

8953



**Japan Retail Fund Investment Corporation**

# **February 2006 (8th) Period Results**

**(September 1, 2005 through February 28, 2006)**

**As of April 2006**

<http://www.jrf-reit.com/>



**Mitsubishi Corp UBS Realty**

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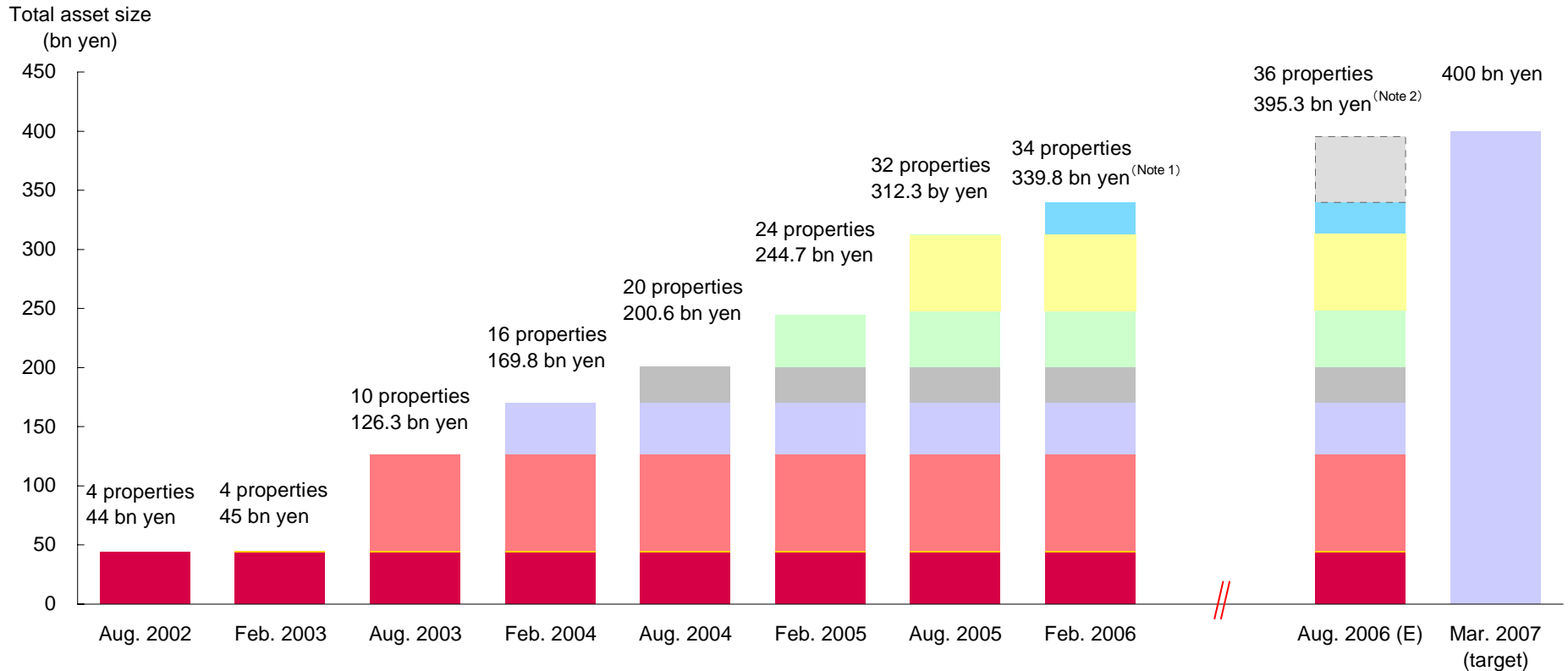
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# 1. JRF history

# History of portfolio growth



(Note 1) JRF only owns the land portion of Esquisse Omotesando (and not the building portion)

(Note 2) The Aug. 2006 (E) figure includes Higashi-Totsuka Aurora City and Loc City Ogaki that were acquired after Feb. 2006 period. Urawa PARCO (to be acquired after Aug. 2006 period) and Diamond City Tsurumi Shopping Center (investment through a partnership) are not included

The number and value of properties in the deal flow from Jan. 2005 to Dec. 2005 were 166 properties (cumulative total of 763 properties) and approximately 700 billion yen (cumulative total of 4.6 trillion yen)

# Portfolio growth history

		At IPO (Mar. 2002)	1st Follow-on (Mar. 2003)	2nd Follow-on (Mar. 2004)	3rd Follow-on (Mar. 2005)	4th Follow-on (Sep. 2005)	Feb. 2006 period	End of Mar. 2006						
Number of properties		4	9	18	28	32	34	35						
Acquisition costs (bn yen)		409	1,106	1,804	2,592	2,912	3,083	3,588						
Average cap rate		6.3%	6.7%	6.3%	6.2%	6.2%	6.2%	6.0%						
Key tenants (more than 5% of total annual rents)	AEON	48.2%	AEON	19.2%	Ito-Yokado	21.8%	Ito-Yokado	17.9%	AEON	16.7%	AEON	20.5%	AEON	18.5%
	Tokyu Hands	29.1%	Ito-Yokado	18.2%	AEON	17.6%	AEON	12.7%	Ito-Yokado	16.5%	Ito-Yokado	15.5%	Ito-Yokado	14.0%
	Ito-Yokado	19.7%	Kintetsu Dept. Store	15.0%	Kintetsu Dept. Store	9.8%	AEON Mall	8.6%	AEON Mall	8.0%	AEON Mall	7.5%	AEON Mall	6.7%
			Tokyu Hands	8.2%	AEON Kyushu	6.1%	Kintetsu Dept. Store	7.3%	Kintetsu Dept. Store	6.7%	Kintetsu Dept. Store	6.3%	Seibu Dept. Store	6.3%
			Otsuka Kagu	5.4%	Tokyu Hands	5.3%	Mycal	5.6%	Mycal	5.2%			Kintetsu Dept. Store	5.7%
Number of tenants		5	255	308	349	351	409	411						
Geographic diversification														
Tokyo metropolitan area		42.7%	30.7%	41.1%	50.1%	46.6%	44.6%	51.9%						
Osaka/Nagoya and surrounding areas		33.6%	49.1%	33.7%	29.8%	31.8%	35.4%	30.7%						
Other major cities		23.7%	20.2%	25.2%	20.1%	21.6%	20.0%	17.4%						
Investment types														
Income-type		100.0%	51.3%	62.0%	67.4%	70.4%	74.8%	78.2%						
Growth-type		0.0%	48.7%	38.0%	32.6%	29.6%	25.2%	21.8%						
Portfolio PML		4.4%	2.3%	2.7%	3.3%	3.0%	2.8%	–						

(Note 1) Calculation of geographic diversification based on valuation and investment type diversification based on acquisition price

(Note 2) Number of tenants is the sum of the contracts of each property

(Note 3) The cap rate calculation for IPO: DCF discount rates are used for JUSCO Chigasaki Shopping Center & 8953 Osaka Shinsaibashi Building, and direct cap rates for the other properties. As for Sendai Nakayama Shopping Center, only JUSCO's leased space is included in the calculation

(Note 4) Esquisse Omotesando is classified as an income property as JRF only owns the land. For Feb. 2006's portfolio PML, Esquisse Omotesando is not included

(Note 5) Figures for the 1st follow-on offering are based on data from Dec. 2002. (For Nara Family, the estimated number of tenants after the Mar. 2003 renewal is used)

(Note 6) Figures for the 2nd follow-on offering are based on data from Dec. 2003. However, cap rates for the existing properties are based on Aug. 2003. Sendai Nakayama Shopping Center's cap rate is only for JUSCO's leased space

(Note 7) The 3rd follow-on offering is based on data from Dec. 2004. For 8953 Jiyugaoka, cap rate is only for NEXT, and for Sendai Nakayama Shopping Center, it only includes JUSCO's leased space

(Note 8) The 4th follow-on offering is based on data from Jun. 2005. For 8953 Jiyugaoka, cap rate is only for NEXT, and for Sendai Nakayama Shopping Center, it only includes JUSCO's leased space

(Note 9) Portfolio PML is based on data from the reports in Feb. 2002, Nov. 2002, Jan. 2004, Jan. 2005, Aug. 2005, and Feb. 2006

(Note 10) As of Feb. 2006. The figures of Higashi Totsuka Aurora City are as of the acquisition. Loc City Ogaki, Urawa PARCO, and Diamond City Tsurumi Shopping Center are not included

# External growth: Diversified deal flows

## Acquisition channel

Mitsubishi Corporation



Sendai Nakayama SC



JUSCO Chigasaki SC

4 properties

Business Corporations



Hakata Riverain



Abiko Shopping Plaza



Ito-Yokado  
Kamifukuoka Higashi



Ito-Yokado Nishikicho

4 properties

Fund & Real Estate Companies



8953 Daikanyama Bldg.

1 property

Development



Esquisse Omotesando



AEON Sapporo  
Naebo SC

2 properties



Bic Camera  
Tachikawa



AEON Higashiura SC

3 properties



Itabashi SATY

4 properties



Tobata SATY



Wonder City

3 properties



AEON  
Yamato SC



JUSCO City  
Nishi-Otsu

6 properties



Cheers Ginza

1 property



8953  
Kita Aoyama Bldg.

2 properties



Higashi Totsuka  
Aurora City



Loc City Ogaki

2 properties



Diamond City  
Tsurumi SC

1 property



Urawa PARCO

1 property

(Note) Pictures in red are the properties to be acquired after the Feb. 2006 period and/or properties in which equity partnership investments have been made. Not all properties acquired are pictured.



# Internal growth: Renewal of Abiko Shopping Plaza

## Summary of the renewal

- 900 million yen renovation is expected to boost the net income by approximately 90 million yen
- Since Nov. 23 reopening, sales of specialty shops increased steadily, and the sales in Dec. improved by 52% (compared with the previous year)
- Strengthen specialty shops' marketability and selling power by conducting more promotion activities

## ■ Exterior and interior (before and after)

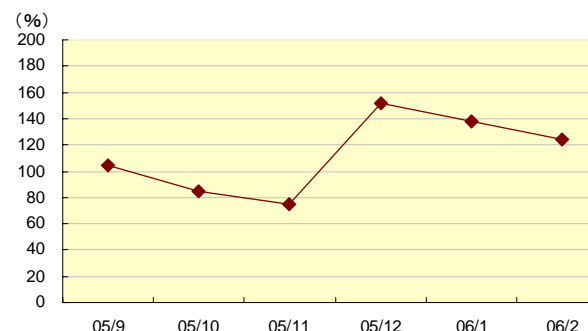
Before



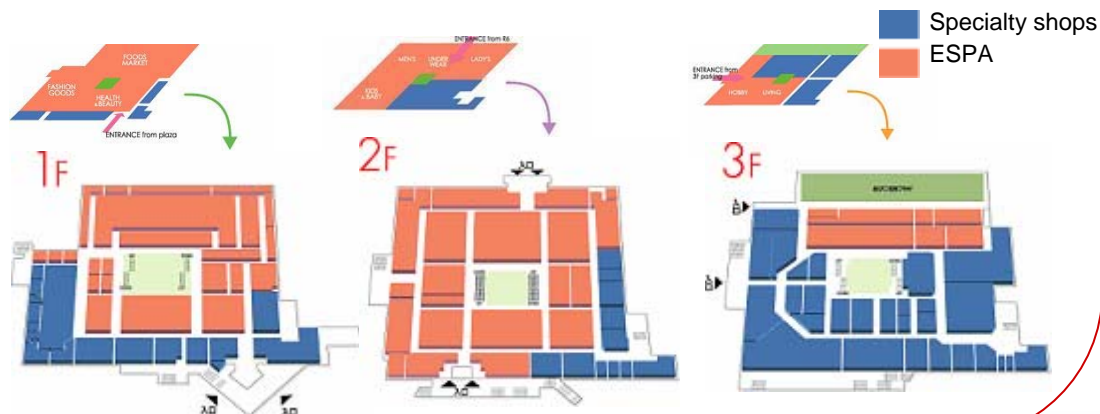
After



## ■ Sales trend of specialty shops (comparison with the same months of the previous year)



## ■ Floor map after the renewal





# Internal growth: Hakata Riverain

Changes based on suggestions of EnviroSell and Geo Akamatsu (a property management company)

- Increased signage and billboards
  - Placed banners to advertise the restaurant area on the 5<sup>th</sup> and 6<sup>th</sup> floors
  - Posted large shopping complex directory boards
  - Improved elevator area lighting
- Switched PR companies
  - Sponsored radio broadcasts
  - Placed renowned brand advertisements (ex. Louis Vuitton) in store catalogs (HARU)
- Conducted cardholder marketing campaign
  - Held exclusive events (parties) for cardholders
  - Ran refund and no-interest sales campaigns
- Reduced shopping complex operating costs
  - Reduced administration costs by 4.6mn yen (annually) by changing building management companies
  - Used bidding process to choose suppliers



Banners in the restaurant zone



Shopping directory



2006 HARU.SAKURA (poster)



2006 Valentines Day (poster)



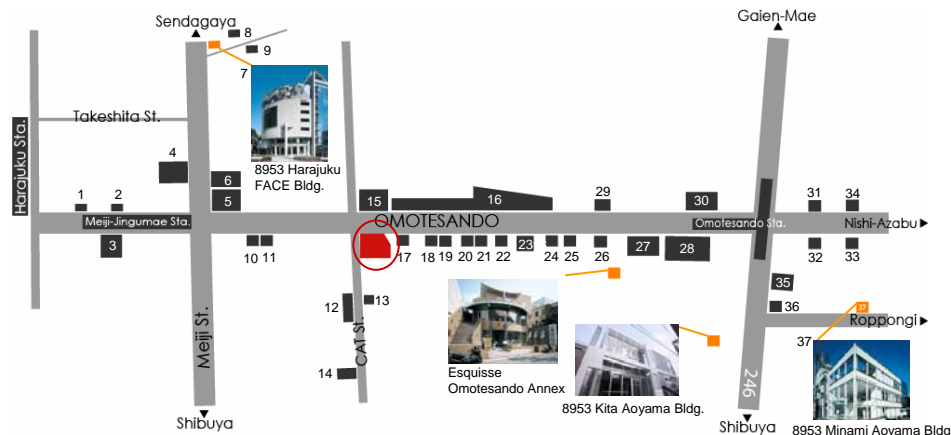
2006 HARU (catalog)



Refund campaign (poster)

# Rebuilding of Esquisse Omotesando by Takenaka Corporation

## ■ Omotesando Area



- 1: ZARA
- 2: PUMA
- 3: J. Crew
- 4: La Foret Harajuku
- 5: Gap (t's harajuku)
- 6: adidas (YM Square)
- 7: DIESEL
- 8: United Arrows (ladies/casa)
- 9: United Arrows (mens/cafe)
- 10: Lacosta
- 11: Camper
- 12: hh style.com (furniture)
- 13: United Arrows
- 14: Patagonia
- 15: Ralph Lauren
- 16: Omotesando Hills
- 17: Christian Dior
- 18: Chaumet
- 19: Tag Heuer
- 20: Burberry
- 21: Brunomagli
- 22: Paul Stuart
- 23: Louis Vuitton
- 24: Emporio Armani
- 25: Max & Co.
- 26: Tod's
- 27: Hanae Mori Bldg.
- 28: Aoyama Palacio (Gucci)
- 29: Benetton
- 30: Ono Omotesando Loewe, Fendi, Donna Karan, Celine
- 31: Issey Miyake
- 32: Comme des Garcons
- 33: Prada
- 34: D&G
- 35: Aoyama Spiral Hall
- 36: Max Mara
- 37: Hugo Boss

## ■ New Esquisse Omotesando



(Note 1) Image of Esquisse Omotesando provided by Takenaka Corporation. This image was created based on design drawings. Please note that it is subject to subsequent modifications

## ■ Summary

JRF owns the land (1,768.78m<sup>2</sup>) of Esquisse Omotesando, and leased it to Takenaka Corporation. This property was previously a “growth” property, but will be categorized as an “income” hereafter. Takenaka Corporation is now renovating the building, and JRF owns the preferential bargaining rights for this property after construction is completed.

