

**Japan Retail Fund Investment Corporation**

**Financial Statements**

**For the six months ended**

**August 31, 2006 and February 28, 2007**

**Report of Independent Auditors**

To the Board of Directors of  
Japan Retail Fund Investment Corporation

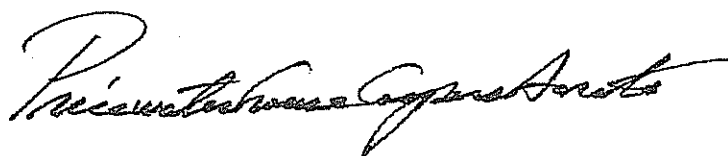
We have audited the accompanying balance sheets of Japan Retail Fund Investment Corporation ("the Company") as of February 28, 2007 and August 31, 2006, and the related statements of income, changes in unitholders' equity and cash flows for the six months ended February 28, 2007 and August 31, 2006, 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 the Company as of February 28, 2007 and August 31, 2006, and the results of its operations and its cash flows for the six months ended February 28, 2007 and August 31, 2006 in conformity with accounting principles generally accepted in Japan.

As described in Note 15, issuance of unsecured corporate bonds is stated as significant subsequent events.

The U.S. dollar amounts in the accompanying financial statements with respect to the six months ended February 28, 2007 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the financial statements.



December 18, 2007

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**BALANCE SHEETS**  
**As of August 31, 2006 and February 28, 2007**

	<u>August 31, 2006</u> <u>(¥ in millions)</u>	<u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>February 28, 2007</u> <u>(US\$ in thousands)</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	15,431	24,431	206,342
Rental receivables	621	689	5,819
Consumption tax refundable	991	1,165	9,839
Prepaid expenses and other assets	486	475	4,011
<b>Total current assets</b>	17,529	26,762	226,030
<b>Non-current assets:</b>			
<b>Property and equipment, at cost:</b>			
Land (Note 4)	224,234	270,699	2,286,309
Buildings (Note 4)	145,775	176,800	1,493,243
Building improvements (Note 4)	6,630	9,098	76,841
Machinery and equipment (Note 4)	604	759	6,410
Furniture and fixtures (Note 4)	1,380	1,819	15,363
	378,623	459,177	3,878,184
Less: Accumulated depreciation	(12,996)	(16,385)	(138,386)
<b>Net property and equipment</b>	365,626	442,791	3,739,788
<b>Other assets:</b>			
Leasehold rights	6,672	6,992	59,054
Other intangible assets	170	198	1,672
Lease deposits	3,103	3,166	26,739
Investment	814	-	-
Long-term prepaid expenses	130	108	912
Bonds issuance costs	99	137	1,157
Other	227	257	2,170
<b>Total other assets</b>	11,219	10,861	91,731
<b>TOTAL ASSETS</b>	394,376	480,415	4,057,559

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEETS**

**As of August 31, 2006 and February 28, 2007**

	<u><b>August 31, 2006</b></u>	<u><b>February 28, 2007</b></u>	<u><b>February 28, 2007</b></u>
	<u><b>(¥ in millions)</b></u>	<u><b>(¥ in millions)</b></u>	<u><b>(US\$ in thousands)</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 5)	82,070	63,730	538,260
Current amount of tenant leasehold and security deposits	4,515	5,814	49,104
Accounts payable	920	861	7,271
Rent received in advance	1,341	1,376	11,621
Deposits received	1,004	857	7,238
Accrued expenses and other liabilities	866	989	8,353
<b><i>Total current liabilities</i></b>	<b>90,718</b>	<b>73,628</b>	<b>621,858</b>
<b>Non-current liabilities:</b>			
Long-term debt (Note 5)	5,000	5,000	42,229
Bonds issued – unsecured (Note 6)	45,000	65,000	548,986
Tenant leasehold and security deposits	66,985	79,942	675,185
<b><i>Total non-current liabilities</i></b>	<b>116,985</b>	<b>149,942</b>	<b>1,266,402</b>
<b>TOTAL LIABILITIES</b>	<b>207,703</b>	<b>223,571</b>	<b>1,888,268</b>
<b>Net Asset:</b>			
Unitholders' capital, 2,000,000 units authorized; 302,502 units (as of August 31, 2006) and 386,502 units (as of February 28, 2007) issued and outstanding	181,557	250,764	2,117,939
Retained earnings	5,115	6,079	51,342
<b>TOTAL NET ASSETS</b>	<b>186,672</b>	<b>256,844</b>	<b>2,169,290</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>394,376</b>	<b>480,415</b>	<b>4,057,559</b>

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF INCOME**  
For the six months ended  
August 31, 2006 and February 28, 2007

	<u>March 1, 2006 to</u> <u>August 31, 2006</u> <u>(¥ in millions)</u>	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(US\$ in thousands)</u>
<b>Operating revenues</b>			
Rental and other operating revenues (Note 10)	14,998	16,583	140,059
Dividend income from investment in Tokumei Kumiai	-	129	1,089
	14,998	16,712	141,148
<b>Operating expenses</b>			
Property-related expenses (Note 10)	7,519	8,093	68,353
Asset management fees	1,186	1,387	11,714
Custodian fees	58	64	540
General administration fees	109	117	988
Other	120	110	929
	8,995	9,773	82,542
<b>Operating income</b>	6,003	6,938	58,597
<b>Non-operating revenues</b>			
Non-operating revenues	2	15	126
<b>Non-operating expenses</b>			
Interest expense	285	273	2,305
Corporate bonds interest	308	362	3,057
Offering costs	146	128	1,081
Amortization of organization costs	13	-	-
Amortization of bonds issuance costs	39	55	464
Other non-operating expenses	91	41	346
<b>Income before income taxes</b>	5,120	6,093	51,461
Income taxes (Note 11)	5	14	118
<b>Net income</b>	5,114	6,079	51,342
<b>Retained earnings at beginning of period</b>	-	-	-
<b>Retained earnings at end of period</b>	5,115	6,079	51,342

