

**Japan Retail Fund Investment Corporation**  
**19<sup>th</sup> Asset Management Report**  
**(Semi-Annual Report 19<sup>th</sup>)**

**March 1, 2011 – August 31, 2011**

## **JRF is growing, aiming to achieve stable distributions.**

Japan Retail Fund Investment Corporation (JRF) is a J-REIT sponsored by Mitsubishi Corporation and UBS AG, a global financial institution in Switzerland. One of the most significant features of JRF is a stable revenue based on keeping high occupancy rate exceeding 99% in its entire portfolio since the beginning from 2002, specializing in retail properties, especially located in top-class areas that leads strong sales performances, and adopting fixed rents for approximately 90% of all its rental income.

## **The features of JRF are:**

### **1. Specialization in retail properties   Stable returns and easy-to-understand investments**

The biggest reason why JRF invests in retail properties is that a stable rental revenue can be expected continuously due to a longer-term contract and less rent fluctuations compared to those of office buildings and residential properties, and unit holders can verify the underlying properties easily on a daily shopping.

### **2. Total assets exceeding 670 billion yen   Asset size that allows flexible management**

JRF which owns nationwide 71 properties is the 2<sup>nd</sup> largest asset size among all REITs listed in Japan (as of the end of October 2011, acquisition-price basis). This large asset size contribute the stable rental revenue in the entire portfolio even if some properties are temporarily closed due to major refurbishment, expansion of floor space, or other reason. And that enable for JRF to formulate and implement strategies based on long-term perspectives.

### **3. High occupancy rate exceeding 99%   Professionals in retail property management**

JRF has kept high occupancy rates exceeding 99% in its entire portfolio since it listed on Tokyo Stock Exchange in 2002. Our experienced personnel with professional skills in real estate and retail property management made it possible to measure, attracting good tenants, realizing the optimum tenant mix, and providing management support focusing on customer satisfaction.

### **4. Various investment methods   Abundant information on investment targets that maximize opportunities to acquire properties**

In addition to direct investment, JRF adopts new investment methods such as acquiring an equity interest in an anonymous association after assessing the real estate market cycle. Also, JRF acquires properties with its unique network as one of the largest buyers of retail properties in Japan. Accordingly, property acquisitions without sponsor tool can be available.

## **Greetings from the Executive Director**

I would like to offer my heartfelt thanks to you, all the unit holders, for your warm understanding and support for Japan Retail Fund Investment Corporation.

In the period ended August 2011, the macroeconomic trend showed a gradual recovery from April, although it suffered serious damage due to the Great East Japan Earthquake that occurred on March 11, 2011, thereafter sales of retail properties started to pick up. The earthquake was a terrible event for the real estate market that has been on a gradual recovery track recently. However, the impact was less than initially expected, and the recovery trend before the earthquake essentially continued.

Under these circumstances, operating revenue for the period was 21,824 million yen, and net income for the period was 5,502 million yen, up 0.5% and 6.8% respectively from the forecast announced in April. This result means that the costs incurred due to repairs caused by the earthquake were 502 million yen, approximately 165 million yen lower than the initial estimate of 668 million yen, and that JRF worked on reducing its operating expenses.

As a result, the distribution per unit for the period amounted to 3,259 yen, exceeding the forecast of 3,050 yen.

JRF acquired an equity interest in an anonymous association in relation to two properties in April 2011. After that, JRF decided to acquire 12 properties including the two for which JRF acquired an equity interest in the previous period and eight new ones for 46 billion yen. To acquire these properties, JRF issued new investment units in September for the first time in five years and took out a new borrowing. Furthermore, JRF implemented financial measures such as debt refinancing to obtain longer-term borrowings and raising the amount of commitment line\*.

As a result of these new acquisitions, total assets as of October 3, 2011 exceeded 670 billion yen (acquisition-price basis) and was ranked second among all REITs listed in Japan. We are certain that such aggressive investment and funding activities will lead to higher unit holder value. We, in close cooperation with Mitsubishi Corp.-UBS Realty Inc., will continue to be committed to making efforts to increase unit holder value in future too. Thank you for your continued support.

\* Commitment line: contract that allows agile borrowings within an aggregate borrowing limit determined with a financial institution in advance

Japan Retail Fund Investment Corporation  
Executive Director  
Fuminori Imanishi

## **Interview with the President of the Asset Management Company**

**Q1. JRF announced the issuance and offering of new investment units in August 2011 and acquired new properties after that. Please tell us about offering summary.**

First of all, I would like to report that JRF **successfully completed the funding of approximately 20 billion yen by issuing new investment units for the first time in five years** in September 2011.

With this offering, JRF **acquired 12 properties in Tokyo, Chiba, Osaka, Nagoya and Nagasaki area for 46 billion yen**. They included the acquisition of part of mozo wonder city (Nagoya, Aichi), a top-class retail property in Japan, Kishiwada CanCan Bayside Mall (Kishiwada, Osaka), one of the largest properties in the region, Makuhari Plaza (Chiba, Chiba), a road-side complex facility, Round One, a sports and amusement facility, and a bridal facility for house weddings and its land with leasehold interest.

Accordingly, **an improvement in portfolio profitability and distributions can expected** due to the achievement of total assets for 670.2 billion yen (acquisition-price basis)

**Q2. What are the features and purposes of the new acquisitions?**

JRF focused on acquiring retail properties in the neighborhood of densely populated areas and urban properties adjacent to crowded major stations as the ratio of large suburban shopping malls and downtown brand shops in the existing portfolio was quite high. Furthermore, the feature is **diversification of the portfolio** by acquiring a bridal facility for house weddings of which tenant is expanding market share and a complex amusement facility with growth potential that targets various age groups. Expanding the investment target to service-related business sectors with strong sales performances enables JRF to implement those acquisitions.

JRF **acquired the 12 properties at 91.3% of their appraisal values** since most of those properties were acquired after direct negotiation with the sellers by utilizing JRF's broad network. In addition, the acquisitions, with higher cap rate compared to the average NOI yield and the implied cap rate,<sup>\*1</sup> **contributed to improve profitability of the entire portfolio.**

**Q3. Wasn't it a very challenging environment to issue new investment units and acquire new properties?**

Indeed, the global financial markets including those in the EU and US were in turmoil in August, with Greece at its epicenter. So was Japan.

However, to achieve external growth<sup>\*2</sup> with appropriate acquisition opportunities, we started preparing at early stage by **utilizing the bridge structure<sup>\*4</sup> based on equity investment in an anonymous association<sup>\*3</sup>** as well as the existing methods. In addition, JRF fully utilized its strong pipeline network as one of the largest buyers of retail properties in Japan and has explored opportunities to diversify investments into various service-related business sectors and categories.

The acquisition of the 12 properties is a **result of advanced actions with our eyes on the future**. We believe it is a great step toward our further growth to implement various financial measures, including issuing new investment units, and **raise the distribution level** without dilution under the adverse circumstances.

**Q4. Please tell us about the financial strategy you implemented in conjunction with the acquisitions and your future plans.**

In terms of financial strategy, JRF implemented new borrowing amounting to 25 billion yen from commercial banks

in September, including a **10 year loan which is the longest term in the J-REITs**. JRF also **distributed the maturity date, equalized the repayment amount for maturity date, and lengthened the repayment period** by refinancing the existing short-term borrowings of 30.6 billion yen to long-term borrowings. Furthermore, the amount of commitment line were increased to 50 billion yen from 40 billion yen with decreasing the debt cost. Furthermore, JRF decided to borrow 15 billion yen in total for 7.5 to 8 years (decided in October, scheduled to borrow in December) in order to redeem of investment corporation bonds and remains will be raised by issuing new investment corporation bonds or having a long-term borrowing depending on the market trends. Accordingly, JRF **implements a cautious strategy that considers LTV (interest-bearing debt ratio including tenant deposits and guarantees)** with wider options mentioned above.

**Q5. Please tell us about the recent operating environment of retail properties.**

I believe consumption is on a recovery track after a temporary drop due to the effects of the Great East Japan Earthquake. Nevertheless, we need to pay attention to the effects that the European economy, appreciation of the yen, and economic uncertainty will have on consumption.

One of the significant features of JRF is its stable revenue base that is not affected easily by economic ups and downs. JRF will **get involved in enhancing our property management with initiative** to appreciate asset value by large-scale refurbishments like NARUPARK, a retail property in Nagoya that re-opened in March 2011, expanding floor space and attracting new tenants in addition to the external growth strategy like the new acquisitions,

**Q6. Please tell us about your future policy.**

The real estate market is heading for recovery after hitting the bottom, and we view this as an **opportunity for REITs with fund-raising capacity to acquire prime properties**.

We will **aim to maximize unit holder value** by continuing to work on maintaining and improving distributions on the basis of external growth strategy, internal growth<sup>\*2</sup> strategy, and financial strategy. We will continue to be committed to making efforts to meet your expectations. We would appreciate your further help and encouragement from now on.

Mitsubishi Corp.-UBS Realty Inc.  
President & CEO  
Takuya Kuga

\*1 Implied cap rate: Yield required of properties managed by J-REITs by the capital market through a unit price.

\*2 External growth and internal growth: External growth means expanding scale by newly acquiring properties, while internal growth means aiming for growth by improving the profitability of the existing properties owned and asset value.

\*3 Equity investment in anonymous association: Means investment in an independent business arrangement, in which investors are entitled to receive distributions out of profits (such as rental income from tenants) generated from the business depending on how much amount of investment they have made respectively.

\*4 Bridge structure: The timing at which a property owner sells a property and the optimum timing for JRF to acquire a property do not necessarily match. A bridge structure is a method of controlling the timing of acquisition by a third party (such as a fund JRF invests in) acquiring a property and JRF securing a preferential negotiation right at the same time.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended			August 31, 2009	February 28, 2010	August 31, 2010	February 28, 2011	August 31, 2011
Operating revenues	Note 1	(Millions of yen)	20,503	20,035	23,326	22,925	21,824
(Rental revenues)	Note 1	(Millions of yen)	(20,503)	(20,035)	(23,326)	(21,868)	(21,789)
Operating expenses	Note 1	(Millions of yen)	12,729	12,505	14,428	13,577	13,278
(Rental expenses)	Note 1	(Millions of yen)	(10,593)	(10,414)	(11,772)	(11,298)	(11,136)
Operating income		(Millions of yen)	7,773	7,529	8,898	9,348	8,546
Recurring profit		(Millions of yen)	5,897	5,346	5,893	6,764	6,005
Net income	(a)	(Millions of yen)	5,880	5,329	13,093	6,698	5,502
Net assets	(b)	(Millions of yen)	256,645	256,093	278,844	279,369	278,173
(Period-on period change)		(%)	(+0.0)	(-0.2)	(+8.9)	(+0.2)	(-0.4)
Total assets	(c)	(Millions of yen)	588,500	578,829	666,843	625,312	621,377
(Period-on period change)		(%)	(+1.7)	(-1.6)	(+15.2)	(-6.2)	(-0.6)
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	1,688,198	1,688,198	1,688,198
Net asset value per unit	(b)/(d)	(Yen)	664,020	662,593	165,173	165,483	164,775
Total distributions	(e)	(Millions of yen)	5,881	5,329	6,173	6,698	5,501
Distribution per unit	(e)/(d)	(Yen)	15,216	13,788	3,657	3,968	3,259
(Profit distribution per unit)		(Yen)	(15,216)	(13,788)	(3,657)	(3,968)	(3,259)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of recurring profit to total assets	Note 4	(%)	1.0 (2.0)	0.9 (1.8)	0.9 (1.9)	1.0 (2.1)	1.0 (1.9)
Return on unitholders' equity	Note 4	(%)	2.3 (4.5)	2.1 (4.2)	4.9 (9.7)	2.4 (4.8)	2.0 (3.9)
Ratio of net assets to total assets	(b)/(c)	(%)	43.6	44.2	41.8	44.7	44.8
(Period-on period change)		(%)	(-0.7)	(+0.6)	(-2.4)	(+2.9)	(+0.1)
Payout ratio	(e)/(a)	(%)	100.0	100.0	47.2	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 4	(Millions of yen)	14,762	14,481	16,964	15,730	15,781
Net profit margin	Note 4	(%)	28.7	26.6	Note 6 25.3	29.2	25.2
Debt service coverage ratio	Note 4	(Multiple)	7.5	6.5	Note 6 5.3	6.3	5.8
Funds from operation (FFO) per unit	Note 4	(Yen)	27,770	26,365	Note 6 6,846	6,398	6,297
FFO multiples	Note 4	(Multiple)	9.0	7.9	Note 6 8.3	10.9	9.2
Distributable income per unit after adjustment for taxes on property and equipment	Note 5	(Yen)	15,191	13,771	3,636	3,951	3,259
FFO per unit after adjustment for taxes on property and equipment	Note 5	(Yen)	27,745	26,348	Note 6 6,824	6,381	6,297

Note 1 Consumption taxes are not included.