Assets leased	Building and land lease rights (JRF will continue to own the land)
Leaseholder	Takenaka Corporation
Date of building handover and lease agreement	Feb. 8, 2006
Completion date	Nov. 2007
Total leasable area	Approximately 5,000m <sup>2</sup> (3,782.55m <sup>2</sup> before rebuilding)

## **2. Highlights of Feb. 2006 (8<sup>th</sup>) period performance**

# Highlights of Feb. 2006 period performance

## Internal growth

- Renovated Abiko Shopping Plaza
- Rebuilt Esquisse Omotesando (the first reconstruction project of a J-REIT property)

## External growth

- Acquired Kyoto Family for 5,340mn yen
- Acquired JUSCO City Nishi-Otsu for 13,100mn yen

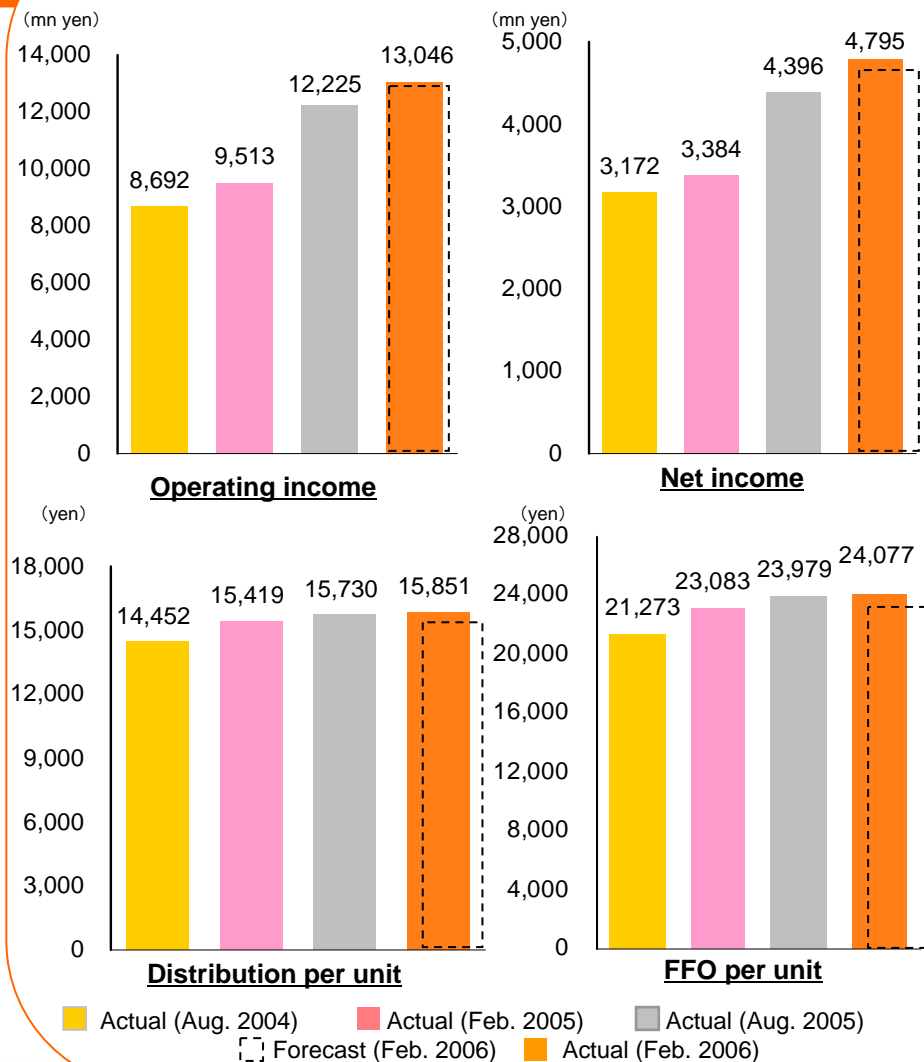
## Financial strategy

- Issued additional investment units through a shelf registration structure
- Issued unsecured corporate bonds (3<sup>rd</sup> time)

- ▶ Operating revenue increased by 821mn yen and net income increased by 399mn yen as a result of the acquisitions of properties in Feb. 2006 period and the full-year performance of properties acquired in the prior year
- ▶ Feb. 2006 period results were strong. DPU will be 15,851 yen (450 yen higher than the estimate announced on Oct. 17, 2005)

# Summary of Feb. 2006 period performance of operations

## Historical operating results



## Feb. 2006 period results and forecasts

Items	Feb. 2006 (Actual)	Feb. 2006 (Estimate)	Variance	Variance (%)
Operating revenue (mn yen)	13,046	12,968	78	0.6
Operating income (mn yen)	5,290	5,114	176	3.4
Recurring profit (mn yen)	4,796	4,660	136	2.9
Net income (mn yen)	4,795	4,659	136	2.9
Distribution per unit (yen)	15,851	15,401	450	2.9
FFO per unit (yen)	24,077	23,735	342	1.4

(Note) Feb. 2006 estimates are as of Oct. 17, 2005

# Forecasts for Aug. 2006 and Feb. 2007 periods

(mn yen)

Items (Net operating days)	Feb. 2006 period (181 days)	Aug. 2006 period (forecast) (184 days)	Feb. 2007 period (forecast) (181 days)
Operating revenue	13,046	14,782	15,394
Operating income	4,796	4,693	4,768
Net income	4,795	4,691	4,766
Distribution per unit (yen)	15,851	15,507	15,755
FFO per unit (yen)	24,077	24,786	25,166
FFO payout ratio	65.8%	62.6%	62.6%

(Note 1) (Net income + net depreciation + other property related amortization) / total units outstanding

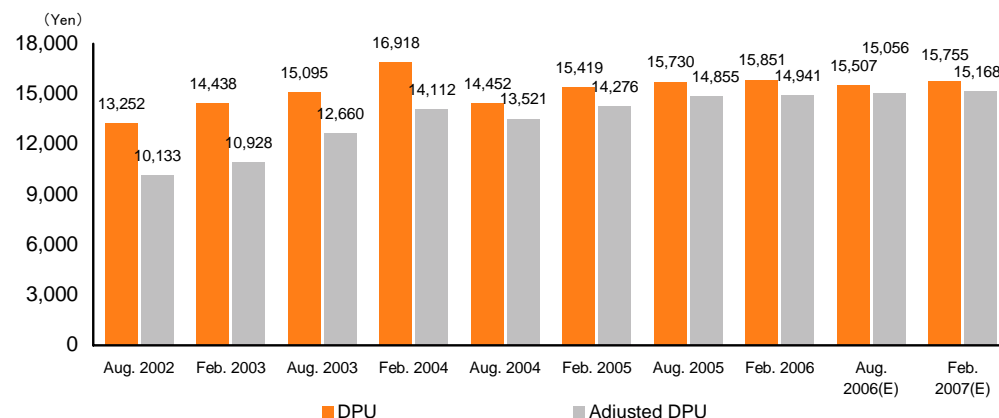
(Note 2) The above adjusted DPUs and FFO per unit are calculated by subtracting the property tax amounts that were capitalized, or included in the acquisition values, from the distributable income for the period in which the acquisitions were made. In accordance with the Japanese GAAP, the property tax is capitalized and not recognized as an expense for the period in which the acquisition is made. Please note that the above adjusted DPUs and FFO per unit are unaudited figures

## Capital Expenditure

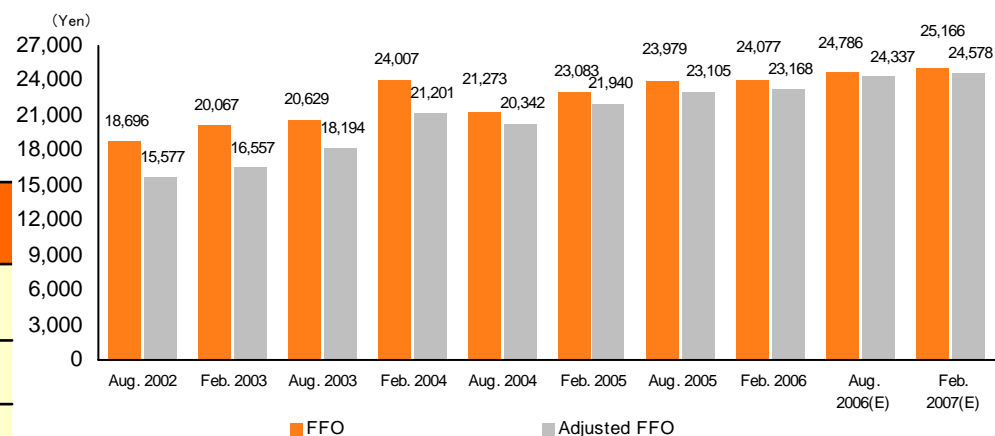
(mn yen)

	Aug. 2002	Feb. 2003	Aug. 2003	Feb. 2004	Aug. 2004	Feb. 2005	Aug. 2005	Feb. 2006
Capital expenditures	-	3	114	772	245	373	327	960
Maintenance	-	0	38	86	41	43	121	194
Total	-	3	153	857	286	416	448	1,154

## DPU and adjusted DPU (Note 2)



## FFO and adjusted FFO per unit (Note 2)





# External growth: Newly acquired properties in Feb. 2006 period

## JUSCO City Nishi-Otsu

Located in a suburban area between Kyoto & Shiga



Location:	Ojigaoka, Otsu-shi, Shiga
Leasable area:	46,485.44m <sup>2</sup> (main building) 19,977.60m <sup>2</sup> (parking lot)
Acquisition cost:	13,100 mn yen
Investment style:	Income-type
No. of tenants:	1
Main tenant:	JUSCO



## Kyoto Family

Community shopping center



Location:	Ukyo, Kyoto-shi, Kyoto
Leasable area:	34,307.69m <sup>2</sup> (main building) 9,984.75m <sup>2</sup> (parking lot)
Acquisition cost:	5,340 mn yen
Investment style:	Growth-type
No. of tenants:	66
Main tenants:	JUSCO, Nitori



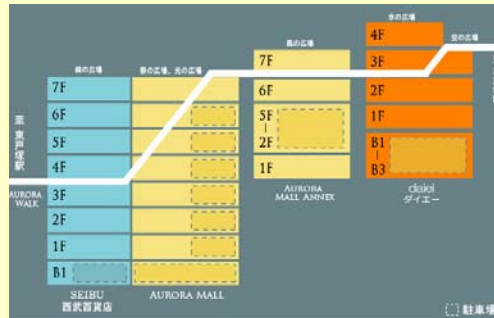


# Property that will be acquired in Aug. 2006 period

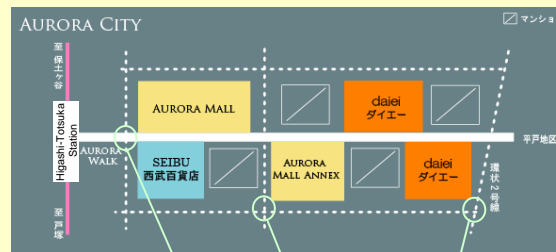
## Higashi-Totsuka Aurora City

### Shopping mall adjacent to Higashi-Totsuka station and apartment development site

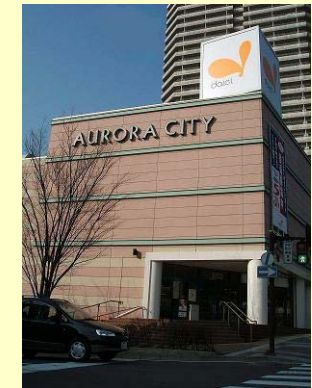
Location: Totsuka, Yokohama-shi, Kanagawa  
 Leasable area: 78,513.08m<sup>2</sup>  
 (Seibu Department Store, Aurora Mall)  
 18,606.71m<sup>2</sup> (Aurora Mall Annex)  
 53,564.47m<sup>2</sup> (Daiei)  
 Acquisition cost: 50,500 mn yen  
 Investment style: Income  
 No. of tenants: 2  
 Main tenants: Seibu Department Store, Daiei



Seibu Department Store, Aurora Mall



Aurora Mall Annex



Daiei

# Financial strategies: Improved financial flexibility

## ■ Bond issuance

Issue amount	Third issue	First issue	Second issue
Coupon	10 bn yen	20 bn yen	15 bn yen
Interest rate	2.02%	0.74%	1.73%
Secured/unsecured	Unsecured/ unguaranteed	Unsecured/ unguaranteed	Unsecured/ unguaranteed
Duration	10-year	5-year	10-year
Decision on terms & conditions	Feb. 9, 2006	Jan. 27, 2005	Jan. 27, 2005
Maturity	Feb. 22, 2016	Feb. 9, 2010	Feb. 9, 2015
Rating	A2 (Moody's)	A2 (Moody's)	A2 (Moody's)
	A (S&P)	A (S&P)	A (S&P)
	AA- (R&I)	AA- (R&I)	AA- (R&I)

