

**Japan Retail Fund Investment Corporation**

**Financial Statements**

**For the six months ended**

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

**Report of Independent Auditors**

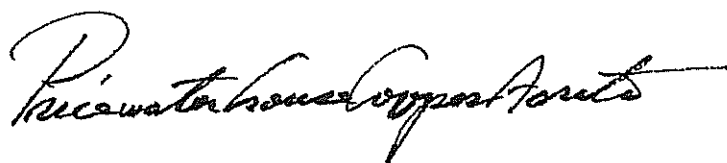
To the Board of Directors of  
Japan Retail Fund Investment Corporation

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

The U.S. dollar amounts in the accompanying financial statements with respect to the six months ended August 31, 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.



January 31, 2008

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEETS**

As of February 28, 2007 and August 31, 2007

	<u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>August 31, 2007</u> <u>(¥ in millions)</u>	<u>August 31, 2007</u> <u>(US\$ in thousands)</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	24,431	27,015	233,491
Rental receivables	689	641	5,540
Consumption tax refundable	1,165	-	-
Prepaid expenses and other assets	475	599	5,177
<i><b>Total current assets</b></i>	26,762	28,257	244,226
<b>Non-current assets:</b>			
<b>Property and equipment, at cost:</b>			
Land (Note 4)	270,699	271,323	2,345,056
Buildings (Note 4)	176,800	181,581	1,569,412
Building improvements(Note 4)	9,098	10,475	90,535
Machinery and equipment (Note 4)	759	891	7,700
Furniture and fixtures(Note 4)	1,819	1,957	16,914
	459,177	466,230	4,029,645
Less: Accumulated depreciation	(16,385)	(18,634)	(161,054)
<i><b>Net property and equipment</b></i>	442,791	447,596	3,868,591
<b>Other assets:</b>			
Leasehold rights	6,992	8,914	77,044
Other intangible assets	198	169	1,460
Lease deposits	3,166	3,354	28,988
Long-term prepaid expenses	108	99	855
Bonds issuance costs	137	254	2,195
Other	257	100	864
<i><b>Total other assets</b></i>	10,861	12,893	111,434
<b>TOTAL ASSETS</b>	480,415	488,747	4,224,261

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**BALANCE SHEETS**

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

	<u>February 28, 2007</u>	<u>August 31, 2007</u>	<u>August 31, 2007</u>
	<u>(¥ in millions)</u>	<u>(¥ in millions)</u>	<u>(US\$ in thousands)</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 5)	63,730	38,230	330,423
Current amount of tenant leasehold and security deposits	5,814	5,406	46,724
Accounts payable	861	649	5,609
Consumption tax payable	-	96	829
Rent received in advance	1,376	1,399	12,091
Deposits received	857	838	7,242
Accrued expenses and other liabilities	989	1,419	12,264
<b><i>Total current liabilities</i></b>	<b>73,628</b>	<b>48,040</b>	<b>415,211</b>
<b>Non-current liabilities:</b>			
Long-term debt (Note 5)	5,000	5,000	43,215
Bonds issued – unsecured (Note 6)	65,000	100,000	864,304
Tenant leasehold and security deposits	79,942	78,546	678,876
<b><i>Total non-current liabilities</i></b>	<b>149,942</b>	<b>183,546</b>	<b>1,586,395</b>
<b>TOTAL LIABILITIES</b>	<b>223,571</b>	<b>231,586</b>	<b>2,001,607</b>
<b>Net Asset:</b>			
Unitholders' capital, 2,000,000 units authorized; 386,502 units (as of August 31, 2007 and February 28, 2007) issued and outstanding	250,764	250,764	2,167,363
Retained earnings	6,079	6,396	55,280
<b>TOTAL NET ASSETS</b>	<b>256,844</b>	<b>257,160</b>	<b>2,222,644</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>480,415</b>	<b>488,747</b>	<b>4,224,261</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  
February 28, 2007 and August 31, 2007

