Japan Retail Fund Investment Corporation

17th Asset Management Report

(Semi-Annual Report 17th)

March 1, 2010 – August 31, 2010

Japan Retail Fund Investment Corporation

Japan Retail Fund Investment Corporation (JRF) is heading for a new stage of growth through its merger with LaSalle Japan REIT Inc. (LJR)

JRF has been a leader in the industry as the pioneering retail sector J-REIT since listing on the Tokyo Stock Exchange in 2002. JRF seeks to select, acquire and operate suitable properties to develop a diversified portfolio of retail properties and continues to achieve steady growth. JRF merged with LJR in March 2010, and through the takeover of new properties, JRF has enhanced the portfolio's quality, while at the same time expanding the size of the portfolio. For the future, JRF is planning to further improve unitholder value based on diversified investment strategies focusing on long-term results.

JRF specializes in retail properties

The largest retail sector J-REIT in Japan.
Retail lease area is also top-class in Japan.
JRF specializes in retail properties, which in general have a longer term of contract compared with office and residential properties and rents are much less volatile compared with other sectors. JRF owns a well balanced portfolio of suburban retail properties (the No. 1 property in the area) and urban retail properties, which are expected to realize future revenue growth.

Since JRF's listing on the Tokyo Stock Exchange, JRF's 99% occupancy rates and long-term fixed tenant leases have lead to relatively stable cash flows.
JRF maintains high occupancy rates by securing high quality tenants, achieving an optimal tenant mix, providing operations support to achieve customer satisfaction and so forth. Moreover, as fixed rents account for 90% of rents, JRF has built a revenue base that is not affected by store sales.

Investment strategy planning for long-term stable growth
JRF has implemented a strategy for relatively stable long-term growth based on a balance of “expanding” and “maintaining” its property portfolio. The strategy involves maintaining and enhancing its portfolio by acquiring high quality, attractive new properties, while strengthening the competitiveness of its current property holdings in order to realize stable dividend distributions.

Greeting from the Executive Director

I am Fuminori Imanishi, successor of the Executive Director of JRF Shigenori Kondo who passed away on September 5, 2010. I will do my best to meet expectation of unitholders.

In the period ended August 2010, despite signs of modest recoveries in macroeconomics and the real estate market, as a result of the continuation of severe employment and income situations, time is still necessary for the recovery of consumer spending, which remains sluggish. Under such an environment, JRF has made a strong showing thanks to its holdings of a large number of highly competitive retail properties and has continued to earn stable rental revenue. Moreover, revenue also increased due to the takeover of properties in the merger with LJR on March 1, 2010, operating revenue for the period was 23,326 million yen, resulting in an increase compared to the previous period. Additionally, net income for the period was 13,093 million yen, marking a significant increase in profits. This was a result of reporting negative goodwill acquired from the merger of 7,202 million yen. JRF plans to retain a majority of the negative goodwill and utilize it as a dividend resource in the future. Furthermore, due to the four-for-one unit split implemented with the merger, dividends were 3,657 yen (calculated as one fourth of 14,628 yen, the dividends per unit before the split) per unit.

The current period has become the starting period for JRF to focus on further growth due to the significant changes brought about by the merger LJR in March. JRF is facing new challenges and has made steps towards developing measures for “expanding” and “maintaining” its portfolio, such as actively obtaining attractive new properties and enhancing the competitiveness of its current properties, and contributing to the portfolio’s stability and the maintaining and improving profitability.

Furthermore, after the merger we came to hold 18 non-retail facilities such as office and residential properties, which were sold on September 3, 2010. As sales proceeds were received for these transactions, it is important to note that we have revised upwards our original forecasted distributions from 3,300 yen to 3,828 yen for the period ending February 2011.

At JRF, we will continue appropriate investment operations to stay in step with business environment changes, work in close cooperation with Mitsubishi Corp.-UBS Realty Inc., and are committed to making efforts to increasing unitholder value. Thank you for your continued support.

Japan Retail Fund Investment Corporation
Executive Director
Fuminori Imanishi

Report from the Asset Management Company

On behalf of the Asset Manager, I would like to report on the financial performance of Japan Retail Fund Investment Corporation for the current period in addition to undertakings for the future.

We built great momentum for future growth with the Lasalle Japan REIT Inc. (LJR) merger.

The biggest topic of this period was needless to say, the merger with LJR. Against the backdrop of an unprecedented financial and real estate depression triggered by the collapse of Lehman Brothers, we established a solid financial base by taking swift and appropriate measures last fall, which allow us to see the next step forward. As a result of seeking opportunities for new external growth to reinforce portfolio quality and expand size toward further growth, we merged with LJR on March 1, 2010.

Due to the merger, we took over 21 properties and increased our total assets by approximately 88 billion yen, expanding the total portfolio value (acquisition price base) to about 660 billion yen.

Based on the exchange of units, there was a significant increase in our assets. In particular, the addition of three prime retail properties worth approximately 55 billion yen to our portfolio has great significance for the reinforcement of a stable revenue base and risk diversification by increasing our scale.

We aimed at stabilizing our financial base by quickly disposing of non-core assets taken over in the merger, such as non retail properties.

Meanwhile, as we took over interest-bearing debt worth approximately 69 billion yen, there was some temporary concerns raised on the financial side due to the increase of the loan-to-value (LTV) ratio (interest bearing debt ratio including tenant deposits and guarantees) and borrowing costs. To promptly address such issues, we took measures such as the one lump disposal on September 3, 2010 of 18 non-core assets including office and residential buildings taken over from LJR for a total amount of 33.2 billion yen (book value of approximately 32 billion yen). The funds received from the disposal were allocated for the repayment of borrowings, and as a result, our LTV ratio, which had increased to 58% after the merger, was reduced to less than 55%.

Additionally, negative goodwill* acquired for the merger, approximately 7.2 billion yen, was recorded as extraordinary gain for this period. However, a majority of the negative goodwill was retained as a resource to maintain stable future dividends.

Negative goodwill has been set aside in the event of revenue declines based on the implementation of long-term strategies, such as losses on sales, losses on retirements and temporary declines in rental income for reasons such as the replacement of properties, renewals and tenant replacements.

*Negative goodwill: Negative goodwill is the difference between the amount paid and the net asset value of a company or business acquired when the net asset value exceeds the amount paid.

Boldly replacing property and acquiring properties with great potential

At JRF, we aim to maintain and improve profitability and enhance our portfolio quality by replacing our current property holdings. In this period, we sold the 8953 Saitama Urawa Building, which had an NOI cap rate after depreciation that was relatively low, in March this year. Using the funds from this transfer, we acquired four retail properties and three (land with leasehold interest) properties, a first for the JRF portfolio. Without changing the size of the portfolio, we are striving to achieve higher cap rates along with enhancing stability through greater portfolio diversification. The new property acquisitions were mainly small to mid-sized properties located in busy shopping street areas in Tokyo and Osaka, and we expect that these properties will contribute stable revenues and significant growth in the future.

We are aiming to maintain and improve the value of our properties over the medium and long term and implementing measures for renewal planning

While we are continuing to acquire properties that contribute to increasing unitholder value, we are continuing efforts on implementing measures such as replacing tenants, to maintain and improve the competitiveness of retail facilities over the medium and long term. As a part of this plan, we are moving forward with renewal plans at the Ito-Yokado Narumi and Kyoto Family properties. As a profession professional property manager, JRF is reviewing lease contracts and planning on a shift to new effective tenants and stores that are attractive and add new value.

Pursuing portfolio quality and scale to expand and maintain consistent payment of stable dividends

Nowadays, the difference between prime retail property and non-prime retail property has become more distinct, and as a result it has become more important for property managers to carefully determine shops that can survive and to improve the competitiveness of these surviving shops. As a professional retail property manager, we will draw on our vast experience and track record to strengthen the quality of our portfolio, to seek opportunities to acquire prime retail properties and to achieve a stable growth of dividends.

We are determined to do our best to meet unitholders' expectations. We would like to ask for your continuous support and guidance in the years to come.

Mitsubishi Corp.-UBS Realty Inc.
President & CEO

Takuya Kuga

I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			13th	14th	15th	16th	17th
As of /for the six months ended			August 31, 2008	February 28, 2009	August 31, 2009	February 28, 2010	August 31, 2010
Operating revenues	Note 1	(Millions of yen)	20,254	20,447	20,503	20,035	23,326
(Rental revenues)	Note 1	(Millions of yen)	(20,254)	(20,359)	(20,503)	(20,035)	(23,326)
Operating expenses	Note 1	(Millions of yen)	12,475	12,563	12,729	12,505	14,428
(Rental expenses)	Note 1	(Millions of yen)	(10,343)	(10,442)	(10,593)	(10,414)	(11,772)
Operating income		(Millions of yen)	7,778	7,883	7,773	7,529	8,898
Recurring profit		(Millions of yen)	6,095	6,040	5,897	5,346	5,893
Net income	(a)	(Millions of yen)	6,080	5,820	5,880	5,329	13,093
Net assets	(b)	(Millions of yen)	256,845	256,584	256,645	256,093	278,844
(Period-on period change)		(%)	(-0.0)	(-0.1)	(+0.0)	(-0.2)	(+8.9)
Total assets	(c)	(Millions of yen)	589,630	578,674	588,500	578,829	666,843
(Period-on period change)		(%)	(+7.8)	(-1.9)	(+1.7)	(-1.6)	(+15.2)
Unitholders' capital		(Millions of yen)	250,764	250,764	250,764	250,764	250,764
(Period-on period change)		(%)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Number of units issued and outstanding	(d)	(Units)	386,502	386,502	386,502	386,502	1,688,198
Net asset value per unit	(b)/(d)	(Yen)	664,538	663,864	664,020	662,593	165,173
Dividends	(e)	(Millions of yen)	6,080	5,820	5,881	5,329	6,173
Dividend per unit	(e)/(d)	(Yen)	15,733	15,059	15,216	13,788	3,657
(Profit dividend per unit)		(Yen)	(15,733)	(15,059)	(15,216)	(13,788)	(3,657)
(Dividend per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of recurring profit to total assets	Note 4	(%)	1.1 (2.1)	1.0 (2.1)	1.0 (2.0)	0.9 (1.8)	0.9 (1.9)
Return on unitholders' equity	Note 4	(%)	2.4 (4.7)	2.3 (4.6)	2.3 (4.5)	2.1 (4.2)	4.9 (9.7)
Ratio of net assets to total assets	(b)/(c)	(%)	43.6	44.3	43.6	44.2	41.8
(Period-on period change)		(%)	(-3.4)	(+0.7)	(-0.7)	(+0.6)	(-2.4)
Payout ratio	(e)/(a)	(%)	100.0	100.0	100.0	100.0	47.2
Additional information:							
Rental net operating income (NOI)	Note 4	(Millions of yen)	14,668	14,764	14,762	14,481	16,964
Net profit margin	Note 4	(%)	30.0	28.5	28.7	26.6	Note 6 25.3
Debt service coverage ratio	Note 4	(Multiple)	7.8	7.4	7.5	6.5	Note 6 5.3
Funds from operation (FFO) per unit	Note 4	(Yen)	28,043	27,374	27,770	26,365	Note 6 6,846
FFO multiples	Note 4	(Multiple)	8.2	5.8	9.0	7.9	Note 6 8.3
Distributable income per unit after adjustment for taxes on property and equipment	Note 5	(Yen)	15,495	14,864	15,191	13,771	3,636
FFO per unit after adjustment for taxes on property and equipment	Note 5	(Yen)	27,806	27,179	27,745	26,348	Note 6 6,824

Note 1 Consumption tax are not included.

Note 2 Net income for the 17th fiscal period includes a ¥7,202 million of a gain on negative goodwill as extraordinary income.

Note 3 The Investment Corporation executed a four-for-one unit split effective on March 1, 2010.

Note 4 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184, 181, 184, 181 and 184 days for 13th, 14th, 15th, 16th and 17th fiscal period, respectively.

Ratio of recurring profit to total assets	Recurring profit/Average total assets Average total assets = (Total assets at beginning of period + Total assets at end of period) ÷ 2
Return on unitholders' equity	Net income/Average net assets Average net assets = (Net assets at beginning of period + Net assets at end of period) ÷ 2
Rental net operating income (NOI)	(Rental revenues – Rental expenses) + Depreciation
Net profit margin	Net income/Operating revenues
Debt service coverage ratio	Net income before interest expenses, amortization of bonds issuance costs and depreciation/Interest expenses
Funds from operation (FFO) per unit	(Net income + Loss on disposal of property – Gain on sales of property + Depreciation + Other depreciation related property)/Number of units issued and outstanding
FFO multiples	Market price per unit at end of period/Annualized FFO per unit

Note 5 The figures indicate pro forma distributable income per unit and pro forma FFO per unit assuming that taxes on property and equipment were not capitalized but charged to income in the periods in which were incurred. These figures are unaudited.

Note 6 Net income used for calculation of "Net profit margin", "Debt service coverage ratio" and "FFO multiples" does not include the gain on negative goodwill.

2. Outline of asset management operation for the 17th fiscal period

(1) Principal Activities

The Investment Corporation was established under the Law Concerning Investment Trusts and Investment Corporations of Japan ("the Investment Act") on September 14, 2001. It was the first investment corporation in Japan to specifically target retail property assets. It was listed on the Real Estate Investment Trust ("REIT") Section on the Tokyo Stock Exchange (Stock code: 8953) on March 12, 2002.

Immediately after listing, the Investment Corporation acquired four properties and began substantially managing these properties. To "expand the scale of the portfolio," we continued to acquire and manage properties, achieving total assets of ¥400 billion by the end of the 10th fiscal period (February 28, 2007), a goal set at the time of listing. Thereafter, we strove to "diversify the portfolio." In April 2008, we announced a medium-term business policy, under which we aimed to improved "portfolio quality." In April 2009, we introduced the "Crisis Management Scenario" to cope with the deterioration in the fund-raising environment after the bankruptcy of Lehman Brothers, and made every effort to enhance the stability of finances, mainly by extending debt maturities.In October 2009, we announced our initiatives to look for opportunities for external growth in addition to improvement in portfolio quality. As part of this, we gave due consideration to M&As, and merged with LaSalle Japan REIT Inc. ("LJR") on March 1, 2010. On the merger date, the Investment Corporation executed a 4-for-1 unit split for its units. After the split, the total number of outstanding units of the Investment Corporation was 1,688,198. As of the end of the 17th fiscal period (August 31, 2010), we managed a total of 77 properties (consisting of 59 retail facilities, and 18 office and residential buildings ("non-core properties") that amount to ¥666.8 billion), including assets acquired through the merger with LJR and assets newly acquired through asset replacement.

(2) Investment environment and results

With regard to the domestic macroeconomy during the fiscal period under review, the risk of the economy further worsening was reduced and uncertainties over corporate earnings receded due to a series of economic stimulus measures taken by the new government of the Democratic Party of Japan since the previous year. It was then expected that the Japanese economy would undergo a moderate recovery. After the middle of this year, however, the yen appreciated sharply and stock prices dropped substantially, resulting in increasing uncertainties over the future outlook for the Japanese economy.