Note 2 Net income for the 17<sup>th</sup> 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 15<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> 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 sales 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. The distributable income is calculated as total of cash distributions declared plus retained earnings carried forward shown in the statements of cash distributions. These figures are unaudited.

Note 6 Net income used for calculation of “Net profit margin”, “Debt service coverage ratio” and “FFO multiples” for the 17<sup>th</sup> fiscal period does not include the gain on negative goodwill.

## 2. Outline of asset management operation for the 19<sup>th</sup> fiscal period

### i Principal Activities

Japan Retail Fund Investment Corporation (JRF) 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 (Securities code: 8953) on March 12, 2002.

Immediately after listing, JRF acquired four properties and began substantially managing these properties. To “expand the scale of our portfolio,” we continued to acquire and manage properties, achieving total assets of ¥400 billion by the end of the 10<sup>th</sup> 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.

We gave due consideration to M&As, and merged with LaSalle Japan REIT Inc. (“LJR”) on March 1, 2010. On the merger date, JRF executed a 4-for-1 unit split for its units. After the split, the total number of outstanding units of JRF was 1,688,198. On September 3, 2010, JRF sold 18 office and residential buildings other than those commercial facilities it had acquired due to the merger with LJR for a total of ¥33.2 billion, used the money it received from those sales to pay back its debts, and worked to stabilize its financial bases through the decreasing of its loan-to-value ratio (“LTV”)<sup>1</sup>, which had increased due to the merger.

As a result of the above, as of the end of the 19<sup>th</sup> fiscal period (August 31, 2011), we operate a total of 59 properties with an asset value of ¥621.3 billion, third among all listed real estate investment trusts. (“J-REIT”)

In addition, at its Board of Directors meeting held on August 24, 2011, JRF passed a resolution regarding the issuance of new units and the sale of units. At the same time, the Board of Directors passed a resolution regarding the solicitation of specified securities of a type similar to those issued by the company (“Units”) in mainly the U.S. and European Markets (“Overseas Solicitation”; however, Units in the U.S. will only be sold to qualified institutional buyers as per rule 144A of the U.S. Securities Act of 1933) and has conducted Overseas Solicitation in accordance with this resolution.

1 LTV refers to the amount of tenant leasehold and security deposits (including those in trust) added to amount of interest-bearing debts, with that corresponding amount divided by the total amount of assets. The same applies hereafter.

### ii Investment environment and results

#### (1) Investment environment

With regard to the domestic macro economy during the fiscal period under review, we suffered a great deal of damage due to the Great Eastern Japan Earthquake (the “Earthquake”), but the environment is slowly recovering. Additionally, movement in the Tokyo Stock Exchange REIT Index shows a decrease of over 15% compared to the level immediate before the Earthquake, but then recovered to the level that it was before the Earthquake. With regard to the real estate sales market, the trend toward expansion has continued since 2010, and, as domestic financial institution lending continues to remain flexible, we have started to see real estate investment for corporations and private funds, and at present there has been no significant change in the underlying tone. Due to this market recovery, we believe that the increase in the cap rates for prime real estate have converged in terms of

real estate appraisal. With regard to the effects of the Earthquake on J-REIT asset retention, owing to the fact that there was little damage and the effects on revenue were limited, we believe that our superiority as an investment target was proven and we were able to reconfirm the importance of due diligence. With regard to the commercial facility leasing market, empty districts of urban commercial facilities seen comparatively often in city centers, particularly Tokyo, are slowly starting to fill up, and we are aware that the area operating rate is slowly beginning to climb. With regard to retail markets, the continuing decrease in supply of new large-scale commercial facilities and closing of unprofitable stores by large retail outlets means that there has been improvement in the balance of supply and demand, and sales of suburban commercial facilities have recovered. Although there was a temporary decline due to the Earthquake, the tone is shifting toward recovery by addressing the demand for restoration.

## (2) Results

With regard to the fiscal period ending August 2011 (the 19<sup>th</sup> fiscal period), as we communicated in the “Summary of Financial Results for the six months ended February 28, 2011,” 24 of the buildings retained by JRF were physically damaged, and we suffered extraordinary losses of ¥502 million due to repair costs. Of these, “AEON Sendai Nakayama”, which suffered the most damage, did not have any structural damage, although the interior, facilities, and parking lots were wrecked, and we rushed to perform restoration work, with normal operations resuming on July 16, 2011.

In this environment, JRF, on April 15, 2011 (after the Earthquake) acquired equity interests in an anonymous association whose investment asset is beneficial interest in properties held in trust “Urban Terrace Jingumae” and “Round 1 Machida”, and obtained preferential negotiation rights on the acquisition of the said beneficial interest on the properties held in trust. With regard to these dealings, we believe some of the confirmed reasons that we were able to acquire these rights without any major change to pre-Earthquake trading conditions were that investors’ desire for prime real estate did not decrease due to the Earthquake, and that the Earthquake did not cause changes in financial institutions’ real estate-related lending nor had a negative effect on JRF’s rating.

In terms of urban commercial facilities retained by JRF, economic conditions such as leasing prices still need a good deal of time to recover, but we can confirm that there have been early signs of recovery such as a slow increase in the occupancy ratio. In addition, with regard to tenant sales, boutiques and restaurants that offer high-class brand products have taken a large hit due to the Earthquake, but have since recovered, in June topping 100% as compared to the same month of the previous year, showing a faster bounce back than had been expected. Finally, summer energy saving measures have had no particular effect on facility operation.

In terms of suburban commercial facilities retained by JRF, year-on-year tenant sales decreased in March 2011, but from April to August 2011 achieved an average of 99.2%, and we believe that the effects of the Earthquake on suburban commercial facilities was limited.

## iii Funding

On March 31, 2011, JRF paid back short-term debts that were about to reach full term as well as repay short-term debts that had not yet reached full term and, through re-borrowing over a seven to eight year period, worked to lengthen the term of its debts. We increased financial stability through concluding interest swap contracts for some of these loans and fixing the long-term interest rate. Through full term repayments and new loans, loans for the fiscal period under review come to ¥148.7 billion. Of this, ¥46.5 billion was short-term debt and ¥148.7 billion was long-term debt. The total balance outstanding on our second through six series investment corporation bonds was ¥80 billion yen as of the end of the fiscal period under review.

## iv Results and distributions

As a result of the above management actions, operating revenue was ¥21,824 million, and operating income was ¥8,546 million after deducting operating expenses such as fixed property tax, utilities charges, and asset management fees. Recurring profit was ¥6,005 million yen, while net income was ¥5,502 million. With regard to distributions for the fiscal period under review, in accordance with the distribution policy set forth in Article 26, Paragraph 1, Items 2 of the Articles of Incorporation, JRF 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 ¥5,501 million, excluding a fractional divided per unit of less than one yen from unappropriate retained earnings of ¥5,503 million for the fiscal period under review. As a result, the distribution per unit totaled ¥3,259.

### 3. Changes in unitholders' capital

There was no change in unitholders' capital for the six months ended August 31, 2011. The outline of changes in unitholders' capital for the 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 Act on 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	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended	August 31, 2009	February 28, 2010	August 31, 2010	February 28, 2011	August 31, 2011
Highest price	522,000	502,000	130,400	160,500	141,600
Lowest price	302,000	335,000	103,400	109,600	105,800
Closing price at end of period	496,000	(Note1) 105,400	112,600	140,400	115,100

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

## 4. Distributions

In accordance with the distribution policy in the Investment Corporation's article of incorporation 26, Paragraph 1, Item 2, which stipulates to make distribution in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended August 31, 2011 were ¥5,501,837 thousand, which were all of retained earnings at the end of the period except for fractional distribution per unit less than one yen. As a result, distribution per unit amounted to ¥3,259 for the six months ended August 31, 2011.

Retained earnings (including reserve for dividends) at or after the end of the 17<sup>th</sup> fiscal period shown in below table will be distributed mainly when; (a) a net of gain or loss on sales of property due to strategic replacement of investment assets in same fiscal period and loss on disposal of property due to a large-scale renewal for replacing tenants results in loss, or (b) additional income tax expenses due to differences between accounting profit and taxable profit are charged.

Fiscal period	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended	August 31, 2009	February 28, 2010	August 31, 2010	February 28, 2011	August 31, 2011
Net income (Thousands of yen)	5,880,818	5,329,137	13,093,657	6,698,123	5,502,565
Retained earnings (including reserve for dividends) (Thousands of yen)	21	69	6,919,986	6,919,340	6,920,069
Total distributions (Thousands of yen)	5,881,014	5,329,089	6,173,740	6,698,769	5,501,837
(Distribution per unit) (Yen)	(15,216)	(13,788)	(3,657)	(3,968)	(3,259)
Profit distributions (Thousands of yen)	5,881,014	5,329,089	6,173,740	6,698,769	5,501,837
(Profit distribution per unit) (Yen)	(15,216)	(13,788)	(3,657)	(3,968)	(3,259)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and Issues

### i Outlook for overall operations

Although there was significant negative GDP growth in 2011 due to the Earthquake, in the second half we project that there will be developments toward recovery bolstered by the demand for reconstruction. Actual GDP growth in the period from April to June 2011 was negative for the third consecutive quarter; however, this was a sharp but temporary downturn in the Japanese economy in the immediate aftermath of the Earthquake, and starting in May the trend was toward recovery. In the immediate aftermath of the Earthquake, in addition to the destruction of much of citizen infrastructure and many corporate facilities, supply chains were cut off, electricity was scarce, spending from corporations and private citizens shrunk, and company productivity levels dropped, but these depressions were only short-term and have begun to recover. In terms of funding, stock prices plunged against the backdrop of unease about the future of the world economy kicked off by the downgrading of not just European but the U.S. bonds as well. Domestically, although there is a possibility of pressure toward higher interest rates due to the expansion of additional government obligations to meet the projected demand for funding for post-disaster reconstruction, financial institution lending has not drastically changed and we expect no changes in the foreseeable future.

### ii Issues confronting JRF

Within the environment described above, JRF will improve the profitability of its portfolio in the medium and long-term and work to distribute risks by taking advantage of the scale of its operations through the steady growth of managed assets by carefully selecting investments in prime assets. In addition, in order to enhance the quality of assets owned, we will carry out a proactive action plan that takes advantage of SC management capabilities. In

doing so, we will both realize stable dividends by utilizing bonus reserves, which have as their source of funds gain on negative goodwill gained through the merger with LJR, and aim to increase investor value.

(1) External growth strategy

Going forward, JRF aims to increase dividends per unit by increasing profitability while further dispersing its portfolio through expanding the scope of its investments. With regard to investment targets, we will carefully select prime real estate in four categories: local top-class large scale commercial facilities, commercial facilities near densely-populated areas, commercial facilities in prime locations near major train stations, and street stores with prime locations/specialty store buildings. We will undertake not just product sales, but also investment in a diverse array of services, entertainment, etc. in response to consumer trends in order to take full advantage of investment opportunities. Our investment techniques will not just be limited to direct investment, and we will work to secure investment opportunities that utilize bridge structures and, through fully leveraging our network as the largest domestic buyer of commercial facilities, we will search for opportunities to further expand the scale of our portfolio.

(2) Internal growth strategy

Through further enhancing the operating structure supporting SC management, JRF aims to improve the quality and volume of its portfolio going forward. SC management will realize renovation and expansion-based strategic action plans with the goal of maintaining and improving the competitiveness of our commercial facilities and enact forward-looking measures to deal with problems and risks through continued monitoring of store and tenant business conditions, discovery of issues such as problem spots and room for increased value, and repetition of the cycle of discovering and implementing solutions. Additionally, we will enhance the flexible operational structure that organically links the three functions that support SC management: general operation management, leasing, and engineering. One SC management case study is March's large scale reform on Narupark, formerly known as Ito Yokado Narumi.

(3) Financial Strategy

JRF is undertaking further lengthening of interest-bearing debt and conservative leverage control in order to further enhance its financial base. As of August 24, 2011, JRF, in order to acquire new real estate trust beneficiary rights for twelve buildings (total estimated acquisition price of ¥46 billion), resolved to issue new units (see "JRF to Issue New Investment Units and Conduct Secondary Offering of Investment Units" dated August 24, 2011, for more information) and, in order to re-borrow existing debts and realize said acquisition, decided to implement new debts. Of the aforementioned new loans, ¥25 billion were new long-term debts and ¥26.5 billion were re-borrowing of existing short-term debts. The debts period tops off at ten years, and, in addition to increasing the long-term liability ratio to 94.5%, we expect further strengthening of our financial base. Furthermore, we concluded a contract on August 24, 2011, that offers a new commitment line increasing our maximum borrowing limit from ¥40 billion to ¥50 billion. In addition, JRF is considering new long-term debts and issuing new corporate bonds in order to procure funding to redeem fourth series unsecured investment corporation bonds that are redeemable on December 22, 2011. JRF's LTV was 54.4% as of the end of the 18<sup>th</sup> period, and even after procuring funding through ¥25 billion in long-term debts concurrently with the issuance of new units, is maintaining the same LTV level as before the aforementioned loans. In order to form a long-term, stable debt structure and lower the cost of procuring funds, JRF will also negotiate fixed interest rates, debt periods, and other such conditions with multiple financial organizations and, by considering these conditions before making a decision, will maintain a healthy long-term debt rate and fixed interest rate, and be able to construct a stable financial base necessary for growth.