	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>March 1, 2007 to</u> <u>August 31, 2007</u> <u>(¥ in millions)</u>	<u>March 1, 2007 to</u> <u>August 31, 2007</u> <u>(US\$ in thousands)</u>
<b>Operating revenues</b>			
Rental and other operating revenues (Note 10)	16,583	17,629	152,368
Gain on sale of properties and equipment (Note 11)	-	860	7,433
Dividend income from investment in Tokumei Kumiai	129	-	-
	<hr/> 16,712	<hr/> 18,490	<hr/> 159,809
<b>Operating expenses</b>			
Property-related expenses (Note 10)	8,093	9,232	79,792
Asset management fees	1,387	1,474	12,739
Custodian fees	64	74	639
General administration fees	117	128	1,106
Other	110	171	1,477
	<hr/> 9,773	<hr/> 11,082	<hr/> 95,782
<b>Operating income</b>	<hr/> 6,938	<hr/> 7,408	<hr/> 64,027
<b>Non-operating revenues</b>			
Non-operating revenues	15	25	216
<b>Non-operating expenses</b>			
Interest expense	273	289	2,497
Corporate bonds interest	362	644	5,566
Offering costs	128	-	-
Amortization of bonds issuance costs	55	56	484
Other non-operating expenses	41	34	293
<b>Income before income taxes</b>	<hr/> 6,093	<hr/> 6,409	<hr/> 55,393
Income taxes	14	13	112
<b>Net income</b>	<hr/> 6,079	<hr/> 6,396	<hr/> 55,280
<b>Retained earnings at beginning of period</b>	-	-	-
<b>Retained earnings at end of period</b>	<hr/> 6,079	<hr/> 6,396	<hr/> 55,280

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  
February 28, 2007 and August 31, 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>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

	<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, 2007</b>	250,764	6,079	256,844	256,844
<u>Changes during the period</u>				
Cash distribution declared	-	(6,079)	(6,079)	(6,079)
Net income	-	6,396	6,396	6,396
<u>Total changes during the period</u>	-	316	316	316
<b>Balance as of</b>				
<b>August 31, 2007</b>	250,764	6,396	257,160	257,160

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  
February 28, 2007 and August 31, 2007

	<b><u>Unitholders' equity</u></b>			<b><u>Total Net assets</u></b>
	<b><u>Unitholders' capital</u></b> <b><u>(US\$ in thousands)</u></b>	<b><u>Retained earnings</u></b> <b><u>(US\$ in</u></b> <b><u>thousands)</u></b>	<b><u>Total Unitholders'</u></b> <b><u>equity</u></b> <b><u>(US\$ in thousands)</u></b>	<b><u>(US\$ in thousands)</u></b>
<b>Balance as of</b>				
<b>February 28, 2007</b>	2,167,363	52,541	2,219,913	2,219,913
<u>Changes during the period</u>				
Cash distribution declared	-	(52,541)	(52,541)	(52,541)
Net income	-	55,280	55,280	55,280
<u>Total changes during the period</u>	-	2,731	2,731	2,731
<b>Balance as of</b>				
<b>August 31, 2007</b>	2,167,363	55,280	2,222,644	2,222,644

**JAPAN RETAIL FUND INVESTMENT CORPORATION**

**STATEMENTS OF CASH FLOWS**

**For the six months ended**

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

	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>March 1, 2007 to</u> <u>August 31, 2007</u> <u>(¥ in millions)</u>	<u>March 1, 2007 to</u> <u>August 31, 2007</u> <u>(US\$ in thousands)</u>
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	6,093	6,409	55,393
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	3,411	3,659	31,624
Amortization of bonds issuance costs	55	56	484
Loss on disposal of fixed assets	7	59	509
Interest expense	635	933	8,063
Dividend income from investment in Tokumei Kumiai	(129)	-	-
Gain on sale of properties and equipment	-	(860)	(7,433)
Changes in assets and liabilities:			
Decrease(increase) in Rental receivables	(68)	48	414
Decrease (increase) in Consumption tax refundable	(174)	1,165	10,069
Decrease in Accounts payable	(53)	(210)	(1,815)
Increase in Consumption tax payable	-	96	829
Increase in Rent received in advance	35	23	198
Decrease in Deposits received	(147)	(18)	(155)
Increase in Accrued expenses and other liabilities	118	238	2,057
Other, net	28	(121)	(1,045)
Sub total	9,810	11,480	99,222
Interest received	9	19	164
Interest paid	(644)	(753)	(6,508)
Income taxes paid	(5)	(15)	(129)
Net cash provided by operating activities	9,170	10,731	92,748
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment	(80,931)	(34,187)	(295,479)
Proceeds from sales of properties and equipment	-	24,631	212,886
Payments of tenant leasehold and security deposits	(3,362)	(7,305)	(63,137)
Proceeds from tenant leasehold and security deposits	17,618	5,500	47,536
Payments of deposits and others	(108)	(202)	(1,745)
Proceeds from deposits and others	15	170	1,469
Proceeds from liquidation of investment in Tokumei Kumiai	943	-	-
Net cash used in investing activities	(65,823)	(11,391)	(98,452)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term debt	60,730	14,500	125,324
Repayments of short-term debt	(79,070)	(40,000)	(345,721)
Net proceeds from bonds issuance	19,906	34,826	301,002