On Nov. 29, 2005, Moody's changed its issuer rating and unsecured long-term bond A2 rating outlook from Stable to Positive

## ■ Efficient use of security deposits

■ Debt ratio (Ave. remaining years)	About 7 years
■ Average cost of debt (including security deposits)	0.58%
■ Conservative financial levels (Feb. 2006 period)	
Debt ratio	45.2%
Debt service coverage ratio	20.9X

(Note 1) Debts used for debt ratio calculation include deposits and guarantees (construction funds)

(Note 2) Debt ratio = Total liabilities/total assets \* 100

(Note 3) Long-term debts (average remaining years) do not include short-term debts

(Note 4) Debt service coverage ratio = EBIT/interest paid

### **3. Portfolio overview**

# Portfolio map



Nara Family



Hakata Riverain

AEON Sapporo Naebo SC

Sendai Nakayama SC

Loc City Ogaki

Kyoto Family

JUSCO City Takatsuki

Diamond City Tsurumi SC

8953 Osaka Shinsaibashi Bldg

Tobata SATY

AEON Kashihama SG

Hakata Riverain

JUSCO Naha

(Note 1) As of Mar. 2006, there are 35 properties. Names in black show suburban properties, and those in green indicate urban properties, and those in red show the properties that will be acquired in the near future and/or investment by a silent partnership

(Note 2) Esquisse Omotesando is classified as an "income" property as JRF only owns the land

[Urban] 11 properties, Total acquisitions 71,655mn yen

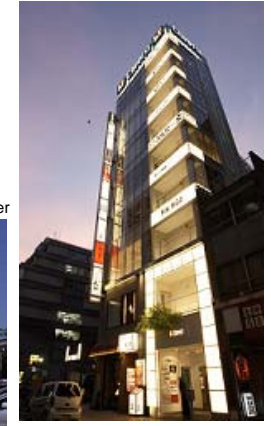
[Suburban] 24 properties, Total acquisitions 287,153mn yen



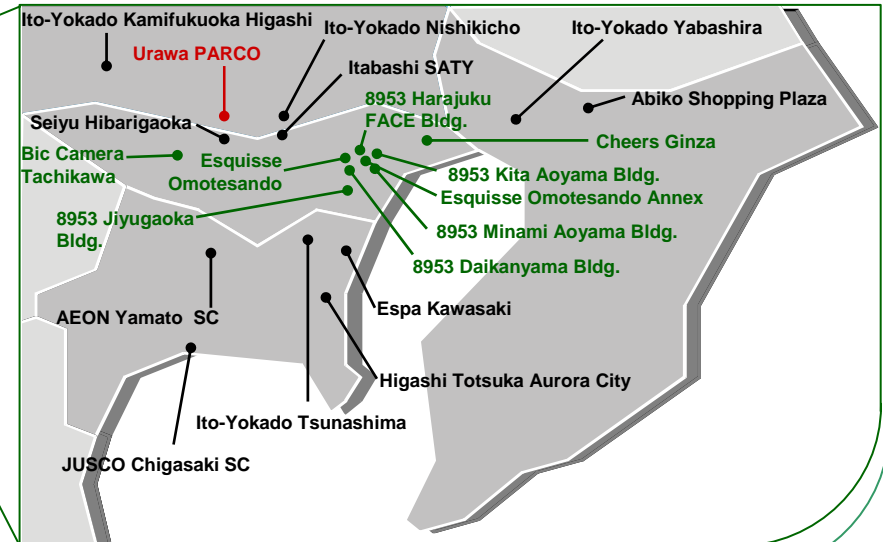
AEON Yamato Shopping Center



Wonder City

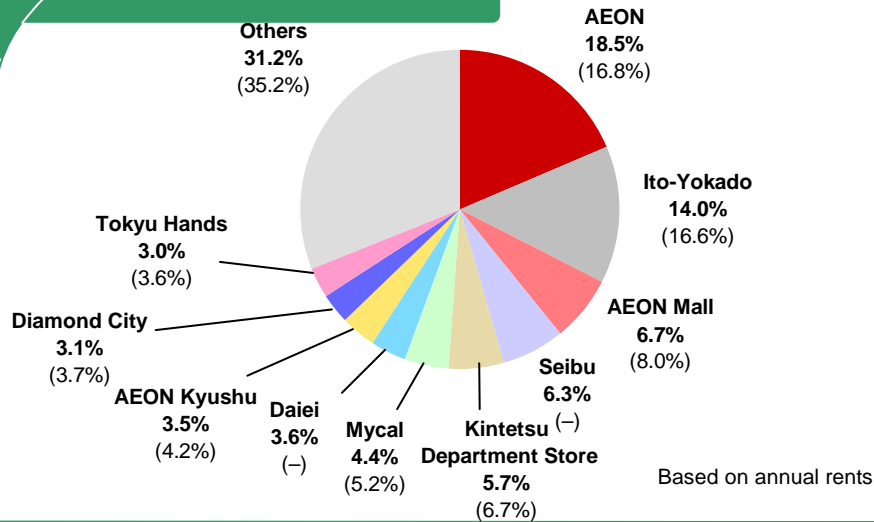


Cheers Ginza

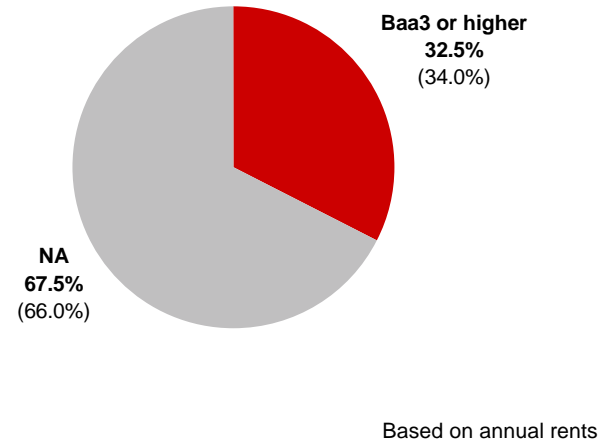


# Portfolio diversification (total 35 properties) (Note 1)

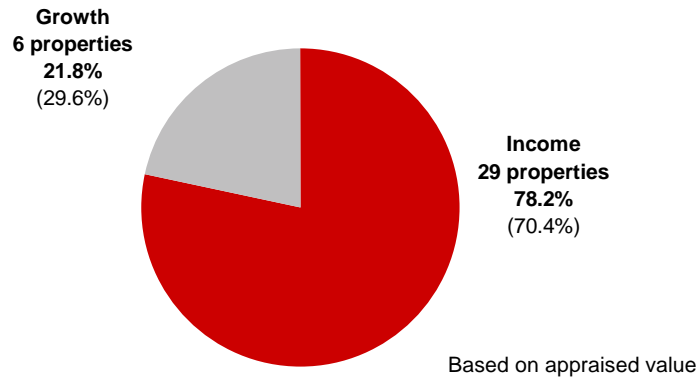
## Tenants



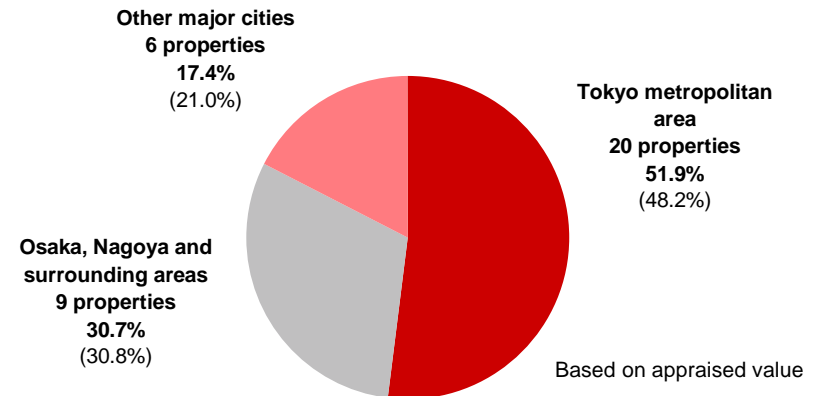
## Tenant credit rating (Note 3)



## Investment types



## Geographic diversification



(Note 1) As of Feb. 2006. Higashi-Totsuka Aurora City is shown as at time of acquisition. Figures above do not include the following properties: Loc City Ogaki, Urawa PARCO and Diamond City Tsurumi Shopping Center

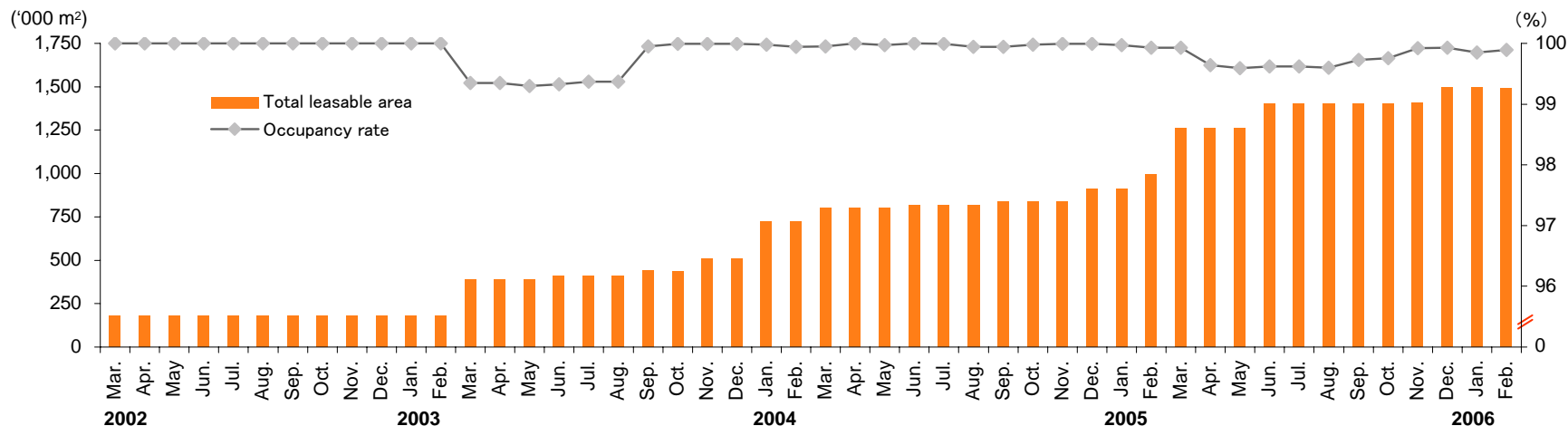
(Note 2) Esquisse Omotesando is classified as an "income" property as JRF only owns the land

(Note 3) Based on Moody's Investors' ratings

(Note 4) Figures of the previous period (32 properties as of Aug. 2005) are in brackets. As for the "investment type" chart, figures in brackets are based on appraised value

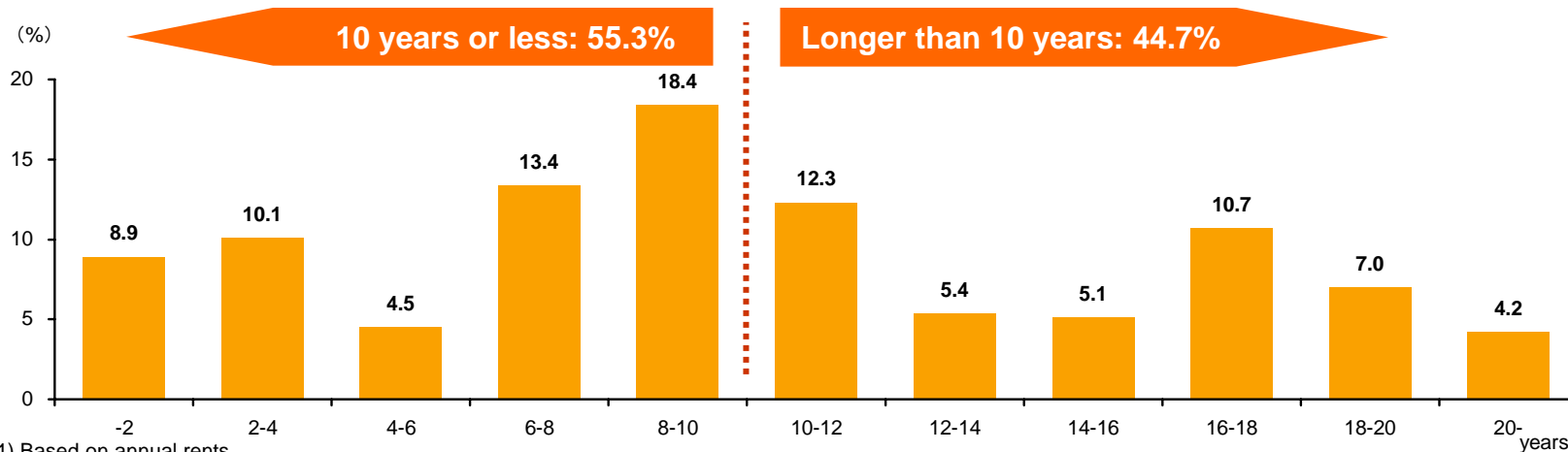
# Portfolio occupancy rate and lease expiration schedule

## Leasable area and occupancy rate



(Note 1) Figures are as of the end of each month

## Lease expiration schedule



(Note 1) Based on annual rents

(Note 2) Calculations are based on the years remaining as of Feb. 28, 2006. The duration of leases at newly acquired properties are estimated as of the point of acquisitions