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY**  
For the six months ended  
August 31, 2006 and February 28, 2007

	<u>Unitholders' equity</u>			<u>Total Net assets</u>
	<u>Unitholders' capital</u>	<u>Retained earnings</u>	<u>Total Unitholders'</u>	<u>(¥ in millions)</u>
	<u>(¥ in millions)</u>	<u>(¥ in millions)</u>	<u>equity</u>	
			<u>(¥ in millions)</u>	
<b>Balance as of</b>				
<b>February 28, 2006</b>	181,557	4,795	186,352	186,352
<u>Changes during the period</u>				
Cash distribution declared	-	(4,794)	(4,794)	(4,794)
Net income	-	5,114	5,114	5,114
<u>Total changes during the period</u>	-	320	320	320
<b>Balance as of</b>				
<b>August 31, 2006</b>	181,557	5,115	186,672	186,672

	<u>Unitholders' equity</u>			<u>Total Net assets</u>
	<u>Unitholders' capital</u>	<u>Retained earnings</u>	<u>Total Unitholders'</u>	<u>(¥ in millions)</u>
	<u>(¥ in millions)</u>	<u>(¥ in millions)</u>	<u>equity</u>	
			<u>(¥ in millions)</u>	
<b>Balance as of</b>				
<b>August 31, 2006</b>	181,557	5,115	186,672	186,672
<u>Changes during the period</u>				
Issuance of new shares	69,206	-	69,206	69,206
Cash distribution declared	-	(5,115)	(5,115)	(5,115)
Net income	-	6,079	6,079	6,079
<u>Total changes during the period</u>	69,206	964	70,171	70,171
<b>Balance as of</b>				
<b>February 28, 2007</b>	250,764	6,079	256,844	256,844

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY**  
For the six months ended  
August 31, 2006 and February 28, 2007

	<u>Unitholders' equity</u>			<u>Total Net assets</u>
	<u>Unitholders' capital</u> <u>(US\$ in thousands)</u>	<u>Retained earnings</u> <u>(US\$ in</u> <u>thousands)</u>	<u>Total Unitholders'</u> <u>equity</u> <u>(US\$ in thousands)</u>	<u>(US\$ in thousands)</u>
<b>Balance as of</b>				
<b>August 31, 2006</b>	1,533,420	43,201	1,576,621	1,576,621
<u>Changes during the period</u>				
Issuance of new shares	584,510	-	584,510	584,510
Cash distribution declared	-	(43,201)	(43,201)	(43,201)
Net income	-	51,342	51,342	51,342
<u>Total changes during the</u> <u>period</u>	584,510	8,141	592,660	592,660
<b>Balance as of</b>				
<b>February 28, 2007</b>	2,117,939	51,342	2,169,290	2,169,290

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**STATEMENTS OF CASH FLOWS**

**For the six months ended**

**August 31, 2006 and February 28, 2007**

	<u>March 1, 2006 to</u> <u>August 31, 2006</u> <u>(¥ in millions)</u>	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(US\$ in thousands)</u>
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	5,120	6,093	51,461
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	2,894	3,411	28,809
Amortization of organization costs	13	-	-
Amortization of bonds issuance costs	39	55	464
Loss on disposal of fixed assets	54	7	59
Interest expense	594	635	5,363
Dividend income from investment in Tokumei Kumiai	-	(129)	(1,089)
Changes in assets and liabilities:			
Increase in Rental receivables	(10)	(68)	(574)
Increase in Consumption tax refundable	(968)	(174)	(1,469)
(Decrease) increase in Accounts payable	89	(53)	(447)
Increase in Rent received in advance	329	35	295
(Decrease) increase in Deposits received	116	(147)	(1,241)
Increase in Accrued expenses and other liabilities	107	118	996
Other, net	(113)	28	236
Sub total	8,267	9,810	82,854
Interest received	1	9	76
Interest paid	(525)	(644)	(5,439)
Income taxes paid	-	(5)	(42)
Net cash provided by operating activities	7,743	9,170	77,449
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment	(64,871)	(80,931)	(683,538)
Payments of tenant leasehold and security deposits	(1,306)	(3,362)	(28,395)
Proceeds from tenant leasehold and security deposits	6,950	17,618	148,800
Payments of deposits and others	(10)	(108)	(912)
Proceeds from deposits and others	20	15	126
Proceeds from liquidation of investment in Tokumei Kumiai	-	943	7,964
Net cash used in investing activities	(59,217)	(65,823)	(555,937)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term debt	75,570	60,730	512,922
Repayments of short-term debt	(18,500)	(79,070)	(667,820)
Repayments of long-term debt	(9,170)	-	-
Net proceeds from bonds issuance	-	19,906	168,125
Proceeds from issuance of investment units	-	69,206	584,510
Distribution payments	(4,796)	(5,119)	(43,234)
Net cash provided by financing activities	43,103	65,652	554,493
<b>Net change in cash and cash equivalents</b>	<b>(8,370)</b>	<b>9,000</b>	<b>76,013</b>



	<u>March 1, 2006 to</u> <u>August 31, 2006</u> <u>(¥ in millions)</u>	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(US\$ in thousands)</u>
Cash and cash equivalents at beginning of period	23,801	15,431	130,329
Cash and cash equivalents at end of period	15,431	24,431	206,342

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 August 31, 2006 and February 28, 2007**

**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 (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 properties in Japan. On March 12, 2002, the Company raised ¥23.46 billion through an initial public offering of 52,000 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 operations of the Company commenced on this date.