	<u>September 1, 2006 to</u> <u>February 28, 2007</u> <u>(¥ in millions)</u>	<u>March 1, 2007 to</u> <u>August 31, 2007</u> <u>(¥ in millions)</u>	<u>March 1, 2007 to</u> <u>August 31, 2007</u> <u>(US\$ in thousands)</u>
Proceeds from issuance of investment units	69,206	-	-
Distribution payments	(5,119)	(6,081)	(52,558)
Net cash provided by financing activities	65,652	3,244	28,038
<b>Net change in cash and cash equivalents</b>	9,000	2,584	22,333
<b>Cash and cash equivalents at beginning of period</b>	15,431	24,431	211,158
<b>Cash and cash equivalents at end of period</b>	24,431	27,015	233,491

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 February 28, 2007 and August 31, 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 were 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 acquired 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 were 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 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 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 and two additional properties by utilizing internal cash and bank borrowings during the six months ended August 31, 2007. In addition, the Company sold one property and 50% of a trust beneficiary interest during the six months ended August 31, 2007.

As of August 31, 2007, the Company's portfolio contained forty-two 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 Financial Instruments and Exchange Law, 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) Bonds Issuance Costs***

Effective for the six months ended August 31, 2007, the Company changed its amortization period of bonds issuance costs from three years to the maturity period of the bonds issued, which range from three to ten years. For the current period, the effect of this change was to increase operating income and net income before income taxes by ¥27million (US\$233 thousand).

***(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 ¥64 million (US\$553 thousand) and ¥128 million for the six months ended August 31, 2007 and February 28, 2007, 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 August 31, 2007 and February 28, 2007 was ¥665,354 (US\$5,750) and ¥664,535, respectively. Net income per unit for the six months ended August 31, 2007 and February 28, 2007 was ¥16,549 (US\$143) and ¥15,729, 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.

**Note 3 – U.S. Dollar Amounts**

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥115.7 = US\$1, the effective rate of exchange prevailing at August 31, 2007. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended August 31, 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 February 28, 2007 consisted of the following:*

**(¥ 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	604	155	-	759	109	27	649

equipment							
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

(ii) Schedule of Property and equipment as of August 31, 2007 consisted of the following:

**(¥ in millions)**

	Beginning Balance	Increase	Decrease	Ending Balance	Accumulated Depreciation		Net Property and equipment
					Accumulated Depreciation	Depreciation	
Land	270,699	15,922	15,299	271,323	-	-	271,323
Buildings	176,800	14,348	9,566	181,581	16,758	3,289	164,823
Building improvements	9,098	1,534	156	10,475	1,256	216	9,219
Machinery and equipment	759	132	-	891	138	28	752
Furniture and fixtures	1,819	308	170	1,957	480	100	1,477
Total	459,177	32,246	25,193	466,230	18,634	3,636	447,596

**(US\$ in thousands)**

	Beginning Balance	Increase	Decrease	Ending Balance	Accumulated Depreciation		Net Property and equipment
					Accumulated Depreciation	Depreciation	
Land	2,339,662	137,614	132,229	2,345,056	-	-	2,345,056
Buildings	1,528,089	124,010	82,679	1,569,412	144,840	28,426	1,424,572
Building improvements	78,634	13,258	1,348	90,535	10,855	1,866	79,680
Machinery and equipment	6,560	1,140	-	7,700	1,192	242	6,499
Furniture and fixtures	15,721	2,662	1,469	16,914	4,148	864	12,765
Total	3,968,686	278,703	217,744	4,029,645	161,054	31,426	3,868,591

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

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.

As of August 31, 2007, the Company was provided with credit facilities totaling ¥130 billion (US\$1,123 million), and ¥38.23 billion (US \$330 million) was drawn down as of the period end. Short-term and long-term borrowing outstanding respectively was ¥38.23billion and ¥5 billion. Average interest rates ranged from 0.9% to 1.3% for this period.

**Note 6 – Corporate Bonds**

As of August 31, 2007, ¥100 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%
- (v) ¥20 billion of 5-year bonds, issued on May 23, 2007, maturing on May 23, 2012 with a coupon of 1.60%
- (vi) ¥15 billion of 10-year bonds, issued on May 23, 2007, maturing on May 23, 2017 with a coupon of 2.17%

¥65 billion of unsecured corporate bonds (refer to (i) (ii) (iii) and (iv) above) were issued and outstanding as of February 28, 2007.

