

Japan Retail Fund Investment Corporation

Financial Statements

For the Periods

from September 1, 2004 to February 28, 2005 and

from March 1, 2005 to August 31, 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 August 31, 2005 and February 28, 2005, and the related statements of income and retained earnings and cash flows for the six months then ended August 31, 2005 and February 28, 2005, 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 August 31, 2005 and February 28, 2005, and the results of its operations and its cash flows for the six months ended August 31, 2005 and February 28, 2005 in conformity with accounting principles generally accepted in Japan.

As described in Note 14, 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

Tokyo, Japan
November 16, 2005

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

	<u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>August 31, 2005</u> <u>(¥ in millions)</u>	<u>August 31, 2005</u> <u>(US\$ in thousands)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	¥9,363	¥12,421	\$111,499
Rental receivables	477	545	4,892
Consumption tax refundable	444	757	6,795
Prepaid expenses and other assets	326	527	4,731
<i>Total current assets</i>	<u>10,610</u>	<u>14,250</u>	<u>127,917</u>
Non-current assets:			
Property and equipment, at cost:			
Land	136,865	179,611	1,612,307
Buildings	89,560	110,879	995,323
Building improvements	4,556	5,448	48,905
Machinery and equipment	409	398	3,573
Furniture and fixtures	1,025	1,119	10,045
	<u>232,415</u>	<u>297,455</u>	<u>2,670,153</u>
Less: Accumulated depreciation	(5,657)	(7,952)	(71,382)
<i>Net property and equipment</i>	<u>226,758</u>	<u>289,503</u>	<u>2,598,771</u>
Other assets:			
Leasehold rights	3,692	4,166	37,397
Other intangible assets	161	168	1,508
Lease deposits	2,810	2,801	25,144
Investment	-	849	7,621
Long-term prepaid expenses	148	135	1,212
Organization costs	42	28	251
Bonds issuance costs	148	119	1,068
Other	338	331	2,971
<i>Total other assets</i>	<u>7,339</u>	<u>8,597</u>	<u>77,172</u>
TOTAL ASSETS	<u><u>¥244,707</u></u>	<u><u>¥312,350</u></u>	<u><u>\$2,803,860</u></u>

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

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

	<u>February 28, 2005</u> (¥ in millions)	<u>August 31, 2005</u> (¥ in millions)	<u>August 31, 2005</u> (US\$ in thousands)
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	¥21,260	¥25,860	\$232,137
Accounts payable	791	832	7,469
Rent received in advance	882	1,008	9,048
Deposits received	616	737	6,616
Accrued expenses and other liabilities	499	716	6,427
<i>Total current liabilities</i>	<u>24,048</u>	<u>29,153</u>	<u>261,697</u>
Non-current liabilities:			
Long-term debt	14,170	14,170	127,199
Bonds issued - unsecured	35,000	35,000	314,183
Tenant leasehold and security deposits	51,802	67,057	601,948
Other	113	125	1,122
<i>Total non-current liabilities</i>	<u>101,085</u>	<u>116,352</u>	<u>1,044,452</u>
TOTAL LIABILITIES	<u>125,133</u>	<u>145,505</u>	<u>1,306,149</u>
Unitholders' equity:			
Unitholders' capital, 2,000,000 units authorized, 219,502 units (as of February 28, 2005) and 279,502 units (as of August 31, 2005) issued and outstanding	116,189	162,448	1,458,241
Retained earnings	3,385	4,397	39,470
TOTAL UNITHOLDERS' EQUITY	<u>119,574</u>	<u>166,845</u>	<u>1,497,711</u>
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	<u>¥244,707</u>	<u>¥312,350</u>	<u>\$2,803,860</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, 2005 and August 31, 2005

