

**Japan Retail Fund Investment Corporation**

**Second Accounting Period Financial Report  
For the Period from September 1, 2002 to February 28, 2003**

**REPORT OF INDEPENDENT ACCOUNTANTS**

**To the Board of Directors of Japan Retail Fund Investment Corporation:**

We have audited the accompanying balance sheets of Japan Retail Fund Investment Corporation as of February 28, 2003 and August 31, 2002, and the related statements of income and retained earnings and cash flows for the six months ended February 28, 2003 and for the period from September 14, 2001, the date of incorporation, to August 31, 2002, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Japan Retail Fund Investment Corporation as of February 28, 2003 and August 31, 2002 and the results of its operations and its cash flows for the six months ended February 28, 2003 and for the period from September 14, 2001, the date of incorporation, to August 31, 2002 in conformity with accounting principles and practices generally accepted in Japan (see Note 2 (a)) applied on a consistent basis.

As described in Note 12, Issuance of additional units and Property acquisition are stated as subsequent events.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying financial statements.

*ChuoAoyama Audit Corporation*

Tokyo, Japan  
May 21, 2003

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEETS**

**As of February 28, 2003 and August 31, 2002**

	<u>February 28, 2003</u>	<u>August 31, 2002</u>	<u>February 28, 2003</u>
	<u>(¥ in millions)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	1,734	1,753	14,723
Rental receivables	45	45	380
Consumption tax refundable	—	729	—
Prepaid expenses and other assets	16	23	139
<i>Total current assets</i>	<u>1,795</u>	<u>2,550</u>	<u>15,242</u>
<b>Non-current assets:</b>			
<b>Property and equipment, at cost:</b>			
Land	27,552	26,353	233,987
Buildings	14,982	14,233	127,244
Building improvements	995	948	8,447
Machinery and equipment	79	65	667
	<u>43,608</u>	<u>41,599</u>	<u>370,345</u>
Less: Accumulated depreciation	<u>(580)</u>	<u>(285)</u>	<u>(4,928)</u>
<i>Net property and equipment</i>	<u>43,028</u>	<u>41,314</u>	<u>365,417</u>
<b>Other assets:</b>			
Long-term prepaid expenses	33	38	279
Organization costs	97	111	828
Other	59	51	502
<i>Total other assets</i>	<u>189</u>	<u>200</u>	<u>1,609</u>
<b>TOTAL ASSETS</b>	<u><u>45,012</u></u>	<u><u>44,064</u></u>	<u><u>382,268</u></u>

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEETS**

As of February 28, 2003 and August 31, 2002

	<u>February 28, 2003</u>	<u>August 31, 2002</u>	<u>February 28, 2003</u>
	<u>(¥ in millions)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term debt	4,830	4,830	41,019
Accounts payable	—	129	—
Rent received in advance	142	130	1,208
Accrued expenses and other liabilities	200	169	1,698
<i>Total current liabilities</i>	<u>5,172</u>	<u>5,258</u>	<u>43,925</u>
<b>Non-current liabilities:</b>			
Long-term debt	4,170	4,170	35,414
Tenant leasehold and security deposits	11,192	10,229	95,047
Other	59	51	502
<i>Total non-current liabilities</i>	<u>15,421</u>	<u>14,450</u>	<u>130,963</u>
<b>TOTAL LIABILITIES</b>	<u>20,593</u>	<u>19,708</u>	<u>174,888</u>
<b>Unitholders' equity:</b>			
Unitholders' capital, 2,000,000 units authorized,			
52,400 units issued and outstanding	23,662	23,662	200,955
Retained earnings	757	694	6,425
<b>TOTAL UNITHOLDERS' EQUITY</b>	<u>24,419</u>	<u>24,356</u>	<u>207,380</u>
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	<u><u>45,012</u></u>	<u><u>44,064</u></u>	<u><u>382,268</u></u>