**Note 7 – Collateral**

Certain properties and beneficiary interests in trusts (comprising of properties and cash) with an aggregate book value of ¥260 billion (US\$ 2,247million) were pledged as collateral to secure liabilities totaling ¥72 billion (US\$ 622 million) for the six months ended August 31, 2007. For the six months ended February 28, 2007, ¥258 billion was pledged as collateral to secure liabilities totaling ¥70 billion.

Certain lands located in Wonder City were 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 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 August 31, 2007 and 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\$432 thousand) as required pursuant to the Investment Trust Law.



The units issued and outstanding were 386,502 units as of August 31, 2007 and February 28, 2007 (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 August 31, 2007 (equivalent to ¥16,549 (US\$143) per investment unit) to its unitholders. ¥15,730 per investment unit was distributed for the six months ended February 28, 2007. 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 February 28, 2007 and August 31, 2007, respectively:

	<u>Six months ended</u> <u>February 28, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (US\$ in thousands)
Retained earnings at the end of period	6,079	6,396	55,280
Cash distribution declared	<u>(6,079)</u>	<u>(6,396)</u>	<u>(55,280)</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 February 28, 2007 and August 31, 2007 consist of the following:

	<u>Six months ended</u> <u>February 28, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (US\$ in thousands)
Rental and other operating revenues:			
Rental and parking revenue	15,257	16,291	140,803
Common area charges	615	626	5,410
Other	710	711	6,145
Total rental and other operating revenues	16,583	17,629	152,368
Property-related expenses:			

Property management fees	532	502	4,338
Facility management fees	667	650	5,617
Utilities	742	799	6,905
Property-related taxes	1,254	1,831	15,825
Repair and maintenance	48	124	1,071
Insurance	66	68	587
Trust fees	116	125	1,080
Rent expense (i)	803	819	7,078
Other	443	589	5,090
Depreciation	3,411	3,659	31,624
Loss on disposal of fixed assets	7	59	509
Total property-related expenses	8,093	9,232	79,792
Operating income from property leasing activities	8,489	8,396	72,566

Note:

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

#### **Note 11 – Breakdown of Gain on Sale of properties and equipment**

The Company sold one property and 50% of a trust beneficiary interest during the six months ended August 31, 2007 as follows:

	<u>Hakata Riverain</u> <u>(50% Trust</u> <u>Beneficiary Interest)</u>	<u>Wonder City</u>	<u>Total</u>	<u>Total</u>
	(¥ in millions)	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Sale of land and building	7,220	19,400	26,620	230,077
Cost of land and building	6,375	17,463	23,838	206,032
Other sales expenses	13	1,907	1,920	16,594
Gain on sale of properties and equipment	<u>831</u>	<u>29</u>	<u>860</u>	<u>7,433</u>

#### **Note 12 – 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>February 28, 2007</u>	<u>Six months ended</u> <u>August 31, 2007</u>
<u>Rate</u>	<u>Rate</u>

Statutory effective tax rate	42.05	42.05
Deductible cash distributions	(41.95)	(41.96)
Change in valuation allowance (for deferred tax assets)	0.14	0.14
Other	(0.01)	(0.03)
Effective tax rate	<u>0.23</u>	<u>0.20</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 13 – Leases**

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

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of February 28, 2007 and August 31, 2007 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	<u>Six months ended</u> <u>February 28, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (\$ in thousands)
Due within one year	23,989	24,634	212,912
Due after one year	<u>166,406</u>	<u>165,762</u>	<u>1,432,687</u>
Total	<u>190,396</u>	<u>190,396</u>	<u>1,645,600</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\$ 121thousand) and ¥14 million for the six months ended August 31, 2007 and February 28, 2007, respectively.

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

	<u>Six months ended</u> <u>February 28, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (¥ in millions)	<u>Six months ended</u> <u>August 31, 2007</u> (US\$ in thousands)
Due within one year	27	27	233
Due after one year	<u>61</u>	<u>47</u>	<u>406</u>
Total	<u>89</u>	<u>75</u>	<u>648</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>February 28, 2007</u>	<u>August 31, 2007</u>	<u>August 31, 2007</u>
	(¥ in millions)	(¥ in millions)	(US\$ in thousands)
Furniture and fixtures, at cost	88	82	708
Machinery and equipment, at cost	38	38	328
Accumulated depreciation of furniture and fixtures	29	33	285
Accumulated depreciation of machinery and equipment	8	12	103
Net book value	<u>89</u>	<u>75</u>	<u>648</u>

Depreciation expense would be ¥14 million (US\$121 thousand) and ¥14 million for the six months ended August 31, 2007 and February 28, 2007, 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 the minimum lease payments and in the cost of these assets provided in the disclosures above.

