# Japan Retail Fund Investment Corporation

## 22nd Semiannual Report

**September 1, 2012 – February 28, 2013**

Japan Retail Fund Investment Corporation

# Japan Retail Fund Investment Corporation (JRF)

## 1. is the largest J-REIT specializing in retail properties.

**JRF was established in 2002 as the first investment corporation in Japan to specialize in retail properties, and was the third REIT to be listed in Japan. JRF currently owns 76 properties throughout Japan, with a value of approximately 720 billion yen, making it the largest J-REIT specializing in retail properties, and the third largest among all REITs listed in Japan.**

## 2. has established a well-balanced portfolio.

**JRF's portfolio is characterized by a good balance of suburban properties with "Top-selling level in the region" which maintain firm sales, and urban properties with brand appeal, and that are well located with future potential. When selecting properties, JRF thoroughly examines investment yields, of course, as well as other criteria such as the business area, tenant mix, traffic access and building conditions from a professional viewpoint.**

## 3. maintains stable distributions.

**As retail property management professionals, JRF maintains portfolio quality by carrying out proactive and strategic renovations and tenant replacement. Since the start of operations JRF has consistently maintained a high occupancy rate above 99% for the entire portfolio, and has been able to deliver stable distributions to unitholders since listing by establishing a solid revenue base.**

## 4. has Mitsubishi Corporation and UBS AG as its sponsor.

**The sponsors of the asset management company are Mitsubishi Corporation, Japan's largest general trading company, and UBS AG, one of the world's largest financial institutions. While leveraging both sponsors' superior business know-how, track record and high credibility, JRF flexibly incorporates its own unique investment management approach, independent of its sponsors, to carry out optimal asset management at any given time.**

## To our Unitholders

# JRF produced stable distributions again the fiscal period ended February 2013 due to initiatives to continuously increase unitholder value.

I would like to take this opportunity to express my sincere gratitude to all investors for their ongoing support of Japan Retail Fund Investment Corporation (JRF).

**JRF continued to achieve steady growth based on a well-balanced portfolio.**

In the fiscal period under review, Japan's macro-economy showed signs of recovery, although modest, and in the latter half the stock market rose strongly, spurred on by expectations regarding policy effects due to monetary and fiscal measures established by the new government which was inaugurated in December 2012. In the J-REIT market in particular there has been a more active inflow of funds due to a succession of new listings and public offerings, leading to a significant recovery in the TSE REIT Index. Moreover, with respect to the retail sector there has also been an improvement in consumer sentiment, and sales conditions at retail properties are also generally strong while being propped by a sense of stability based on consumer spending.

Amid such an environment, JRF continued to maintain stable rent revenues based on its large scale and well-balanced portfolio, and also acquired 7 new properties (with a total acquisition price of 52.1 billion yen) with the funds raised from issuing new investment units in October 2012, and long-term borrowings. As a result of JRF's increased earning capacity, operating revenue for the period was 25,642 million yen, up 8.8% compared to the previous period. Net income for the period was 8,041 million yen, up 11.4% compared to the previous period. As a result, the distribution per unit for the period under review was 3,868 yen, 28 yen higher than the previous period.

**JRF aims to further improve unitholder value in the booming J-REIT market.**

The booming J-REIT market presents a big opportunity for JRF. However, competition for real estate acquisition is intensifying against the backdrop of a favorable financing environment, and a more strategic approach than before will be required to carry out selective investment in prime properties. In order to achieve stable future growth JRF will boldly and carefully build on its actions, always looking one step ahead, in order to acquire the best property at the best time, while fully utilizing our network based on our track record as one of the largest buyers of retail properties in Japan and leveraging various property acquisition sources. At the same time, JRF will leverage the management company's know-how as a retail property management professional in order to improve the competitiveness of portfolio assets, and will aim to increase unitholder value by continuing to implement proactive action plans, and at the same time continue to provide stable distributions.

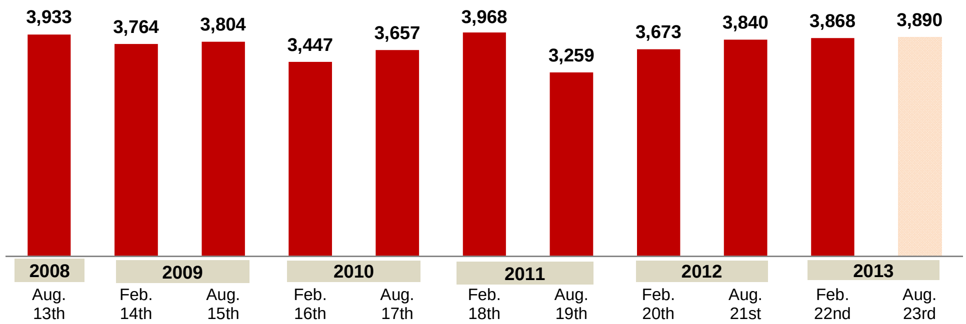
We will continue to strive to live up to investors' expectations, together with the asset manager, Mitsubishi Corp.-UBS Realty Inc., and look forward to receiving your continued support.

Japan Retail Fund Investment Corporation, Executive Director
Shuichi Namba

## Highlights of the 22nd fiscal period

- Conducted a public offering for the second consecutive year. New properties acquired with the funds from the public offering (7 properties, total acquisition price of approx. 52.1 billion yen) contributed to an increase in operating revenue and distributions.
- Increased the long-term liabilities ratio and extended the average remaining loan term until maturity by measures including taking out new loans (29 billion yen) and refinancing existing loans.
- Improved occupancy rate of urban retail properties and renovated existing properties.

➢ Distribution per unit



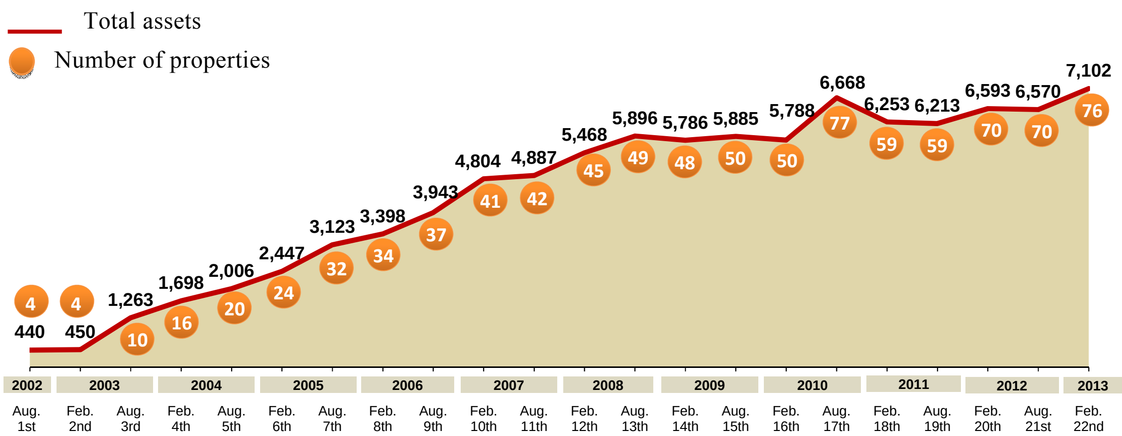

* On March 1, 2010, JRF effected a four-to-one unit split. Distributions to 16th fiscal period are divided by four.

➢ Financial results

| | Feb. 2012 fiscal period | Aug. 2012 fiscal period | **Feb. 2013 fiscal period** |
|---|---|---|---|
| Operating revenue | 23.6 billion yen | 23.5 billion yen | **25.6 billion yen** |
| Net income<br>(Total distributions) | 2.3 billion yen<br>(6.9 billion yen*) | 7.2 billion yen<br>(7.2 billion yen) | **8.0 billion yen**<br>**(8.0 billion yen)** |
| NAV per unit | 156,883 yen | 157,050 yen | **154,318 yen** |

* Total distributions for Feb. 2012 fiscal period includes an appropriation for reserve for dividends amounting to 4,592 million yen and differs from net income for the fiscal period then ended.

➢ Total assets and the number of properties



## Interview with the President, Asset Management Company

# JRF will proactively and appropriately implement a diversified strategy aimed at the growth of sustainable and stable distributions.

**Q1. Looking back on the 22nd Period (period ended February 28, 2013), firstly please give us an overview of the investment performance. JRF issued new investment units through a public offering in 2011, and again in 2012 to acquire new assets - how was the response to that?**

**By successfully carrying out public offerings for two consecutive years and completing acquisition of new prime properties as planned, JRF was able to increase the scale of assets, and increase the profitability and stability of the portfolio. We are satisfied that through those measures to secure stable distribution funds for the medium to long term.**

The biggest topic for the period was the acquisition of 7 new properties for a total of approximately 52.1 billion yen, which were purchased with approximately 24.7 billion yen from funds raised from issuance of new investment units by public offering in October last year, and new borrowings made at the same time for 29 billion yen. All of the acquisitions were one-on-one transactions conducted through direct negotiations with the sellers, and as a result of the favorable conditions we secured, the average NOI yield for the 7 properties (estimate at the time of acquisition) was 6.0%, above the 5.1% as at the end of the previous period (August 31, 2012), thereby contributing to an improvement in profitability for the entire portfolio. A feature of the acquisitions enabled the portfolio to diversify by achieving a well-balanced geographical distribution with properties in Tokyo, Yokohama, Osaka, Nagoya and Fukuoka, and by investing in various other business categories, in addition to prime retail facilities, including amusement centers, sports gyms, and clinic malls.

**Q2. Since the start of management of assets in 2002, JRF has continued to grow through selective investment in prime assets leading to an asset portfolio of 720 billion yen (based on acquisition price). Could you please tell us your plans aimed at the next stage of growth?**

**JRF will increase the size, and improve the quality of the portfolio by fully utilizing the three engines of growth, external growth strategy, internal growth strategy, and financial strategy, and aim to further increase and stabilize distribution levels based on stable revenues.**

JRF aims for sustainable growth while responding appropriately and quickly to rapidly changing market forces, and views the external growth strategy, which aims to improve profitability and asset quality by expanding scale through the acquisition of new properties, the internal growth strategy, which is aimed at growth through improvement of asset value, including the profitability and stability of existing properties, and the financial strategy, which supports those other strategies, as the three pillars of growth.

With respect to the external growth strategy JRF will continue to pursue selective investment in prime properties that contribute to the improvement of the portfolio's profitability and stability. JRF will increase investment opportunities, while capturing the changing needs of consumers by establishing a variety of investment targets, and with respect to business categories also, JRF will invest in retail properties that mainly have tenant mixes with a wide variety of business types, including restaurants, services, relaxation, entertainment, clinics and education, in addition to traditional retail properties that mainly consist of retail stores. With respect to our investment methods also, we will leverage our rich property acquisition sources by utilizing our own network as one of the Japan's largest buyers of retail properties, CRE strategy (*1) approach, and sponsor support, and carry out one-on-one negotiations and bridge structures (*2) to expeditiously carry out acquisition of prime properties using optimal acquisition methods.

*1 CRE (Corporate Real Estate) strategy:

The CRE strategy is the concept of managing real estate owned by a company in an appropriate and efficient manner to maximize corporate value from the management strategy perspective.

*2 Bridge structure:

Bridge structure is a structure in which JRF responds flexibly to acquire a property at the optimum timing to match the timing at which the property owner sells the property, and in which a property identified by JRF as an investment target is acquired by a special purpose company while preferential negotiation rights with regard to acquiring the property are secured for JRF over a certain period of time.

**Q3. It seems that the strength of JRF's internal growth strategy is not merely in property management, but in proactively managing retail properties by carrying out tenant leasing, renovations and the like, based on practical know-how.**

**We fully leverage JRF's strengths with its rich know-how in SC (shopping center) management, and achieve results by promoting JRF-led renovations, replacement of tenants and the like. We will work to maintain and improve competitiveness going forward by continuing a proactive approach based on a portfolio management policy of total management.**

Initiatives to maintain and improve the sustainable competitiveness of existing portfolio properties are vital for increasing unitholder value. JRF is actively engaged in various initiatives such as tenant replacement and renovations by leveraging SC management methods acquired through management experience gained over the past decade. We started a large-scale renovation of the Kyoto Family retail complex (Ukyo-ku, Kyoto) in the period under review, and opened in March 2013. The renovation included not only replacement of tenants, but also revamping the appearance, carrying out seismic reinforcement work on the building, repair works on disaster prevention equipment, and energy-saving measures.