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**

**For the Six Months Ended February 28, 2003**  
**and for the Period from September 14, 2001 to August 31, 2002**

	<u>September 1, 2002</u>	<u>September 14, 2001</u>	<u>September 1, 2002</u>
	<u>to</u>	<u>to</u>	<u>to</u>
	<u>February 28, 2003</u>	<u>August 31, 2002</u>	<u>February 28, 2003</u>
	<u>(¥ in millions)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>
<b>Operating Revenues and Expenses:</b>			
<b>Operating revenues</b>			
Rental and other operating revenues	1,453	1,350	12,343
<b>Operating expenses</b>			
Property-related expenses	341	327	2,896
Asset management fees	132	122	1,125
Custodian fees	9	6	74
General administration fees	28	25	241
Other	29	29	242
	<hr/> 539	<hr/> 509	<hr/> 4,578
<b>Operating income</b>	914	841	7,765
<b>Non-Operating Revenues and Expenses:</b>			
<b>Non-operating revenues</b>			
Other non-operating revenues	1	—	9
<b>Non-operating expenses</b>			
Interest expense	49	39	415
Offering costs	82	80	700
Amortization of organization costs	14	14	118
Other non-operating expenses	12	12	108
	<hr/> 758	<hr/> 696	<hr/> 6,433
<b>Income before income taxes</b>	758	696	6,433
Income taxes	1	2	8
	<hr/> 757	<hr/> 694	<hr/> 6,425
<b>Net income</b>	757	694	6,425
<b>Retained earnings at beginning of period</b>	—	—	—
	<hr/> 757	<hr/> 694	<hr/> 6,425
<b>Retained earnings at end of period</b>	<hr/> 757	<hr/> 694	<hr/> 6,425

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended February 28, 2003**  
**and for the Period from September 14, 2001 to August 31, 2002**

	<u>September 1, 2002</u> <u>to</u> <u>February 28, 2003</u> <u>(¥ in millions)</u>	<u>September 14, 2001</u> <u>to</u> <u>August 31, 2002</u> <u>(¥ in millions)</u>	<u>September 1, 2002</u> <u>to</u> <u>February 28, 2003</u> <u>(US\$ in thousands)</u>
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	758	696	6,433
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	295	285	2,505
Amortization of organization costs	14	14	118
Interest expense	49	39	415
Changes in assets and liabilities:			
Rental receivables	—	(45)	—
Consumption tax refundable	729	(729)	6,193
Accounts payable	(129)	129	(1,088)
Rent received in advance	12	130	103
Accrued expenses and other liabilities	31	169	261
Others, net	(44)	(102)	(371)
Sub-total	1,715	586	14,569
Cash payments of organization costs	—	(125)	—
Net cash provided by operating activities	1,715	461	14,569
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment	(2,008)	(41,599)	(17,058)
Proceeds from tenant leasehold and security deposits	963	10,229	8,176
Net cash used in investing activities	(1,045)	(31,370)	(8,882)

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended February 28, 2003**  
**and for the Period from September 14, 2001 to August 31, 2002**

	<u>September 1, 2002</u> <u>to</u> <u>February 28, 2003</u> <u>(¥ in millions)</u>	<u>September 14, 2001</u> <u>to</u> <u>August 31, 2002</u> <u>(¥ in millions)</u>	<u>September 1, 2002</u> <u>to</u> <u>February 28, 2003</u> <u>(US\$ in thousands)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term debt	4,830	4,830	41,019
Repayments of short-term debt	(4,830)	—	(41,019)
Proceeds from long-term debt	—	4,170	—
Proceeds from issuance of investment units	—	23,662	—
Distributions paid	(689)	—	(5,848)
Net cash provided by financing activities	(689)	32,662	(5,848)
<b>Net change in cash and cash equivalents</b>	<b>(19)</b>	<b>1,753</b>	<b>(161)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,753</b>	<b>—</b>	<b>14,884</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,734</b>	<b>1,753</b>	<b>14,723</b>

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the period from September 14, 2001 to August 31, 2002**  
**and September 1, 2002 to February 28, 2003**

**Note 1 – Organization**

Japan Retail Fund Investment Corporation (the “Company”), a real estate investment corporation, with initial capital of ¥200 million, was established on September 14, 2001, under the Law Concerning Investment Trusts and Investment Corporations of Japan, or (the “Investment Trust Law”). The sponsors of the Company are Mitsubishi Corporation, UBS Global Asset Management (Japan) Ltd. and Mitsubishi Corp.-UBS Realty Inc. The Company was formed to invest primarily in retail real estate in Japan. On March 12, 2002, the Company raised ¥23.46 billion through an initial public offering of investment units.

