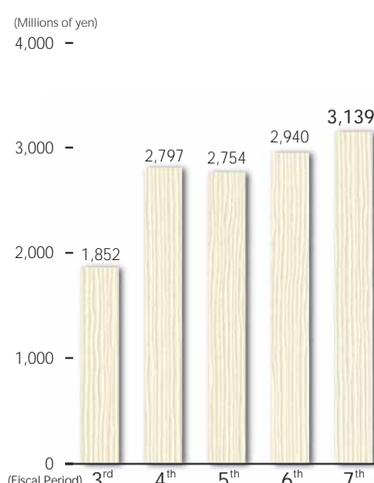
(Note 2) Consumption tax is not included in operating revenues and other figures.

(Note 3) Because MTR was not a publicly listed company during the third fiscal period, it was unable to apply the tax system to include dividends under expenses pursuant to article 67-15 of the Special Taxation Measures Law of Japan. Accordingly, corporate income tax has been added for the third period results.

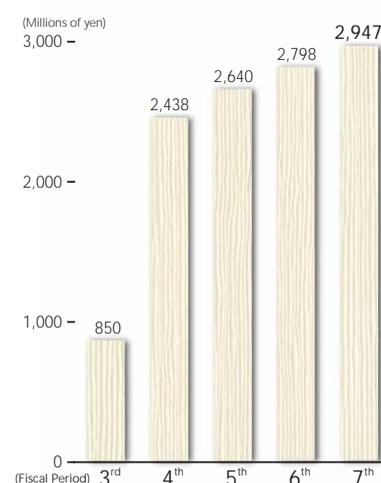
Operating Revenues



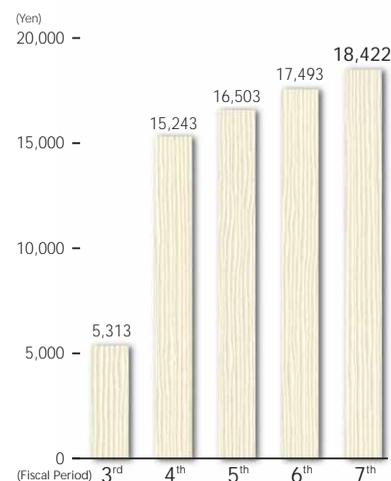
Operating Income



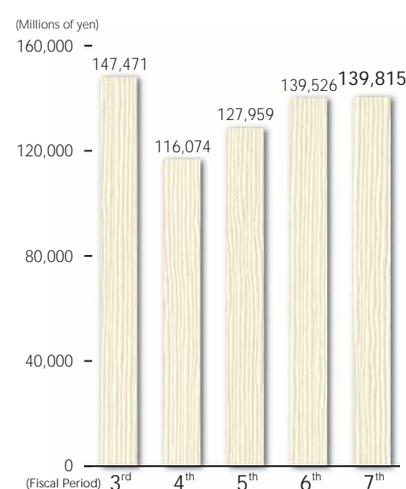
Net Income



Distribution per Share



Total Assets



Growth Potential

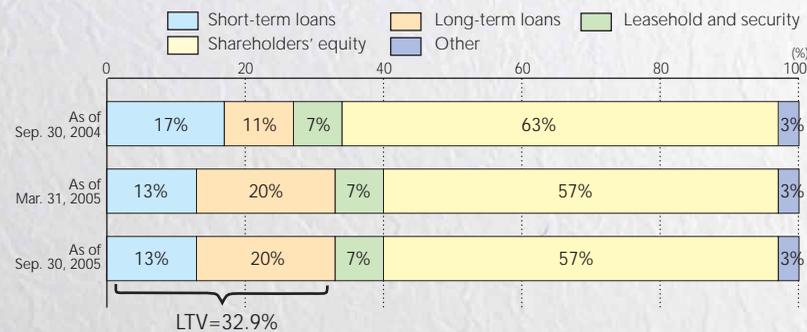
Property Acquisition Channel Linked with the Mori Trust Group

The Mori Trust Group is engaged in comprehensive real estate activities through its four primary businesses of office buildings, residential properties, hotels, and retail facilities, organized under the holding company, Mori Trust Holdings Inc. In the fiscal year ended March 31, 2005, consolidated operating revenues totaled ¥124.9 billion and net income was ¥16.2 billion, one of the top performances in Japan's real estate industry. MTR and Mori Trust Co., Ltd. have reached an agreement concerning the mutual exchange of information related to properties among MTR and four companies of the Mori Trust Group, and have built a structure wherein MTR is able to obtain information related to the possible sale of properties held by the four Group companies.



Latitude to Acquire Properties Based upon Minimal Leveraging

MTR places a high priority on financial stability, and aims to hold its loans to value (LTV) ratio to a maximum of 50%. LTV at the end of the seventh fiscal period stood at 32.9%, leaving MTR with borrowing capacity, and accordingly, with high external growth potential.



Early Attainment of the "Appropriate Asset Scale" Target of ¥400 Billion

MTR has steadily acquired investment assets since its establishment in October 2001, and held ¥130.4 billion (based on acquisition prices) in investment assets as of the end of the seventh fiscal period.

At the same time, MTR has identified ¥400 billion as its appropriate asset scale. In order to rapidly attain this appropriate asset scale, MTR works in collaboration with the Mori Trust Group to acquire properties and to develop new business avenues, and focuses on further cultivating its existing independent business avenues.

Profitability

Steady Growth of EPS

EPS for the seventh fiscal period was ¥18,422, an increase of 5.3% from the previous fiscal period. MTR also achieved increases in operating revenues and net income for the sixth consecutive fiscal period since its establishment. MTR has delivered consistent improvement of EPS and a high level of cash distributions.

Investing with an Awareness of ROA and Controlling Expense Ratios

As a result of an investment strategy that emphasizes potential profitability, and through the control of expense ratios by utilizing master leases, ROA (income before income taxes / total assets at the end of period x annualized rate) for the seventh fiscal period was 4.22%. MTR has consistently attained an ROA of 4% or more since its public listing in the fourth fiscal period, maintaining a high level of profitability.

Growth Potential



The Power of MORI

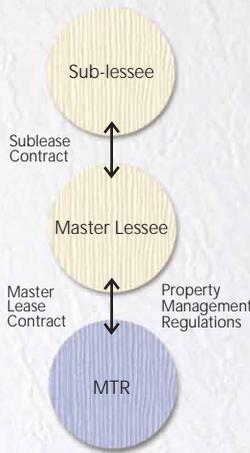
Stability

Utilization of Master Leases

In order to achieve greater efficiency of management operations and to decrease risks associated with having a variety of tenants, MTR works to actively utilize master leases. 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).

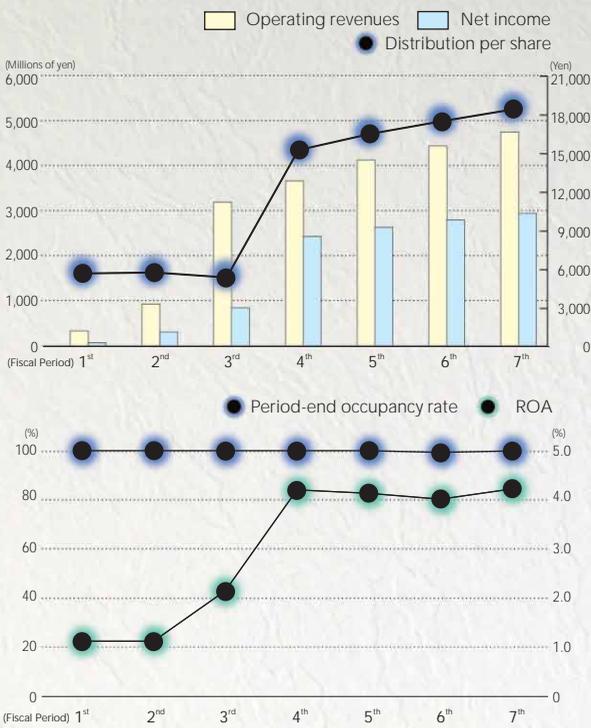
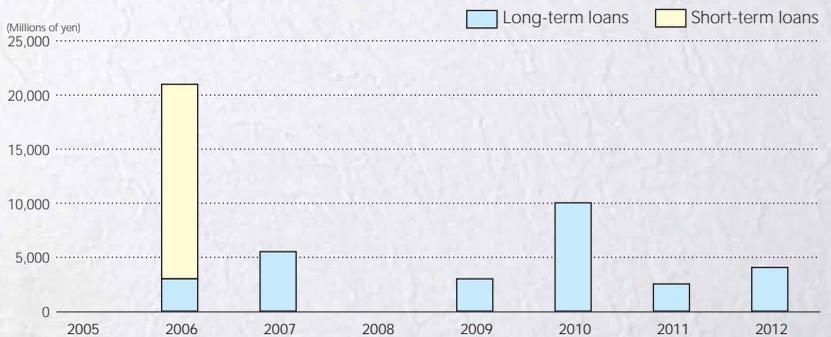