In addition, we are continuing to work on introducing new tenants with the aim of increasing occupancy rates, and at urban retail properties (28 properties) occupancy rates continued to rise from the previous period (up 1.8 percentage points from the previous period), at 98.8% at the end of the period. As a result, combined with the suburban retail properties, JRF maintained a stable 99.8% occupancy rate for the entire portfolio as at the end of the period. (Please see “JRF's internal growth strategy” below.)

I think efforts to leverage strengths of having a wealth of know-how in the management of retail properties will be a key weapon in improving the profitability and stability of the portfolio going forward. In addition, going forward JRF will continue to aim to strengthen the quality of the portfolio, including strengthening the operating structures that support those efforts.

**Q4. What kind of policies will be used to carry out the financial strategy to support sustainable and stable growth?**

**JRF has improved the stability of the financial base to date by equalizing repayments, extending the average remaining term of loans, and staggering repayment dates, while maintaining a high ratio of long-term debt. JRF will continue to expeditiously utilize a variety of funding methods going forward to build a stable and strong financial base necessary for continued portfolio growth.**

In order to steadily carry out the external growth strategy and internal growth strategy set forth above, obviously funds are needed to support those strategies. JRF carried out financial measures at the appropriate timing again this period, and further strengthened its financial base by diversifying lenders, extending the term of loans, fixing interest rates and staggering repayment dates in order to further stabilize its financial base.

Specifically, in December last year, we raised a total of 4 billion yen with long-term borrowings from new lenders, Shinkin Central Bank, The Gunma Bank, Ltd., The Yamaguchi Bank, Ltd., and Higashi-Nippon Bank, Ltd., and allocated those funds to early repayment of short-term borrowings. In February this year, the remaining term of borrowings was extended by early repaying 10 billion yen, in two payments in February and March this year, of the 34.3 billion yen in long-term borrowings assumed when JRF merged with LaSalle Japan REIT Inc. on March 1, 2010, and by taking out a loan for the same amount with a term of 9 years. At the time of refinancing JRF entered into an interest rate swap agreement to fix our long-term borrowing rates.

As a result of these measures, interest-bearing liabilities at the end of the period was 320.5 billion yen, of which 11.2 billion yen was for short-term borrowings, 269.3 billion yen was for long-term borrowings, and 40 billion yen was for investment corporate bonds. In addition, LTV (ratio of interest-bearing liabilities, including tenant leasehold and security deposits) was 53.8% as at the end of the period.

**Q5. Could you say a word to unitholders about JRF's growth strategy going forward with respect to the active J-REIT market?**

**JRF will aim to maximize unitholder value by achieving sustainable growth of distributions by leveraging its various investment methods to acquire more new properties, and focusing even more on revitalizing existing properties.**

The Japanese economy, which has continued to recover moderately since the Great East Japan Earthquake, seems to be adding momentum to the cycle of economic recovery due in part to expectations for an easing of monetary policy, and the J-REIT market has also experienced an increase in the overall size of its market. For JRF the challenge begins of a new stage aimed at sustained growth, after having spent the past three years dealing with such management themes as responding to financial crises, and getting back on track to full-fledged growth. JRF will continue to achieve further improvements in profitability by aiming to acquire more prime properties by leveraging a variety of investment methods, focusing even more on revitalizing existing properties, and striving to maintain a well-balanced portfolio. JRF will aim for continued increases in unitholder value going forward by carrying out appropriate operations which quickly respond to changes in the environment. I will do my best to live up to unitholders' expectations, and look forward to receiving your continued support and guidance.

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

**Feature: JRF's NOW!**

# JRF’s Internal Growth Strategy

## Aimed at increasing and stabilizing distribution levels

JRF, while proceeding with an external growth strategy based on the properties acquisition, is also actively engaged in an internal growth strategy to improve the competitiveness of existing properties by carrying out renovations and replacement of tenants. We are striving to increase profits to increase and stabilize distribution levels by leveraging SC (shopping center) management methods cultivated through over more than 10 years of asset management, and utilizing revitalization measures that only JRF is capable of due to its specialization in retail properties.

## “Kyoto Family” has been transformed following renovations led by JRF!

The Kyoto Family (Ukyo-ku, Kyoto) retail complex, which has been popular among local people for more than 30 years, had been undergoing renovations since 2010, and in March 2013 it re-opened after undergoing further renovations.

**Track records of renovations carried out so far**

1. Carried out replacement of tenants, including newly opening the food court, and refurbishment of toilets (March, June 2010)
2. Attracted an electronics store following partial return of floor space from JUSCO (currently AEON) (October 2010)
3. Attracted 6 new stores, including first stores in Kyoto, following a vacancy by a sub-core tenant (September 2012)
4. **Attracted 9 new stores following contract expiration, and renovated exterior and interior (March 2013)**

In Kyoto, various restrictions are imposed on reconstruction and new store openings. For this retail property, due to the "Ordinance for town development concerning regulation of land use in Kyoto", and restrictions on the original shop area for rebuilding, we used a method to carry out the renovation without changing the building frame. JRF takes a long-term perspective, and ensures retail properties retain their freshness, even if the property is old, and strives to ensure stable revenue for a longer time.

## Concept: Essence of Kyoto x Harmony with Nature

-Created an image of a "Taste of Kyoto" and "Harmony with Nature" by extensive use of wooden louvers and greenery.

## Go shopping tonight's dinner at “Kyo Marche”

-Opened “Kyo Marche”, a group of 4 fresh food shops on the 1st floor based on the concept of "Kyoto's Kitchen".

## Aiming to create comfortable, safe and secure facilities

- Carried out seismic reinforcement work on the building, and repair work on disaster prevention equipment to enhance safety.

-Carried out energy-saving measures, such as fitting LED lights for the lighting of communal passages.

For this renovation we changed the property management company that is commissioned with the center management, and the building management company. We not only spent money, we also carried out ongoing cost cuts however at the same time.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

| Fiscal period | | | 18th | 19th | 20th | 21st | 22th |
|---|---|---|---|---|---|---|---|
| As of /for the six months ended | | | February 28, 2011 | August 31, 2011 | February 29, 2012 | August 31, 2012 | February 28, 2013 |
| Operating revenues | Note 1 | (Millions of yen) | 22,925 | 21,824 | 23,642 | 23,559 | 25,642 |
| (Rental revenues) | Note 1 | (Millions of yen) | (21,868) | (21,789) | (23,634) | (23,559) | (25,642) |
| Operating expenses | Note 1 | (Millions of yen) | 13,577 | 13,278 | 18,304 | 13,957 | 15,068 |
| (Rental expenses) | Note 1 | (Millions of yen) | (11,298) | (11,136) | (12,061) | (11,699) | (12,688) |
| Operating income | | (Millions of yen) | 9,348 | 8,546 | 5,338 | 9,602 | 10,573 |
| Ordinary income | | (Millions of yen) | 6,764 | 6,005 | 2,827 | 7,220 | 8,042 |
| Net income | (a) | (Millions of yen) | 6,698 | 5,502 | 2,312 | 7,220 | 8,041 |
| Net assets | (b) | (Millions of yen) | 279,369 | 278,173 | 294,972 | 295,286 | 320,857 |
| (Period-on-period change) | | (%) | (+0.2) | (-0.4) | (+6.0) | (+0.1) | (+8.7) |
| Total assets | (c) | (Millions of yen) | 625,312 | 621,377 | 659,346 | 657,027 | 710,212 |
| (Period-on-period change) | | (%) | (-6.2) | (-0.6) | (+6.1) | (-0.4) | (+8.1) |
| Unitholders' capital | | (Millions of yen) | 250,764 | 250,764 | 270,752 | 270,752 | 295,474 |
| (Period-on-period change) | | (%) | (0.0) | (0.0) | (+8.0) | (0.0) | (+9.1) |
| Number of units issued and outstanding | (d) | (Units) | 1,688,198 | 1,688,198 | 1,880,198 | 1,880,198 | 2,079,198 |
| Net asset value per unit | (b)/(d) | (Yen) | 165,483 | 164,775 | 156,883 | 157,050 | 154,318 |
| Total distributions | (e) | (Millions of yen) | 6,698 | 5,501 | 6,905 | 7,219 | 8,042 |
| Distribution per unit | (e)/(d) | (Yen) | 3,968 | 3,259 | 3,673 | 3,840 | 3,868 |
| (Profit distribution per unit) | | (Yen) | (3,968) | (3,259) | (3,673) | (3,840) | (3,868) |
| (Distribution per unit in excess of profit) | | (Yen) | (-) | (-) | (-) | (-) | (-) |
| Ratio of ordinary income to total assets | Note 3 | (%) | 1.0 (2.1) | 1.0 (0.9) | 0.4 (0.9) | 1.1 (2.2) | 1.2 (2.4) |
| Return on unitholders' equity | Note 3 | (%) | 2.4 (4.8) | 2.0 (3.9) | 0.8 (1.6) | 2.4 (4.9) | 2.6 (5.3) |
| Ratio of net assets to total assets | (b)/(c) | (%) | 44.7 | 44.8 | 44.7 | 44.9 | 45.2 |
| (Period-on-period change) | | (%) | (+2.9) | (+0.1) | (-0.1) | (+0.2) | (+0.3) |
| Payout ratio | (e)/(a) | (%) | 100.0 | 100.0 | 298.6 | 100.0 | 100.0 |
| Additional information: | | | | | | | |
| Rental net operating income (NOI) | Note 3 | (Millions of yen) | 15,730 | 15,781 | 16,954 | 17,128 | 18,552 |
| Net profit margin | Note 3 | (%) | 29.2 | 25.2 | Note 5 12.0 | 30.6 | 31.4 |
| Debt service coverage ratio | Note 3 | (Multiple) | 6.3 | 5.8 | Note 5 5.0 | 7.6 | 8.2 |
| Funds from operation (FFO) per unit | Note 3 | (Yen) | 6,398 | 6,297 | Note 5 6,492 | 6,642 | 6,560 |
| FFO multiples | Note 3 | (Multiple) | 10.9 | 9.2 | Note 5 9.3 | 10.2 | 13.7 |
| Distributable income per unit after adjustment for taxes on property and equipment | Note 4 | (Yen) | 3,951 | 3,259 | 3,613 | 3,834 | 3,826 |
| FFO per unit after adjustment for taxes on property and equipment | Note 4 | (Yen) | 6,381 | 6,297 | Note 5 6,432 | 6,635 | 6,519 |

Note 1 Consumption taxes are not included.

Note 2 Total distributions for the 20th fiscal period includes an appropriation of reserve for dividends amounting to ￥4,592 million.

Note 3 Figures are calculated as below formulas. Percentages in parentheses are annualized using 181,184,182,184 and 181days for 18th, 19th, 20th, 21th and 22th fiscal period, respectively.

| | |
|---|---|
| Ratio of ordinary income to total assets | Ordinary income/Average total assets<br>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<br>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 4 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. These figures are unaudited.

Note 5 Net income used for calculation of "Net profit margin", "Debt service coverage ratio" and "FFO multiples" for the 20th fiscal period does not include deferred income taxes.

## 2. Outline of asset management operation for the 22nd fiscal period

### (1) 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.

In the fiscal period under review (September 1, 2012 to February 28, 2013), which is the 11th year from its listing, JFR issued, as in the prior year, new investment units (199,000 units, including the third-party allotment in connection with the over-allotment) in October 2012. It used the proceeds from this issuance combined with the funds procured through borrowings to acquire 7 properties (including the additional acquisition of one property under joint co-ownership interest) for a total acquisition price of 52.1 billion yen.

The total assets managed by JRF at the end of the 22nd fiscal period (February 28, 2013) came to 720.0 billion yen (the total acquisition price of 76 properties), and JRF ranked third among all REITs listed in Japan ("J-REIT") in terms of asset size.

### (2) Investment environment and results

i. Investment environment

The Japanese economy, as reflected in the CI coincident index — an economic performance benchmark that sensitively mirrors the business cycle — was in an adjustment phase until November 2012 after hitting a short-term peak in April 2012. This was due to declines in shipments of durable consumer goods and industrial production. Subsequently, however, shipments of investment goods and durable consumer goods turned around, and the economy bottomed out in December and regained its upward trend.

The CI leading index that monitors economic performance in advance shows that the economy surged upward in November 2012. Furthermore, according to the Cabinet Office's Economy Watcher assessment report for February 2013, the diffusion index (DI) reflecting the present situation rose for the fourth consecutive month while the leading DI marked its highest level in history. Thus the Japanese economy has been showing signs of recovery.