On March 13, 2002, the day after the Company was listed on the J-REIT section of the Tokyo Stock Exchange, four retail properties were acquired, and substantial operations of the Company were commenced from this date.

On December 10, 2002, the Company exercised its preferential right to acquire the remaining 19.6% interest in ESPA Kawasaki, the only property not wholly owned by the Company in the previous accounting period, for ¥1.97 billion (US\$16.77 million). The purchase price was determined in part with reference to an independently appraised value.

As of February 28, 2003, the Company owned a portfolio of four retail properties. Each of them is 100% owned by the company.

**Note 2 – Summary of Significant Accounting Policies**

***(a) Basis of Presentation***

The Company maintains its accounts and records in conformity with accounting principles and practices 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 related regulations, which are different in certain respects from the application and disclosure requirements of International Accounting Standards or accounting principles and practices generally accepted in the United States of America.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and are presented in the Securities Registration Statement of the



Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made from financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Apart from its first fiscal period which began on September 14, 2001, the date of incorporation, and ended on August 31, 2002, the Company's fiscal period is a six-month period which ends respectively at the end of each February and August of each year.

Although the Company's first fiscal period began on September 14, 2001, when the Company was incorporated, the Company had only substantial operations for 172 days during this fiscal period, from March 13, 2002 when the Company acquired its initial four retail properties. For the current fiscal period from September 1, 2002 to February 28, 2003, the number of total operating days was 181 days.

***(b) Cash and Cash Equivalents***

Cash and cash equivalents consist of cash, demand deposits and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, and which expire within three months from date of acquisition.

***(c) Property and Equipment***

Property and equipment is recorded at cost. Depreciation of property and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

Buildings	6-39 years
Building improvements	10-50 years
Machinery and equipment	6-10 years

***(d) Organization Costs***

Organization costs are amortized over a period of approximately five years, comprised of nine fiscal periods, with an equal amount amortized in each fiscal period.

***(e) Unit Issuance Costs***

Underwriters' commissions related to the issuance of unitholders' equity are offset directly against proceeds raised. Other offering costs associated with the issuance of investment units are charged as expenses when incurred.

***(f) Income Taxes***

Deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted tax rate.

***(g) Taxes on Property and Equipment***

Property and equipment are subject to various taxes annually, such as property taxes and urban planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and the taxes are imposed on the owner registered in the record as of January 1st based on the assessment made by the local government.

Under the above tax rule, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes so calculated from the acquisition date until the end of the calendar year is capitalized as a cost of the property in accordance with generally accepted accounting principles in Japan. In subsequent calendar years, such taxes on property and equipment are charged as operating expenses as incurred.

For the period ended February 28, 2003, taxes on property and equipment capitalized amounted to ¥11 million (US\$91 thousand), and ¥279 million for the period ended August 31, 2002.

***(h) Revenue Recognition***

Revenue from the leasing of retail space is recognized on a straight-line accrual basis over the life of each lease.

***(i) Accounting Treatment of Trust Beneficiary Interests in Real Estate***

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which the Company holds all of its real property, all accounts of assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the Company in proportion to the percentage interest of the trust that such trust beneficiary interest represents.

***(j) Per Unit Information***

The net asset value per unit as of February 28, 2003 is ¥466,010 (US\$3,958) and ¥464,824 as of August 31, 2002. Net income per unit for the period ended February 28, 2003 is ¥14,438 (US\$123) and ¥26,905 for the period ended August 31, 2002.

The computation of net income per unit is based on the weighted average number of investment units outstanding during the period, which was 52,400 units (25,809 units for the period ended August 31, 2002).

