

**Japan Retail Fund Investment Corporation**

**Financial Statements**

**For the Periods**

**from March 1, 2004 to August 31, 2004 and  
from September 1, 2004 to February 28, 2005**

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 February 28, 2005 and August 31, 2004 and the related statements of income and retained earnings and cash flows for the six months ended February 28, 2005 and August 31, 2004, 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 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 Japan Retail Fund Investment Corporation as of February 28, 2005 and August 31, 2004 and the results of its operations and its cash flows for the six months ended February 28, 2005 and August 31, 2004 in conformity with accounting principles generally accepted in Japan.

As described in Note 12, Issuance of additional units is stated as significant 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 PricewaterhouseCoopers*

May 18, 2005  
Tokyo, Japan

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**BALANCE SHEETS**  
As of August 31, 2004 and February 28, 2005

	<u>August 31, 2004</u> <u>(¥ in millions)</u>	<u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>February 28, 2005</u> <u>(US\$ in thousands)</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥8,359	¥9,363	\$89,393
Rental receivables	423	477	4,554
Consumption tax refundable	203	444	4,239
Prepaid expenses and other assets	218	326	3,112
<b>Total current assets</b>	<b>9,203</b>	<b>10,610</b>	<b>101,298</b>
<b>Non-current assets:</b>			
<b>Property and equipment, at cost:</b>			
Land	106,802	136,865	1,306,712
Buildings	76,866	89,560	855,070
Building improvements	3,787	4,556	43,498
Machinery and equipment	142	409	3,905
Furniture and fixtures	851	1,025	9,786
	188,448	232,415	2,218,971
Less: Accumulated depreciation	(3,985)	(5,657)	(54,010)
<b>Net property and equipment</b>	<b>184,463</b>	<b>226,758</b>	<b>2,164,961</b>
<b>Other assets:</b>			
Leasehold rights	3,692	3,692	35,249
Other intangible assets	125	161	1,537
Lease deposits	2,819	2,810	26,828
Long-term prepaid expenses	53	148	1,413
Organization costs	56	42	401
Bond issuance costs	-	148	1,413
Other	275	338	3,227
<b>Total other assets</b>	<b>7,020</b>	<b>7,339</b>	<b>70,069</b>
<b>TOTAL ASSETS</b>	<b>¥200,686</b>	<b>¥244,707</b>	<b>\$2,336,328</b>

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**BALANCE SHEETS**  
**As of August 31, 2004 and February 28, 2005**

	<u>August 31, 2004</u> <u>(¥ in millions)</u>	<u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>February 28, 2005</u> <u>(US\$ in thousands)</u>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term debt	¥4,760	¥21,260	\$202,979
Accounts payable	537	791	7,552
Rent received in advance	648	882	8,421
Deposits received	746	616	5,881
Accrued expenses and other liabilities	436	499	4,764
<b>Total current liabilities</b>	<b>7,127</b>	<b>24,048</b>	<b>229,597</b>
<b>Non-current liabilities:</b>			
Long-term debt	24,170	14,170	135,287
Bonds issued - unsecured	—	35,000	334,161
Tenant leasehold and security deposits	49,961	51,802	494,577
Other	67	113	1,079
<b>Total non-current liabilities</b>	<b>74,198</b>	<b>101,085</b>	<b>965,104</b>
<b>TOTAL LIABILITIES</b>	<b>81,325</b>	<b>125,133</b>	<b>1,194,701</b>
<b>Unitholders' equity:</b>			
Unitholders' capital, 2,000,000 units authorized; 219,502 units (as of August 31, 2004 and February 28, 2005) issued and outstanding	116,189	116,189	1,109,309
Retained earnings	3,172	3,385	32,318
<b>TOTAL UNITHOLDERS' EQUITY</b>	<b>119,361</b>	<b>119,574</b>	<b>1,141,627</b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	<b>¥200,686</b>	<b>¥244,707</b>	<b>\$2,336,328</b>

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  
August 31, 2004 and February 28, 2005