	<u>September 1, 2004 to</u> <u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>March 1, 2005 to</u> <u>August 31, 2005</u> <u>(¥ in millions)</u>	<u>March 1, 2005 to</u> <u>August 31, 2005</u> <u>(US\$ in thousands)</u>
Operating revenues			
Rental and other operating revenues	¥9,514	¥12,226	\$109,749
Operating expenses			
Property-related expenses	4,808	6,080	54,578
Asset management fees	680	911	8,178
Custodian fees	38	45	404
General administration fees	83	105	943
Other	78	112	1,005
	<u>5,687</u>	<u>7,253</u>	<u>65,108</u>
Operating income	3,827	4,973	44,641
Non-operating revenues			
Non-operating revenues	9	3	27
Non-operating expenses			
Interest expense	184	156	1,400
Corporate bonds interest	22	206	1,850
Offering costs	130	115	1,032
Amortization of organization costs	14	14	126
Amortization of bonds issuance costs	30	30	269
Other non-operating expenses	70	58	521
	<u>3,386</u>	<u>4,397</u>	<u>39,470</u>
Income before income taxes	3,386	4,397	39,470
Income taxes	1	-	-
	<u>3,385</u>	<u>4,397</u>	<u>39,470</u>
Net income	3,385	4,397	39,470
Retained earnings at beginning of period	-	-	-
Retained earnings at end of period	<u>¥3,385</u>	<u>¥4,397</u>	<u>\$39,470</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, 2005 and August 31, 2005

	<u>September 1, 2004 to</u> <u>February 28, 2005</u> <u>(¥ in millions)</u>	<u>March 1, 2005 to</u> <u>August 31, 2005</u> <u>(¥ in millions)</u>	<u>March 1, 2005 to</u> <u>August 31, 2005</u> <u>(US\$ in thousands)</u>
Cash Flows from Operating Activities:			
Income before income taxes	¥3,386	¥4,397	\$39,470
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	1,682	2,306	20,700
Amortization of organization costs	14	14	126
Interest expense	206	362	3,250
Amortization of bonds issuance costs	30	30	269
Loss on disposal of fixed assets	30	27	242
Changes in assets and liabilities:			
Rental receivables	(54)	(69)	(619)
Consumption tax refundable	(241)	(313)	(2,810)
Accounts payable	257	38	341
Rent received in advance	234	126	1,131
Deposits received	(130)	121	1,086
Accrued expenses and other liabilities	46	92	826
Other, net	(392)	(423)	(3,797)
Net cash provided by operating activities	<u>5,068</u>	<u>6,708</u>	<u>60,215</u>
Cash Flows from Investing Activities:			
Purchases of property and equipment	(44,044)	(65,559)	(588,500)
Investment in securities	-	(852)	(7,648)
Proceeds from tenant leasehold and security deposits	1,842	15,254	136,930
Payment of deposits and others	(10)	29	260
Net cash used in investing activities	<u>(42,212)</u>	<u>(51,128)</u>	<u>(458,958)</u>
Cash Flows from Financing Activities:			
Proceeds from short-term debt	74,500	30,100	270,197
Repayments of short-term debt	(58,000)	(25,500)	(228,905)
Repayments of long-term debt	(10,000)	-	-
Proceeds from issuance of investment units	-	46,259	415,252
Net proceeds from bonds issuance	34,822	-	-
Distribution payments	(3,174)	(3,381)	(30,350)
Net cash provided by financing activities	<u>38,148</u>	<u>47,478</u>	<u>426,194</u>
Net change in cash and cash equivalents	<u>1,004</u>	<u>3,058</u>	<u>27,451</u>
Cash and cash equivalents at beginning of period	<u>8,359</u>	<u>9,363</u>	<u>84,048</u>
Cash and cash equivalents at end of period	<u><u>¥9,363</u></u>	<u><u>¥12,421</u></u>	<u><u>\$111,499</u></u>

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, 2004 to February 28, 2005 and the period from
March 1, 2005 to August 31, 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, the Company 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.

On March 8, 2005, the Company completed its fourth public offering totaling 56,000 new investment units at a price of ¥798,700 (US\$ 7,170) 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. On March 29, 2005, the Company issued an additional 4,000 investment units domestically in connection with the exercise of an over-allotment option. Total net proceeds of approximately ¥46 billion (US\$ 413 million) from these Offerings were primarily utilized for the acquisition of four additional retail properties, as well as the repayment of a portion of outstanding short-term borrowings.

Subsequent to that, the Company acquired four additional properties by utilizing internal cash and bank borrowings. The Company acquired eight properties in total during the period ended August 31, 2005. As a result, the Company owned a portfolio of thirty two retail properties as of August 31, 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 Bonds 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.

Bonds 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 ¥540 million (US\$4,847 thousand) for the period ended August 31, 2005, and ¥20 million for the period ended February 28, 2005.