### **Note 3 – U.S. Dollar Amounts**

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥117.75 = US\$ 1, the effective rate of exchange prevailing at February 28, 2003, as quoted by the Bank of Tokyo-Mitsubishi, Ltd. The inclusion of such U.S. dollar amounts for data associated with the second accounting period is solely for the convenience of the reader and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

### **Note 4 – Bank Borrowings and Credit Facilities**

On March 13, 2002, the Company obtained a secured credit facility from a bank syndicate led by the Bank of Tokyo-Mitsubishi, at which time, the Company drew down ¥9 billion in connection with the purchase of its initial four retail properties. Of the ¥9 billion in borrowings, ¥4.83 billion (US\$41.02 million) which matured on December 30, 2002, was rolled over for another 12 months and the remaining ¥4.17 billion (US\$35.41 million) will mature on March 13, 2007. In addition, the Company was also provided in May 2002 with a stand-by facility of ¥800 million (US\$6,794 thousand), with no drawdowns on this facility as of February 28, 2003. On July 18, 2002, the Company entered into a swap agreement which fixed the interest rate of its long-term loan at 1.1%.

Interest on these borrowings is paid quarterly in arrears. Both the short-term and long-term loans have a floating rate structure, and the interest rate was 1.1% as of February 28, 2003, for both loans. After taking into account the swap agreement, the average interest rate for the period ended February 28, 2003 was 1.1% for both the short-term and long-term loans, and for the period ended August 31, 2002, it was also 1.1% for both loans.

Utilizing the proceeds from the public offerings in March 2003 (see Note 12), the Company repaid its short-term borrowings of ¥4.83 million in full to the bank syndicate on March 31, 2003.

### **Note 5 – Unitholders' Equity**

The Company issues only non-par value units in accordance with the Investment Trust Law, and the entire amount of the issue price of new units is designated as stated capital. The Company is required to maintain net assets of at least ¥50 million (US\$425 thousand), as required pursuant to the Investment Trust Law.

#### Note 6 – Cash Distributions

In accordance with the distribution policy prescribed in the Company's articles of incorporation, the Company intends to distribute approximately 100% of its distributable income for the second fiscal period (equivalent to ¥14,438 (US\$123) per investment unit) to its unitholders. ¥13,252 per investment unit was distributed in the previous fiscal period. The Company intends to make regular distributions to unitholders with respect to its semi-annual fiscal periods, ending at the end of February and August of each year.

The following distributions from retained earnings of the Company were declared for the period ended February 28, 2003 and for the period ended August 31, 2002 respectively.

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2002</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2003</u> (US\$ in thousands)
Retained earnings at the end of period	¥757	¥694	\$6,425
Cash distributions declared	<u>(757)</u>	<u>(694)</u>	<u>(6,425)</u>
Retained earnings carried forward	<u>¥ —</u>	<u>¥ —</u>	<u>\$ —</u>

#### Note 7 – Breakdown of Property-Related Expenses

Property-related expenses for the period ended February 28, 2003 and the period ended August 31, 2002 consist of the following:

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2002</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2003</u> (US\$ in thousands)
Property management fees	¥15	¥14	\$130
Repairs and maintenance	-	1	-
Insurance	7	6	60
Other property-related expenses	24	21	201
Depreciation	<u>295</u>	<u>285</u>	<u>2,505</u>
Total property-related expenses	<u>¥ 341</u>	<u>¥ 327</u>	<u>\$2,896</u>

#### Note 8 – Income Taxes

The effective tax rate on the Company's income is approximately 0.13% for the period ended February 28, 2003, and approximately 0.26% for the period ended August 31, 2002. The difference between the statutory tax rate and the Company's effective tax rate is reconciled as follows:

	<u>Period ended</u> <u>February 28, 2003</u>	<u>Period ended</u> <u>August 31, 2002</u>
	<u>Rate</u>	<u>Rate</u>
Statutory effective tax rate	39.39 %	39.39 %
Deductible cash distributions	(39.34)	(39.29)
Other	<u>0.08</u>	<u>0.16</u>
Effective tax rate	<u>0.13 %</u>	<u>0.26 %</u>

#### Note 9 – Leases

The Company leases its properties to retail tenants, with future contracted rental revenues as of February 28, 2003 and August 31, 2002 (exclusive of the recovery of utility and other charges) summarized as follows:

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2002</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2003</u> (US\$ in thousands)
Due within one year	¥ 2,956	¥ 3,134	\$25,100
Due after one year	<u>37,898</u>	<u>40,807</u>	<u>321,852</u>
Total	<u>¥ 40,854</u>	<u>¥ 43,941</u>	<u>\$346,952</u>

#### Note 10 – Related-Party Transactions

##### (a) Real estate acquisitions:

There were no real estate transactions with related-parties during the current fiscal period.