	<u>March 1, 2004 to</u> <u>August 31, 2004</u> <u>(¥ in millions)</u>	<u>September 1, 2004 to</u> <u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>September 1, 2004 to</u> <u>February 28, 2005</u> <u>(US\$ in thousands)</u>
<b>Operating revenues</b>			
Rental and other operating revenues	¥8,692	¥9,514	\$90,834
<b>Operating expenses</b>			
Property-related expenses	4,422	4,808	45,904
Asset management fees	598	680	6,492
Custodian fees	33	38	363
General administration fees	87	83	792
Other	81	78	745
	5,221	5,687	54,296
<b>Operating income</b>	3,471	3,827	36,538
<b>Non-operating revenues</b>			
Non-operating revenues	20	9	86
<b>Non-operating expenses</b>			
Interest expense	142	184	1,757
Corporate bonds interest	—	22	210
Offering costs	99	130	1,241
Amortization of organization costs	14	14	134
Amortization of bond issuance costs	—	30	286
Other non-operating expenses	61	70	668
<b>Income before income taxes</b>	3,175	3,386	32,328
Income taxes	3	1	10
<b>Net income</b>	3,172	3,385	32,318
<b>Retained earnings at beginning of period</b>	—	—	—
<b>Retained earnings at end of period</b>	¥3,172	¥3,385	\$32,318

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**  
**August 31, 2004 and February 28, 2005**

	<u>March 1, 2004 to</u> <u>August 31, 2004</u> <u>(¥ in millions)</u>	<u>September 1, 2004 to</u> <u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>September 1, 2004 to</u> <u>February 28, 2005</u> <u>(US\$ in thousands)</u>
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥3,175	¥3,386	\$32,328
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	1,497	1,682	16,059
Amortization of organization costs	14	14	134
Interest expense	142	206	1,967
Amortization of bond issuance costs	—	30	286
Loss on disposal of fixed assets	23	30	286
Changes in assets and liabilities:			
Rental receivables	(25)	(54)	(516)
Consumption tax refundable	709	(241)	(2,301)
Accounts payable	62	257	2,454
Rent received in advance	95	234	2,234
Deposits received	36	(130)	(1,241)
Accrued expenses and other liabilities	(82)	46	439
Other, net	(342)	(392)	(3,743)
Net cash provided by operating activities	5,304	5,068	48,386
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment	(30,777)	(44,044)	(420,508)
Proceeds from tenant leasehold and security deposits	1,777	1,842	17,586
Payment of deposits and others	8	(10)	(95)
Net cash used in investing activities	(28,992)	(42,212)	(403,017)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term debt	4,760	74,500	711,285
Repayments of short-term debt	(38,528)	(58,000)	(553,752)
Proceeds from long-term debt	20,000	—	—
Repayments of long-term debt	—	(10,000)	(95,475)
Proceeds from issuance of investment units	42,267	—	—
Net proceeds from bond issuance	—	34,822	332,461
Distribution payment	(2,577)	(3,174)	(30,304)
Net cash provided by financing activities	25,922	38,148	364,216
<b>Net change in cash and cash equivalents</b>	<b>2,234</b>	<b>1,004</b>	<b>9,586</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>6,125</b>	<b>8,359</b>	<b>79,807</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥8,359</b>	<b>¥9,363</b>	<b>\$89,393</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 March 1, 2004 to August 31, 2004 and the period from**  
**September 1, 2004 to February 28, 2005**

**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 March 4, 2003, the Company completed its second 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 to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Net proceeds of approximately ¥47.7 billion from these offerings were substantially utilized in the acquisition of five additional retail properties with an aggregate purchase price of ¥67.9 billion.

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.

Subsequent to that, the Company acquired one additional property during the period ended August 31, 2003 by utilizing internal cash, and six additional properties during the period ended February 29, 2004 by utilizing bank borrowings from a bank syndicate.

On March 2, 2004, JRF completed its third public offering totaling 67,000 new investment units at a price of ¥654,910 per unit, 44,300 of such units were issued in connection with a Japanese Primary Offering, and the remaining 22,700 of such 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 ¥42.3 billion from these Offerings were primarily utilized towards the acquisition of two additional retail properties on March 2, 2004, for an aggregate purchase price of ¥23.8 billion, and the remaining balance was utilized to partially repay its outstanding short-term borrowings incurred in connection with the acquisitions of six properties in the period ended February 29, 2004.

Subsequent to that, the Company acquired two additional properties during the period ended August 31, 2004 and four additional properties during the period ended February 28, 2005, by utilizing internal cash and bank borrowings.

As a result, the Company owned a portfolio of twenty four retail properties as of February 28, 2005.

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

**(a) Basis of Presentation**

The Company maintains its accounts and records in conformity 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 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.

