

Japan Retail Fund Investment Corporation

Financial Statements

For the Six Months Ended

from March 1, 2005 to August 31, 2005 and

from September 1, 2005 to February 28, 2006

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(the "Company") as of February 28, 2006 and August 31, 2005, and the related statements of income and retained earnings and cash flows for each of the six months periods ended February 28, 2006 and August 31, 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 February 28, 2006 and August 31, 2005, and the results of its operations and cash flows for each of the six months periods ended February 28, 2006 and August 31, 2005 in conformity with accounting principles generally accepted in Japan.

As described in Note 14, property acquisition and related borrowings are 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
May 18, 2006

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of August 31, 2005 and February 28, 2006

	<u>August 31, 2005</u> <u>(in millions)</u>	<u>February 28, 2006</u> <u>(in millions)</u>	<u>February 28, 2006</u> <u>(in thousands)</u>
ASSETS			
Current assets:			
Cash and cash equivalents	¥12,421	¥23,802	\$205,544
Rental receivables	545	610	5,268
Consumption tax refundable	757	23	199
Prepaid expenses and other assets	527	358	3,091
<i>Total current assets</i>	<u>14,250</u>	<u>24,793</u>	<u>214,102</u>
Non-current assets:			
Property and equipment, at cost:			
Land	179,611	188,740	1,629,879
Buildings	110,879	117,886	1,018,014
Building improvements	5,448	6,166	53,247
Machinery and equipment	398	406	3,506
Furniture and fixtures	1,119	1,210	10,449
	<u>297,455</u>	<u>314,408</u>	<u>2,715,095</u>
Less: Accumulated depreciation	(7,952)	(10,122)	(87,409)
<i>Net property and equipment</i>	<u>289,503</u>	<u>304,286</u>	<u>2,627,686</u>
Other assets:			
Leasehold rights	4,166	6,104	52,712
Other intangible assets	168	159	1,373
Lease deposits	2,801	3,101	26,779
Investment	849	840	7,254
Long-term prepaid expenses	135	136	1,174
Organization costs	28	14	121
Bonds issuance costs	119	139	1,200
Other	331	273	2,358
<i>Total other assets</i>	<u>8,597</u>	<u>10,766</u>	<u>92,971</u>
TOTAL ASSETS	<u><u>¥312,350</u></u>	<u><u>¥339,845</u></u>	<u><u>\$2,934,759</u></u>

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

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of August 31, 2005 and February 28, 2006

	<u>August 31, 2005</u> <u>(in millions)</u>	<u>February 28, 2006</u> <u>(in millions)</u>	<u>February 28, 2006</u> <u>(in thousands)</u>
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	¥25,860	¥25,000	\$215,889
Current amount of tenant leasehold and security deposits	-	4,467	38,575
Accounts payable	832	832	7,185
Rent received in advance	1,008	1,012	8,739
Deposits received	737	888	7,668
Accrued expenses and other liabilities	716	700	6,045
Total current liabilities	<u>29,153</u>	<u>32,899</u>	<u>284,101</u>
Non-current liabilities:			
Long-term debt	14,170	14,170	122,366
Bonds issued - unsecured	35,000	45,000	388,601
Tenant leasehold and security deposits	67,057	61,390	530,138
Other	125	33	287
Total non-current liabilities	<u>116,352</u>	<u>120,593</u>	<u>1,041,392</u>
TOTAL LIABILITIES	<u>145,505</u>	<u>153,492</u>	<u>1,325,493</u>
Unitholders' equity:			
Unitholders' capital, 2,000,000 units authorized, 279,502 units (as of August 31, 2005) and 302,502 units (as of February 28, 2006) issued and outstanding	162,448	181,558	1,567,858
Retained earnings	4,397	4,795	41,408
TOTAL UNITHOLDERS' EQUITY	<u>166,845</u>	<u>186,353</u>	<u>1,609,266</u>
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	<u>¥312,350</u>	<u>¥339,845</u>	<u>\$2,934,759</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
August 31, 2005 and February 28, 2006