(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, 2005 was ¥596,935 (US\$5,358), and ¥544,748 as of February 28, 2005. Net income per unit for the period ended August 31, 2005 was ¥15,730 (US\$141), and ¥15,419 for the period ended February 28, 2005.

The computation of net income per unit is based on the investment units outstanding as of August 31, 2005, which was 279,502 units (219,502 units as of February 28, 2005).

(l) 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 fiscal period ended February 28, 2005.

(m) Accounting Treatment of Investment in Tokumei Kumiai

Investments in Tokumei Kumiai agreements ("TK") are booked initially at cost and presented in the Company's financial statements using the equity method of accounting. Under the equity method, the initial and additional subsequent investments in a TK are recorded at cost, and its carrying value at balance date is adjusted for the Company's share of the TK's undistributed earnings or losses and distributions received from the underlying TK entity.

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 ¥111.40 = US\$1, the effective rate of exchange prevailing at August 31, 2005. The inclusion of such U.S. dollar amounts associated with the fiscal period ended August 31, 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 August 31, 2005, the Company was provided with back up facilities totaling ¥83.80 billion (US\$ 752 million) and ¥25.86 billion (US\$ 232 million) was drawn down. As of February 28, 2005, the Company was provided with back up facilities totaling ¥83.80 billion and ¥21.26 billion was drawn down.

Short-term and long-term borrowings outstanding were ¥25.86 billion (US\$ 232 million) and ¥14.17 billion (US\$ 127 million), respectively, as of August 31, 2005 and ¥21.26 billion and ¥14.17 billion, respectively, as of February 28, 2005. Average interest rates ranged from 0.4% to 1.5% for the period ended August 31, 2005, and from 0.5% to 1.4% for the period ended February 28, 2005

Note 5 – Corporate Bonds

As of August 31, 2005, ¥35 billion of unsecured corporate bonds were issued and outstanding. Details of the 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%

The same amounts of unsecured corporate bonds were issued and outstanding as of February 28, 2005.

Note 6 – Collateral

Certain of our properties and beneficiary interests in trusts (comprising properties and cash), with an aggregate book value of ¥123 billion (US\$ 1,104 million), were pledged as collateral to secure liabilities totaling ¥52 billion (US\$ 467 million) for the period ended August 31, 2005, and ¥81 billion were pledged against liabilities totaling ¥41 billion for the period ended February 28, 2005.

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\$ 449 thousand), as required pursuant to the Investment Trust Law.

The number of units issued and outstanding as of August 31, 2005 were 279,502 (219,502 units as of February 28, 2005). (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 August 31, 2005 (equivalent to ¥15,730 (US\$141) per investment unit) to its unitholders. ¥15,419 per investment unit was distributed for the period ended February 28, 2005. 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 February 28, 2005 and August 31, 2005, respectively:

	<u>Period ended</u> <u>February 28, 2005</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2005</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2005</u> (US\$ in thousands)
Retained earnings at the end of period	¥3,385	¥4,397	\$39,470
Cash distribution declared	<u>(3,385)</u>	<u>(4,397)</u>	<u>(39,470)</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 February 28, 2005 and August 31, 2005 consist of the following:

	<u>Period ended</u> <u>February 28, 2005</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2005</u> (¥ in millions)	<u>Period ended</u> <u>August 31, 2005</u> (US\$ in thousands)
Property management fees	¥354	¥463	\$4,156
Facility management fees	473	477	4,282
Utilities	642	705	6,329
Property-related taxes	609	910	8,168
Repair and maintenance	44	121	1,086
Insurance	37	48	431
Trust fees	73	91	817
Rent expense (i)	420	571	5,126
Other	443	360	3,232
Depreciation	<u>1,713</u>	<u>2,334</u>	<u>20,951</u>
Total property-related expenses	<u>¥4,808</u>	<u>¥6,080</u>	<u>\$54,578</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>February 28, 2005</u> Rate	<u>Period ended</u> <u>August 31, 2005</u> Rate
Statutory effective tax rate	39.39%	39.39%
Deductible cash distributions	(39.36)	(39.38)
Other	<u>0.00</u>	<u>0.01</u>
Effective tax rate	<u>0.03%</u>	<u>0.02%</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 February 28, 2005 and August 31, 2005 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	<u>Period ended</u> <u>February 28, 2005</u>	<u>Period ended</u> <u>August 31, 2005</u>	<u>Period ended</u> <u>August 31, 2005</u>
	(¥ in millions)	(¥ in millions)	(US\$ in millions)
Due within one year	¥ 13,864	¥ 16,602	\$149
Due after one year	<u>115,213</u>	<u>130,145</u>	<u>1,168</u>
Total	<u>¥ 129,077</u>	<u>¥ 146,747</u>	<u>\$1,317</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 ¥7 million (US\$63 thousand) for the period ended August 31, 2005, and ¥8 million for the period ended February 28, 2005.