**(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	2-39 years
Building improvements	2-60 years
Machinery and equipment	3-17 years
Furniture and fixtures	2-39 years

***(d) Organization Costs and Bond Issuance 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.

Bond issuance costs are amortized over a period of three years, comprised of six 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.

Taxes on property and equipment capitalized amounted to ¥20 million (US\$191 thousand) for the period ended February 28, 2005, and ¥415 million for the period ended August 31, 2004.

***(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 February 28, 2005 is ¥544,748 (US\$5,201), and ¥543,781 as of August 31, 2004. Net income per unit for the period ended February 28, 2005 is ¥15,419 (US\$147), and ¥14,475 for the period ended August 31, 2004.

The computation of net income per unit is based on the weighted average number of investment units outstanding during the period ended February 28, 2005, which was 219,502 units (219,138 units for the period ended August 31, 2004).



***(I) Accounting Standard for Impairment of Fixed Assets:***

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires an impairment loss to be recognized on certain assets, such as fixed assets, intangible assets and investments, individually or as a group, as the difference between the carrying amount and the fair value of the asset using a discounted cash flow model. The standard requires that an assessment for impairment be carried out on an asset whenever events or changes in circumstances indicate that the carried amount may not be recoverable. The Company adopted the new standard for impairment of long-lived assets from the current fiscal period ended February 28, 2005.

The impact of adopting the new standard did not have a material impact on the Company's financial position or results of operations.

**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 ¥104.74 = US\$1, the effective rate of exchange prevailing at February 28, 2005. The inclusion of such U.S. dollar amounts associated with the fiscal period ended February 28, 2005 is solely for the convenience of readers 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**

As of February 28, 2005, the Company was provided with back up facilities totaling ¥83.80 billion (US\$ 800 million) and ¥21.26 billion (US\$ 203 million) was drawn down. As of August 31, 2004, the Company was provided with back up facilities totaling ¥3.8 billion and no amount was drawn down.

Short-term and long-term borrowings outstanding were ¥21.26 billion (US\$ 203 million) and ¥14.17 billion (US\$ 135 million), respectively, as of February 28, 2005 and ¥4.76 billion and ¥24.17 billion, respectively, as of August 31, 2004. Average interest rates ranged from 0.5% to 1.4% for the period ended February 28, 2005, and from 0.6% to 1.3% for the period ended August 31, 2004.

**Note 5 – Corporate Bonds**

On February 9, 2005, the Company completed two issuances of unsecured corporate bonds. Details of the bond issuances are as follows:

¥20 billion of 5-year bonds, maturing on February 9, 2010 with a coupon of 0.74%

¥15 billion of 10-year bonds, maturing on February 9, 2015 with a coupon of 1.73%

**Note 6 – Collateral**

Certain of our properties and beneficiary interests in trusts (comprising properties and cash), with an aggregate book value of ¥81 billion (US\$ 773 million), were pledged as collateral to secure liabilities totaling ¥41 billion (US\$ 391 million) for the period ended February 28, 2005, and ¥135 billion were pledged against liabilities totaling ¥66 billion for the period ended August 31, 2004.

**Note 7 – 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\$455 thousand), as required pursuant to the Investment Trust Law.

The number of units issued and outstanding as of February 28, 2005 were 219,502 (219,502 units as of August 31, 2004). (see Note 1)

**Note 8 – 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 period ended February 28, 2005 (equivalent to ¥15,419 (US\$147) per investment unit) to its unitholders. ¥14,452 per investment unit was distributed for the period ended August 31, 2004. 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 periods ended August 31, 2004 and February 28, 2005, respectively:

	<u>Period ended</u> <u>August 31, 2004</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2005</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2005</u> (US\$ in thousands)
Retained earnings at the end of period	¥3,172	¥3,385	\$32,318
Cash distribution declared	<u>(3,172)</u>	<u>(3,385)</u>	<u>(32,318)</u>
Retained earnings carried forward	<u>¥ =</u>	<u>¥ =</u>	<u>\$ =</u>

**Note 9 – Breakdown of Property-Related Expenses**

Property-related expenses for the periods ended August 31, 2004 and February 28, 2005 consist of the following:

	<u>Period ended</u> <u>August 31, 2004</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2005</u> (¥ in millions)	<u>Period ended</u> <u>February 28, 2005</u> (US\$ in thousands)
Property management fees	¥353	¥354	\$3,380
Facility management fees	390	473	4,516
Utilities	716	642	6,129
Property-related taxes	612	609	5,814
Repair and maintenance	42	44	420
Insurance	35	37	353
Trust fees	67	73	697
Rent expense <sup>(i)</sup>	302	420	4,010
Other	408	443	4,230
Depreciation	<u>1,497</u>	<u>1,713</u>	<u>16,355</u>
Total property-related expenses	<u>¥4,422</u>	<u>¥4,808</u>	<u>\$45,904</u>

Note:

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

**Note 10 – 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>August 31, 2004</u> <u>Rate</u>	<u>Period ended</u> <u>February 28, 2005</u> <u>Rate</u>
Statutory effective tax rate	39.39%	39.39%
Deductible cash distributions	<u>(39.30)</u>	<u>(39.36)</u>
Effective tax rate	<u>0.09%</u>	<u>0.03%</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 11 – Leases**

### **(a) Lease Rental Revenues**

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of August 31, 2004 and February 28, 2005 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	<u>Period ended</u> <u>August 31, 2004</u>	<u>Period ended</u> <u>February 28, 2005</u>	<u>Period ended</u> <u>February 28, 2005</u>
	(¥ in millions)	(¥ in millions)	(US\$ in millions)
Due within one year	¥ 11,152	¥ 13,864	\$132
Due after one year	<u>97,021</u>	<u>115,213</u>	<u>1,100</u>
Total	<u>¥ 108,173</u>	<u>¥ 129,077</u>	<u>\$1,232</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 ¥8 million (US\$76 thousand) for the period ended February 28, 2005, and ¥13 million for the period ended August 31, 2004.

Future minimum lease payments required under the terms of these finance leases as of August 31, 2004 and February 28, 2005 are as follows:

	<u>Period ended</u> <u>August 31, 2004</u>	<u>Period ended</u> <u>February 28, 2005</u>	<u>Period ended</u> <u>February 28, 2005</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Due within one year	¥ 15	¥ 12	\$114
Due after one year	<u>14</u>	<u>9</u>	<u>86</u>
Total	<u>¥ 29</u>	<u>¥ 21</u>	<u>\$200</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>August 31, 2004</u>	<u>Period ended</u> <u>February 28, 2005</u>	<u>Period ended</u> <u>February 28, 2005</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Equipment, at cost	¥ 176	¥ 92	\$878
Accumulated depreciation	<u>147</u>	<u>71</u>	<u>678</u>
Net book value	<u>¥ 29</u>	<u>¥ 21</u>	<u>\$200</u>

Depreciation expense would be ¥8 million (US\$76 thousand) for the period ended February 28, 2005, and ¥13 million for the period ended August 31, 2004. 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 12 – Related-Party Transactions****(a) Real estate acquisitions:**

There were no real estate transactions with related parties during the fiscal period ended February 28, 2005.

During the fiscal period ended August 31, 2004, the Company acquired two retail properties, namely AEON Sapporo Naebo Shopping Center and Esquisse Omotesando, from special purpose companies created by Mitsubishi Corporation, which owned 5% 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, 2004, in connection with the acquisition and holding of such properties in contemplation of sale to the Company. These two properties were acquired by the Company with the proceeds from the Company's third public offerings in March 2004 at an aggregate acquisition price of ¥23.8 billion, at their appraised value.

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

There were no issuances and purchases of investment units to/from related parties during the fiscal period ended February 28, 2005.

During the fiscal period ended August 31, 2004, on March 2, 2004, the Company issued 67,000 units, including 4,800 units to Mitsubishi Corporation and 200 units to its asset manager, Mitsubishi Corp.-UBS Realty Inc., during its third public offering (see Note 1) for an aggregate amount of ¥3,144 million and ¥131 million, 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 ¥680 million (US\$6,492 thousand) were paid by the Company for the period ended February 28, 2005, and ¥598 million were paid for the period ended August 31, 2004. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥337 million (US\$3,217 thousand) were paid by the Company for the period ended February 28, 2005, and ¥237 million were paid for the period ended August 31, 2004. 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 utilized Diamond City Co., Ltd., an affiliate of Mitsubishi Corporation, as the property manager for two of its properties as of February 28, 2005 and August 31, 2004. Fees paid to Diamond City Co., Ltd. for the period ended February 28, 2005 amounted to ¥253.8 million (US\$2,423 thousand), and ¥256.7 million were paid for the period ended August 31, 2004.