	<u>March 1, 2005 to</u> <u>August 31, 2005</u> <u>(in millions)</u>	<u>September 1, 2005 to</u> <u>February 28, 2006</u> <u>(in millions)</u>	<u>September 1, 2005 to</u> <u>February 28, 2006</u> <u>(in thousands)</u>
Operating revenues			
Rental and other operating revenues	¥12,226	¥13,047	\$112,668
Operating expenses			
Property-related expenses	6,080	6,497	56,104
Net loss on sales of property	-	16	138
Asset management fees	911	970	8,377
Custodian fees	45	53	458
General administration fees	105	108	933
Other	112	113	976
	<u>7,253</u>	<u>7,757</u>	<u>66,986</u>
Operating income	4,973	5,290	45,682
Non-operating revenues			
Non-operating revenues	3	9	78
Non-operating expenses			
Interest expense	156	162	1,399
Corporate bonds interest	206	205	1,770
Offering costs	115	33	285
Amortization of organization costs	14	14	121
Amortization of bonds issuance costs	30	40	345
Other non-operating expenses	58	48	415
	<u>4,397</u>	<u>4,797</u>	<u>41,425</u>
Income before income taxes	4,397	4,797	41,425
Income taxes	-	2	17
	<u>4,397</u>	<u>4,795</u>	<u>41,408</u>
Net income	4,397	4,795	41,408
Retained earnings at beginning of period	-	-	-
Retained earnings at end of period	<u>¥4,397</u>	<u>¥4,795</u>	<u>\$41,408</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
August 31, 2005 and February 28, 2006

	<u>March 1, 2005 to</u> <u>August 31, 2005</u> <u>(in millions)</u>	<u>September 1, 2005 to</u> <u>February 28, 2006</u> <u>(in millions)</u>	<u>September 1, 2005 to</u> <u>February 28, 2006</u> <u>(in thousands)</u>
Cash Flows from Operating Activities:			
Income before income taxes	¥4,397	¥4,797	\$41,425
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	2,306	2,472	21,347
Amortization of organization costs	14	14	121
Interest expense	362	367	3,169
Amortization of bonds issuance costs	30	40	345
Loss on disposal of fixed assets	27	16	138
Net loss on sales of property	-	16	138
Changes in assets and liabilities:			
Rental receivables	(69)	(65)	(561)
Consumption tax refundable	(313)	734	6,338
Accounts payable	38	-	-
Rent received in advance	126	4	35
Deposits received	121	151	1,304
Accrued expenses and other liabilities	92	72	622
Other, net	(423)	(280)	(2,418)
Net cash provided by operating activities	<u>6,708</u>	<u>8,338</u>	<u>72,003</u>
Cash Flows from Investing Activities:			
Purchases of property and equipment	(65,559)	(20,381)	(176,002)
Proceeds from sales of property	-	1,164	10,052
Investment in securities	(852)	-	-
Payments of tenant leasehold and security deposits	-	(3,292)	(28,428)
Proceeds from tenant leasehold and security deposits	15,254	2,092	18,065
Payments of deposits and others	-	(334)	(2,884)
Proceeds from deposits and others	29	-	-
Net cash used in investing activities	(51,128)	(20,751)	(179,197)
Cash Flows from Financing Activities:			
Proceeds from short-term debt	30,100	18,200	157,167
Repayments of short-term debt	(25,500)	(19,060)	(164,594)
Net proceeds from bonds issuance	-	9,940	85,838
Proceeds from issuance of investment units	46,259	19,110	165,026
Distribution payments	(3,381)	(4,396)	(37,962)
Net cash provided by / (used in) financing activities	<u>47,478</u>	<u>23,794</u>	<u>205,475</u>
Net change in cash and cash equivalents	<u>3,058</u>	<u>11,381</u>	<u>98,281</u>
Cash and cash equivalents at beginning of period	<u>9,363</u>	<u>12,421</u>	<u>107,263</u>
Cash and cash equivalents at end of period	<u>¥12,421</u>	<u>¥23,802</u>	<u>\$205,544</u>

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

JAPAN RETAIL FUND INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the six months ended from March 1, 2005 to August 31, 2005 and the period from September 1, 2005 to February 28, 2006

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 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 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.

