

JAPAN RETAIL FUND INVESTMENT CORPORATION

THIRD ACCOUNTING PERIOD
FINANCIAL REPORT

FOR THE PERIOD FROM MARCH 1, 2003 TO AUGUST 31, 2003

Report of Independent Auditors

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 August 31, 2003 and February 28, 2003, and the related statements of income and retained earnings and cash flows for the six months then ended, all expressed in Japanese 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, procedures and practices generally accepted and applied 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 Japan Retail Fund Investment Corporation as of August 31, 2003 and February 28, 2003, and the results of its operations and its cash flows for the six months then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 2 (a)).

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
November 21, 2003

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of February 28, 2003 and August 31, 2003

	<u>February 28, 2003</u> <u>(¥ in millions)</u>	<u>August 31, 2003</u> <u>(¥ in millions)</u>	<u>August 31, 2003</u> <u>(US\$ in thousands)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	1,734	7,178	61,272
Rental receivables	45	310	2,646
Consumption tax refundable	–	1,586	13,538
Prepaid expenses and other assets	16	225	1,921
<i>Total current assets</i>	<u>1,795</u>	<u>9,299</u>	<u>79,377</u>
Non-current assets:			
Property and equipment, at cost:			
Land	27,552	62,441	533,000
Buildings	14,982	48,033	410,013
Building improvements	995	1,936	16,526
Machinery and equipment	79	104	888
Furniture and fixtures	–	274	2,339
	43,608	112,788	962,766
Less: Accumulated depreciation	(580)	(1,420)	(12,121)
<i>Net property and equipment</i>	<u>43,028</u>	<u>111,368</u>	<u>950,644</u>
Other assets:			
Leasehold rights	–	2,468	21,067
Other intangible assets	–	98	837
Lease deposits	–	2,843	24,268
Long-term prepaid expenses	33	30	256
Organization costs	97	84	717
Other	59	188	1,605
<i>Total other assets</i>	<u>189</u>	<u>5,711</u>	<u>48,750</u>
TOTAL ASSETS	<u><u>45,012</u></u>	<u><u>126,378</u></u>	<u><u>1,078,771</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, 2003

	<u>February 28, 2003</u> <u>(¥ in millions)</u>	<u>August 31, 2003</u> <u>(¥ in millions)</u>	<u>August 31, 2003</u> <u>(US\$ in thousands)</u>
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	4,830	—	—
Accounts payable	—	770	6,573
Rent received in advance	142	368	3,141
Deposits received	—	835	7,128
Accrued expenses and other liabilities	200	305	2,603
Total current liabilities	<u>5,172</u>	<u>2,278</u>	<u>19,445</u>
Non-current liabilities:			
Long-term debt	4,170	4,170	35,595
Tenant leasehold and security deposits	11,192	43,704	373,060
Other	59	3	26
Total non-current liabilities	<u>15,421</u>	<u>47,877</u>	<u>408,681</u>
TOTAL LIABILITIES	<u>20,593</u>	<u>50,155</u>	<u>428,126</u>
Unitholders' equity:			
Unitholders' capital, 2,000,000 units authorized; 52,400 units (as of February 28, 2003) and 152,502 units (as of August 31, 2003) issued and outstanding	23,662	73,922	631,003
Retained earnings	757	2,302	19,650
TOTAL UNITHOLDERS' EQUITY	<u>24,419</u>	<u>76,224</u>	<u>650,653</u>
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	<u><u>45,012</u></u>	<u><u>126,378</u></u>	<u><u>1,078,771</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 August 31, 2003