**(e) Brokerage fees**

The Company paid brokerage fees to Mitsubishi Corporation totaling ¥252 million (US\$2,406 thousand) for the period ended February 28, 2005.

No brokerage fees were paid to related parties during the fiscal period ended August 31, 2004.

**Note 13 – Property Information**

*(a)(i) Details of the Company's property portfolio as of August 31, 2004 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>(m<sup>2</sup>)</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	10,004	91,045	10,700	97,379	5.4
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,904	90,135	10,200	92,829	4.0
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	14,086	128,194	14,400	131,052	4.8
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,148	74,154	8,000	72,807	3.2
Nara Family	1-4, 2-chome, Nishi Saidaiji Higashi, Nara-city, Nara	85,350.25	32,114	292,264	32,400	294,867	26.0
Hakata Riverain	1-3, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.69	13,137	119,558	13,400	121,951	13.0
Abiko Shopping Plaza	1-142, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	43,415.03	10,236	93,156	10,800	98,289	7.9
Ito-Yokado Narumi	232, 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,481	77,184	8,420	76,629	3.8
8953 Minami Aoyama Building	5-8, 5-chome, Minami Aoyama, Minato-ku, Tokyo	1,582.48	5,402	49,163	5,330	48,507	2.0
Ito-Yokado Yabashira	15, Higure 1-chome, Matsudo City, Chiba	21,581.65	1,673	15,226	1,750	15,926	0.9
Ito-Yokado Kamifukuoka-higashi	30-1, Ohara 2-chome, Kamifukuoka-city, Saitama	28,316.18	6,899	62,787	6,800	61,886	2.9
Ito-Yokado Nishikicho	1-12, Nishikicho 1-chome, Warabi-city, Saitama	72,957.52	13,384	121,806	13,100	119,221	5.1
8953 Daikanyama Building	17-35, Ebisu-nishi 1-chome, Shibuya, Tokyo	574.46	1,281	11,658	1,260	11,467	0.5
8953 Harajuku FACE Building	5-32, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,804	25,519	2,780	25,300	1.0
AEON Higashiura Shopping Center	62-1, Higashisakaemachi, Ogawaaza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,900	62,796	6,860	62,432	4.3

AEON Kashiihama Shopping Center	1-12, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,720	124,863	12,900	117,401	5.5
AEON Sapporo Naebo Shopping Center	1-1, 3-chome, Higashinaebo, Higashi-ku, Sapporo City, Hokkaido	74,625.52	9,337	84,975	9,250	84,183	4.0
Esquisse Omotesando	10-1, 5-chome, Jingumae, Shibuya, Tokyo	3,798.42	14,665	133,464	14,500	131,962	4.7
Esquisse Omotesando Annex	5-1-3 Jingu-mae, Shibuya, Tokyo	540.78	895	8,145	900	8,191	0.2
Ito-Yokado Tsunashima	2-8-1 Tsunashima-Nishi, Kohoku-ku, Yokohama, Kanagawa	<u>17,502.06</u>	<u>5,210</u>	<u>47,415</u>	<u>5,000</u>	<u>45,504</u>	<u>0.8</u>
Total		<u>818,436.38</u>	<u>188,280</u>	<u>1,713,506</u>	<u>188,750</u>	<u>1,717,783</u>	<u>100.0</u>

(a)(ii) Details of the Company's property portfolio as of February 28, 2005 are as follows:

<u>Name of Property</u>	<u>Location of Property</u>	<u>Leasable Area (m<sup>2</sup>)</u>	<u>Net book Value</u>		<u>Appraisal Value</u>		<u>Rental Income as Percentage of Total Revenue (%)</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	9,930	94,806	10,700	102,158	4.6
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,825	93,804	10,200	97,384	3.7
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	14,009	133,750	14,400	137,483	4.4
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,088	77,220	8,000	76,380	2.9
Nara Family	1-4, 2-chome, Nishi Saidaiji Higashi, Nara-city, Nara	85,341.83	31,997	305,490	32,400	309,337	23.7
Hakata Riverain	1-3, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.72	12,986	123,983	13,300	126,981	12.0
Abiko Shopping Plaza	1-142, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	43,390.73	10,271	98,062	11,100	105,977	7.6
Ito-Yokado Narumi	232, 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,407	80,265	8,300	79,244	3.5
8953 Minami Aoyama Building	5-8, 5-chome, Minami Aoyama, Minato-ku, Tokyo	1,540.98	5,393	51,489	5,330	50,888	1.8
Ito-Yokado Yabashira	15, Higure 1-chome, Matsudo City, Chiba	21,581.65	1,655	15,801	1,750	16,708	0.8