On September 14, 2005, the Company completed its fifth public offering totaling 23,000 new investment units at a price of ¥861,300 (US\$ 7,438) per unit, 11,600 of such units were issued in connection with a Japanese primary Offering, and the remaining 11,400 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 ¥19 billion (US\$ 164 million) were primarily utilized to repay the Company’s outstanding short term borrowings incurred in connection with the acquisitions of four properties in the preceding fiscal period.

Subsequent to that, the Company acquired two additional properties by utilizing internal cash and bank borrowings during the period ended

February 28, 2006. On February 8, 2006, the Company sold the building and the land leasehold rights for a 30-year period of Esquisse Omotesando to a third party developer for ¥2.15 billion (US\$ 19 million). After taking into account the net book value of the building and various costs associated with the disposal, a loss of ¥16 million (US\$ 138 thousand) was incurred by the Company.

As a result, the Company owned a portfolio of thirty-four properties as of February 28, 2006.

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) Breakdown on net loss on sales of property

As of February 8, 2006, the Company disposed the property as below:

Esquisse Omotesando	(in millions)
Revenue from establishment of land leasehold right	¥2,150
Cost of investment property	1,180
Other sales expenses	<u>(986)</u>
Net loss on sales of property	¥ <u><u>(16)</u></u>

(f) 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.

(g) 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.

(h) 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 ¥35 million (US\$ 302 thousand) for the period ended February 28, 2006, and ¥540 million for the period ended August 31, 2005.

(i) 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.

(j) 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.

(k) 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.

(l) Per Unit Information

The net asset value per unit as of February 28, 2006 was ¥616,037 (US\$ 5,320), and ¥596,935 as of August 31, 2005. Net income per unit for the period ended February 28, 2006 was ¥15,851 (US\$ 137), and ¥15,730 for the period ended August 31, 2005.

The computation of net income per unit is based on the investment units outstanding as of February 28, 2006, which were 302,502 units (279,502 units as of August 31, 2005).

(m) 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.

(n) Accounting Treatment of Investment in Tokumei Kumiai

Investments in Tokumei Kumiai agreements ("TK") are carried 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 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 ¥115.80 = US\$ 1, the effective rate of exchange prevailing at February 28, 2006. The inclusion of such U.S. dollar amounts associated with the fiscal period ended February 28, 2006 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, 2006, the Company was provided with back up facilities and credit facilities totaling ¥93.80 billion (US\$ 810 million) and ¥25 billion (US\$ 216 million) was drawn down. Short-term and long-term borrowing outstanding was ¥25 billion and ¥14.17 billion. Average interest rates ranged from 0.3% to 1.5% for this period.

As of August 31, 2005, the Company was provided with back up facilities and credit facilities totaling ¥83.80 billion and ¥25.86 billion was drawn down. Short-term and long-term borrowing outstanding was ¥25.86 billion and ¥14.17 billion. Average interest rates ranged from 0.4% to 1.5% for this period.

Note 5 – Corporate Bonds

As of February 28, 2006, ¥45 billion of unsecured corporate bonds were issued and outstanding. Details of the issuances are as follows:

- (i) ¥20 billion of 5-year bonds, maturing on February 9, 2010 with a coupon of 0.74%
- (ii) ¥15 billion of 10-year bonds, maturing on February 9, 2015 with a coupon of 1.73%
- (iii) ¥10 billion of 10-year bonds, maturing on February 22, 2016 with a coupon of 2.02%.

¥35 billion of unsecured corporate bonds (refer to (i) and (ii) above) were issued and outstanding as of August 31, 2005.

Note 6 – Collateral

Certain of our properties and beneficiary interests in trusts (comprising properties and cash), with an aggregate book value of ¥138 billion (US\$ 1,192 million), were pledged as collateral to secure liabilities totaling ¥52 billion (US\$ 449 million) for the period ended February 28, 2006, and ¥123 billion were pledged against liabilities totaling ¥52 billion for the period ended August 31, 2005.

Certain land located in Wonder City was pledged as collateral to secure the payment of retirement benefits to employees of Aitex Co., Ltd, the property manager of Wonder City, for a total amount of ¥350 million as of August 31, 2005 and February 28, 2006.