On March 4, 2003, the Company completed its second public offering of 95,000 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 the second offering was used to acquire five retail properties with an aggregate purchase price of ¥67.9 billion.

On March 26, 2003, the Company issued 5,102 units in connection with the underwriter stabilization activities within the Japanese Secondary Offering, generating net proceeds of ¥2.6 billion.

Subsequent to that, the Company acquired one retail property during the six months ended August 31, 2003 by utilizing internal cash and six retail properties during the six months 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 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 the third offering was used to acquire two retail properties on March 2, 2004 for an aggregate purchase price of ¥23.8 billion and to partially repay the outstanding short-term borrowings incurred in connection with the acquisition of six retail properties during the six months ended February 29, 2004.

Subsequent to the third offering, the Company acquired two retail properties during the six months ended August 31, 2004 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. 32,200

of such 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 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 used to acquire four retail properties and repay a portion of the outstanding short-term borrowings.

Subsequently, the Company acquired four properties by utilizing internal cash and bank borrowings. The Company acquired eight properties in total during the six months 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 per unit. 11,600 of such units were issued in connection with a Japanese Primary Offering, and the remaining 11,400 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 were used to repay the Company's outstanding short term borrowings incurred in connection with the acquisitions of four properties during the preceding fiscal period.

Subsequent to that, the Company acquired two properties by utilizing internal cash and bank borrowings during the six months 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. After taking into account the net book value of the building and various costs associated with the disposal, a loss of ¥16 million was incurred by the Company.

The Company acquired three additional properties by utilizing internal cash and bank borrowings during the six months ended August 31, 2006.

On September 21, 2006, the Company completed its sixth public offering totaling 78,000 new investment units at a price of ¥852,600 (US\$ 7,201) per unit. 40,000 of such units were issued in connection with a Japanese Primary Offering, and the remaining 38,000 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 September 27, 2006, the Company issued an additional 6,000 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥69.2 billion (US\$584 million) were used to repay the Company's outstanding short term borrowings incurred in connection with the acquisition of four properties in the preceding fiscal period.

Subsequently, the Company acquired four additional properties by utilizing internal cash and bank borrowings during the six months ended February 28, 2007

As of February 28, 2007, the Company's portfolio contained forty-one properties.

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

### **(a) Basis of Presentation**

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan ("Japanese

GAAP”), including provisions set forth in the Investment Trust Law, the Corporate Law of Japan, the Securities and Exchange Law of Japan, and other 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.

Amounts less than ¥1 million and US\$ 1 thousand have been omitted. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

***(b) Cash and Cash Equivalents***

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature 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 with an equal amount amortized over nine fiscal periods.

Bonds issuance costs are amortized over a period of three years with an equal amount amortized over six fiscal periods.

***(e) Unit Issuance Costs***

Underwriters’ commissions related to the issuance of unitholders’ equity are offset directly against proceeds raised. Other offering costs associated with the issuance of investment units are charged as expenses when incurred.

***(f) Income Taxes***

Deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities utilizing the applicable statutory tax rate.

***(g) Taxes on Property and Equipment***

Property and equipment are subject to various taxes annually, such as property taxes and urban planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and the taxes are imposed on the owner registered in the record as of January 1st based on the assessment made by the local government.

Under the above tax rules, a seller of a property at the time of disposal is liable for these taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser for these accrued tax liabilities and the amount of settlement reflects this adjustment. For the purchaser, a portion of such taxes calculated from the acquisition date to 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 was ¥128 million (US\$1,081 thousand) and ¥363million for the six months ended February 28, 2007 and August 31, 2006, respectively.

***(h) Revenue Recognition***

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

***(i) Accounting Treatment of Trust Beneficiary Interests in Real Estate***

For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which the Company holds all of its real estate, all accounts of assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the Company in proportion to the percentage interest of the trust that such trust beneficiary interest represents.

***(j) Accounting Treatment of Equipment Leases***

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

***(k) Per Unit Information***

The net asset value per unit as of February 28, 2007 and August 31, 2006 was ¥664,535 (US\$5,612) and ¥617,095, respectively. Net income per unit for the six months ended February 28, 2007 and August 31, 2006 was ¥15,729(US\$132) and ¥16,908, respectively.

***(l) Accounting Standard for Impairment of Fixed Assets***

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

***(m) Accounting Treatment of Investment in Tokumei Kumiai***

Investment in Tokumei Kumiai agreements ("TK") is 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 investment in a TK is 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.

***(n) Accounting Standards for Presentation of Net Assets in the Balance Sheet.***

Effective for the six months ended August 31, 2006, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No.8, December 9, 2005). Under the former accounting standard, net assets was referred to as unitholders' equity. Under the previous form of presentation, total unitholders' equity as of August 31, 2006 was ¥186,672 million.

**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 ¥118.4 = US\$1, the effective rate of exchange prevailing at February 28, 2007. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended February 28, 2007 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 – Schedule of Property and equipment**

***(i) Schedule of Property and equipment as of August 31, 2006 consisted of the follows:***

(¥ in millions)

	Beginning Balance	Increase	Decrease	Ending Balance	Accumulated Depreciation		Net Property and equipment
					Accumulated Depreciation	Depreciation	
Land	188,740	35,494	-	224,234	-	-	224,234
Buildings	117,886	27,947	58	145,775	11,709	2,614	134,065

Building improvements	6,165	464	-	6,630	866	171	5,763
Machinery and equipment	405	198	-	604	82	22	521
Furniture and fixtures	1,210	174	4	1,380	337	74	1,042
Total	314,408	64,278	62	378,623	12,996	2,882	365,626

(ii) Schedule of Property and equipment as of February 28, 2007 consisted of the follows:

(¥ in millions)