# Property portfolio

Property Name	Investment Type	Building Age (Years) <sup>(Note 2)</sup>	Total Leasable Area (㎡)	Occupancy Rate (%)	Acquisition Price (mn yen)	Cap Rate at Acquisition <sup>(Note 3)</sup> (%)	Appraisal Value (mn yen)	Share (%)	Number of Tenants	Core Tenants	PML <sup>(Note 4)</sup> (%)	Property Manager <sup>(Note 6,7)</sup>
<u>Tokyo metropolitan area</u>												
ESPA Kawasaki	Income	5.8	56,891.2	100.00	10,091	6.2	11,100	2.9	1	Ito-Yokado	10.9	Diamond City
JUSCO Chigasaki SC	Income	5.4	63,652.3	100.00	8,300	6.2	8,220	2.1	1	JUSCO	9.1	Geo Akamatsu
Abiko Shopping Plaza	Growth	11.4	44,333.7	100.00	10,200	7.2	13,400	3.5	53	Ito-Yokado	11.8	Diamond City
8953 Minami Aoyama Bldg.	Income	4.0	1,541.0	100.00	5,350	5.5	5,620	1.5	3	Hugo Boss	13.0	CB Richard Ellis
Ito-Yokado Yabashira	Income	23.4	21,581.7	100.00	1,616	6.1	1,970	0.5	1	Ito-Yokado	6.5, 7.4	Xymax Alpha
Ito-Yokado Kamifukuoka-Higashi	Income	6.5	28,316.2	100.00	6,900	6.3	7,530	2.0	1	Ito-Yokado	14.8	Geo Akamatsu
Ito-Yokado Nishikicho	Income	2.3	73,438.5	100.00	13,212	5.6	14,500	3.8	1	Ito-Yokado	12.6	Geo Akamatsu
8953 Daikanyama Bldg.	Income	15.0	574.5	100.00	1,235	5.3	1,390	0.4	1	Onward Kashiya	5.4	Mitsui Fudosan Building Management
8953 Harajuku FACE Bldg.	Income	20.9	1,477.6	100.00	2,770	5.6	3,060	0.8	5	Diesel	10.6	Xymax Alpha
Site of former Esquisse Omotesando <sup>(Note 5)</sup>	Income	-	1,768.8	100.00	14,712	-	15,200	4.0	1	Takenaka Corporation	-	Geo Akamatsu
Esquisse Omotesando Annex	Income	9.0	540.8	100.00	860	5.5	1,000	0.3	2	LS Mode	5.0	Mitsui Fudosan Building Management
Ito-Yokado Tsunashima	Income	24.0	16,549.5	100.00	5,000	6.1	5,380	1.4	1	Ito-Yokado	16.3	Jones Lang LaSalle
Bic Camera Tachikawa	Income	35.6	20,983.4	100.00	11,920	5.5	12,900	3.4	2	Bic Camera	20.1	Jones Lang LaSalle
Itabashi SATY	Income	5.8	72,253.9	100.00	12,400	5.4	13,100	3.4	1	SATY	9.4	Xymax Alpha
8953 Kita Aoyama Bldg.	Income	1.1	492.7	100.00	989	5.4	1,100	0.3	2	NEWS, Best Bridal	10.8	Office Mitsuki
AEON Yamato SC	Income	4.3	85,226.7	100.00	16,823	5.5	18,700	4.9	1	JUSCO	9.3	Xymax Alpha
Seiyu Hibarigaoka	Income	27.3	19,070.9	100.00	6,100	7.6	6,900	1.8	1	SEIYU	13.2	CB Richard Ellis
8953 Jiyugaoka Bldg.	Income	6.7	1,814.1	90.14	2,700	5.2	2,887	0.8	10	NEXT, Sūr Jiyugaoka	4.1, 4.4	Xymax Alpha
Cheers Ginza	Income	1.0	1,686.6	100.00	4,200	4.3	4,160	1.1	9	Syoutaien, Chanko Dining Waka	9.9	Nomura Building Management
<b>Higashi-Totsuka Aurora City</b>	<b>Income</b>	<b>6.6</b>	<b>152,473.8</b>	<b>100.00</b>	<b>50,500</b>	<b>4.5</b>	<b>50,500</b>	<b>13.2</b>	<b>2</b>	<b>SEIBU, Daiei</b>	<b>6.7</b>	<b>AIM Create</b>
<b>Subtotal/Weighted Average <sup>(Note 5)</sup></b>		<b>8.9</b>	<b>664,667.6</b>	<b>99.97%</b>	<b>185,878</b>	<b>5.5%</b>	<b>198,617</b>	<b>51.9%</b>	<b>99</b>		<b>-</b>	

(Note 1) As of Feb. 2006. Figures for Higashi-Totsuka Aurora City are as of the acquisition. The above list does not include the following properties: Loc City Ogaki, Urawa PARCO and Diamond City Tsurumi Shopping Center.

(Note 2) Building age is the weighted average of the years by gross floor areas of each building

(Note 3) These represent cap rates at the time of acquisition of each property. These do not include subsequent additional acquisitions to the existing properties. The cap rate of 8953 Jiyugaoka only represents that of NEXT. COLLINE's cap rate is 5.5%. JUSCO Chigasaki's cap rate is the same as the discount rate used in the DCF model

(Note 4) PML (seismic risk) of building or portfolio for the level of damages that may result from an earthquake that occurs once every 475 years. Estimated PML for all 33 properties at end-Feb.2006 is 2.8%

(Note 5) Esquisse Omotesando is classified as an "income" property as JRF only owns the land. Acquisition price and appraisal value only show the land portion. This property is not included in the subtotal or average building age, cap rate as of acquisition, or PML

(Note 6) Ikoma CB Richard Ellis KK changed its name on Jan. 19, 2006 to CB Richard Ellis KK

(Note 7) Diamond Family was acquired by Diamond City on Mar. 1, 2006



# Property portfolio

Property Name	Investment Type	Building Age (Note 2) (Years)	Total Leasable Area (m <sup>2</sup> )	Occupancy Rate (%)	Acquisition Price (mn yen)	Cap Rate at Acquisition (Note 3) (%)	Appraisal Value (mn yen)	Share (%)	Number of Tenants	Core Tenants	PML (Note 5) (%)	Property Manager (Notes 7, 8)
<b>Osaka, Nagoya and surrounding areas</b>												
8953 Osaka Shinsaibashi Bldg.	Income	7.1	13,667.0	100.00	14,300	5.5	14,600	3.8	1	Tokyu Hands	4.8	Xymax Alpha
Nara Family	Growth	13.3	85,343.4	99.37	31,241	7.4	33,800	8.8	130	Kintetsu Department, JUSCO	4.6	Diamond Family
Ito-Yokado Narumi	Income	8.6	50,437.9	100.00	8,540	7.3	8,730	2.3	1	Ito-Yokado	4.3	Xymax Alpha
AEON Higashiura SC	Income	4.6	100,457.7	100.00	6,700	6.3	7,680	2.0	1	JUSCO	7.5	Xymax Alpha
Wonder City	Growth	15.1	72,317.3	100.00	15,940	6.5	17,700	4.6	28	Diamond City (Note 4), Keiyo D2	5.2	Xymax Alpha
JUSCO City Takatsuki	Income	12.0	77,267.2	100.00	11,700	6.0	12,500	3.3	1	JUSCO	2.9	CB Richard Ellis
JUSCO Yagoto	Income	12.5	63,778.4	100.00	3,700	7.0	3,990	1.0	2	JUSCO	2.6	Xymax Alpha
<b>JUSCO Nishi-Otsu</b>	<b>Income</b>	<b>9.3</b>	<b>62,717.3</b>	<b>100.00</b>	<b>13,100</b>	<b>5.2</b>	<b>13,100</b>	<b>3.4</b>	<b>1</b>	<b>JUSCO</b>	<b>5.5</b>	<b>Xymax Alpha</b>
<b>Kyoto Family</b>	<b>Growth</b>	<b>23.3</b>	<b>25,604.0</b>	<b>99.80</b>	<b>5,340</b>	<b>6.5</b>	<b>5,480</b>	<b>1.4</b>	<b>66</b>	<b>JUSCO, Nitori</b>	<b>3.7, 4.8</b>	<b>Diamond City</b>
<b>Subtotal/Weighted Average</b>		<b>11.7</b>	<b>551,590.1</b>	<b>99.89%</b>	<b>110,561</b>	<b>6.5%</b>	<b>117,580</b>	<b>30.7%</b>	<b>231</b>		-	
<b>Other major cities</b>												
Sendai Nakayama SC	Income	9.7	46,249.0	100.00	10,200	7.6	11,800	3.1	2	JUSCO	1.1-2.8	Xymax Alpha
Hakata Riverain	Growth	7.2	25,742.7	96.84	12,619	6.5	13,200	3.4	75	IDC, Luis Vuitton, Gucci	1.9	Geo Akamatsu
AEON Kashiihama SC	Income	2.3	109,616.7	100.00	13,300	6.2	13,400	3.5	1	JUSCO	0.8	Geo Akamatsu
AEON Sapporo Naebo SC	Income	2.7	74,625.5	100.00	9,260	6.2	9,830	2.6	1	JUSCO	2.6	Xymax Alpha
Tobata SATY	Income	7.0	93,258.2	100.00	6,290	6.6	6,780	1.8	1	SATY	1.3	Geo Akamatsu
JUSCO Naha	Income	12.4	79,090.5	100.00	10,700	6.0	11,600	3.0	1	JUSCO	4.9	Jones Lang Lasalle
<b>Subtotal/Weighted Average</b>		<b>6.8</b>	<b>428,582.6</b>	<b>99.81%</b>	<b>62,369</b>	<b>6.5%</b>	<b>66,610</b>	<b>17.4%</b>	<b>81</b>		-	
<b>Total/Weighted Average (Note 6)</b>		<b>9.4</b>	<b>1,644,840.3</b>	<b>99.90%</b>	<b>358,807.7</b>	<b>6.0%</b>	<b>382,807</b>	<b>100.0%</b>	<b>411</b>		-	

(Note 1) As of Feb. 2006. Figures for Higashi-Totsuka Aurora City are as of the acquisition. The above list does not include the following properties: Loc City Ogaki, Urawa PARCO and Diamond City Tsurumi Shopping Center. These will be acquired after Aug. 2006

(Note 2) Numbers of building age are the weighted average of the years for gross floor area of each building

(Note 3) These represent cap rates of the acquisition of each property. These do not include subsequent additional acquisitions to the existing properties. The cap rate of 8953 Osaka Shinsaibashi Building is the same as the discount rate used in the DCF model. Sendai Nakayama Shopping Center's cap rate is only for JUSCO's leased space

(Note 4) Diamond City, a tenant of Wonder City, partly sublet the property to AEON (JUSCO)

(Note 5) PML (seismic risk) of building or portfolio for the level of damages that may result from an earthquake that occurs once every 475 years. Estimated PML for all 33 properties at end-Feb.2006 is 2.8%

(Note 6) Esquisse Omotesando is classified as an "income" property as JRF only owns the land. Acquisition price and appraisal value only show the land portion. This property is not included in subtotal or average building age, cap rate at acquisition, or PML

(Note 7) Ikoma CB Richard Ellis KK changed its name on Jan. 10, 2006 to CB Richard Ellis KK

(Note 8) Diamond Family was acquired by Diamond City on Mar. 1, 2006

## **4.** Management strategies

# Management strategies

## Internal growth

- Renovate and redevelop existing properties to maintain and improve their competitiveness
- Consider conversion from income-type to growth-type properties
- Reduce operating costs

## External growth

- Pursue external growth through economies of scale
- Utilize substantial deal flows
- Acquire properties with strong potential for internal growth

## Financial

- Employ flexible equity finance structures – both ABB (Accelerated Book Building) and global offerings
- Diversify debt financing methods through the use of unsecured loan facilities and corporate bonds
- Maintain a conservative leverage ratio to purchase large-size properties easily and quickly

# Current retail market and JRF's strategy

## Changes in environment

- The revised three key urban developmental laws have changed regulations on opening large stores in suburban areas, and the concentration of city functions in metropolitan areas
- M&A between “Seven & I” and “Millennium Retailing Group” as well as bid for Diamond City by AEON

## Current market conditions and trends

- In the retail market, the share of small retailers is decreasing and the share of medium/large retailers is increasing
- Emergence of attractive multi-use destinations, such as Omotesando Hills and Roppongi Hills

## Future of the retail industry

- Nationwide purchasing at shopping centers is increasing
- Competition to acquire large commercial properties that efficiently use limited space has increased

▶ In light of anticipated changes in retail market trends, JRF aims to maintain and improve competitiveness by replacing unprofitable stores, negotiating appropriate rent, and increasing leasable space.

# Newspaper articles on JRF strategies

Nikkei Marketing Journal on Feb. 8, 2006

## Advantage for suburban properties and choosing tenants

Regulations surrounding the opening of stores in large commercial centers will lead to increased competition between tenants to secure space in existing suburban shopping centers and increased competition to secure well-located properties in central urban areas. We interviewed Mr. Yuichi Hiromoto, President of Japan Retail Fund Investment Corporation (JRF), which is a major real estate investment trust (REIT) that manages suburban commercial centers, regarding the outlook for the market:



- (Q) What are your comments on the regulations about the opening of large stores in suburban areas?
- (A) Of the 34 properties we currently own, 23 are commercial centers in suburban areas. We will be glad to see the introduction of restrictions on the opening of large stores, as it helps us protect our vested interests. We have been concerned about competition from shopping malls to be built on industrial sites, but we are less concerned now.
- (Q) Could this change the cost of renting?
- (A) Many 20-year leases allow for rent to be revised every three years, so at the moment we are not seeing any consequential rental increase. However, I think there are some properties where we may be at an advantage in terms of negotiating rent and replacing unprofitable stores, because of the increase in tenants wanting to open new stores.
- (Q) Do you think large stores will move to central areas?
- (A) We are keeping our eyes on whether existing properties in central urban areas, such as Daiei properties, can be redeveloped as new shopping destinations, as we can directly benefit from it. However, we are still not aware of any increase in rent at the moment, even in central areas.
- From a long-term perspective, our fund will increase its investment in urban properties. For example, we plan to acquire Urawa PARCO, which is located in front of a train station, upon completion of the building in autumn next year. I think we will be looking out for more properties in urban areas once restrictions are placed on opening new stores in the suburbs.

The Nikkei Financial Daily on Feb. 10, 2006

## Interest Rate Trends

Anticipating that interest rates will soon begin climbing as the economy escapes from deflation, Japanese businesses are taking steps to prepare for expected changes in marketplace conditions by floating straight bonds and slashing interest-bearing debts. Such anticipation reflects growing speculation that the Bank of Japan will end its quantitative easing policy in the near future.