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\$ 432 thousand), as required pursuant to the Investment Trust Law.

The numbers of units issued and outstanding as of February 28, 2006 were 302,502 (279,502 units as of August 31, 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 February 28, 2006 (equivalent to ¥15,851 (US\$ 137) per investment unit) to its unitholders. ¥15,730 per investment unit was distributed for the period ended August 31, 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 six months ended August 31, 2005 and February 28, 2006, respectively:

	<u>Period ended</u> <u>August 31, 2005</u> (in millions)	<u>Period ended</u> <u>February 28, 2006</u> (in millions)	<u>Period ended</u> <u>February 28, 2006</u> (in thousands)
Retained earnings at the end of period	¥4,397	¥4,795	\$41,408
Cash distribution declared	<u>(4,397)</u>	<u>(4,795)</u>	<u>(41,408)</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, 2005 and February 28, 2006 consist of the following:

	<u>Period ended</u> <u>August 31, 2005</u> (in millions)	<u>Period ended</u> <u>February 28, 2006</u> (in millions)	<u>Period ended</u> <u>February 28, 2006</u> (in thousands)
Property management fees	¥463	¥502	\$4,335
Facility management fees	477	519	4,482
Utilities	705	704	6,079
Property-related taxes	910	913	7,884

Repair and maintenance	121	194	1,675
Insurance	48	51	440
Trust fees	91	99	855
Rent expense (i)	571	630	5,440
Other	388	413	3,567
Depreciation	<u>2,306</u>	<u>2,472</u>	<u>21,347</u>
Total property-related expenses	<u>¥6,080</u>	<u>¥6,497</u>	<u>\$56,104</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, 2005</u>	<u>Period ended</u> <u>February 28, 2006</u>
		<u>Rate</u>
Statutory effective tax rate	39.39%	39.39%
Deductible cash distributions	(39.38)	(39.37)
Other	<u>0.01</u>	<u>0.02</u>
Effective tax rate	<u>0.02%</u>	<u>0.04%</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, 2005 and February 28, 2006 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	<u>Period ended</u> <u>August 31, 2005</u>	<u>Period ended</u> <u>February 28, 2006</u>	<u>Period ended</u> <u>February 28, 2006</u>
	(in millions)	(in millions)	(in millions)
Due within one year	¥ 16,602	¥ 17,467	\$151
Due after one year	<u>130,145</u>	<u>129,744</u>	<u>1,120</u>
Total	<u>¥ 146,747</u>	<u>¥ 147,211</u>	<u>\$1,271</u>

(b) Lease Commitments

Lease expenses incurred in connection with various finance leases on equipment utilized by the Company (see Note 2(k)) amounted to ¥9 million (US\$ 78 thousand) for the period ended February 28, 2006, and ¥7 million for the period ended August 31, 2005.

Future minimum lease payments required under the terms of these finance leases as of August 31, 2005 and February 28, 2006 is as follows:

	<u>Period ended</u> <u>August 31, 2005</u>	<u>Period ended</u> <u>February 28, 2006</u>	<u>Period ended</u> <u>February 28, 2006</u>
	(in millions)	(in millions)	(in thousands)
Due within one year	¥ 8	¥ 26	\$225
Due after one year	<u>6</u>	<u>59</u>	<u>509</u>
Total	<u>¥ 14</u>	<u>¥ 85</u>	<u>\$734</u>

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

	<u>Period ended</u> <u>August 31, 2005</u>	<u>Period ended</u> <u>February 28, 2006</u>	<u>Period ended</u> <u>February 28, 2006</u>
	(in millions)	(in millions)	(in thousands)
Equipment, at cost	¥ 56	¥ 161	\$1,390
Accumulated depreciation	<u>42</u>	<u>76</u>	<u>656</u>
Net book value	<u>¥ 14</u>	<u>¥ 85</u>	<u>\$734</u>

Depreciation expense would be ¥9 million (US\$ 78 thousand) for the period ended February 28, 2006, and ¥7 million for the period ended August 31, 2005. This depreciation amount has been 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 February 28, 2006, the Company acquired Kyoto Family from Diamond Family, an affiliate of Mitsubishi Corporation, at an acquisition price of ¥5.3 billion (US\$ 46 million). 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 February 28, 2006. The property was independently appraised at ¥5.4 billion (US\$ 47 million) at the time of acquisition.