Ito-Yokado Kamifukuoka-higashi	30-1, Ohara 2-chome, Kamifukuoka-city, Saitama	28,316.18	6,851	65,410	6,800	64,923	2.7
Ito-Yokado Nishikicho	1-12, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	13,318	127,153	13,200	126,026	4.7
8953 Daikanyama Building	17-35, Ebisu-nishi 1-chome, Shibuya, Tokyo	574.46	1,277	12,192	1,280	12,221	0.4
8953 Harajuku FACE Building	5-32, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,796	26,695	2,800	26,733	1.0
AEON Higashiura Shopping Center	62-1, Higashisakaemachi, Ogawaaza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,799	64,913	6,860	65,496	3.9
AEON Kashiihama Shopping Center	1-12, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,626	130,094	12,900	123,162	5.0
AEON Sapporo Naebo Shopping Center	1-1, 3-chome, Higashinaebo, Higashi-ku, Sapporo City, Hokkaido	74,625.52	9,205	87,884	9,250	88,314	4.0
Esquisse Omotesando	10-1, 5-chome, Jingumae, Shibuya, Tokyo	3,798.42	14,592	139,316	14,500	138,438	3.8
Esquisse Omotesando Annex	5-1-3 Jingu-mae, Shibuya, Tokyo	540.78	896	8,555	900	8,593	0.3
Ito-Yokado Tsunashima	2-8-1 Tsunashima-Nishi, Kohoku-ku, Yokohama, Kanagawa	16,549.50	5,183	49,484	5,000	47,737	1.9
Bic Camera Tachikawa	2-12-2 Akebono-cho, Tachikawa City, Tokyo	20,983.43	12,434	118,713	12,000	114,569	3.4
Itabashi SATY	2-6-1 Tokumaru, Itabashi-ku, Tokyo	72,253.88	12,837	122,561	12,400	118,388	3.4
8953 Kita Aoyama Building	3-14-8 Kita-Aoyama, Minato-ku, Tokyo	492.69	1005	9,595	995	9,500	0.1
AEON Yamato Shopping Center	1-2-6, Shimotsuruma Yamato City, Kanagawa	<u>85,226.68</u>	<u>17,231</u>	<u>164,512</u>	<u>16,900</u>	<u>161,352</u>	<u>0.4</u>
Total		<u>996,847.31</u>	<u>230,611</u>	<u>2,201,747</u>	<u>231,265</u>	<u>2,207,991</u>	<u>100.0</u>

**Notes:**

- (i) Each of the properties above is held by the Company in the form of trust beneficiary interests.
- (ii) Each of the properties was appraised by independent appraisal firms as at August 31, 2004 and February 28, 2005. These appraisal data are unaudited.
- (iii) As of August 31, 2004 and February 28, 2005, the occupancy rate of each property was 100%, except for Esquisse Omotesando (88.5%) and Hakata Riverain (99.7%) and Nara Family (99.6%) as of August 31, 2004, and Hakata Riverain (99.1%) and Nara Family (99.6%) as of February 28, 2005.
- (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 August 31, 2004 is as follows:

<u>Region</u>	<u>Net Book Value</u> <u>(¥ in millions)</u>	<u>Percentage of Total</u> <u>Assets</u> <u>(%)</u>
Tokyo metropolitan area	¥80,501	42.8
Osaka metropolitan area	61,581	32.7
Other metropolitan areas (each of which have populations over one million)	<u>46,198</u>	<u>24.5</u>
Total	<u>¥188,280</u>	<u>100.0</u>

(b)(ii) A geographical breakdown of the Company's property portfolio as of February 28, 2005 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 Assets</u> <u>(%)</u>
Tokyo metropolitan area	¥123,652	\$1,180,561	53.7
Osaka metropolitan area	61,211	584,409	26.5
Other metropolitan areas (each of which have populations over one million)	<u>45,748</u>	<u>436,777</u>	<u>19.8</u>
Total	<u>¥230,611</u>	<u>\$2,201,747</u>	<u>100.0</u>