	<u>September 1, 2002 to</u> <u>February 28, 2003</u> <u>(¥ in millions)</u>	<u>March 1, 2003 to</u> <u>August 31, 2003</u> <u>(¥ in millions)</u>	<u>March 1, 2003 to</u> <u>August 31, 2003</u> <u>(US\$ in thousands)</u>
Operating revenues			
Rental and other operating revenues	1,453	5,920	50,534
Operating expenses			
Property-related expenses	341	2,886	24,635
Asset management fees	132	362	3,090
Custodian fees	9	10	85
General administration fees	28	47	401
Other	29	43	367
	<u>539</u>	<u>3,348</u>	<u>28,579</u>
Operating income	914	2,572	21,955
Non-operating revenues			
Non-operating revenues	1	—	—
Non-operating expenses			
Interest expense	49	27	230
Offering costs	82	214	1,827
Amortization of organization costs	14	14	120
Other non-operating expenses	12	13	111
Income before income taxes	<u>758</u>	<u>2,303</u>	<u>19,659</u>
Income taxes	1	1	9
Net income	<u>757</u>	<u>2,302</u>	<u>19,650</u>
Retained earnings at beginning of period	—	—	—
Retained earnings at end of period	<u>757</u>	<u>2,302</u>	<u>19,650</u>

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 August 31, 2003

	<u>September 1, 2002 to</u> <u>February 28, 2003</u> <u>(¥ in millions)</u>	<u>March 1, 2003 to</u> <u>August 31, 2003</u> <u>(¥ in millions)</u>	<u>March 1, 2003 to</u> <u>August 31, 2003</u> <u>(US\$ in thousands)</u>
Cash Flows from Operating Activities:			
Income before income taxes	758	2,303	19,659
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	295	844	7,204
Amortization of organization costs	14	14	120
Interest expense	49	27	230
Changes in assets and liabilities:			
Rental receivables	—	(265)	(2,262)
Consumption tax refundable	729	(1,586)	(13,538)
Accounts payable	(129)	770	6,573
Rent received in advance	12	225	1,921
Deposits received	—	835	7,128
Accrued expenses and other liabilities	22	48	410
Other, net	(34)	(179)	(1,528)
Net cash provided by operating activities	1,715	3,036	25,915
Cash Flows from Investing Activities:			
Purchases of property and equipment	(2,008)	(71,749)	(612,454)
Proceeds from tenant leasehold and security deposits	963	32,511	277,516
Payment of deposits and others	—	(3,029)	(25,856)
Net cash used in investing activities	(1,045)	(42,267)	(360,794)
Cash Flows from Financing Activities:			
Proceeds from short-term debt	4,830	—	—
Repayments of short-term debt	(4,830)	(4,830)	(41,229)
Proceeds from issuance of investment units	—	50,259	429,014
Distribution payment	(689)	(754)	(6,436)
Net cash (used in)/provided by financing activities	(689)	44,675	381,349
Net change in cash and cash equivalents	(19)	5,444	46,470
Cash and cash equivalents at beginning of period	1,753	1,734	14,802
Cash and cash equivalents at end of period	1,734	7,178	61,272

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 1, 2002 to February 28, 2003 and
the period from March 1, 2003 to August 31, 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 at a price of ¥470,000 per unit.

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 March 4, 2003, the Company completed its second public offering of 95,000 new investment units at a price of ¥521,228 (US\$4,449) 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 to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Net proceeds of approximately ¥47.7 billion (US\$407 million) from these offerings were substantially utilized in the acquisition of five specified additional retail properties with an aggregate purchase price of ¥67.9 billion (US\$580 million).

On March 26, 2003, 5,102 additional units were issued by the Company in connection with underwriter stabilization activities within the Japanese Secondary Offering, generating an additional ¥2.6 billion (US\$22 million).

As the Company acquired an additional property during the period ended August 31, 2003, the Company owned a portfolio of ten retail properties as of that date.

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 Financial Reporting Standards or accounting principles 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 format 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.

The Company’s fiscal period is a six-month period which ends at the end of each February and August, respectively, of each year.

(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 the 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	3-39 years
Building improvements	10-60 years
Machinery and equipment	17 years
Furniture and fixtures	2-39 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 utilizing the applicable statutory 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 rules, 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, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

For the period ended August 31, 2003, taxes on property and equipment capitalized amounted to ¥627 million (US\$5,352 thousand) and ¥11 million for the period ended February 28, 2003.

(h) Revenue Recognition

Revenue from the leasing of retail space is recognized on an accrual basis over the life of each lease. Revenue includes fixed rental revenues, variable rental revenues, sales-based rental revenues, recoveries of utility charges and other income.