Secure Medium- to Long-Term Leasing Contracts with Major Corporations

In order to minimize the risk of decreasing rental revenues and to secure stable earnings, MTR strives to reach leasing agreements with fixed rental rates and with 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.

Pursue Financial Stability

In pursuit of financial stability, MTR adheres to a policy of diversifying loan repayment dates. MTR also plans to obtain credit ratings and is looking into the issue of corporate bonds. Through such measures, MTR strives to obtain a variety of options for funds procurement and hedges against the risk of increasing interest rates.



Stability

Profitability

MESSAGE FROM MANAGEMENT



Masaki Murata
Executive Director

To Our Shareholders

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

Since our founding in 2001, MTR has developed as a comprehensive real estate investment corporation, investing primarily in large-scale office buildings in central Tokyo, and aiming to diversify by region into other major metropolitan areas and by property type into retail facilities and residential properties.

Supported by the strength of a property acquisition channel through our link with the Mori Trust Group, we strive to be an investment corporation that continues to win the trust of our shareholders, conducting investment activities with a balance among growth potential, profitability and stability, and securing steady income gains and stable growth of investment assets through our management strategies.

Business Performance in the Seventh Fiscal Period

Although no new properties were acquired during the seventh fiscal period, the period from April 1, 2005 to September 30, 2005, MTR conducted careful management of 10 properties (appraisal value at the end of the period = ¥138,129 million) held since the previous fiscal period. With this sophisticated management, and particularly as a result of efforts to attract new tenants to the Shin-Yokohama TECH Building and Park Lane

Plaza, the overall occupancy rate of MTR's portfolio improved to 99.9%. Due to these factors, operating revenues rose 7.0% from the previous fiscal period to ¥4,764 million. Net income also increased 5.3% to ¥2,947 million, owing to determined strategies to maintain high income-efficiency ratios. This marks the sixth consecutive fiscal period since MTR's establishment of achieving increased revenues and profits.

The operating income margin and income before income taxes margin both reached high levels, finishing at 65.9% and 61.9%, respectively. The ability to attain such high profit ratios is one of MTR's unique strengths.

Distribution per share was ¥18,422, up ¥929 compared with the previous fiscal period, and ¥422 greater than our previous forecast for the fiscal period under review.

Total assets as of September 30, 2005 were ¥139,815 million. Because MTR did not undertake any new borrowings during the seventh fiscal period, interest-bearing liabilities remained unchanged from the previous fiscal period at ¥46,000 million, consisting of ¥18,000 million in short-term loans and ¥28,000 million in long-term loans. The loans to value (LTV) ratio was 32.9%.

ROA, defined as the ratio of income before income taxes to period-end total assets, remained in excess of 4% on an annualized basis for the fourth consecutive period since our public listing. This is a high level in Japan's REIT industry.

Market Overview

The real estate market remains vigorous, reflecting the increasing competition primarily among REITs and private funds seeking to acquire properties. The office building rental market continued to see positive demand for office space from corporations moving to larger buildings and increasing existing floor space.

Based upon improvements in supply and demand, average rental fees ceased their longtime decline, while the market continued to polarize, with the growing disparity between high-specification properties and others. The large-scale office building market in central Tokyo was especially robust, with high demand for newly constructed office buildings leading to full tenant bookings prior to the completion of construction, as well as demand among corporations for more space within existing buildings. These trends underpinned an increase in the number of buildings with high occupancy ratios.

The market for rental of retail facilities did not experience significant changes, with severe competition in the retail industry compounded by unseasonable weather and restructuring within the industry.

The market for luxury rental residences saw improvements, with an increasing number of geographic regions recording higher occupancy rates and improvements in rental fees.

Market Outlook

Property acquisition activity by REITs and private funds remains dynamic. MTR expects competition to acquire investable properties to heat up in both central Tokyo and other cities, fueling further increases in acquisition prices. We also believe that the vacancy rate in the office building rental market will continue to decline.

On the other hand, steady consumer spending has not reached the point of driving marked improvements in the retail industry. We do not foresee significant changes in the market for retail facility leasing.

MTR anticipates that the market for luxury residential properties will continue to move upward. Primary factors include improvements in rental and occupancy rates, as well as the expansion of staff by foreign-based corporations expected in the wake of Japan's economic recovery.

Business Strategy

In this environment, MTR aims to invest approximately 60%-80% of its asset value primarily in the central Tokyo area, where demand is expected to remain sound. We will also consider purchasing properties in other geographic regions for which we can expect a sufficient level of profitability, 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 have a great impact on the type of real estate that is demanded in the market. In order to reduce risks related to the makeup of MTR's portfolio, we have determined targets for the types of properties to acquire. We have established a goal of composing 70%-90% of our total property portfolio with office buildings, which we believe to be the most stable sort of real estate property, followed by 10%-30% of our portfolio with retail facilities, and 0%-10% with other properties. Presently, "other properties" is limited to only 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 fees or long-term lease periods. Wherever possible, MTR endeavors to utilize master lease contracts.

Developing business by acquiring properties from and sharing information with the Mori Trust Group is a significant strength and indispensable growth strategy for MTR.

In order to achieve our goal of growing to an appropriate asset scale of ¥400 billion by the fiscal period ending March 31, 2009, however, MTR is focusing efforts on further cultivating our independent acquisition channels and developing new acquisition channels 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 shall adhere to a policy 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 its procurement activities. In order to promote diversification of funds procurement methods, MTR is also considering the prospect of issuing corporate bonds by obtaining 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 by MTR's asset management company, MORI TRUST Asset Management Co., Ltd. (hereafter "MTAM"), require deliberations at the Management Investment Committee. This is the basis for MTR's risk management and compliance system. To confirm the status of MTR's risk management and compliance system, MTAM has established a full-time compliance officer and the Risk Management

Committee. In these ways, MTAM is making thorough efforts to avoid the occurrence of the various risks related to investment, and to expand 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

CHARACTERISTICS OF MTR'S INVESTMENT AND MANAGEMENT



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		
		Central Tokyo*	Other Areas**	Total
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

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:

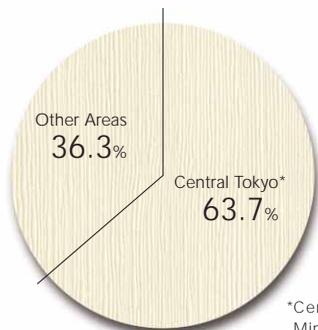
Minimum Investment Amount per Investment Property

Type of Property	Minimum Investment Amount
Office buildings (Central Tokyo)	¥5 billion, in principle
Office buildings (Other Areas)	¥3 billion, in principle
Retail facilities	¥3 billion, in principle