## 6. Subsequent events

### *Issuance of new investment units*

The Board of Directors of the Investment Corporation, at its meeting held on August 24, 2011 and September 7, 2011, resolved to issue new investment units as follows:

#### *(a) Issuance of new investment units through public offering*

Investment units shall be offered through a public offering in Japan (“Domestic Public Offering”) and in overseas markets, consisting mainly of the U.S. and European markets (provided, however, that offering in the U.S. market shall be restricted to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933) (referred to as “Overseas Offering” and collectively with the Domestic Public Offering, the “Offerings”).

##### *(i) Number of new investment units to be offered:*

187,500 investment units, out of which 94,200 new units to be offered through the Domestic Public Offering and 93,300 new units to be offered through the Overseas Offering consisting of 88,800 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 4,500 additional new units granted to the overseas underwriters.

##### *(ii) Issue price (Offer price):* ¥107,640 per unit

##### *(iii) Total issue price (Total offer price):* ¥20,182,500,000

##### *(iv) Issue value (Amount to be paid in):* ¥104,107 per unit

##### *(v) Total amount to be paid in (Total issue value):* ¥19,520,062,500

##### *(vi) Payment date:* September 14, 2011

##### *(vii) Distribution:*

The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2011 and ending on February 29, 2012.

#### *(b) Issuance of new investment units through third-party allotment*

##### *(i) Number of new investment units:* 4,500 investment units

##### *(ii) Issue value (Amount to be paid in):* ¥104,107 per unit

##### *(iii) Total amount to be paid in (Total issue value):* ¥468,481,500

##### *(iv) Payment date:* October 12, 2011

##### *(v) Distribution:*

The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2011 and ending on February 29, 2012.

##### *(iv) Allottee:* SMBC Nikko Securities Inc.

#### *(c) Use of proceeds*

The Investment Corporation will use the net proceeds from the Offerings partially for acquisition of additional specified assets. The proceeds from the issuance of new investment units through the third-party allotment will

be used partially for miscellaneous expenses relating to the acquisition of the specified assets.

The new investment units through the Offerings and the third-party allotment were issued on September 14, 2011 and October 12, 2011, respectively. As a result of the issuance, unitholders' capital has increased to ¥270,752,950,160 and number of investment units issued and outstanding has been 1,880,198 units.

# Outline of the Investment Corporation

## 1. Investment unit

Fiscal period	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of	August 31, 2009	February 28, 2010	August 31, 2010	February 28, 2011	August 31, 2011
Number of units authorized (Units)	2,000,000	2,000,000	8,000,000	8,000,000	8,000,000
Number of units issued and outstanding (Units)	386,502	386,502	1,688,198	1,688,198	1,688,198
Number of unitholders (People)	11,052	11,556	17,079	17,695	18,003

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

## 2. Unitholders

Major unitholders as of August 31, 2011 were as follows:

Name	Address	Number of units owned (Units)	Ratio of number of units owned to total number of units issued (Note 1) (%)
Japan Trustee Services Bank, Ltd. Trust Account	8-11, Harumi 1-chome, Chuo-ku, Tokyo	240,549	14.24
The Nomura Trust and Banking Co., Ltd. Trust Account	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	150,100	8.89
Trust & Custody Services Bank, Ltd. Trust Account	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	129,457	7.66
Nomura Bank (Luxembourg) S.A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	56,954	3.37
The Master Trust Bank of Japan, Ltd. Trust Account	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	43,769	2.59
The Government of Singapore Investment Corporation Pte Ltd.	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912	40,831	2.41
Mitsubishi Corporation	3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	35,900	2.12
State Street Bank And Trust Company	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	29,661	1.75
The Fuji Fire and Marine Insurance Company, Limited	18-11, Minamisenba 1-chome, Chuo-ku, Osaka city, Osaka	29,449	1.74
The Bank of New York Treaty JASDEQ Account	AVENUE DES ARTS, 35 KUNSTLAAN, 1040 BRUSSELS, BELGIUM	29,216	1.73
Total		785,886	46.55

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, 2011 (Note 2) (Thousands of yen)
Executive Director	Fuminori Imanishi	Head of Retail Division of Mitsubishi Corp.-UBS Realty Inc.	120
Supervisory Director	Shuichi Namba	Attorney-at-law of Momo-o, Matsuo & Namba	1,680
	Masahiko Nishida	President of Marks group Co., Ltd. Certified public accountant / Tax accountant	1,680
Independent auditor	PricewaterhouseCoopers Aarata	-	16,500

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 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 book keeping)	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	Region	As of February 28, 2011		As of August 31, 2011	
		Total of net book value (Millions of yen)	Composition ratio (%)	Total of net book value (Millions of yen)	Composition ratio (%)
Real property	Tokyo metropolitan area	17,873	2.9	17,868	2.9
	Osaka and Nagoya metropolitan areas	4,965	0.8	4,965	0.8
	Sub-total	22,839	3.7	22,834	3.7
Trust beneficial interest in real property	Tokyo metropolitan area	287,781	46.0	286,046	46.0
	Osaka and Nagoya metropolitan areas	199,308	31.9	198,333	31.9
	Other metropolitan areas	91,412	14.6	90,356	14.6
	Sub-total	578,501	92.5	574,735	92.5
Investments in Tokumei Kumiai agreements (Note 1)		518	0.1	854	0.1
Bank deposits and other assets		23,452	3.7	22,952	3.7
Total assets		625,312	100.0	621,377	100.0

Note 1 Operators of the Tokumei Kumiai (anonymous association) are Retail Daikanyama Godo Kaisha, Retail Shinsaibashi Godo Kaisha and Retail Balloon Godo Kaisha.

### 2. Major property

The principal properties (top ten properties in net book value) as of August 31, 2011 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
Higashi-Totsuka Aurora City (trust beneficial interest)	49,500	109,365.50	109,365.50	100.0	6.4	Retail facilities
Nara Family (trust beneficial interest)	30,779	84,981.97	84,741.34	99.7	9.3	Retail facilities
AEON MALL Musashi Murayama mu (trust beneficial interest)	29,700	137,466.97	137,466.97	100.0	4.4	Retail facilities
AEON Yachiyo Midorigaoka Shopping Center (trust beneficial interest)	29,554	132,294.48	132,294.48	100.0	3.1	Retail facilities
AEON MALL Tsurumi Leafa (trust beneficial interest)	27,827	138,538.63	138,538.63	100.0	4.1	Retail facilities
GYRE (trust beneficial interest)	22,579	4,863.19	4,649.12	95.6	2.7	Retail facilities
AEON MALL Itami Terrace (trust beneficial interest)	19,916	157,904.26	157,904.26	100.0	2.7	Retail facilities
Kawaramachi OPA (trust beneficial interest)	18,640	18,848.20	18,848.20	100.0	1.7	Retail facilities
Ario Otori (trust beneficial interest)	18,165	95,135.36	95,135.36	100.0	2.5	Retail facilities
AEON Sapporo Hassamu Shopping Center (trust beneficial interest)	17,831	102,169.00	102,169.00	100.0	2.6	Retail facilities
Total	264,496	981,567.56	981,112.86	100.0	39.5	

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, 2011 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
AEON Sendai Nakayama (Note 4)	35-40,57,5 Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi	Trust beneficial interest	46,248.96	10,500	9,180
ESPA Kawasaki	1,2 Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa	Trust beneficial interest	65,313.47	13,330	14,400
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	13,300	13,063
Hakata Riverain (Note 5)	3-1, Shimo-Kawabatomachi, Hakata-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	25,224.23	3,470	5,910
Narupark (Note 6)	232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	15,220.73	5,420	8,120
8953 Minami Aoyama Building	8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,529.15	5,520	5,298
Nara Family	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	84,981.97	32,500	30,779
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba, etc.	Trust beneficial interest	42,841.48	12,100	10,053
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,840	1,468
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	6,660	6,366
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	12,300	11,577
G-Bldg. Daikanyama 01 (Note 7)	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,300	1,248
G-Bldg. Jingumae 05 (Note 7)	32-5, Jingumae 2-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,479.10	3,640	2,728
AEON MALL Higashiura	62-1, Aza-toueicho, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi	Trust beneficial interest	129,124.73	10,100	7,719
AEON Kashiihama Shopping Center	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	13,200	12,374
AEON Sapporo Naebo Shopping Center	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,540	7,538
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,863.19	22,000	22,579
G-Bldg. Jingumae 04 (Note 7)	1-17, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	540.78	1,230	876
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	4,850	4,866
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo	Trust beneficial interest	20,983.43	11,900	11,598
AEON Itabashi Shopping Center (Note 4)	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,253.88	12,500	11,499
G-Bldg. Kita Aoyama 01 (Note 7)	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,320	973
AEON MALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,200	15,946
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	6,960	5,343
AEON Tobata Shopping Center	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	5,990	5,753
AEON Takatsuki (Note 4)	47-2, Haginoshio 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	9,550	10,704
G-Bldg. Jiyugaoka 01 (Note 7)	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,817.65	3,085	2,582
AEON Yagoto (Note 4)	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,570	3,649
AEON Naha Shopping Center (Note 4)	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	10,100	10,596
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	3,670	4,078
AEON Nishi-Otsu (Note 4)	11-1, Ohjigaoka 3-chome, Otsu-shi, Shiga	Trust beneficial interest	62,717.26	10,700	12,780

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	20,000.52	5,480	6,012
Higashi-Totsuka Aurora City	535-1, 536-1, 537-1, 9 Shinanochi, Totsuka-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	109,365.50	40,000	49,500
AEON Omiya (Note 4)	574-1, Kushibikicho 2-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	75,344.90	6,230	5,987
AEON TOWN Ogaki (Note 7)	233-1, Aza-nakashima, Mitsuzukacho, Ogaki-shi, Gifu etc.	Trust beneficial interest	57,500.35	3,980	4,307
Kawaramachi OPA	385 Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	18,848.20	15,700	18,640
AEON Ueda (Note 4)	12-18, Tsuneda 2-chome, Ueda-shi, Nagano	Trust beneficial interest	61,349.07	7,960	8,781
AEON MALL Tsurumi Leafa	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	25,400	27,827
AEON MALL Itami Terrace	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	17,700	19,916
Ito-Yokado Yotsukaido	5 Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,207.19	10,000	13,460
Oyama Yuen Harvest Walk (Note 6)	1457 Oaza-Kizawa, Oyama-shi, Tochigi	Trust beneficial interest	57,524.87	6,800	9,351
AEON Yachiyo Midorigaoka Shopping Center	1-3, Midorigaoka 2-chome, Yachiyo-shi, Chiba	Trust beneficial interest	132,294.48	21,800	29,554
G-Bldg. Jingumae 06 (Note 7)	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,470	2,381
AEON Sapporo Hassamu Shopping Center	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	16,700	17,831
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka etc.	Trust beneficial interest	95,135.36	14,900	18,165
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	3,640	3,422
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,660	2,328
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	2,110	3,037
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo	Real property	922.30	5,010	6,494
La Porte Aoyama (Note 6)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,147.93	9,300	9,337
AEON MALL Musashi Murayama mu	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	30,600	29,700
AEON MALL Kobe Kita	2-1, Kouzudai 8-chome, Kita-ku, kobe-shi, Hyogo	Trust beneficial interest	128,031.55	15,900	15,039
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	6,610	6,679
LIFE Taiheiji (land with leasehold interest)	43-6, Taiheiji 2-chome, Higashi Osaka-shi, Osaka	Real property	3,898.01	1,290	1,304
LIFE Shimodera (land with leasehold interest)	8-12, Shimodera 2-chome, Naniwa-ku, Osaka-shi, Osaka	Real property	4,344.18	1,690	1,717
LIFE Kishibe (land with leasehold interest)	21-58, Haracho 4-chome, Suita-shi, Osaka	Real property	5,516.61	1,970	1,942
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	4,760	5,571
G-Bldg. Minami-Ikebukuro 01 (Note 6)	19-5, Minami Ikebukuro 1-chome, Toshima-ku Tokyo	Trust beneficial interest	5,061.43	7,140	6,011
G-Bldg. Shinsaibashi 01	5-3, Shinsaibashisuji 2-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	1,620	1,606
Total			2,717,104.48	566,765	597,570

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 The names of these properties were changed on March 1, 2011 as follows:

Old name	New name
Sendai Nakayama Shopping Center	AEON Sendai Nakayama
Itabashi SATY	AEON Itabashi Shopping Center
JUSCO City Takatsuki	AEON Takatsuki
JUSCO City Yagoto	AEON Yagoto

JUSCO Naha	AEON Naha Shopping Center
JUSCO City Nishi-Otsu	AEON Nishi-Otsu
Omiya SATY	AEON Omiya
AEON Ueda Shopping Center	AEON Ueda

Note 5 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 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.