Many firms are rushing to issue straight bonds ahead of schedule. Tokyo Electric Power Co. (9501) issued 50 billion yen in straight bonds in December, concluding its bond issuance plans for fiscal 2005. Usually bond issues are timed to ensure smooth absorption on the market. But the December issue was the power utility's fourth in just nine months because the firm "wanted to procure capital before long-term rates start trending up," in the words of Executive Vice President Katsutoshi Chikudate.

Furukawa Electric Co. (5801) in late January floated 20 billion yen in domestic straight bonds, its first such bond issuance in more than two years. It will use the capital raised to finance the June redemption of its bonds.

Tokyu Land Corp. (8815) also plans as early as the end of March to issue its first straight bonds in 10 years to procure funds to be invested in property development.

Some companies are also extending repayment deadlines for their interest-bearing debts. Japan Retail Fund Investment Corp. (8953) last year pushed back the average repayment term for its interest-bearing debts from 2.7 years to 5.5 years. Because rents tend to rise shortly after interest rates begin to climb, the firm seeks to minimize the impact of this time lag on its earnings by changing the repayment terms.

Others are seeking to take advantage of a similar time lag for their fund procurement and asset management. IBJ Leasing Co. (8425), for instance, raised the proportion of fixed-rate borrowing to all borrowing to more than 50% as of the end of Sep. up from the mid-40% range seen six months earlier.

Businesses are also scrambling to cut their interest-bearing debts with an aim of reducing their future interest payments.

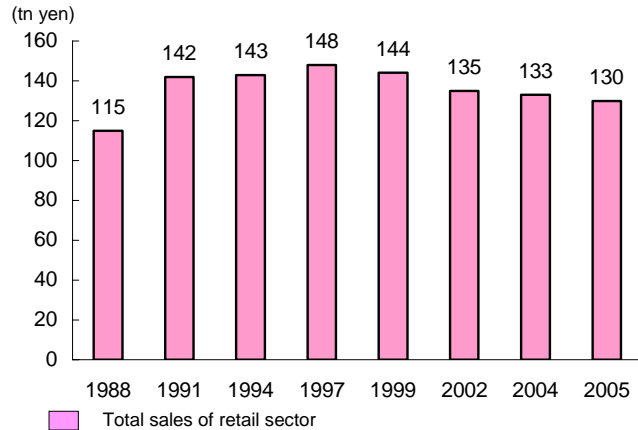
Mitsubishi Electric Corp. (6503) expects to slash the balance of interest-bearing debt to about 700-750 billion yen as of the end of Mar. down roughly 60% from the 1.76 trillion yen peak in Mar. 1998.

Fuji Electric Holdings Co. (6504) also plans to reduce its debt balance to 283.7 billion yen by Mar. 31, down 11% on the year. The figure also represents a decline of more than 100 billion yen from three years earlier.

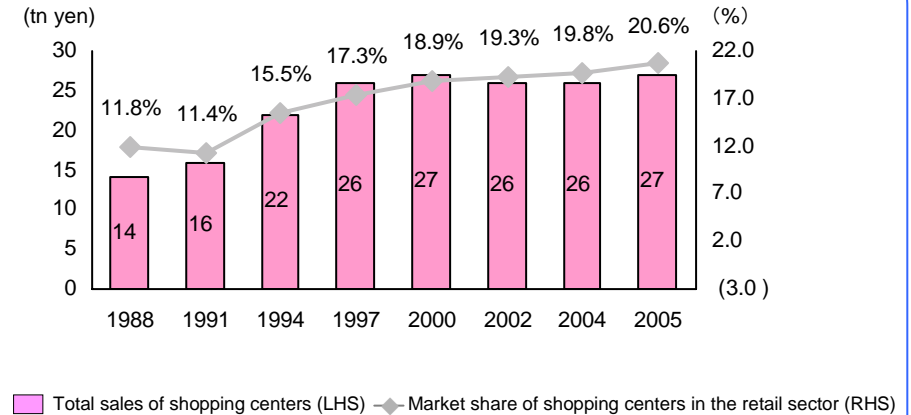
Taisei Corp. (1801) now eyes a 12% year-on-year drop in its interest-bearing debt by the end of March, a more aggressive figure than the 6% decrease planned earlier.

# Retail sector trends in Japan

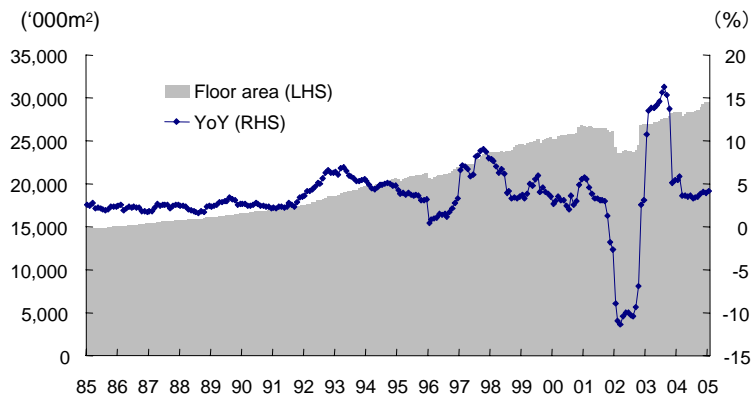
## Total sales of the retail sector



## Total sales and market share of shopping centers in the retail sector

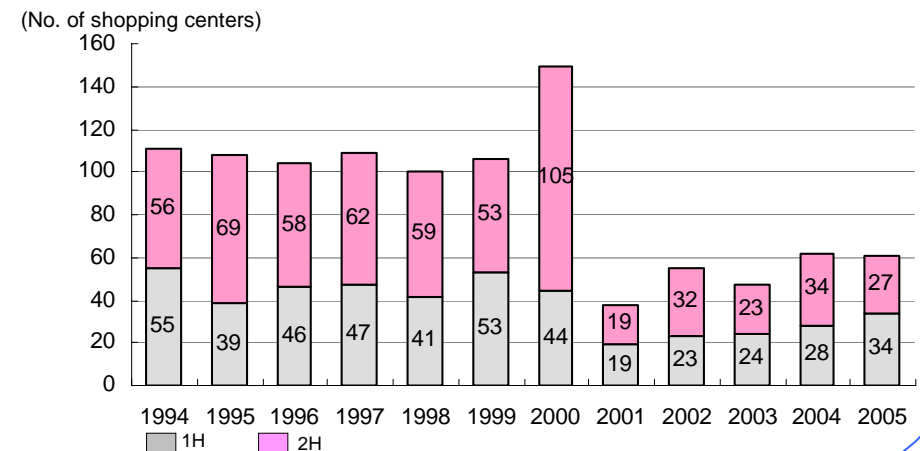


## Floor area of department stores and supermarkets



Source: Japan Department Stores Association and Japan Chain Stores Association

## Number of new shopping center developments in Japan



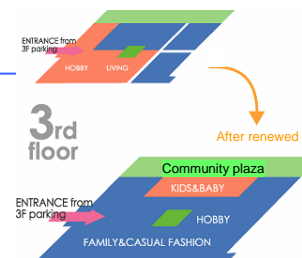
# Internal growth strategies: Plans for the future

- Maintain and improve property competitiveness through renovation and rebuilds



- Reduce insurance premiums through captive programs

- Conversion from income to growth properties

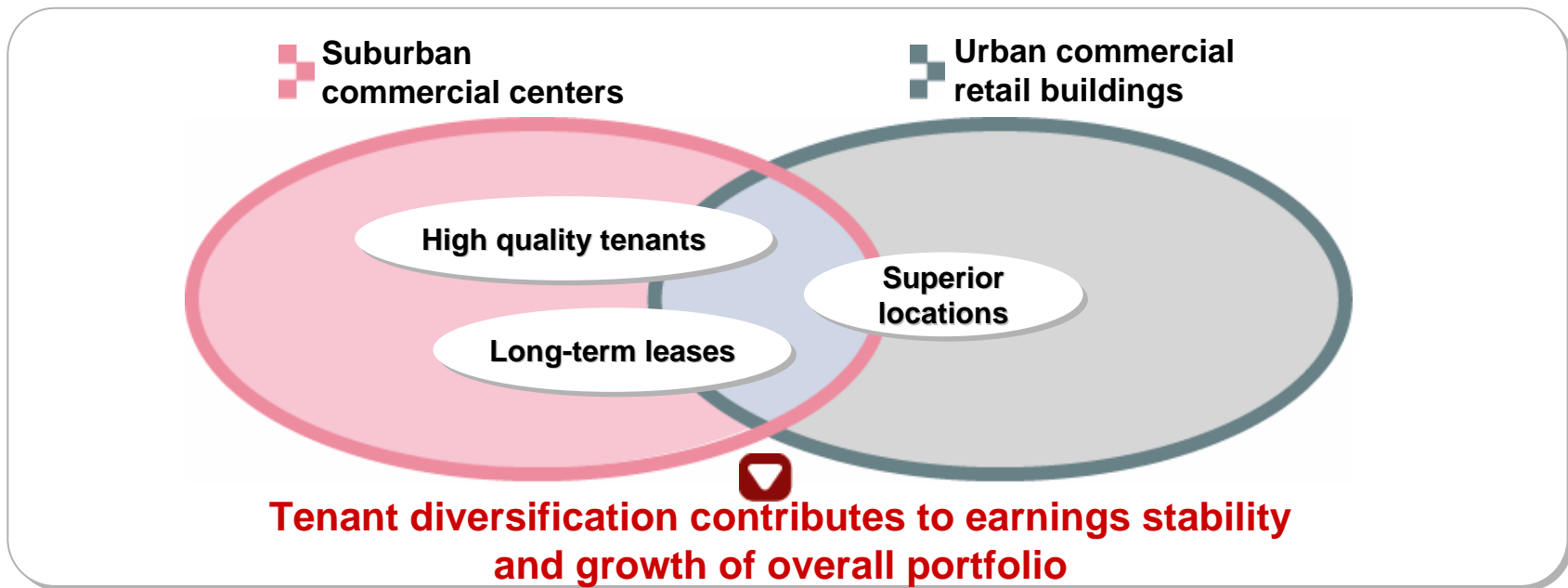


- Increase leasable space through building extensions and zoning changes

▶ Aim to achieve internal growth by responding flexibly to changes in the operating environment and market



# External growth strategies: future acquisitions



## Secure deal sources to continue achieving external growth strategies

- External growth through economies of scale
- External growth by utilizing substantial deal flow to acquire properties at appropriate prices
- Acquisition strategy that proactively considers internal growth potential of each property

# JRF's growth and financial strategy

## Debt financing strategy

### ◆ Liability composition reflecting current interest rate changes

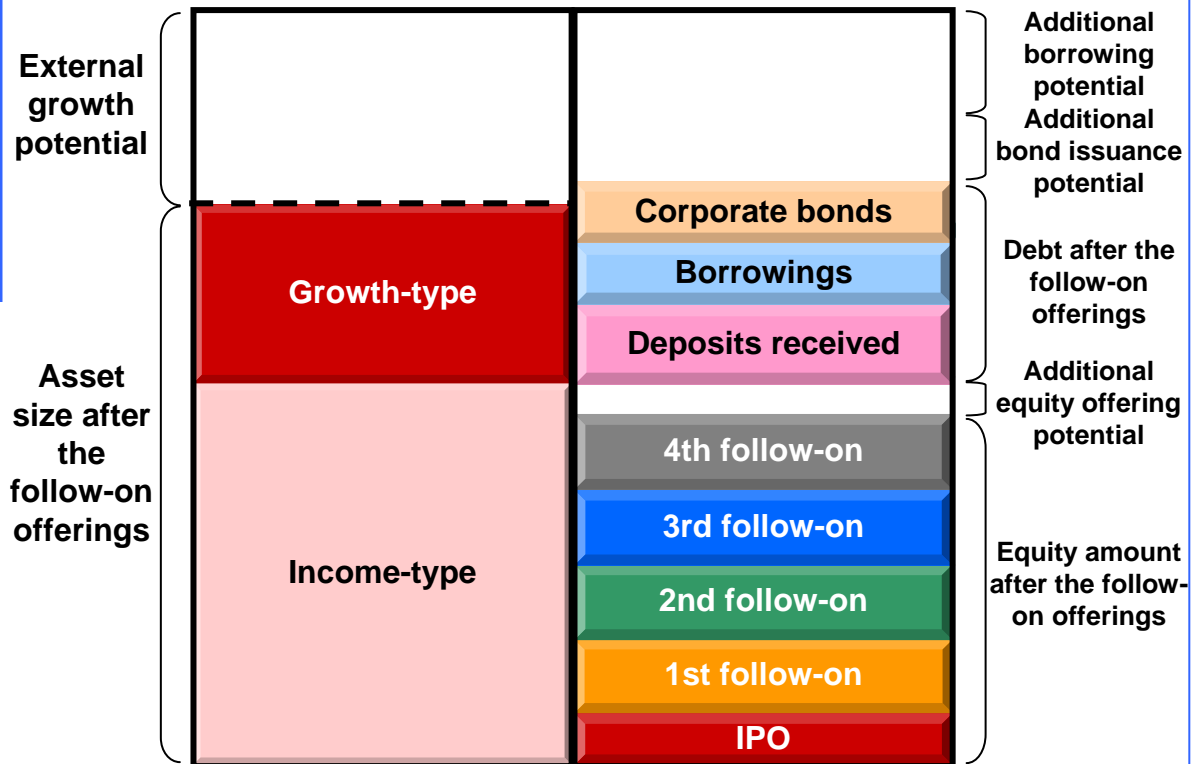
- Maintain a conservative leverage ratio to prepare for large property acquisitions
- Continue to issue unsecured corporate bonds
- Utilize tenant security deposits

## Equity financing strategy

### ◆ Build on the track record of the past five offerings

- Continue to raise additional equity capital to meet asset expansion while mitigating dilution impacts
- ABB (Accelerated Book Building) focusing on timing and speed
- Global offering to target a broader investor base

■ JRF Balance Sheet (Image)