During the fiscal period ended August 31, 2005, the Company acquired Wonder City from Aitex Co., Ltd, an affiliate of Mitsubishi Corporation. 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. The property was independently appraised at ¥16.1 billion at the time of acquisition.

(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, 2006.

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 and ¥80 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 ¥970 million (US\$ 8,377 thousand) were paid by the Company for the period ended February 28, 2006, and ¥911 million were paid for the period ended August 31, 2005. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥148 million (US\$ 1,278 thousand) were paid by the Company for the period ended February 28, 2006, and ¥497 million were paid for the period ended August 31, 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 three of its properties as of February 28, 2006 and two of its properties as of August 31, 2005. Fees paid to Diamond City Co., Ltd. for the period ended February 28, 2006 amounted to ¥276 million (US\$ 2,383 thousand), and ¥267 million were paid for the period ended August 31, 2005.

(e) Brokerage fees

The Company paid brokerage fees to Mitsubishi Corporation totaling ¥160 million (US\$ 1,382 thousand) and ¥56 million for the periods ended February 28, 2006 and August 31, 2005, respectively.

Note 13 – Property Information

(a)(i) 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 (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	¥9,913	¥11,000	4.5
ESPA Kawasaki	1 & 2, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,743	11,200	2.9
8953 Osaka Shinsaibashi Building	4-12, Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,932	14,000	3.3
JUSCO Chigasaki Shopping Center	5-16, Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	8,027	8,190	2.2
Nara Family	4-1, Nishi Saidaiji 2-chome, Higashi, Nara-city, Nara	85,341.84	31,809	32,400	18.2
Hakata Riverain	3-1, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.72	12,888	13,300	9.1
Abiko Shopping Plaza	142-1,, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	43,390.73	10,192	12,300	5.4
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,334	8,300	2.7
8953 Minami Aoyama Building	8-5,, Minami Aoyama 5-chome, , Minato-ku, Tokyo	1,540.98	5,384	5,330	1.4
Ito-Yokado Yabashira	15-8, Higure 1-chome, Matsudo City, Chiba	21,581.65	1,636	1,970	0.6
Ito-Yokado Kamifukuoka-higashi	1-30,, Ohara 2-chome, Kamifukuoka-city, Saitama	28,316.18	6,871	7,530	2.3
Ito-Yokado Nishikicho	12-1,, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	13,181	14,600	3.6
8953 Daikanyama Building	35-17, Ebisu-nishi 1-chome, Shibuya-ku, Tokyo	574.46	1,273	1,300	0.3
8953 Harajuku FACE Building	32-5, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,786	2,850	0.8
AEON Higashiura Shopping Center	62-1,Higashisakaemachi, Ogawaaza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,700	7,230	3.1