	Beginning Balance	Increase	Decrease	Ending Balance	Accumulated Depreciation		Net Property and equipment
					Accumulated Depreciation	Depreciation	
Land	224,234	46,465	-	270,699	-	-	270,699
Buildings	145,775	31,033	8	176,800	14,779	3,070	162,020
Building improvements	6,630	2,468	-	9,098	1,066	200	8,031
Machinery and equipment	604	155	-	759	109	27	649
Furniture and fixtures	1,380	439	-	1,819	429	91	1,390
Total	378,623	80,562	8	459,177	16,385	3,389	442,791

(US\$ in thousands)

	Beginning Balance	Increase	Decrease	Ending Balance	Accumulated Depreciation		Net Property and equipment
					Accumulated Depreciation	Depreciation	
Land	1,893,868	392,440	-	2,286,309	-	-	2,286,309
Buildings	1,231,207	262,103	67	1,493,243	124,822	25,929	1,368,412
Building improvements	55,996	20,844	-	76,841	9,003	1,689	67,829
Machinery and equipment	5,101	1,309	-	6,410	920	228	5,481

Furniture and fixtures	11,655	3,707	-	15,363	3,623	768	11,739
Total	3,197,829	680,422	67	3,878,184	138,386	28,623	3,739,788

#### **Note 5 – Bank Borrowings and Credit Facilities**

As of August 31, 2006, the Company was provided with back up facilities and credit facilities totaling ¥93.80 billion and ¥ 82.07 billion, respectively, and was drawn down as of the period end. Short-term and long-term borrowing outstanding respectively was ¥82.07 billion and ¥5 billion. Average interest rates ranged from 0.4% to 1.5% for this period.

As of February 28, 2007, the Company was provided with credit facilities totaling ¥130 billion and ¥ 63.73 billion was drawn down as of the period end. Short-term and long-term borrowing outstanding respectively was ¥63.73 billion and ¥5 billion. Average interest rates ranged from 0.6% to 1.3% for this period.

#### **Note 6 – Corporate Bonds**

As of February 28, 2007, ¥65 billion of unsecured corporate bonds were issued and outstanding. Details of the issuance are as follows:

- (i) ¥20 billion of 5-year bonds, issued on February 9, 2005, maturing on February 9, 2010 with a coupon of 0.74%
- (ii) ¥15 billion of 10-year bonds, issued on February 9, 2005, maturing on February 9, 2015 with a coupon of 1.73%
- (iii) ¥10 billion of 10-year bonds, issued on February 22, 2006, maturing on February 22, 2016 with a coupon of 2.02%
- (iv) ¥20 billion of 5-year bonds, issued on December 22, 2006, maturing on December 22, 2011 with a coupon of 1.60%

¥45 billion of unsecured corporate bonds(refer (i) (ii)and (iii)above)were issued and outstanding as of August 31, 2006.

#### **Note 7 – Collateral**

Certain properties and beneficiary interests in trusts (comprising properties and cash) with an aggregate book value of ¥258 billion (US\$ 2,179million) were pledged as collateral to secure liabilities totaling ¥70 billion (US\$ 591 million) for the six months ended February 28, 2007. For the six months ended August 31, 2006, ¥189 billion was pledged as collateral to secure liabilities totaling ¥55 billion.

Certain lands 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, 2006 and February 28, 2007. Certain lands and buildings were pledged as collateral to secure the payment of tenant leasehold and security deposits for a total amount of ¥691 million as of February 28, 2007.

#### **Note 8 – 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\$422 thousand) as required pursuant to the Investment Trust Law.

The units issued and outstanding were 386,502 units as of February 28, 2007 and 302,502 units as of August 31, 2006 (see Note 1).

#### **Note 9 – Cash Distributions**

In accordance with the distribution policy described in the Company's articles of incorporation, the Company intends to distribute approximately 100% of its distributable income for the six months ended February 28, 2007 (equivalent to ¥15,730 (US\$132) per investment unit) to its unitholders. ¥16,909 per investment unit was distributed for the six months ended August 31, 2006. 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, 2006 and February 28, 2007, respectively:

	<u>Six months ended</u> <u>August 31, 2006</u> (¥ in millions)	<u>Six months ended</u> <u>February 28, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>February 28, 2007</u> (US\$ in thousands)
Retained earnings at the end of period	5,115	6,079	51,342
Cash distribution declared	<u>(5,115)</u>	<u>(6,079)</u>	<u>( 51,342)</u>
Retained earnings carried forward	<u>—</u>	<u>—</u>	<u>—</u>

#### **Note 10 – Breakdown of Rental and Other Operating Revenues and Property-Related Expenses**

Rental and other operating revenues and property-related expenses for the six months ended August 31, 2006 and February 28, 2007 consist of the following:

	<u>Six months ended</u> <u>August 31, 2006</u> (¥ in millions)	<u>Six months ended</u> <u>February 28, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>February 28, 2007</u> (US\$ in thousands)
Rental and other operating revenues:			
Rental and parking revenue	13,693	15,257	128,859
Common area charges	646	615	5,194
Other	658	710	5,996
Total rental and other operating revenues	14,998	16,583	140,059

Property- related expenses:

Property management fees	518	532	4,493
Facility management fees	623	667	5,633
Utilities	830	742	6,266
Property-related taxes	1,233	1,254	10,591
Repair and maintenance	81	48	405
Insurance	56	66	557
Trust fees	108	116	979
Rent expense (i)	712	803	6,782
Other	405	443	3,741
Depreciation	2,894	3,411	28,809
Loss on disposal of fixed assets	54	7	59
Total property-related expenses	7,519	8,093	68,353
Operating income from property leasing activities	7,478	8,489	71,697

Note:

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

**Note 11 – Income Taxes**

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

	<u>Six months ended</u> <u>August 31, 2006</u>	<u>Six months ended</u> <u>February 28, 2007</u>
	<u>Rate</u>	<u>Rate</u>
Statutory effective tax rate	42.05	42.05
Deductible cash distributions	(42.01)	(41.95)
Change in valuation allowance (for deferred tax assets)	0.05	0.14
Other	0.01	(0.01)
Effective tax rate	<u>0.10</u>	<u>0.23</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 distributions as a tax allowable distribution as defined in the Special Taxation Measures Law of Japan.