## **5. Feb. 2006 (8<sup>th</sup>) period results of operations**

# Income statements

Items	Feb. 2006 Period		Aug. 2005 Period		Changes	
	Amount	%	Amount	%	Amount	%
	(in ' 000)	(%)	(in ' 000)	(%)	(in ' 000)	(%)
<b>Recurring Items</b>						
<b>I Operating Activities</b>						
1. Operating revenue	13,046,876	100.0	12,225,558	100.0	821,318	6.7
Rental revenue	13,046,876		12,225,558		821,318	
2. Operating expenses	7,756,747	59.5	7,252,452	59.3	504,295	7.0
Property related expenses	6,496,441		6,080,183		416,258	
Loss from sales of properties	16,245				16,245	
Other property related expenses						
TK distribution (loss)	9,310		2,284		7,026	
Asset management fees	970,025		910,704		59,321	
Directors' fees	3,349		3,347		2	
Custodian fees	53,429		44,988		8,441	
General administration fees	107,834		105,010		2,824	
Other	100,111		105,933		(5,822)	
<b>Operating Income</b>	<b>5,290,128</b>	<b>40.5</b>	<b>4,973,105</b>	<b>40.7</b>	<b>317,023</b>	<b>6.4</b>
<b>II Non-operating Activities</b>						
1. Non-operating revenue	9,267	0.1	3,242	0.0	6,025	185.8
Interest revenue	68		63		5	
Other	9,198		3,178		6,020	
2. Non-operating expenses	502,441	3.9	578,927	4.7	(76,486)	(13.2)
Interest expense	162,341		155,830		6,511	
Interest expense of corporate bonds	205,099		205,721		(622)	
Amortization of corporate bonds	39,597		29,639		9,958	
Finance related cost	35,193		33,116		2,077	
Offering costs	32,992		114,829		(81,837)	
Amortization of organization costs	13,924		13,924		0	
Other non-operating expenses	13,294		25,865		(12,571)	
<b>Recurring Profit</b>	<b>4,796,953</b>	<b>36.8</b>	<b>4,397,420</b>	<b>36.0</b>	<b>399,533</b>	<b>9.1</b>
Income before income taxes	4,796,953	36.8	4,397,420	36.0	399,533	
Income taxes	1,948		927		1,021	
Tax adjustments	—		(16)			
<b>Net Income</b>	<b>4,795,005</b>	<b>36.8</b>	<b>4,396,509</b>	<b>36.0</b>	<b>398,496</b>	<b>9.1</b>
Retained earnings (beginning balance)	43		100		(57)	
Retained earnings (ending balance)	4,795,048		4,396,610		398,438	9.1

(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)

# Balance sheets

Items	Feb. 2006 Period		Aug. 2005 Period		Changes	
	Amount	%	Amount	%	Amount	%
Assets	'000 yen	(%)	'000 yen	(%)	'000 yen	(%)
I Current assets						
Cash and cash equivalents	14,053,581		3,294,281		10,759,300	
Entrusted cash and cash equivalents	9,747,804		9,126,964		620,840	
Rental receivables	610,094		545,324		64,770	
Consumption tax refundable	23,018		757,167		(734,149)	
Other current assets	358,273		526,914		(168,641)	
<b>Total current assets</b>	<b>24,792,773</b>	<b>7.3</b>	<b>14,250,652</b>	<b>4.6</b>	<b>10,542,121</b>	<b>74.0</b>
II Non-current assets						
1. Property and equipment, at cost						
Buildings	108,783,574		103,719,183		5,064,391	
Building improvements	5,470,727		4,912,301		558,426	
Machinery and equipment	346,439		357,240		(10,801)	
Furniture & fixtures	945,521		903,032		42,489	
Land	188,740,076		179,611,104		9,128,972	
Net property and equipment	304,286,339	89.5	289,502,861	92.7	14,783,478	5.1
2. Intangible assets						
Leasehold land	6,103,876		4,165,710		1,938,166	
Other intangible assets	158,502		167,615		(9,113)	
Total intangible assets	6,262,379	1.9	4,333,326	1.4	1,929,053	44.5
3. Investments						
Lease deposit	3,101,459		2,801,310		300,149	
Securities	839,910		849,220		(9,310)	
Long-term prepaid expenses	135,948		134,747		1,201	
Deferred hedge loss	33,229		125,214		(91,985)	
Other	240,032		206,063		33,969	
Total investments	4,350,579	1.3	4,116,555	1.3	234,024	5.7
<b>Total non-current assets</b>	<b>314,899,297</b>	<b>92.7</b>	<b>297,952,743</b>	<b>95.4</b>	<b>16,946,554</b>	<b>5.7</b>
III Deferred assets						
Organization costs	13,924		27,848		(13,924)	
Issuance costs of corporate bonds	138,705		118,559		20,146	
<b>Total deferred assets</b>	<b>152,629</b>	<b>0.0</b>	<b>146,407</b>	<b>0.0</b>	<b>6,222</b>	<b>4.2</b>
<b>Total Assets</b>	<b>339,844,700</b>	<b>100.0</b>	<b>312,349,803</b>	<b>100.0</b>	<b>27,494,897</b>	<b>8.8</b>

(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)

Items	Feb. 2006 Period		Aug. 2005 Period		Changes	
	Amount	%	Amount	%	Amount	%
Liabilities	'000 yen	(%)	'000 yen	(%)	'000 yen	(%)
I Current liabilities						
Accounts payable	821,214		765,881		55,333	
Short-term debt	25,000,000		25,860,000		(860,000)	
Accrued liabilities	11,259		66,235		(54,976)	
Accrued expenses	666,122		605,800		60,322	
Accrued income taxes	605		927		(322)	
Rent received in advance	1,011,514		1,007,978		3,536	
Deposits	888,087		737,214		150,873	
Lease deposits (return within 1 year)	4,466,738		—		—	
Other	33,655		109,401		(75,746)	
<b>Total current liabilities</b>	<b>32,899,197</b>	<b>9.7</b>	<b>29,153,438</b>	<b>9.3</b>	<b>3,745,759</b>	<b>12.8</b>
II Non-current liabilities						
Corporate bonds-unsecured	45,000,000		35,000,000		10,000,000	
Long-term debt	14,170,000		14,170,000		0	
Tenant leasehold and security	61,389,578		67,056,445		(5,666,867)	
Other (Derivatives)	33,229		125,214		(91,985)	
<b>Total non-current liabilities</b>	<b>120,592,808</b>	<b>35.5</b>	<b>116,351,659</b>	<b>37.3</b>	<b>4,241,149</b>	<b>3.6</b>
<b>Total Liabilities</b>	<b>153,492,005</b>	<b>45.2</b>	<b>145,505,097</b>	<b>46.6</b>	<b>7,986,908</b>	<b>5.5</b>
Unitholders' Equity						
I Total investment						
Unitholders' capital	181,557,646	53.4	162,448,096	52.0	19,109,550	11.8
II Retained earnings						
Retained earnings	4,795,048		4,396,610		398,438	
Total retained earnings	4,795,048	1.4	4,396,610	1.4	398,438	9.1
<b>Total unitholders' equity</b>	<b>186,352,695</b>	<b>54.8</b>	<b>166,844,706</b>	<b>53.4</b>	<b>19,507,989</b>	<b>11.7</b>
<b>Total Liabilities and Unitholders' Equity</b>	<b>339,844,700</b>	<b>100.0</b>	<b>312,349,803</b>	<b>100.0</b>	<b>27,494,897</b>	<b>8.8</b>

# Cashflow and distribution statements

## Cashflow statement

('000 yen)

Items	Feb. 2006 Period	Aug. 2005 Period
<b>I Cashflow from Operating Activities</b>		
Income before income taxes	4,796,953	4,397,420
Depreciation and amortization	2,472,272	2,305,947
Other	1,069,065	5,221
<b>Net Cash from Operating Activities</b>	<b>8,338,291</b>	<b>6,708,590</b>
<b>II Cashflow from Investing Activities</b>		
Purchase of property and equipment	(18,819,666)	(65,069,971)
Proceeds from the sales of properties	1,163,550	—
Proceeds from tenant leasehold and security deposits	2,091,936	16,103,643
Purchase of tenant leasehold and security deposits	(3,292,064)	(849,630)
Purchase of intangible assets	(1,561,383)	(488,619)
Payments of tenant deposits	(531,118)	—
Proceeds from tenant deposits	230,969	8,597
Purchase of securities	—	(851,505)
Gain from other investments/other acquisition of assets	—	19,252
Loss from other investments/other acquisition of assets	(33,968)	—
<b>Net Cash used in Investing Activities</b>	<b>(20,751,744)</b>	<b>(51,128,233)</b>
<b>III Cashflow from Financing Activities</b>		
Proceeds from short-term debt	18,200,000	30,100,000
Repayments of short-term debt	(19,060,000)	(25,500,000)
Proceeds from issuance of corporate bonds	9,940,257	—
Proceeds from issuance of investment units	19,109,550	46,259,400
Dividend payment	(4,396,213)	(3,381,445)
<b>Net Cash from Financing Activities</b>	<b>23,793,593</b>	<b>47,477,954</b>
<b>IV Net change in cash and cash equivalents</b>	<b>11,380,140</b>	<b>3,058,311</b>
<b>V Cash and cash equivalents at beginning of period</b>	<b>12,421,246</b>	<b>9,362,934</b>
<b>VI Cash and cash equivalents at end of period</b>	<b>23,801,386</b>	<b>12,421,246</b>

## Distribution statement

('000 yen)

Items	Feb. 2006 Period	Aug. 2005 Period
Retained earnings (ending balance)	4,795,048	4,396,610
Distributed amount	4,794,959	4,396,566
"DPU" (yen)	(15,851)	(15,730)
Retained earnings carried forward	89	43

(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)

# Performance by property (income-type properties 1)

(mn yen)

Items	Sendai Nakayama SC		ESPA Kawasaki		8953 Osaka Shinsaibashi Bldg.		JUSCO Chigasaki SC		Ito-Yokado Narumi	
	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005
Rental revenue	440	429	351	351	407	405	274	274	330	330
Other income	0	114	0	0	0	0	0	0	0	—
<b>Total property income</b>	<b>441</b>	<b>544</b>	<b>351</b>	<b>351</b>	<b>407</b>	<b>405</b>	<b>274</b>	<b>274</b>	<b>330</b>	<b>330</b>
Tax and public charges	41	41	60	60	30	30	42	42	41	41
Facilities management	2	22	0	0	1	0	1	0	5	1
Property management fees	13	13	12	12	6	6	5	5	6	6
Other property expenses	2	1	1	1	1	1	1	1	1	1
Depreciation and amortization	78	77	82	82	80	80	63	63	73	73
<b>Total expenses</b>	<b>139</b>	<b>156</b>	<b>157</b>	<b>157</b>	<b>119</b>	<b>118</b>	<b>114</b>	<b>113</b>	<b>129</b>	<b>124</b>
<b>Operating income</b>	<b>301</b>	<b>387</b>	<b>193</b>	<b>193</b>	<b>287</b>	<b>287</b>	<b>159</b>	<b>160</b>	<b>201</b>	<b>205</b>
Rental deposits	840	840	981	981	798	798	745	745	538	538
Guaranteed deposits	801	801	3,924	3,924	—	—	2,784	2,983	4,849	4,849
<b>Deposits (ending balance)</b>	<b>1,641</b>	<b>1,641</b>	<b>4,905</b>	<b>4,905</b>	<b>798</b>	<b>798</b>	<b>3,530</b>	<b>3,729</b>	<b>5,388</b>	<b>5,388</b>

Items	8953 Minami Aoyama Bldg.		Ito-Yokado Yabashira		Ito-Yokado Kamifukuoka-higashi		Ito-Yokado Nishikicho		8953 Daikanyama Bldg.	
	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005
Rental revenue	160	160	78	78	256	256	444	444	34	34
Other income	8	8	—	—	—	24	0	—	4	2
<b>Total property income</b>	<b>169</b>	<b>169</b>	<b>78</b>	<b>78</b>	<b>256</b>	<b>280</b>	<b>444</b>	<b>444</b>	<b>39</b>	<b>37</b>
Tax and public charges	6	6	17	17	39	39	59	57	1	1
Facilities management	11	11	0	0	1	0	—	—	4	3
Property management fees	4	4	2	2	4	4	4	4	1	1
Other property expenses	0	0	0	0	2	2	2	2	0	0
Depreciation and amortization	8	8	18	18	48	48	136	136	4	4
<b>Total expenses</b>	<b>31</b>	<b>32</b>	<b>38</b>	<b>39</b>	<b>97</b>	<b>95</b>	<b>203</b>	<b>201</b>	<b>12</b>	<b>11</b>
<b>Operating income</b>	<b>137</b>	<b>137</b>	<b>39</b>	<b>39</b>	<b>158</b>	<b>185</b>	<b>241</b>	<b>243</b>	<b>27</b>	<b>26</b>
Rental deposits	282	282	450	450	774	774	590	590	125	125
Guaranteed deposits	—	—	—	—	1,752	1,816	—	—	—	—
<b>Deposits (ending balance)</b>	<b>282</b>	<b>282</b>	<b>450</b>	<b>450</b>	<b>2,527</b>	<b>2,591</b>	<b>590</b>	<b>590</b>	<b>125</b>	<b>125</b>

(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)



# Performance by property (income-type properties 2)

(mn yen)

Items	AEON Higashiura SC		8953 Harajuku Face Bldg.		AEON Kashiihama SC		AEON Sapporo Naebo SC		Esquisse Omotesando Annex	
	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005
Rental revenue	375	375	79	79	477	477	382	382	27	27
Other income	—	—	15	13	—	—	—	—	0	5
<b>Total property income</b>	<b>375</b>	<b>375</b>	<b>94</b>	<b>92</b>	<b>477</b>	<b>477</b>	<b>382</b>	<b>382</b>	<b>27</b>	<b>33</b>
Tax and public charges	57	57	2	2	65	65	63	63	1	1
Facilities management	0	0	7	8	0	7	—	—	0	0
Property management fees	4	4	4	4	6	6	3	3	1	1
Other property expenses	81	81	2	0	2	2	21	21	0	0
Depreciation and amortization	101	101	9	9	99	99	132	132	1	1
<b>Total expenses</b>	<b>246</b>	<b>245</b>	<b>26</b>	<b>24</b>	<b>173</b>	<b>181</b>	<b>220</b>	<b>220</b>	<b>5</b>	<b>5</b>
<b>Operating income</b>	<b>129</b>	<b>130</b>	<b>68</b>	<b>68</b>	<b>303</b>	<b>296</b>	<b>162</b>	<b>161</b>	<b>22</b>	<b>28</b>
Rental deposits	495	495	176	176	700	700	654	654	64	64
Guaranteed deposits	—	—	—	—	—	—	—	—	—	—
<b>Deposits (ending balance)</b>	<b>495</b>	<b>495</b>	<b>176</b>	<b>176</b>	<b>700</b>	<b>700</b>	<b>654</b>	<b>654</b>	<b>64</b>	<b>64</b>