PORTFOLIO SUMMARY

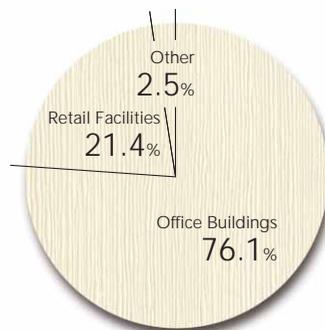
As of September 30, 2005

Portfolio Composition by Area

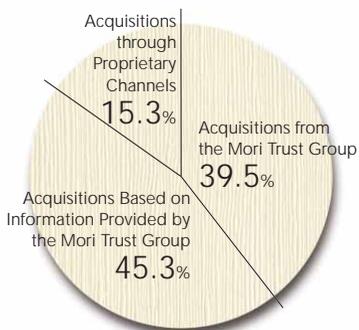


*Central Tokyo: Chiyoda, Chuo, Minato, Shinagawa, Shibuya, and Shinjuku Wards

Portfolio Composition by Usage



Acquisition Ratio by Source



Sale and Lease-Back Investment Ratio



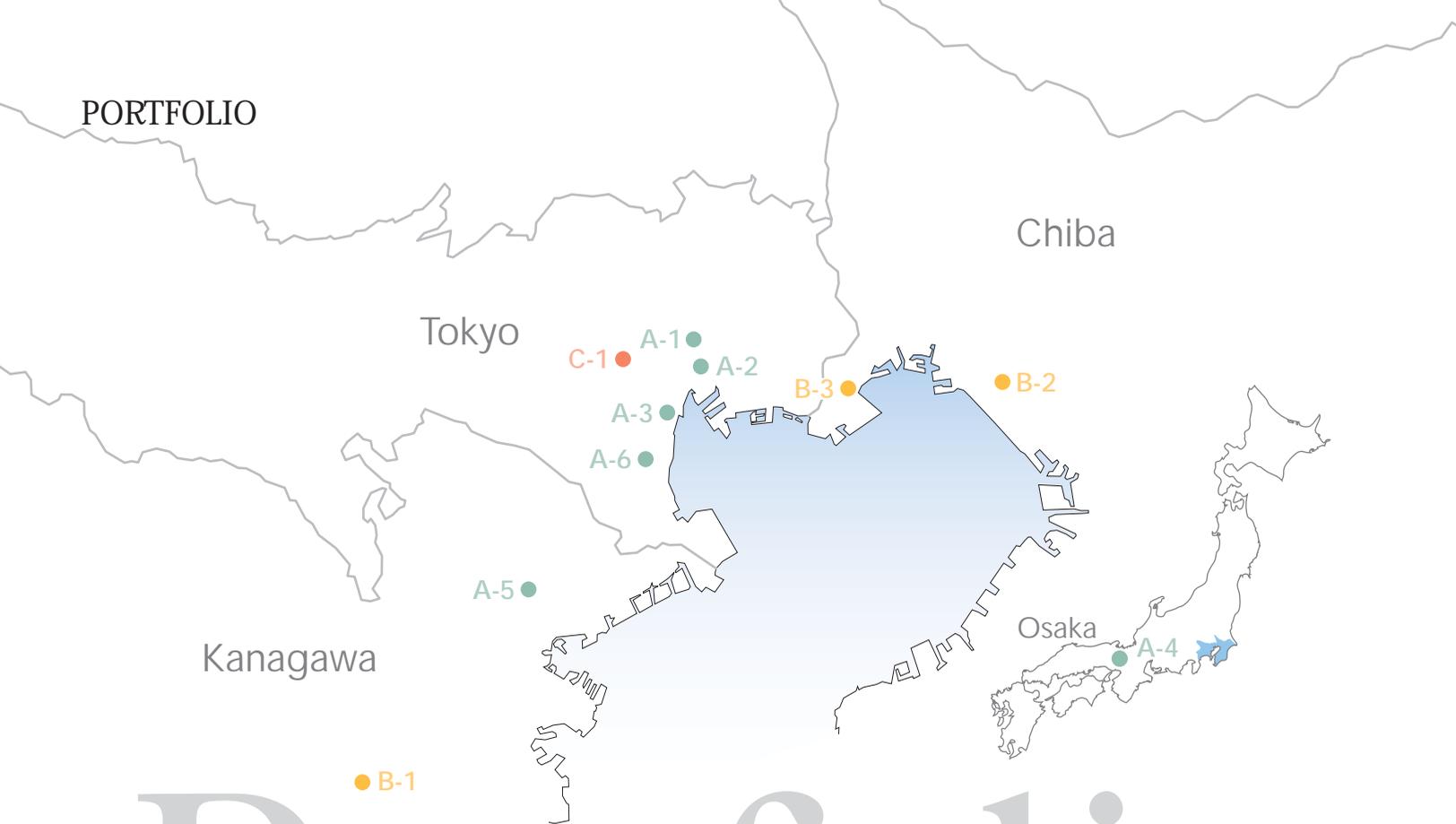
**Sale and lease-back is an arrangement in which the purchaser of a property leases or subleases the property back to the seller after property acquisition.

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"> • Nissan Motor New Headquarters Building • Mita MT Building • Osaki MT Building • Ito-Yokado Shonandai 	<ul style="list-style-type: none"> • Hitachi Headquarters Building • Ito-Yokado Shin-Urayasu • Shin-Yokohama TECH Building 	<ul style="list-style-type: none"> • Marubeni Osaka Headquarters Building • Cresse Inage • Park Lane Plaza

■ Acquisition through sale and lease-back

PORTFOLIO



Portfolio

Usage	Property Name	Area	Acquisition Price (Millions of yen)	Tenant / Master Lessee	Floor Area (m ²)	PML ^(*) (%)	Occupancy Rate (%) ^(*)	
A-1	Office Building	Hitachi Headquarters Building	Central Tokyo	40,000	Mori Trust	57,255	4.9	100.0
A-2	Office Building	Nissan Motor New Headquarters Building	Central Tokyo	16,000	Mori Trust	38,902 ^(*)	8.1	100.0
A-3	Office Building	Mita MT Building	Central Tokyo	16,000	Mori Kanko Trust	21,043	10.5	100.0
A-4	Office Building	Marubeni Osaka Headquarters Building	Other Areas	12,500	Marubeni Corporation	41,574	3.4	100.0
A-5	Office Building	Shin-Yokohama TECH Building	Other Areas	6,900	Fujitsu & others	25,187	8.7	100.0
A-6	Office Building	Osaki MT Building	Central Tokyo	7,870	Mori Trust	26,981 ^(*)	11.5	100.0
B-1	Retail Facility	Ito-Yokado Shonandai	Other Areas	11,600	Ito-Yokado	53,394	14.0	100.0
B-2	Retail Facility	Cresse Inage	Other Areas	4,200	Daiwa Kosho Lease	79,113 ^(*)	-	100.0
B-3	Retail Facility	Ito-Yokado Shin-Urayasu	Other Areas	12,150	Ito-Yokado	57,621	18.9	100.0
C-1	Residential Property	Park Lane Plaza	Central Tokyo	3,200	16 tenants	5,247	14.9	90.8
Total	-	-	130,420	-	-	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 m².

(*)2 MTR has acquired co-ownership of the building. Ownership share is calculated at a ratio of 590,950/1,000,000.

(*)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 September 30, 2005.

OVERVIEW OF PROPERTIES



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 ²
Floor Area:	57,254.61 m ² (Note 1)
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

Notes:

1. Floor area includes 65.45 m² of an attached structure.
2. Although Hitachi, Ltd. has transferred its headquarters functions from the Hitachi Headquarters Building, it continues to occupy the property.

Property Revenue and Expenditure (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥1,316,052
Property-related expenses	¥272,065
Property rental profit	¥1,043,987



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 ² (Note 1)
Floor Area:	38,901.73 m ² (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 m²) of five parcels. MTR shares ownership of the remaining parcel. (MTR ownership: 6,570/10,000 out of 4,287.87m²)
2. MTR has acquired compartmental ownership of this property. The floor area owned by MTR totals 23,614.49 m².