(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) Accounting Treatment of Equipment Leases

With respect to lease commitments relating to equipment utilized by the Company, which have the characteristics of finance leases but for which ownership of the leased property is not transferred to the Company during the lease term, such leased property is not capitalized in accordance with generally accepted accounting principles in Japan and related rental expenses are charged to income in the periods in which they are incurred.

(k) Per Unit Information

The net asset value per unit as of August 31, 2003 is ¥499,820 (US\$4,266), and is ¥466,010 as of February 28, 2003. Net income per unit for the period ended August 31, 2003 is ¥15,320 (US\$131), and is ¥14,438 for the period ended February 28, 2003.

The computation of net income per unit is based on the weighted average number of investment units outstanding during the period ended August 31, 2003, which was 150,260 units (52,400 units for the period ended February 28, 2003).

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 ¥117.15 = US\$1, the effective rate of exchange prevailing at August 31, 2003. The inclusion of such U.S. dollar amounts associated with the fiscal period ended August 31, 2003 is solely for the convenience of the reader outside Japan and is not intended to imply that Japanese yen amounts have been or could have been 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 with a floating rate structure from a bank syndicate, at which time the Company drew down ¥9 billion in connection with the purchase of its initial four retail properties. Interest on these borrowings is paid quarterly in arrears. Of the ¥9 billion in borrowings, ¥4.83 billion which matured on December 30, 2002, was extended for an additional 12 months and the remaining ¥4.17 billion (US\$35.6 million) matures on March 13, 2007.

Utilizing the proceeds from the public offerings in March 2003 (see Note 1), the Company repaid its short-term borrowings of ¥4.83 billion (US\$41.2 million) in full on March 31, 2003. The long-term borrowings having a floating rate structure were fixed by a swap agreement entered into by the Company on July 18, 2002 at 1.1% with the same maturity date as the borrowings. After taking into account the swap agreement, the average interest rate for the period ended August 31, 2003 was 1.1% for the long-term borrowings, and for the period ended February 28, 2003, such rate was also 1.1% for both the long-term and short-term borrowings.

In addition, the Company was provided in May 2002 with a credit facility of ¥800 million (US\$6,829 thousand). In July 2003, an additional credit facility of ¥3 billion (US\$25.6 million) was also obtained. These facilities have not been drawn down as of August 31, 2003 and February 28, 2003.

Certain of our properties and beneficiary interests in trusts (comprising properties and cash), with an aggregate book value of ¥51 billion (US\$435 million) were pledged as collateral to secure liabilities totaling ¥25 billion (US\$213 million) for the period ended August 31, 2003, and ¥42 billion were pledged against liabilities totaling ¥9 billion for the period ended February 28, 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\$427 thousand), as required pursuant to the Investment Trust Law.

The units issued and outstanding as of August 31, 2003 were 152,502 (52,400 units as of February 28, 2003). (see Note 1)

Note 6 – Cash Distributions

In accordance with the distribution policy prescribed in the Company’s articles of incorporation, the Company distributed approximately 100% of its distributable income for the period ended August 31, 2003 (equivalent to ¥15,095 (US\$129) per investment unit) to its unitholders. ¥14,438 per investment unit was distributed for the period ended February 28, 2003. The Company intends to make regular distributions to unitholders with respect to its 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 periods ended February 28, 2003 and August 31, 2003 , respectively:

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (US\$ in thousands)
Retained earnings at the end of period	¥757	¥2,302	\$19,650
Cash distribution declared	<u>(757)</u>	<u>(2,302)</u>	<u>(19,650)</u>
Retained earnings carried forward	<u>¥ —</u>	<u>¥ —</u>	<u>\$ —</u>

Note 7 – Breakdown of Property-Related Expenses

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

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (US\$ in thousands)
Property management fees	¥15	¥293	\$2,501
Facility management fees	–	363	3,099
Utilities	–	635	5,420
Property-related taxes	–	177	1,511
Repair and maintenance	–	39	333
Insurance	7	24	205
Trust fees	23	48	410
Rent expense	–	195	1,665
Other	1	268	2,288
Depreciation	<u>295</u>	<u>844</u>	<u>7,204</u>
Total property-related expenses	<u>¥341</u>	<u>¥2,886</u>	<u>\$24,635</u>

Note:

(i) Rent expense represents rental payments to the owners of the buildings and/or land in which the Company has leasehold rights.