The real GDP for the fourth quarter of the fiscal year 2012 (secondary release) showed a 0.0% change from the previous period and was almost flat, suggesting an economic recovery after bottoming out in 2012. In the first quarter of 2013, there have been signs of a positive turnaround from the previous period, such as improvements in the corporate sector and the rise in exports.

There is anticipation that the Japanese economy, which has begun to regain its strength as described above, will bounce back on a business recovery cycle under the new Abe administration launched in December 2012. It is thought it will be stimulated by the so-called Abenomics (a combination of "Abe" and "economics," this word refers to the economic policies advocated by Shinzo Abe) built on the "three-arrow" basic components — an aggressive monetary policy, flexible fiscal spending, and a growth strategy aimed at generating private-sector investments.

In the real estate sales market, asset acquisitions associated with equity finance and debt finance by J-REITs have been growing, backed by the favorable fund procurement conditions particularly in the latter half of the fiscal year 2012. In response to this, the retail real estate segment is showing increased competition among J-REITs, private placement funds and others to acquire properties mainly in urban areas, and cap rate (see Note) levels at the time of acquisition are on a declining trend.

Note: The "cap rate" is a synonym for NOI yield, and is calculated by dividing NOI by the acquisition (estimate) price.

Under such circumstances, given that performances of retailers have been strong on the whole since last year and leasing of vacant spaces in metropolitan areas has progressed, we are in a situation where rental rates can be expected to increase.

The retail sector has been showing steady trends, backed mainly by an improvement in consumer sentiment.

The Current Survey of Commerce issued by the Ministry of Economy Trade and Industry indicates that retail sales for 2012 have increased for the first time in two years by 2.2% year-on-year and sales for the fourth quarter of 2012 rose 0.1% year-on-year, which was an increase for the fifth consecutive quarter. In terms of the type of business, although retail automotive sales declined due to the completion of the eco-car subsidy system, food and beverage retailers saw increases in seasonal products while retailers in textiles, clothing and personal effects had favorable sales of winter clothing, which contributed to the overall sales increase in this sector.

At large-scale retail stores (department stores and supermarkets), despite sluggish sales of home electrical appliances such as flat-panel television, sales of luxury products and cosmetics increased, and coats and other winter clothing as well as food and beverages such as hot-pot ingredients sold well due to severe weather conditions. As a result, sales remained stable and posted a year-on-year increase of 0.1% (down 0.7% on an existing store basis).

ii. Results

In the fiscal period under review, JRF acquired 7 properties (G-Bldg. Sangenjaya 01, Round1 Yokohama Station West, G-Bldg. Omotesando, mozo wonder city (50% joint co-ownership interest), Round1 Stadium Sakai Chuo Kanjyo, pivo Izumi Chuo, Tecc Land Fukuoka Shime Honten), from October 2 to 5, 2012, using the proceeds from the issuance of new investment units in October 2012 combined with funds procured through new borrowings, etc. The aim was to expand asset size and enhance profitability. In addition, JRF succeeded in acquiring part of the land adjacent to Kishiwada CanCan Bayside Mall, used as a parking lot, after repeated negotiations with the landowner.

Regarding the occupancy rates of properties owned by JRF at the end of the period, the rate for 28 urban retail properties continued to increase from the prior fiscal period, standing at 98.8% (up 1.8 percentage points from the end of the previous period). Combined with the 99.9% occupancy rate for 48 suburban retail properties, the occupancy rate for the whole portfolio at the end of the period remained stable, standing at 99.8%, as a result of focusing on leasing activities in line with the recovery trend of economic conditions.

At suburban retail properties, sales of seasonal products were strong although some stores experienced declines in customers due to the effects of heavy snow in the severe winter season, resulting in average YoY sales of 98.3% for the fiscal period. At properties occupied by electrical retail stores where the impact from the decrease in reaction to the buying rush associated with terrestrial digital products has settled down, sales recovered mainly for home appliances, digital cameras and game-related products. This was thanks to the growing replacement demand and the higher unit price in proportion to the larger size of products. Entertainment properties also saw their sales recovering, partly due to the effects of the longer year-end, new-year holiday. Sales performances at urban retail properties remained almost the same monthly sales as those of the year before while some properties posted strong YoY sales of over 110%.

As a result of the above, the total assets managed by JRF at the end of the fiscal period came to 76 properties for a total acquisition price of 720.0 billion yen. The total leasable area was 3,000,501.52 $m^2$ with the total number of tenants standing at 917, and the occupancy rate was 99.8%.

**(3) Funding**

i. Equity finance

In October 2012, JRF issued new investment units in a public offering (194,500 units) and third-party allotment (4,500 units) and raised 24.7 billion yen for the purpose of acquiring 7 new properties (total price of 52.1 billion yen). Unitholders' capital at the end of the fiscal period under review was 295.4 billion yen, and the number of units issued and outstanding was 2,079,198.

ii. Debt finance

JRF raised new long-term borrowings (totaling 29.0 billion yen, with maturity ranging from 5 to 12 years (average of 7.4 years)) and conducted refinancing of existing debt concurrently with the said equity finance. The aim was to help increase the ratio of long-term borrowings and extend the average loan term remaining until maturity. In addition, JRF concluded a 9-year term borrowing contract on February 15, 2013 for the purpose of repaying part (10.0 billion yen) of its long-term borrowings to equalize repayment amounts and diversify repayment dates. Consequently, JRF managed to generally keep the total repayment amount in one operating period within the commitment line established at 50.0 billion yen per year and 25.0 billion yen for six months. With regard to fixing the interest rate, JRF raised the fixed-interest ratio by concluding interest rate swap agreements on January 31, 2013 for an assumed principal of 28.5 billion yen and on February 15, 2013 for an assumed principal of 10.0 billion yen. JRF undertook these initiatives to further increase its financial stability.

Through full-term repayments and new borrowings, borrowings outstanding at the end of the fiscal period under review came to 280.5 billion yen. Of this, 11.2 billion yen was short-term borrowings and 269.3 billion yen was long-term borrowings. The total balance on JRF’s second, third, and sixth series of investment corporation bonds was 40.0 billion yen as of the end of the fiscal period under review.

JRF’s LTV (Note) at the end of the fiscal period under review was 53.8%, compared to 53.9% at the end of the previous period.

Note: 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.

**(4) Results and distributions**

As a result of the above management actions, for the period under review operating revenue was 25,642 million yen, and operating income was 10,573 million yen after deducting operating expenses such as fixed property tax and asset management fees. Ordinary income was 8,042 million yen, and net income was 8,041 million yen.

With regard to distributions for the fiscal period under review, in accordance with the distribution policy set forth in Article 26, Paragraph 1, Item 2 of the Articles of Incorporation, JRF intends to distribute in excess of 90% of distributable profit under Article 67-15, Paragraph 1 of the Special Taxation Measures Law of Japan. Based on that distribution policy, distributions amounted to 8,042 million yen, which was the sum of unappropriated retained earnings at the end of the period of 8,042 million yen, less fractional distributions per investment unit of less than one yen. As a result, the distribution per investment unit totaled 3,868 yen.

## 3. Changes in unitholders' capital

The changes in unitholders' capital and number of units issued and outstanding for last five years were as follows:

| Date | Capital transaction | Number of units issued and outstanding | | Unitholders' capital (Millions of yen) | | Note |
|---|---|---|---|---|---|---|
| | | Increase | Balance | Increase | Balance | |
| March 1, 2010 | Unit split | 1,159,506 | 1,546,008 | - | 250,764 | Note 1 |
| March 1, 2010 | Merger | 142,190 | 1,688,198 | - | 250,764 | Note 2 |
| September 14, 2011 | Public offering | 187,500 | 1,875,698 | 19,520 | 270,284 | Note 3 |
| October 12, 2011 | Allocation of investment units to a third party | 4,500 | 1,880,198 | 468 | 270,752 | Note 4 |
| October 1, 2012 | Public offering | 194,500 | 2,074,698 | 24,162 | 294,915 | Note 5 |
| October 31, 2012 | Allocation of investment units to a third party | 4,500 | 2,079,198 | 559 | 295,474 | Note 6 |

Note 1 JRF executed a four-for-one unit split.

Note 2 JRF 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 JRF as the surviving corporation and LJR was dissolved.

Note 3 New investment units were issued at a price of ¥107,640 per unit (subscription price of ¥104,107 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 4 New investment units were issued at a price of ¥104,107 per unit through the allocation of investment units to a third party in order to raise funds for miscellaneous expenses relating to the acquisition of new real property.

Note 5 New investment units were issued at a price of ¥128,310 per unit (subscription price of ¥124,230 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 6 New investment units were issued at a price of ¥124,230 per unit through the allocation of investment units to a third party in order to raise funds for miscellaneous expenses relating to the acquisition of new real property and the issuance of the new investment units, or refund existing debts.

### 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 | 18th | 19th | 20th | 21th | 22th |
|---|---|---|---|---|---|
| As of /for the six months ended | February 28, 2011 | August 31, 2011 | February 29, 2012 | August 31, 2012 | February 28, 2013 |
| Highest price | 160,500 | 141,600 | 128,700 | 139,700 | 184,500 |
| Lowest price | 109,600 | 105,800 | 107,500 | 117,200 | 125,600 |
| Closing price at end of period | 140,400 | 115,100 | 121,700 | 133,800 | 181,200 |

## 4. Distributions

In accordance with the distribution policy in the JRF'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, a total of cash distributions declared for the six months ended February 28, 2013 was ¥8,042 million, consisted of substantially all of retained earnings at the end of the period of ¥8,042 million except for fractional distribution per unit less than one yen. As a result, distribution per unit amounted to ¥3,868 for the six months ended February 28, 2013.

Retained earnings (including reserve for dividends) 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 | | 18th | 19th | 20th | 21th | 22th |
|---|---|---|---|---|---|---|
| As of /for the six months ended | | February 28, 2011 | August 31, 2011 | February 29, 2012 | August 31, 2012 | February 28, 2013 |
| Net income | (Thousands of yen) | 6,698,123 | 5,502,565 | 2,312,915 | 7,220,140 | 8,041,854 |
| Retained earnings (including reserve for dividends) | (Thousands of yen) | 6,919,340 | 6,920,069 | 2,327,017 | 2,327,197 | 2,326,714 |
| Total distributions | (Thousands of yen) | 6,698,769 | 5,501,837 | 6,905,967 | 7,219,960 | 8,042,337 |
| (Distribution per unit) | (Yen) | (3,968) | (3,259) | (3,673) | (3,840) | (3,868) |
| Profit distributions | (Thousands of yen) | 6,698,769 | 5,501,837 | 6,905,967 | 7,219,960 | 8,042,337 |
| (Profit distribution per unit) | (Yen) | (3,968) | (3,259) | (3,673) | (3,840) | (3,868) |
| Unitcapital refunds | (Thousands of yen) | - | - | - | - | - |
| (Unitcapital refund per unit) | (Yen) | (-) | (-) | (-) | (-) | (-) |

## 5. Management policies and Issues

### (1) Management circumstances

Japan's new administration that took over the regime in December 2012 formulated "Emergency Economic Measures for the Revitalization for the Japanese Economy" in January 2013. Given the effects of these measures and the moderate recovery of the world economy, the forecasts announced by the Cabinet show that the real GDP growth rate in the fiscal year 2013 is expected to be 2.5%, while the nominal growth rate is projected to be 2.7%.

In the foreign exchange market, the yen continues its weakening trend, pushed by an anticipation of further monetary easing by the Bank of Japan. There are also hopes that the weaker yen will improve the exporting environment and boost corporate earnings. Furthermore, the recovery trend in the industrial sector mainly against a backdrop of continued public works spending, centered on disaster reconstruction, is anticipated to push economic conditions upward.

In light of the rapid surge in the consumer confidence index, JRF expects the improved consumer sentiment will be sustained for the time being.

There will likely be a last-minute surge in demand primarily for durable consumer goods and housing in the second half of the fiscal year 2013, ahead of the consumption tax rate increase scheduled for April 2014. Thereafter, price increases due to the higher consumption tax rate and higher prices of imported goods due to the weaker yen will restrain consumer spending. However, the simultaneous launch of corporate tax cuts and other policies to invigorate corporate activities along with the introduction of new growth strategies may realize wage increases, in which case it is likely that the downturn in demand will be eased to a certain extent.