The fund-raising environment for Japan real estate investment trust (J-REITs) steadily improved. After October 2009, some J-REITs began to increase capital again through public equity offerings. From January 2010, investment corporation bonds also began to be issued. Investors are actively pouring funds into J-REITS.
In the real estate market, J-REITs that restarted fund raising and some real-estate private placement funds that have funds available for investment are acquiring more properties. Furthermore, some overseas investors are considering new investments, citing the current investment environment as relatively inexpensive. As for the retail industry, consumers continued to cut back on spending due to lingering concerns over employment, reduced disposable income, and other factors. In response, a growing number of large retailers announced they would increase their private brand products, make plans to refurbish outlets, and review their salesfloor structure. As a result, sales at some suburban retail facilities stopped declining or rather increased, which suggests these retailers seem to be improving moderately. The sales of tenants at urban retail facilities, which are located in areas facing urban busy streets with a lot of traffic, also began to show signs of recovery. Given these trends, the retail industry appears to have bottomed out.
Under such circumstances, the Investment Corporation aimed for external growth by completing the merger with LJR, after concluded an agreement in the previous period, on March 1, 2010, acquiring 21 properties held by LJR (worth ¥87.8 billion). To improve our portfolio quality, as set out in the medium-term business policy, we also undertook an asset replacement strategy. Specifically, we sold 8953 Saitama Urawa Building in March this year. Using the funds from this transfer, we acquired seven properties that we expect will contribute to increasing our NOI yield after depreciation. These properties are G-Bldg. Shinjuku01, G-Bldg. Jingumae03, G-Bldg. Minami Ikebukuro01 and G-Bldg. Shinsaibashi01, as well as land with groundleases including LIFE Taiheiji, LIFE Shimodera and LIFE Kishibe. These acquisitions increased our total assets to ¥666.8 billion, and as a result enhanced our profitability.
With regard to internal growth, to maintain the competitiveness of our retail facilities over the medium and long term, we are actively remodeling certain of them and increasing their floor space, while continuously reviewing lease agreement types. Of growth-type assets (Note 1), we converted part of the parking area of Higashi-Totsuka Aurora City into an outlet, resulting in increasing NOI. In addition, we continued to replace tenants and engage in associated renovation and promotional activities for Hakata Riverain, Nara Family, Abiko Shopping Plaza, Kyoto Family, Oyama Yuen Harvest Walk, GYRE, and G DINING SAPPORO, as well as La Porte Aoyama, which was acquired through the merger.
As for income-type assets (Note 1), in a move to review agreement types, we have decided to carry out a large renovation of Ito-Yokado Narumi, a master lease property (Note 2). To this end, by mutual agreement we will cancel the lease agreement with Ito-Yokado Co., Ltd., the tenant of the property as of November 30, 2010, while converting the property into a direct lease property (Note 2) in which we will lease space directly to multiple new tenants. Along with this renovation, we will introduce rent based on percentage of sales in addition to base rent, and realize cost management that could not be materialized in master lease properties, aiming to secure upside potential for the future.
(Note 1) “Growth-type assets” are specific assets that are managed by giving priority to increasing asset values and cash flows. “Income-type assets” are specific assets that are managed with priority given to yielding stable cash flows from investment targets over the medium and long term.
(Note 2) A “master lease property” is one where we lease a property to a single tenant (master lease tenant), and this tenant subleases to other tenants (end tenants). A “direct lease property” is one where we conclude lease contracts directly with each tenant in the property.

(3) Funding
With regard to the interest-bearing debt of ¥68.9 billion assumed in the merger with LJR, we dispersed debt maturities by extending terms of some long-term debt, and reduced interest rates in March 2010. Secured debt assumed from LJR was converted into unsecured debt after the merger. In relation to this, we repaid some of the debt by improving the efficiency of our cash management, for example by releasing some deposits held by

trust banks. As a result, outstanding debt at the end of the fiscal period under review was ¥229.8 billion, of which ¥107.5 billion was short-term debt and ¥122.2 billion was long-term debt.
The total balance outstanding on our second through sixth series corporate bonds was ¥80.0 billion as of the end of the fiscal period under review, as we redeemed our first series of investment corporation bonds in the previous fiscal period.

(4) Results and distributions
As a result of the above management actions, operating revenue was ¥23,326 million, and operating income was ¥889.8 million after deducting operating expenses such as fixed property tax, utilities charges and asset management fees. Recurring profit was ¥5,893 million, and net income was ¥13,093 million, which includes an extraordinary profit of ¥720.2 million (gain on negative goodwill resulting from the merger).
Gain on negative goodwill resulting from the merger with LJR will be distributed to unitholders in thefollowing cases: to cover losses on sales of real estate and the like incurred on a net basis during the same fiscal period that gain on negative goodwill is generated; to cover losses on disposal of fixed assets as a result of renovation associated with tenant replacement; and to cover any tax burden occuring due to the difference between accounting treatment and taxation treatment.
With regard to distributions for the fiscal period under review, in accordance with the distribution policy set forth in Article 26, Paragraph 1, Item 2 of the Article of Incorporation, the Investment Corporation basically intends to distribute in excess of 90% of distributable profit calculated under Article 67-15, Paragraph 1 of the Special Taxation Measures Law of Japan. Based on such distribution policy, distributions amounted to ¥6,173 million excluding a fractional dividend per unit of less than one yen, on the assumption that total distributions are ¥6,175 million, which is calculated by adding ¥283 million allocated from to distributions negative goodwill to the amount that is obtained by subtracting gain on negative goodwill of ¥7,202 million from unappropriated retained earnings of ¥13,093 million for the fiscal period under review. As a result, the distribution per unit is ¥3,657.

3. Changes in unitholders' capital

The outline of changes in unitholders' capital for the current and previous periods was as follows:

Date	Capital transaction	Number of units issued and outstanding		Unitholders' capital (Millions of yen)		Note
		Increase	Balance	Increase	Balance	
September 14, 2001	Private placement for incorporation	400	400	200	200	Note 1
March 12, 2002	Public offering	52,000	52,400	23,462	23,662	Note 2
March 4, 2003	Public offering	95,000	147,400	47,697	71,360	Note 3
March 26, 2003	Allocation of investment units to a third party	5,102	152,502	2,561	73,921	Note 4
March 2, 2004	Public offering	67,000	219,502	42,267	116,188	Note 5
March 8, 2005	Public offering	56,000	275,502	43,175	159,364	Note 6
March 29, 2005	Allocation of investment units to a third party	4,000	279,502	3,083	162,448	Note 7
September 14, 2005	Public offering	23,000	302,502	19,109	181,557	Note 8
September 21, 2006	Public offering	78,000	380,502	64,263	245,821	Note 9
September 27, 2006	Allocation of investment units to a third party	6,000	386,502	4,943	250,764	Note 10
March 1, 2010	Unit split	1,159,506	1,546,008	-	250,764	Note 11
March 1, 2010	Merger	142,190	1,688,198	-	250,764	Note 12

Note 1 The Investment Corporation was incorporated through private placement at a price of ¥500,000 per unit.

Note 2 New investment units were issued at a price of ¥470,000 per unit (subscription price of ¥451,200 per unit) through a public offering in order to raise funds for acquiring new real property and refund short-term debts.

Note 3 New investment units were issued at a price of ¥521,228 per unit (subscription price of ¥502,080 per unit) through a public offering in order to raise funds for acquiring new real property and refund short-term debts.

Note 4 New investment units were issued at a price of ¥502,080 per unit through the allocation of investment units to a third-party in order to raise funds for acquiring new real property and refund short-term debts.

Note 5 New investment units were issued at a price of ¥654,910 per unit (subscription price of ¥630,852 per unit) through a public offering in order to raise funds for acquiring new real property and refund short-term debts.

Note 6 New investment units were issued at a price of ¥798,700 per unit (subscription price of ¥770,990 per unit) through a public offering in order to raise funds for acquiring new real property and refund short-term debts.

Note 7 New investment units were issued at a price of ¥770,990 per unit through the allocation of investment units to a third party in order to raise funds for acquiring new real property and refund short-term debts.

Note 8 New investment units were issued at a price of ¥861,300 per unit (subscription price of ¥830,850 per unit) through a public offering in order to refund short-term debts.

Note 9 New investment units were issued at a price of ¥852,600 per unit (subscription price of ¥823,890 per unit) through a public offering in order to raise funds for acquiring new real property and refund short-term debts.

Note 10 New investment units were issued at a price of ¥823,890 per unit through the allocation of investment units to a third party in order to raise funds for acquiring new real property and refund short-term debts.

Note 11 The Investment Corporation executed a four-for-one unit split.

Note 12 The Investment Corporation merged with LaSalle Japan REIT Inc.("LJR"). The merger was an absorption-type in accordance with Article 147 of the Law Concerning Investment Trusts with the Investment Corporation as the surviving corporation and LJR was dissolved.

Fluctuation in market price of the investment securities:

The market price of the investment securities on Tokyo Stock Exchange REIT Market fluctuated during each fiscal period as follows:

(Yen)

Fiscal period	13th	14th	15th	16th	17th
As of /for the six months ended	August 31, 2008	February 28, 2009	August 31, 2009	February 28, 2010	August 31, 2010
Highest price	696,000	506,000	522,000	502,000	130,400
Lowest price	401,000	251,000	302,000	335,000	103,400
Closing price at end of period	455,000	321,000	496,000	105,400 (Note1)	112,600

Note 1 The market price as of February 28, 2010 above reflects a four-for-one unit split effective on March 1, 2010.

4. Dividends

In accordance with the Article of Incorporation 26, Paragraph 1, Item 2, the Investment Corporation basically intends to distribute in excess of 90% of distributable profit calculated under Article 67-15, Paragraph 1 of the Special Taxation Measures Law of Japan. Based on such distribution policy, cash dividends for the six months ended August 31, 2010 were amounted to ¥6,173,740 thousand which were all of the distributable profit except for fractional dividend per unit less than one yen. The distributable profit was amounted to ¥6,175,252 thousand which were calculated as ¥13,093,726 thousand of retained earnings at the end of period minus ¥7,202,340 thousand of a gain on negative goodwill and plus ¥283,865 thousand of an allowance for the distributable profit. As a result, dividend per unit amounted to ¥3,657 for the six months ended August 31, 2010.

Retained earnings as of August 31, 2010 shown in bellow table will be distributed mainly when net losses on sales of property, losses on disposal of property due to renewal for replacing tenants or income tax expenses due to differences between accounting profit and taxable profit inccur in future fiscal period.

Fiscal period	13th	14th	15th	16th	17th
As of /for the six months ended	August 31, 2008	February 28, 2009	August 31, 2009	February 28, 2010	August 31, 2010
Net income (Thousands of yen)	6,080,780	5,820,421	5,880,818	5,329,137	13,093,657
Retained earnings (Thousands of yen)	129	217	21	69	6,919,986
Total dividends (Thousands of yen)	6,080,835	5,820,333	5,881,014	5,329,089	6,173,740
(Dividend per unit) (Yen)	(15,733)	(15,059)	(15,216)	(13,788)	(3,657)
Profit dividends (Thousands of yen)	6,080,835	5,820,333	5,881,014	5,329,089	6,173,740
(Profit dividend per unit) (Yen)	(15,733)	(15,059)	(15,216)	(13,788)	(3,657)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and Issues

(1) Outlook for overall operations

The domestic macro economy is expected to see a modest recovery in the medium to long term, although the risk of a further deterioration remains due to the yen’s sharp appreciation and a decline in the stock market. The effects of policies to stimulate consumer spending by the Democratic Party of Japan government are still unclear. However, we think that the success of the economic measures to improve domestic demand will contribute directly to recovery in the sales of retailers.

In the real estate market, transactions of properties held by private real estate funds and real estate that was previously securitized began again, and many investors are still considering new investments due to the comparatively lower prices. On the back of this, transaction volume is picking up gradually. Against this backdrop, the Investment Corporation hopes that opportunities to secure new attractive investment targets will increase. Such investment targets are important for us to achieve further external growth while improving portfolio quality and revenues.

As for the environment for retail facilities, changes in the structure of the retail industry are forecast to continue, including a change in the positions of retailers and a change to the order of popular brands. In the urban centers, some retail facilities, which had been closed partially or entirely because of decreased sales, achieved good business performances by widely remodeling and replacing tenants as well as introducing new tenants. Thus, capabilities and experience of managers have been tested. Competition among retail facilities is projected to further intensify in some areas, and the gap between the most profitable facilities and the others is likely to continue widening.

We expect the supply of new large retail facilities to decline, due to regulation under the so-called "three urban development laws" over the development of large suburban retail facilities, and existing unprofitable outlets will be shut down. Thus, the number of retail facilities will be reduced, and we expect the supply-demand balance for such facilities to improve moderately.

Those funds managing assets with strong competitiveness and stable profitability will see the fund-raising environment improving steadily, although they still need to conduct financial operations with an emphasis on stability. This environment is projected to last for some time. In the J-REIT market, some REITs recently conducted capital increases through public equity offerings, and the issuance of investment corporate bonds resumed. Consequently, fund-raising means are expanding. ii Issues confronting JRF

In the environment described above, the Investment Corporation, which recognizes it has entered a new growth stage in the wake of the merger with LJR, will further acquire new attractive properties to improve the portfolio quality over the medium to long term. We will also conduct renovation and tenant replacement in retail facilities utilizing the know-how that we have accumulated through operations to date, and continuously seek opportunities to replace assets aiming at improving profitability and portfolio quality. In addition, we will aim to raise the unitholder value. To this end, we will actively implement management measures and strive to maintain a stable distribution level, by making the best use of negative goodwill acquired through the merger.

(i) External growth strategy

The Investment Corporation decided in the fiscal period under review to sell the non-core properties acquired from LJR through the merger with LJR, planning to complete the sales on September 3, 2010 and book profits on the sales for the next fiscal period. From now on, we will strive to secure new investment targets, from among urban and suburban properties, for which upside potential is expected while downside risk is projected to be limited, after the acquisition (during the period of management). Furthermore, when it is expected that distributions will increase and portfolio quality will improve in the medium and long term, we will replace properties, looking for opportunities to further expand the scale of our portfolio.

(ii) Internal growth strategy

With regard to the overall economy, the current environment for consumers is still harsh. Meanwhile, sales for some tenants in retail facilities held by the Investment Corporation are expected to recover. Under such circumstances, we will implement measures for maintaining and improving the competitiveness of our retail facilities over the medium and long term, with the emphasis on areas such as cost effectiveness and sustainability. Such measures include a careful monitoring of the sales trends of tenants of the properties, a reduction in costs for maintaining the properties, renovation such as an introduction of new tenants, and increases in floor space.

As specific initiatives for property management, we decided in the fiscal period under review on a plan to replace tenants and renovate Ito-Yokado Narumi, aiming to convert its status from a master lease property into a direct lease property. We will do this by leveraging the experience managing retail facilities that we have accumulated since our listing. We will implement this plan steadily so that we can open the remodeled facility in March 2011 as scheduled. Aiming to enhance the entire property's ability to attract customers, we decided to ask the main tenant at Kyoto Family, a master lease property, to return part of its leased space in September 2010; to convert the floor into a specialty store section; and to introduce new tenants that deal in new categories of products. We will consider implementing similar measures for the other properties, too, when we conclude from a medium- to long-term perspective that a change in the property management style and the agreement type will lead to maintaining and improving the property's value.

In leasing directly to tenants, we will further improve our collection of information on competitive tenants (both urban- and suburban-based retailers).

(iii) Financial strategy

The Investment Corporation will maintain its existing funding sources, including the ¥106.0 billion credit line of unsecured bank loans, ¥40.0 billion in commitment lines, and the ¥50.0 billion cap on the issuance of short-term corporate bonds (all as of the end of the fiscal period under review). At the same time, we will look at bond issues using the shelf registration system. We recognize that the following issues need to be addressed: a further reduction of borrowing costs; and a decrease in the loan-to-value (LTV) ratio.