Note 8 – Income Taxes

The effective tax rates on the Company's income as well as applicable statutory tax rates are reflected as follows:

	<u>Period ended</u> <u>February 28, 2003</u> <u>Rate</u>	<u>Period ended</u> <u>August 31, 2003</u> <u>Rate</u>
Statutory effective tax rate	39.39%	39.39%
Deductible cash distributions	(39.34)	(39.39)
Other	<u>0.08</u>	<u>0.00</u>
Effective tax rate	<u>0.13%</u>	<u>0.00%</u>

The Company has a policy of making distributions in excess of 90% of distributable income for the fiscal period to qualify for conditions set forth in the Special Taxation Measures Law of Japan to achieve a deduction of distributions for income tax purposes. Based on such policy, the Company treated the distribution as a tax allowable distribution as defined in the Special Taxation Measures Law of Japan.

Note 9 – Leases

(a) Lease Rental Revenues

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of February 28, 2003 and August 31, 2003 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (US\$ in thousands)
Due within one year	¥ 2,956	¥ 8,008	\$68,357
Due after one year	<u>37,898</u>	<u>65,917</u>	<u>562,672</u>
Total	<u>¥ 40,854</u>	<u>¥ 73,925</u>	<u>\$631,029</u>

(b) Lease Commitments

Lease expenses incurred in connection with various finance leases on equipment utilized by the Company (see Note 2(j)) amounted to ¥20 million (US\$171 thousand) for the period ended August 31, 2003. No such expenses were incurred for the periods ended February 28, 2003.

Future minimum lease payments required under the terms of these finance leases as of February 28, 2003 and August 31, 2003 are as follows:

	<u>Period ended</u> <u>February 28, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2003</u> (US\$ in thousands)
Due within one year	¥ –	¥ 31	\$265
Due after one year	<u>–</u>	<u>19</u>	<u>162</u>
Total	<u>¥–</u>	<u>¥ 50</u>	<u>\$427</u>

Additional financial information related to the Company's lease commitments, assuming they were capitalized (see Note 2(j)), is as follows:

	<u>Period ended</u> <u>February 28, 2003</u>	<u>Period ended</u> <u>August 31, 2003</u>	<u>Period ended</u> <u>August 31, 2003</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Equipment, at cost	¥ –	¥ 165	\$1,408
Accumulated depreciation	–	<u>115</u>	<u>981</u>
Net book value	<u>¥ –</u>	<u>¥ 50</u>	<u>\$427</u>

Depreciation expense would be ¥20 million (US\$171 thousand) for the period ended August 31, 2003 and no such expense is applicable for the period ended February 28, 2003. This depreciation amount is calculated utilizing the straight-line method over the term of the lease based on the acquisition cost which is equivalent to the total lease payments.

Given that the value of the leased assets is not deemed material, interest implicit in these leases is included in minimum lease payments and in the cost of these assets provided in the disclosures above.

Note 10 – Related-Party Transactions

(a) Real estate acquisitions

During the fiscal period ended August 31, 2003, the Company acquired four retail properties, namely Ito-Yokado Narumi, 8953 Hakata Riverain (formerly known as Hakata Super Brand City), Abiko Shopping Plaza and Minami Aoyama 2002 Building from special purpose companies created by Mitsubishi Corporation, which owned 6.3% of the Company's outstanding units, as well as a 51% interest in Mitsubishi Corp.-UBS Realty Inc., the asset manager of the Company as of August 31, 2003, in connection with the acquisition and short-term holding of such properties over periods ranging from two to six months in contemplation of sale to the Company. These four properties were acquired by the Company with the proceeds from the Company's second public offerings in March 2003 at an aggregate acquisition price of ¥36.7 billion (US\$313 million), as compared to their appraised value of ¥37.4 billion (US\$319 million).