#### **Note 14 – Related-Party Transactions**

**(a) Real estate acquisition and dispositions**

The Company sold a property to Mitsubishi Corporation for ¥19,400 million (US\$167,675 thousand) during the six months ended August 31, 2007.

There were no related-party acquisition or disposition during the six months ended February 28, 2007.

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

There were no issuance and purchase of investment units to/from related parties during the six months ended August 31, 2007.

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

**(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 ¥1,474 million (US\$12,739 thousand) and ¥1,387 million were paid by the Company for the six months ended August 31, 2007 and February 28, 2007, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥235 million (US\$2,031 thousand) and ¥625 million were paid by the Company for the six months ended August 31, 2007 and February 28, 2007, 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) Brokerage fees**

The Company paid brokerage fees to Mitsubishi Corporation totaling nil and ¥370 million for the six months ended August 31, 2007 and February 28, 2007, respectively.

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

Fees paid to the custodian and general administrator, Mitsubishi UFJ Trust and Banking Corporation, were ¥128 million (US\$1,106 thousand) and ¥117 million for general administration fee, ¥66 million (US\$570 thousand) and ¥65 million for trust fee, and ¥36 million (US\$311 thousand) and ¥40 million for interest expense for the six months ended August 31, 2007 and February 28, 2007, respectively. In addition, the Company made borrowings of ¥13,725 million (US\$118.6 million) and ¥18,000 million from Mitsubishi UFJ Trust and Banking Corporation for the six months ended August 31, 2007 and February 28, 2007, respectively. The ending balances of accrued general administration fee, accrued interest expense, and borrowings were ¥42 million (US\$363 thousand), ¥3 million (US\$25 thousand) and ¥6,300 million (US\$54,451 thousand), respectively, as of August 31, 2007.

**(f) Other**

The Company paid repair and maintenance costs to Mitsubishi Corporation totaling nil and ¥173 million for the six months ended August 31, 2007 and February 28, 2007, respectively. The ending balance of accrued repair and maintenance cost included in accounts payable was nil and ¥181 million as of August 31, 2007 and February 28, 2007, respectively.

**Note 15 – 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 appealed 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 ¥579 million (US\$5,004 thousand) plus interest, which represents the reduction of monthly rent from November 2003 to August 2007.

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

**Japan Retail Fund Investment Corporation**

**THE PORTFOLIO**

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

## Property Information

(a)(i) 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>(m<sup>2</sup>)</u>	<u>Net book Value</u> <u>(¥ in millions)</u>	<u>Appraisal Value</u> <u>(¥ in millions)</u>	<u>Rental Income as Percentage of Total Revenue</u> <u>(%)</u>
Sendai Nakayama Shopping Center	35-40, 57, 5 Minami Nakayama 1-chome, Izumi-ku, Sendai-city, Miyagi	46,248.96	9,767	13,100	2.8
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	56,891.15	9,497	12,000	2.1
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,721	16,200	2.5
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	7,867	8,830	1.7
Nara Family	4-1, Saidaiji Higashimachi 2-chome, Nara-city, Nara	85,251.76	31,481	35,500	13.1
Hakata Riverain	3-1, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,301.31	12,685	13,500	6.7
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-city, Chiba	42,642.36	10,631	14,300	4.5
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,125	9,250	2.0
8953 Minami Aoyama Building	8-5, Minami Aoyama 5-chome, , Minato-ku, Tokyo	1,540.98	5,358	6,660	1.0
Ito-Yokado Yabashira	15-8, Higure 1-chome, Matsudo -city, Chiba	21,581.65	1,598	2,070	0.5
Ito-Yokado Kamifukuoka-higashi	1-30, Ohara 2-chome, Fujimino-city, Saitama	28,316.18	6,735	8,190	1.5
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	12,770	16,000	2.7
8953 Daikanyama Building	35-17, Ebisu-nishi 1-chome, Shibuya-ku, Tokyo	574.46	1,261	1,610	0.2
8953 Harajuku FACE Building	32-5, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,477.62	2,775	3,550	0.6
AEONMALL Higashiura	62-1, Higashisakaemachi, Ogawa-aza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,395	8,580	2.3
AEON Kashiihama Shopping Center	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,236	14,700	2.9

AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo Nijo 3-chome, Higashi-ku, Sapporo-city, Hokkaido	74,625.52	8,674	10,800	2.3
Site of “GYRE”	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	1,768.78	14,901	15,400	1.1
Esquisse Omotesando Annex	1-17 Jingu-mae 5-chome, Shibuya-ku, Tokyo	540.78	889	1,240	0.2
Ito-Yokado Tsunashima	8-1 Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-city, Kanagawa	16,549.50	5,077	5,930	1.1
Bic Camera Tachikawa	12-2 Akebono-cho 2-chome, Tachikawa-city, Tokyo	20,983.43	12,099	13,100	2.3
Itabashi SATY	6-1 Tokumaru 2-chome, Itabashi-ku, Tokyo	72,253.88	12,440	14,300	3.8
8953 Kita Aoyama Building	14-8 Kita Aoyama 3-chome Minato-ku, Tokyo	492.69	1,003	1,370	0.2
AEONMALL Yamato	2-6 Shimotsuruma, 1-chome Yamato-city, Kanagawa	85,226.68	16,892	20,800	3.2
SEIYU Hibarigaoka	9-8, Sumiyoshi-cho 3-chome Nishi-Tokyo-city, Tokyo	19,070.88	5,831	7,710	1.6
Tobata SATY	2-2 Shioi-cho Tobata-ku, Kita-Kyushu-city Fukuoka	93,258.23	6,287	7,490	1.9
Jusco City Takatsuki	47-2 Haginosho 3-chome, Takatsuki-city, Osaka	77,267.23	11,502	12,800	2.5
8953 Jiyugaoka Building	9-17 Jiyugaoka 2-chome, Meguro-ku, Tokyo	1,814.10	2,694	3,387	0.5
Wonder City	40 Nihochi, Nishi-ku, Nagoya-city, Aichi	72,089.77	16,688	18,900	3.9
Jusco City Yagoto Shopping Center	2-1 Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-city, Aichi	63,778.44	3,923	4,160	1.0
Jusco Naha Shopping Center	10-2 Kanagusuku, 5-chome, Naha-city, Okinawa	79,090.48	10,941	11,900	2.3
Cheers Ginza	9-5 Ginza 5-chome, Chuo-ku, Tokyo	1,686.58	4,200	4,260	0.7
Jusco City Nishi-Otsu	11-1, Ohjigaoka 3-chome Otsu-city, Shiga	62,717.26	13,504	13,100	2.3
Kyoto Family	1-1 Ikejiri-cho, Yamanouchi, Ukyo-ku, Kyoto-city, Kyoto	25,603.95	5,556	6,320	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	50,500	7.7
Omiya SATY	574-1 Kushibiki-cho, 2-chome, Kita-ku, Saitama-city, Saitama	75,344.90	6,363	6,660	1.2
Loc City Ogaki	233-1 Mitsuduka-cho, Aza-Nakajima, Ogaki-city, Gifu	57,500.35	5,006	5,180	2.0



Kawaramachi OPA	385 Komeya-cho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-city, Kyoto	18,848.20	19,036	18,600	1.7
AEON Ueda Shopping Center	12-18 Tsuneda 2-chome, Ueda-city, Nagano	61,349.07	9,768	9,700	1.2
AEONMALL Tsurumi Leafa	17-1Tsurumi 4-chome, Tsurumi-ku, Osaka-city, Osaka	138,538.63	30,226	30,600	2.5
AEONMALL Itami Terrace	1-1Fujinoki 1-chome, Itami-City, Hyogo	150,401.99	20,455	20,300	1.7
Total		<u>2,143,327.66</u>	<u>449,981</u>	<u>498,547</u>	<u>100</u>