Property Revenue and Expenditure (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥450,380
Property-related expenses	¥106,807
Property rental profit	¥343,573

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 ²
Floor Area:	21,043.02 m ² (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 m² of two attached structures (tower parking lots).

Property Revenue and Expenditure (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥503,278
Property-related expenses	¥115,448
Property rental profit	¥387,830

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 ²
Floor Area:	41,574.47 m ²
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 (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥600,177
Property-related expenses	¥199,045
Property rental profit	¥401,132

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 ²
Floor Area:	25,187.22 m ²
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 (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥515,864
Property-related expenses	¥266,876
Property rental profit	¥248,988

A-6

■ Office Building



Osaki MT Building

(Acquired on March 31, 2005)

Location:	5-9-11 Kita-Shinagawa, Shinagawa-ku, Tokyo
Site Area:	3,002.07 m ² (Note 1)
Floor Area:	26,980.68 m ² (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: 1807.12 m²) of 14 parcels. MTR shares ownership of 4 other parcels.
(MTR ownership in 3 lots: 710,234/1,081,560 out of 1,073.67m²; MTR ownership in remaining 1 lot: 1/5 out of 121.28m²)
- MTR has acquired co-ownership of this property. MTR's ownership share totals 15,944.23 m², calculated at a ratio of 590,950/1,000,000.

Property Revenue and Expenditure (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥268,120
Property-related expenses	¥63,740
Property rental profit	¥204,380

B-1

■ Retail Facility

Ito-Yokado Shonandai

(Acquired on March 28, 2003)



Location: 6-2-1 Ishikawa, Fujisawa, Kanagawa
 Site Area: 35,209.93 m²
 Floor Area: 53,393.66 m² (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 m² of an attached structure.

Property Revenue and Expenditure (7th Fiscal Period)
 (Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥395,050
Property-related expenses	¥132,067
Property rental profit	¥262,983

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 m²
 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 (7th Fiscal Period)
 (Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥238,167
Property-related expenses	¥19,582
Property rental profit	¥218,584

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 ² (Note 2)
Floor Area:	57,621.38 m ²
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 (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥378,165
Property-related expenses	¥121,116
Property rental profit	¥257,048

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 ²
Floor Area:	5,246.78 m ² (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 figures, include two storage areas stipulated as joint ownership space as well.

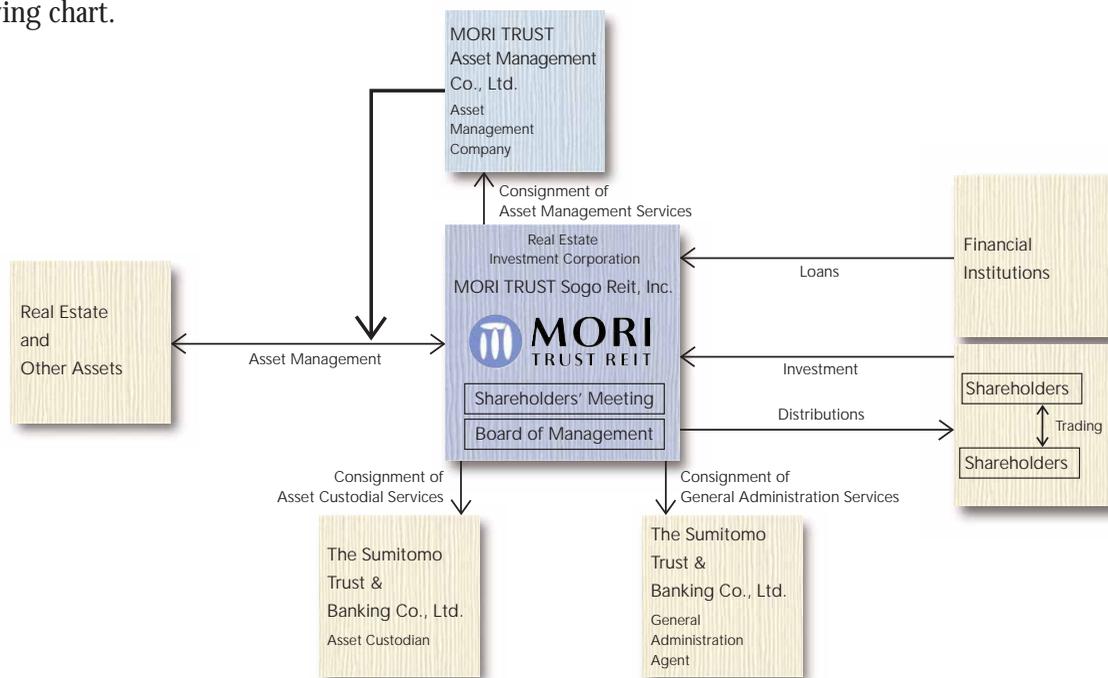
Property Revenue and Expenditure (7th Fiscal Period)
(Thousands of yen)

Number of days in operation during the period	183
Rental revenues	¥98,760
Property-related expenses	¥44,907
Property rental profit	¥53,853

ORGANIZATION

(As of September 30, 2005)

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 by investing primarily in real estate, securities backed by real estate, etc.

MORI TRUST Asset Management Co., Ltd.

(MTAM: Asset Management Company)

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.

The Sumitomo Trust & Banking Co., Ltd.

(General Administration Agent/Asset Custodian)

Pursuant to the Administration Agency Agreement, the services provided by the Administration Agent include: (1) administration in connection with the registration of shareholders, (2) administration in connection with the issue of share certificates, (3) administration in connection with Directors' meetings and 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 norms 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.

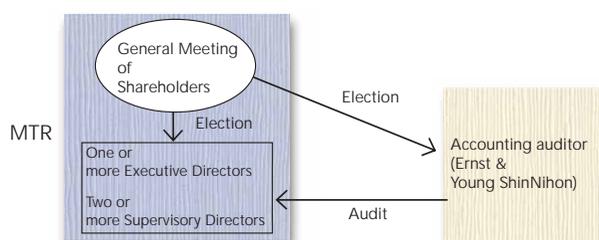
MTR's Organization

The Executive Director that represents MTR conducts execution of daily operations. MTR also has Supervisory Directors that oversee the 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.

MTR Organization Chart



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 agencies. 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.

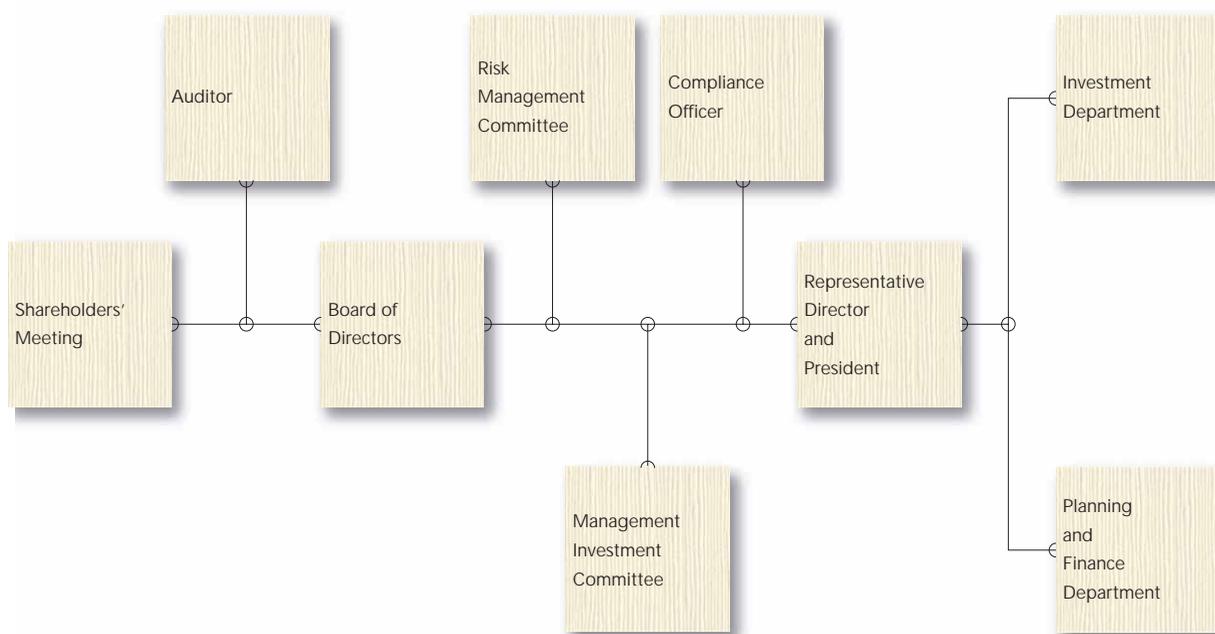
(2) Risk Management Committee

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

1. Overview

(1) Investment Environment and Business Results
During the six-month fiscal period ended September 30, 2005, the Japanese economy continued to enjoy improved conditions, driven by increased capital expenditure buoyed by a continued high level of corporate earnings, and healthy personal consumption fueled by a moderate increase in disposable incomes.