As part of the aggressive monetary policy, which is one of the “three arrows” of Abenomics, initiatives aimed at further aggressive monetary easing can be expected going forward. JRF believes that while attention must be paid to the risk of a future hike in long-term interest rates, moderate conditions will continue with respect to financial institutions’ stance on lending amid further monetary easing measures taken by the Bank of Japan under the leadership of the new governor.

**(2) Management policy and issues to be addressed**

Under the circumstances described above, JRF will strive to improve the quality and profitability of its portfolio in the medium to long term and will work to diversify risks by taking advantage of its asset size. It will do so by grasping the steady growth opportunities of its managed assets and by carefully investing in selective prime assets. In addition, in order to enhance the quality and profitability of assets owned, JRF will carry out proactive action plans, and by so doing aim for stable growth of distribution payments and promote an increase in investor value.

While the assets managed by JRF include a number of highly profitable properties that have thus far contributed to the earnings of JRF, some properties require the tenant mix and business segments to be revitalized and the contractual coverage to be enhanced due to the number of years lapsed and the intensifying competition. In addition, although for some urban retail properties greater profitability can be anticipated in proportion to improved conditions in the leasing market, there are a few properties with relatively low profitability. JRF will take into account the trends in the uplifting real estate sales market and the recovering leasing market in leveraging its asset size, which is the largest among the REITs that specifically target retail property assets, to appropriately handle these properties.

Our options in handling such properties include investing in new properties by utilizing the networks and judgments not only of sponsors but also of JRF original, expanding earnings through investing in renovations and expansions of properties with growth potential in our holding, and selling properties based on our forecasts for the real estate sales market. Furthermore, JRF will work to agilely replace tenants to increase the competitiveness of retail properties owned, implement various measures to enhance contracts at the expiry of each lease term, and also review operating costs to boost profits.

JRF will take the following specific initiatives aimed at achieving immediate growth.

(i) External growth strategy

Going forward, JRF aims to strengthen the profitability and stability of its portfolio by acquiring prime properties and increase distributions by constantly seeking to capture opportunities for expanding its asset size.

With regard to investment targets, JRF will carefully select prime real estate in the four categories of large-scale retail properties top-selling level in the region, commercial properties near densely-populated areas, commercial properties in favorable locations adjacent to major stations, and on high-street and its peripheral areas. On top of investing in conventional general merchandiser retailers in product sales comprising various specialty stores and strong core stores, JRF will also target retail properties with high customer attraction. Such properties are mainly comprised of non-product selling businesses such as restaurants, services, relaxation, entertainment, medical clinics, and education, or contain a relatively high number of such businesses. The aim is to maximize investment opportunities. As to investment techniques, JRF, as one of the largest domestic buyers of retail properties, will be making use of its diverse deal sources based on its own network, CRE (Corporate Real Estate) strategies and sponsor networks, and using negotiation basis transactions or bridge structures to apply the optimal investment methodology in acquiring prime properties in a timely manner.

(ii) Internal growth strategy

Through further enhancing SC management and the operating structure supporting it, JRF aims to improve the quality and profitability of its portfolio going forward. SC management entails taking active initiatives to introduce new tenants and change existing tenants, make new construction and renovation and achieve expansion-based strategic action plans, and cost cuts. The goal is to maintain and improve the competitiveness of JRF's retail properties. JRF will also enact forward-looking measures to deal with problems and risks. It will do so by continuing to monitor store and tenant business conditions, discover issues such as problem spots and room for increased value, and repeat the cycle of discovering and implementing solutions and enhancement measures.

(iii) Financial strategy

JRF works to lengthen the term of its borrowing, diversify repayment dates, and fix interest rates to further enhance its financial base, and will move forward in strengthening and stabilizing its financial base over the long term while continuing to place emphasis on debt cost control. JRF will strive to moderately decrease its LTV level by repaying borrowings using surplus funds and taking other measures, while improving the average debt cost and maintaining the current level of long-term debt ratio. In addition, we will keep our repayments for each period within the commitment line set while promoting diversification of borrowing repayment dates. Further, JRF will monitor the latest long- and short-term interest rate trends and take into account their effects on distributions to fix interest rates in a timely manner.

JRF will continue to build a stable financial base from a long-term perspective for the growth of the portfolio.

## 6. Subsequent events

None

# Outline of JRF

## 1. Investment unit

| Fiscal period | 18th | 19th | 20th | 21th | 22th |
|---|---|---|---|---|---|
| As of | February 28, 2011 | August 31, 2011 | February 29, 2012 | August 31, 2012 | February 28, 2013 |
| Number of units authorized (Units) | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 |
| Number of units issued and outstanding (Units) | 1,688,198 | 1,688,198 | 1,880,198 | 1,880,198 | 2,079,198 |
| Number of unitholders (People) | 17,695 | 18,003 | 19,549 | 19,077 | 19,857 |

## 2. Unitholders

Major unitholders as of February 28, 2013 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 | 398,121 | 19.14 |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo | 132,124 | 6.35 |
| The Nomura Trust and Banking Co., Ltd, Investment Trust | 2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo | 117,540 | 5.65 |
| Master Trust Bank of Japan, Ltd. (Trust Account) | 11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo | 116,549 | 5.60 |
| Nomura Bank Luxembourg S.A. | BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG | 88,200 | 4.24 |
| The Bank of New York Treaty JASDEQ Account | AVENUE DES ARTS, 35 KUNSTLAAN, 1040 BRUSSELS, BELGIUM | 44,877 | 2.15 |
| State Street Bank and Trust Company | P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. | 42,765 | 2.05 |
| Mitsubishi Corporation | 3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo | 35,900 | 1.72 |
| State Street Bank and Trust Company 505223 | P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. | 35,811 | 1.72 |
| SIX SIS Ltd. | BASLERSTRASSE 100, CH-4600 OLTEN SWITZERLAND | 25,106 | 1.20 |
| Total | | 1,036,993 | 49.87 |

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

(Thousands of yen)

| Post | Name | Major additional post | Compensation or fees for the six months ended February 28, 2013 (Note2) |
|---|---|---|---|
| Executive Director | Shuichi Namba | Attorney-at-law of Momo-o, Matsuo & Namba | 2,580 |
| Supervisory Director | Masahiko Nishida | President of Marks group Co., Ltd.<br>Certified public accountant / Tax accountant | 1,680 |
| | Masaharu Usuki | Professor at Graduate School of Economics of Nagoya City University | 1,680 |
| Independent auditor | PricewaterhouseCoopers Aarata | - | 42,500 |

Note 1 There is no investment unit of JRF 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 JRF.

Note 2 Compensation for Directors indicates actual payments, and the independent auditor's fees consist of estimated audit fees on an accrual basis and ￥25,500 thousand of fees for English financial statement audit and issuance of a comfort letter with respect to the public offering of new investment units.

(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 | Sumitomo Mitsui Trust Bank, 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 August 31, 2012 Total of net book value (Millions of yen) | As of August 31, 2012 Composition ratio (%) | As of February 28, 2013 Total of net book value (Millions of yen) | As of February 28, 2013 Composition ratio (%) |
|---|---|---|---|---|---|
| Real property | Tokyo metropolitan area | 17,843 | 2.7 | 23,763 | 3.3 |
| | Osaka and Nagoya metropolitan areas | 4,965 | 0.8 | 4,965 | 0.7 |
| | Sub-total | 22,809 | 3.5 | 28,729 | 4.0 |
| Trust beneficial interest in real property | Tokyo metropolitan area | 297,973 | 45.3 | 303,962 | 42.8 |
| | Osaka and Nagoya metropolitan areas | 227,047 | 34.6 | 260,290 | 36.7 |
| | Other metropolitan areas | 85,492 | 13.0 | 88,840 | 12.5 |
| | Sub-total | 610,513 | 92.9 | 653,094 | 92.0 |
| Bank deposits and other assets | | 23,704 | 3.6 | 28,388 | 4.0 |
| Total assets | | 657,027 | 100.0 | 710,212 | 100.0 |

## 2. Major property

The principal properties (top ten properties in net book value) as of February 28, 2013 were as follows:

| Name of property | | Net book value (Millions of yen) | Leasable area (Note 1) ($m^2$) | Leased area (Note 2) ($m^2$) | Occupancy ratio (Note 3) (%) | Ratio of rental revenue to total rental revenues (Note 3) (%) | Major use |
|---|---|---|---|---|---|---|---|
| Higashi-Totsuka Aurora City | (trust beneficial interest) | 48,540 | 109,365.50 | 109,365.50 | 100.0 | 5.4 | Retail facilities |
| Nara Family | (trust beneficial interest) | 33,765 | 84,981.97 | 84,866.90 | 99.9 | 7.8 | Retail facilities |
| mozo wonder city (Note 4) | (trust beneficial interest) | 31,994 | 86,722.83 | 86,621.63 | 99.9 | 6.6 | Retail facilities |
| AEON MALL Yachiyo Midorigaoka | (trust beneficial interest) | 28,989 | 132,294.48 | 132,294.48 | 100.0 | 2.7 | Retail facilities |
| AEON MALL Musashi Murayama | (trust beneficial interest) | 28,812 | 137,466.97 | 137,466.97 | 100.0 | 3.7 | Retail facilities |
| AEON MALL Tsurumi Ryokuchi | (trust beneficial interest) | 26,848 | 138,538.63 | 138,538.63 | 100.0 | 3.5 | Retail facilities |
| GYRE | (trust beneficial interest) | 22,337 | 4,840.56 | 4,736.16 | 97.8 | 2.2 | Retail facilities |
| AEON MALL Itami | (trust beneficial interest) | 19,416 | 157,904.26 | 157,904.26 | 100.0 | 2.3 | Retail facilities |
| Kawaramachi OPA | (trust beneficial interest) | 18,485 | 18,848.20 | 18,848.20 | 100.0 | 1.4 | Retail facilities |
| Ario Otori | (trust beneficial interest) | 17,414 | 95,135.36 | 95,135.36 | 100.0 | 2.2 | Retail facilities |
| Total | | 276,606 | 966,098.76 | 965,778.09 | 100.0 | 37.8 | |

Note 1 “Leasable area” means the total leasable area of the building or land with leasehold interest 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 or land with leasehold interest 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.

Note 4 Although JRF owns 60% of the share of quasi-co-ownership in respect of mozo wonder city, the “Leasable area” and “Leased area” above show the total area of the property.

# 3. Details of property

The retail facilities as of February 28, 2013 were as follows:

| Name of property | Location (Note 1) | Form of ownership | Leasable area (Note 2) ($m^2$) | Appraisal value at end of period (Note 3) (Millions of yen) | Net book value (Millions of yen) |
|---|---|---|---|---|---|
| AEON Sendai Nakayama | 35-40, Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc. | Trust beneficial interest | 46,248.96 | 10,500 | 9,256 |
| Ito-Yokado Kawasaki | 2-1, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc. | Trust beneficial interest | 65,313.47 | 13,350 | 14,176 |
| 8953 Osaka Shinsaibashi Building | 4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka | Trust beneficial interest | 13,666.96 | 13,300 | 12,845 |
| Narupark (Note 4) | 232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi | Trust beneficial interest | 15,227.58 | 5,170 | 8,045 |
| G-Bldg. Minami Aoyama 02 | 8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo | Trust beneficial interest | 1,529.15 | 5,350 | 5,279 |
| Nara Family | 4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara | Trust beneficial interest | 84,981.97 | 37,300 | 33,765 |
| Abiko Shopping Plaza | 11-1, Abiko 4-chome, Abiko-shi, Chiba | Trust beneficial interest | 43,548.63 | 12,200 | 9,884 |
| Ito-Yokado Yabashira | 15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc. | Trust beneficial interest | 21,308.78 | 1,880 | 1,423 |
| Ito-Yokado Kamifukuoka Higashi | 1-30, Ohara 2-chome, Fujimino-shi, Saitama | Trust beneficial interest | 28,316.18 | 6,680 | 6,248 |
| Ito-Yokado Nishikicho | 12-1, Nishikicho 1-chome, Warabi-shi, Saitama | Trust beneficial interest | 73,438.52 | 12,800 | 11,229 |
| G-Bldg. Daikanyama 01 | 35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 599.79 | 1,280 | 1,238 |
| G-Bldg. Jingumae 05 | 32-5, Jingumae 2-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 1,479.10 | 3,680 | 2,717 |
| AEON MALL Higashiura | 62-1, Aza-toueicho, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi, etc. | Trust beneficial interest | 129,124.73 | 10,400 | 7,307 |
| AEON MALL Kashiihama | 12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka | Trust beneficial interest | 109,616.72 | 13,300 | 12,121 |
| AEON MALL Sapporo Naebo | 1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido | Trust beneficial interest | 74,625.52 | 8,540 | 7,198 |
| GYRE | 10-1, Jingumae 5-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 4,840.56 | 22,600 | 22,337 |
| G-Bldg. Jingumae 04 | 1-17, Jingumae 5-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 540.78 | 1,220 | 871 |
| Ito-Yokado Tsunashima | 8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa | Trust beneficial interest | 16,549.50 | 4,880 | 4,797 |
| Bic Camera Tachikawa | 12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc. | Trust beneficial interest | 20,983.43 | 12,000 | 11,462 |
| AEON Itabashi Shopping Center | 6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo | Trust beneficial interest | 72,748.34 | 12,800 | 11,318 |
| G-Bldg. Kita Aoyama 01 | 14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo | Trust beneficial interest | 492.69 | 1,340 | 963 |
| AEON MALL Yamato | 2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa | Trust beneficial interest | 85,226.68 | 17,300 | 15,658 |
| SEIYU Hibarigaoka | 9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo | Trust beneficial interest | 19,070.88 | 6,980 | 5,201 |
| AEON Tobata Shopping Center | 2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka | Trust beneficial interest | 93,258.23 | 6,110 | 5,578 |
| AEON Takatsuki | 47-2, Haginosho 3-chome, Takatsuki-shi, Osaka | Trust beneficial interest | 77,267.23 | 9,570 | 10,544 |
| G-Bldg. Jiyugaoka 01 | 9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc. | Trust beneficial interest | 1,817.65 | 3,140 | 2,543 |
| AEON Yagoto | 2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi | Trust beneficial interest | 63,778.44 | 3,660 | 3,563 |
| AEON Naha Shopping Center | 10-2, Kanagusuku 5-chome, Naha-shi, Okinawa | Trust beneficial interest | 79,090.48 | 9,930 | 10,514 |
| Cheers Ginza | 9-5, Ginza 5-chome, Chuo-ku, Tokyo | Trust beneficial interest | 1,686.58 | 3,710 | 4,036 |
| AEON Nishi-Otsu | 11-1, Ohjigaoka 3-chome, Otsu-shi, Shiga | Trust beneficial interest | 62,717.26 | 10,800 | 12,533 |
| Kyoto Family | 1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto | Trust beneficial interest | 19,679.78 | 5,450 | 6,078 |

| Name of property | Location (Note 1) | Form of ownership | Leasable area (Note 2) (m | Appraisal value at end of period (Note 3) (Millions of yen) | Net book value (Millions of yen) |
|---|---|---|---|---|---|
| Higashi-Totsuka Aurora City | 537-1, Shinanocho, Totsuka-ku, Yokohama-shi, Kanagawa, etc. | Trust beneficial interest | 109,365.50 | 40,100 | 48,540 |
| AEON Omiya | 574-1, Kushibikicho 2-chome, Kita-ku, Saitama-shi, Saitama | Trust beneficial interest | 75,344.90 | 6,120 | 5,861 |
| AEON TOWN Ogaki | 233-1, Aza-nakashima, Mitsuzukacho, Ogaki-shi, Gifu, etc. | Trust beneficial interest | 57,500.35 | 3,900 | 3,975 |
| Kawaramachi OPA | 385, Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto | Trust beneficial interest | 18,848.20 | 15,600 | 18,485 |
| AEON Ueda | 12-18, Tsuneda 2-chome, Ueda-shi, Nagano | Trust beneficial interest | 61,349.07 | 7,650 | 8,447 |
| AEON MALL Tsurumi Ryokuchi | 17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka | Trust beneficial interest | 138,538.63 | 25,700 | 26,848 |
| AEON MALL Itami | 1-1, Fujinoki 1-chome, Itami-shi, Hyogo | Trust beneficial interest | 157,904.26 | 17,500 | 19,416 |
| Ito-Yokado Yotsukaido | 5, Chuo, Yotsukaido-shi, Chiba | Trust beneficial interest | 59,207.19 | 10,000 | 13,208 |
| Oyama Yuen Harvest Walk (Note 5) | 1457, Oaza-Kizawa, Oyama-shi, Tochigi | Trust beneficial interest | 59,772.38 | 6,720 | 8,883 |
| AEON MALL Yachiyo Midorigaoka | 1-3, Midorigaoka 2-chome, Yachiyo-shi, Chiba | Trust beneficial interest | 132,294.48 | 22,000 | 28,989 |
| G-Bldg. Jingumae 06 | 28-3, Jingumae 6-chome, Shibuya-ku, Tokyo | Real property | 670.43 | 2,330 | 2,370 |
| AEON MALL Sapporo Hassamu | 1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido | Trust beneficial interest | 102,169.00 | 16,900 | 17,264 |
| Ario Otori | 199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka, etc. | Trust beneficial interest | 95,135.36 | 15,400 | 17,414 |
| G-Bldg. Jingumae 01 | 21-5, Jingumae 4-chome, Shibuya-ku, Tokyo | Real property | 555.75 | 3,650 | 3,414 |
| G-Bldg. Jingumae 02 | 9-9, Jingumae 4-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 426.29 | 1,640 | 2,317 |
| G DINING SAPPORO (Note 4) | 3-3, Minami 3jo Nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido, etc. | Trust beneficial interest | 4,082.11 | 2,150 | 2,939 |
| G-Bldg. Minami Aoyama 01 | 4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo | Real property | 922.30 | 5,010 | 6,471 |
| La Porte Aoyama (Note 4) | 51-8, Jingumae 5-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 4,141.53 | 9,340 | 9,333 |
| AEON MALL Musashi Murayama | 1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo | Trust beneficial interest | 137,466.97 | 30,300 | 28,812 |
| AEON MALL Kobe Kita | 2-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo | Trust beneficial interest | 128,031.55 | 16,000 | 14,543 |
| G-Bldg. Shinjuku 01 | 1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo | Trust beneficial interest | 1,093.67 | 6,770 | 6,650 |
| 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) | 5-23, Shimodera 2-chome, Naniwa-ku, Osaka-shi, Osaka, etc. | Real property | 4,344.18 | 1,740 | 1,717 |
| LIFE Kishibe(Land with leasehold interest) | 2205-15, Hara-cho 4-chome, Suita-shi, Osaka, etc. | Real property | 5,516.61 | 1,990 | 1,942 |
| G-Bldg. Jingumae 03 | 30-12, Jingumae 3-chome, Shibuya-ku, Tokyo | Real property | 1,676.87 | 4,550 | 5,566 |
| G-Bldg. Minami-Ikebukuro 01 (Note 4) | 19-5, Minami Ikebukuro 1-chome, Toshima-ku, Tokyo | Trust beneficial interest | 5,061.47 | 7,410 | 6,024 |
| G-Bldg. Shinsaibashi 01 | 5-3, Sinsaibashi-suji 2-chome, Chuou-ku, Osaka-shi, Osaka | Trust beneficial interest | 886.46 | 1,740 | 1,602 |
| Kishiwada CanCan Bayside Mall | 2-1, Minatomidori machi, Kishiwada-shi, Osaka, etc. | Trust beneficial interest | 38,315.07 | 7,850 | 7,206 |
| Makuhari Plaza (Note 5) | 7701, Makuharicho 2-chome, Hanamigawa-ku, Chiba-shi, Chiba | Trust beneficial interest | 24,542.93 | 6,070 | 5,647 |
| MrMax Nagasaki | 26-1, Iwami machi, Nagasaki-shi, Nagasaki, etc. | Trust beneficial interest | 12,115.09 | 2,810 | 2,471 |
| Urban Terrace Jingumae | 47-6, Jingumae 5-chome, Shibuya-ku, Tokyo | Trust beneficial interest | 1,719.19 | 4,090 | 2,810 |
| Round1 Stadium Itabashi | 16-13, Aioicho, Itabashi-ku, Tokyo | Trust beneficial interest | 14,828.74 | 2,730 | 2,384 |

| Name of property | Location (Note 1) | Form of ownership | Leasable area (Note 2) (m | Appraisal value at end of period (Note 3) (Millions of yen) | Net book value (Millions of yen) |
|---|---|---|---|---|---|
| Round1 Machida | 13-14, Morino 1-chome, Machida-shi,Tokyo | Trust beneficial interest | 6,801.89 | 2,680 | 2,439 |
| Arkangel Daikanyama(Land with leasehold interest) | 111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc. | Trust beneficial interest | 904.04 | 2,090 | 1,842 |
| G-Bldg. Shinsaibashi 02 (Note 6) | 3-24, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka-shi, Osaka | Trust beneficial interest | - | 4,740 | 4,397 |
| Round1 Stadium Sennichimae(Land with leasehold interest) | 1, Namba 1-chome, Chuo-ku, Osaka-shi, Osaka, etc. | Trust beneficial interest | 1,711.63 | 8,260 | 8,091 |
| Izumisano Shofudai(Land with leasehold interest) | 1138-1, Shofudai 1-chome, Izumisano-shi, Osaka | Trust beneficial interest | 44,009.52 | 2,770 | 2,657 |
| Tecc Land Neyagawa(Land with leasehold interest) | 327-1, Taiseicho, Neyagawa-shi, Osaka, etc. | Trust beneficial interest | 11,430.04 | 1,580 | 1,154 |
| mozo wonder city (Notes 5 and 7) | 40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi, etc. | Trust beneficial interest | 86,722.83 | 33,500 | 31,994 |
| G-Bldg. Sangenjaya 01 | 15-4, Taishido 2-chome, Setagaya-ku, Tokyo | Trust beneficial interest | 3,471.52 | 4,060 | 3,753 |
| Round1 Yokohama Station West | 8-16, Minamisaiwai 2-chome, Nishi-ku Yokohama-shi, Kanagawa | Trust beneficial interest | 6,560.09 | 4,470 | 3,957 |
| G-Bldg. Omotesando | 1-9, Jingumae 6-chome, Shibuya-ku, Tokyo | Real property | 1,508.03 | 6,180 | 5,941 |
| Round1 Stadium Sakai Chuo Kanjyo | 241, Ishiwara-cho 2-cho, Higashi-ku Sakai-shi, Osaka | Trust beneficial interest | 17,521.46 | 2,120 | 1,767 |
| pivo Izumi Chuo | 1-2, Ibukino 5-chome, Izumi-shi, Osaka, etc. | Trust beneficial interest | 21,182.94 | 6,430 | 6,050 |
| Tecc Land Fukuoka Shime Honten (Note 6) | 2-1, Minamizato 5-chome, Shime-machi, Kasuya-gun, Fukuoka | Trust beneficial interest | - | 4,770 | 4,165 |
| Total | | | 3,000,501.52 | 677,920 | 681,823 |

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 or land with leasehold interest 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 (CBRE 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 JRF as well as the regulations as stipulated by The Investment Trusts Association, Japan.

Note 4 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 5 These properties are leased partially 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 6 “Leasable area” of the property is not disclosed because the consent from the tenant has not been obtained.

Note 7 Although JRF owns 60% of the share of quasi-co-ownership in respect of mozo wonder city, the “Leasable area” above shows the total area of the property.