(a)(ii) Details of the Company's property portfolio as of August 31, 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	9,714	83,958	13,200	114,088	2.6
ESPA Kawasaki	1 & 2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-city, Kanagawa	65,313.47	15,119	130,674	16,210	140,103	2.8
8953 Osaka Shinsaibashi Building	4-12 Minamisenba 3-chome, Chuo-ku, Osaka-city, Osaka	13,666.96	13,666	118,115	17,100	147,796	2.3
JUSCO Chigasaki Shopping Center	5-16 Chigasaki 3-chome, Chigasaki-city, Kanagawa	63,652.33	7,807	67,476	8,850	76,490	1.6
Nara Family	4-1, Saidaiji Higashimachi 2-chome, Nara-city, Nara	85,075.32	31,592	273,050	36,700	317,199	12.4
Hakata Riverain	3-1, Shimokawabata-cho, Hakata-ku, Fukuoka-city, Fukuoka	25,465.00	6,305	54,494	6,820	58,945	5.6
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-city, Chiba	42,642.36	10,539	91,089	14,700	127,052	4.0
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-city, Aichi	50,437.91	8,053	69,602	8,180	70,700	1.9
8953 Minami Aoyama Building	8-5, Minami Aoyama 5-chome, , Minato-ku, Tokyo	1,540.98	5,351	46,248	7,650	66,119	1.0
Ito-Yokado Yabashira	15-8, Higure 1-chome, Matsudo -city, Chiba	21,581.65	1,583	13,681	2,070	17,891	0.4
Ito-Yokado Kamifukuoka-higashi	1-30, Ohara 2-chome, Fujimino-city, Saitama	28,316.18	6,701	57,917	8,190	70,786	1.5
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-city, Saitama	73,438.52	12,636	109,213	16,000	138,288	2.5
8953 Daikanyama Building	35-17, Ebisu-nishi 1-chome, Shibuya-ku, Tokyo	574.46	1,256	10,855	1,660	14,347	0.2

8953 Harajuku FACE Building AEONMALL Higashiura	32-5, Jingu-mae 2-chome, Shibuya-ku, Tokyo	1,479.10	2,784	24,062	4,280	36,992	0.6
	62-1, Higashisakaemachi, Ogawa-aza, Ohaza, Higashiuramachi, Chitagun, Aichi	100,457.69	6,297	54,425	9,150	79,083	2.1
AEON Kashiihama Shopping Center	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-city, Fukuoka	109,616.72	13,137	113,543	15,300	132,238	2.7
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo Nijo 3-chome, Higashi-ku, Sapporo-city, Hokkaido	74,625.52	8,544	73,846	11,200	96,802	2.1
Site of “GYRE”	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	1,768.78	14,902	128,798	16,700	144,338	1.1
Esquisse Omotesando Annex	1-17 Jingu-mae 5-chome, Shibuya-ku, Tokyo	540.78	888	7,675	1,270	10,976	0.2
Ito-Yokado Tsunashima	8-1 Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-city, Kanagawa	16,549.50	5,052	43,664	5,930	51,253	1.0
Bic Camera Tachikawa	12-2 Akebono-cho 2-chome, Tachikawa-city, Tokyo	20,983.43	12,018	103,872	13,100	113,223	2.2
Itabashi SATY	6-1 Tokumaru 2-chome, Itabashi-ku, Tokyo	72,253.88	12,335	106,611	14,700	127,052	3.8
8953 Kita Aoyama Building	14-8 Kita Aoyama 3-chome Minato-ku, Tokyo	492.69	1,000	8,643	1,450	12,532	0.2
AEONMALL Yamato	2-6 Shimotsuruma, 1-chome Yamato-city, Kanagawa	85,226.68	16,787	145,090	20,800	179,775	3.0
SEIYU Hibarigaoka	9-8, Sumiyoshi-cho 3-chome Nishi-Tokyo-city, Tokyo	19,070.88	5,752	49,714	8,110	70,095	1.5
Tobata SATY	2-2 Shioi-cho Tobata-ku, Kita-Kyushu-city Fukuoka	93,258.23	6,232	53,863	7,900	68,280	1.8
Jusco City Takatsuki	47-2 Haginosho 3-chome, Takatsuki-city, Osaka	77,267.23	11,406	98,582	12,900	111,495	2.3
8953 Jiyugaoka Building	9-17 Jiyugaoka 2-chome, Meguro-ku, Tokyo	1,814.10	2,686	23,215	3,480	30,077	0.5
Wonder City	40 Nihocho, Nishi-ku, Nagoya-city, Aichi	-	-	-	-	-	3.6
Jusco City Yagoto Shopping Center	2-1 Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-city, Aichi	63,778.44	3,890	33,621	4,160	35,955	0.9
Jusco Naha Shopping Center	10-2 Kanagusuku, 5-chome, Naha-city, Okinawa	79,090.48	10,861	93,872	12,000	103,716	2.2
Cheers Ginza	9-5 Ginza 5-chome, Chuo-ku, Tokyo	1,686.58	4,183	36,153	4,420	38,202	0.7
Jusco City Nishi-Otsu	11-1, Ohjigaoka 3-chome Otsu-city, Shiga	62,717.26	13,416	115,955	13,200	114,088	2.1