AEON Kashiihama Shopping Center	12-1,, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,527	12,900	3.9
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo, 3-chome, ,Higashi-ku, Sapporo-city, Hokkaido	74,625.52	9,073	9,270	3.1
Esquisse Omotesando	10-1, Jingumae, 5-chome, , Shibuya-ku, Tokyo	3,782.55	16,155	16,900	3.2
Esquisse Omotesando Annex	1-17, Jingu-mae, 5-chome, Shibuya-ku, Tokyo	540.78	894	936	0.3
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi, 2-chome, Kohoku-ku, Yokohama, Kanagawa	16,549.50	5,156	5,360	1.5
Bic Camera Tachikawa	12-2, Akebono-cho 2-chome, Tachikawa City, Tokyo	20,983.43	12,344	12,400	3.2
Itabashi SATY	6-1, Tokumaru 2-chome,,Itabashi-ku, Tokyo	72,253.88	12,731	13,100	5.1
8953 Kita Aoyama Building	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	492.69	1,012	1,030	0.3
AEON Yamato Shopping Center	2-6, Shimotsuruma 1-chome, Yamato-city, Kanagawa	85,226.68	17,229	18,700	4.4
SEIYU Hibarigaoka	9-8, Sumiyoshi-cho 3-chome, Nishi-Tokyo-city, Tokyo	19,070.88	6,094	6,890	2.3
Tobata SATY	2-2, Shioi-cho Tobata-ku, Kita-Kyushu-city, Fukuoka	93,258.23	6,417	6,450	2.5
Jusco City Takatsuki	47-2, Haginosho 3-chome, Takatsuki-city, Osaka	77,267.23	11,822	12,300	2.9
8953 Jiyugaoka Building	9-19, Jiyugaoka 2-chome, Meguro-ku, Tokyo	1,814.10	2,725	2,787	0.6
Wonder City	40, Nihocho, Nishi-ku, Nagoya-city, Aichi	72,399.16	16,582	16,200	4.5
Jusco City Yagoto Shopping Center	2-1, Kojimachiaza, Ishizaka, Showa-ku, Nagoya-city, Aichi	63,778.44	4,000	3,840	0.6
Jusco Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha, Okinawa	79,090.48	11,160	11,400	1.1
Cheers Ginza	9-5 Ginza 5-chome, Chuo-ku, Tokyo	<u>1,686.58</u>	<u>4,247</u>	<u>4,200</u>	<u>0.1</u>
Total		<u>1,405,196.55</u>	<u>¥293,837</u>	<u>¥306,163</u>	<u>100.0</u>

(a)(ii) Details of the Company's property portfolio as of February 28, 2006 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	9,835	84,931	11,800	101,900	3.4
ESPA Kawasaki	1 & 2, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,661	83,420	11,100	95,855	2.7
8953 Osaka Shinsaibashi Building	4-12, Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,873	119,793	14,600	126,079	3.1
JUSCO Chigasaki Shopping Center	5-16, Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	7,968	68,808	8,220	70,984	2.1
Nara Family	4-1, Nishi Saidaiji 2-chome, Higashi, Nara-city, Nara	85,343.38	31,616	273,022	33,800	291,883	16.5
Hakata Riverain	3-1, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.72	12,761	110,190	13,200	113,990	8.5
Abiko Shopping Plaza	142-1,, Kita Iizuka, Abiko-aza, Abiko-city, Chiba	44,333.65	10,801	93,264	13,400	115,717	6.1
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,269	71,408	8,730	75,389	2.5
8953 Minami Aoyama Building	8-5,, Minami Aoyama 5-chome, , Minato-ku, Tokyo	1,540.98	5,376	46,416	5,620	48,532	1.3
Ito-Yokado Yabashira	15-8, Higure 1-chome, Matsudo City, Chiba	21,581.65	1,628	14,059	1,970	17,012	0.6
Ito-Yokado Kamifukuoka-higashi	1-30,, Ohara 2-chome, Kamifukuoka-city, Saitama	28,316.18	6,824	58,921	7,530	65,026	2.0
Ito-Yokado Nishikicho	12-1,, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	13,045	112,642	14,500	125,216	3.4
8953 Daikanyama Building	35-17, Ebisu-nishi 1-chome, Shibuya-ku, Tokyo	574.46	1,269	10,950	1,390	12,003	0.3
8953 Harajuku FACE Building	32-5, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,782	24,016	3,060	26,425	0.7