Note 7 The names of these properties were changed on October 1, 2011 as follows:

Old name	New name
8953 Daikanyama Building	G-Bldg. Daikanyama 01
8953 Harajuku Face Building	G-Bldg. Jingumae 05
Esquisse Omotesando Annex	G-Bldg. Jingumae 04
8953 Kita Aoyama Building	G-Bldg. Kita Aoyama 01
8953 Jiyugaoka Building	G-Bldg. Jiyugaoka 01
Loc City Ogaki	AEON TOWN Ogaki
8953 Jingumae6 Building	G-Bldg. Jingumae 06

Operating results of each retail facility for the six months ended February 28, 2011 and August 31, 2011 were as follows:

Name of property	For the six months ended							
	February 28, 2011				August 31, 2011			
	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) (%)
AEON Sendai Nakayama	2	100.0	429	2.0	2	100.0	435	2.0
ESPA Kawasaki	5	100.0	490	2.2	5	100.0	490	2.3
8953 Osaka Shinsaibashi Building	1	100.0	407	1.9	1	100.0	407	1.9
Hakata Riverain	61	83.6	387	1.8	58	80.8	386	1.8
Narupark (Note 3)	0	0.0	328	1.5	48	100.0	374	1.7
8953 Minami Aoyama Building	3	90.4	161	0.7	3	90.4	161	0.7
Nara Family	124	99.6	2,086	9.5	123	99.7	2,022	9.3
Abiko Shopping Plaza	59	100.0	714	3.3	60	100.0	669	3.1
Ito-Yokado Yabashira	1	100.0	78	0.4	1	100.0	78	0.4
Ito-Yokado Kamifukuoka Higashi	1	100.0	256	1.2	1	100.0	256	1.2
Ito-Yokado Nishikicho	1	100.0	444	2.0	1	100.0	444	2.0
G-Bldg. Daikanyama 01	2	100.0	40	0.2	2	100.0	39	0.2
G-Bldg. Jingumae 05	4	84.8	104	0.5	4	84.8	91	0.4
AEON MALL Higashiura	1	100.0	478	2.2	1	100.0	478	2.2
AEON Kashiihama Shopping Center	1	100.0	477	2.2	1	100.0	477	2.2
AEON Sapporo Naebo Shopping Center	1	100.0	379	1.7	1	100.0	377	1.7
GYRE	18	93.5	577	2.6	19	95.6	595	2.7
G-Bldg. Jingumae 04	2	100.0	34	0.2	2	100.0	41	0.2
Ito-Yokado Tsunashima	1	100.0	180	0.8	1	100.0	180	0.8
Bic Camera Tachikawa	2	100.0	389	1.8	2	100.0	389	1.8
AEON Itabashi Shopping Center	1	100.0	655	3.0	1	100.0	668	3.1
G-Bldg. Kita Aoyama 01	3	100.0	35	0.2	3	100.0	34	0.2
AEON MALL Yamato	1	100.0	534	2.4	1	100.0	534	2.4
SEIYU Hibarigaoka	1	100.0	261	1.2	1	100.0	261	1.2
AEON Tobata Shopping Center	1	100.0	315	1.4	1	100.0	315	1.4
AEON Takatsuki	1	100.0	414	1.9	1	100.0	414	1.9

Name of property	For the six months ended							
	February 28, 2011				August 31, 2011			
	Number of tenants (Note 1)	Occupancy ratio (Note 2)	Rental revenues	Ratio of rental revenue to total rental revenues (Note 2)	Number of tenants (Note 1)	Occupancy ratio (Note 2)	Rental revenues	Ratio of rental revenue to total rental revenues (Note 2)
		(%)	(Millions of yen)	(%)		(%)	(Millions of yen)	(%)
G-Bldg. Jiyugaoka 01	10	100.0	89	0.4	9	98.2	88	0.4
AEON Yagoto	2	100.0	148	0.7	2	100.0	148	0.7
AEON Naha Shopping Center	1	100.0	398	1.8	1	100.0	400	1.8
Cheers Ginza	10	100.0	105	0.5	10	100.0	105	0.5
AEON Nishi-Otsu	1	100.0	375	1.7	1	100.0	375	1.7
Kyoto Family	65	99.9	609	2.8	65	99.9	617	2.8
Higashi-Totsuka Aurora City	4	100.0	1,394	6.4	4	100.0	1,385	6.4
AEON Omiya	1	100.0	195	0.9	1	100.0	186	0.9
AEON TOWN Ogaki	1	100.0	330	1.5	1	100.0	328	1.5
Kawaramachi OPA	1	100.0	363	1.7	1	100.0	363	1.7
AEON Ueda	1	100.0	297	1.4	1	100.0	297	1.4
AEON MALL Tsurumi Leafa	1	100.0	892	4.1	1	100.0	895	4.1
AEON MALL Itami Terrace	1	100.0	579	2.7	1	100.0	582	2.7
Ito-Yokado Yotsukaido	1	100.0	290	1.3	1	100.0	290	1.3
Oyama Yuen Harvest Walk (Note 3)	70	100.0	556	2.5	68	99.6	573	2.6
AEON Yachiyo Midorigaoka Shopping Center	1	100.0	685	3.1	1	100.0	686	3.1
G-Bldg. Jingumae 06	4	100.0	58	0.3	4	100.0	59	0.3
AEON Sapporo Hassamu Shopping Center	1	100.0	577	2.6	1	100.0	577	2.6
Ario Otori	1	100.0	544	2.5	1	100.0	554	2.5
G-Bldg. Jingumae01	2	100.0	83	0.4	2	100.0	82	0.4
G-Bldg. Jingumae02	3	100.0	23	0.1	3	100.0	30	0.1
G DINING SAPPORO (Note 3)	16	68.0	65	0.3	16	68.0	73	0.3
G-Bldg. Minami Aoyama 01	0	0.0	0	0.0	1	36.1	11	0.1
La Porte Aoyama (Note 3)	18	77.5	271	1.2	18	80.0	258	1.2
AEON MALL Musashi Murayama mu	1	100.0	957	4.4	1	100.0	955	4.4
AEON MALL Kobe Kita	1	100.0	582	2.7	1	100.0	587	2.7
Shinsan Building (Note 3, 4)	-	-	3	0.0	-	-	-	-
35 Sankyo Building (Note 3, 4)	-	-	3	0.0	-	-	-	-
Shibuya West Building (Note 3, 4)	-	-	13	0.1	-	-	-	-
Chiba West Building (Note 3, 4)	-	-	4	0.0	-	-	-	-
Narita TT Building (Note 3, 4)	-	-	3	0.0	-	-	-	-
Utsunomiya Center Building (Note 3, 4)	-	-	2	0.0	-	-	-	-
Southern Mito Building (Note 3, 4)	-	-	2	0.0	-	-	-	-
Horikawa-Dori Shijyo Building (Note 3, 4)	-	-	4	0.0	-	-	-	-
KYUHO Esaka Building (Note 3, 4)	-	-	6	0.0	-	-	-	-
Uchikanda Building (Note 3, 4)	-	-	2	0.0	-	-	-	-
Mirum Daikanyama (Note 3, 4)	-	-	2	0.0	-	-	-	-
Mirum Shirokanedai (Note 3, 4)	-	-	0	0.0	-	-	-	-

Name of property	For the six months ended							
	February 28, 2011				August 31, 2011			
	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) (%)
Mirum Nogizaka (Note 3, 4)	-	-	0	0.0	-	-	-	-
Mirum Minami Aoyama (Note 3, 4)	-	-	1	0.0	-	-	-	-
Mirum Hiro-o II (Note 3, 4)	-	-	0	0.0	-	-	-	-
Forest Hill Sendai-Aoba (Note 3, 4)	-	-	1	0.0	-	-	-	-
Nishino Building (Note 3, 4)	-	-	5	0.0	-	-	-	-
Leaf Comfort Shinkoiwa (Note 3, 4)	-	-	2	0.0	-	-	-	-
G-Bldg. Shinjuku 01	1	100.0	160	0.7	1	100.0	160	0.7
LIFE Taiheiji (land with leasehold interest)	1	100.0	48	0.2	1	100.0	48	0.2
LIFE Shimodera (land with leasehold interest)	1	100.0	56	0.3	1	100.0	56	0.3
LIFE Kishibe (land with leasehold interest)	1	100.0	66	0.3	1	100.0	68	0.3
G-Bldg. Jingumae 03	1	11.3	11	0.1	2	32.0	11	0.1
G-Bldg. Minami-Ikebukuro 01 (Note 3)	7	100.0	261	1.2	8	100.0	239	1.1
G-Bldg. Shinsaibashi 01	2	100.0	59	0.3	2	100.0	61	0.3
Total	530	99.1	21,868	100.0	576	99.6	21,789	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 The properties were sold on September 3, 2010.

## 4. Details of investment securities

The investment securities as of August 31, 2011 consist of the following:

Name of securities	Classification	Quantity	Carrying amounts		Value (Note 1)		Unrealized gain	Remarks
			Per quantity	Total (Thousands of yen)	Per quantity	Total (Thousands of yen)		
Investment in Retail Daikanyama Godo Kaisha anonymous association (Note 2)	Investment in Tokumei Kumiai agreement	—	—	176,692	—	304,650	127,958	—
Investment in Retail Shinsaibashi Godo Kaisha anonymous association (Note 2)	Investment in Tokumei Kumiai agreement	—	—	342,243	—	425,706	83,463	—
Investment in Retail Balloon Godo Kaisha anonymous association (Note 2)	Investment in Tokumei Kumiai agreement	—	—	335,881	—	673,157	337,276	—
Total		—	—	854,816	—	1,403,514	548,698	—

Note 1 The value of the investments in Tokumei Kumiai (anonymous association) agreements, or TK, represents the proportionate ownership of the net asset value of the TK. The net asset value of the TK is determined as the difference between the assets owned by the TK, which is comprised properties which are, per the Investment Corporation's policy, valued by discount cash flow model and financial assets which are valued as appropriate per generally accepted accounting standards, and liabilities held by the TK. The method used to determine the value of the TK is not consistent with a method used to determine the fair value of the investments in TK as financial assets. Please refer to the accompanying note in "V. Notes to financial information, Note 10 - Financial instruments, (2) Quantitative information for financial instruments, Note (i), Assets, (3)".

Note 2 The investment assets held by the TK are as follows:

Name of securities	Investment assets	Location
Investment in Retail Daikanyama Godo Kaisha anonymous association	Trust beneficial interest in Arkangel Daikanyama (land with leasehold interest)	111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc.
Investment in Retail Shinsaibashi Godo Kaisha anonymous association	Trust beneficial interest in (tentative name) Retail Shinsaibashi-suji Building	3-24, Sinsaibashi-suji 1-chome, Chuou-ku, Osaka-shi, Osaka
Investment in Retail Balloon Godo Kaisha anonymous association	Trust beneficial interest in Urban Terrace Jingumae and Round One Machida	47-6, Jungumae 5-chome, Shibuya-ku, Tokyo and 13-14, Morino 1-chome, Machida-shi, Tokyo

## 5. Details of specified transaction

The details of specified transaction as of August 31, 2011 were as follows:

Classification	Transaction	Notional contract amount (Millions of yen)		Fair value (Note 1) (Millions of yen)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	20,000	20,000	(434)
Total		20,000	20,000	(434)

Note 1 The fair value is estimated by a counter party of the interest rate swap contracts using market interest rates and other assumptions.

Note 2 The interest rate swaps are not measured at fair value in the balance sheets because all interest rate swaps qualify for hedging accounting and meet specific criteria in accordance with the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008.

## 6. Other assets

Real property and trust beneficial interests in real property are included the above table in "3. Details of property" and "4. Details of investment securities". There was no other significant specified asset as of August 31, 2011.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of August 31, 2011 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 construction or maintenance	Estimated cost (millions of yen)		
				Total	Advanced payment	
					Payment for the six months ended August 31, 2011	Total of advanced payment
AEON Sendai Nakayama	Sendai-shi, Miyagi	Pile driving at housing exhibition lot	October 2011	183	-	-
AEON Sendai Nakayama	Sendai-shi, Miyagi	Renewal construction of kitchen equipment	January 2012	52	-	-
AEON Sendai Nakayama	Sendai-shi, Miyagi	Renewal construction of smokeproof wall at main building	January 2012	51	-	-
AEON MALL Yamato	Yamato-shi, Kanagawa	Installment of LED lighting equipment	October 2011	40	-	-
AEON MALL Higashiura	Chita-gun, Aichi	Renewal construction	September 2011	38	8	8

### 2. Capital expenditures for the six months ended August 31, 2011

Maintenance expenditures on property for the six months ended August 31, 2011 were totaling to ¥1,409 million consisting of ¥1,356 million of capital expenditures stated as below and ¥53 million of repair and maintenance expenses charged to income. In addition, repair expenses for investment properties damaged by the Great East Japan Earthquake are charged to income as loss on disaster in the statements of income and retained earnings.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures (Millions of yen)
Narupark	Nagoya-shi, Aichi	Renewal construction	December 2010 to July 2011	562
Abiko Shopping Plaza	Abiko-shi, Chiba	Enlargement construction of escalator	May 2011 to August 2011	103
Kyoto Family	Kyoto-shi, Kyoto	Renewal construction of turbo refrigerator	January 2011 to March 2011	83
Nara Family	Nara-shi, Nara	2nd renewal construction of outer wall of main building	March 2011 to July 2011	60
Kyoto Family	Kyoto-shi, Kyoto	Renewal construction of fire extinguisher equipment	July 2011 to August 2011	46
Others	-	-	-	500
Total				1,356



### 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	15 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>
As of /for the six months ended	August 31, 2009	February 28, 2010	August 31, 2010	February 28, 2011	August 31, 2011
Reserved funds at beginning of period	319	384	2	256	2
Increase	64	32	(Note 3) 724	-	11
Decrease	-	(Note 2) 414	(Note 2) 470	(Note 4) 254	(Note 2) 13
Reserved funds at end of period	384	2	256	2	-

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 for efficient usage.