## Note 12 – 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, 2006 and February 28, 2007 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	<u>Six months ended</u>	<u>Six months ended</u>	<u>Six months ended</u>
	<u>August 31, 2006</u>	<u>February 28, 2007</u>	<u>February 28, 2007</u>
	(¥ in millions)	(¥ in millions)	(\$ in thousands)
Due within one year	20,969	23,989	202,609
Due after one year	<u>135,797</u>	<u>166,406</u>	<u>1,405,456</u>
Total	<u>156,767</u>	<u>190,396</u>	<u>1,608,074</u>

### (b) Lease Commitments

Lease expenses incurred in connection with various finance leases on equipment utilized by the Company (see Note 2(j)) amounted to ¥14 million (US\$ 118 thousand) and ¥20 million for the six months ended February 28, 2007 and August 31, 2006, respectively.

Future minimum lease payments required under the terms of these finance leases as of, August 31, 2006 and February 28, 2007 are as follows:

	<u>Six months ended</u>	<u>Six months ended</u>	<u>Six months ended</u>
	<u>August 31, 2006</u>	<u>February 28, 2007</u>	<u>February 28, 2007</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Due within one year	21	27	228
Due after one year	<u>47</u>	<u>61</u>	<u>515</u>
Total	<u>69</u>	<u>89</u>	<u>751</u>

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

	<u>Six months ended</u>	<u>Six months ended</u>	<u>Six months ended</u>
	<u>August 31, 2006</u>	<u>February 28, 2007</u>	<u>February 28, 2007</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Furniture and fixtures, at cost	53	88	743
Machinery and equipment, at cost	38	38	320
Accumulated depreciation of furniture and fixtures	17	29	244
Accumulated depreciation of machinery and equipment	5	8	67

Net book value	<u>69</u>	<u>89</u>	<u>751</u>
----------------	-----------	-----------	------------

Depreciation expense would be ¥14 million (US\$118 thousand) and ¥20 million for the six months ended February 28, 2007 and August 31, 2006, respectively. This depreciation amount is calculated utilizing the straight-line method over the term of the lease based on the acquisition cost which is equivalent to the total lease payments.

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

### **Note 13 – Related-Party Transactions**

#### **(a) Real estate acquisitions**

There were no related-party transactions during the six months ended August 31, 2006 and February 28, 2007.

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

During the six months ended February 28, 2007, the Company issued 78,000 units on September 21, 2006, which included issuing 100 units to its asset manager, Mitsubishi Corp.-UBS Realty Inc., during its sixth public offering (see Note 1) for an aggregate amount of ¥85 million.

There were no issuance and purchase of investment units to/from related parties during the six months ended August 31, 2006.

#### **(c) Fees paid to the asset manager**

Fees paid to the asset manager, Mitsubishi Corp.-UBS Realty Inc., are comprised of asset management fees and acquisition fees. Asset management fees in the aggregate amount of ¥1,387 million (US\$11,714 thousand) and ¥1,186 million were paid by the Company for the six months ended February 28, 2007 and August 31, 2006, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥625 million (US\$ 5,278 thousand) and ¥492 million were paid by the Company for the six months ended February 28, 2007 and August 31, 2006, respectively. These fees are calculated at 0.8% of the purchase price of the property acquired. Such acquisition fees are capitalized as part of the acquisition cost of the properties.

#### **(d) Property management fees**

The Company utilized Diamond City Co., Ltd., an affiliate of Mitsubishi Corporation, as the property manager for four of its properties for the six months ended August 31, 2006. Fees paid to Diamond City Co., Ltd. for the six months ended August 31, 2006 amounted to ¥121million. However, Mitsubishi Corporation, the parent company of Mitsubishi Corp.-UBS Realty Inc., had transferred its shares of Diamond City Co., Ltd. to another company in 2006. Accordingly, Diamond City Co., Ltd. is no longer a related party under the Investment Trust Law as of August 31, 2006.

#### **(e) Brokerage fees**

The Company paid brokerage fees to Mitsubishi Corporation totaling ¥370 million (US\$3,125 thousand) and ¥282 million for the six

months ended February 28, 2007 and August 31, 2006, respectively.

**(f) Fees paid to the Custodian and General administrator**

Fees paid to the custodian and general administrator, Mitsubishi UFJ Trust and Banking Corporation, were ¥117 million (US\$988 thousand) for general administration fee, ¥65 million (US\$548 thousand) for trust fee and ¥40 million (US\$337 thousand) for interest expense for the six months ended February 28, 2007. In addition, the Company made borrowings of ¥18,000 million (US\$152,027 thousand) from Mitsubishi UFJ Trust and Banking Corporation for the six months ended February 28, 2007. The ending balances of accrued general administration fee, accrued interest expense and borrowings were ¥35 million (US\$295 thousand), ¥5 million (US\$42 thousand) and ¥11,025 million (US\$93,116 thousand), respectively, as of February 28, 2007. Fees paid to the custodian and general administrator was not disclosed for the six months ended August 31, 2006 as this disclosure requirement under the Investment Trust Law was not effective until after February 28, 2007.

**(g) Other**

The Company paid repair and maintenance costs to Mitsubishi Corporation totaling ¥173 million (US\$1,461 thousand) and ¥25 million for the six months ended February 28, 2007 and August 31, 2007, respectively. The ending balance of accrued repair and maintenance cost included in accounts payable was ¥181 million (US\$1,528 thousand) and nil as of February 28, 2007 and August 31, 2006.