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

	<u>Period ended</u> <u>February 28, 2005</u>	<u>Period ended</u> <u>August 31, 2005</u>	<u>Period ended</u> <u>August 31, 2005</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Due within one year	¥ 12	¥ 8	\$72
Due after one year	<u>9</u>	<u>6</u>	<u>54</u>
Total	<u>¥ 21</u>	<u>¥ 14</u>	<u>\$126</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, 2005</u>	<u>Period ended</u> <u>August 31, 2005</u>	<u>Period ended</u> <u>August 31, 2005</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Equipment, at cost	¥ 92	¥ 56	\$503
Accumulated depreciation	<u>71</u>	<u>42</u>	<u>377</u>
Net book value	<u>¥ 21</u>	<u>¥ 14</u>	<u>\$126</u>

Depreciation expense would be ¥7 million (US\$63 thousand) for the period ended August 31, 2005, and ¥8 million for the period ended February 28, 2005. 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:**

During the fiscal period ended August 31, 2005, the Company acquired Wonder City from Aitex Co., Ltd, an affiliate of Mitsubishi Corporation. Mitsubishi Corporation 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, 2005. The property was acquired by the Company with the proceeds from the Company's fourth public offerings in March 2005 at an acquisition price of ¥15.9 billion (US\$ 143 million). The property was independently appraised at ¥16.1 billion (US\$ 145 million) at the time of acquisition

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

(b) Issuance and purchase of investment units

During the fiscal period ended August 31, 2005, on March 8, 2005, the Company issued 56,000 units, including 3,000 units to Mitsubishi Corporation and 100 units to its asset manager, Mitsubishi Corp.-UBS Realty Inc., during its fourth public offering (see Note 1) for an aggregate amount of ¥2,396 million (US\$22 million) and ¥80 million (US\$718 thousand), respectively.

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

(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 ¥911 million (US\$8,178 thousand) were paid by the Company for the period ended August 31, 2005, and ¥680 million were paid for the period ended February 28, 2005. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥497 million (US\$4,461 thousand) were paid by the Company for the period ended August 31, 2005, and ¥337 million were paid for the period ended February 28, 2005. These fees are calculated at 0.8% of the purchase price of properties 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 August 31, 2005 and February 28, 2005. Fees paid to Diamond City Co., Ltd. for the period ended August 31, 2005 amounted to ¥267 million (US\$2,397 thousand), and ¥254 million were paid for the period ended February 28, 2005.

(e) Brokerage fees

The Company paid brokerage fees to Mitsubishi Corporation totaling ¥56 million (US\$503 thousand) and ¥252 million for the periods ended August 31, 2005 and February 28, 2005, respectively.

Note 13 – Property Information

(a)(i) 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 (m²)</u>	<u>Net book Value (¥ in millions)</u>	<u>Appraisal Value (¥ in millions)</u>	<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	9,930	10,700	4.6
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,825	10,200	3.7
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	14,009	14,400	4.4
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,088	8,000	2.9
Nara Family	1-4, 2-chome, Nishi Saidaiji Higashi, Nara-city, Nara	85,341.83	31,997	32,400	23.7
Hakata Riverain	1-3, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.72	12,986	13,300	12.0
Abiko Shopping Plaza	1-142, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	43,390.73	10,271	11,100	7.6
Ito-Yokado Narumi	232, 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,407	8,300	3.5
8953 Minami Aoyama Building	5-8, 5-chome, Minami Aoyama, Minato-ku, Tokyo	1,540.98	5,393	5,330	1.8
Ito-Yokado Yabashira	15, Higure 1-chome, Matsudo City, Chiba	21,581.65	1,655	1,750	0.8
Ito-Yokado Kamifukuoka-higashi	30-1, Ohara 2-chome, Kamifukuoka-city, Saitama	28,316.18	6,851	6,800	2.7
Ito-Yokado Nishikicho	1-12, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	13,318	13,200	4.7
8953 Daikanyama Building	17-35, Ebisu-nishi 1-chome, Shibuya, Tokyo	574.46	1,277	1,280	0.4
8953 Harajuku FACE Building	5-32, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,796	2,800	1.0
AEON Higashiura Shopping Center	62-1, Higashisakaemachi, Ogawaaza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,799	6,860	3.9