Operating results of each retail facility for the six months ended August 31, 2012 and February 28, 2013 were as follows:

| Name of property | For the six months ended August 31, 2012 | | | | For the six months ended February 28, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of tenants (Note 1) | Occupancy ratio (Note 2) (%) | Rental and other operating revenues (Millions of yen) | Ratio of rental revenue to total rental revenues (Note 2) (%) | Number of tenants (Note 1) | Occupancy ratio (Note 2) (%) | Rental and other operating revenues (Millions of yen) | Ratio of rental revenue to total rental revenues (Note 2) (%) |
| AEON Sendai Nakayama | 2 | 100.0 | 432 | 1.8 | 2 | 100.0 | 423 | 1.6 |
| Ito-Yokado Kawasaki | 5 | 100.0 | 491 | 2.1 | 5 | 100.0 | 491 | 1.9 |
| 8953 Osaka Shinsaibashi Building | 1 | 100.0 | 398 | 1.7 | 1 | 100.0 | 398 | 1.6 |
| Narupark (Note 3) | 47 | 99.0 | 356 | 1.5 | 47 | 99.0 | 363 | 1.4 |
| G-Bldg. Minami Aoyama 02 | 3 | 90.4 | 80 | 0.3 | 4 | 100.0 | 81 | 0.3 |
| Nara Family | 122 | 99.8 | 1,997 | 8.5 | 122 | 99.9 | 1,994 | 7.8 |
| Abiko Shopping Plaza | 56 | 100.0 | 670 | 2.8 | 58 | 100.0 | 688 | 2.7 |
| Ito-Yokado Yabashira | 1 | 100.0 | 78 | 0.3 | 1 | 100.0 | 79 | 0.3 |
| Ito-Yokado Kamifukuoka Higashi | 1 | 100.0 | 256 | 1.1 | 1 | 100.0 | 256 | 1.0 |
| Ito-Yokado Nishikicho | 1 | 100.0 | 444 | 1.9 | 1 | 100.0 | 444 | 1.7 |
| G-Bldg. Daikanyama 01 | 2 | 100.0 | 40 | 0.2 | 2 | 100.0 | 41 | 0.2 |
| G-Bldg. Jingumae 05 | 3 | 100.0 | 99 | 0.4 | 3 | 100.0 | 100 | 0.4 |
| AEON MALL Higashiura | 1 | 100.0 | 480 | 2.0 | 1 | 100.0 | 480 | 1.9 |
| AEON MALL Kashiihama | 1 | 100.0 | 477 | 2.0 | 1 | 100.0 | 477 | 1.9 |
| AEON MALL Sapporo Naebo | 1 | 100.0 | 375 | 1.6 | 1 | 100.0 | 372 | 1.5 |
| GYRE | 20 | 95.0 | 576 | 2.5 | 21 | 97.8 | 563 | 2.2 |
| G-Bldg. Jingumae 04 | 2 | 100.0 | 32 | 0.1 | 2 | 100.0 | 33 | 0.1 |
| Ito-Yokado Tsunashima | 1 | 100.0 | 180 | 0.8 | 1 | 100.0 | 180 | 0.7 |
| Bic Camera Tachikawa | 2 | 100.0 | 389 | 1.7 | 2 | 100.0 | 388 | 1.5 |
| AEON Itabashi Shopping Center | 1 | 100.0 | 658 | 2.8 | 1 | 100.0 | 630 | 2.5 |
| G-Bldg. Kita Aoyama 01 | 3 | 100.0 | 35 | 0.2 | 3 | 100.0 | 35 | 0.1 |
| AEON MALL Yamato | 1 | 100.0 | 536 | 2.3 | 1 | 100.0 | 536 | 2.1 |
| SEIYU Hibarigaoka | 1 | 100.0 | 261 | 1.1 | 1 | 100.0 | 261 | 1.0 |
| AEON Tobata Shopping Center | 1 | 100.0 | 315 | 1.3 | 1 | 100.0 | 315 | 1.2 |
| AEON Takatsuki | 1 | 100.0 | 414 | 1.8 | 1 | 100.0 | 414 | 1.6 |
| G-Bldg. Jiyugaoka 01 | 10 | 100.0 | 89 | 0.4 | 10 | 100.0 | 89 | 0.3 |
| AEON Yagoto | 2 | 100.0 | 148 | 0.6 | 2 | 100.0 | 148 | 0.6 |
| AEON Naha Shopping Center | 1 | 100.0 | 398 | 1.7 | 1 | 100.0 | 402 | 1.6 |
| Cheers Ginza | 10 | 100.0 | 107 | 0.5 | 10 | 100.0 | 112 | 0.4 |
| AEON Nishi-Otsu | 1 | 100.0 | 375 | 1.6 | 1 | 100.0 | 375 | 1.5 |
| Kyoto Family | 65 | 89.8 | 598 | 2.5 | 67 | 98.1 | 583 | 2.3 |

| Name of property | For the six months ended August 31, 2012 | | | | For the six months ended February 28, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of tenants (Note 1) | Occupancy ratio (Note 2) (%) | Rental and other operating revenues (Millions of yen) | Ratio of rental revenue to total rental revenues (Note 2) (%) | Number of tenants (Note 1) | Occupancy ratio (Note 2) (%) | Rental and other operating revenues (Millions of yen) | Ratio of rental revenue to total rental revenues (Note 2) (%) |
| Higashi-Totsuka Aurora City | 4 | 100.0 | 1,390 | 5.9 | 4 | 100.0 | 1,387 | 5.4 |
| AEON Omiya | 1 | 100.0 | 192 | 0.8 | 1 | 100.0 | 192 | 0.7 |
| AEON TOWN Ogaki | 1 | 100.0 | 321 | 1.4 | 1 | 100.0 | 326 | 1.3 |
| Kawaramachi OPA | 1 | 100.0 | 365 | 1.6 | 1 | 100.0 | 349 | 1.4 |
| AEON Ueda | 1 | 100.0 | 297 | 1.3 | 1 | 100.0 | 297 | 1.2 |
| AEON MALL Tsurumi Ryokuchi | 1 | 100.0 | 896 | 3.8 | 1 | 100.0 | 895 | 3.5 |
| AEON MALL Itami | 1 | 100.0 | 582 | 2.5 | 1 | 100.0 | 582 | 2.3 |
| Ito-Yokado Yotsukaido | 1 | 100.0 | 290 | 1.2 | 1 | 100.0 | 290 | 1.1 |
| Oyama Yuen Harvest Walk (Note 4) | 72 | 99.7 | 561 | 2.4 | 71 | 95.7 | 565 | 2.2 |
| AEON MALL Yachiyo Midorigaoka | 1 | 100.0 | 690 | 2.9 | 1 | 100.0 | 692 | 2.7 |
| G-Bldg. Jingumae 06 | 4 | 100.0 | 62 | 0.3 | 3 | 80.6 | 53 | 0.2 |
| AEON MALL Sapporo Hassamu | 1 | 100.0 | 577 | 2.5 | 1 | 100.0 | 577 | 2.3 |
| Ario Otori | 1 | 100.0 | 573 | 2.4 | 1 | 100.0 | 556 | 2.2 |
| G-Bldg. Jingumae 01 | 2 | 100.0 | 70 | 0.3 | 2 | 100.0 | 69 | 0.3 |
| G-Bldg. Jingumae 02 | 3 | 100.0 | 31 | 0.1 | 3 | 100.0 | 30 | 0.1 |
| G DINING SAPPORO (Note 3) | 17 | 71.8 | 71 | 0.3 | 21 | 85.3 | 80 | 0.3 |
| G-Bldg. Minami Aoyama 01 | 2 | 69.3 | 27 | 0.1 | 3 | 100.0 | 33 | 0.1 |
| La Porte Aoyama (Note 3) | 19 | 85.5 | 260 | 1.1 | 21 | 92.6 | 262 | 1.0 |
| AEON MALL Musashi Murayama | 1 | 100.0 | 943 | 4.0 | 1 | 100.0 | 939 | 3.7 |
| AEON MALL Kobe Kita | 1 | 100.0 | 582 | 2.5 | 1 | 100.0 | 581 | 2.3 |
| G-Bldg. Shinjuku 01 | 1 | 100.0 | 160 | 0.7 | 1 | 100.0 | 160 | 0.6 |
| 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 | 0.2 | 1 | 100.0 | 56 | 0.2 |
| LIFE Kishibe(Land with leasehold interest) | 1 | 100.0 | 68 | 0.3 | 1 | 100.0 | 68 | 0.3 |
| G-Bldg. Jingumae 03 | 5 | 79.5 | 49 | 0.2 | 6 | 93.3 | 61 | 0.2 |
| G-Bldg. Minami-Ikebukuro 01 (Note 3) | 8 | 100.0 | 265 | 1.1 | 8 | 100.0 | 264 | 1.0 |
| G-Bldg. Shinsaibashi 01 | 2 | 100.0 | 61 | 0.3 | 2 | 100.0 | 61 | 0.2 |
| Kishiwada CanCan Bayside Mall | 115 | 99.6 | 786 | 3.3 | 116 | 100.0 | 780 | 3.0 |
| Makuhari Plaza (Note 4) | 6 | 100.0 | 201 | 0.9 | 6 | 100.0 | 201 | 0.8 |
| MrMax Nagasaki (Note 5) | 2 | 100.0 | - | - | 2 | 100.0 | - | - |
| Urban Terrace Jingumae | 2 | 100.0 | 100 | 0.4 | 2 | 100.0 | 100 | 0.4 |
| Round1 Stadium Itabashi | 1 | 100.0 | 95 | 0.4 | 1 | 100.0 | 95 | 0.4 |

| Name of property | For the six months ended August 31, 2012 | | | | For the six months ended February 28, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of tenants (Note 1) | Occupancy ratio (Note 2) (%) | Rental and other operating revenues (Millions of yen) | Ratio of rental revenue to total rental revenues (Note 2) (%) | Number of tenants (Note 1) | Occupancy ratio (Note 2) (%) | Rental and other operating revenues (Millions of yen) | Ratio of rental revenue to total rental revenues (Note 2) (%) |
| Round1 Machida | 1 | 100.0 | 90 | 0.4 | 1 | 100.0 | 90 | 0.4 |
| Arkangel Daikanyama(Land with leasehold interest) (Note 5) | 1 | 100.0 | - | - | 1 | 100.0 | - | - |
| G-Bldg. Shinsaibashi 02 (Note 5) | 1 | 100.0 | - | - | 1 | 100.0 | - | - |
| Round1 Stadium Sennichimae(Land with leasehold interest) | 1 | 100.0 | 220 | 0.9 | 1 | 100.0 | 240 | 0.9 |
| Izumisano Shofudai(Land with leasehold interest) (Note 5) | 2 | 100.0 | - | - | 2 | 100.0 | - | - |
| Tecc Land Neyagawa(Land with leasehold interest) (Note 5) | 1 | 100.0 | - | - | 1 | 100.0 | - | - |
| mozo wonder city (Note 4) | 223 | 99.6 | 331 | 1.4 | 224 | 99.9 | 1,701 | 6.6 |
| G-Bldg. Sangenjaya 01 | - | - | - | - | 3 | 100.0 | 121 | 0.5 |
| Round1 Yokohama Station West | - | - | - | - | 1 | 100.0 | 95 | 0.4 |
| G-Bldg. Omotesando | - | - | - | - | 1 | 100.0 | 111 | 0.4 |
| Round1 Stadium Sakai Chuo Kanjyo | - | - | - | - | 1 | 100.0 | 68 | 0.3 |
| pivo Izumi Chuo (Note 5) | - | - | - | - | 17 | 100.0 | - | - |
| Tecc Land Fukuoka Shime Honten (Note 5) | - | - | - | - | 1 | 100.0 | - | - |
| Total | 879 | 99.8 | 23,559 | 100.0 | 917 | 99.8 | 25,642 | 100.0 |

Note 1 "Number of tenants" is based upon the numbers of the lease agreements of the building or land with leasehold interest 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 "Number of tenants" and "Occupancy ratio" for the properties which are leased partially in the form of a pass-through master lease are presented on an end-tenant basis.

Note 5 Rental revenue of the property is not disclosed because the consent from the tenant has not been obtained.

# 4. Details of specified transaction

The details of specified transaction as of February 28, 2013 were as follows:

(Millions of yen)

| Classification | Transaction | Notional amounts | | Fair value (Note 1) |
|---|---|---|---|---|
| | | | Over 1 year | |
| Over-the-counter | Interest rate swaps (Floating-rate to fixed-rate interest) | 70,050 | 70,050 | (971) |
| Total | | 70,050 | 70,050 | (971) |

Note 1 The fair value is evaluated at the amount calculated by the counter party to the interest rate swaps contracts based on the prevailing market interest rates and other assumptions.

Note 2 The above table includes an interest rate swap contract of ￥5,000 million in notional amount entered into on February 15, 2013 which is designated as hedging instrument for specific long-term borrowings funded on March 29, 2013 and subject to the special treatment provided under Japanese GAAP for the interest rate swaps.

Note 3 The interest rate swaps for which JRF had applied the special treatment provided under the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008, are not required to be evaluated in the balance sheets.

# 5. Other assets

Real property and trust beneficial interests in real property are included the above table in "3. Details of property." There was no other significant specified asset as of February 28, 2013.

# Capital expenditures for property

## 1. Schedule of capital expenditures

The significant plan for capital expenditures on property maintenance as of February 28, 2013 was as below. The amounts of estimated cost shown in the below table are including expenses which will be charged to income.