**Note 14 – Contingent Liabilities**

Daiei, Inc. filed a lawsuit against the former owner of Higashi-Totsuka Aurora City and is seeking to reduce its monthly rent to ¥ 68,478,388 for rent to be paid on or after November 1, 2003. The Company has succeeded this pending lawsuit from the former owner. On May 23, 2007, the Tokyo District Court granted a partial reduction in rent (¥ 73,312,388 per month). However, the Company intends to appeal this ruling in the Tokyo High Court. Meanwhile, on August 8, 2006, a trustee of Higashi-Totsuka Aurora City filed a claim against Daiei, Inc. seeking to increase its monthly rent to ¥ 89,059,000. However, on February 19, 2007, Daiei, Inc. filed a counterclaim against the trustee, which is still pending in court.

Should Daiei, Inc.'s claim and counterclaim be successful, the Company will be liable for ¥490 million (US\$4,138 thousand) plus interest, which represents the reduction of monthly rent from November 2003 to February 2007.

At present, the Company is unable to predict the outcome of the above lawsuits.

**Note 15 – Subsequent Events**

On May 23, 2007, the Company issued unsecured corporate bonds totaling ¥35 million (US\$295 thousand) to pay a portion of short-term debt. Details of the issuance were as follows:

- (i) ¥20 billion of 5-year bonds, maturing on May 23, 2012 with a coupon of 1.6%
- (ii) ¥15 billion of 10-year bonds, maturing on May 23, 2017 with a coupon of 2.17%

**Japan Retail Fund Investment Corporation**

**THE PORTFOLIO**

**As of August 31, 2006 and February 28, 2007**

## Property Information

(a)(i) Details of the Company's property portfolio as of August 31, 2006 are as follows:

<u>Name of Property</u>	<u>Location of Property</u>	<u>Leasable Area</u>  (m <sup>2</sup> )	<u>Net book Value</u>  (¥ in millions)	<u>Appraisal Value</u>  (¥ in millions)	<u>Rental Income as Percentage of Total Revenue</u>  (%)
Sendai Nakayama Shopping Center	35-40, 57, 5 Minami Nakayama 1-chome, Izumi-ku, Sendai-city, Miyagi	46,248.96	9,764	12,600	3.1
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,578	11,800	2.3
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,799	15,000	2.7
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	7,919	8,710	1.8
Nara Family	4-1, Saidaiji Higashimachi 2-chome, Nara-city, Nara	85,224.76	31,629	35,100	14.8
Hakata Riverain	3-1, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,742.72	12,616	13,200	7.3
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-city, Chiba	42,642.36	10,723	13,800	4.7
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,195	9,410	2.2
8953 Minami Aoyama Building	8-5, Minami Aoyama 5-chome, , Minato-ku, Tokyo	1,540.98	5,367	6,240	1.1
Ito-Yokado Yabashira	15-8, Higure 1-chome, Matsudo -city, Chiba	21,581.65	1,613	2,070	0.5
Ito-Yokado Kamifukuoka-higashi	1-30, Ohara 2-chome, Fujimino-city, Saitama	28,316.18	6,778	8,080	1.7
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	12,907	16,000	3.0
8953 Daikanyama Building	35-17, Ebisu-nishi 1-chome, Shibuya-ku, Tokyo	574.46	1,264	1,510	0.4
8953 Harajuku FACE Building	32-5, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,773	3,390	0.6
AEON Higashiura Shopping Center	62-1, Higashisakaemachi, Ogawa-aza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,497	8,420	2.5
AEON Kashiihama Shopping Center	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,335	14,500	3.2
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo Nijo 3-chome, Higashi-ku, Sapporo-city, Hokkaido	74,625.52	8,807	10,400	2.5

Site of former Esquisse Omotesando Esquisse Omotesando Annex	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo 1-17 Jingu-mae 5-chome, Shibuya-ku, Tokyo	1,768.78 540.78	14,901 890	15,200 1,110	1.3 0.2
Ito-Yokado Tsunashima	8-1 Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-city, Kanagawa	16,549.50	5,103	5,720	1.2
Bic Camera Tachikawa	12-2 Akebono-cho 2-chome, Tachikawa-city, Tokyo	20,983.43	12,185	13,100	2.6
Itabashi SATY	6-1 Tokumaru 2-chome, Itabashi-ku, Tokyo	72,253.88	12,546	14,000	4.3
8953 Kita Aoyama Building	14-8 Kita Aoyama 3-chome Minato-ku, Tokyo	492.69	1,007	1,230	0.2
AEON Yamato Shopping Center	2-6 Shimotsuruma, 1-chome Yamato-city, Kanagawa	85,226.68	17,002	20,300	3.7
SEIYU Hibarigaoka	9-8, Sumiyoshi-cho 3-chome Nishi-Tokyo-city, Tokyo	19,070.88	5,918	7,460	1.7
Tobata SATY	2-2 Shioi-cho Tobata-ku, Kita-Kyushu-city Fukuoka	93,258.23	6,328	7,360	2.1
Jusco City Takatsuki	47-2 Haginosho 3-chome, Takatsuki-city, Osaka	77,267.23	11,604	12,600	2.7
8953 Jiyugaoka Building	9-17 Jiyugaoka 2-chome, Meguro-ku, Tokyo	1,814.10	2,699	3,199	0.6
Wonder City	40 Nihocho, Nishi-ku, Nagoya-city, Aichi	72,109.77	16,409	18,300	4.3
Jusco City Yagoto Shopping Center	2-1 Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-city, Aichi	63,778.44	3,934	4,160	1.1
Jusco Naha Shopping Center	10-2 Kanagusuku, 5-chome, Naha-city, Okinawa	79,090.48	11,014	11,900	2.6
Cheers Ginza	9-5 Ginza 5-chome, Chuo-ku, Tokyo	1,686.58	4,216	4,190	0.7
Jusco City Nishi-Otsu	11-1, Ohjigaoka 3-chome Otsu-city, Shiga	62,717.26	13,558	13,100	2.5
Kyoto Family	1-1 Ikejiri-cho, Yamanouchi, Ukyo-ku, Kyoto-city, Kyoto	25,603.95	5,599	6,020	4.5
Higashi-Totsuka Aurora City	535-1,536-1,537-1,9 Shinano-cho Totsuka-ku, Yokohama-city, Kanagawa	152,473.76	52,449	50,500	8.4
Omiya SATY	574-1 Kushibiki-cho, 2-chome, Kita-ku, Saitama-city, Saitama	75,344.90	6,410	6,350	0.5
Loc City Ogaki	233-1 Mitsuduka-cho, Aza-Nakajima, Ogaki-city, Gifu	57,500.35	5,114	5,180	0.4
Total		<u>1,775,668.16</u>	<u>372,469</u>	<u>411,209</u>	<u>100</u>