Activity in the real estate market was robust. During the period under review, competition for the acquisition of properties was particularly intense, reflecting the impact of real estate investment trusts and private funds.

In the leasing market for office buildings, demand continued to climb as companies looked toward expansion through increasing existing floor space or relocating to other buildings. While rental rates ended on a soft note, the market continued to polarize, with a growing disparity between high-grade buildings and other buildings.

The impact on large-scale office buildings in central Tokyo was particularly marked. Overall occupancy rates increased, underpinned by a succession of new buildings that enjoyed a high level of tenancy agreements prior to construction

completion, and business expansion that prompted an increase in existing floor space and relocation to larger buildings. Despite continued downward pressure, the market showed signs of a bottoming out in rental rates.

Conditions in the leasing market for retail facilities remained stagnant, buffeted by inclement weather and intense competition related to a reorganization of the industry.

In the leasing market for luxury residential properties, conditions were generally sound. During the fiscal period under review, this positive environment was indicated by improvements in vacancy rates in certain areas as well as rental rates.

Against this backdrop, MTR took steps to attract new tenants to the Shin-Yokohama TECH Building and Park Lane Plaza with the aim of securing stable profits. As a result of these efforts, occupancy rates improved.

As of September 30, 2005, MTR maintained a real estate portfolio comprising 10 properties with a book value of ¥132,953 million. On a leasable floor space basis, occupancy as of the fiscal period-end was 99.9%.

2. Business Results

	Millions of yen			US dollars (Note)	
	7 th Fiscal Period Ended September 30, 2005 (Actual)	7 th Fiscal Period Ended September 30, 2005 (Forecasted)	6 th Fiscal Period Ended March 31, 2005	Change (Actual 7 th Fiscal Period Compared with 6 th Fiscal Period)	7 th Fiscal Period Ended September 30, 2005 (Actual)
Operating revenues	¥ 4,764	¥ 4,780	¥ 4,451	7.0%	\$42,014,441
Operating income	3,139	3,071	2,940	6.8%	27,684,199
Income before income taxes	2,948	2,881	2,799	5.3%	26,003,692
Net income	2,947	2,880	2,798	5.3%	25,994,755
Distribution per share (Yen)	18,422	18,000	17,493	5.3%	162

Note: The rate of ¥113.39=US\$1.00, the foreign exchange rate on September 30, 2005, has been used for translation.

For the six-month period ended September 30, 2005, operating revenues rose 7.0% compared with the previous fiscal period to ¥4,764 million. On the earnings front, net income climbed 5.3% to ¥2,947 million. This marked the sixth consecutive period of increased revenues and earnings since incorporation and reflects the steady growth that MTR continues to enjoy. Distribution per share for the fiscal period under review was ¥18,422, an increase of ¥929 compared with the previous period and above the original estimate of ¥18,000. The increases in revenues, earnings and distribution were mainly

attributed to a full-year's contribution from both the Osaki MT Building and Park Lane Plaza, and an increase in overall portfolio occupancy.

In addition to these exceptional results, MTR has also produced outstanding operating efficiency. ROA (income before income taxes/period-end total assets × annualized rate) for the fiscal period under review was 4.22%, the fourth consecutive period above 4.0% since public listing.

Moreover, portfolio occupancy as of the fiscal period-end was 99.9%, a measure of successful efforts to improve occupancy.

3. Financial Position

During the fiscal period under review, MTR's property portfolio remained unchanged. As a result, total assets as of September 30, 2005 were essentially on a par with the end of the previous fiscal period-end, standing at ¥139,815 million. Short-term

loans and long-term loans remained constant at ¥18,000 million and ¥28,000 million, respectively, for a total of ¥46,000 million. LTV (interest-bearing debt to total assets) was 32.9%.

Interest-Bearing Liabilities for the Seventh Fiscal Period (as of September 30, 2005)

Lender	Drawdown Date	7 th Fiscal Period-End Outstanding Balance (Millions of yen)	7 th Fiscal Period-End Average Interest Rate	Repayment Date	Term	Repayment Method	Remarks
Short-Term Loans							
The Sumitomo Trust & Banking Co., Ltd.	March 31, 2005	¥ 7,000	0.28% Floating	February 28, 2006	5 months		
Mitsubishi UFJ Trust and Banking Corporation	February 28, 2005	5,000	0.29% Floating	February 28, 2006	5 months	Bullet Repayment	Unsecured / Non-Guaranteed
The Jyo Bank, Ltd.	February 28, 2005	3,000	0.29% Floating	February 28, 2006	5 months		on Maturity
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 28, 2005	1,500	0.36% Floating	February 28, 2006	5 months		
Mizuho Corporate Bank, Ltd.	February 28, 2005	1,500	0.36% Floating	February 28, 2006	5 months		
Subtotal		¥18,000	0.30%				
Long-Term Loans							
The Sumitomo Trust & Banking Co., Ltd.	March 26, 2004	¥ 3,000	0.65% Floating	February 28, 2006	5 months		
Sumitomo Mitsui Banking Corporation	March 26, 2004	2,000	0.70% Floating	February 28, 2007	1 year 5 months		
The Hachijuni Bank, Ltd.	March 26, 2004	1,000	0.65% Floating	February 28, 2007	1 year 5 months		
The Dai-ichi Mutual Life Insurance Company	March 26, 2004	2,500	0.93% Fixed	February 28, 2007	1 year 5 months	Bullet	Unsecured /
Nippon Life Insurance Company	March 26, 2004	3,000	1.29% Fixed	February 27, 2009	3 years 5 months	Payment	Non-Guaranteed
Sumitomo Mitsui Banking Corporation	February 28, 2005	5,000	1.15% Fixed	February 26, 2010	4 years 5 months		on Maturity
Nippon Life Insurance Company	February 28, 2005	3,000	1.09% Fixed	February 26, 2010	4 years 5 months		
The Dai-ichi Mutual Life Insurance Company	February 28, 2005	2,000	1.09% Fixed	February 26, 2010	4 years 5 months		
Development Bank of Japan	March 26, 2004	2,500	1.65% Fixed	February 28, 2011	5 years 5 months		
Development Bank of Japan	February 28, 2005	4,000	1.44% Fixed	February 29, 2012	6 years 5 months		
Subtotal		¥28,000	1.12%				
Total		¥46,000	0.80%				

Note: MTR obtained an additional (short term) loan on October 28, 2005, of ¥5,500 million from the Sumitomo Trust & Banking Co., Ltd. Interest rate: 0.22% (floating); Repayable in one lump-sum payment on February 28, 2006. The loan is unsecured and not guaranteed. As of October 28, 2005, short-term loans totaled ¥23,500 million and interest-bearing liabilities totaled ¥51,500 million.