Items	Ito-Yokado Tsunashima		Bic Camera Tachikawa		Itabashi SATY		8953 Kita Aoyama Bldg.		AEON Yamato SC	
	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005
Rental revenue	180	180	356	356	621	621	32	32	534	540
Other income	—	—	33	29	0	0	1	1	—	—
<b>Total property income</b>	<b>180</b>	<b>180</b>	<b>390</b>	<b>386</b>	<b>621</b>	<b>621</b>	<b>34</b>	<b>33</b>	<b>534</b>	<b>540</b>
Tax and public charges	19	19	29	29	45	45	—	0	—	—
Facilities management	—	—	68	28	0	—	2	2	0	0
Property management fees	3	3	6	6	4	4	1	1	4	4
Other property expenses	0	0	1	1	263	263	0	0	2	2
Depreciation and amortization	26	26	90	90	107	107	3	3	114	114
<b>Total expenses</b>	<b>51</b>	<b>50</b>	<b>196</b>	<b>156</b>	<b>421</b>	<b>420</b>	<b>7</b>	<b>6</b>	<b>121</b>	<b>121</b>
<b>Operating income</b>	<b>129</b>	<b>129</b>	<b>193</b>	<b>229</b>	<b>199</b>	<b>201</b>	<b>26</b>	<b>27</b>	<b>412</b>	<b>419</b>
Rental deposits	232	232	712	712	754	754	40	40	1,068	1,068
Guaranteed deposits	—	—	—	—	—	—	—	—	—	—
<b>Deposits (ending balance)</b>	<b>232</b>	<b>232</b>	<b>712</b>	<b>712</b>	<b>754</b>	<b>754</b>	<b>40</b>	<b>40</b>	<b>1,068</b>	<b>1,068</b>

(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)

# Performance by property (income-type properties 3)

(mn yen)

Items	SEIYU Hibarigaoka		Tobata SATY		JUSCO City Takatsuki		8953 Jiyugaoka Bldg.		JUSCO City Yagoto	
	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005
Rental revenue	261	249	315	301	411	357	78	67	164	74
Other income	0	26	—	2	0	0	6	3	0	0
<b>Total property income</b>	<b>261</b>	<b>276</b>	<b>315</b>	<b>303</b>	<b>411</b>	<b>358</b>	<b>85</b>	<b>70</b>	<b>164</b>	<b>74</b>
Tax and public charges	—	—	—	—	—	—	—	—	—	—
Facilities management	—	—	0	8	—	—	9	6	1	0
Property management fees	3	3	5	5	3	2	2	2	3	1
Other property expenses	1	0	3	2	2	1	0	0	1	0
Depreciation and amortization	88	88	67	66	108	108	13	13	33	16
<b>Total expenses</b>	<b>92</b>	<b>92</b>	<b>76</b>	<b>83</b>	<b>114</b>	<b>112</b>	<b>26</b>	<b>22</b>	<b>39</b>	<b>19</b>
<b>Operating income</b>	<b>168</b>	<b>183</b>	<b>238</b>	<b>220</b>	<b>296</b>	<b>245</b>	<b>59</b>	<b>47</b>	<b>124</b>	<b>54</b>
Rental deposits	300	300	315	315	1,232	1,232	115	115	502	502
Guaranteed deposits	—	—	—	—	4,476	4,722	47	47	58	66
<b>Deposits (ending balance)</b>	<b>300</b>	<b>300</b>	<b>315</b>	<b>315</b>	<b>5,708</b>	<b>5,955</b>	<b>162</b>	<b>162</b>	<b>561</b>	<b>569</b>

Items	JUSCO Naha		Cheers Ginza		JUSCO City Nishi- Otsu		Income-type total	
	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005	Feb. 2006	Aug. 2005
Rental revenue	385	134	87	9	149	—	7,699	7,035
Other income	2	1	23	1	0	—	97	236
<b>Total property income</b>	<b>388</b>	<b>135</b>	<b>111</b>	<b>11</b>	<b>149</b>	<b>—</b>	<b>7,797</b>	<b>7,271</b>
Tax and public charges	—	—	—	—	—	—	626	623
Facilities management	0	—	26	—	0	—	148	104
Property management fees	4	1	2	0	1	—	129	119
Other property expenses	29	10	1	0	1	—	432	404
Depreciation and amortization	80	40	16	2	44	—	1,737	1,617
<b>Total expenses</b>	<b>115</b>	<b>52</b>	<b>46</b>	<b>3</b>	<b>48</b>	<b>—</b>	<b>3,073</b>	<b>2,871</b>
<b>Operating income</b>	<b>273</b>	<b>83</b>	<b>65</b>	<b>7</b>	<b>101</b>	<b>—</b>	<b>4,714</b>	<b>4,400</b>
Rental deposits	2,118	2,118	168	168	988	—	16,768	15,780
Guaranteed deposits	—	—	—	—	—	—	18,695	19,213
<b>Deposits (ending balance)</b>	<b>2,118</b>	<b>2,118</b>	<b>168</b>	<b>168</b>	<b>988</b>	<b>—</b>	<b>35,464</b>	<b>34,993</b>

(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)

# Performance by property (growth-type properties)

(mn yen)

Items	Hakata Riverain		Nara Family		Abiko Shopping Plaza		Esquisse Omotesando		Wonder City		Kyoto Family		Growth-type total		Total	
	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005	Aug. 2006	Feb. 2005
Rental revenue	902	891	1,860	1,859	468	469	238	300	611	511	200	—	4,282	4,032	11,982	11,067
Other income	213	219	294	383	324	195	54	87	35	35	45	—	966	921	1,064	1,157
<b>Total property income</b>	<b>1,116</b>	<b>1,110</b>	<b>2,155</b>	<b>2,242</b>	<b>792</b>	<b>665</b>	<b>292</b>	<b>388</b>	<b>646</b>	<b>546</b>	<b>245</b>	<b>—</b>	<b>5,249</b>	<b>4,953</b>	<b>13,046</b>	<b>12,225</b>
Tax and public charges	117	117	108	109	37	37	22	22	0	0	0	—	286	286	912	910
Facilities management	339	428	408	447	353	227	48	57	45	38	72	—	1,268	1,198	1,417	1,302
Property management fees	51	51	198	248	74	29	13	14	108	90	24	—	471	434	600	554
Sales promotion expenses	129	126	96	63	25	11	11	11	2	0	2	—	267	213	268	213
Other property expenses	77	113	236	230	13	10	5	3	5	3	39	—	377	333	809	765
Depreciation and amortization	179	178	226	226	93	84	74	73	124	124	35	—	734	687	2,472	2,305
Loss from retirement of fixed assets	16	—	—	27	—	—	—	—	—	—	—	—	16	27	16	27
<b>Total expenses</b>	<b>913</b>	<b>1,016</b>	<b>1,275</b>	<b>1,352</b>	<b>597</b>	<b>399</b>	<b>176</b>	<b>183</b>	<b>285</b>	<b>256</b>	<b>174</b>	<b>—</b>	<b>3,422</b>	<b>3,181</b>	<b>6,496</b>	<b>6,080</b>
<b>Operating income</b>	<b>202</b>	<b>94</b>	<b>879</b>	<b>890</b>	<b>195</b>	<b>266</b>	<b>116</b>	<b>204</b>	<b>361</b>	<b>289</b>	<b>70</b>	<b>—</b>	<b>1,826</b>	<b>1,744</b>	<b>6,550</b>	<b>6,145</b>
Rental deposits	756	754	5,575	5,578	954	900	—	788	834	834	848	—	8,969	8,856	25,738	24,636
Guaranteed deposits	—	—	11,957	13,414	4,027	4,354	—	—	5,436	5,436	—	—	21,422	23,206	40,117	42,419
<b>Deposits (ending balance)</b>	<b>756</b>	<b>754</b>	<b>17,533</b>	<b>18,992</b>	<b>4,982</b>	<b>5,255</b>	<b>—</b>	<b>788</b>	<b>6,270</b>	<b>6,270</b>	<b>848</b>	<b>—</b>	<b>30,392</b>	<b>32,062</b>	<b>65,856</b>	<b>67,056</b>

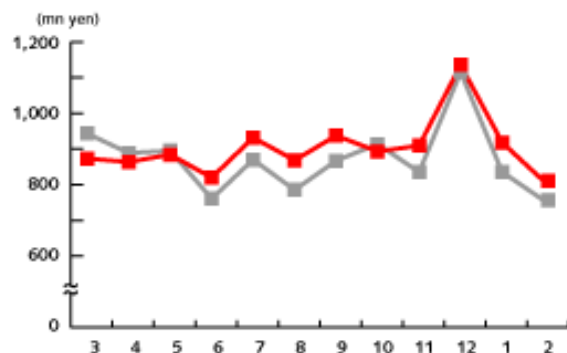
(Note 1) Feb. 2006 (8<sup>th</sup>) period: Sep. 1, 2006–Feb. 28, 2006 (181 days)

(Note 2) Aug. 2005 (7<sup>th</sup>) period: Mar. 1, 2005–Aug. 31, 2005 (184 days)

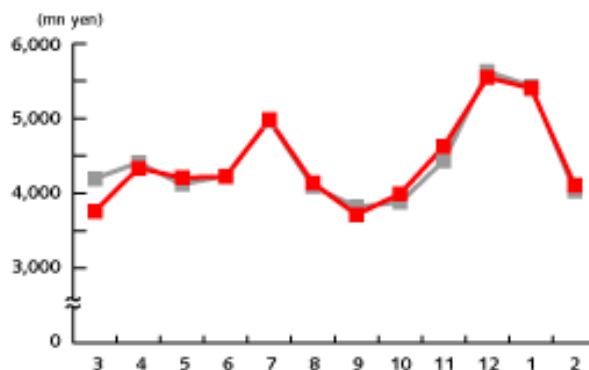
(Note 3) As for Esquisse Omotesando, only the figures until Jan. 31, 2006 are included, since its building and land lease rights have been transferred to Takenaka Corporation

# Revenue performance of growth properties

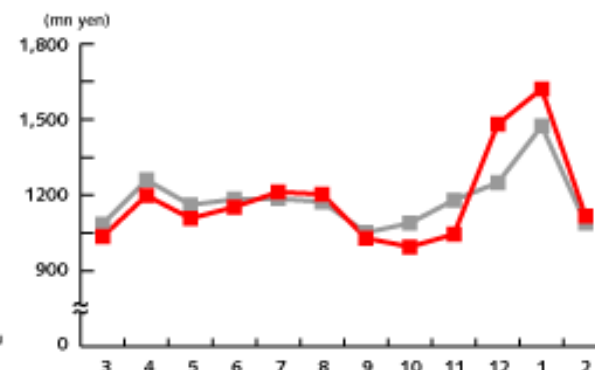
Hakata Riverain



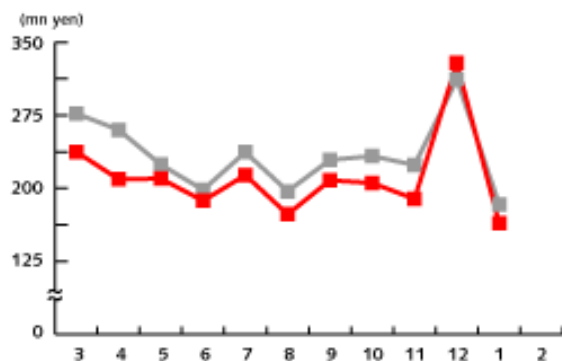
Nara Family



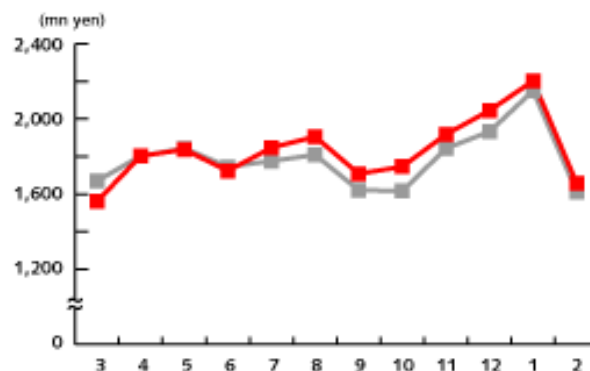
Abiko Shopping Plaza



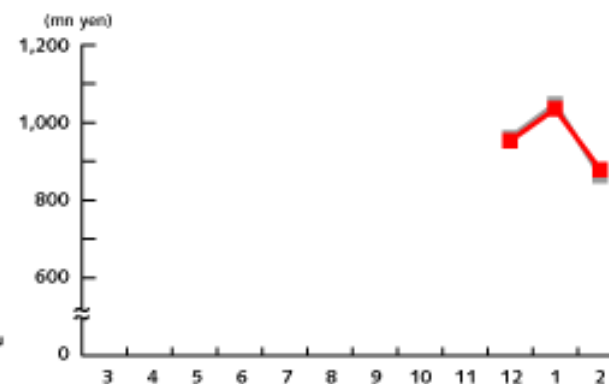
Esquisse Omotesando



Wonder City



Kyoto Family



■ Sales (Mar. 2005–Feb. 2006)  
■ Sales (Mar. 2004–Feb. 2005)

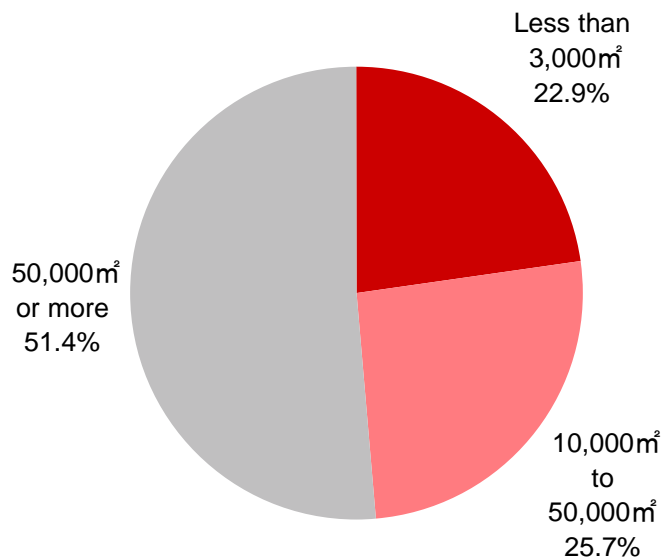
■ Sales (Dec. 2005–Feb. 2006)  
■ Sales (Dec. 2004–Feb. 2005)