(Millions of yen)

| Name of property | Location | Purpose | Scheduled term for construction or maintenance | Estimated cost | | |
|---|---|---|---|---|---|---|
| | | | | | Advanced payment | |
| | | | | Total | Payment for the six months ended February 28, 2013 | Total of advanced payment |
| Kyoto Family | Kyoto-shi, Kyoto | Renewal construction | January 2013 to April 2013 | 390 | 10 | 10 |
| Kyoto Family | Kyoto-shi, Kyoto | Repair of facilities | January 2013 to May 2013 | 271 | 10 | 10 |
| Kyoto Family | Kyoto-shi, Kyoto | Repair of unqualified facilities | January 2013 to June 2013 | 231 | 8 | 8 |
| AEON Ueda | Ueda-shi, Nagano | Installment of LED lighting equipment | July 2013 | 99 | - | - |
| Nara Family | Nara-shi, Nara | Renewal of turbo refrigerator | June 2013 | 61 | - | - |

## 2. Capital expenditures for the six months ended February 28, 2013

Maintenance expenditures on property for the six months ended February 28, 2013 were totaling to ¥1,344 million consisting of ¥1,140 million of capital expenditures stated as below and ¥204 million of repair and maintenance expenses charged to income.

(Millions of yen)

| Name of property | Location | Purpose | Term for construction or maintenance | Capital expenditures |
|---|---|---|---|---|
| Kyoto Family | Kyoto-shi, Kyoto | Renewal construction for replacing tenants | June 2012 to September 2012 | 117 |
| AEON Takatsuki | Takatsuki-shi, Osaka | Repair of outer wall | September 2012 to November 2012 | 50 |
| Nara Family | Nara-shi, Nara | Repair of central court | September 2012 | 49 |
| AEON MALL Kobe Kita | Kobe-shi, Hyogo | Freeze proofing construction for fire extinguishing equipment | January 2013 | 39 |
| Nara Family | Nara-shi, Nara | Repair of outer wall | September 2012 to December 2012 | 35 |
| Others | - | - | - | 847 |
| Total | | | | 1,140 |

## 3. Reserved funds for long-term maintenance plan

JRF 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 | 18th | 19th | 20th | 21th | 22th |
|---|---|---|---|---|---|
| As of /for the six months ended | February 28, 2011 | August 31, 2011 | February 29, 2012 | August 31, 2012 | February 28, 2013 |
| Reserved funds at beginning of period | 256 | 2 | - | - | - |
| Increase | - | 11 | - | - | - |
| Decrease | (Note 2) 254 | (Note 3) 13 | - | - | - |
| Reserved funds at end of period | 2 | - | - | - | - |

Note 1 JRF 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 decrease was mainly due to disposal of 18 properties (office, residential and residential plus retail) on September 3, 2010.

Note 3 The funds decreased for efficient usage.

# Condition of expenses and liabilities

## 1. Details of asset management expenses

(Thousands of yen)

| Item | 21th fiscal period For the six months ended August 31, 2012 | 22th fiscal period For the six months ended February 28, 2013 |
|---|---|---|
| Asset management fees | 1,990,789 | 2,111,584 |
| Custodian fees | 25,169 | 24,875 |
| General administration fees | 107,507 | 106,230 |
| Compensation for Directors | 5,940 | 5,940 |
| Other operating expenses | 127,718 | 131,385 |
| Total | 2,257,125 | 2,380,015 |

## 2. Borrowings

Borrowings as of February 28, 2013 were as follows:

| Classification | Name of lender | Borrowing date | Balance as of August 31, 2012 (Millions of yen) | Balance as of February 28, 2013 (Millions of yen) | Average interest rate (%) (Note 1) | Due date | Repayment method | Use | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| Short-term | The Bank of Fukuoka, Ltd. | September 16, 2011 | 3,000 | - | 0.6 | September 14, 2012 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | February 8, 2012 | 4,438 | - | 0.5 | February 8, 2013 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 3,767 | - | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,993 | - | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | February 8, 2013 | - | 4,439 | 0.5 | February 7, 2014 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | - | 3,767 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | - | 2,994 | | | | | |
| | Sub-total | | 14,200 | 11,200 | | | | | |
| Long-term | Aozora Bank, Ltd. | August 29, 2008 | 7,400 | - | 1.0 | August 29, 2013 (Note 6) | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. (Note 2) | September 30, 2008 | 3,000 | 3,000 | 1.0 | September 30, 2013 | Lump sum | Note 12 | Unsecured and unguaranteed |
| | Sumitomo Mitsui Banking Corporation (Note 3) | November 4, 2008 | 34,310 | 29,310 | 1.1 | March 1, 2015 (Note 7) | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. | March 30, 2009 | 4,350 | 4,250 | 1.3 (Note 4) | March 30, 2014 | (Note 9) | Note 12 | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. | July 30, 2009 | 13,250 | 12,950 | 1.8 | July 30, 2016 | (Note 10) | Note 12 | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. | July 30, 2009 | 17,666 | 17,266 | 2.2 | July 30, 2018 | (Note 11) | Note 12 | 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 (Note 5) | September 30, 2014 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 2,714 | 2,714 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,143 | 2,143 | | | | | |

| Classification | Name of lender | Borrowing date | Balance as of August 31, 2012 (Millions of yen) | Balance as of February 28, 2013 (Millions of yen) | Average interest rate (%) (Note 1) | Due date | Repayment method | Use | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| Long-term | Mizuho Corporate Bank, Ltd. | February 7, 2011 | 5,000 | 5,000 | 0.8 (Note 5) | February 5, 2016 | Lump sum (Note 8) | Note 12 | 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 | 5,550 | 0.7 | September 28, 2018 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 4,710 | 4,710 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 3,740 | 3,740 | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | March 31, 2011 | 7,930 | 7,930 | 1.5 (Note 5) | March 29, 2019 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 6,730 | 6,730 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 5,340 | 5,340 | | | | | |
| | Sumitomo Mitsui Banking Corporation | March 31, 2011 | 5,000 | 5,000 | 0.9 | March 30, 2018 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 22, 2011 | 1,982 | 1,982 | 0.9 | September 22, 2021 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 1,682 | 1,682 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 1,335 | 1,335 | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 22, 2011 | 3,965 | 3,965 | 0.9 | March 22, 2021 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 3,365 | 3,365 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,670 | 2,670 | | | | | |
| | The Bank of Fukuoka, Ltd. | September 22, 2011 | 2,000 | 2,000 | 0.6 (Note 5) | September 22, 2016 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 22, 2011 | 3,875 | 3,875 | 0.8 | September 18, 2020 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 3,487 | 3,487 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,712 | 2,712 | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 22, 2011 | 5,000 | 5,000 | 0.8 | March 19, 2020 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 4,500 | 4,500 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 3,500 | 3,500 | | | | | |
| | Sumitomo Mitsui Banking Corporation | September 30, 2011 | 2,000 | 2,000 | 0.9 | September 30, 2020 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Sumitomo Mitsui Banking Corporation | September 30, 2011 | 3,500 | 3,500 | 0.8 | March 30, 2018 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Shinsei Bank, Limited | September 30, 2011 | 2,500 | 2,500 | 0.8 | September 28, 2018 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Shinsei Bank, Limited | September 30, 2011 | 4,000 | 4,000 | 0.8 | September 28, 2018 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Resona Bank, Limited. | September 30, 2011 | 2,500 | 2,500 | 0.6 (Note 5) | September 30, 2016 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The 77 Bank, Ltd. | September 30, 2011 | 1,000 | 1,000 | 0.6 (Note 5) | September 30, 2016 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | December 21, 2011 | 3,172 | 3,172 | 0.7 | December 20, 2019 | Lump sum (Note 8) | Note 14 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 2,692 | 2,692 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,136 | 2,136 | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | December 21, 2011 | 2,775 | 2,775 | 0.7 | June 21, 2019 | Lump sum (Note 8) | Note 14 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 2,355 | 2,355 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 1,869 | 1,869 | | | | | |

| Classification | Name of lender | Borrowing date | Balance as of August 31, 2012 (Millions of yen) | Balance as of February 28, 2013 (Millions of yen) | Average interest rate (%) (Note 1) | Due date | Repayment method | Use | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| Long-term | The Chugoku Bank, LTD. | December 21, 2011 | 3,000 | 3,000 | 0.8 (Note 5) | December 21, 2016 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Resona Bank, Limited. | December 21, 2011 | 2,000 | 2,000 | 0.8 (Note 5) | December 21, 2016 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | May 22, 2012 | 2,180 | 2,180 | 0.9 | May 20, 2022 | Lump sum (Note 8) | Note 14 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 1,850 | 1,850 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 1,470 | 1,470 | | | | | |
| | Shinsei Bank, Limited | May 22, 2012 | 3,500 | 3,500 | 0.9 | May 20, 2022 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | May 22, 2012 | 3,570 | 3,570 | 0.6 | November 22, 2017 | Lump sum (Note 8) | Note 14 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | 3,030 | 3,030 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 2,400 | 2,400 | | | | | |
| | The Joyo Bank, Ltd. | May 22, 2012 | 1,000 | 1,000 | 0.6 | November 22, 2017 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Chugoku Bank, LTD. | May 22, 2012 | 2,000 | 2,000 | 0.6 | November 22, 2017 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Fukuoka, Ltd. | September 14, 2012 | - | 3,000 | 0.5 | September 14, 2017 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | September 28, 2012 | - | 2,000 | 0.5 | September 29, 2017 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Bank of Fukuoka, Ltd. | October 2, 2012 | - | 1,000 | 0.5 | October 2, 2017 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. | October 2, 2012 | - | 1,000 | 1.6 | October 1, 2024 | Lump sum | Note 13 | Unsecured and unguaranteed |
| | Development Bank of Japan Inc. | October 2, 2012 | - | 3,000 | 1.0 | October 1, 2020 | Lump sum | Note 13 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | October 2, 2012 | - | 1,000 | 1.2 | October 2, 2022 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Sumitomo Mitsui Banking Corporation | October 2, 2012 | - | 2,000 | 1.0 (Note 5) | October 2, 2020 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | October 2, 2012 | - | 1,190 | 1.0 (Note 5) | October 2, 2020 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | - | 1,010 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | - | 800 | | | | | |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | October 2, 2012 | - | 1,784 | 0.7 | April 2, 2020 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | - | 1,514 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | - | 1,202 | | | | | |
| | Sumitomo Mitsui Banking Corporation | October 2, 2012 | - | 3,000 | 0.7 | April 2, 2020 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | October 2, 2012 | - | 2,974 | 0.6 | October 2, 2019 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | Mitsubishi UFJ Trust and Banking Corporation | | - | 2,524 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | - | 2,002 | | | | | |
| | The Daishi Bank, Ltd. | October 2, 2012 | - | 1,500 | 0.5 | October 2, 2017 | Lump sum (Note 8) | Note 13 | Unsecured and unguaranteed |
| | The Ashikaga Bank, Ltd. | | - | 1,000 | | | | | |
| | The Bank of Yokohama, Ltd. | | - | 500 | | | | | |

| Classification | Name of lender | Borrowing date | Balance as of August 31, 2012 (Millions of yen) | Balance as of February 28, 2013 (Millions of yen) | Average interest rate (%) (Note 1) | Due date | Repayment method | Use | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| Long-term | Shikin Central Bank | December 28, 2012 | - | 2,500 | 0.5 | December 29, 2017 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Gunma Bank, Ltd. | December 28, 2012 | - | 500 | 0.6 (Note 5) | December 28, 2018 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | The Yamaguchi Bank, Ltd. | | - | 500 | | | | | |
| | The Higashi-Nippon Bank, Ltd. | | - | 500 | | | | | |
| | Sumitomo Mitsui Banking Corporation | February 28, 2013 | - | 5,000 | 1.2 (Note 5) | February 28, 2022 | Lump sum (Note 8) | Note 12 | Unsecured and unguaranteed |
| | Sub-total | | 239,551 | 269,351 | | | | | |
| Total | | | 253,751 | 280,551 | | | | | |

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

Note 2 The balance as of February 28, 2013 is included in current portion of long-term borrowings in the balance sheets.

Note 3 ￥5,000 million of the balance as of February 28, 2013 is included in current portion of long-term borrowings in the balance sheets.

Note 4 A portion of the borrowings amounting to ￥4,050 million is hedged by interest rate swaps and the average interest rates of the borrowings are calculated adjusting the effect of the interest rate swaps.

Note 5 The borrowings are hedged by interest rate swaps and the average interest rates of the borrowings are calculated adjusting the effect of the interest rate swaps.

Note 6 JRF had repaid all principal of the borrowings on September 28, 2012 in advance of the due date.