There were no related-party transactions during the second fiscal period.

(b) Issuance and purchase of investment units

On March 4, 2003, the Company issued 95,000 units, including 4,500 units to Mitsubishi Corporation and 200 units to its asset manager, Mitsubishi Corp.-UBS Realty Inc. during its second public offering (see Note 1) at an aggregate amount of ¥2,346 million (US\$20 million) and ¥104 million (US\$890 thousand) respectively.

(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 the aggregate amount of ¥362 million (US\$3,090 thousand) were paid by the Company for the period ended August 31, 2003, and ¥132 million were paid for the period ended February 28, 2003. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥556 million (US\$4,746 thousand) were paid by the Company for the period ended August 31, 2003, and ¥16 million were paid for the period ended February 28, 2003. 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 the property manager for two of its properties as of August 31, 2003. Fees paid to Diamond City Co., Ltd. for the period ended August 31, 2003 amounted to ¥55.5 million (US\$474 thousand), and ¥3.5 million were paid for the period ended February 28, 2003.

(e) Brokerage fees

The Company paid brokerage fees in relation to the acquisition of Nara Family to Mitsubishi Corporation totaling ¥511 million (US\$4,362 thousand) for the period ended August 31, 2003. No such fees were paid to Mitsubishi Corporation for the period ended February 28, 2003.

Note 11 – Property Information

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

<u>Name of Property</u>	<u>Location of Property</u>	<u>Leasable Area</u> (m ²)	<u>Net book Value</u> (¥ in millions)	<u>Appraisal Value</u> (¥ in millions)	<u>Rental Income as Percentage of Total Revenue (%)</u>
Sendai Nakayama Shopping Center	35-40, 57, 5 Minami Nakayama 1-chome, Izumi-ku, Sendai-city, Miyagi	46,248.96	10,227	10,200	30.8
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	10,147	10,100	21.5
Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	14,324	14,600	28.8
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,330	8,320	18.9
Total		180,459.40	43,028	43,220	100.0

(a)(ii) Details of the Company's property portfolio as of August 31, 2003 are as follows:

<u>Name of Property</u>	<u>Location of Property</u>	<u>Leasable Area</u>	<u>Net book Value</u>		<u>Appraisal Value</u>		<u>Rental Income as Percentage of Total Revenue (%)</u>
		<u>(m²)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>	
Sendai Nakayama Shopping Center	35-40, 57, 5 Minami Nakayama 1-chome, Izumi-ku, Sendai-city, Miyagi	46,248.96	10,152	86,658	10,200	87,068	7.9
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	10,066	85,924	10,200	87,068	5.9
Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	14,243	121,579	14,600	124,627	7.1
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,267	70,568	8,350	71,276	4.7
Nara Family	1-4, 2-chome, Nishi Saidaiji Higashi, Nara-city, Nara	87,526.45	32,438	276,893	31,700	270,593	37.5
8953 Hakata Riverain	1-3, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,446.35	12,711	108,502	13,300	113,530	18.1
Abiko Shopping Plaza	1-142, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	43,415.03	10,296	87,887	10,900	93,043	10.0
Ito-Yokado Narumi	232, 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,628	73,649	8,550	72,983	5.5
Minami Aoyama 2002 Building	5-8, 5-chome, Minami Aoyama, Minato-ku, Tokyo	1,582.48	5,419	46,257	5,350	45,668	2.8
Ito-Yokado Yabashira Shopping Center	1-15, Higure, Matsudo City, Chiba	<u>21,581.65</u>	<u>1,714</u>	<u>14,631</u>	<u>1,750</u>	<u>14,938</u>	<u>0.5</u>
Total		<u>410,449.27</u>	<u>113,934</u>	<u>972,548</u>	<u>114,900</u>	<u>980,794</u>	<u>100.0</u>

Notes:

- (i) Each of the properties above is 100% owned by the Company since December 10, 2002 and is 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 of February 28, 2003 and August 31, 2003, in accordance with the guidelines issued by the Japanese Association of Real Estate Appraiser and are unaudited.
- (iii) As of February 28, 2003, and August 31, 2003, the occupancy rate of each property was 100%, except for 8953 Hakata Riverain (90.0%) and Abiko Shopping Plaza (99.9%) as of August 31, 2003.
- (iv) The Company's property portfolio is comprised entirely of retail properties.