With regard to these issues, we managed to decrease the LTV ratio to the level it was before the merger with LJR through a partial repayment in September 2010 of the debt assumed from LJR, using proceeds from sales of non-core properties.

6. Subsequent events

(1) Disposal of property

On September 3, 2010, the Investment Corporation disposed following 18 properties (trust beneficial interest in real property) to Special Purpose Company Sonic Investments 7 at the total sales price of ¥33,200 million. Gains on disposal of property will amount approximately to ¥1,067 million and be recognized in profit for the six months ending February 28, 2011.

Office (10 properties):

Shinsan Building, 35 Sankyo Building, Shibuya West Building, Chiba West Building, Narita TT Building, Utsunomiya Center Building, Southern Mito Building, Horikawa-Dori Shijyo Building, KYUHO Esaka Building, Uchikanda Building

Residential (6 properties):

Mirum Daikanyama, Mirum Shirokanedai, Mirum Nogizaka, Mirum Minami Aoyama, Mirum Hiro-o II, Forest Hill Sendai-Aoba

Residential+Retail (2 properties):

Nishino Building, Leaf Comfort Shinkoiwa

Outline of the Investment Corporation

1. Investment unit

Fiscal period		13th	14th	15th	16th	17th
As of		August 31, 2008	February 28, 2009	August 31, 2009	February 28, 2010	August 31, 2010
Number of units authorized	(Units)	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
Number of units issued and outstanding	(Units)	386,502	386,502	386,502	386,502	1,688,198
Number of unitholders	(People)	10,621	10,990	11,052	11,556	17,079

Note The Investment Corporation executed a four-for-one unit split effective on March 1, 2010.

2. Unitholders

Major unitholders as of August 31, 2010 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note 1) (%)
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	194,114	11.49
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	167,423	9.91
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	130,110	7.70
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	55,900	3.31
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	54,485	3.22
The Government of Singapore Investment Corporation Pte Ltd.	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912	53,034	3.14
The Fuji Fire and Marine Insurance Company, Limited	18-11, Minamisenba 1-chome, Chuo-ku, Osaka city, Osaka	40,560	2.40
The Bank of New York Treaty JASDEQ Account	AVENUE DES ARTS, 35 KUNSTLAAN, 1040 BRUSSELS, BELGIUM	29,068	1.72
State Street Bank And Trust Company	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	21,199	1.25
Momiji Bank, Ltd.	1-24, Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima	19,891	1.17
Total		765,784	45.36

Note 1 Ratio of number of units owned to total number of units issued is calculated by rounding down to the second decimal place.

3. Officers

(1) Directors and independent auditor

Post	Name	Major additional post	Compensation or fee for the six months ended August 31, 2010 (Thousands of yen)
Executive Director	Yorishige Kondo (Note 2)	Professor of Tokyo University of Technology	2,580 (Note 3)
Supervisory Director	Shuichi Namba	Attorney-at-law of Momo-o, Matsuo & Namba	1,680 (Note 3)
	Masahiko Nishida	President of Marks group Co., Ltd. Certified public accountant / Tax accountant	1,680 (Note 3)
Independent auditor	PricewaterhouseCoopers Aarata	-	16,500 (Note 3)

Note 1 There is no investment unit of the Investment Corporation held by the Executive Director nor the Supervisory Directors in their own name or that of others. Although Supervisory Directors may have additional post in other company than listed above, there is no conflict of interests between those companies including listed above and the Investment Corporation.

Note 2 Yorhisige kondo (Executive Director) passed away and Fuminori Imanishi (Alternate Executive Director) was newly installed as Executive Director on September 6, 2010.

Note 3 Compensation for Directors indicates actual payments, and the fee for the independent auditor indicates estimated fees on an accrual basis.

(2) Changes in officers

None

(3) Policy for dismissal of independent auditor

The Board of Directors shall decide taking various factors into consideration.

4. Name of asset manager and other administrator

Classification	Name
Asset manager	Mitsubishi Corp. - UBS Realty Inc.
Custodian	Mitsubishi UFJ Trust and Banking Corporation
Agency for unit investment securities transference and special account administrator	Mitsubishi UFJ Trust and Banking Corporation
Special account administrator	The Chuo Mitsui Trust and Banking Company, Limited
General administrator (regarding unit investment securities)	Mitsubishi UFJ Trust and Banking Corporation
General administrator (regarding investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
General administrator (regarding income and other taxes)	Zeirishi-Hojin PricewaterhouseCoopers

Condition of investment assets

1. Composition of assets

Classification of assets	Use	Region	As of February 28, 2010 Total of net book value (Millions of yen)	As of February 28, 2010 Composition ratio (%)	August 31, 2010 Total of net book value (Millions of yen)	August 31, 2010 Composition ratio (%)
Real property	Retail facilities	Tokyo metropolitan area	12,316	2.1	17,900	2.7
		Osaka and Nagoya metropolitan areas	-	-	4,959	0.7
	Sub-total		12,316	2.1	22,860	3.4
Trust beneficial interest in real property	Retail facilities	Tokyo metropolitan area	264,721	45.7	289,630	43.4
		Osaka and Nagoya metropolitan areas	184,802	31.9	200,766	30.1
		Other metropolitan areas	92,948	16.1	92,344	13.9
	Other (Note 1)	Tokyo metropolitan area	-	-	24,768	3.7
		Osaka and Nagoya metropolitan areas	-	-	2,948	0.4
		Other metropolitan areas	-	-	4,408	0.7
	Sub-total		542,473	93.7	614,867	92.2
Bank deposits and other assets			24,039	4.2	29,116	4.4
Total assets			578,829	100.0	666,843	100.0

Note 1 "Other" includes office, residential and residential plus retail.

2. Major property

The principal properties (top ten properties in net book value) as of August 31, 2010 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m^2)	Leased area (Note 2) (m^2)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
Higashi-Totsuka Aurora City (trust beneficial interest)	50,215	109,365.50	109,365.50	100.0	6.0	Retail facilities
Nara Family (trust beneficial interest)	31,154	84,993.57	84,686.08	99.6	8.7	Retail facilities
AEONMALL Musashi-murayama mu (trust beneficial interest)	30,300	137,466.97	137,466.97	100.0	4.1	Retail facilities
AEON Yachiyo Midorigaoka Shopping Center (trust beneficial interest)	29,950	132,294.48	132,294.48	100.0	2.9	Retail facilities
AEONMALL Tsurumi Leafa (trust beneficial interest)	28,442	138,538.63	138,538.63	100.0	3.8	Retail facilities
GYRE (trust beneficial interest)	22,694	4,945.71	4,649.13	94.0	2.6	Retail facilities
AEONMALL Itami Terrace (trust beneficial interest)	20,224	157,904.26	157,904.26	100.0	2.5	Retail facilities
Kawaramachi OPA (trust beneficial interest)	18,736	18,848.20	18,848.20	100.0	1.6	Retail facilities
Ario Otori (trust beneficial interest)	18,666	95,135.36	95,135.36	100.0	2.3	Retail facilities
AEON Sapporo Hassamu Shopping Center (trust beneficial interest)	18,215	102,169.00	102,169.00	100.0	2.5	Retail facilities
Total	268,600	981,661.68	981,057.61	99.9	37.0	

Note 1 "Leasable area" means the total leasable area of the building of each property used as stores, offices, etc. indicated in the lease agreement or the plan of such property and it does not include the leasable area of warehouses and land (flat parking lots).

Note 2 "Leased area" means the total leased area of the building of each property used as stores, offices, etc. indicated in the lease agreement and it does not include the leased area of warehouses and land (flat parking lots).

Note 3 "Occupancy ratio" (percentage of leased area against the leasable area at the end of accounting period) and "Ratio of rental revenue to total rental revenues" are calculated by rounding to the nearest first decimal place.

3. Details of property

The retail facilities as of August 31, 2010 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m^2)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
Sendai Nakayama Shopping Center	35-40,57,5 Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi	Trust beneficial interest	46,248.96	10,700	9,333
ESPA Kawasaki	1,2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	65,313.47	13,240	14,586
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	13,300	13,213
Hakata Riverain (Note 4)	3-1, Shimo-Kawabatamachi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	25,920.19	4,880	6,113
Ito-Yokado Narumi	232, Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	50,437.91	4,450	7,625
8953 Minami Aoyama Building	8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,529.15	6,130	5,315
Nara Family	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	84,993.57	32,500	31,154
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba	Trust beneficial interest	42,841.48	11,900	10,117
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,840	1,495
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	6,670	6,449
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	12,300	11,836
8953 Daikanyama Building	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,290	1,255
8953 Harajuku Face Building	32-5, Jingumae 2-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,479.10	3,660	2,743
AEONMALL Higashiura	62-1, Aza-toueicho, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi	Trust beneficial interest	129,124.73	10,100	8,020
AEON Kashiihama Shopping Center	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	13,200	12,550
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,540	7,794
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,945.71	22,900	22,694
Esquisse Omotesando Annex	1-17, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	540.78	1,260	879
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	4,850	4,912
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo	Trust beneficial interest	20,983.43	10,700	11,699
Itabashi SATY	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,253.88	12,400	11,709
8953 Kita Aoyama Building	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,290	980
AEONMALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,100	16,157
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	6,950	5,438
AEON Tobata Shopping Center (Note 5)	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	5,860	5,875
JUSCO City Takatsuki	47-2, Haginosho 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	9,490	10,892
8953 Jiyugaoka Building	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,814.15	3,062	2,608
JUSCO City Yagoto	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,540	3,708
JUSCO Naha	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	9,960	10,745
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	3,650	4,095
JUSCO City Nishi-Otsu	11-1, Ohjigaoka 3-chome, Otsu-shi, Shiga	Trust beneficial interest	62,717.26	10,600	12,954
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	25,277.38	5,600	5,847
Higashi-Totsuka Aurora City	535-1, 536-1, 537-1, 9, etc. Shinanocho, Totsuka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	109,365.50	40,000	50,215
Omiya SATY	574-1, Kushibikicho 2-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	75,344.90	6,060	6,090

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m^2)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
Loc City Ogaki	233-1, Aza-nakashima, Mitsuzukacho, Ogaki-shi, Gifu etc.	Trust beneficial interest	57,500.35	4,090	4,261
Kawaramachi OPA	385 Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	18,848.20	15,600	18,736
AEON Ueda Shopping Center	12-18, Tsuneda 2-chome, Ueda-shi, Nagano	Trust beneficial interest	61,349.07	7,900	9,003
AEONMALL Tsurumi Leafa	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	25,300	28,442
AEONMALL Itami Terrace	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	17,700	20,224
Ito-Yokado Yotsukaido	5 Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,207.19	10,100	13,632
Oyama Yuen Harvest Walk (Note 6)	1457 Oaza-Kizawa, Oyama-shi, Tochigi	Trust beneficial interest	58,640.64	6,770	9,618
AEON Yachiyo Midorigaoka Shopping Center	1-3, Midorigaoka 2-chome, Yachiyo-shi, Chiba	Trust beneficial interest	132,294.48	21,900	29,950
8953 Jingumae6 Building	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,460	2,387
AEON Sapporo Hassamu Shopping Center	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	16,600	18,215
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka etc.	Trust beneficial interest	95,135.36	14,900	18,666
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	3,660	3,427
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,640	2,335
G DINING SAPPORO (Note 6)	2-2, 1-9, 2-1, 2-3, 3-3, Minami 3jo Nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	4,090.51	2,180	3,092
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo	Real property	922.30	4,900	6,487
La Porte Aoyama (Note 6)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,147.93	9,070	9,378
AEONMALL Musashi-murayama mu	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	30,600	30,300
AEONMALL Kobe-kita	2-1, Kouzudai 8-chome, Kita-ku, kobe-shi, Hyogo	Trust beneficial interest	128,031.55	15,700	15,409
Shinsan Building (Note 6)	5-10, Shinbashi 3-chome, Minato-ku, Tokyo	Trust beneficial interest	2,395.03	1,660	1,714
35 Sankyo Building (Note 6)	7-2, Irifune 3-chome, Chuo-ku, Tokyo	Trust beneficial interest	5,248.41	3,190	3,368
Shibuya West Building (Note 6)	7-1, Aobadai 4-chome, Meguro-ku, Tokyo	Trust beneficial interest	2,592.26	1,930	1,881
Chiba West Building (Note 6)	24-9, Shinmachi, Chuo-ku, Chiba-shi, Chiba	Trust beneficial interest	5,497.38	1,520	1,600
Narita TT Building (Note 6)	801-1, Hanasakicho, Narita-shi, Chiba	Trust beneficial interest	3,895.39	1,520	1,472
Utsunomiya Center Building (Note 6)	3-1, Odori 2-chome, Utsunomiya-shi, Tochigi	Trust beneficial interest	5,043.25	1,260	1,300
Southern Mito Building (Note 6)	1-6, Jyonan 1-chome, Mito-shi, Ibaraki	Trust beneficial interest	4,933.27	1,560	1,558
Horikawa-Dori Shijyo Building (Note 6)	293-1, Ayahorikawacho, Ayanokoji-sagaru, Horikawa-dori, Shimogyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	4,834.56	1,600	1,580
KYUHO Esaka Building (Note 6)	1-43, Esakacho 2-chome, Suita-shi, Osaka	Trust beneficial interest	5,013.66	1,380	1,367
Uchikanda Building (Note 6)	14-10, Uchikanda 1-chome, Chiyoda-ku, Tokyo	Trust beneficial interest	3,315.07	2,430	2,421
Mirum Daikanyama (Note 6)	7-1, Sarugakucho, Shibuya-ku, Tokyo	Trust beneficial interest	5,338.99	3,720	3,514
Mirum Shirokanedai (Note 6)	1-4, Kami Osaki 1-chome, Shinagawa-ku, Tokyo	Trust beneficial interest	2,671.96	1,540	1,453
Mirum Nogizaka (Note 6)	12-25, Akasaka 8-chome, Minato-ku, Tokyo	Trust beneficial interest	2,888.42	1,580	1,495
Mirum Minami Aoyama (Note 6)	26-16, Minami Aoyama 4-chome, Minato-ku, Tokyo	Trust beneficial interest	1,905.13	1,670	1,573
Mirum Hiro-o Ⅱ (Note 6)	1-10, Minami Azabu 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,983.15	1,650	1,553
Forest Hill Sendai-Aoba (Note 6)	5-1, Kawauchiyodomibashi-dori, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	6,472.40	1,570	1,549
Nishino Building (Note 6)	2-5, Shincho, Hachioji-shi, Tokyo	Trust beneficial interest	7,205.78	1,020	934
Leaf Comfort Shinkoiwa (Note 6)	1-2, Shin Koiwa 2-chome, Katsushika-ku, Tokyo	Trust beneficial interest	2,439.73	1,800	1,784
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	6,640	6,698

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m^2)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
LIFE Taiheiji (land with leasehold interest)	43-6, Taiheiji 2-chome, Higashi Osaka-shi, Osaka	Real property	3,898.01	1,300	1,302
LIFE Shimodera (land with leasehold interest)	8-12, Shimodera 2-chome, Naniwa-ku, Osaka-shi, Osaka	Real property	4,344.18	1,700	1,713
LIFE Kishibe (land with leasehold interest)	21-58, Haracho 4-chome, Suita-shi, Osaka	Real property	5,516.61	2,000	1,942
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	5,070	5,597
G-Bldg. Minami-Ikebukuro 01 (Note 6)	19-5, Minami Ikebukuro 1-chome, Toshima-ku Tokyo	Trust beneficial interest	5,121.71	6,580	6,051
G-Bldg. Shinsaibashi 01	5-3, Shinsaibashisuji 2-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	1,620	1,609
Total			2,833,234.99	598,552	637,727

Note 1 "Location" means the residence indication or the location indicated in the land registry book.