Note 3 The amount includes funds acquired by merger.

Note 4 The decrease was mainly due to disposal of 18 properties (office, residential and residential plus retail) on September 3, 2010.

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Item	18 <sup>th</sup> fiscal period	19 <sup>th</sup> fiscal period
	For the six months ended February 28, 2011	For the six months ended August 31, 2011
Asset management fees	1,924,252	1,885,904
Custodian fees	24,743	24,667
General administration fees	151,410	112,693
Compensation for Directors	3,890	3,480
Other operating expenses	174,552	114,534
Total	2,278,848	2,141,279

### 2. Borrowings

Borrowings as of August 31, 2011 were as follows:

	Name of lender	Borrowing Date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2011 (Millions of yen)	August 31, 2011 (Millions of yen)					
Short-term	Mizuho Corporate Bank, Ltd.	March 3, 2010	2,000	-	0.9	March 3, 2011	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2010	4,361	-	0.8	March 31, 2011	Lump sum (Note 7)	Note 12	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 (Note 4)	Lump sum (Note 7)	Note 12	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 7)	Note 12	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 27, 2010	5,000	-	0.8	August 26, 2011	Lump sum (Note 7)	Note 12	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	-	1.0	August 26, 2011 (Note 5)	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 3, 2010	3,875	3,875	0.8	September 2, 2011	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,487	3,487					
	The Sumitomo Trust and Banking Co., Ltd.		2,712	2,712					
	The Bank of Fukuoka, Ltd.	September 17, 2010	3,000	3,000	0.7	September 16, 2011	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	The Chugoku Bank, LTD.	September 30, 2010	2,000	2,000	0.8	September 30, 2011	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.	October 15, 2010	5,000	2,000	1.0	October 14, 2011 (Note 6)	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	Shinsei Bank, Limited	November 1, 2010	1,500	1,500	0.6	November 1, 2011	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 8, 2011	5,152	5,152	0.7	February 8, 2012	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,373	4,373					
	The Sumitomo Trust and Banking Co., Ltd.		3,475	3,475					
	The Chugoku Bank, LTD.	June 17, 2011	-	2,000	0.8	September 30, 2011	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	August 26, 2011	-	5,000	0.6	September 22, 2011	Lump sum (Note 7)	Note 14	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		-	4,500					
	The Sumitomo Trust and Banking Co., Ltd.		-	3,500					
	Sub-total		86,575	46,575					
Long-term	Aozora Bank, Ltd.	August 29, 2008	7,400	7,400	1.0	August 29, 2013	Lump sum (Note 7)	Note 12	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd. (Note 2)	September 30, 2008	3,000	3,000	0.9	September 30, 2011	Lump sum	Note 13	Unsecured and unguaranteed
	Saitama Resona Bank, Limited (Note 2)		1,000	1,000					
	Development Bank of Japan Inc.	September 30, 2008	3,000	3,000	1.0	September 30, 2013	Lump sum	Note 13	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	November 4, 2008	34,710	34,510	2.6	March 1, 2015	Note 8	Note 12	Unsecured and unguaranteed
	Development Bank of Japan Inc	March 30, 2009	4,650	4,550	1.3	March 30, 2014	Note 9	Note 13	Unsecured and unguaranteed

Name of lender	Borrowing Date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
		February 28, 2011 (Millions of yen)	August 31, 2011 (Millions of yen)					
Development Bank of Japan Inc	July 30, 2009	14,150	13,850	1.8	July 30, 2016	Note 10	Note 13	Unsecured and unguaranteed
Development Bank of Japan Inc	July 30, 2009	18,866	18,466	2.2	July 30, 2018	Note 11	Note 13	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 12	Unsecured and unguaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2009	3,143	3,143	1.2	September 30, 2014	Lump sum (Note 7)	Note 13	Unsecured and unguaranteed
Mitsubishi UFJ Trust and Banking Corporation		2,714	2,714					
The Sumitomo Trust and Banking Co., Ltd.		2,143	2,143					
Mizuho Corporate Bank, Ltd.	February 7, 2011	5,000	5,000	0.8	February 5, 2016	Lump sum (Note 7)	Note 13	Unsecured and unguaranteed
The Shinkumi Federation Bank		3,000	3,000					
The Hiroshima Bank Ltd.		1,500	1,500					
The Senshu Ikeda Bank, Ltd.		1,000	1,000					
The Minato Bank, Ltd.		500	500					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2011	-	5,550	0.7	September 28, 2018	Lump sum (Note 7)	Note 14	Unsecured and unguaranteed
Mitsubishi UFJ Trust and Banking Corporation		-	4,710					
The Sumitomo Trust and Banking Co., Ltd.		-	3,740					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2011	-	7,930	1.5 (Note 3)	March 29, 2019	Lump sum (Note 7)	Note 14	Unsecured and unguaranteed
Mitsubishi UFJ Trust and Banking Corporation		-	6,730					
The Sumitomo Trust and Banking Co., Ltd.		-	5,340					
Sumitomo Mitsui Banking Corporation	March 31, 2011	-	5,000	0.9	March 30, 2018	Lump sum (Note 7)	Note 13	Unsecured and unguaranteed
Sub-total		110,776	148,776					
Total		197,351	195,351					

- 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, 2011.
- Note 3 The borrowings are hedged by interest rate swaps and the average interest rate of the borrowings is calculated adjusting the effect of the interest rate swaps.
- Note 4 The Investment Corporation had repaid ¥23,000 million on March 31, 2011 in advance of the due date.
- Note 5 The Investment Corporation had repaid ¥1,000 million on March 31, 2011 in advance of the due date.
- Note 6 The Investment Corporation had made a partial repayment amounting to ¥3,000 million out of the initial principal (¥5,000 million) on March 31, 2011 in advance of the due date.
- Note 7 The Investment Corporation may repay all or part of principal of the borrowing on interest payment date.
- Note 8 The principal is repaid on each interest payment date until December 2011 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 30<sup>th</sup> of March, June, September and December, and due date. The balance as of August 31, 2011, includes ¥100 million of current portion of long-term borrowings.
- Note 9 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 30<sup>th</sup> of March, June, September and December, and due date. The balance as of August 31, 2011, includes ¥200 million of current portion of long-term borrowings.
- Note 10 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 30<sup>th</sup> of March, June, September and December, and due date. The balance as of August 31, 2011, includes ¥600 million of current portion of long-term borrowings.
- Note 11 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 30<sup>th</sup> of March, June, September and December, and due date. The balance as of August 31, 2011, includes ¥800 million of current portion of long-term borrowings.
- Note 12 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 13 The funds were mainly appropriated to repayment of borrowings.
- Note 14 The funds were appropriated to repayment of borrowings.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate	Maturity date	Repayment method	Use	Remarks
		February 28, 2011 (Millions of yen)	August 31, 2011 (Millions of yen)					
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, etc.

(Millions of yen)

Classification of assets	Name of real property, etc.	Acquisition		Disposal			
		Date of acquisition	Acquisition cost (Note 1)	Date of disposal	Disposal amount	Net book value	Gain (loss) on disposal
Investment in Tokumei Kumiai agreement	Investment in Retail Balloon Godo Kaisha anonymous association	April 15, 2011	330	-	-	-	-

Note 1 The acquisition cost does not include related expenses for making investment in the Tokumei Kumiai agreement.

### 2. Transactions of other assets

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

### 3. Research for specified assets value, etc.

#### (1) Property

None

#### (2) Investment in Tokumei Kumiai agreement

(Millions of yen)

Acquisition/ Disposal	Name	Date of acquisition/disposal	Acquisition cost/ Disposal amount (Note 1)	Researched value (Note 2)
Acquisition	Investment in Retail Balloon Godo Kaisha anonymous association	April 15, 2011	330	330

Note 1 The acquisition cost does not include related expenses for making investment in the Tokumei Kumiai agreement..

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 held by the Tokumei Kumiai operator.

#### (3) Other transaction

For the six months ended August 31, 2011, the interest rate swap contract was subject to the research in accordance with Article 201 of the Act on Investment Trusts and Investment Corporation of Japan. Terms and conditions of the interest rate swap contract, such as name of counter party, contracted amount and term, etc., were researched and reported by PricewaterhouseCoopers Aarata.

### 4. Transactions with interested parties or major shareholders

#### (1) Outline of specified assets transactions

No specified asset was acquired from or disposed to interested parties or major shareholders.

(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	883,497	Mitsubishi UFJ Lease & Finance Company Limited	1,807	0.2
Utilities	786,967	Japan Facility Solutions, Inc.	14,447	1.8
Other rental expenses	342,326	Mitsubishi Shoji & Sun Co., Ltd.	501	0.1
		Mitsubishi Corporation	274	0.1
Other operating expenses	114,534	Mitsubishi Corporation	611	0.5

Note “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 Act on 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 Act.

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

None

## **Financial information**

### **1. Financial position and operating results**

Please refer to the accompanying balance sheets, statements of income and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions.

### **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 10 <sup>th</sup> fiscal period (September 1, 2006 to February 28, 2007)	800	880,000	0.2%
The 11 <sup>th</sup> fiscal period (March 1, 2007 to August 31, 2007)	800	760,000	0.2%
The 12 <sup>th</sup> fiscal period (September 1, 2007 to February 29, 2008)	800	512,000	0.2%
The 13 <sup>th</sup> fiscal period (March 1, 2008 to August 31, 2008)	800	364,000	0.2%
The 14 <sup>th</sup> fiscal period (September 1, 2008 to February 28, 2009)	800	256,800	0.2%
The 15 <sup>th</sup> fiscal period (March 1, 2009 to August 31, 2009)	800	396,800	0.2%
The 16 <sup>th</sup> fiscal period (September 1, 2009 to February 28, 2010)	800	337,280	0.2%
The 17 <sup>th</sup> fiscal period (March 1, 2010 to August 31, 2010)	(Note 2) 3,200	360,320	0.2%
The 18 <sup>th</sup> fiscal period (September 1, 2010 to February 28, 2011)	3,200	449,280	0.2%
The 19 <sup>th</sup> fiscal period (March 1, 2011 to August 31, 2011)	3,200	368,320	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, 2011, was as follows:

Approval day	Item	Summary
March 9, 2011	Modification of general administration agreement	The general administration 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

(Thousands of yen)

	As of	
	February 28, 2011	August 31, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and bank deposits .....	10,819,131	8,208,658
Cash and bank deposits in trust .....	5,773,686	6,886,744
Rental receivables .....	901,345	891,159
Income taxes receivable .....	358	7,190
Consumption tax refundable .....	-	273,089
Other current assets .....	916,642	1,086,937
<b>Total current assets .....</b>	<b>18,411,165</b>	<b>17,353,780</b>
<b>Fixed assets (Note 2):</b>		
<b>Property and equipment:</b>		
Buildings .....	1,641,726	1,662,824
Accumulated depreciation .....	(87,950)	(113,476)
Buildings, net .....	1,553,776	1,549,347
Building improvements .....	67,876	67,876
Accumulated depreciation .....	(4,323)	(5,665)
Building improvements, net .....	63,552	62,210
Furniture and fixtures .....	10,782	11,976
Accumulated depreciation .....	(1,913)	(2,433)
Furniture and fixtures, net .....	8,868	9,542
Land .....	21,193,419	21,193,419
Buildings in trust .....	256,128,397	257,227,974
Accumulated depreciation .....	(44,639,039)	(49,242,327)
Buildings in trust, net .....	211,489,357	207,985,647
Building improvements in trust .....	13,759,998	13,860,710
Accumulated depreciation .....	(3,052,752)	(3,332,882)
Building improvements in trust, net .....	10,707,246	10,527,827
Machinery and equipment in trust .....	1,471,201	1,485,970
Accumulated depreciation .....	(456,302)	(499,834)
Machinery and equipment in trust, net .....	1,014,898	986,135
Furniture and fixtures in trust .....	3,344,987	3,456,806
Accumulated depreciation .....	(1,444,375)	(1,591,875)
Furniture and fixtures in trust, net .....	1,900,611	1,864,930
Land in trust .....	344,370,608	344,370,922
<b>Total property and equipment .....</b>	<b>592,302,340</b>	<b>588,549,984</b>
<b>Intangible assets:</b>		
Leasehold rights .....	19,803	19,803
Leasehold rights in trust .....	8,893,577	8,879,301
Other intangible assets in trust .....	126,187	121,454
<b>Total intangible assets .....</b>	<b>9,039,568</b>	<b>9,020,559</b>
<b>Investment and other assets:</b>		
Investment securities .....	518,935	854,816
Lease deposits in trust .....	3,305,768	3,298,268
Long-term prepaid expenses .....	1,527,002	2,103,934
Other investments .....	123,038	132,654
<b>Total investment and other assets .....</b>	<b>5,474,744</b>	<b>6,389,673</b>
<b>Total fixed assets .....</b>	<b>606,816,653</b>	<b>603,960,216</b>
<b>Deferred charges:</b>		
Bonds issuance costs .....	84,865	63,437
<b>Total deferred charges .....</b>	<b>84,865</b>	<b>63,437</b>
<b>TOTAL ASSETS .....</b>	<b>625,312,685</b>	<b>621,377,434</b>