4. Forecasts for the Eighth Fiscal Period Ending March 31, 2006

	Millions of yen		
	7 th Fiscal Period (Actual)	8 th Fiscal Period (Forecast)	Rate of Increase/Decrease
Operating revenues	¥ 4,764	¥ 4,867	2.2%
Operating income	3,139	3,078	-1.9%
Income before income taxes	2,948	2,881	-2.3%
Net income	2,947	2,880	-2.3%
Distribution per share (Yen)	18,422	18,000	-2.3%

MTR acquired additional interests in the Osaki MT Building on October 28, 2005. Forecasts for the eighth fiscal period ending March 31, 2006 are based on a property portfolio of

10 properties including this additional acquisition. On the aforementioned basis, operating revenues are expected to increase 2.2% to ¥4,867 million while net income is forecast to decline 2.3% to ¥2,880 million. A full period's contribution from the additional acquisition in the Osaki MT Building and an increase in rental revenues are the principal factors supporting anticipated operating revenue growth. On the earnings front, the drop in net income is attributed to efforts to enhance portfolio value, including building repairs and renovations, expenditure related to asbestos sampling and anticipatory expenses to expand overseas IR activities. Accounting for all these factors, distribution per share for the eighth fiscal period is forecast at ¥18,000.

Actual operating revenues, operating income, income before income taxes, net income, and distribution 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 SECTION

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FINANCIAL STATEMENTS

Balance Sheets

As of September 30, 2005 and March 31, 2005

	Thousands of yen		U.S. dollars (Note 1)
	September 30, 2005	March 31, 2005	September 30, 2005
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 11)	¥ 6,470,747	¥ 5,917,624	\$ 57,066,288
Rental and other receivables	35,286	32,564	311,190
Other current assets	38,595	35,054	340,378
Total current assets	6,544,628	5,985,242	57,717,856
Property and Equipment, at Cost: (Note 3)			
Land including trust accounts	108,037,264	108,030,503	952,793,580
Buildings and structures	27,560,539	27,493,768	243,059,701
Machinery and equipment	43,553	43,553	384,094
Tools, furniture and fixtures	1,543	757	13,610
Construction in progress	292,775	-	2,582,020
Less: accumulated depreciation	(2,688,951)	(2,057,707)	(23,714,189)
Net property and equipment	133,246,723	133,510,874	1,175,118,816
Investments and Other Assets:			
Deposits	10,000	10,000	88,191
Organization costs	13,688	20,533	120,724
Other	240	240	2,117
Total investments and other assets	23,928	30,773	211,032
Total Assets	¥139,815,279	¥139,526,889	\$1,233,047,704

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

	Thousands of yen		U.S. dollars (Note 1)
	September 30, 2005	March 31, 2005	September 30, 2005
LIABILITIES			
Current Liabilities:			
Accounts payable	¥ 44,596	¥ 53,815	\$ 393,300
Short-term loans (Note 4)	18,000,000	18,000,000	158,744,157
Current portion of long-term loans	3,000,000	3,000,000	26,457,360
Distribution payable	12,359	11,373	108,997
Consumption taxes payable	177,474	32,525	1,565,164
Rents received in advance	809,051	784,175	7,135,118
Accrued expenses and other current liabilities	123,029	233,870	1,085,005
Total current liabilities	22,166,509	22,115,758	195,489,101
Long-Term Liabilities:			
Long-term loans (Note 5)	25,000,000	25,000,000	220,477,996
Leasehold and security deposits (Note 9)	9,701,185	9,612,211	85,555,914
Total long-term liabilities	34,701,185	34,612,211	306,033,910
Total Liabilities	56,867,694	56,727,969	501,523,011
Shareholders' Equity: (Note 6)			
Shareholders' capital			
Shares Authorized: 2,000,000 shares			
Shares Issued and Outstanding: 160,000 shares	80,000,000	80,000,000	705,529,588
Retained earnings	2,947,585	2,798,920	25,995,105
Total Shareholders' Equity	82,947,585	82,798,920	731,524,693
Total Liabilities and Shareholders' Equity	¥139,815,279	¥139,526,889	\$1,233,047,704

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

Statements of Income and Retained Earnings

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

	Thousands of yen		U.S. dollars (Note 1)
	April 1, 2005 to September 30, 2005	October 1, 2004 to March 31, 2005	April 1, 2005 to September 30, 2005
Operating Revenues:			
Rental revenues (Notes 9 and 10)	¥4,764,017	¥4,451,668	\$42,014,441
Operating Expenses:			
Property-related expenses (Note 10)	1,341,655	1,222,905	11,832,218
Asset management fees	146,615	138,202	1,293,017
Custodian and administrative service fees	71,810	66,358	633,304
Other operating expenses	64,826	84,158	571,703
Operating Income	3,139,111	2,940,045	27,684,199
Non-Operating Revenues:			
Interest income	28	25	249
Other non-operating revenues	-	2	-
Non-Operating Expenses:			
Interest expense	183,736	133,316	1,620,394
Amortization of organization costs	6,844	6,844	60,362
Income before Income Taxes	2,948,559	2,799,912	26,003,692
Income Taxes:			
Current	1,014	1,013	8,937
Deferred	-	(2)	-
Net Income	2,947,545	2,798,901	25,994,755
Retained Earnings at the Beginning of Period	40	19	350
Retained Earnings at the End of Period	¥2,947,585	¥2,798,920	\$25,995,105

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

Statements of Changes in Shareholders' Equity

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

	Shares	Thousands of yen	U.S. dollars (Note 1)
Balance as of September 30, 2004	160,000	¥82,640,499	
Cash dividends paid	-	(2,640,480)	
Net income	-	2,798,901	
Balance as of March 31, 2005	160,000	82,798,920	\$730,213,596
Cash dividends paid	-	(2,798,880)	(24,683,658)
Net income	-	2,947,545	25,994,755
Balance as of September 30, 2005	160,000	¥82,947,585	\$731,524,693

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

Statements of Cash Flows

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

	Thousands of yen		U.S. dollars (Note 1)
	April 1, 2005 to September 30, 2005	October 1, 2004 to March 31, 2005	April 1, 2005 to September 30, 2005
Cash Flows from Operating Activities:			
Income before income taxes	¥2,948,559	¥2,799,912	\$26,003,692
Depreciation and amortization	631,245	578,909	5,567,021
Amortization of organization costs	6,844	6,844	60,363
Interest income	(28)	(25)	(249)
Interest expense	183,736	133,316	1,620,394
Changes in assets and liabilities			
Rental and other receivables	(2,721)	8,372	(24,002)
Consumption tax refundable	-	917	-
Other assets	(3,541)	3,951	(31,230)
Accounts payable and accrued expenses	5,049	7,299	44,525
Consumption taxes payable	144,949	32,525	1,278,324
Rents received in advance	24,876	137,584	219,385
Other liabilities	2,308	13,232	20,353
Subtotal	3,941,276	3,722,836	34,758,576
Interest received	28	25	249
Interest paid	(183,255)	(126,815)	(1,616,146)
Income taxes paid	(1,014)	(974)	(8,941)
Net cash provided by operating activities	3,757,035	3,595,072	33,133,738
Cash Flows from Investing Activities:			
Purchases of property and equipment	(384,951)	(11,347,967)	(3,394,926)
Purchases of intangible assets	-	(240)	-
Repayments of leasehold and security deposits	(110,041)	(8,000)	(970,467)
Proceeds from leasehold and security deposits	88,973	1,191,329	784,669
Net cash used in investing activities	(406,019)	(10,164,878)	(3,580,724)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans	-	(4,000,000)	-
Proceeds from long-term loans	-	14,000,000	-
Distributions paid to shareholders	(2,797,893)	(2,637,750)	(24,674,958)
Net cash provided by (used in) financing activities	(2,797,893)	7,362,250	(24,674,958)
Net Change in Cash and Cash Equivalents	553,123	792,444	4,878,056
Cash and Cash Equivalents at the Beginning of Period	5,917,624	5,125,180	52,188,232
Cash and Cash Equivalents at the End of Period	¥6,470,747	¥5,917,624	\$57,066,288