(b)(i) A geographical breakdown 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>Percentage of Total Assets</u> <u>(%)</u>
Tokyo metropolitan area	¥18,477	42.9
Osaka metropolitan area	14,324	33.3
Other metropolitan areas (each of which have populations over one million)	<u>10,227</u>	<u>23.8</u>
Total	<u>¥43,028</u>	<u>100.0</u>

(b)(ii) A geographical breakdown of the Company's property portfolio as of August 31, 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> <u>(%)</u>
Tokyo metropolitan area	¥35,762	\$305,267	31.4
Osaka metropolitan area	55,309	472,121	48.5
Other metropolitan areas (each of which have populations over one million)	<u>22,863</u>	<u>195,160</u>	<u>20.1</u>
Total	<u>¥113,934</u>	<u>\$972,548</u>	<u>100.0</u>

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

(¥ in millions)

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Total</u>
Rental and other operating revenue	<u>¥448</u>	<u>¥313</u>	<u>¥418</u>	<u>¥274</u>	<u>¥1,453</u>
Property-related expenses					
Property management fees	4	4	4	3	15
Repair and maintenance	—	—	—	—	—
Insurance	2	2	1	2	7
Trust fees	11	8	3	2	24
Depreciation	<u>76</u>	<u>75</u>	<u>80</u>	<u>64</u>	<u>295</u>
Total property-related expenses	<u>93</u>	<u>89</u>	<u>88</u>	<u>71</u>	<u>341</u>
Operating income from property leasing activities	<u>¥355</u>	<u>¥224</u>	<u>¥330</u>	<u>¥203</u>	<u>¥1,112</u>
Property-level net operating income (1)	<u>¥431</u>	<u>¥299</u>	<u>¥410</u>	<u>¥267</u>	<u>¥1,407</u>

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

(c)(ii) Details on the financial results of each property for the period ended August 31, 2003 are as follows:

(¥ in millions)

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Nara Family</u>	<u>8953 Hakata Riverain</u>	<u>Abiko Shopping Plaza</u>	<u>Ito-Yokado Narumi</u>	<u>Minami Aoyama 2002 Building</u>	<u>Ito-Yokado Yabashira Shopping Center</u>	<u>Total</u>
Rental and other	<u>¥466</u>	<u>¥351</u>	<u>¥418</u>	<u>¥275</u>	<u>¥2,219</u>	<u>¥1,073</u>	<u>¥592</u>	<u>¥325</u>	<u>¥168</u>	<u>¥33</u>	<u>¥5,920</u>
operating revenue											
Property-related expenses											
Property management fees	4	4	4	3	167	48	52	4	6	1	293
Facility management fees	-	-	-	-	147	160	56	-	-	-	363
Utilities	-	-	-	-	310	224	91	-	10	-	635
Property-related taxes	42	60	31	44	-	-	-	-	-	-	177
Repair and maintenance	3	-	-	1	16	17	2	-	-	-	39
Insurance	2	2	1	2	7	6	2	2	-	-	24
Trust fees	10	9	3	3	9	4	5	4	1	-	48
Rent expense	-	-	-	-	187	8	-	-	-	-	195
Other	-	-	-	-	87	161	20	-	-	-	268
Depreciation	<u>77</u>	<u>81</u>	<u>80</u>	<u>63</u>	<u>216</u>	<u>156</u>	<u>79</u>	<u>74</u>	<u>9</u>	<u>9</u>	<u>844</u>
Total property-related expenses	<u>138</u>	<u>156</u>	<u>119</u>	<u>116</u>	<u>1,146</u>	<u>784</u>	<u>307</u>	<u>84</u>	<u>26</u>	<u>10</u>	<u>2,886</u>
Operating income from property leasing activities	<u>¥328</u>	<u>¥195</u>	<u>¥299</u>	<u>¥159</u>	<u>¥1,073</u>	<u>¥289</u>	<u>¥285</u>	<u>¥241</u>	<u>¥142</u>	<u>¥23</u>	<u>¥3,034</u>
Property-level net operating income (1)	<u>¥405</u>	<u>¥276</u>	<u>¥379</u>	<u>¥222</u>	<u>¥1,289</u>	<u>¥445</u>	<u>¥364</u>	<u>¥315</u>	<u>¥151</u>	<u>¥32</u>	<u>¥3,878</u>