(To be continued on the following page)



(Thousands of yen)

	As of	
	February 28, 2011	August 31, 2011
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable – operating .....	681,444	857,343
Short-term borrowings (Note 3) .....	86,575,000	46,575,000
Current portion of long-term bonds issued – unsecured .....	20,000,000	40,000,000
Current portion of long-term borrowings .....	5,900,000	5,700,000
Accounts payable – other .....	9,289	2,895
Accrued expenses .....	1,720,587	1,763,638
Income taxes payable .....	485	535
Consumption tax payable .....	519,707	-
Rent received in advance .....	1,858,625	1,897,518
Deposits received .....	603,383	702,121
Current portion of tenant leasehold and security deposits .....	-	15,051
Current portion of tenant leasehold and security deposits in trust (Note 2) .....	4,145,368	4,152,495
Other current liabilities .....	191,620	57,144
<b>Total current liabilities .....</b>	<b>122,205,510</b>	<b>101,723,744</b>
<b>Non-current liabilities:</b>		
Long-term bonds issued – unsecured .....	60,000,000	40,000,000
Long-term borrowings .....	104,876,000	143,076,000
Tenant leasehold and security deposits .....	1,182,149	1,526,264
Tenant leasehold and security deposits in trust (Note 2) .....	57,340,411	56,536,307
Asset retirement obligations .....	337,474	340,518
Other non-current liabilities .....	1,796	1,460
<b>Total non-current liabilities .....</b>	<b>223,737,831</b>	<b>241,480,550</b>
<b>TOTAL LIABILITIES .....</b>	<b>345,943,342</b>	<b>343,204,295</b>
<b>Net Assets (Note 4)</b>		
<b>Unitholders' equity:</b>		
Unitholders' capital .....	250,764,406	250,764,406
Surplus:		
Capital surplus .....	14,986,826	14,986,826
Reserve for dividends .....	6,918,474	6,918,474
Retained earnings .....	6,699,636	5,503,431
Total surplus .....	28,604,936	27,408,732
<b>Total unitholders' equity .....</b>	<b>279,369,342</b>	<b>278,173,138</b>
<b>TOTAL NET ASSETS .....</b>	<b>279,369,342</b>	<b>278,173,138</b>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b>625,312,685</b>	<b>621,377,434</b>

The accompanying notes in "V. Notes to financial information" are an integral part of these statements.

### III. Statements of income and retained earnings

(Thousands of yen)

	For the six months ended	
	February 28, 2011	August 31, 2011
<b>Operating revenues</b>		
Rental and other operating revenues (Note 5) .....	21,868,722	21,789,766
Gain on sales of property (Note 6) .....	1,056,362	-
Dividend income from investment in Tokumei Kumiai .....	-	34,909
Total operating revenues .....	22,925,085	21,824,675
<b>Operating expenses</b>		
Property-related expenses (Note 5) .....	11,298,205	11,136,949
Asset management fees .....	1,924,252	1,885,904
Custodian fees .....	24,743	24,667
General administration fees .....	151,410	112,693
Compensation for Directors .....	3,890	3,480
Other operating expenses .....	174,552	114,534
Total operating expenses .....	13,577,054	13,278,228
<b>Operating income</b> .....	9,348,030	8,546,446
<b>Non-operating revenues</b>		
Interest income .....	2,394	1,390
Other non-operating revenues .....	2,799	4,863
Total non-operating revenues .....	5,193	6,254
<b>Non-operating expenses</b>		
Interest expense .....	1,535,945	1,506,021
Corporate bonds interest .....	706,150	720,849
Amortization of bonds issuance costs .....	21,428	21,428
Loan-related costs .....	314,171	288,544
Other non-operating expenses .....	11,257	10,246
Total non-operating expenses .....	2,588,952	2,547,090
<b>Recurring profit</b> .....	6,764,271	6,005,610
<b>Extraordinary losses</b>		
Effect of application of new accounting standard for asset retirement obligations ....	65,542	-
Loss on disaster (Note 7) .....	-	502,440
Total extraordinary losses .....	65,542	502,440
<b>Income before income taxes</b> .....	6,698,728	5,503,170
<b>Income taxes</b>		
Current .....	605	605
Total income taxes .....	605	605
<b>Net income</b> .....	6,698,123	5,502,565
<b>Retained earnings at beginning of period</b> .....	1,512	866
<b>Retained earnings at end of period</b> .....	6,699,636	5,503,431

*The accompanying notes in "V. Notes to financial information" are an integral part of these statements.*

## IV. Statements of changes in net assets

(Thousands of yen)

For the six months ended February 28, 2011

	Unitholders' equity						Total net assets
	Unitholders' capital	Surplus			Total unitholders' equity		
		Capital surplus	Reserve for dividends	Retained earnings		Total surplus	
Balance as of August 31, 2010	250,764,406	14,986,826	-	13,093,726	28,080,552	278,844,959	278,844,959
<u>Changes during the period</u>							
Reserve for dividends			6,918,474	(6,918,474)	-	-	-
Cash distribution declared				(6,173,740)	(6,173,740)	(6,173,740)	(6,173,740)
Net income				6,698,123	6,698,123	6,698,123	6,698,123
Total changes during the period	-	-	6,918,474	(6,394,090)	524,383	524,383	524,383
Balance as of February 28, 2011	250,764,406	14,986,826	6,918,474	6,699,636	28,604,936	279,369,342	279,369,342

(Thousands of yen)

For the six months ended August 31, 2011

	Unitholders' equity					Total unitholders' equity	Total net assets
	Unitholders' capital	Surplus			Total surplus		
		Capital surplus	Reserve for dividends	Retained earnings			
Balance as of February 28, 2011	250,764,406	14,986,826	6,918,474	6,699,636	28,604,936	279,369,342	279,369,342
<u>Changes during the period</u>							
Cash distribution declared				(6,698,769)	(6,698,769)	(6,698,769)	(6,698,769)
Net income				5,502,565	5,502,565	5,502,565	5,502,565
Total changes during the period	-	-	-	(1,196,204)	(1,196,204)	(1,196,204)	(1,196,204)
Balance as of August 31, 2011	250,764,406	14,986,826	6,918,474	5,503,431	27,408,732	278,173,138	278,173,138

*The notes in "V. Notes to financial information" are an integral part of these statements.*

## **V. Notes to financial information**

### **Note 1 – Summary of significant accounting policies**

#### ***(a) Securities***

Non-marketable securities held as available-for-sale are stated at cost determined by the moving average method. Investments in Tokumei Kumiai (anonymous association) agreements which are presented as investment securities in the balance sheets are accounted for using the equity method of accounting.

#### ***(b) 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
Building improvements	2-60 years
Machinery and equipment	3-17 years
Furniture and fixtures	2-20 years

#### ***(c) Other intangible assets in trust***

Other intangible assets in trust are amortized on a straight-line basis.

#### ***(d) Long-term prepaid expenses***

Long-term prepaid expenses are amortized on a straight-line basis.

#### ***(e) Bonds issuance costs***

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

#### ***(f) Taxes on property and equipment***

Property and equipment are annually subject to various taxes, 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 such taxes are imposed on the owner registered in the record as of January 1st of each year 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.

No taxes on property and equipment were capitalized for the six months period ended February 28, 2011 and August 31, 2011.

***(g) Equipment leases***

Finance leases that do not transfer ownership of the leased property to the lessee and were entered into on or after March 1, 2008 are capitalized and depreciated on a straight-line basis, assuming no residual value, over the lease term.

However, finance leases that do not transfer ownership and were entered into before March 1, 2008 are accounted for as operating leases with required disclosures in footnotes.

***(h) Hedge accounting***

In accordance with the Investment Corporation's risk management policy and its internal rules, the Investment Corporation uses derivative instruments for the purpose of heading risks prescribed in the Investment Corporation's article of incorporation. The Investment Corporation hedges fluctuations in interest rates of borrowings by interest rate swaps as hedging instruments. The interest rate swaps which qualify for hedging accounting and meet specific criteria are not measured at fair value and interests received or paid under the interest rate swap contracts are recognized on an accrual basis.

***(i) Accounting treatment of trust beneficiary interests in real estate trusts***

For the trust beneficiary interests in real estate trusts, which are commonly utilized to obtain ownership in commercial properties in Japan and through which the Investment Corporation holds all of its real estate, all 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 of the Investment Corporation in proportion to the percentage interest that such trust beneficiary interest presents. Certain material accounts in trust are shown as accounts in trust in balance sheets.

***(j) Consumption tax***

Consumption taxes withheld and consumption taxes paid are not included in the statements of income and retained earnings. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets and the excess of amounts withheld over payments are included in current liabilities as the case may be.

***(k) Change in accounting policies***

On March 31, 2008, the Accounting Standard Board of Japan ("ASBJ") issued ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations". The Investment Corporation adopted the new standard for asset retirement obligations from the six months ended February 28, 2011. The application of this new standard resulted in a decrease in operating income and recurring profit of ¥8,004 thousand and income before income taxes of ¥73,547 thousand for the six months ended February 28, 2011, respectively.

## 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 ¥43,618,265 thousand and ¥42,884,794 thousand as of February 28, 2011 and August 31, 2011, respectively.

	(Thousands of yen)	
	As of	
	February 28, 2011	August 31, 2011
Buildings in trust	83,981,479	82,588,954
Buildings improvements in trust	4,615,941	4,506,090
Machinery and equipment in trust	353,591	339,865
Furniture and fixtures in trust	564,013	539,796
Land in trust	143,522,992	143,522,992
Total	233,038,018	231,497,699

Certain lands and buildings included in the above table were pledged as collateral to secure co-owners' payment of tenant leasehold and security deposits for a total amount of ¥691,908 thousand as of February 28, 2011 and August 31, 2011.

## Note 3 – Credit facilities and commitment lines

As of February 28, 2011 and August 31, 2011, the Investment Corporation entered into credit facilities and committed lines of credit as follows:

	(Thousands of yen)	
	As of	
	February 28, 2011	August 31, 2011
Credit facilities		
Total amount of credit facilities	106,000,000	106,000,000
Borrowings drawn down	85,075,000	(45,075,000)
Unused credit facilities	20,925,000	60,925,000
Commitment lines		
Total amount of committed lines of credit	40,000,000	40,000,000
Borrowings drawn down	-	-
Unused committed lines of credit	40,000,000	40,000,000

## Note 4 – Unitholders' equity

### (1) Number of units

	As of	
	February 28, 2011	August 31, 2011
Authorized	8,000,000 units	8,000,000 units
Issued and outstanding	1,688,198 units	1,688,198 units

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

**Note 5 – Breakdown for rental and other operating revenues and property-related expenses**

Rental and other operating revenues and property-related expenses for the six months ended February 28, 2011 and August 31, 2011 consist of the following:

	(Thousands of yen)	
	<b>For the six months ended</b>	
	<b>February 28, 2011</b>	<b>August 31, 2011</b>
Rental and other operating revenues:		
Rental and parking revenue	20,332,018	20,434,998
Common area charges	671,508	673,107
Other	865,195	681,660
Total rental and other operating revenues	21,868,722	21,789,766
Property-related expenses:		
Property management fees	353,162	359,213
Facility management fees	876,325	883,497
Utilities	731,229	786,967
Property-related taxes	2,454,980	2,467,315
Repair and maintenance	98,514	53,037
Insurance	51,373	52,083
Trust fees	115,675	112,618
Rent expense	949,946	949,172
Other	384,539	342,326
Depreciation	5,160,246	5,128,969
Loss on disposal of property	122,211	1,747
Total property-related expenses	11,298,205	11,136,949
Operating income from property leasing activities	10,570,516	10,652,817

**Note 6 – Breakdown of gain on sales of property**

Breakdown of gain on sales of property for the six months ended February 28, 2011 were as follows:

	(Thousands of yen)	
	<b>For the six months ended</b>	
	<b>February 28, 2011</b>	
Sale of land and building	33,200,000	
Cost of land and building	(32,084,818)	
Other sales expenses	(58,818)	
Gain on sale of property	1,056,362	

**Note 7 – Loss on disaster**

Loss on disaster presented as extraordinary losses in statements of income and retained earnings is mainly repair expenses for investment properties damaged by the Great East Japan Earthquake.