(a)(ii) Details of the Company's property portfolio as of February 28, 2007 are as follows:

<u>Name of Property</u>	<u>Location of Property</u>	<u>Leasable Area</u>	<u>Net book Value</u>		<u>Appraisal Value</u>		<u>Rental Income as Percentage of Total Revenue (%)</u>
		<u>(m<sup>2</sup>)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>	
Sendai Nakayama Shopping Center	35-40, 57, 5 Minami Nakayama 1-chome, Izumi-ku, Sendai-city, Miyagi	46,248.96	9,767	82,491	13,100	110,641	2.8
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,497	80,211	12,000	101,351	2.1
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,721	115,886	16,200	136,824	2.5
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	7,867	66,444	8,830	74,577	1.7
Nara Family	4-1, Saidaiji Higashimachi 2-chome, Nara-city, Nara	85,251.76	31,481	265,886	35,500	299,831	13.1
Hakata Riverain	3-1, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,301.31	12,685	107,136	13,500	114,020	6.7
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-city, Chiba	42,642.36	10,631	89,788	14,300	120,777	4.5
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,125	68,623	9,250	78,125	2.0
8953 Minami Aoyama Building	8-5, Minami Aoyama 5-chome, , Minato-ku, Tokyo	1,540.98	5,358	45,253	6,660	56,250	1.0
Ito-Yokado Yabashira	15-8, Higure 1-chome, Matsudo -city, Chiba	21,581.65	1,598	13,496	2,070	17,483	0.5
Ito-Yokado Kamifukuoka-higashi	1-30, Ohara 2-chome, Fujimino-city, Saitama	28,316.18	6,735	56,883	8,190	69,172	1.5
Ito-Yokado Nishikicho 8953	12-1, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	12,770	107,854	16,000	135,135	2.7
Daikanyama Building	35-17, Ebisu-nishi 1-chome, Shibuya-ku, Tokyo	574.46	1,261	10,650	1,610	13,597	0.2
8953 Harajuku FACE Building	32-5, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,775	23,437	3,550	29,983	0.6
AEON Higashiura Shopping Center	62-1, Higashisakaemachi, Ogawa-aza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,395	54,011	8,580	72,466	2.3
AEON Kashiihama Shopping Center	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,236	111,790	14,700	124,155	2.9
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo Nijo 3-chome, Higashi-ku, Sapporo-city, Hokkaido	74,625.52	8,674	73,260	10,800	91,216	2.3
Site of "GYRE"	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	1,768.78	14,901	125,853	15,400	130,067	1.1

Esquisse Omotesando Annex	1-17 Jingu-mae 5-chome, Shibuya-ku, Tokyo	540.78	889	7,508	1,240	10,472	0.2
Ito-Yokado Tsunashima	8-1 Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-city, Kanagawa	16,549.50	5,077	42,880	5,930	50,084	1.1
Bic Camera Tachikawa	12-2 Akebono-cho 2-chome, Tachikawa-city, Tokyo	20,983.43	12,099	102,187	13,100	110,641	2.3
Itabashi SATY	6-1 Tokumaru 2-chome, Itabashi-ku, Tokyo	72,253.88	12,440	105,067	14,300	120,777	3.8
8953 Kita Aoyama Building	14-8 Kita Aoyama 3-chome Minato-ku, Tokyo	492.69	1,003	8,471	1,370	11,570	0.2
AEON Yamato Shopping Center	2-6 Shimotsuruma, 1-chome Yamato-city, Kanagawa	85,226.68	16,892	142,668	20,800	175,675	3.2
SEIYU Hibarigaoka	9-8, Sumiyoshi-cho 3-chome Nishi-Tokyo-city, Tokyo	19,070.88	5,831	49,248	7,710	65,118	1.6
Tobata SATY	2-2 Shioi-cho Tobata-ku, Kita-Kyushu-city Fukuoka	93,258.23	6,287	53,099	7,490	63,260	1.9
Jusco City Takatsuki	47-2 Haginoshō 3-chome, Takatsuki-city, Osaka	77,267.23	11,502	97,145	12,800	108,108	2.5
8953 Jiyugaoka Building	9-17 Jiyugaoka 2-chome, Meguro-ku, Tokyo	1,814.10	2,694	22,753	3,387	28,606	0.5
Wonder City	40 Nihocho, Nishi-ku, Nagoya-city, Aichi	72,089.77	16,688	140,945	18,900	159,628	3.9
Jusco City Yagoto Shopping Center	2-1 Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-city, Aichi	63,778.44	3,923	33,133	4,160	35,135	1.0
Jusco Naha Shopping Center	10-2 Kanagusuku, 5-chome, Naha-city, Okinawa	79,090.48	10,941	92,407	11,900	100,506	2.3
Cheers Ginza	9-5 Ginza 5-chome, Chuo-ku, Tokyo	1,686.58	4,200	35,472	4,260	35,979	0.7
Jusco City Nishi-Otsu	11-1, Ohjigaoka 3-chome Otsu-city, Shiga	62,717.26	13,504	114,054	13,100	110,641	2.3
Kyoto Family	1-1 Ikejiri-cho, Yamanouchi, Ukyo-ku, Kyoto-city, Kyoto	25,603.95	5,556	46,925	6,320	53,378	4.0
Higashi-Totsuka Aurora City	535-1,536-1,537-1,9 Shinano-cho Totsuka-ku, Yokohama-city, Kanagawa	151,429.78	52,105	440,076	50,500	426,520	7.7
Omiya SATY	574-1 Kushibiki-cho, 2-chome, Kita-ku, Saitama-city, Saitama	75,344.90	6,363	53,741	6,660	56,250	1.2
Loc City Ogaki	233-1 Mitsuduka-cho, Aza-Nakajima, Ogaki-city, Gifu	57,500.35	5,006	42,280	5,180	43,750	2.0
Kawaramachi OPA	385 Komeya-cho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-city, Kyoto	18,848.20	19,036	160,777	18,600	157,094	1.7