For the first fiscal period, the Company acquired four retail properties from Mitsubishi Corporation and affiliates of Mitsubishi Corporation which had acquired and held such four properties in contemplation of transference to the Company in connection with its initial public offerings, for ¥40,917 million. The purchase price of each of these properties was determined in part with reference to an independently appraised value.

**(b) Issuance and purchase of investment units**

There were no issuance and purchase of investment units to/from related-parties during the current fiscal period.

In the first fiscal period, the Company issued 400 units including 200 units to Mitsubishi Corporation and 200 units to Mitsubishi Corp.-UBS Realty Inc. on September 14, 2001, and ¥200 million of capital contributions were provided. On March 12, 2002, Mitsubishi Corporation acquired 5,000 units as part of the Company's initial public offering at an aggregated purchase price of ¥2,350 million.

**(c) Fees paid to the asset manager**

Fees paid to the asset manager, Mitsubishi Corp.-UBS Realty Inc., are comprised of asset management as well as acquisition fees. Asset management fees in an aggregated amount of ¥132 million (US\$1,121 thousand) were paid by the Company for the period ended February 28, 2003 and ¥122 million were paid for the period ended August 31, 2002. These fees are calculated at 0.6% of the Company's total assets.

Acquisition fees amounted to ¥16 million (US\$134 thousand) were paid by the Company for the period ended February 28, 2003 and ¥327 million were paid for the period ended August 31, 2002. These fees are calculated at 0.8% of the purchase price of the property acquired. Such acquisition fees are capitalized as part of the acquisition cost of the properties.

**(d) Property management fees**

The Company utilizes Diamond City Co., Ltd., an affiliate of Mitsubishi Corporation, as property manager for one of its four properties, pursuant to a cancelable property management agreement. Fees paid to Diamond City Co., Ltd. for the period ended February 28, 2003 amounted to ¥3.5 million (US\$30 thousand) and ¥3 million were paid for the period ended August 31, 2002.

## Note 11 – Property Information

(a) Details of the Company's property portfolio as of February 28, 2003 are as follows:

Name of Property	Location of Property	Leasable	Net book Value		Appraisal Value		Rental Income
		Space (m <sup>2</sup> )	(¥ in millions)	(US\$ in thousands)	(¥ in millions)	(US\$ in thousands)	as Percentage of Total Revenue (%)
Sendai	35-40, 57, 5 Minami						
Nakayama	Nakayama 1-chome,	46,248.96	10,227	86,857	10,200	86,624	30.8
Shopping Center	Izumi-ku, Sendai-city, Miyagi						
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome,	56,891.15	10,147	86,171	10,100	85,775	21.5
	Kawasaki-ku, Kawasaki-city,						
	Kanagawa						
Osaka	4-12 Minamisenba 3-chome,						
Shinsaibashi	Chuo-ku, Osaka-city, Osaka	13,666.96	14,324	121,645	14,600	123,992	28.8
Building							
JUSCO Chigasaki	5-16 Chigasaki 3-chome,	63,652.33	8,330	70,744	8,320	70,658	18.9
Shopping Center	Chigasaki-city, Kanagawa						
Total		180,459.40	43,028	365,417	43,220	367,049	100.0

Details of the Company's property portfolio as of August 31, 2002 are as follows:

Name of Property	Location of Property	Leasable	Net book Value (¥ in millions)	Appraisal Value (¥ in millions)	Rental Income as
		Space (m <sup>2</sup> )			Percentage of Total Revenue (%)
Sendai	35-40, 57, 5 Minami				
Nakayama	Nakayama 1-chome,	46,248.96	10,301	10,200	32.4
Shopping Center	Izumi-ku, Sendai-city,				
	Miyagi				
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome,	56,891.15	8,216	8,117	19.5
	Kawasaki-ku, Kawasaki-city,				
	Kanagawa				
Osaka	4-12 Minamisenba 3-chome,				
Shinsaibashi	Chuo-ku, Osaka-city, Osaka	13,666.96	14,404	14,500	29.0
Building					
JUSCO Chigasaki	5-16 Chigasaki 3-chome,	63,652.33	8,393	8,290	19.1
Shopping Center	Chigasaki-city, Kanagawa				
Total		180,459.40	41,314	41,107	100.0