## Note 8 – Income taxes

Deferred tax assets consist of the followings:

(Thousands of yen)

	As of	
	February 28, 2011	August 31, 2011
Deferred tax assets:		
Current:		
Valuation difference on assets acquired by merger	48,031	14,963
Tax loss carryforwards	3,541,643	3,541,643
Sub total	3,589,674	3,556,606
Valuation allowance	(3,589,674)	(3,556,606)
Total current deferred tax assets	-	-
Non-current:		
Amortization of leasehold rights	82,170	91,188
Asset retirement obligations	132,728	133,925
Valuation difference on assets acquired by merger	7,141,164	7,118,748
Sub total	7,356,064	7,343,862
Valuation allowance	(7,356,064)	(7,343,862)
Total non-current deferred tax assets	-	-
Total deferred tax assets	-	-
Net deferred tax assets	-	-

A reconciliation of the Investment Corporation's effective tax rates and statutory tax rates are as follows:

	For the six months ended	
	February 28, 2011	August 31, 2011
Statutory tax rate	39.33%	39.33%
Deductible cash dividends	-	(38.62)
Change in valuation allowance (for deferred tax assets)	(38.05)	(0.82)
Other	(1.27)	0.12
Effective tax rate	0.01%	0.01%

## Note 9 – Leases

Finance lease transactions entered into on or after March 1, 2008, that do not transfer ownership of the leased property to the lessee, are capitalized and depreciated on a straight-line basis, assuming no residual value, over the lease term. Such capitalized leased properties are mainly personal computers.

Finance lease transactions entered into before March 1, 2008, that do not transfer ownership of the leased property to the lessee are accounted for as operating leases, and related lease expenses are charged to income in the periods in which they are incurred.

Pro forma information on an "as if capitalized" basis is as follows:



(Thousands of yen)		
	As of	
	February 28, 2011	August 31, 2011
Furniture and fixtures in trust		
At cost	39,369	39,369
Accumulated depreciation	(37,997)	(39,369)
Net book value	1,372	-
Machinery and equipment in trust		
At cost	38,742	38,742
Accumulated depreciation	(36,981)	(38,742)
Net book value	1,761	-
Total		
At cost	78,111	78,111
Accumulated depreciation	(74,978)	(78,111)
Net book value	3,133	-

Depreciation expense would have been ¥7,397 thousand and ¥3,133 thousand for the six months ended February 28, 2011 and August 31, 2011, respectively. Depreciation amounts are 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 deemed not material, interest implicit in these leases is included in the minimum lease payments and in the cost of these assets in the disclosures above.

Lease expenses incurred in connection with such finance leases on equipment utilized by the Investment Corporation amounted to ¥7,397 thousand and ¥3,133 thousand for the six months ended February 28, 2011 and August 31, 2011, respectively.

Future minimum lease payments required under the terms of these finance leases as of February 28, 2011 and August 31, 2011 are as follows:

(Thousands of yen)		
	As of	
	February 28, 2011	August 31, 2011
Due within one year	3,133	-
Due after one year	-	-
Total	3,133	-

## Note 10 – Financial instruments

### (1) Qualitative information for financial instruments

#### (a) Policy for financial instrument transactions

The Investment Corporation raises funds through borrowings, the issuance of corporate bonds or investment units for the acquisition of real estate properties, expenditures on property maintenance and/or repayment of existing debt. Surplus funds are managed carefully by investing in financial instruments that meet the Investment Corporation's investment policy in terms of liquidity and safety in light of the current financial market condition. Derivative instruments are used only for hedging purposes and not for the speculative purpose. The Investment Corporation did not use any derivative instruments for the six months ended February 28, 2011.

**(b) Nature and extent of risks arising from financial instruments and risk management**

The funds raised through borrowings or issuance of corporate bonds are mainly used to acquire real estate properties or properties in trust, and for the repayment of existing borrowings or corporate bonds. Tenant leasehold and security deposits are deposits from tenants. Although borrowings with floating interest rate are subject to fluctuations in market interest rates, the Investment Corporation manages to keep an appropriate level of liabilities ratio in order to manage its exposure to the potential rise in the market interest rates. In addition, a certain portion of borrowings with floating interest rate are hedged by derivative instruments (interest rate swaps) as hedging instruments. The assessment of the effectiveness of the hedge is omitted when the interest rate swaps meet specific criteria to be regarded as being high correlation between the fluctuant factor of hedged items and hedging instruments. The Investment Corporation uses derivative instruments in accordance with its risk management policy and internal rules.

Liquidity risks relating to borrowings, corporate bonds and tenant leasehold and security deposits are managed by preparing monthly plan for funds, keeping high liquidity and making credit facility agreements and commitment line agreements with banks.

**(c) Supplemental information on fair value of financial instruments**

The fair value of financial instruments based on quoted market prices if available. When quoted market prices are not available, fair value is estimated using valuation techniques which contain various assumptions. If other valuation models or assumptions were used, the estimated value may differ.

**(2) Quantitative information for financial instruments**

The following table shows the carrying amounts, fair value and unrealized gain (loss) of financial instruments for which fair value is available as of February 28, 2011 and August 31, 2011.

	(Thousands of yen)					
	As of					
	February 28, 2011			August 31, 2011		
	Carrying amounts	Fair value	Unrealized gain (loss)	Carrying amounts	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	10,819,131	10,819,131	-	8,208,658	8,208,658	-
(2) Cash and bank deposits in trust	5,773,686	5,773,686	-	6,886,744	6,886,744	-
(3) Investment securities	-	-	-	854,816	893,325	38,509
Total assets	16,592,818	16,592,818	-	15,950,218	15,988,728	38,509
(1) Short-term borrowings	86,575,000	86,575,000	-	46,575,000	46,575,000	-
(2) Current portion of long-term bonds issued	20,000,000	20,139,200	139,200	40,000,000	40,195,200	195,200
(3) Current portion of long-term borrowings	5,900,000	5,913,726	13,726	5,700,000	5,713,984	13,984
(4) Current portion of tenant leasehold and security deposits	-	-	-	15,051	15,015	(36)
(5) Current portion of tenant leasehold and security deposits in trust	4,096,460	4,094,161	(2,299)	4,105,541	4,108,646	3,104
(6) Long-term bonds issued	60,000,000	61,472,200	1,472,200	40,000,000	41,602,050	1,602,050
(7) Long-term borrowings	104,876,000	106,503,713	1,627,713	143,076,000	145,052,826	1,976,826
(8) Tenant leasehold and security deposits	-	-	-	616	610	(5)
(9) Tenant leasehold and security deposits in trust	18,773,286	18,761,222	(12,064)	18,030,231	18,316,138	285,906
Total liabilities	300,220,747	303,459,223	3,238,476	297,502,440	301,579,471	4,077,030
Derivative instruments	-	-	-	-	-	-

Note (i): The method and assumption used to estimate fair value are as follow:

Assets

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

The carrying amounts of cash and bank deposits and those in trust are deemed to approximate their fair value.

*(3) Investment securities*

The fair value of investment securities (investments in Tokumei Kumiai agreements) as of August 31, 2011 is determined based on the present value of reasonably estimated cash flows because the agreements will be terminated within a short term after the end of fiscal period.

## Liabilities

### (1) Short-term borrowings

Because of their short maturities, the carrying amounts of short-term borrowings approximate their fair values.

### (2) Current portion of long-term bonds issued and (6) Long-term bonds issued

The fair value is the quoted price provided by financial market information provider.

### (3) Current portion of long-term borrowings and (7) Long-term borrowings

Long-term borrowings with floating interest rates are stated at their carrying amounts as their carrying amounts approximate their fair values. When long-term borrowings with floating interest rates are hedged by interest rate swaps which qualify for hedge accounting and meet special criteria, the fair value of the hedged long-term borrowings is determined based on the present value of contractual cash flows including the hedging interest rate swaps discounted at current market interest rates which would be applicable to new borrowings under the same conditions and terms. Fair value of long-term borrowings with fixed interest rates, the fair value is determined based on the present value of contractual cash flows discounted at current market interest rates which would be applicable to new borrowings under the same conditions and terms.

### (4) Current portion of tenant leasehold and security deposits, (5) Current portion of tenant leasehold and security deposits in trust, (8) Tenant leasehold and security deposits and (9) Tenant leasehold and security deposits in trust

The fair value is determined based on the present value of contractual cash flows discounted at current interest rates which would be applicable to contracts with similar terms and credit risk.

## Derivative instruments

Derivative instruments are used only for hedging purpose and subject to hedge accounting as following table shows.

### As of August 31, 2011

(Thousands of yen)

Method of hedge accounting	Derivative instruments	Hedged item	Notional contract amount of derivative instruments		Fair value	Method used to estimate fair value
				Over 1 year		
Special treatment for hedge accounting of interest rate swaps	Interest rate swaps (Floating-rate to fixed-rate interest)	Long-term borrowings	20,000,000	20,000,000	Note (a)	-

#### Note:

- (a) The interest rate swaps which qualify for hedging accounting and meet specific criteria are not measured at fair value and interests received or paid under the interest rate swap contracts are recognized on an accrual basis. The fair value of the hedging interest rate swaps is included in the fair value of hedged long-term borrowings. Please refer to above footnote ("Liabilities, (3) Current portion of long-term borrowings and (7) Long-term borrowings").

Note (ii): Financial instruments for which fair value is difficult to determine are as follows:

(Thousands of yen)

	As of	
	February 28, 2011	August 31, 2011
Investment securities	518,935	-
Total assets	518,935	-
Current portion of tenant leasehold and security deposits in trust	48,907	46,953
Tenant leasehold and security deposits	1,182,149	1,525,648
Tenant leasehold and security deposits in trust	38,567,125	38,506,075
Total liabilities	39,798,181	40,078,677

Investment securities (investments in Tokumei Kumiai agreements) are not publicly traded, and it was difficult to estimate reasonable future cash flows as of February 28, 2011. Similarly, tenant lease hold and security deposits and those in trust are not publicly traded, and it is difficult to determine their fair value based on estimated future cash flows because the repayment dates of those deposits is not certain. Therefore, these financial instruments are not included in the above quantitative information.

Note (iii): Cash flows schedule of financial assets after the balance sheet date

(Thousands of yen)

As of February 28, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	10,819,131	-	-	-	-	-
Cash and bank deposits in trust	5,773,686	-	-	-	-	-
Total	16,592,818	-	-	-	-	-

  

As of August 31, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and bank deposits	8,208,658	-	-	-	-	-
Cash and bank deposits in trust	6,886,744	-	-	-	-	-
Total	15,095,402	-	-	-	-	-

Note (iv): Cash flows schedule of financial liabilities after the balance sheet date

(Thousands of yen)

As of February 28, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	86,575,000	-	-	-	-	-
Current portion of long-term bonds issued	20,000,000	-	-	-	-	-
Current portion of long-term borrowings	5,900,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits in trust	1,594,029	-	-	-	-	-
Long-term bonds issued	-	20,000,000	-	15,000,000	10,000,000	15,000,000
Long-term borrowings	-	1,600,000	12,000,000	13,450,000	46,810,000	31,016,000
Tenant leasehold and security deposits in trust	-	1,594,029	1,594,029	1,305,724	1,548,139	8,932,520
Total	114,069,029	23,194,029	13,594,029	29,755,724	58,358,139	54,948,520

  

As of August 31, 2011	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Short-term borrowings	46,575,000	-	-	-	-	-
Current portion of long-term bonds issued	40,000,000	-	-	-	-	-
Current portion of long-term borrowings	5,700,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits in trust	1,594,029	-	-	-	-	-
Long-term bonds issued	-	-	-	15,000,000	10,000,000	15,000,000
Long-term borrowings	-	9,000,000	8,550,000	43,810,000	23,250,000	58,466,000
Tenant leasehold and security deposits in trust	-	1,594,029	1,521,953	1,354,855	1,548,139	8,478,535
Total	93,869,029	10,594,029	10,071,953	60,164,855	34,798,139	81,944,535

## Note 11 – Asset retirement obligations

The Investment Corporation has an obligation under a fixed-term leasehold agreement to restore the leased land where Loc City Ogaki is located upon the termination of the agreement. The estimated useful life of the property is 29 years which is the same as the term of the agreement. The asset retirement obligation of the restoration is recognized as a liability for an amount representing the present value of estimated future cash flow discounted at 1.789%.