AEON Kashiihama Shopping Center	1-12, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,626	12,900	5.0
AEON Sapporo Naebo Shopping Center	1-1, 3-chome, Higashinaebo, Higashi-ku, Sapporo City, Hokkaido	74,625.52	9,205	9,250	4.0
Esquisse Omotesando	10-1, 5-chome, Jingumae, Shibuya, Tokyo	3,798.42	14,592	14,500	3.8
Esquisse Omotesando Annex	5-1-17 Jingu-mae, Shibuya, Tokyo	540.78	896	900	0.3
Ito-Yokado Tsunashima	2-8-1 Tsunashima-Nishi, Kohoku-ku, Yokohama, Kanagawa	16,549.50	5,183	5,000	1.9
Bic Camera Tachikawa	2-12-2 Akebono-cho, Tachikawa City, Tokyo	20,983.43	12,434	12,000	3.4
Itabashi SATY	2-6-1 Tokumaru, Itabashi-ku, Tokyo	72,253.88	12,837	12,400	3.4
8953 Kita Aoyama Building	3-14-8 Kita-Aoyama, Minato-ku, Tokyo	492.69	1,005	995	0.1
AEON Yamato Shopping Center	1-2-6, Shimotsuruma Yamato City, Kanagawa	<u>85,226.68</u>	<u>17,231</u>	<u>16,900</u>	<u>0.4</u>
Total		<u>996,847.31</u>	<u>230,611</u>	<u>231,265</u>	<u>100.0</u>

(a)(ii) Details of the Company's property portfolio as of August 31, 2005 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>	<u>(%)</u>
Sendai Nakayama Shopping Center	35-40, 57,5 Minami Nakayama 1-chome, Izumi-ku, Sendai-city, Miyagi	46,248.96	9,913	88,986	11,000	98,743	4.5
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,743	87,460	11,200	100,539	2.9
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,932	125,063	14,000	125,673	3.3
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,027	72,056	8,190	73,519	2.2
Nara Family	1-4, 2-chome, Nishi Saidaiji Higashi, Nara-city, Nara	85,341.84	31,809	285,538	32,400	290,843	18.2

Hakata Riverain	1-3, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.72	12,888	115,691	13,300	119,390	9.1
Abiko Shopping Plaza	1-142, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	43,390.73	10,192	91,490	12,300	110,413	5.4
Ito-Yokado Narumi	232, 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,334	74,811	8,300	74,506	2.7
8953 Minami Aoyama Building	5-8, 5-chome, Minami Aoyama, Minato-ku, Tokyo	1,540.98	5,384	48,330	5,330	47,846	1.4
Ito-Yokado Yabashira	15, Higure 1-chome, Matsudo City, Chiba	21,581.65	1,636	14,686	1,970	17,684	0.6
Ito-Yokado Kamifukuoka-higashi	30-1, Ohara 2-chome, Kamifukuoka-city, Saitama	28,316.18	6,871	61,679	7,530	67,594	2.3
Ito-Yokado Nishikicho	1-12, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	13,181	118,321	14,600	131,059	3.6
8953 Daikanyama Building	17-35, Ebisu-nishi 1-chome, Shibuya, Tokyo	574.46	1,273	11,427	1,300	11,670	0.3
8953 Harajuku FACE Building	5-32, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,786	25,009	2,850	25,583	0.8
AEON Higashiura Shopping Center	62-1, Higashisakaema chi, Ogawaaza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,700	60,144	7,230	64,901	3.1
AEON Kashiihama Shopping Center	1-12, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,527	121,427	12,900	115,799	3.9
AEON Sapporo Naebo Shopping Center	1-1, 3-chome, Higashinaebo, Higashi-ku, Sapporo City, Hokkaido	74,625.52	9,073	81,445	9,270	83,214	3.1
Esquisse Omotesando	10-1, 5-chome, Jingumae, Shibuya, Tokyo	3,782.55	16,155	145,018	16,900	151,706	3.2
Esquisse Omotesando Annex	5-1-17 Jingu-mae, Shibuya, Tokyo	540.78	894	8,025	936	8,402	0.3
Ito-Yokado Tsunashima	2-8-1 Tsunashima-Nishi, Kohoku-ku, Yokohama, Kanagawa	16,549.50	5,156	46,284	5,360	48,115	1.5
Bic Camera Tachikawa	2-12-2 Akebono-cho, Tachikawa City, Tokyo	20,983.43	12,344	110,808	12,400	111,311	3.2