AEON Ueda Shopping center	12-18 Tsuneda 2-chome, Ueda-city, Nagano	61,349.07	9,768	82,500	9,700	81,925	1.2
Diamond City Leafa	17-1Tsurumi 4-chome, Tsurumi-ku, Osaka-city, Osaka	138,538.63	30,226	255,287	30,600	258,445	2.5
Diamond City Terrace	1-1Fujinoki 1-chome, Itami-City, Hyogo	150,401.99	20,455	172,761	20,300	171,452	1.7
Total		<u>2,143,327.66</u>	<u>449,981</u>	<u>3,800,515</u>	<u>498,547</u>	<u>4,210,701</u>	<u>100</u>

**Notes:**

Each of the properties above is held by the Company in the form of trust beneficiary interests. The Company's property portfolio is comprised entirely of retail properties. The properties were appraised either by Japan Real Estate Institute, CB Richard Ellis, or Daiwa Real Estate Appraisal Co., Ltd., all independent appraisal firms, in accordance with the guidelines issued by the Japanese Association of Real Estate Appraisal. Please refer to (C) for the occupancy rate of each property as of August 31, 2006 and February 28, 2007.

*(b)(i) A geographical breakdown of the Company's property portfolio as of August 31, 2006 is as follows:*

<u>Region</u>	<u>Net Book Value</u> <u>(¥ in millions)</u>	<u>Percentage of</u> <u>Total Assets</u> <u>(%)</u>
Tokyo metropolitan area	194,260	52.2
Osaka metropolitan area	116,342	31.2
Other metropolitan areas (each of which have populations over one million)	<u>61,865</u>	<u>16.6</u>
Total	<u>372,469</u>	<u>100</u>

*(b)(ii) A geographical breakdown of the Company's property portfolio as of February 28, 2007 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</u> <u>Total Assets</u> <u>(%)</u>
Tokyo metropolitan area	192,996	1,630,034	42.9
Osaka metropolitan area	185,625	1,567,779	41.3
Other metropolitan areas (each of which have populations over one million)	<u>71,360</u>	<u>602,702</u>	<u>15.8</u>
Total	<u>449,981</u>	<u>3,800,515</u>	<u>100</u>

*(c)(i) Occupancy rates for the six months ended August 31, 2006 is as follows:*

<u>Name of Property</u>	<u>Operating days</u> <u>during the fiscal</u> <u>period</u>	<u>Occupancy Rate</u>	<u>Number of</u> <u>tenant</u>
Sendai Nakayama Shopping Center	184	100.0%	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	99.9%	134
Hakata Riverain	184	94.7%	73
Abiko Shopping Plaza	184	100.0%	53
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
Site of former Esquisse Omotesando	184	100.0%	1
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	184	100.0%	1
Tobata SATY	184	100.0%	1
Jusco City Takatsuki	184	100.0%	1
8953 Jiyugaoka Building	184	100.0%	11
Wonder City	184	100.0%	26
Jusco City Yagoto Shopping Center	184	100.0%	2

Jusco Naha Shopping Center	184	100.0%	1
Cheers Ginza	184	100.0%	9
Jusco City Nishi-Otsu	184	100.0%	1
Kyoto Family	184	99.8%	66
Higashi-Totsuka Aurora City	161	100.0%	2
Omiya SATY	70	100.0%	1
Loc City Ogaki	37	100.0%	1

*(c)(ii) Occupancy rates for the six months ended February 28, 2007 is as follows:*

<u>Name of Property</u>	<u>Operating days during the fiscal period</u>	<u>Occupancy Rate</u>	<u>Number of tenant</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	98.0%	129
Hakata Riverain	181	97.0%	74
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 “GYRE”	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	100.0%	11
Wonder City	181	100.0%	25
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	181	100.0%	1
Kyoto Family	181	100.0%	66
Higashi -Totsuka Aurora City	181	100.0%	4
Omiya SATY	181	100.0%	1
Loc City Ogaki	181	100.0%	1
Kawaramachi OPA	153	100.0%	1
AEON Ueda Shopping center	120	100.0%	1
Diamond City Leafa	101	100.0%	1

Diamond City Terrace	90	100.0%	1
----------------------	----	--------	---

**Note:**

Each of the properties above was 100% owned by the Company as of August 31, 2006 and February 28, 2007.