(c)(i) Other Data:

For the period ended August 31, 2004:

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>8953 Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Nara Family</u>	<u>Hakata Riverain</u>	<u>Abiko Shopping Plaza</u>	<u>Ito-Yokado Narumi</u>	<u>8953 Minami Aoyama Building</u>	<u>Ito-Yokado Yabashira</u>	<u>Ito-Yokado Kamifukuoka -higashi</u>	<u>Ito-Yokado Nishikicho</u>	<u>8953 Daikanvama Building</u>	<u>8953 Harajuku FACE Building</u>	<u>AEON Higashiura Shopping Center</u>	<u>AEON Kashiwazaki Shopping Center</u>
Operating days during the fiscal period	184	184	184	184	184	184	184	184	184	184	184	184	184	184	184	184
Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of tenants	2	1	1	1	136	80	51	1	3	1	1	1	1	5	1	1
JRF ownership	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	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	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner

<u>Name of Property</u>	<u>AEON Sapporo Naeo Shopping Center</u>	<u>Esquisse Omotesando</u>	<u>Esquisse Omotesando Annex</u>	<u>Ito-Yokado Tsunashima</u>
Operating days during the fiscal period	183	183	124	69
Occupancy rate	100.0%	88.5%	100.0%	100.0%
Number of tenants	1	18	1	1
JRF ownership	100.0%	100.0%	100.0%	100.0%
Ownership structure	Sole owner	Sole owner	Sole owner	Sole owner

(c)(ii) Other Data:

For the period ended February 28, 2005:

<u>Name of Property</u>	<u>Sendai Nakayama Shopping Center</u>	<u>ESPA Kawasaki</u>	<u>8953 Osaka Shinsaibashi Building</u>	<u>JUSCO Chigasaki Shopping Center</u>	<u>Nara Family</u>	<u>Hakata Riverain</u>	<u>Abiko Shopping Plaza</u>	<u>Ito-Yokado Narumi</u>	<u>8953 Minami Aoyama Building</u>	<u>Ito-Yokado Yabashira</u>	<u>Ito-Yokado Kamifukuoka-higashi</u>	<u>Ito-Yokado Nishikicho</u>	<u>8953 Daikanvama Building</u>	<u>8953 Harajuku FACE Building</u>	<u>AEON Higashiura Shopping Center</u>	<u>AEON Kashiihama Shopping Center</u>
Operating days during the fiscal period	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181
Occupancy rate	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of tenants	3	1	1	1	131	79	48	1	3	1	1	1	1	5	1	1
JRF ownership	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	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	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner	Sole owner

<u>Name of Property</u>	<u>AEON Sapporo Naebo Shopping Center</u>	<u>Esquisse Omotesando</u>	<u>Esquisse Omotesando Annex</u>	<u>Ito-Yokado Tsunashima</u>	<u>Bic Camera Tachikawa</u>	<u>Itabashi SATY</u>	<u>8953 Aoyama Building</u>	<u>AEON Yamato Shopping Center</u>
Operating days during the fiscal period	181	181	181	181	181	181	181	181
Occupancy rate	100.0%	88.5%	100.0%	100.0%	100.0%	88.5%	100.0%	100.0%
Number of tenants	1	16	2	1	2	1	2	1
JRF ownership	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

#### **Note 14 – Subsequent Events**

On March 8, 2005, JRF issued a total of 56,000 new investment units at a price of ¥798,700 per unit, of which 32,200 units were issued in connection with a Japanese Primary Offering and 23,800 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Details are as follows:

Total number of units offered:	56,000 units
Offer price per unit:	¥798,700
Total amount of offerings:	¥44,727,200,000
Price to international joint lead managers per unit:	¥770,990
Net proceeds:	¥43,175,440,000

On March 29, 2005, JRF issued an additional 4,000 investment units domestically in connection with the exercise of an over-allotment option. Details are as follows

Total number of units offered:	4,000 units
Over-allotment price:	¥770,990
Net proceeds:	¥3,083,960,000

As a result of the issuance of additional units, the Company had total equity of ¥162 billion, with 279,502 units outstanding as of March 29, 2005.

Total net proceeds of approximately ¥46 billion from these Offerings were primarily utilized for the acquisition of 4 additional retail properties, as well as the repayment of a portion of outstanding short-term borrowings.