Itabashi SATY	2-6-1 Tokumaru, Itabashi-ku, Tokyo	72,253.88	12,731	114,282	13,100	117,594	5.1
8953 Kita Aoyama Building	3-14-8 Kita-Aoyama, Minato-ku, Tokyo	492.69	1,012	9,084	1,030	9,246	0.3
AEON Yamato Shopping Center	1-2-6, Shimotsuruma Yamato City, Kanagawa	85,226.68	17,229	154,659	18,700	167,864	4.4
SEIYU Hibarigaoka	3-9-8, Sumiyoshi-cho, Nishi-Tokyo City, Tokyo	19,070.88	6,094	54,704	6,890	61,849	2.3
Tobata SATY	2-2 Shioi-cho, Tobata-ku, Kita-Kyushu City, Fukuoka	93,258.23	6,417	57,603	6,450	57,899	2.5
Jusco City Takatsuki	3-47-2 Haginoshio, Takatsuki City, Osaka	77,267.23	11,822	106,122	12,300	110,413	2.9
8953 Jiyugaoka Building	2-9-19 Jiyugaoka, Meguro Ku, Tokyo	1,814.10	2,725	24,461	2,787	25,018	0.6
Wonder City	40 Nihochi, Nishi-ku, Nagoya City, Aichi	72,399.16	16,582	148,851	16,200	145,422	4.5
Jusco City Yagoto Shopping Center	2-1 Ishizaka, Kojimachiaza, Showa-Ku, Nagoya City, Aichi Prefecture	63,778.44	4,000	35,907	3,840	34,470	0.6
Jusco Naha Shopping Center	5-10-2 Kanagusuku, Naha, Okinawa Prefecture	79,090.48	11,160	100,180	11,400	102,334	1.1
Cheers Ginza	5-9-5 Ginza, Chuo-ku, Tokyo	<u>1,686.58</u>	<u>4,247</u>	<u>38,124</u>	<u>4,200</u>	<u>37,702</u>	<u>0.1</u>
Total		<u>1,405,196.55</u>	<u>293,837</u>	<u>2,637,675</u>	<u>306,163</u>	<u>2,748,321</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 of February 28, 2005 and August 31, 2005. These appraisal data are unaudited.
- (iii) Please refer to Note 13 (c) for the occupancy rate of each property as of February 28, 2005 and August 31, 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 February 28, 2005 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	¥123,652	53.7
Osaka metropolitan area	61,211	26.5
Other metropolitan areas (each of which have populations over one million)	<u>45,748</u>	<u>19.8</u>
Total	<u>¥230,611</u>	<u>100.0</u>

(b)(ii) A geographical breakdown of the Company's property portfolio as of August 31, 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	¥137,684	\$1,235,943	46.9
Osaka metropolitan area	93,177	836,418	31.7
Other metropolitan areas (each of which have populations over one million)	<u>62,976</u>	<u>565,314</u>	<u>21.4</u>
Total	<u>¥293,837</u>	<u>\$2,637,675</u>	<u>100.0</u>

(c)(i) Other Data for the period ended February 28, 2005 is as follows:

<u>Name of Property</u>	<u>Operating days</u> <u>during the fiscal</u> <u>period</u>	<u>Occupancy</u> <u>rate</u>	<u>Number of</u> <u>tenants</u>
Sendai Nakayama Shopping Center	181	100.00%	3
ESPA Kawasaki	181	100.00%	1
8953 Osaka Shinsaibashi Building	181	100.00%	1
JUSCO Chigasaki Shopping Center	181	100.00%	1
Nara Family	181	100.00%	131
Hakata Riverain	181	99.70%	79
Abiko Shopping Plaza	181	100.00%	48
Ito-Yokado Narumi	181	100.00%	1
8953 Minami Aoyama Building	181	100.00%	3
Ito-Yokado Yabashira	181	100.00%	1

Ito-Yokado Kamifukuoka-higashi	181	100.00%	1
Ito-Yokado Nishikicho	181	100.00%	1
8953 Daikanyama Building	181	100.00%	1
8953 Harajuku FACE Building	181	100.00%	5
AEON Higashiura Shopping Center	181	100.00%	1
AEON Kashiihama Shopping Center	181	100.00%	1
AEON Sapporo Naebo Shopping Center	181	100.00%	1
Esquisse Omotesando	181	88.50%	16
Esquisse Omotesando Annex	181	100.00%	2
Ito-Yokado Tsunashima	181	100.00%	1
Bic Camera Tachikawa	181	100.00%	2
Itabashi SATY	181	88.50%	1
8953 Kita Aoyama Building	181	100.00%	2
AEON Yamato Shopping Center	181	100.00%	1

(c)(ii) Other Data for the period ended August 31, 2005 is as follows:

<u>Name of Property</u>	<u>Operating days during the fiscal period</u>	<u>Occupancy rate</u>	<u>Number of tenants</u>
Sendai Nakayama Shopping Center	184	92.10%	2
ESPA Kawasaki	184	100.00%	1
8953 Osaka Shinsaibashi Building	184	100.00%	1
JUSCO Chigasaki Shopping Center	184	100.00%	1
Nara Family	184	99.80%	131
Hakata Riverain	184	96.90%	76
Abiko Shopping Plaza	184	98.90%	45
Ito-Yokado Narumi	184	100.00%	1
8953 Minami Aoyama Building	184	100.00%	3

Ito-Yokado Yabashira	184	100.00%	1
Ito-Yokado Kamifukuoka-higashi	184	100.00%	1
Ito-Yokado Nishikicho	184	100.00%	1
8953 Daikanyama Building	184	100.00%	1
8953 Harajuku FACE Building	184	100.00%	5
AEON Higashiura Shopping Center	184	100.00%	1
AEON Kashiihama Shopping Center	184	100.00%	1
AEON Sapporo Naebo Shopping Center	184	100.00%	1
Esquisse Omotesando	184	91.60%	12
Esquisse Omotesando Annex	184	100.00%	2
Ito-Yokado Tsunashima	184	100.00%	1
Bic Camera Tachikawa	184	100.00%	2
Itabashi SATY	184	100.00%	1
8953 Kita Aoyama Building	184	100.00%	2
AEON Yamato Shopping Center	184	100.00%	1
SEIYU Hibarigaoka	176	100.00%	1
Tobata SATY	176	100.00%	1
Jusco City Takatsuki	160	100.00%	1
8953 Jiyugaoka Building	157	90.10%	10
Wonder City	154	100.00%	28
Jusco City Yagoto Shopping Center	83	100.00%	2
Jusco Naha Shopping Center	64	100.00%	1
Cheers Ginza	21	100.00%	9

Note:

Each of the properties above was 100% owned by the Company as of February 28, 2005 and August 31, 2005.

Note 14 – Subsequent Events

On September 14, 2005, JRF issued a total of 23,000 new investment units at a price of ¥861,300 per unit, of which 11,600 units were issued domestically and 11,400 units were issued overseas pursuant to Rule 144A under the U.S. Securities Act of 1933. Details are as follows:

Total number of units offered:	23,000 units
Offer price per unit:	¥861,300
Total amount of offerings:	¥19,809,900,000
Price per unit to underwriter:	¥830,850
Net proceeds:	¥19,109,550,000

As a result of the issuance of additional units, the Company had total equity of ¥182 billion, with 312,502 units outstanding as of September 14, 2005. Total net proceeds of approximately ¥19 billion from these Offerings were primarily utilized for the repayment of a portion of the outstanding short-term debt incurred in connection with the acquisition of four properties during the period ended August 31, 2005.