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

(US\$ in thousands)

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Nara Family</u>	<u>8953 Hakata Riverain</u>	<u>Abiko Shopping Plaza</u>	<u>Ito-Yokado Narumi</u>	<u>Minami Aoyama 2002 Building</u>	<u>Ito-Yokado Yabashira Shopping Center</u>	<u>Total</u>
Rental and other	\$3,978	\$2,996	\$3,568	\$2,347	\$18,942	\$9,159	\$5,053	\$2,774	\$1,434	\$282	\$50,534
operating revenue											
Property-related expenses											
Property management fees	34	34	34	26	1,426	410	444	34	51	9	2,501
Facility management fees	-	-	-	-	1,255	1,366	478	-	-	-	3,099
Utilities	-	-	-	-	2,646	1,912	777	-	85	-	5,420
Property-related taxes	359	512	265	376	-	-	-	-	-	-	1,511
Repair and maintenance	26	-	-	9	137	145	17	-	-	-	333
Insurance	17	17	9	17	60	51	17	17	-	-	205
Trust fees	85	77	26	26	77	34	43	34	9	-	410
Rent expense	-	-	-	-	1,596	68	-	-	-	-	1,665
Other	-	-	-	-	743	1,374	171	-	-	-	2,288
Depreciation	657	691	683	538	1,844	1,332	674	632	77	77	7,204
Total property-related expenses	<u>1,178</u>	<u>1,333</u>	<u>1,017</u>	<u>992</u>	<u>9,784</u>	<u>6,692</u>	<u>2,621</u>	<u>717</u>	<u>222</u>	<u>86</u>	<u>24,635</u>
Operating income from property leasing activities	<u>\$2,800</u>	<u>\$1,664</u>	<u>\$2,552</u>	<u>\$1,357</u>	<u>\$9,158</u>	<u>\$2,467</u>	<u>\$2,433</u>	<u>\$2,057</u>	<u>\$1,212</u>	<u>\$197</u>	<u>\$25,899</u>
Property-level net operating income (1)	<u>\$3,457</u>	<u>\$2,356</u>	<u>\$3,235</u>	<u>\$1,895</u>	<u>\$11,003</u>	<u>\$3,799</u>	<u>\$3,107</u>	<u>\$2,689</u>	<u>\$1,289</u>	<u>\$273</u>	<u>\$33,102</u>

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

(d)(i) Other Data:

For the period ended February 28, 2003:

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>
Operating days during the fiscal period	181	181	181	181
Occupancy rate	100.0%	100.0%	100.0%	100.0%
Number of tenants	2	1	1	1
JRF ownership	100.0%	100.0%	100.0%	100.0%
Ownership structure	Sole owner	Sole owner	Sole owner	Sole owner

(d)(ii) Other Data:

For the period ended August 31, 2003:

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Nara Family</u>	<u>8953 Hakata Riverain</u>	<u>Abiko Shopping Plaza</u>	<u>Ito-Yokado Narumi</u>	<u>Minami Aoyama 2002 Building</u>	<u>Ito-Yokado Yabashira Shopping Center</u>
Operating days during the fiscal period	184	184	184	184	179	181	181	181	181	77
Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	90.0%	99.9%	100.0%	100.0%	100.0%
Number of tenants	2	1	1	1	138	57	50	1	3	1
JRF ownership	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ownership structure	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner

Note 12 – Subsequent Events

The Company is not aware of any circumstances that may have a material impact on the Company's financial position after the period end.