(Note) The figures of Kyoto Family only include the above period

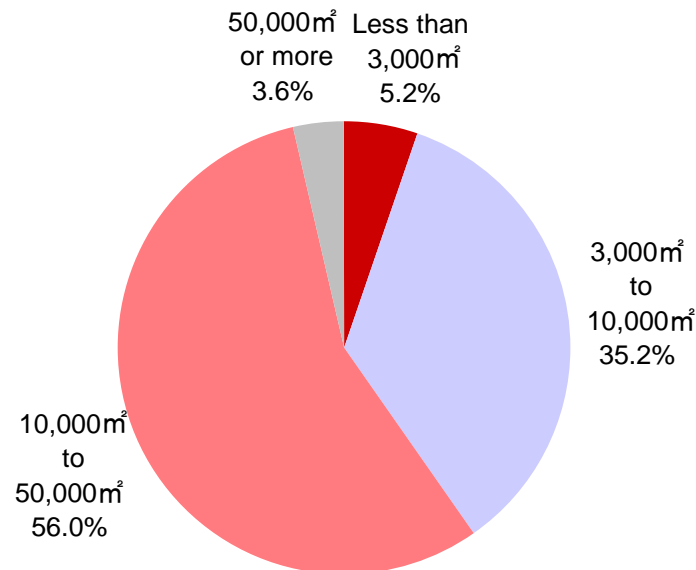
# Appendix

# Selection and concentration of properties

**JRF Portfolio Breakdown  
by Gross Floor Area**



**Number of Domestic Shopping Centers by Floor  
Area**



Source: Japan Council of Shopping Centers (as of Mar. 25, 2006)

(Note 1) Floor space includes common and operational areas frequently used by customers (excluding hotel and car park)

(Note 2) Domestic shopping centers are defined as follows:

- Buildings with over 1,500m² floor area
- More than 10 tenants excluding anchor tenants
- Anchor tenants do not occupy over 80% of total floor area  
(This is not the case if other tenants occupy over 1,500m² floor area)

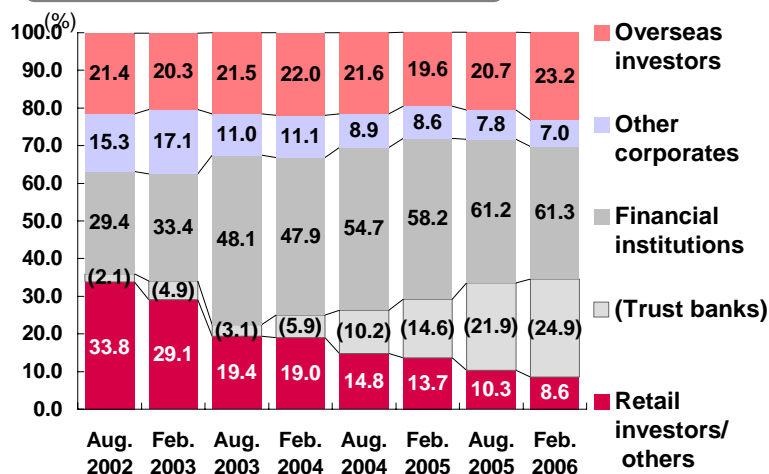
(Note 3) Ratios (number of properties in each category/number of total properties) are rounded down to one decimal place.

(Note 4) As of end-Mar. 2006. Figures for Higashi-Totsuka Aurora City are as of the acquisition. The figures above do not include the following properties: Loc City Ogaki, Urawa PARCO and Diamond City Tsurumi Shopping Center. These will be acquired after Aug. 2006

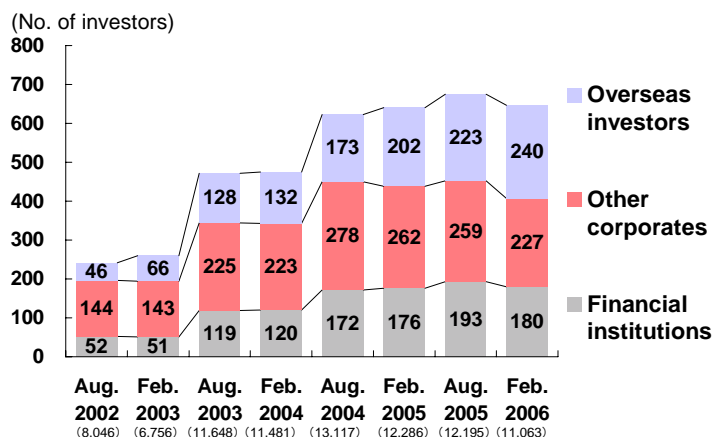
(Note 5) JRF's portfolio includes properties that are not shopping centers

# Composition of unitholders

Number of units



Number of unitholders



(Note 1) Excluding retail investors/others

(Note 2) Figure in brackets represents the total number of unitholders including retail investors/others

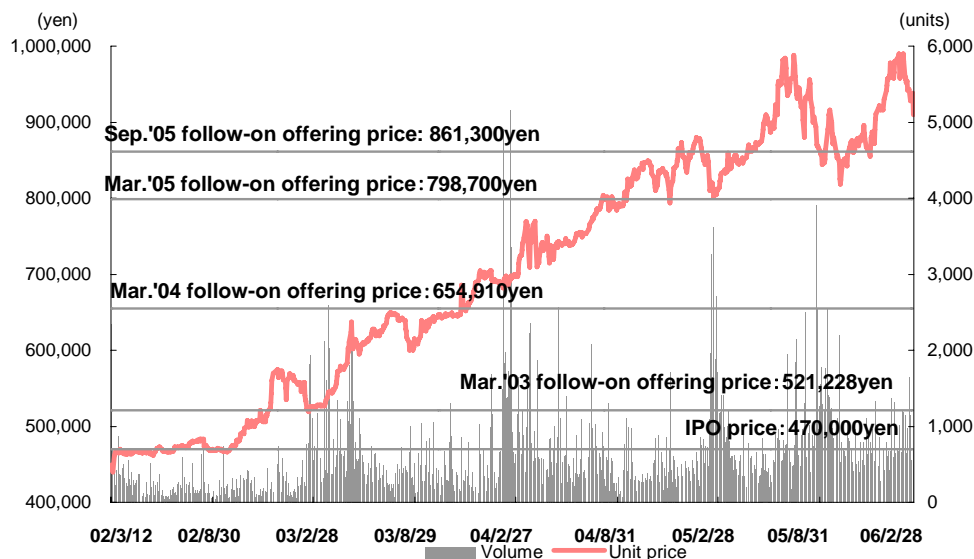
Top 20 unitholders as of Feb. 28, 2006

Rank	Name	Units	Ratio (%)
1	Japan Trustee Service Bank, Trust account	28,983	9.58
2	NikkoCiti Trust and Banking Corporation, Trust Account	16,802	5.55
3	Mitsubishi Corporation	13,975	4.62
4	The Master Trust Bank of Japan, Trust Account	12,453	4.12
5	Trust & Custody Services Bank, Trust Account	11,568	3.82
6	Chugoku Bank	9,871	3.26
7	The Bank of New York, Treaty JASDAQ Account	7,008	2.32
8	AIG Star Life Insurance, General account	6,270	2.07
9	Gibraltar Life, units are held in the general and other Accounts	5,286	1.75
10	North Pacific Bank	4,364	1.44
11	Resona Bank	4,329	1.43
12	The Nomura Trust and Banking, Investment Trust	3,788	1.25
13	The Senshu Bank	3,727	1.23
14	Mellon Bank-ABN Amro Global Custody N.V	3,709	1.23
15	The Joyo Bank	3,630	1.20
16	The Hiroshima Bank	3,293	1.09
17	The Yamanashi Chuo Bank	3,093	1.02
18	The Fuji Fire and Marine Insurance	2,965	0.98
19	The Hachijuni Bank	2,857	0.94
20	Nomura Securities	2,813	0.93
Total		150,784	49.83



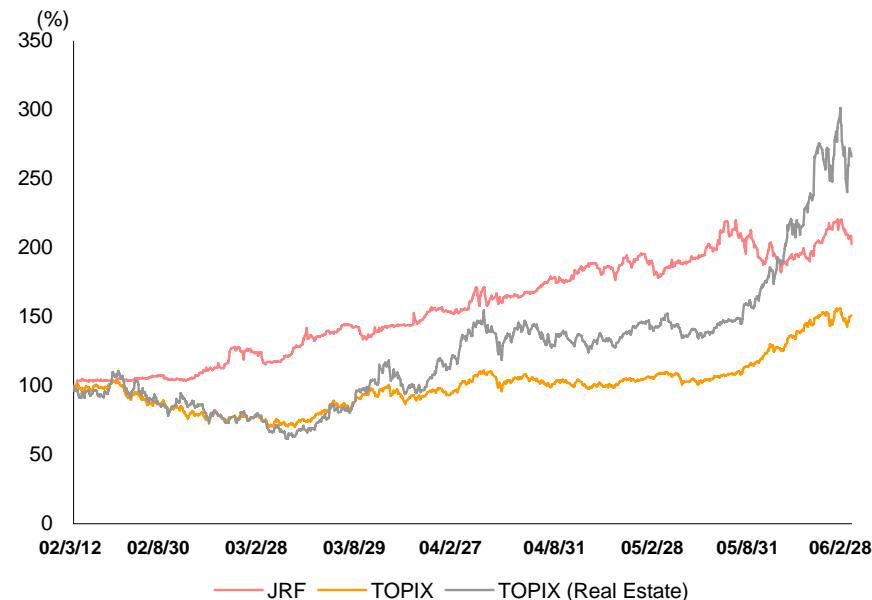
# Investment unit price performance

**Unit Price Trend**  
(Through Feb. 28, 2006) (Note 1)



High	1,010,000 yen	(Feb. 8, 2006)
Low	433,000 yen	(Mar. 13, 2006)
Average price (closing price)	701,555 yen	(as of Feb. 28, 2006)
Total volume	537,746 units	(as of Feb. 28, 2006)
Daily average volume	551 units	(as of Feb. 28, 2006)

**Relative Price Fluctuations**  
(Through Feb. 28, 2006) (Note 1)

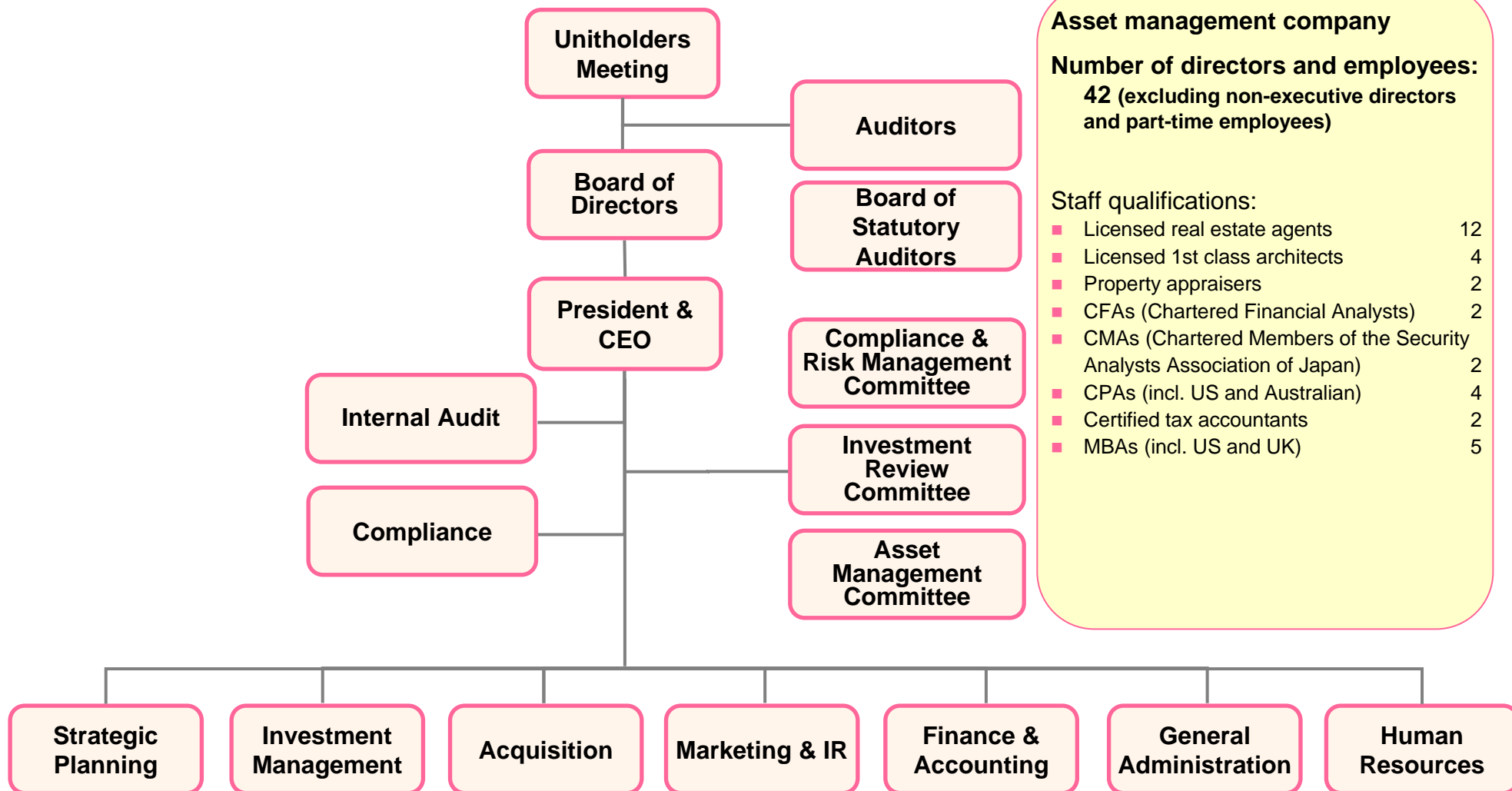


(Note 1) Closing price

(Note 2) The Mar. 12, 2002 closing price is set as 100%

Source: Bloomberg

# Management company structure



(Note) As of Apr. 1, 2006