### Notes:

- (i) The four properties above have been 100% owned by the Company since December 10, 2002 and are currently held by the Company in the form of trust beneficiary interests. Prior to that date, the Company held an 80.4% interest in ESPA Kawasaki.
- (ii) Each of the properties was appraised by Japan Real Estate Institute, an independent appraisal firm as at February 28, 2003 and August 31, 2002 in accordance with the guidelines issued by the Japanese Association of Real Estate Appraisers.
- (iii) As of February 28, 2003 and August 31, 2002, the occupancy rate of each property was 100%.
- (iv) The Company's property portfolio is comprised entirely of retail properties.

*(b) Geographical composition of the Company's property portfolio as of February 28, 2003 is as follows:*

<u>Region</u>	<u>Net Book Value</u> <u>(¥ in millions)</u>	<u>Net Book Value</u> <u>(US\$ in thousands)</u>	<u>Percentage of Total</u> <u>Assets (%)</u>
Tokyo metropolitan area	¥18,477	\$156,915	42.9
Osaka metropolitan area	14,324	121,644	33.3
Other metropolitan areas (each of which have populations over 1 million)	<u>10,227</u>	<u>86,858</u>	<u>23.8</u>
Total	<u>¥43,028</u>	<u>\$365,417</u>	<u>100.0</u>

*Geographical composition of the Company's property portfolio as of August 31, 2002 is as follows:*

<u>Region</u>	<u>Net Book Value</u> <u>(¥ in millions)</u>	<u>Percentage of Total</u> <u>Assets (%)</u>
Tokyo metropolitan area	¥16,609	40.2
Osaka metropolitan area	14,404	34.9
Other metropolitan areas (each of which have populations over 1 million)	<u>10,301</u>	<u>24.9</u>
Total	<u>¥41,314</u>	<u>100.0</u>



(c) Details on the financial results of each property for the period ended February 28, 2003:

(¥ in millions)

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki(2)</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Total</u>
<b>Rental revenue</b>	<u>¥448</u>	<u>¥313</u>	<u>¥418</u>	<u>¥274</u>	<u>¥1,453</u>
<b>Property-related expenses</b>					
Property management fees	4	4	4	3	15
Repair and maintenance	—	—	—	—	—
Insurance and trust fees	13	10	4	4	31
Depreciation					
Buildings	61	66	78	60	265
Building improvements	15	6	2	3	26
Machinery & equipment	—	3	—	1	4
<b>Total property-related expenses</b>	<u>93</u>	<u>89</u>	<u>88</u>	<u>71</u>	<u>341</u>
<b>Operating income from property leasing activities</b>	<u>¥355</u>	<u>¥224</u>	<u>¥330</u>	<u>¥203</u>	<u>¥1,112</u>
<b>Property-level net operating income (1)</b>	<u>¥431</u>	<u>¥299</u>	<u>¥410</u>	<u>¥267</u>	<u>¥1,407</u>

(US\$ in thousands)

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki(2)</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Total</u>
<b>Rental revenue</b>	<u>\$3,801</u>	<u>\$2,661</u>	<u>\$3,552</u>	<u>\$2,329</u>	<u>\$12,343</u>
<b>Property-related expenses</b>					
Property management fees	36	30	36	28	130
Repair and maintenance	—	1	2	—	3
Insurance and trust fees	103	84	33	38	258
Depreciation					
Buildings	522	557	664	506	2,249
Building improvements	129	52	15	23	219
Machinery & equipment	—	29	—	8	37
<b>Total property-related expenses</b>	<u>790</u>	<u>753</u>	<u>750</u>	<u>603</u>	<u>2,896</u>
<b>Operating income from property leasing activities</b>	<u>\$3,011</u>	<u>\$1,908</u>	<u>\$2,802</u>	<u>\$1,726</u>	<u>\$9,447</u>
<b>Property-level net operating income (1)</b>	<u>\$3,662</u>	<u>\$2,546</u>	<u>\$3,481</u>	<u>\$2,263</u>	<u>\$11,952</u>

(1) Calculated as income from property leasing activities, adjusted for depreciation.