Note 2 "Leasable area" means the total leasable area of the building of each property used as stores, offices, etc. indicated in the lease agreement or the plan of such property and it does not include the leasable area of warehouses and land (flat parking lots).

Note 3 "Appraisal value at end of period" shows the value appraised or researched by the real estate appraiser (CB Richard Ellis K.K., Daiwa Real Estate Appraisal Co., Ltd., Japan Real Estate Institute and Tanizawa Sōgō Appraisal Co., Ltd.) in accordance with the methods and standard of assets valuation as stipulated in the Articles of Incorporation of the Investment Corporation as well as the regulations as stipulated by The Investment Trusts Association, Japan.

Note 4 Although the Investment Corporation owns 50% of the share of quasi-co-ownership in respect of Hakata Riverain after the partial sale of its ownership interest on August 1, 2007, the leasable area above shows the total area of the property.

Note 5 The property name of AEON Tobata Shopping Center was changed from Tobata SATY.

Note 6 These properties are leased in the form of a pass-through master lease agreement and the "Leasable area" of the properties shows the leasable area to the end tenants.

Operating results of each retail facility for the six months ended February 28, 2010 and August 31, 2010 were as follows:

Name of property	For the six months ended							
	February 28, 2010				August 31, 2010			
	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
Sendai Nakayama Shopping Center	2	100.0	437	2.2	2	100.0	442	1.9
ESPA Kawasaki	5	100.0	493	2.5	5	100.0	492	2.1
8953 Osaka Shinsaibashi Building	1	100.0	407	2.0	1	100.0	407	1.7
Hakata Riverain	66	84.9	425	2.1	61	82.4	425	1.8
Ito-Yokado Narumi	1	100.0	264	1.3	1	100.0	264	1.1
8953 Minami Aoyama Building	3	90.4	157	0.8	3	90.4	161	0.7
Nara Family	125	99.2	2,046	10.2	126	99.6	2,032	8.7
Abiko Shopping Plaza	59	100.0	710	3.6	59	100.0	683	2.9
Ito-Yokado Yabashira	1	100.0	78	0.4	1	100.0	78	0.3
Ito-Yokado Kamifukuoka Higashi	1	100.0	256	1.3	1	100.0	256	1.1
Ito-Yokado Nishikicho	1	100.0	444	2.2	1	100.0	444	1.9

Name of property	For the six months ended February 28, 2010 Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	For the six months ended August 31, 2010 Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
8953 Daikanyama Building	2	100.0	40	0.2	2	100.0	40	0.2
8953 Harajuku Face Building	4	100.0	105	0.5	4	100.0	104	0.5
AEONMALL Higashiura	1	100.0	478	2.4	1	100.0	478	2.1
AEON Kashiihama Shopping Center	1	100.0	477	2.4	1	100.0	477	2.0
AEON Sapporo Naebo Shopping Center	1	100.0	376	1.9	1	100.0	377	1.6
GYRE	17	97.8	585	2.9	18	94.0	611	2.6
Esquisse Omotesando Annex	2	100.0	34	0.2	2	100.0	33	0.1
Ito-Yokado Tsunashima	1	100.0	180	0.9	1	100.0	180	0.8
Bic Camera Tachikawa	2	100.0	389	1.9	2	100.0	389	1.7
Itabashi SATY	1	100.0	661	3.3	1	100.0	638	2.7
8953 Kita Aoyama Building	3	100.0	41	0.2	3	100.0	34	0.2
AEONMALL Yamato	1	100.0	534	2.7	1	100.0	534	2.3
SEIYU Hibarigaoka	1	100.0	261	1.3	1	100.0	261	1.1
AEON Tobata Shopping Center	1	100.0	315	1.6	1	100.0	315	1.4
JUSCO City Takatsuki	1	100.0	413	2.1	1	100.0	414	1.8
8953 Jiyugaoka Building	11	100.0	91	0.5	9	96.8	89	0.4
JUSCO City Yagoto	2	100.0	152	0.8	2	100.0	148	0.6
JUSCO Naha	1	100.0	398	2.0	1	100.0	398	1.7
Cheers Ginza	9	100.0	109	0.5	8	79.4	94	0.4
JUSCO City Nishi-Otsu	1	100.0	380	1.9	1	100.0	375	1.6
Kyoto Family	47	86.5	603	3.0	61	99.2	621	2.7
Higashi-Totsuka Aurora City	4	100.0	1,355	6.8	4	100.0	1,388	6.0
Omiya SATY	1	100.0	206	1.0	1	100.0	174	0.7
Loc City Ogaki	1	100.0	331	1.7	1	100.0	329	1.4
Kawaramachi OPA	1	100.0	363	1.8	1	100.0	363	1.6
AEON Ueda Shopping Center	1	100.0	297	1.5	1	100.0	297	1.3
AEONMALL Tsurumi Leafa	1	100.0	890	4.4	1	100.0	891	3.8
AEONMALL Itami Terrace	1	100.0	583	2.9	1	100.0	581	2.5
Ito-Yokado Yotsukaido	1	100.0	290	1.4	1	100.0	290	1.2
Oyama Yuen Harvest Walk (Note 3)	68	97.4	581	2.9	68	97.7	560	2.4
AEON Yachiyo Midorigaoka Shopping Center	1	100.0	684	3.4	1	100.0	685	2.9
8953 Jingumae6 Building	4	100.0	62	0.3	4	100.0	60	0.3
8953 Saitama Urawa Building (Note 4, 5)	1	100.0	-	-	-	-	-	-
AEON Sapporo Hassamu Shopping Center	1	100.0	577	2.9	1	100.0	577	2.5
Ario Otori	1	100.0	544	2.7	1	100.0	544	2.3
G-Bldg. Jingumae01	2	100.0	82	0.4	2	100.0	83	0.4
G-Bldg. Jingumae02	2	69.9	27	0.1	3	100.0	30	0.1
G DINING SAPPORO (Note 3)	12	50.1	45	0.2	15	63.3	53	0.2
G-Bldg. Minami Aoyama 01	0	0.0	0	0.0	0	0.0	0	0.0

Name of property	For the six months ended February 28, 2010 Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)	For the six months ended August 31, 2010 Number of tenants (Note 1)	Occupancy ratio (Note 2) (%)	Rental revenues (Millions of yen)	Ratio of rental revenue to total rental revenues (Note 2) (%)
La Porte Aoyama (Note 3)	-	-	-	-	19	82.0	287	1.2
AEONMALL Musashi-murayama mu	-	-	-	-	1	100.0	956	4.1
AEONMALL Kobe-kita	-	-	-	-	1	100.0	580	2.5
Shinsan Building (Note 3)	-	-	-	-	7	100.0	86	0.4
35 Sankyo Building (Note 3)	-	-	-	-	6	68.3	121	0.5
Shibuya West Building (Note 3)	-	-	-	-	1	100.0	108	0.5
Chiba West Building (Note 3)	-	-	-	-	18	86.1	107	0.5
Narita TT Building (Note 3)	-	-	-	-	7	100.0	102	0.4
Utsunomiya Center Building (Note 3)	-	-	-	-	21	80.4	93	0.4
Southern Mito Building (Note 3)	-	-	-	-	24	90.2	101	0.4
Horikawa-Dori Shijyo Building (Note 3)	-	-	-	-	12	91.2	111	0.5
KYUHO Esaka Building (Note 3)	-	-	-	-	15	85.4	87	0.4
Uchikanda Building (Note 3)	-	-	-	-	8	88.8	107	0.5
Mirum Daikanyama (Note 3)	-	-	-	-	69	85.4	143	0.6
Mirum Shirokanedai (Note 3)	-	-	-	-	30	78.5	60	0.3
Mirum Nogizaka (Note 3)	-	-	-	-	41	89.6	67	0.3
Mirum Minami Aoyama (Note 3)	-	-	-	-	43	93.3	63	0.3
Mirum Hiro-o Ⅱ (Note 3)	-	-	-	-	42	79.6	61	0.3
Forest Hill Sendai-Aoba (Note 3)	-	-	-	-	249	99.2	98	0.4
Nishino Building (Note 3)	-	-	-	-	45	88.4	90	0.4
Leaf Comfort Shinkoiwa (Note 3)	-	-	-	-	30	100.0	79	0.3
G-Bldg. Shinjuku 01	-	-	-	-	1	100.0	141	0.6
LIFE Taiheiji（land with leasehold interest）	-	-	-	-	1	100.0	42	0.2
LIFE Shimodera（land with leasehold interest）	-	-	-	-	1	100.0	49	0.2
LIFE Kishibe（land with leasehold interest）	-	-	-	-	1	100.0	29	0.1
G-Bldg. Jingumae 03	-	-	-	-	1	11.3	4	0.0
G-Bldg. Minami-Ikebukuro 01 (Note 3)	-	-	-	-	7	100.0	208	0.9
G-Bldg. Shinsaibashi 01	-	-	-	-	1	88.4	48	0.2
Total	478	99.5	20,035	100.0	1,191	99.3	23,326	100.0

Note 1 “Numbers of tenants” is based upon the numbers of the lease agreements of the buildings of each such property used as stores, offices, etc.

Note 2 “Occupancy ratio” (percentage of leased area against the leasable area at the end of accounting period) and “Ratio of rental revenue to total rental revenues” are calculated by rounding to the nearest first decimal place.

Note 3 “Number of tenants” and “Occupancy ratio” for a pass-through master leased property are presented on an end-tenant basis.

Note 4 Rental revenue is undisclosed because the consent from the tenant has not been acquired.

Note 5 The property was sold on March 17, 2010.

4. Other assets

Real property and trust beneficial interests in real property are included the above table. There was no other significant specified asset as of August 31, 2010.

Capital expenditures for property

1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of August 31, 2010 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

Name of property	Location	Purpose	Scheduled term for maintenance	Estimated cost (millions of yen)		
				Total	Advanced payment	
					Payment for the six months ended August 31, 2010	Total of advanced payment
Kyoto Family	Kyoto-shi, Kyoto	Renewal construction for replacing tenants	October 2010	76	-	-
Nara Family	Nara-shi, Nara	Waterproofing construction	February 2011	57	-	-
GYRE	Shibuya-ku, Tokyo	Renewal construction of B1 floor	June 2010 to September 2010	41	0	2
AEON Kashiihama Shopping Center	Fukuoka-shi, Fukuoka	Installment of LED lighting equipment	November 2010	32	-	-
AEONMALL Itami Terrace	Itami-shi, Hyogo	Installment of LED lighting equipment	November 2010	25	-	-
AEON Yachiyo Midorigaoka Shopping Center	Yachiyo-shi, Chiba	Installment of LED lighting equipment	November 2010	25	-	-

2. Capital expenditures for the six months ended August 31, 2010

Maintenance expenditures on property for the six months ended August 31, 2010 were totaling to ¥1,510 million consisting of ¥1,442 million of capital expenditures stated as below and ¥68 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for maintenance	Capital expenditures (Millions of yen)
Kyoto Family	Kyoto-shi, Kyoto	Renewal construction	January 2010 to July 2010	610
Higashi-Totsuka Aurora City	Yokohama-shi, Kanagawa	Construction of new stores on the 2nd floor of the annex	October 2009 to March 2010	282
35 Sankyo Building	Chuo-ku, Tokyo	Construction to divide tenant leasing area	May 2010 to August 2010	32
Nara Family	Nara-shi, Nara	Construction for a new tenant	June 2010 to July 2010	32
G DINING SAPPORO	Sapporo-shi, Hokkaido	Construction for a new tenant	April 2010 to May 2010	24
Others	-	-	-	459
Total				1,442

3. Reserved funds for long-term maintenance plan

The Investment Corporation has reserved funds as below to appropriate for future expenditures on large-scale maintenance based on a long-term maintenance plan.

(Millions of yen)

Fiscal period	13th	14th	15th	16th	17th
As of /for the six months ended	August 31, 2008	February 28, 2009	August 31, 2009	February 28, 2010	August 31, 2010
Reserved funds at beginning of period	362	366	319	384	2
Increase	3	3	64	32	(Note 4) 724
Decrease	-	(Note 2) 51	-	(Note 3) 414	(Note 3) 470
Reserved funds at end of period	366	319	384	2	256

Note 1 The Investment Corporation does not reserve funds for the long-term maintenance plan when depreciation for each fiscal period exceeds following two items. Accordingly, the above table shows funds reserved in trust based on trust agreements and funds succeeded from a former owner through a purchase of trust beneficiary interests.

Item A: Scheduled amounts to be reserved as funds for the long-term maintenance plan in each fiscal period

Item B: Maintenance expenditures scheduled in the long-term maintenance plan in each fiscal period

Note 2 The funds decreased due to a sale of JUSCO Chigasaki Shopping Center.

Note 3 The funds decreased for efficient usage.

Note 4 The amount includes funds acquired by merger.

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Item	16th fiscal period For the six months ended February 28, 2010	17th fiscal period For the six months ended August 31, 2010
Asset management fees	1,736,682	2,013,792
Custodian fees	86,883	66,329
General administration fees	145,577	150,914
Compensation for Directors	5,940	5,940
Other operating expenses	115,509	162,371
Total	2,090,593	2,399,348

2. Borrowings

Borrowings as of August 31, 2010 were as follows:

	Name of lender	Borrowing Date	Balance as of February 28, 2010 (Millions of yen)	Balance as of August 31, 2010 (Millions of yen)	Average interest rate (Note 1)	Due date	Repayment method	Use	Remarks
Short-term	Mizuho Corporate Bank, Ltd.	March 3, 2009	2,000	-	1.0	March 3, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2009	6,343	-	1.0	March 31, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		5,380	-					
	The Sumitomo Trust and Banking Co., Ltd.		4,276	-					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 1, 2009	9,119	-	0.9	April 30, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		7,733	-					
	The Sumitomo Trust and Banking Co., Ltd.		6,146	-					
	The Chugoku Bank, LTD.	June 19, 2009	2,200	-	0.9	June 18, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 28, 2009	5,000	-	0.8	August 27, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,500	-					
	The Sumitomo Trust and Banking Co., Ltd.		3,500	-					
	Mizuho Corporate Bank, Ltd.	August 28, 2009	1,000	-	1.0	August 27, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 4, 2009	3,875	3,875	0.9	September 3, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,487	3,487					
	The Sumitomo Trust and Banking Co., Ltd.		2,712	2,712					
	Sumitomo Mitsui Banking Corporation	September 4, 2009	500	500	1.0	September 3, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	September 18, 2009	3,000	3,000	0.7	September 17, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Chugoku Bank, LTD.	September 30, 2009	2,000	2,000	0.9	September 30, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed

	Name of lender	Borrowing Date	Balance as of February 28, 2010 (Millions of yen)	Balance as of August 31, 2010 (Millions of yen)	Average interest rate (Note 1)	Due date	Repayment method	Use	Remarks
	Mizuho Corporate Bank, Ltd.	September 30, 2009 (Note 3)	-	1,881	3.2	September 30, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		-	1,881					
	The Sumitomo Trust and Banking Co., Ltd.		-	1,881					
	Aozora Bank, Ltd.		-	2,351					
	Resona Bank, Limited.		-	2,822					
	Shinsei Bank, Limited		-	1,881					
	The Tokyo Star Bank, Limited		-	2,000					
	Mitsubishi UFJ Lease & Finance Company Limited		-	-					
	Fuyo General Lease Co., Ltd.		-	300					
	Mizuho Corporate Bank, Ltd.	October 16, 2009	5,000	5,000	1.1	October 15, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 8, 2010	5,152	5,152	1.0	February 8, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,373	4,373					
	The Sumitomo Trust and Banking Co., Ltd.		3,475	3,475					
	Sumitomo Mitsui Banking Corporation	February 8, 2010	7,000	7,000	1.0	February 7, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.	March 3, 2010	-	2,000	1.0	March 3, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2010	-	4,361	0.9	March 31, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		-	3,699					
	The Sumitomo Trust and Banking Co., Ltd.		-	2,940					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 30, 2010	-	9,119	0.8	April 28, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		-	7,733					
	The Sumitomo Trust and Banking Co., Ltd.		-	6,146					
	The Chugoku Bank, LTD.	June 18, 2010	-	2,000	0.8	June 17, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 27, 2010	-	5,000	0.7	August 26, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		-	4,500					
	The Sumitomo Trust and Banking Co., Ltd.		-	3,500					
	Mizuho Corporate Bank, Ltd.	August 27, 2010	-	1,000	0.9	August 26, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Sub-total		97,775	107,572					
Long-term	Aozora Bank, Ltd. (Note 2)	September 21, 2007 (Note 3)	-	8,500	0.9	September 21, 2010	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Aozora Bank, Ltd.	August 29, 2008	7,400	7,400	1.1	August 29, 2013	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	The Shinkumi Federation Bank (Note 2)	September 30, 2008	3,000	3,000	1.0	September 30, 2010	Lump sum	Note 10	Unsecured and unguaranteed
	Mitsui Sumitomo Insurance Company, Limited (Note 2)		1,000	1,000					
	Mizuho Corporate Bank, Ltd.	September 30, 2008	3,000	3,000	1.0	September 30, 2011	Lump sum	Note 10	Unsecured and unguaranteed
	Saitama Resona Bank, Limited		1,000	1,000					

	Name of lender	Borrowing Date	Balance as of February 28, 2010 (Millions of yen)	Balance as of August 31, 2010 (Millions of yen)	Average interest rate (Note 1)	Due date	Repayment method	Use	Remarks
	Development Bank of Japan Inc.	September 30, 2008	3,000	3,000	1.1	September 30, 2013	Lump sum	Note 10	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.	September 30, 2008 (Note 3)	-	4,600	1.9	September 30, 2011	Lump sum (Note 4)	Note 9	Unsecured and unguaranteed
	Resona Bank, Limited.		-	1,900					
	Aozora Bank, Ltd.		-	2,500					
	Mitsubishi UFJ Lease & Finance Company Limited		-	-					
	Sumitomo Mitsui Banking Corporation	November 4, 2008 (Note 3)	-	34,910	2.6	March 1, 2015	Lump sum (Note 5)	Note 9	Unsecured and unguaranteed
	Development Bank of Japan Inc	March 30, 2009	4,850	4,750	1.4	March 30, 2014	Note 6	Note 10	Unsecured and unguaranteed
	Development Bank of Japan Inc	July 30, 2009	14,750	14,450	1.8	July 30, 2016	Note 7	Note 10	Unsecured and unguaranteed
	Development Bank of Japan Inc	July 30, 2009	19,666	19,266	2.2	July 30, 2018	Note 8	Note 10	Unsecured and unguaranteed
	American Family Life Assurance Company of Columbus	September 4, 2009	5,000	5,000	3.0	September 4, 2019	Lump sum	Note 9	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2009	3,143	3,143	1.3	September 30, 2014	Lump sum	Note 10	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,714	2,714					
	The Sumitomo Trust and Banking Co., Ltd.		2,143	2,143					
	Sub-total		70,666	122,276					
Total			168,441	229,848					

Note 1 The average interest rate indicates a weighted average of interest rates, rounded to the first decimal place.

Note 2 The balances were shown as current portion of long-term borrowings in balance sheets as of August 31, 2010.

Note 3 The borrowings were assumed by merger with LaSalle Japan REIT Inc. on March 1, 2010. A ¥300 million of short-term borrowings and a ¥1,000 million of long-term borrowings from Mitsubishi UFJ Lease & Finance Company Limited were repaid on March 31, 2010 in advance of the due date.

Note 4 The Investment Corporation may repay all or part of principal of the long-term borrowing on interest payment date.

Note 5 The principal is repaid on each interest payment date at an amount of ¥100 million for each interest payment date and the remaining balance is repaid on due date. The interest payment date is March 31, 2010 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2010, includes ¥400 million of current portion of long-term borrowings.

Note 6 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥5,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is June 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2010, includes ¥200 million of current portion of long-term borrowings.

Note 7 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥15,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2010, includes ¥600 million of current portion of long-term borrowings.

Note 8 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥20,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2010, includes ¥800 million of current portion of long-term borrowings.

Note 9 The funds were mainly appropriated to purchasing real property or trust beneficiary interests in real property and repayment of borrowings or tenant guarantee deposits.

Note 10 The funds were mainly appropriated to repayment of borrowings.

3. Investment corporation bonds

Name of lender	Issuance date	Balance as of February 28, 2010 (Millions of yen)	Balance as of August 31, 2010 (Millions of yen)	Interest rate (Note 1)	Maturity date	Repayment method	Use	Remarks
Second series unsecured investment corporation bonds	February 9, 2005	15,000	15,000	1.73	February 9, 2015	Lump sum (Note 1)	Note 2	Unsecured and unguaranteed
Third series unsecured investment corporation bonds	February 22, 2006	10,000	10,000	2.02	February 22, 2016	Lump sum (Note 1)	Note 2	Unsecured and unguaranteed
Fourth series unsecured investment corporation bonds	December 22, 2006	20,000	20,000	1.60	December 22, 2011	Lump sum (Note 1)	Note 2	Unsecured and unguaranteed
Fifth series unsecured investment corporation bonds	May 23, 2007	20,000	20,000	1.60	May 23, 2012	Lump sum (Note 1)	Note 2	Unsecured and unguaranteed
Sixth series unsecured investment corporation bonds	May 23, 2007	15,000	15,000	2.17	May 23, 2017	Lump sum (Note 1)	Note 2	Unsecured and unguaranteed
Total		80,000	80,000					

Note 1 The Investment Corporation may repurchase bonds at any time on or after the next day of issuance except for the case that transferring term is otherwise limited.

Note 2 The funds were appropriated to repayment of borrowings or working capital.

4. Short-term investment corporation bonds

None

Condition of investment transactions

1. Transactions of property and asset-backed securities

Name of real property	Acquisition		Disposal			
	Date of acquisition	Acquisition cost (Note 1) (Millions of yen)	Date of disposal	Disposal amount (Millions of yen)	Net book value (Millions of yen)	Gain (loss) on disposal (Millions of yen)
AEON Sapporo Hassamu Shopping Center	March 1, 2010	378				
8953 Saitama Urawa Building			March 17, 2010	26,100	26,288	(256)
G-Bldg. Shinjuku 01	March 23, 2010	6,600				
LIFE Taiheiji （land with leasehold interest）	March 25, 2010	1,282				
LIFE Shimodera （land with leasehold interest）	March 25, 2010	1,683				
LIFE Kishibe （land with leasehold interest）	March 25, 2010	1,910				
G-Bldg. Jingumae 03	March 29, 2010	5,520				
G-Bldg. Minami-Ikebukuro 01	March 30, 2010	5,800				
G-Bldg. Shinsaibashi 01	April 2, 2010	1,582				
Total	-	24,755	-	26,100	26,288	(256)

Note 1 The acquisition cost indicates contracted amount of property in purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

2. Transactions of other assets

Other assets than property or asset-backed securities are mainly bank deposits and bank deposits in trust.

3. Researched value of specified assets

(1) Property

(Millions of yen)

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Researched value (Note 2)
Acquisition	AEON Sapporo Hassamu Shopping Center	March 1, 2010	378	463
Disposal	8953 Saitama Urawa Building	March 17, 2010	26,100	26,000
Acquisition	G-Bldg. Shinjuku 01	March 23, 2010	6,600	6,650
Acquisition	LIFE Taiheiji（land with leasehold interest）	March 25, 2010	1,282	1,320
Acquisition	LIFE Shimodera（land with leasehold interest）	March 25, 2010	1,683	1,720
Acquisition	LIFE Kishibe（land with leasehold interest）	March 25, 2010	1,910	1,980
Acquisition	G-Bldg. Jingumae 03	March 29, 2010	5,520	5,520

Acquisition/ Disposal	Name of property	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Researched value (Note 2)
Acquisition	G-Bldg. Minami-Ikebukuro 01	March 30, 2010	5,800	6,560
Acquisition	G-Bldg. Shinsaibashi 01	April 2, 2010	1,582	1,620

Note 1 The acquisition cost indicates contracted amount of property in purchase agreement excluding related expenses (brokerage fee, taxes, etc.).

Note 2 The researched value was reported by PricewaterhouseCoopers Aarata in accordance with the Japan Institute of Certified Public Accountants Industrial Audit Committee Report No.23, "Research for Specified Assets Value held by Investment Trusts and Investment Corporations". The report includes necessary information to specify property, such as location.

(Additional information)

The values of trust beneficiary interest in real property acquired by merger with LaSalle Japan REIT Inc. on March 1, 2010, were researched similarly under Article 201 of the Investment Trust Law as follows:

(Millions of yen)

Name of property	Amounts as acquisition costs	Researched value
La Porte Aoyama	9,400	9,400
AEONMALL Musashi-murayama mu	30,600	30,600
AEONMALL Kobe-kita	15,600	15,600
Shinsan Building	1,720	1,720
35 Sankyo Building	3,350	3,350
Shibuya West Building	1,890	1,890
Chiba West Building	1,610	1,610
Narita TT Building	1,490	1,490
Utsunomiya Center Building	1,310	1,310
Southern Mito Building	1,580	1,580
Horikawa-Dori Shijyo Building	1,590	1,590
KYUHO Esaka Building	1,380	1,380
Uchikanda Building	2,430	2,430
Mirum Daikanyama	3,530	3,530
Mirum Shirokanedai	1,460	1,460
Mirum Nogizaka	1,500	1,500
Mirum Minami Aoyama	1,580	1,580
Mirum Hiro-o II	1,560	1,560
Forest Hill Sendai-Aoba	1,570	1,570
Nishino Building	927	927
Leaf Comfort Shinkoiwa	1,800	1,800

4. Transactions with interested parties or major shareholders

(1) Outline of specified assets transactions

Classification	Acquisition cost / Disposal amount	
	Acquisition cost (Note 2)	Disposal amount
Total amount	¥24,755,718 thousand Acquisition cost from interested parties ¥5,520,000 thousand (22.3%)	¥26,100,000 thousand Disposal amount to interested parties -
Breakdown for transactions with interested parties		
Mitsubishi Corporation	*¥5,520,000 thousand (22.3%)*	-
Total	*¥5,520,000 thousand (22.3%)*	-

(2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	959,882	Mitsubishi UFJ Lease & Finance Company Limited	3,758	0.4
Utilities costs	829,217	Japan Facility Solutions, Inc.	14,366	1.7
Other rental expenses	381,789	Mitsubishi Corporation	1,013	0.3
		Mitsubishi Shoji & Sun Co., Ltd.	471	0.1
		Kentucky Fried Chicken Japan, Ltd.	33	0.0
		Mitsubishi UFJ Lease & Finance Company Limited	12	0.0
Other operating expenses	162,371	Mitsubishi Corporation	227	0.1
Interest expense on borrowings	1,938,736	Mitsubishi UFJ Lease & Finance Company Limited	2,485	0.1

Note 1 "Interested parties" means the interested parties related with the asset management company of the Investment Corporation as prescribed under Article 123 of the Enforcement Ordinances of the Law Concerning Investment Trusts and Investment Corporations of Japan and Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan. "Major shareholders" means the major shareholders of the asset management company as defined in Article 29-4, Paragraph 2 of the Financial Instrument and Exchange Law.

Note 2 The acquisition cost indicates contracted amount of property in purchase agreement.

Note 3 Percentages in parentheses indicate ratio of each amount to the total amount of acquisition cost or disposal amount.

Note 4 In addition to above transaction, the Investment Corporation paid ¥82 thousand of research fee to Mitsubishi Corporation. The fee will be charged to income as cost of sales of property for the six months ending February 28, 2011.

5. Transactions with asset manager relating to other business than asset management

None

Financial information

1. Financial position and operating results

Please refer to accompanying balance sheets, statements of income, statement of changes in unitholders' equity, notes to financial information and statements of cash dividends.

2. Changes in depreciation method

None

3. Changes in valuation method of real property

None

Other information

1. Investment units held by the asset manager

Investment units held by the asset manager (Mitsubishi Corp. - UBS Realty Inc.) were as follows:

(1) Transactions of investment units held by the asset manager

Date	Number of units purchased (Units)	Number of units sold (Units)	Number of units held (Units)
September 21, 2006	100	-	800
March 1, 2010 (Note 1)	2,400	-	3,200
Accumulated number	2,500	-	3,200

Note 1 The Investment Corporation executed a four-for-one unit split effective on March 1, 2010.

(2) Number of investment units held by the asset manager

	Number of units held at end of period (Units)	Aggregated value of units held at end of period (Note 1) (Thousands of yen)	Ratio of number of units held to number of units issued and outstanding
The 8th fiscal period (September 1, 2005 to February 28, 2006)	700	637,000	0.2%
The 9th fiscal period (March 1, 2006 to August 31, 2006)	700	592,900	0.2%
The 10th fiscal period (September 1, 2006 to February 28, 2007)	800	880,000	0.2%
The 11th fiscal period (March 1, 2007 to August 31, 2007)	800	760,000	0.2%
The 12th fiscal period (September 1, 2007 to February 29, 2008)	800	512,000	0.2%
The 13th fiscal period (March 1, 2008 to August 31, 2008)	800	364,000	0.2%
The 14th fiscal period (September 1, 2008 to February 28, 2009)	800	256,800	0.2%
The 15th fiscal period (March 1, 2009 to August 31, 2009)	800	396,800	0.2%
The 16th fiscal period (September 1, 2009 to February 28, 2010)	800	337,280	0.2%
The 17th fiscal period (March 1, 2010 to August 31, 2010)	(Note 2) 3,200	360,320	0.2%

Note 1 "Aggregated value of units held at end of period" is calculated by market price of the investment securities on Tokyo Stock Exchange REIT Market at end of period.

Note 2 The Investment Corporation executed a four-for-one unit split effective on March 1, 2010.

2. Notice

Execution or modification of significant agreement approved by the Board of Directors of the Investment Corporation for the six months ended August 31, 2010, was as follows:

Approval day	Item	Summary
June 8, 2010	Modification of custody agreement	The custody agreement with Mitsubishi UFJ Trust and Banking Corporation was modified in parts.

3. Other

Figures less than unit indicated in each statement have been rounded down for amounts and rounded for ratio unless otherwise indicated in this presentation.