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

NOTES TO FINANCIAL STATEMENTS

1. Organizations and Basis of Presentation of Financial Statements

Organizations

MORI TRUST Sogo Reit, Inc. ("MTR"), a Japanese real estate investment corporation, was incorporated on October 2, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. MTR was originally formed by Mori Trust Co., Ltd., and commenced its operation on March 28, 2002 by acquiring the property. MTR is provided professional asset management services of properties of varied types by a licensed asset management company, MORI TRUST Asset Management Co., Ltd. ("MTAM"). MTAM is currently owned 65% by Mori Trust Co., Ltd., 10% by PARCO CO., LTD., 10% by SOMPO JAPAN INSURANCE INC., 5% by Sumitomo Mitsui Banking Corporation, 5% by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and 5% by Mizuho Corporate Bank, Ltd. On February 13, 2004, MTR listed on the J-REIT section of the Tokyo Stock Exchange (Securities code: 8961). As of September 30, 2005, MTR owned a portfolio of 10 properties with total rentable area of 372,361.77 sq. m, occupied by 28 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 ¥113.39=US\$1.00, the foreign exchange rate on September 30, 2005, 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	2-6 years
Machinery and equipment.....	3-6 years
Tools, furniture and fixtures.....	6 years

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

In the period ended September 30, 2005, MTR adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in period beginning on or after April 1, 2005. The adoption of this new standard had no effect on the statement of income and retained earnings for the fiscal period ended September 30, 2005.

Deferred Organization Costs

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

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 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 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 ¥40,987 thousand for the period ended September 30, 2005 and ¥304 thousand for the period ended March 31, 2005.

Cash and Cash Equivalents

Cash and cash equivalents consists 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 sheets and statements of income accounts.

Consumption Taxes

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

3. Property and Equipment

Property and equipment at September 30, 2005 and March 31, 2005 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2005		As of March 31, 2005		As of September 30, 2005	
	Acquisition Cost	Book Value	Acquisition Cost	Book Value	Acquisition Cost	Book Value
Land	¥103,650,737	¥103,650,737	¥103,643,976	¥103,643,976	\$914,108,277	\$914,108,277
Buildings and structures	27,560,539		27,493,768		243,059,701	
Accumulated depreciation	2,667,202	24,893,337	2,042,083	25,451,685	23,522,376	219,537,325
Machinery and equipment	43,553		43,553		384,094	
Accumulated depreciation	21,645	21,908	15,596	27,957	190,892	193,202
Tools, furniture and fixtures	1,543		757		13,610	
Accumulated depreciation	104	1,439	28	729	921	12,689
Construction in progress	292,775	292,775	-	-	2,582,020	2,582,020
Land in trust	4,386,527	4,386,527	4,386,527	4,386,527	38,685,303	38,685,303
Total		¥133,246,723		¥133,510,874		\$1,175,118,816

4. Short-Term Loans

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

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Unsecured loans from banks and trust banks with floating interest rate, due on February 28, 2006	¥18,000,000	¥18,000,000	\$158,744,157
Total	¥18,000,000	¥18,000,000	\$158,744,157

The annual interest rates on short-term loans outstanding are floating rates and at September 30, 2005 and March 31, 2005 ranging from 0.28% to 0.36% and from 0.29% to 0.37%, respectively. Use of funds for the above includes acquisition of real estate or beneficiary interests.

During the six-month period ended March 31, 2005, MTR obtained committed credit lines of ¥10,000 million (\$88,191 thousand) with certain financial institutions to reduce refinancing risk. The unused amount of these committed credit lines was ¥10,000 million (\$88,191 thousand) at March 31, 2005 and September 30, 2005.

5. Long-Term Loans

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

Lender	Thousands of yen		U.S. dollars		Due on	Use of funds	Note
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005	Average interest rate (%) (1)			
The Sumitomo Trust & Banking Co, Ltd.	¥ 3,000,000	¥ 3,000,000	\$ 26,457,359	0.65	February 28, 2006		Unsecured/
Sumitomo Mitsui Banking Corporation	2,000,000	2,000,000	17,638,239	0.70	February 28, 2007		Non-guaranteed/
The Hachijuni Bank, Ltd.	1,000,000	1,000,000	8,819,119	0.65	February 28, 2007		Floating rate
The Dai-ichi Mutual Life Insurance Company	2,500,000	2,500,000	22,047,799	0.93	February 28, 2007	(2)	Unsecured/ Non-guaranteed/ Fixed rate
Nippon Life Insurance Company	3,000,000	3,000,000	26,457,359	1.29	February 27, 2009		
Sumitomo Mitsui Banking Corporation	5,000,000	5,000,000	44,095,599	1.15	February 26, 2010		
Nippon Life Insurance Company	3,000,000	3,000,000	26,457,359	1.09	February 26, 2010		
The Dai-ichi Mutual Life Insurance Company	2,000,000	2,000,000	17,638,239	1.09	February 26, 2010		
Development Bank of Japan	2,500,000	2,500,000	22,047,799	1.65	February 28, 2011		
Development Bank of Japan	4,000,000	4,000,000	35,276,479	1.44	February 29, 2012		
Long-term loans Total	¥28,000,000	¥28,000,000	\$246,935,355	-	-	-	-

(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 sheet and expected to be repaid by specific year(s) is as follows:

Amount of loans		1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
		(Thousands of yen)	¥ 5,500,000	-	¥ 3,000,000
	(U.S. dollars)	\$48,505,159	-	\$26,457,359	\$88,191,198

6. Shareholders' Equity

MTR is required to maintain net assets of at least ¥50 million (\$440 thousand), as required pursuant to the Investment Trust Law.

7. Income Taxes

At September 30, 2005 and March 31, 2005, MTR's deferred tax assets consist mainly of enterprise tax payable, which is not deductible for tax purposes. The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended September 30, 2005 and March 31, 2005 was as follows:

	April 1, 2005 to September 30, 2005	October 1, 2004 to March 31, 2005
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.37%)
Per capita inhabitants tax	0.02%	0.02%
Effective tax rate	0.03%	0.04%

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 the Articles of Incorporation, MTR made a dividend distribution of approximately 100% of retained earnings in the amount of ¥2,947,520 thousand (\$25,994,532) at September 30, 2005 and treated it as tax deductible dividend. MTR will not distribute the dividends in excess of accounting profit under the Articles of Incorporation.

8. Per Share Information

The following table summarizes information about net assets per share and net income per share at September 30, 2005 and March 31, 2005, and for the six-month periods then ended:

	Yen		U.S. dollars
	April 1, 2005 to September 30, 2005	October 1, 2004 to March 31, 2005	April 1, 2005 to September 30, 2005
Net assets per share at period end	¥518,422	¥517,493	\$4,572
Net income per share	18,422	17,493	162

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:

	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
Detail 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

	October 1, 2004 to March 31, 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
Detail of transaction	Acquisition of real estate assets	-
Transaction amount	¥7,870,000 thousand	-
Detail of transaction	Rental revenues	Rental revenues
Transaction amount	¥1,766,420 thousand	¥503,278 thousand
Account title and balance at year end	Rents received in advance: ¥355,062 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 September 30, 2005 and March 31, 2005.