AEON Higashiura Shopping Center	62-1, Higashisakaemachi, Ogawaaza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,599	56,986	7,680	66,321	2.9
AEON Kashiihama Shopping Center	12-1,, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,435	116,010	13,400	115,717	3.7
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo, 3-chome, ,Higashi-ku , Sapporo-city, Hokkaido	74,625.52	8,940	77,193	9,830	84,888	2.9
Site of former Esquisse Omotesando	10-1, Jingumae, 5-chome, , Shibuya-ku, Tokyo	1,768.78	14,902	128,679	15,200	131,261	2.2
Esquisse Omotesando Annex	1-17, Jingu-mae, 5-chome, Shibuya-ku, Tokyo	540.78	892	7,703	1,000	8,636	0.2
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi, 2-chome, Kohoku-ku, Yokohama, Kanagawa	16,549.50	5,130	44,292	5,380	46,459	1.4
Bic Camera Tachikawa	12-2, Akebono-cho 2-chome, Tachikawa City, Tokyo	20,983.43	12,275	106,002	12,900	111,399	3.0
Itabashi SATY	6-1, Tokumaru 2-chome,,Itabashi-ku , Tokyo	72,253.88	12,654	109,275	13,100	113,126	4.8
8953 Kita Aoyama Building	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	492.69	1,011	8,731	1,100	9,499	0.3
AEON Yamato Shopping Center	2-6, Shimotsuruma 1-chome, Yamato-city, Kanagawa	85,226.68	17,114	147,781	18,700	161,485	4.1
SEIYU Hibarigaoka	9-8, Sumiyoshi-cho 3-chome, Nishi-Tokyo-city, Tokyo	19,070.88	6,006	51,865	6,900	59,585	2.0
Tobata SATY	2-2, Shioi-cho Tobata-ku, Kita-Kyushu-city, Fukuoka	93,258.23	6,360	54,922	6,780	58,549	2.4
Jusco City Takatsuki	47-2, Haginoshoh 3-chome, Takatsuki-city, Osaka	77,267.23	11,713	101,140	12,500	107,945	3.1
8953 Jiyugaoka Building	9-19, Jiyugaoka 2-chome, Meguro-ku, Tokyo	1,814.10	2,714	23,428	2,887	24,931	0.7
Wonder City	40, Nihocho, Nishi-ku, Nagoya-city, Aichi	72,317.28	16,519	142,642	17,700	152,850	5.0

Jusco City Yagoto Shopping Center	2-1, Kojimachiaza, Ishizaka, Showa-ku, Nagoya-city, Aichi	63,778.44	3,968	34,266	3,990	34,456	1.3
Jusco Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha, Okinawa	79,090.48	11,080	95,682	11,600	100,173	3.0
Cheers Ginza	9-5 Ginza 5-chome, Chuo-ku, Tokyo	1,686.58	4,232	36,546	4,160	35,924	0.8
Jusco City Nishi-Otsu	11-1, Ohjigaoka 3-chome, Otsu-city, Shiga	62,717.26	13,645	117,832	13,100	113,126	1.1
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyuo-ku, Kyoto-city, Kyoto	25,603.95	5,650	48,791	5,480	47,323	1.9
Total		<u>1,492,366.57</u>	<u>¥310,547</u>	<u>\$2,681,606</u>	<u>¥332,307</u>	<u>\$2,869,664</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 Japan Real Estate Institute and CB Richard Ellis, independent appraisal firms, in accordance with the guidelines issued by the Japanese Association of Real Estate Appraisal. These appraisal data are unaudited.
- (iii) Please refer to Note 13 (c) for the occupancy rate of each property as of August 31, 2005 and February 28, 2006.
- (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, 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	¥137,684	46.9
Osaka metropolitan area	93,177	31.7
Other metropolitan areas (each of which have populations over one million)	<u>62,976</u>	<u>21.4</u>
Total	<u>¥293,837</u>	<u>100.0</u>

(b)(ii) A geographical breakdown of the Company's property portfolio as of February 28, 2006 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	¥136,284	\$1,176,891	43.9
Osaka metropolitan area	111,853	965,915	36.0
Other metropolitan areas (each of which have populations over one million)	<u>62,412</u>	<u>538,964</u>	<u>20.1</u>
Total	<u>¥310,549</u>	<u>\$2,681,770</u>	<u>100.0</u>

(c)(i) 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	92.1%	2
ESPA Kawasaki	184	100.0%	1
8953 Osaka Shinsaibashi Building	184	100.0%	1
JUSCO Chigasaki Shopping Center	184	100.0%	1
Nara Family	184	99.8%	131
Hakata Riverain	184	96.9%	76
Abiko Shopping Plaza	184	98.9%	45
Ito-Yokado Narumi	184	100.0%	1
8953 Minami Aoyama Building	184	100.0%	3
Ito-Yokado Yabashira	184	100.0%	1
Ito-Yokado Kamifukuoka-higashi	184	100.0%	1
Ito-Yokado Nishikicho	184	100.0%	1
8953 Daikanyama Building	184	100.0%	1
8953 Harajuku FACE Building	184	100.0%	5
AEON Higashiura Shopping Center	184	100.0%	1
AEON Kashiihama Shopping Center	184	100.0%	1
AEON Sapporo Naebo Shopping Center	184	100.0%	1
Esquisse Omotesando	184	91.6%	12
Esquisse Omotesando Annex	184	100.0%	2
Ito-Yokado Tsunashima	184	100.0%	1
Bic Camera Tachikawa	184	100.0%	2
Itabashi SATY	184	100.0%	1
8953 Kita Aoyama Building	184	100.0%	2