II. Balance sheets

	As of	
	February 28, 2010	August 31, 2010
	Thousands of yen	Thousands of yen
Assets		
Current Assets:		
Cash and bank deposits	11,659,456	12,532,022
Cash and bank deposits in trust	5,609,655	9,698,420
Rental receivables	880,229	844,577
Income taxes receivable	-	657
Other current assets	1,007,028	846,871
Total current assets	19,156,370	23,922,550
Fixed Assets (Note 2):		
Property and equipment:		
Buildings	807,986	1,641,726
Accumulated depreciation	(37,866)	(62,908)
Buildings, net	770,119	1,578,817
Building improvements	32,435	67,876
Accumulated depreciation	(1,643)	(2,981)
Building improvements, net	30,792	64,894
Furniture and fixtures	5,879	10,782
Accumulated depreciation	(921)	(1,417)
Furniture and fixtures, net	4,957	9,365
Land	11,490,626	21,187,271
Buildings in trust	240,037,002	269,415,097
Accumulated depreciation	(36,904,155)	(40,269,708)
Buildings in trust, net	203,132,846	229,145,388
Building improvements in trust	11,973,435	13,953,804
Accumulated depreciation	(2,518,125)	(2,777,496)
Building improvements in trust, net	9,455,309	11,176,308
Machinery and equipment in trust	1,408,483	1,601,739
Accumulated depreciation	(355,931)	(417,661)
Machinery and equipment in trust, net	1,052,551	1,184,077
Furniture and fixtures in trust	3,332,059	3,349,078
Accumulated depreciation	(1,204,409)	(1,308,668)
Furniture and fixtures in trust, net	2,127,650	2,040,409
Land in trust	317,639,172	362,278,736
Total property and equipment	545,704,025	628,665,269
Intangible assets:		
Leasehold rights	19,803	19,803
Leasehold rights in trust	8,922,128	8,907,852
Other intangible assets in trust	144,255	134,935
Total intangible assets	9,086,187	9,062,592

(To be continued on the following page)

	As of	
	February 28, 2010	August 31, 2010
	Thousands of yen	Thousands of yen
Investment and other assets:		
Lease deposits in trust	3,320,768	3,313,268
Long-term prepaid expenses	866,979	1,654,481
Other investments	567,114	119,251
Total investment and other assets	4,754,861	5,087,001
Total fixed assets	559,545,075	642,814,863
Deferred charges:		
Bonds issuance costs	127,722	106,294
Total deferred charges	127,722	106,294
Total assets	578,829,167	666,843,708

(To be continued on the following page)

	As of	
	February 28, 2010	August 31, 2010
	Thousands of yen	Thousands of yen
Liabilities		
Current Liabilities:		
Accounts payable – operating	581,101	754,625
Short-term borrowings (Note 3)	97,775,000	107,572,000
Current portion of long-term borrowings	5,600,000	14,500,000
Accounts payable – other	11,224	13,190
Accrued expenses	1,562,507	1,970,216
Income taxes payable	17,351	385
Consumption tax payable	337,853	906,777
Rent received in advance	1,672,697	2,139,574
Deposits received	761,117	761,752
Current amount of tenant leasehold and security deposits in trust (Note 2)	4,530,309	7,538,386
Other current liabilities	97,192	101,609
Total current liabilities	112,946,355	136,258,518
Non-current liabilities:		
Long-term bonds issued	80,000,000	80,000,000
Long-term borrowings	65,066,000	107,776,000
Tenant leasehold and security deposits	256,339	889,754
Tenant leasehold and security deposits in trust (Note 2)	64,464,344	63,072,296
Other non-current liabilities	2,562	2,179
Total non-current liabilities	209,789,247	251,740,230
Total liabilities	322,735,602	387,998,749
Net assets (Note 4)		
Unitholders' equity:		
Unitholders' capital	250,764,406	250,764,406
Surplus:		
Capital surplus	-	14,986,826
Retained earnings	5,329,158	13,093,726
Total surplus	5,329,158	28,080,552
Total unitholer's equity	256,093,565	278,844,959
Total net assets	256,093,565	278,844,959
Total liabilities and net assets	578,829,167	666,843,708

III. Statements of income

	For the six months ended	
	February 28, 2010	August 31, 2010
	Thousands of yen	Thousands of yen
Operating revenues		
Rental revenues (Note 5)	20,035,089	23,326,732
Total operating revenues	20,035,089	23,326,732
Operating expenses		
Rental expenses (Note 5)	10,414,750	11,772,870
Losses on sales of property (Note 6)	-	256,076
Asset management fees	1,736,682	2,013,792
Custodian fees	86,883	66,329
General administration fees	145,577	150,914
Compensation for Directors	5,940	5,940
Other operating expenses	115,509	162,371
Total operating expenses	12,505,343	14,428,295
Operating income	7,529,745	8,898,436
Non-operating revenues		
Interest income	4,313	4,378
Other non-operating revenues	3,226	3,795
Total non-operating revenues	7,540	8,173
Non-operating expenses		
Interest expense on borrowings	1,094,411	1,938,736
Interest expense on long-term bonds	771,302	720,849
Amortization of bonds issuance costs	21,428	21,428
Loan-related costs	289,820	316,907
Investment units issuance expenses	-	2,455
Other non-operating expenses	13,920	12,749
Total non-operating expenses	2,190,883	3,013,125
Recurring profit	5,346,402	5,893,484
Extraordinary income		
Gain on negative goodwill	-	7,202,340
Total extraordinary income	-	7,202,340
Income before income taxes	5,346,402	13,095,825
Income taxes		
Current	17,351	605
Deferred	(86)	1,562
Total income taxes	17,265	2,167
Net income	5,329,137	13,093,657
Retained earnings at beginning of period	21	69
Retained earnings at end of period	5,329,158	13,093,726

IV. Statements of changes in unitholders' equity

(Thousands of yen)

For the six months ended February 28, 2010 (September 1, 2009 to February 28, 2010)

	Unitholders' equity			
	Unitholders' capital	Retained earnings	Total	Total net assets
Balance as of August 31, 2009	250,764,406	5,881,035	256,645,442	256,645,442
Changes during the period				
Cash dividend declared		(5,881,014)	(5,881,014)	(5,881,014)
Net income		5,329,137	5,329,137	5,329,137
Total changes during the period		(551,876)	(551,876)	(551,876)
Balance as of February 28, 2010	250,764,406	5,329,158	256,093,565	256,093,565

For the six months ended August 31, 2010 (March 1, 2010 to August 31, 2010)

	Unitholders' equity					
		Surplus				
	Unitholders' capital	Capital surplus	Retained earnings	Total surplus	Total unitholders' equity	Total net assets
Balance as of February 28, 2010	250,764,406		5,329,158	5,329,158	256,093,565	256,093,565
Changes during the period						
Increase by merger		14,986,826		14,986,826	14,986,826	14,986,826
Cash dividend declared			(5,329,089)	(5,329,089)	(5,329,089)	(5,329,089)
Net income			13,093,657	13,093,657	13,093,657	13,093,657
Total changes during the period		14,986,826	7,764,568	22,751,394	22,751,394	22,751,394
Balance as of August 31, 2010	250,764,406	14,986,826	13,093,726	28,080,552	278,844,959	278,844,959

V. Notes to financial information

Note 1 – Summary of significant accounting policies

(a) 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	2-50 years (2-39 years for the six months ended February 28, 2010)
Building improvements	2-60 years
Machinery and equipment	2-17 years (3-17 years for the six months ended February 28, 2010)
Furniture and fixtures	2-39 years

(b) Other intangible assets in trust and long-term prepaid expenses

Depreciation of other intangible assets in trust and long-term prepaid expenses is calculated on a straight-line basis.

(c) Bonds issuance costs

Bonds issuance costs are amortized on a straight-line basis over the maturity period of the bonds issued.

(d) Investment units issuance expenses

Investment units issuance expenses are charged to income in the periods in which are paid.

(e) 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 ¥64,837 thousand for the six months period ended August 31, 2010 and no taxes was capitalized for the six months period ended for February 28, 2010.

(f) Equipment leases

Finance lease transactions effective on or after March 1, 2008, which ownership of the leased property is not transferred to the lessee, are capitalized and depreciated on a straight-line basis over the lease periods used as their useful lives and no residual value.

Those finance lease transactions effective before March 1, 2008, are not capitalized in accordance with former accounting principles generally accepted in Japan, and related rental expenses are charged to income in the periods in which are incurred.

(g) Accounting treatment of trust beneficiary interests in real property

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

(h) Consumption tax

Consumption tax are recorded as assets or liabilities when they are paid or received.

(i) Change in accounting policies

On December 26, 2008, the Accounting Standards Board of Japan ("ASBJ") revised ASBJ Statement No.21, "Accounting Standard for Business Combinations" and ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures", which are applicable to business combinations in or after the period beginning on or after April 1, 2009. The Investment Corporation applied these accounting standards to business combinations on or after March 1, 2010.

Note 2 – Collateral

The carrying amounts of assets stated below were pledged as collateral to secure liabilities of tenant leasehold and security deposits in trust of ¥50,942,899 thousand and ¥51,820,769 thousand as of August 31, 2010 and February 28, 2010, respectively.

(Thousands of yen)

	As of	
	February 28, 2010	August 31, 2010
Buildings in trust	90,160,237	89,236,095
Buildings improvements in trust	4,864,173	4,778,946
Machinery and equipment in trust	387,656	370,624
Furniture and fixtures in trust	598,138	603,286
Land in trust	143,522,992	143,522,992
Total	239,533,199	238,511,945

Certain lands and buildings which were pledged as collateral to secure co-owners' liabilities of tenant leasehold and security deposits for a total amount of ¥691,908 thousand as of August 31, 2010 and February 28, 2010, are included in above table.

Note 3 – Credit facilities and commitment lines

Credit facilities and commitment lines provided by banks were as follows:

(Thousands of yen)

	As of	
	February 28, 2010	August 31, 2010
Credit facilities		
Total amount of credit facilities	106,000,000	106,000,000
Borrowings drawn down	(97,775,000)	(92,575,000)
Unused credit facilities	8,225,000	13,425,000
Commitment lines		
Total amount of commitment lines	40,000,000	40,000,000
Borrowings drawn down	-	-
Unused commitment lines	40,000,000	40,000,000

Note 4 – Unitholders' equity

(1) Number of units

	As of	
	February 28, 2010	August 31, 2010
Authorized	2,000,000 units	8,000,000 units
Issued and outstanding	386,502 units	1,688,198 units

(2) The Investment Corporation is required to maintain net assets of at least ¥50,000 thousand as required pursuant to the Law Concerning Investment Trusts and Investment Corporations of Japan.

Note 5 – Breakdown for rental revenues and expenses

Rental revenues and expenses for the six months ended February 28, 2010 and August 31, 2010 consist of the following:

(Thousands of yen)

	For the six months ended	
	February 28, 2010	August 31, 2010
Rental revenues:		
Rental and parking revenue	19,082,635	21,992,925
Utilities received	538,914	724,214
Other	413,539	609,592
Total rental revenues	20,035,089	23,326,732
Rental expenses:		
Property management fees	328,468	377,039
Facility management fees	833,171	959,882
Utilities costs	603,938	829,217
Property-related taxes	2,191,984	2,562,516
Repair and maintenance	45,573	68,399
Insurance	73,089	62,449
Trust fees	126,121	137,811
Rent expense	953,444	950,439
Other	350,852	381,789
Depreciation	4,861,201	5,410,955
Losses on disposal of fixed assets	46,902	32,368
Total rental expenses	10,414,750	11,772,870
Operating income from property leasing activities	9,620,339	11,553,862

Note 6 – Losses on sales of property

Losses on sales of property for the six months ended August 31, 2010 were as follows:

(Thousands of yen)

For the six months ended August 31, 2010	
Proceeds from sales of property	26,100,000
Cost of sales:	
Net book value of property sold	26,288,061
Other costs related sales of property	68,015
Losses on sales of property, net	256,076

Note 7 – Income taxes

Deferred tax assets and liabilities consist of the following:

(Thousands of yen)

	As of	
	February 28, 2010	August 31, 2010
Deferred tax assets:		
Current		
Enterprise tax payable	1,562	-
Net valuation difference on assets acquired by merger scheduled to be sold in the following period	-	6,109,703
Valuation difference on other assets acquired by merger	-	131,068
Sub total	1,562	6,240,772
Valuation allowance	-	(6,240,772)
Total current deferred tax assets	1,562	-
Non-current		
Amortization of leasehold rights	68,571	73,153
Valuation difference on assets acquired by merger	-	7,181,543
Sub total	68,571	7,254,697
Valuation allowance	(68,571)	(7,254,697)
Total non-current deferred tax assets	-	-
Total deferred tax assets	1,562	-
Net deferred tax assets	1,562	-

The effective tax rates in the accompanying statements of income as well as applicable statutory tax rates are reflected as follows:

	For the six months ended	
	February 28, 2010	August 31, 2010
Statutory effective tax rate	42.05%	39.33%
Deductible cash dividends	(41.92)	(15.14)
Change in valuation allowance (for deferred tax assets)	0.18	(2.56)
Gain on negative goodwill	-	(21.63)
Other	0.01	0.02
Effective tax rate	0.32%	0.02%

Note 8 – Leases

Finance lease transactions effective on or after March 1, 2008, which ownership of the leased property is not transferred to the lessee, are capitalized and depreciated on a straight-line basis over the lease periods used as their useful lives and no residual value. Such capitalized leased properties are mainly personal computers.

Those finance lease transactions effective before March 1, 2008, are not capitalized in accordance with former accounting principles generally accepted in Japan, and related lease expenses are charged to income in the periods in which are incurred.

Lease expenses incurred in connection with such finance leases on equipment utilized by the Investment Corporation amounted to ¥7,397 thousand for the six months ended August 31, 2010 and February 28, 2010, respectively.

Future minimum lease payments under the terms of these finance leases as of February 28, 2010 and August 31, 2010 are as follows:

(Thousands of yen)

	As of	
	February 28, 2010	August 31, 2010
Due within one year	14,794	10,531
Due after one year	3,133	-
Total	17,928	10,531

Additional financial information related to these finance leases, assuming they were capitalized, is as follows:

(Thousands of yen)

	As of	
	February 28, 2010	August 31, 2010
Furniture and fixtures in trust		
At cost	39,369	39,369
Accumulated depreciation	(30,246)	(34,121)
Net book value	9,123	5,248
Machinery and equipment in trust		
At cost	38,742	38,742
Accumulated depreciation	(29,937)	(33,459)
Net book value	8,805	5,283
Total		
At cost	78,111	78,111
Accumulated depreciation	(60,183)	(67,580)
Net book value	17,928	10,531

Depreciation expense would be ¥7,397 thousand for the six months ended August 31, 2010 and February 28, 2010, respectively. This depreciation amounts is calculated utilizing the straight-line method over the term of the leases 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 in the disclosures above.

Note 9 – Financial instruments

(1) Qualitative information for financial instruments

(a) Policy for financial instrument transactions

The Investment Corporation raises funds by, among others, borrowings, issuance of corporate bonds or investment units for the usage of acquiring real property, expenditures on maintenance for properties or refund existing debts. The use of surplus funds is decided carefully taking into account of safety and liquidity of financial instruments as well as condition of financial market and working funds. The derivatives are used only for the hedging purpose but not for the speculative purpose. The Investment Corporation did not use any derivative for the six months ended August 31, 2010.

(b) Content of financial instrument, and risk and risk management of those

The usage of funds raised by borrowings or corporate bonds is mainly for acquiring real property or property in trust, and refund existing borrowings or bonds issued. Tenant leasehold and security deposits are deposits from tenants based on the lease agreements. Although borrowings with floating interest rate are surfaced to fluctuation of interest rate, the Investment Corporation manages to keep an appropriate level of liabilities ratio in order to hold the influence of the rise of market interest rate on its management condition at minimum. Liquidity risks relating to borrowings, bonds issued and tenant leasehold and security deposits are managed by preparing monthly plan for funds, keeping highly liquidity and making credit facility agreements and commitment line agreements with banks for the purpose of timely funding.