(2) Prior to the full ownership of ESPA Kawasaki on December 10, 2002, contribution to the property portfolio from this property was 80.4%.

*Details on the financial results of each property for the period ended August 31, 2002:*

	(¥ in millions)				
<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki(2)</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Total</u>
<b>Rental revenue</b>	<u>¥437</u>	<u>¥264</u>	<u>¥391</u>	<u>¥258</u>	<u>¥1,350</u>
<b>Property-related expenses</b>					
Property management fees	4	3	4	3	14
Repair and maintenance	—	—	1	—	1
Insurance and trust fees	11	9	3	4	27
Depreciation					
Buildings	61	58	78	59	256
Building improvements	15	5	2	3	25
Machinery & equipment	—	3	—	1	4
<b>Total property-related expenses</b>	<u>91</u>	<u>78</u>	<u>88</u>	<u>70</u>	<u>327</u>
<b>Operating income from property     leasing activities</b>	<u>¥346</u>	<u>¥186</u>	<u>¥303</u>	<u>¥188</u>	<u>¥1,023</u>
<b>Property-level net operating     income (1)</b>	<u>¥422</u>	<u>¥252</u>	<u>¥383</u>	<u>¥251</u>	<u>¥1,308</u>

(1) Calculated as income from property leasing activities, adjusted for depreciation.

(2) Prior to the full ownership of ESPA Kawasaki on December 10, 2002, contribution to the property portfolio from this property was 80.4%.

**(d) Other Data:**

**For the period ending February 28, 2003:**

<u>Name of Property</u>	<u>Sendai Nakayama</u> <u>Shopping Center</u>	<u>ESPA</u> <u>Kawasaki</u>	<u>Osaka</u> <u>Shinsaibashi</u> <u>Building</u>	<u>JUSCO Chigasaki</u> <u>Shopping Center</u>
Operating days during the fiscal period	181	181	181	181
Occupancy rate	100%	100%	100%	100%
Number of tenants	2	1	1	1
JRF ownership	100%	100%	100%	100%
Ownership structure	Sole owner	Sole owner	Sole owner	Sole owner

**For the period ending August 31, 2002:**

<u>Name of Property</u>	<u>Sendai Nakayama</u> <u>Shopping Center</u>	<u>ESPA</u> <u>Kawasaki</u>	<u>Osaka</u> <u>Shinsaibashi</u> <u>Building</u>	<u>JUSCO Chigasaki</u> <u>Shopping Center</u>
Operating days during the fiscal period	172	172	172	172
Occupancy rate	100%	100%	100%	100%
Number of tenants	2	1	1	1
JRF ownership	100%	80.4%	100%	100%
Ownership structure	Sole owner	Joint owner	Sole owner	Sole owner

#### **Note 12 – Subsequent Events**

On March 4, 2003, the Company completed a public offering of 95,000 new investment units at a price of ¥521,228 per unit, 67,910 of such units were issued in connection with a Japanese Primary Offering, and the remaining 27,090 units were issued in connection with an International Offering pursuant of Rule 144A under the U.S. Securities Act of 1933. Net proceeds of approximately ¥47.7 billions from these offerings were substantially utilized in the acquisition of five specified additional retail properties with an aggregate purchase price of ¥67.9 billion, the details of which are as follows:

<u>Name of Property</u>	<u>Acquisition Price</u> (¥ in millions)
Nara Family	¥ 31,241
Hakata Super Brand City	12,600
Abiko Shopping Plaza	10,200
Ito-Yokado Narumi	8,540
Minami Aoyama 2002 Building	<u>5,350</u>
	<u>¥67,931</u>

On March 26, 2003, 5,102 additional units were issued by the Company in connection with the exercise of an over-allotment option granted in connection with underwriter stabilization activities within the Japanese offering, generating an additional ¥2.6 billion in net proceeds to the Company.