AEON Yamato Shopping Center	184	100.0%	1
SEIYU Hibarigaoka	176	100.0%	1
Tobata SATY	176	100.0%	1
Jusco City Takatsuki	160	100.0%	1
8953 Jiyugaoka Building	157	90.1%	10
Wonder City	154	100.0%	28
Jusco City Yagoto Shopping Center	83	100.0%	2
Jusco Naha Shopping Center	64	100.0%	1
Cheers Ginza	21	100.0%	9

(c)(ii) Other Data for the period ended February 28, 2006 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	181	100.0%	2
ESPA Kawasaki	181	100.0%	1
8953 Osaka Shinsaibashi Building	181	100.0%	1
JUSCO Chigasaki Shopping Center	181	100.0%	1
Nara Family	181	99.4%	130
Hakata Riverain	181	96.8%	75
Abiko Shopping Plaza	181	100.0%	53
Ito-Yokado Narumi	181	100.0%	1
8953 Minami Aoyama Building	181	100.0%	3
Ito-Yokado Yabashira	181	100.0%	1
Ito-Yokado Kamifukuoka-higashi	181	100.0%	1
Ito-Yokado Nishikicho	181	100.0%	1
8953 Daikanyama Building	181	100.0%	1
8953 Harajuku FACE Building	181	100.0%	5

AEON Higashiura Shopping Center	181	100.0%	1
AEON Kashiihama Shopping Center	181	100.0%	1
AEON Sapporo Naebo Shopping Center	181	100.0%	1
Site of former Esquisse Omotesando	181	100.0%	1
Esquisse Omotesando Annex	181	100.0%	2
Ito-Yokado Tsunashima	181	100.0%	1
Bic Camera Tachikawa	181	100.0%	2
Itabashi SATY	181	100.0%	1
8953 Kita Aoyama Building	181	100.0%	2
AEON Yamato Shopping Center	181	100.0%	1
SEIYU Hibarigaoka	181	100.0%	1
Tobata SATY	181	100.0%	1
Jusco City Takatsuki	181	100.0%	1
8953 Jiyugaoka Building	181	90.1%	10
Wonder City	181	100.0%	28
Jusco City Yagoto Shopping Center	181	100.0%	2
Jusco Naha Shopping Center	181	100.0%	1
Cheers Ginza	181	100.0%	9
Jusco City Nishi-Otsu	71	100.0%	1
Kyoto Family	70	99.8%	66

Note:

Each of the properties above was 100% owned by the Company as of August 31, 2005 and February 28, 2006.

Note 14 – Subsequent Events

On March 24, 2006, the Company completed the acquisition of Higashi-Totsuka Aurora City for ¥50,500 million. The acquisition was financed through the assumption of ¥5,797 million of non-interest bearing security deposits due upon lease termination and the remainder through short-term bank borrowings.

The Company acquired Higashi-Totsuka Aurora City through its interest in The Chuo Mitsui Trust and Banking Company, Limited. The Seibu Department Stores, Ltd., the operator of Seibu Department Stores, and The Daiei, Inc., the operator of Daiei, filed lawsuits in March 2004 and December 2004, respectively, against New Real Property Corporation, the previous owner of Higashi-Totsuka Aurora City, concerning the amount of rent paid pursuant to lease agreements entered into in October 1999. Upon the acquisition of Higashi-Totsuka Aurora City, the Company assumed the lease agreements with Seibu Department Store and Daiei and succeeded New Real Property Corporation as a party to these lawsuits.

Therefore, the Company is not currently involved in a position to determine the outcome of these lawsuits or how much liability, if any, we will incur with respect to the lawsuits.