(c) Supplemental information about the fair value for financial instruments

The fair value for financial instruments that are traded in markets is based on quoted prices in the markets. For the financial instruments that are not traded in markets, the fair value is estimated by using valuation techniques based on various assumptions. If other valuation models or assumptions were used, the estimated value may differ from the fair value in this presentation.

(2) Quantitative information for financial instruments

The following table shows the carrying amounts, fair value and valuation difference on financial instruments as of August 31, 2010. The financial instruments that are too difficult to establish the fair value are not included in the table.

(Thousands of yen)

As of August 31, 2010

	Carrying amounts	Fair value	Valuation difference
(1) Cash and bank deposits	12,532,022	12,532,022	-
(2) Cash and bank deposits in trust	9,698,420	9,698,420	-
Total assets	22,230,443	22,230,443	-
(1) Short-term borrowings	107,572,000	107,572,000	-
(2) Current portion of long-term borrowings	14,500,000	14,517,168	17,168
(3) Current amount of tenant leasehold and security deposits in trust	7,491,433	7,501,265	9,832
(4) Long-term bonds issued	80,000,000	81,970,050	1,970,050
(5) Long-term borrowings	107,776,000	110,404,750	2,628,750
(6) Tenant leasehold and security deposits in trust	22,126,692	22,246,432	119,740
Total liabilities	339,466,126	344,211,667	4,745,541

Note 1: Valuation method of financial instruments

Assets

(1) Cash and bank deposits and (2) Cash and bank deposits in trust:

The fair values would be almost equal to the carrying amounts considering that all of the bank deposits are only short-term.

Liabilities

(1) Short-term borrowings:

The fair value would be almost equal to the carrying amounts considering that all of the short-term borrowings are short-term and floating interest rates.

(2) Current portion of long-term borrowings and (5) Long-term borrowings:

For the long-term borrowings that are with floating interest rates, the fair value would be almost equal to the carrying amounts considering that interest rates are changing at every contractual term. For the long-term borrowings that are with fixed interest rates, the fair value is the present value of contractual cash flows discounted at current interest rate which would be applicable to new borrowings under the same conditions and terms as existing long-term borrowings.

(3) Current amount of tenant leasehold and security deposits in trust and (6) Tenant leasehold and security deposits in trust:

The fair value is the present value of contractual cash flows discounted at current interest rate which would be applicable to its equivalent in terms and credit risk.

(4) Long-term bonds issued:

The fair value is quoted price announced by a provider of financial market information.

Note 2: Financial instruments that are too difficult to establish the fair value

(Thousands of yen)

	Carrying amounts
Current amount of tenant leasehold and security deposits in trust	46,953
Tenant leasehold and security deposits	889,754
Tenant leasehold and security deposits in trust	40,945,603
Total	41,882,311

The above carrying amounts of tenant lease hold and security deposits and those in trust are not traded in markets, and it is too difficult to establish the fair value based on a reasonably estimated cash flow because the repayment dates of those deposits are undefined. These financial instruments are not included in above quantitative information.

Note 3: Cash flow schedule of financial assets after the end of the period

(Thousands of yen)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	12,532,022	-	-	-	-	-
Cash and bank deposits in trust	9,698,420	-	-	-	-	-
Total	22,230,443	-	-	-	-	-

Note 4: Cash flow schedule of financial liabilities after the end of the period

(Thousands of yen)

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	107,572,000	-	-	-	-	-
Current portion of long-term borrowings	14,500,000	-	-	-	-	-
Current amount of tenant leasehold and security deposits in trust	4,989,002	-	-	-	-	-
Long-term bonds issued	-	40,000,000	-	-	15,000,000	25,000,000
Long-term borrowings	-	14,700,000	9,000,000	8,550,000	43,810,000	31,716,000
Tenant leasehold and security deposits in trust	-	1,594,029	1,594,029	1,521,953	1,354,855	10,026,674
Total	127,061,002	56,294,029	10,594,029	10,071,953	60,164,855	66,742,674

(Additional information)

Effective for the six months ended August 31, 2010, the Investment Corporation applied ASBJ Statement No.10, “Accounting Standard for Financial Instruments” revised on March 10, 2008, and ASBJ Guidance No.19, “Guidance on Accounting Standard for Disclosure about Fair Value of Financial Instruments” issued on March 10, 2008.

Note 10 – Fair value of investment and rental property

The Investment Corporation has mainly retail facilities as investment assets which are located mainly in three major metropolitan areas and other metropolitan areas in Japan. The following table shows the net book value and the fair value of the investment properties for the six months ended August 31, 2010.

(Thousands of yen)

For the six months ended August 31, 2010

Net book value			Fair value at the end of period
At the beginning of the period	Net increase (net decrease) during the period	At the end of the period	
554,789,370	82,937,859	637,727,230	599,152,000

Note 1: The net book value increased mainly due to the merger with LaSalle Japan REIT Inc. (21 properties amounting to ¥87,877,000 thousand), the acquisition of AEON Sapporo Hassamu Shopping Center (land adjacent to the property amounted to ¥386,676 thousand), G-Bldg. Shinjuku 01 (¥6,708,049 thousand), LIFE Taiheiji (land with leasehold interest amounted to ¥1,302,816 thousand), LIFE Shimodera (land with leasehold interest amounted to ¥1,713,856 thousand), LIFE Kishibe (land with leasehold interest amounted to ¥1,942,759 thousand), G-Bldg. Jingumae 03 (¥5,610,167 thousand), G-Bldg. Minami-Ikebukuro 01 (¥6,074,097 thousand) and G-Bldg. Shinsaibashi 01 (¥1,611,435 thousand) and capital expenditures on Kyoto family (¥610,394 thousand) and Higashi-Totsuka Aurora City (¥282,470 thousand), while the net book value decreased mainly due to the disposal of 8953 Saitama Urawa Building (¥26,288,061 thousand) and depreciation.

Note 2: The fair value of properties sold subsequently on September 3, 2010 shows those transaction prices, and the fair value of other properties shows an appraisal value or researched value by independent real estate appraisers.

For rental revenues and expenses for the six months ended August 31, 2010, please refer to “Note 5 Breakdown for rental revenues and expenses”.

(Additional information)

Effective for the six months ended August 31, 2010, the Investment Corporation applied ASBJ Statement No.20, “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” issued on November 28, 2008, and ASBJ Guidance No.23, “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” issued on November 28, 2008.

Note 11 – Related-party transaction

For the six months ended February 28, 2010:

Classification	Company name	Business	Ratio of investment units held by the related-party to investment units issued and outstanding	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Note 4) (Thousands of yen)	Account name in balance sheets	Amounts (Note 4) (Thousands of yen)
Custodian	Mitsubishi UFJ Trust and Banking Corporation	Banking	-	Drawing of short-term borrowings (Note 1)	7,860,500	Short-term borrowings	25,474,350
				Interest expenses (Note 2)	126,279	Accrued expenses	42,085
				Trust fees (Note 3)	63,860	Accounts payable - operating	10,248
				General administration fees (Note 3)	145,577	Accrued expenses	46,643

Note 1 The short-term borrowings were drawn in accordance with the credit facility agreement and commitment line agreement. All of the short-term borrowings were unsecured.

Note 2 The interest expenses were accruing on borrowings drawn in accordance with the credit facility agreement, commitment line agreement and term loan agreement. The interest rates of the borrowings have been decided similarly as other banks of the syndicate. Loan-related costs are not included in the above table.

Note 3 The fees have been decided based on third party transactions.

Note 4 Consumption tax are excluded from the amounts of transactions, but included in the amounts of balances.

For the six months ended August 31, 2010:

Classification	Company name	Business	Ratio of investment units held by the related-party to investment units issued and outstanding	Transactions for the period		Balance at end of the period	
				Type of transaction	Amounts (Note 4) (Thousands of yen)	Account name in balance sheets	Amounts (Note 4) (Thousands of yen)
Parent company of the asset manager	Mitsubishi Corporation	Trading Company	3.31	Acquisition of real property (Note 1)	5,520,000	-	-
Custodian	Mitsubishi UFJ Trust and Banking Corporation	Banking	-	Drawing of short-term borrowings (Note 2)	15,932,800	Short-term borrowings	23,793,300
				Interest expenses (Note 3)	124,440	Accrued expenses	34,146
				Trust fees (Note 4)	57,107	Accounts payable - operating	9,959
				General administration fees (Note 4)	150,814	Accrued expenses	47,436
				Investment units issuance expenses (Note 4)	2,284	-	-

Note 1 The acquisition amount was decided through negotiation with the company based on an appraisal value by a real estate appraiser.

Note 2 The short-term borrowings were drawn in accordance with the credit facility agreement and commitment line agreement. All of the short-term borrowings were unsecured.

Note 3 The interest expenses were accruing on borrowings drawn in accordance with the credit facility agreement, commitment line agreement and term loan agreement. The interest rates of the borrowings have been decided similarly as other banks of the syndicate. Loan-related costs are not included in the above table.

Note 4 The fees have been decided based on third party transactions.

Note 5 Consumption tax are excluded from the amounts of transactions, but included in the amounts of balances.

Note 12 – Per unit information

The net asset value per unit as of August 31, 2010 and February 28, 2010 was ¥165,173 and ¥662,593, respectively. Net income per unit for the six months ended August 31, 2010 and February 28, 2010 was ¥7,755 and ¥13,788, respectively.
Net income per unit is calculating by dividing net income by the weighted-average number of units outstanding for the period.
Diluted net income per unit is not disclosed because dilutive security is not issued.

The Investment Corporation executed a four-for-one unit split (the “Unit Split”) on March 1, 2010 as the effective date. The following table shows pro forma per unit information for the six months ended February 28, 2010 which has been adjusted to reflect the Unit Split as if it had been effective on September 1, 2009:

(Yen)

As of or for the six months ended February 28, 2010	
Net asset value per unit	165,648
Net income per unit	3,447

Net income per unit is calculating by dividing net income by the weighted-average number of units outstanding for the period on post unit split basis. Diluted net income per unit is not disclosed because dilutive security has not been issued.

Note 13 – Subsequent events

For the six months ended February 28, 2010:

1. Merger with LaSalle Japan REIT Inc.

The Investment Corporation has merged with LaSalle Japan REIT Inc. (“LJR”) on March 1, 2010 (the “Merger Effective Date”).

(1) Purpose of the merger

The Investment Corporation and LJR, with the purpose of seeking new growth opportunities, considered thoroughly the criteria of their portfolios, and their growth and financial strategies, and as a result both corporations reached the common understanding that expansion of the asset scale, improvement of the quality of the portfolio and improved liquidity of investment units to be achieved through the merger would contribute to improving the unitholder value of both corporations. Therefore, the Investment Corporation and LJR entered into a memorandum of understanding for the merger on October 29, 2009. The Investment Corporation and LJR continued discussions thereafter and they had executed the merger agreement (the “Merger Agreement”) on December 15, 2009.

(2) Method of the merger

The merger was an absorption-type with the Investment Corporation as the surviving corporation and LJR was dissolved.

(3) The merger ratio

The Investment Corporation allocated units of the Investment Corporation at a ratio of 1.18 units (post-unit split) of the Investment Corporation per one unit of LJR. The Investment Corporation executed a four-for-one unit split with February 28, 2010 as the record date for the unit split and March 1, 2010 as the effective date.

(4) The merger cash distributions

Instead of cash distributions of LJR for the fiscal period ended the day before the Merger Effective Date, the Investment Corporation will distribute the merger cash distributions calculated by deduct the total amounts of unitholders' capital, capital surplus and valuation and translation adjustments from net assets of LJR as of the day before the Merger Effective Date, to the unitholders of LJR recorded as of the day before the Merger Effective Date excluding the unitholders who made purchase claim on their investment units.

(5) Unitholers' capital

The amounts of unitholder's capital and capital surplus of the Investment Corporation will increase as follows:

Unitholders' capital: ¥0

Capital surplus: Amount to be increased is calculated by deduct the increase amount in unitholders' capital above from an amount to be changed in unitholders' equity prescribed in the Article 22, Paragraph 1 of the Regulation for the Accounting of the Investment Corporation (Cabinet Office Ordinance No. 47 effective in 2006).

(6) Outline of LJR for the six months ended October 31, 2009.

Business:	To invest mainly specified asset under the Law Concerning Investment Trusts
Operating revenues:	¥3,757 million
Net income:	¥817 million
Total assets:	¥128,464 million
Total liabilities:	¥74,422 million
Net assets:	¥54,042 million

2. Unit split

The Investment Corporation executed a four-for-one unit split (the "Unit Split") with February 28, 2010 as the record date for the Unit Split and March 1, 2010 as the effective date.

(1) Purpose of the Unit Split

In accordance with the Merger Agreement, the merger was planning to be an absorption-type merger, in which the Investment Corporation would be the surviving corporation, and the merger ratio before considering the Unit Split would be 0.295:1 (LJR: the Investment Corporation). With this ratio, however, 0.295 units of the Investment Corporation would be allocated to every one of LJR's units, and a large number of LJR unitholders would receive only fractional units of the Investment Corporation. Therefore, a four-for-one unit split for units of the Investment Corporation would be implemented in order that at least one unit of the Investment Corporation would be issued to all of LJR's unitholders so that LJR's unitholders would be able to continue to hold the Investment Corporation's units after the merger.

(2) Split method

Each unit owned by unitholders listed in the final unitholders register on February 28, 2010, the day immediately prior to the effective date of the Unit Split, was split into four units.

(3) Number of units increased by the Unit Split

1)	Number of outstanding units of the Investment Corporation before the split	386,502
2)	Number of units increased by this split	1,159,506
3)	Number of outstanding units of the Investment Corporation after the split	1,546,008

The following table shows pro forma per unit information for the six months ended August 31, 2009 and February 28, 2010 which has been adjusted to reflect the Unit Split as if it had been effective on March 1, 2009:

(Yen)

	As of or for the six months ended	
	August 31, 2009	February 28, 2010
Net asset value per unit	166,005	165,648
Net income per unit	3,803	3,447

Net income per unit is calculating by dividing net income by the weighted-average number of units outstanding for the period on post unit split basis. Diluted net income per unit is not disclosed because dilutive security has not been issued.

3. Disposal of property

The Investment Corporation disposed following property.

Name of property:	8953 Saitama Urawa Building
Form of ownership:	Trust beneficial interest
Location:	Saitama-shi, Saitama
Disposal amount:	¥26,100 million
Date of contract:	March 11, 2010
Date of disposal:	March 17, 2010
Buyer:	PARCO Co., Ltd.
Effect on income:	Approximately ¥256 million of loss on disposal of the property will be charged to income for the six months ended August 31, 2010.

4. Acquisition of property

The Investment Corporation acquired seven properties totaled to ¥24,377 million as below.

Name of property:	G-Bldg. Shinjuku 01	LIFE Taiheiji (land with leasehold interest)	LIFE Shimodera (land with leasehold interest)	LIFE Kishibe (land with leasehold interest)
Form of ownership:	Trust beneficial interest	Real property	Real property	Real property
Location:	Shinjuku-ku, Tokyo	Higashi Osaka-shi, Osaka	Osaka-shi, Osak	Suita-shi, Osaka
Acquisition cost:	¥6,600 million	¥1,282 million	¥1,683 million	¥1,910 million
Date of acquisition:	March 23, 2010	March 25, 2010	March 25, 2010	March 25, 2010
Buyer:	Oedo Realty LLC.	Nippon Commercial Development Co. Ltd.	Shin Nippon Commercial Development Co. Ltd.	Nippon Commercial Development Co. Ltd.