	Thousand of yen		U.S. dollars
	April 1, 2005 to September 30, 2005	October 1, 2004 to March 31, 2005	April 1, 2005 to September 30, 2005
Property-Related Revenues	¥4,764,017	¥4,451,668	\$42,014,441
Rental Revenues	4,764,017	4,451,668	42,014,441
Rental revenues	4,555,601	4,249,058	40,176,388
Common charges	110,470	110,408	974,255
Parking revenues	6,600	6,600	58,206
Other rental revenues	91,346	85,602	805,592
Property-Related Expenses	1,341,655	1,222,905	11,832,218
Property management fees	89,154	79,754	786,258
Utilities expenses	88,296	77,008	778,694
Property and other taxes	486,296	453,591	4,288,702
Casualty insurance	18,259	17,984	161,034
Repairs and maintenance	22,699	12,144	200,187
Depreciation	631,245	578,909	5,567,021
Other rental expenses	5,706	3,515	50,322
Profits	¥3,422,362	¥3,228,763	\$30,182,223

11. Cash and Cash Equivalents

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

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Cash and cash equivalents	¥ 6,470,746	¥ 5,917,624	\$57,066,288

12. Leases

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

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Due within one year	¥ 7,417,190	¥ 8,288,241	\$ 65,413,088
Due after one year	37,995,425	41,256,487	335,086,214
Total	¥45,412,615	¥49,544,728	\$400,499,303

13. Subsequent Events

APPROPRIATION OF RETAINED EARNINGS

On November 25, 2005, the Board of Management resolved to effect the payment of a cash distribution of ¥18,422 per share aggregating ¥2,947million (\$25,994 thousand) to shareholders at the record date of September 30, 2005.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying balance sheets of MORI TRUST Sogo Reit, Inc. as of September 30, 2005 and March 31, 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 September 30, 2005 and March 31, 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.

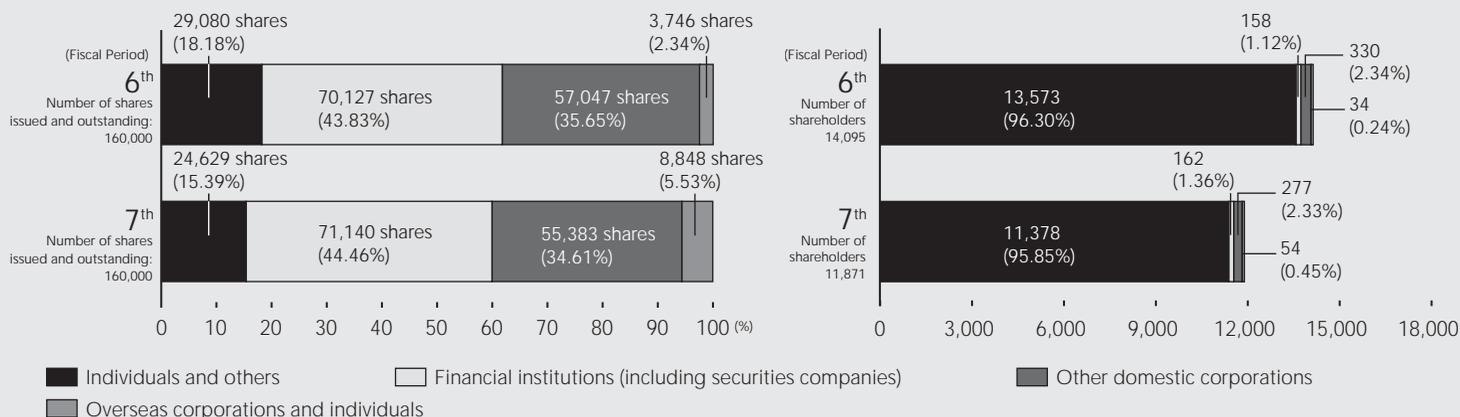
The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended September 30, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

February 10, 2006

SHAREHOLDER INFORMATION

Shareholder Composition

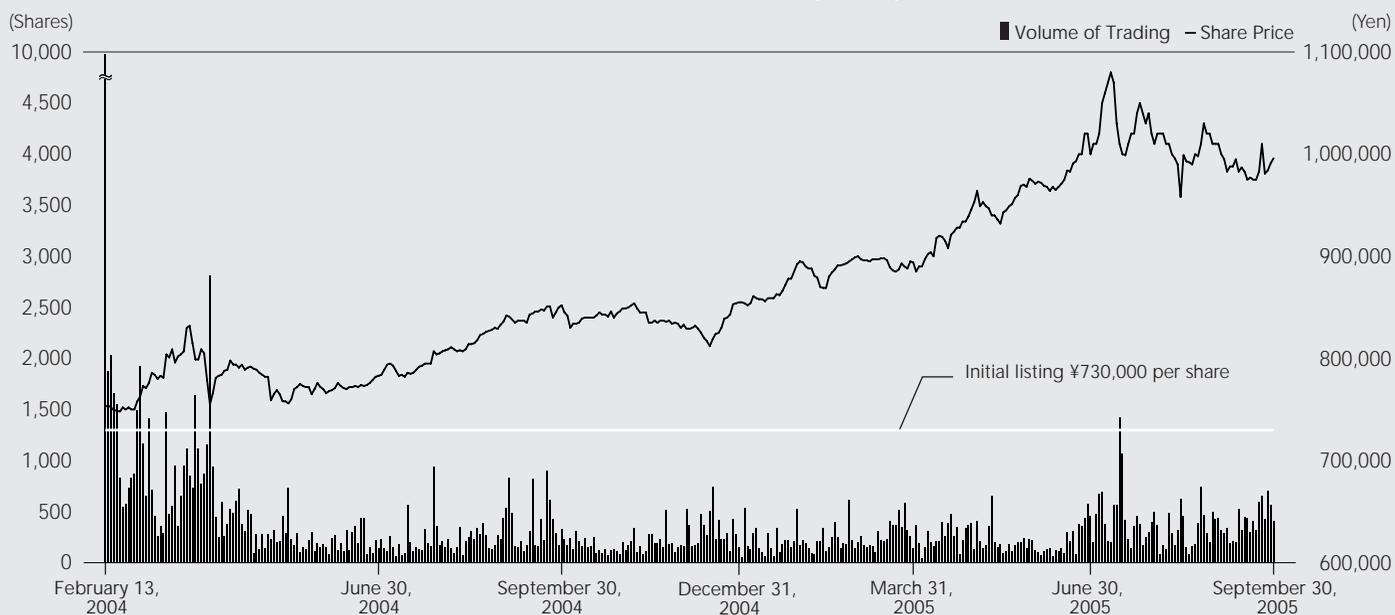


Top 10 Shareholders

Shareholders	Number of shares held	% of total
Mori Trust Co., Ltd.	28,000	17.50
Mori Kanko Trust Co., Ltd.	20,000	12.50
Japan Trustee Services Bank, Ltd. (trust account)	9,474	5.92
The Master Trust Bank of Japan, Ltd. (trust account)	8,148	5.09
Trust & Custody Services Bank, Ltd. (securities investment trust account)	5,130	3.21
NikkoCiti Trust and Banking Corporation (investment trust)	4,457	2.79
Kansai Urban Banking Corporation	2,959	1.85
The Fuji Fire & Marine Insurance Co., Limited	2,436	1.52
Aozora Bank, Ltd.	2,247	1.40
The Joyo Bank, Ltd.	1,810	1.13
Total	84,661	52.91

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 September 30, 2005 are as follows.



CORPORATE DATA

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

(As of September 30, 2005)

Company Profile

Company Name:

MORI TRUST Asset Management Co., Ltd.

Address:

1-25-5 Toranomon, Minato-ku, Tokyo

Incorporated:

February 28, 2000

Shareholders' Capital:

¥400 million

Business Activities:

Asset Management for the Real Estate Investment Corporation

Directors

Representative Director and President:

Masaki Murata

Directors:

Masashi Kotake

Hajime Tanaka

Fumiaki Hashimoto

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
Total	8,000	100.0

MORI TRUST Sogo Reit, Inc.

(As of September 30, 2005)

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:

11,871

Transfer Agent:

The Sumitomo Trust & Banking Co., Ltd.

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

Stock Listing:

Tokyo Stock Exchange (Securities Code: 8961)

Independent Accounting Auditor:

Ernst & Young ShinNihon

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

Incorporated:

October 2, 2001

This semi-annual report includes translation of documents originally filed under the Securities and Exchange Law of Japan. This report was prepared in English solely for the convenience 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>