Movements of asset retirement obligations for the six months ended February 28, 2011 and August 31, 2011 were as follows:

	(Thousands of yen)	
	For the six months ended	
	February 28, 2011	August 31, 2011
Balance at the beginning of the period	334,507	337,474
Adjustment for passage of time	2,967	3,043
Balance at the end of the period	337,474	340,518

**Note:**

Effective on September 1, 2010, the Investment Corporation applied ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" issued on March 31, 2008, and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations" issued on March 31, 2008.

## Note 12 – 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 in the aggregate for the six months ended February 28, 2011 and August 31, 2011.

	(Thousands of yen)	
	For the six months ended	
	February 28, 2011	August 31, 2011
<b>Net book value<sup>(i)</sup></b>		
Balance at the beginning of the period	637,727,230	601,341,401
Net increase (decrease) during the period <sup>(ii)</sup>	(36,385,828)	(3,771,290)
Balance at the end of the period	601,341,401	597,570,111
<b>Fair value<sup>(iii)</sup></b>	568,969,000	566,765,000

**Note:**

- (i) The net book value includes leasehold rights and other intangible assets.
- (ii) Changes in the net book value are mainly due to the following transactions (except for depreciation):

	Increase (decrease) in net book value (Thousands of yen)
<b>For the six months ended February 28, 2011:</b>	
Capitalization of asset retirement costs corresponding to asset retirement obligations:	
Loc City Ogaki	310,941
Capital expenditures:	
Kyoto Family	71,170
Disposals:	
18 properties (office, residential and residential plus retail)	(32,084,818)
<b>For the six months ended August 31, 2011:</b>	
Capital expenditures:	
Narupark	562,620

- (iii) Fair value has been determined based on independent real estate appraisers.

For rental revenues and expenses for the six months ended February 28, 2011 and August 31, 2011, please refer to "Note 5 Breakdown for rental and other operating revenues and property-related expenses".

## Note 13 – Related-party transaction

### For the six months ended February 28, 2011:

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 <sup>(iv)</sup> (Thousands of yen)	Account name in balance sheets	Amounts <sup>(iv)</sup> (Thousands of yen)
Custodian	Mitsubishi UFJ Trust and Banking Corporation	Banking	-	Drawing of short-term borrowings <sup>(i)</sup>	7,860,500	Short-term borrowings	23,793,300
				Interest expenses <sup>(ii)</sup>	112,173	Accrued expenses	32,366
				Trust fees <sup>(iii)</sup>	56,072	Accounts payable - operating	9,810
				General administration fees <sup>(iii)</sup>	151,290	Accrued expenses	50,687

Note:

- (i) The short-term borrowings were drawn in accordance with the credit facility agreement. All of the short-term borrowings were unsecured.
- (ii) The interest expenses were accruing on borrowings drawn in accordance with the credit facility 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.
- (iii) The fees have been decided based on third party transactions.
- (iv) Consumption taxes are excluded from the amounts of transactions, but included in the amounts of balances.

### For the six months ended August 31, 2011:

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 <sup>(v)</sup> (Thousands of yen)	Account name in balance sheets	Amounts <sup>(v)</sup> (Thousands of yen)
Custodian	Mitsubishi UFJ Trust and Banking Corporation	Banking	-	Drawing of short-term borrowings <sup>(i)</sup>	4,500,000	Short-term borrowings	12,360,500
				Drawing of long-term borrowings <sup>(ii)</sup>	11,440,000	Long-term borrowings	14,154,000
				Interest expenses <sup>(iii)</sup>	105,950	Accrued expenses	29,847
				Trust fees <sup>(iv)</sup>	53,430	Accounts payable - operating	9,089
				General administration fees <sup>(iv)</sup>	112,573	Accrued expenses	34,932

Note:

- (i) The short-term borrowings were drawn in accordance with the credit facility agreement. All of the short-term borrowings were unsecured.
- (ii) The long-term borrowings were raised by term loan agreement and unsecured.
- (iii) The interest expenses were accruing on borrowings drawn in accordance with the credit facility 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.
- (iv) The fees have been decided based on third party transactions.
- (v) Consumption taxes are excluded from the amounts of transactions, but included in the amounts of balances.

## Note 14 – Per unit information

The net asset value per unit as of February 28, 2011 and August 31, 2011 was ¥165,483 and ¥164,775, respectively. Net income per unit for the six months ended February 28, 2011 and August 31, 2011 was ¥3,967 and ¥3,259, respectively.

Net income per unit is calculating by dividing the net income attributable to unitholders by the weighted-average number of units outstanding during the six months period.

Diluted net income per unit is not disclosed because the Investment Corporation has no dilutive potential units.

## Note 15 – Subsequent events

### For the six months ended February 28, 2011:

#### *The Great East Japan Earthquake*

On March 11, 2011, the Great East Japan Earthquake occurred. Although partial damages, such as to the buildings' interior, were founded in 24 of investment properties as a result of this earthquake and subsequent tsunami, there was no significant building damage. The Investment Corporation estimated that repair expenses would amount to approximately ¥668 million.

**For the six months ended August 31, 2011:**

***Issuance of new investment units***

The Board of Directors of the Investment Corporation, at its meeting held on August 24, 2011 and September 7, 2011, resolved to issue new investment units as follows:

***(a) Issuance of new investment units through public offering***

Investment units shall be offered through a public offering in Japan (“Domestic Public Offering”) and in overseas markets, consisting mainly of the U.S. and European markets (provided, however, that offering in the U.S. market shall be restricted to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933) (referred to as “Overseas Offering” and collectively with the Domestic Public Offering, the “Offerings”).

**(i) Number of new investment units to be offered:**

187,500 investment units, out of which 94,200 new units to be offered through the Domestic Public Offering and 93,300 new units to be offered through the Overseas Offering consisting of 88,800 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 4,500 additional new units granted to the overseas underwriters.

**(ii) Issue price (Offer price):** ¥107,640 per unit

**(iii) Total issue price (Total offer price):** ¥20,182,500,000

**(iv) Issue value (Amount to be paid in):** ¥104,107 per unit

**(v) Total amount to be paid in (Total issue value):** ¥19,520,062,500

**(vi) Payment date:** September 14, 2011

**(vii) Distribution:**

The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2011 and ending on February 29, 2012.

***(b) Issuance of new investment units through third-party allotment***

**(i) Number of new investment units:** 4,500 investment units

**(ii) Issue value (Amount to be paid in):** ¥104,107 per unit

**(iii) Total amount to be paid in (Total issue value):** ¥468,481,500

**(iv) Payment date:** October 12, 2011

**(v) Distribution:**

The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2011 and ending on February 29, 2012.

**(iv) Allottee:** SMBC Nikko Securities Inc.

***(c) Use of proceeds***

The Investment Corporation will use the net proceeds from the Offerings partially for acquisition of additional specified assets. The proceeds from the issuance of new investment units through the third-party allotment will be used partially for miscellaneous expenses relating to the acquisition of the specified assets.

The new investment units through the Offerings and the third-party allotment were issued on September 14, 2011 and October 12, 2011, respectively. As a result of the issuance, unitholders’ capital has increased to ¥270,752,950,160 and number of investment units issued and outstanding has been 1,880,198 units.

## VI. Statements of cash distributions

(Yen)

	For the six months ended	
	February 28, 2011	August 31, 2011
Retained earnings at the end of period .....	6,699,636,016	5,503,431,703
Cash distribution declared .....	6,698,769,664	5,501,837,282
<i>(Cash distribution declared per unit) .....</i>	<i>(3,968)</i>	<i>(3,259)</i>
Retained earnings carried forward .....	866,352	1,594,421

Note:

In accordance with the distribution policy in the Investment Corporation's article of incorporation 26, Paragraph 1, Item 2, which stipulates to make distribution in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, cash distributions declared for the six months ended February 28, 2011 and August 31, 2011 were ¥6,698,769,664 and ¥5,501,837,282, respectively, which were all of retained earnings at the end of each period except for fractional distribution per unit less than one yen. The Investment Corporation generally does not make distribution out of reserve for dividends nor in excess of profit prescribed in the article of incorporation 26, Paragraph 2.

### Note

Accompanying English financial information, comprising of balance sheets, statements of income and retained earnings, statements of changes in net assets, notes to financial information and statements of cash distributions, have been translated from the Japanese financial statements of the Investment Corporation prepared in accordance with the Act on Investment Trusts and Investment Corporations of Japan.

Under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan, the Japanese financial statements for the six months ended August 31, 2011 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 and retained earnings, statement of changes in net assets, notes to financial information and statements of cash distributions are unaudited.

## Statements of cash flows (additional information)

(Thousands of yen)

	For the six months ended	
	February 28, 2011	August 31, 2011
<b>Cash Flows from Operating Activities:</b>		
Income before taxes .....	6,698,728	5,503,170
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation .....	5,160,372	5,129,044
Amortization of bonds issuance costs .....	21,428	21,428
Gain on sales of property .....	(1,056,362)	-
Loss on disposal of fixed assets .....	122,211	1,759
Effect of application of new accounting standard for asset retirement obligations .....	65,542	-
Interest income .....	(2,394)	(1,390)
Interest expense .....	2,242,095	2,226,871
Loss on disaster .....	-	502,440
Changes in assets and liabilities:		
Decrease (increase) in Rental receivables .....	(64,845)	7,660
Decrease (increase) in Income taxes receivable .....	298	(6,831)
Increase in Consumption tax refundable .....	-	(273,089)
Decrease (increase) in Long-term prepaid expenses .....	127,479	(576,932)
Increase (decrease) in Accounts payable – operating .....	(195,360)	173,025
Decrease in Consumption tax payable .....	(387,069)	(519,707)
Decrease in Accounts payable – other .....	(7,814)	(5,324)
Increase (decrease) in Accrued expenses .....	(87,254)	1,621
Increase (decrease) in Rent received in advance .....	(280,949)	38,893
Increase (decrease) in Deposits received .....	(158,369)	98,738
Other, net .....	(120,705)	(170,244)
Sub total .....	12,077,030	12,151,134
Interest received .....	2,394	1,390
Interest expenses paid .....	(2,404,469)	(2,185,441)
Loss on disaster paid .....	-	(466,471)
Income taxes paid .....	(505)	(554)
Net cash provided by operating activities .....	9,674,450	9,500,057
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment .....	(6,147)	(22,231)
Purchase of property and equipment in trust .....	(607,967)	(1,344,400)
Proceeds from sales of property and equipment in trust .....	33,141,181	-
Purchase of intangible assets in trust .....	-	(5,385)
Payments of tenant leasehold and security deposits .....	(86,883)	(24,919)
Proceeds from tenant leasehold and security deposits .....	224,304	243,398
Payments of tenant leasehold and security deposits in trust .....	(8,946,571)	(880,111)
Proceeds from tenant leasehold and security deposits in trust .....	152,057	74,013
Proceeds from lease deposits in trust .....	7,500	7,500
Investment in securities .....	(516,994)	(337,822)
Other expenditures .....	(3,787)	(11,615)
Other proceeds .....	-	2,000
Net cash provided by (used in) investing activities .....	23,356,692	(2,299,574)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term borrowings .....	1,500,000	-
Repayments of short-term borrowings .....	(22,497,000)	(40,000,000)
Proceeds from long-term borrowings .....	11,000,000	39,000,000
Repayments of long-term borrowings .....	(22,500,000)	(1,000,000)
Distribution payments .....	(6,171,767)	(6,697,898)
Net cash used in financing activities .....	(38,668,767)	(8,697,898)
<b>Net change in cash and cash equivalents .....</b>	<b>(5,637,624)</b>	<b>(1,497,415)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>22,230,443</b>	<b>16,592,818</b>
<b>Cash and cash equivalents at end of period <sup>(ii)</sup> .....</b>	<b>16,592,818</b>	<b>15,095,402</b>



Note:

- (i) The statements of cash flows are unaudited because the statements are out of scope of independent audit under Article 130 of the Act on Investment Trusts and Investment Corporations of Japan.
- (ii) Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible to cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition. Cash and cash equivalents in the statements of cash flows consist of the following:

(Thousands of yen)

	As of	
	February 28, 2011	August 31, 2011
Cash and bank deposits	10,819,131	8,208,658
Cash and bank deposits in trust	5,773,686	6,886,744
Cash and cash equivalents	16,592,818	15,095,402

- (iii) Significant non-cash transactions

For the six months ended February 28, 2011, the Investment Corporation applied ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" issued on March 31, 2008, and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations" issued on March 31, 2008. As a result of the application of this new accounting standard, an asset retirement obligation was recognized for an amount of ¥310,941 thousand with the corresponding liability at an amount of ¥337,474 thousand as of February 28, 2011.

## 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 Nineteenth Period Analyst Meeting Materials (March 1, 2011 – August 31, 2011)”

- Portfolio Management: Page 29 to 30
- Portfolio Overview: Page 33 to 34 and Page 49 to 50

### **Contact**

Asset Manager

For IR schedule and other IR-related information, please contact our asset management company, Mitsubishi Corp.

- UBS Realty Inc. at +81-3-5293-7080.

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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