Name of property:	G-Bldg. Jingumae 03	G-Bldg. Minami-Ikebukuro 01	G-Bldg. Shinsaibashi 01
Form of ownership:	Real property	Trust beneficial interest	Trust beneficial interest
Location:	Shibuya-ku, Tokyo	Toshima-ku, Tokyo	Osaka-shi, Osaka
Acquisition cost:	¥5,520 million	¥5,800 million	¥1,582 million
Date of acquisition:	March 29, 2010	March 30, 2010	April 2, 2010
Buyer:	Mitsubishi Corporation	Minami Ikebukuro Asset Investment LLC., MI Investment LLC.	Special Purpose Company Shinsaibashi TWINS

For the six months ended August 31, 2010:

1. Disposal of property

On September 3, 2010, the Investment Corporation disposed following 18 properties (trust beneficial interest in real property) to Special Purpose Company Sonic Investments 7 at the total sales price of ¥33,200 million. Gains on disposal of property will amount approximately to ¥1,067 million and be recognized in profit for the six months ending February 28, 2011.

Office (10 properties):

Shinsan Building, 35 Sankyo Building, Shibuya West Building, Chiba West Building, Narita TT Building, Utsunomiya Center Building, Southern Mito Building, Horikawa-Dori Shijyo Building, KYUHO Esaka Building, Uchikanda Building

Residential (6 properties):

Mirum Daikanyama, Mirum Shirokanedai, Mirum Nogizaka, Mirum Minami Aoyama, Mirum Hiro-o II, Forest Hill Sendai-Aoba

Residential+Retail (2 properties):

Nishino Building, Leaf Comfort Shinkoiwa

Note 14 – Business combination

For the six months ended August 31, 2010:

1. Outline of business combination

(1) Name of the acquiree
LaSalle Japan REIT Inc. (”LJR”)

(2) Business of the acquiree
To invest mainly specified asset under the Law Concerning Investment Trusts.

(3) Primary reason for the business combination
The Investment Corporation and LJR, with the purpose of seeking new growth opportunities, considered thoroughly the criteria of their portfolios, and their growth and financial strategies, and as a result both corporations reached the common understanding that expansion of the asset scale, improvement of the quality of the portfolio and improved liquidity of investment units to be achieved through the merger would contribute to improving the unitholder value of both corporations. Therefore, the Investment Corporation and LJR entered into a memorandum of understanding for the merger on October 29, 2009. The Investment Corporation and LJR continued discussions thereafter and they had executed the merger agreement on December 15, 2009.

(4) Acquisition date
March 1, 2010

(5) Type of the business combination
The business combination was an absorption-type merger with the Investment Corporation as the surviving corporation and LJR was dissolved.

(6) Name of the combined entity after the business combination
Japan Retail Fund Investment Corporation

(7) Basis for identifying the acquirer
The Investment Corporation was identified as the acquirer in accordance with the accounting standard for business combinations, considering relative size in assets or profit, the relative voting rights of the unitholders as a group in the combined entity after the business combination, the existence of a unitholder who has a large minority voting interest in the combined entity or the ability to elect or appoint or to remove a majority of the members of the governing body of the combined entity, the composition of the governing body of the combined entity and other facts and circumstance.

2. Reporting period of the acquiree included in the financial information of the combined entity
From March 1, 2010 to August 31, 2010

3. Measurement of consideration

(1) Consideration transferred in the business combination

	(Thousands of yen)
Consideration transferred:	
Aggregate amount of the acquisition-date market value of the investment unit of the Investment Corporation	14,986,826
Acquisition-related costs:	
Advisory fees, etc.	328,617
Total	15,315,443

(2) The merger ratio

The Investment Corporation allocated units of the Investment Corporation at a ratio of 1.18 units (post-unit split) of the Investment Corporation per one unit of LJR. The Investment Corporation executed a four-for-one unit split with February 28, 2010 as the record date for the unit split and March 1, 2010 as the effective date.

(3) Basis for calculation of the merger ratio

(a) The merger ratio was calculated considering the results of the analysis based on the market unit price analysis, comparable REITs analysis, dividend capitalization analysis, discounted cash flow analysis, and adjusted net asset value analysis.

(b) In order to support the fairness of the calculation of the merger ratio for the merger, the Investment Corporation and LJR appointed their respective financial advisors to perform financial analyses regarding the merger ratio, and the merger ratio was determined to be appropriate by the Investment Corporation and LJR as a result of careful discussions and negotiations with consideration of various factors.

(4) Units issued for the merger

142,190 units

4. Purchase price allocation

(1) Assets acquired and liabilities assumed at the acquisition date

	(Thousands of yen)
Current assets	9,020,902
Fixed assets	87,906,351
Total assets	96,927,254
Current liabilities	24,932,440
Non-current liabilities	49,477,029
Total liabilities	74,409,470

(2) Negative goodwill

Amount of negative goodwill:

¥7,202,340 thousand

Reason why the merger resulted in negative goodwill:

The negative goodwill occurred because the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeded the amount of the total consideration in the business combination.

Accounting treatment:

The negative goodwill was recognized as extraordinary profit in the statement of income for the six months ended August 31, 2010.

5. Comparative information

Nothing to be disclosed because the acquisition date was the beginning of the current reporting period.

VI. Statements of cash dividends

(Yen)

	For the six months ended	
	February 28, 2010 (Note 1)	August 31, 2010 (Note 2)
Retained earnings at the end of period	5,329,158,900	13,093,726,915
Cash dividend declared	5,329,089,576	6,173,740,086
(Cash dividend declared per unit)	*(13,788)*	*(3,657)*
Reserve for dividends	-	6,918,474,639
Retained earnings carried forward	69,324	1,512,190

Note 1: In accordance with the Article of Incorporation 26, Paragraph 1, Item 2, the Investment Corporation basically intends to distribute in excess of 90% of distributable profit calculated under Article 67-15, Paragraph 1 of the Special Taxation Measures Law of Japan, but not in excess of profit prescribed in the Article of Incorporation 26, Paragraph 2. Based on such distribution policy, cash dividends for the six months ended February 28, 2010 were amounted to ¥5,329,089,576 which were all of retained earnings at the end of period except for fractional dividend per unit less than one yen.

Note 2: In accordance with the Article of Incorporation 26, Paragraph 1, Item 2, the Investment Corporation basically intends to distribute in excess of 90% of distributable profit calculated under Article 67-15, Paragraph 1 of the Special Taxation Measures Law of Japan, but not in excess of profit prescribed in the Article of Incorporation 26, Paragraph 2. Based on such distribution policy, cash dividends for the six months ended August 31, 2010 were amounted to ¥6,173,740,086 which were all of the distributable profit except for fractional dividend per unit less than one yen. The distributable profit was amounted to ¥6,175,252,276 which were calculated as ¥13,093,726,915 of retained earnings at the end of period minus ¥7,202,340,607 of a gain on negative goodwill and plus ¥283,865,968 of an allowance for the distributable profit. In addition, the remaining retained earnings of ¥6,918,474,639 which consist of the gain on negative goodwill minus the allowance for the distributable profit is reserved as reserve for dividends.

Note

Accompanying English financial information, comprising of balance sheets, statements of income, statements of changes in unitholders' equity, notes to financial information and statements of cash dividends, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Law Concerning Investment Trusts and Investment Corporations of Japan.
Under Article 130 of the Law Concerning Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended August 31, 2010 have been audited by PricewaterhouseCoopers Aarata, in accordance with auditing standards generally accepted in Japan. But, English translation of the Japanese language report of independent auditors is not attached herein because the accompanying English translation of balance sheets, statements of income, statement of changes in unitholders' equity, notes to financial information and statements of cash dividends are unaudited.

Statements of cash flows (additional information)

(Thousands of yen)

	For the six months ended	
	February 28, 2010	August 31, 2010
Cash flows from operating activities:		
Income before taxes	5,346,402	13,095,825
Adjustment for:		
Depreciation	4,861,412	5,411,166
Amortization of bonds issuance costs	21,428	21,428
Losses on sales of property	-	256,076
Loss on disposal of fixed assets	46,902	32,368
Gain on negative goodwill	-	(7,202,340)
Interest income	(4,313)	(4,378)
Interest expense	1,865,714	2,659,586
Changes in assets and liabilities:		
Decrease (increase) in Rental receivables	(42,612)	87,530
Decrease in Consumption tax refundable	14,758	-
Increase in Income taxes receivable	-	(657)
Increase in Long-term prepaid expenses	(74,406)	(787,502)
Increase in Accounts payable - operating	16,068	6,692
Increase in Consumption tax payable	337,853	558,232
Decrease in Accounts payable - other	(9,146)	(413,758)
Increase (decrease) in Accrued expenses	(20,536)	141,105
Increase (decrease) in Rent received in advance	(3,645)	113,375
Increase in Deposits received	11,963	635
Other-net	(225,488)	19,214
Sub total	12,142,355	13,994,599
Interest received	4,313	4,378
Interest paid	(1,822,484)	(2,672,213)
Income taxes paid	(16,718)	(23,855)
Net cash provided by operating activities	10,307,466	11,302,909
Cash flows from investing activities:		
Purchase of property and equipment	(7,293)	(10,570,729)
Purchase of property and equipment in trust	(476,746)	(16,102,816)
Proceeds from sales of property and equipment in trust	-	26,031,984
Proceeds from tenant leasehold and security deposits	-	633,414
Payments of tenant leasehold and security deposits in trust	(3,691,317)	(2,954,711)
Proceeds from tenant leasehold and security deposits in trust	87,678	571,594
Purchase of intangible assets	(400)	-
Purchase of intangible assets in trust	(1,500)	-
Proceeds from lease deposits in trust	7,500	7,500
Other expenditures	(14,810)	(8,445)
Net cash used in investing activities	(4,096,890)	(2,392,208)

(To be continued on the following page)

(Thousands of yen)

	For the six months ended	
	February 28, 2010	August 31, 2010
Cash flows from financing activities:		
Proceeds from short-term borrowings	20,000,000	-
Repayments of short-term borrowings	(18,300,000)	(5,500,000)
Repayments of long-term bonds issued	(20,000,000)	-
Proceeds from long-term borrowings	13,000,000	-
Repayments of long-term borrowings	(684,000)	(2,000,000)
Dividend payments	(5,879,898)	(5,331,417)
Payments of merger cash distributions	-	(80,110)
Net cash used in financing activities	(11,863,898)	(12,911,527)
Net change in cash and cash equivalents	(5,653,322)	(4,000,827)
Cash and cash equivalents at beginning of period	22,922,434	17,269,111
Increase in cash and cash equivalents by merger	-	8,962,158
Cash and cash equivalents at end of period (Note 1)	17,269,111	22,230,443

Note 1 Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and convertible cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition. Cash and cash equivalents in the statements of cash flows consist of the following:

(Thousands of yen)

	As of	
	February 28, 2010	August 31, 2010
Cash and bank deposits	11,659,456	12,532,022
Cash and bank deposits in trust	5,609,655	9,698,420
Cash and cash equivalents	17,269,111	22,230,443

Note 2 Non-cash transactions

The following table shows assets acquired and liabilities assumed by the Investment Corporation through the merger with LaSalle Japan REIT Inc. Capital surplus was increased by ¥14,986,826 thousand by the merger.

	(Thousands of yen)
Current assets	9,020,902
Fixed assets	87,906,351
Total assets	96,927,254
Current liabilities	24,932,440
Non-current liabilities	49,477,029
Total liabilities	74,409,470

Implementation of innovative renewals to enhance the attractiveness of retail properties

Maximizing unitholder value through proactive shopping center management

At JRF, as part of a medium to long term strategy to strengthen the competitiveness of its properties and improve value, it is implementing proactive measures that include renewals and increases in floor space. In the current period, JRF has set forth on a new renewal approach that draws on its vast retail property management experience, which includes initiatives such as replacing tenants based on its review of contract terms.

Renewal activities are pushing ahead with the addition of a new face for Kyoto Family.

●Renewal is carried out in cooperation with tenants

Kyoto Family, a retail complex property located in western Kyoto, managed as a direct lease, has maintained consistent sales; however JRF took the opportunity at the end of last year when many tenants lease contracts expired, and renewed the property in order to strengthen the property's ability to attract more customers. Renovations that were carried out included adding new food court facilities and the introduction of new tenants that appeal to customers of all age groups, including Uniqlo and Mister Donut. Meanwhile, after reviewing the lease agreement with Aeon Retail Co., Ltd., a section of space (approximately 3041 m^2 on the second floor) was returned by Jusco, and the additional space was used to attract Midori, a large consumer electronics store. By adding a category that had not been used up to now, Kyoto Family was refurbished as a more attractive, highly convenient facility. Jusco's rents were adjusted accordingly and a rental fee system was adopted based on sales percentages. These related measures were implemented based on JRF's outstanding relationships with its tenants, and as a result of such measures, it is expected that the overall NOI will be higher compared to the NOI had the previous contracts been maintained.

Ito-Yokado Narumi will be completely renovated as a new facility called Naru Park (provisional name).

- **Implementing advanced shopping center management aimed at higher returns**

At Ito-Yokado Narumi, located in the southern Nagoya metropolitan area, the leasing contract with the tenant Ito-Yokado Co., Ltd. will be cancelled effective November 30, 2010, and a large-scale renewal plan is being moved forward based on plans to change the lease terms from a master lease to a direct lease. As the property is situated in a densely populated area that is expected to have high potential in the future, a broad review of the tenant mix was conducted and the facility is scheduled to reopen next spring as community-based retail property with new value and attractions. The facility is tentatively named Naru Park.

- **Utilizing JRF's leasing capabilities to attract tenants that have the ability to pull in more customers**

JRF has taken the measure of replacing tenants and is demonstrating the power of its leasing strength by attracting strong new tenants that are expected to bring in more customers. With regards to anchor tenants, Heiwado, a food supermarket chain that has concentrated in developing its stores in the central region, was selected from among many requests by various companies to open stores. Additionally, multiple specialty stores have been introduced to meet the needs of its main customer target, families. The stores are compact and very convenient, and the aim is to create an attractive interior space so that customers will want to visit even on a daily basis. Moreover, although JRF's NOI is expected to decline temporarily during the time of the initial renewals, however if the property's sales increase in the future due to renewal activities such as reorganizing the competitiveness of the retail property, developing the possibilities for cost management through direct leases, as well as introducing a sales percentage rent system, JRF's NOI can be expected to increase as well.

Other Information

Japanese version of the Asset Management Report contains other information not included in this English version.　You can access most of those information in English by referring to the IR material for this period posted on our website.

IR material
"The Seventeenth Period Analyst Meeting Materials (March 1, 2010-August 31, 2010)"

- Financial Summary: Page 25
- Portfolio Management (Additional Documentation): Page 5 and Page21
- Portfolio Overview(Additional Documentation): Page 9 to 10 and Page 25 to 26

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Transfer Agent
Regarding the custody arrangement and other investment units-related information, please contact our general administrator, Mitsubishi UFJ Trust and Banking Corporation at 0120-232-711 (Free dial, but in domestic only) and The Chuo Mitsui Trust and Banking Company, Limited at 0120-78-2031 for investors of former LaSalle Japan REIT Inc (also Free dial, but in domestic only).

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