Kyoto Family	1-1 Ikejiri-cho, Yamanouchi, Ukyo-ku, Kyoto-city, Kyoto	25,603.95	5,544	47,917	6,660	57,562	3.8
Higashi-Totsuka Aurora City	535-1,536-1,537-1,9 Shinano-cho Totsuka-ku, Yokohama-city, Kanagawa	151,429.78	51,783	447,562	50,500	436,473	7.8
Omiya SATY	574-1 Kushibiki-cho, 2-chome, Kita-ku, Saitama-city, Saitama	75,344.90	6,313	54,563	6,670	57,649	1.2
Loc City Ogaki	233-1Mitsuduka-cho, Aza-Nakajima, Ogaki-city, Gifu	57,500.35	4,897	42,324	5,260	45,462	1.9
Kawaramachi OPA	385 Komeya-cho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-city, Kyoto	18,848.20	18,984	164,079	18,400	159,031	2.0
AEON Ueda Shopping Center	12-18 Tsuneda 2-chome, Ueda-city, Nagano	61,349.07	9,662	83,509	9,700	83,837	1.7
AEONMALL Tsurumi Leafa	17-1Tsurumi 4-chome, Tsurumi-ku, Osaka-city, Osaka	138,538.63	29,948	258,841	30,700	265,341	4.9
AEONMALL Itami Terrace	1-1Fujinoki 1-chome, Itami-city, Hyogo	150,503.77	20,331	175,721	20,300	175,453	3.3
Ito-Yokado Yotsukaido	5-1, Yotsukaido-city, Chiba	59,207.19	14,149	122,290	13,600	117,545	-
Oyama Yuen Harvest Walk	1457 Oaza Kizawa, Oyama-city, Tochigi	58,767.20	10,586	91,495	10,400	89,887	-
Total		<u>2,197,725.11</u>	<u>454,711</u>	<u>3,930,086</u>	<u>509,570</u>	<u>4,404,235</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 February 28, 2007 and August 31, 2007.

The Property portfolio above does not include the Jingumai 4-chome (tentative name) property.

The net book value above includes leasehold interest rights and other intangible assets.

*(b)(i) 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>Percentage of</u> <u>Total Assets</u> <u>(%)</u>
Tokyo metropolitan area	192,996	42.9
Osaka metropolitan area	185,625	41.3
Other metropolitan areas (each of which have populations over one million)	<u>71,360</u>	<u>15.8</u>
Total	<u>449,981</u>	<u>100</u>

*(b)(ii) A geographical breakdown of the Company's property portfolio as of August 31, 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	213,604	1,846,188	46.8
Osaka metropolitan area	168,030	1,452,290	36.8
Other metropolitan areas (each of which have populations over one million)	<u>75,044</u>	<u>648,608</u>	<u>16.4</u>
Total	<u>456,679</u>	<u>3,947,095</u>	<u>100</u>

(c)(i) *Occupancy rates for the six months ended February 28, 2007 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	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
AEONMALL Higashiura	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
AEONMALL Yamato	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
AEONMALL Tsutumi Leafa	101	100.0%	1
AEONMALL Itami Terrace	90	100.0%	1

(c)(ii) Occupancy rates for the six months ended August 31, 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	184	100.0%	2
ESPA Kawasaki	184	100.0%	5

8953 Osaka Shinsaibashi Building	184	100.0%	1
JUSCO Chigasaki Shopping Center	184	100.0%	1
Nara Family	184	99.7%	133
Hakata Riverain	184	88.4%	68
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
AEONMALL Higashiura	184	100.0%	1
AEON Kashiihama Shopping Center	184	100.0%	1
AEON Sapporo Naebo Shopping Center	184	100.0%	1
Site of “GYRE”	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
AEONMALL Yamato	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
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	99.1%	62
Higashi –Totsuka Aurora City	184	100.0%	4
Omiya SATY	184	100.0%	1
Loc City Ogaki	184	100.0%	1
Kawaramachi OPA	184	100.0%	1
AEON Ueda Shopping Center	184	100.0%	1
AEONMALL Tsurumi Leafa	184	100.0%	1
AEONMALL Itami Terrace	184	100.0%	1
Ito-Yokado Yotsukaido	2	100.0%	1
Oyama Yuen Harvest Walk	1	100.0%	1

**Note:**

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