Note 7 On February 28, 2013, JRF had repaid ￥5,000 million out of the remaining principal (￥34,310 million as of August 31, 2012) in advance of the due date.

Note 8 JRF may repay all or part of principal of the borrowings on interest payment date.

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 30th of March, June, September and December, and due date. The balance as of February 28, 2013 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 30th of March, June, September and December, and due date. The balance as of February 28, 2013, 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 30th of March, June, September and December, and due date. The balance as of February 28, 2013, includes ￥800 million of current portion of long-term borrowings.

Note 12 The funds were mainly appropriated to repayment of borrowings.

Note 13 The funds were appropriated to purchasing real property or trust beneficiary interests in real property and miscellaneous expenses relating to the acquisition.

Note 14 The funds were appropriated to repayments of corporate bonds.

## 3. Investment corporation bonds

| Name of bonds | Issuance date | Balance as of August 31, 2012 (Millions of yen) | Balance as of February 28, 2013 (Millions of yen) | Interest rate (%) | Maturity date | Repayment method | Use | Remarks |
|---|---|---|---|---|---|---|---|---|
| Second series unsecured investment corporation bonds | February 9, 2005 | 15,000 | 15,000 | 1.73 | February 9, 2015 | Lump sum (Note 1) | Note 2 | Unsecured and unguaranteed |
| Third series unsecured investment corporation bonds | February 22, 2006 | 10,000 | 10,000 | 2.02 | February 22, 2016 | Lump sum (Note 1) | Note 2 | Unsecured and unguaranteed |
| 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 | | 40,000 | 40,000 | | | | | |

Note 1 JRF 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)

| Name of real property, etc. | Acquisition | | Disposal | | | |
|---|---|---|---|---|---|---|
| | Date of acquisition | Acquisition cost | Date of disposal | Disposal amount | Net book value | Gain (loss) on disposal |
| G-Bldg. Sangenjaya 01 | October 2, 2012 | 3,725 | - | - | - | - |
| Round1 Yokohama Station West | October 2, 2012 | 3,930 | - | - | - | - |
| G-Bldg. Omotesando | October 2, 2012 | 5,850 | - | - | - | - |
| mozo wonder city | October 2, 2012 | 26,750 | - | - | - | - |
| Round1 Stadium Sakai Chuo Kanjyo | October 2, 2012 | 1,750 | - | - | - | - |
| pivo Izumi Chuo | October 5, 2012 | 6,000 | - | - | - | - |
| Tecc Land Fukuoka Shime Honten | October 5, 2012 | 4,150 | - | - | - | - |
| Kishiwada CanCan Bayside Mall (land adjacent to existing property) | October 17, 2012 | 245 | - | - | - | - |
| Total | - | 52,400 | - | - | - | - |

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

## 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 (Appraisal value)

(Millions of yen)

| Acquisition /Disposal | Name of property | Date of acquisition /disposal | Acquisition Cost /Disposal amount (Note 1) | Appraisal value | Name of appraiser | Date of appraisal |
|---|---|---|---|---|---|---|
| Acquisition | G-Bldg. Sangenjaya 01 | October 2, 2012 | 3,725 | 4,040 | Japan Real Estate Institute | August 1, 2012 |
| Acquisition | Round1 Yokohama Station West | October 2, 2012 | 3,930 | 4,290 | Tanizawa Sōgō Appraisal Co., Ltd. | August 1, 2012 |
| Acquisition | G-Bldg. Omotesando | October 2, 2012 | 5,850 | 6,180 | Japan Real Estate Institute | August 1, 2012 |
| Acquisition | mozo wonder city | October 2, 2012 | 26,750 | 27,400 | Tanizawa Sōgō Appraisal Co., Ltd. | August 31, 2012 |
| Acquisition | Round1 Stadium Sakai Chuo Kanjyo | October 2, 2012 | 1,750 | 2,110 | Tanizawa Sōgō Appraisal Co., Ltd. | August 1, 2012 |
| Acquisition | pivo Izumi Chuo | October 5, 2012 | 6,000 | 6,400 | Daiwa Real Estate Appraisal Co., Ltd. | August 1, 2012 |
| Acquisition | Tecc Land Fukuoka Shime Honten | October 5, 2012 | 4,150 | 4,770 | Tanizawa Sōgō Appraisal Co., Ltd. | August 1, 2012 |
| Acquisition | Kishiwada CanCan Bayside Mall (land adjacent to existing property) | October 17, 2012 | 245 | 407 | CBRE K.K. | September 1, 2012 |

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

(2) Other transaction

For the six months ended February 28, 2013, 11 interest rate swap contracts were 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 contracts, 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

| Classification | Acquisition cost / Disposal amount | |
|---|---|---|
| | Acquisition cost (Note 2 and 3) | Disposal amount (Note 3) |
| Total amount | ¥52,400,000 thousand | ¥ - thousand |
| | *Acquisition cost from interested parties* ¥32,600,000 thousand (62.2%) | *Disposal amount to interested parties* ¥ - thousand (-) |
| *Breakdown for transactions with interested parties* | | |
| *Mitsubishi Corporation* | ¥5,850,000 thousand (11.2%) | ¥ - thousand (-) |
| *Kamiotai SC2 LLC* | ¥26,750,000 thousand (51.0%) | ¥ - thousand (-) |
| *Total* | ¥32,600,000 thousand (62.2%) | ¥ - thousand (-) |

(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) | |
| Property management fees | 639,040 | Mitsubishi Corporation Urban Development, Inc. | 5,745 | 0.9 |
| Facility management fees | 1,110,930 | Mitsubishi UFJ Lease & Finance Company Limited | 730 | 0.1 |
| Utilities | 1,067,258 | Japan Facility Solutions, Inc. | 14,117 | 1.3 |
| Other rental expenses | 548,315 | Mitsubishi Corporation Urban Development, Inc. | 70 | 0.0 |
| | | Mitsubishi Shoji & Sun Co., Ltd. | 820 | 0.1 |
| | | NIKKEN CORPORATION | 263 | 0.0 |
| | | Mitsubishi Corporation | 234 | 0.0 |

Note 1 "Interested parties" means the interested parties related with the asset management company of JRF 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.

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

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

Note 4 In addition to above transaction, JRF paid ¥1,034 thousand of research fee to Mitsubishi Corporation which was capitalized as a cost of property and ¥36,000 thousand of capital expenditures for construction to Mitsubishi Corporation Urban Development, Inc.

## 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 financial statements.

## 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 increased (Units) | Number of units decreased (Units) | Number of units held (Units) |
|---|---|---|---|
| March 1, 2012 (Note 1) | 2,400 | - | 3,200 |
| Accumulated number | 2,400 | - | 3,200 |

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

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

| Date | 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 13th fiscal period (March 1, 2008 to August 31, 2008) | 800 | 364,000 | 0.2% |
| The 14th fiscal period (September 1, 2008 to February 28, 2009) | 800 | 256,800 | 0.2% |
| The 15th fiscal period (March 1, 2009 to August 31, 2009) | 800 | 396,800 | 0.2% |
| The 16th fiscal period (September 1, 2009 to February 28, 2010) | 800 | 337,280 | 0.2% |
| The 17th fiscal period (March 1, 2010 to August 31, 2010) | (Note 2) 3,200 | 360,320 | 0.2% |
| The 18th fiscal period (September 1, 2010 to February 28, 2011) | 3,200 | 449,280 | 0.2% |
| The 19th fiscal period (March 1, 2011 to August 31, 2011) | 3,200 | 368,320 | 0.2% |
| The 20th fiscal period (September 1, 2011 to February 29, 2012) | 3,200 | 389,440 | 0.2% |
| The 21th fiscal period (March 1, 2012 to August 31, 2012) | 3,200 | 428,160 | 0.2% |
| The 22th fiscal period (September 1, 2012 to February 28, 2013) | 3,200 | 579,840 | 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 each fiscal period.

Note 2 JRF 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 JRF for the six months ended February 28, 2013, was as follows:

| Approval day | Item | Summary |
|---|---|---|
| September 11, 2012 | Underwriting agreements of new investment units in connection with the public offering | In connection with the public offering of new investment units, the Board of Directors of JRF approved entering into the underwriting agreements with SMBC Nikko Securities Inc., UBS Securities Japan Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as joint domestic coordinator, and UBS Limited, SMBC Nikko Capital Markets Limited and Morgan Stanley & Co. International plc as international joint lead managers. |

## 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.

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## Report of Independent Auditors

To the Board of Directors of Japan Retail Fund Investment Corporation

We have audited the accompanying financial statements of Japan Retail Fund Investment Corporation ("the Company"), which comprise the balance sheet as at February 28, 2013 and the statement of income and retained earnings, statement of changes in net assets and statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2013 and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

*Convenience translation*
The U.S. dollar amounts in the accompanying financial statements with respect to the six months period ended February 28, 2013 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the financial statements.

PricewaterhouseCoopers Aarata

May 21, 2013

***PricewaterhouseCoopers Aarata***
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**JAPAN RETAIL FUND INVESTMENT CORPORATION**
**BALANCE SHEETS**
**As of August 31, 2012 and February 28, 2013**

| | As of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents (Note 4) | ¥ 16,703 | ¥ 18,944 | $ 204,777 |
| Restricted bank deposits (Note 4) | - | 650 | 7,026 |
| Rental receivables | 943 | 1,088 | 11,760 |
| Consumption tax refundable | - | 865 | 9,350 |
| Other current assets | 1,168 | 1,341 | 14,495 |
| ***Total current assets*** | 18,815 | 22,891 | 247,443 |
| **Non-current assets:** | | | |
| **Property and equipment (Note 4, 5, 7 and 10), at cost:** | | | |
| Land | 404,135 | 433,868 | 4,689,957 |
| Buildings | 266,308 | 289,498 | 3,129,369 |
| Building improvements | 14,628 | 15,345 | 165,873 |
| Machinery and equipment | 1,525 | 1,663 | 17,976 |
| Furniture and fixtures | 3,420 | 3,649 | 39,444 |
| | 690,018 | 744,024 | 8,042,633 |
| Less: Accumulated depreciation | (63,665) | (69,196) | (747,984) |
| ***Net property and equipment*** | 626,352 | 674,828 | 7,294,649 |
| **Other assets:** | | | |
| Leasehold rights (Note 4, 6 and 7) | 6,864 | 6,849 | 74,035 |
| Other intangible assets (Note 4, 6 and 7) | 107 | 146 | 1,578 |
| Lease deposits (Note 4) | 1,404 | 1,396 | 15,090 |
| Long-term prepaid expenses | 3,228 | 3,308 | 35,758 |
| Derivatives (Note17) | - | 29 | 313 |
| Bonds issuance costs | 37 | 33 | 356 |
| Units issuance costs | 110 | 196 | 2,118 |
| Other | 106 | 532 | 5,750 |
| ***Total other assets*** | 11,859 | 12,493 | 135,044 |
| **TOTAL ASSETS** | ¥ 657,027 | ¥ 710,212 | $ 7,677,137 |

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

## JAPAN RETAIL FUND INVESTMENT CORPORATION
## BALANCE SHEETS
## As of August 31, 2012 and February 28, 2013

| | As of August 31, 2012 (in millions) | As of February 28, 2013 (in millions) | As of February 28, 2013 (in thousands) |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings (Note 8) | ¥ 14,200 | ¥ 11,200 | $ 121,067 |
| Current portion of long-term borrowings (Note 8) | 9,000 | 9,600 | 103,772 |
| Current portion of tenant leasehold and security deposits (Note 4 and 10) | 2,696 | 2,683 | 29,002 |
| Accounts payable－operating | 1,016 | 978 | 10,571 |
| Accounts payable－other | 9 | 9 | 97 |
| Accrued expenses | 1,681 | 1,773 | 19,165 |
| Consumption tax payable | 651 | - | - |
| Rent received in advance | 2,086 | 2,265 | 24,483 |
| Deposits received | 972 | 1,273 | 13,760 |
| Other current liabilities | 138 | 93 | 1,005 |
| ***Total current liabilities*** | 32,452 | 29,878 | 322,970 |
| **Non-current liabilities:** | | | |
| Long-term borrowings (Note 8) | 230,551 | 259,751 | 2,807,815 |
| Long-term bonds issued－unsecured (Note 9) | 40,000 | 40,000 | 432,385 |
| Tenant leasehold and security deposits (Note 4 and 10) | 57,875 | 58,859 | 636,244 |
| Deferred tax liabilities (Note 14) | 513 | 513 | 5,545 |
| Asset retirement obligations (Note 18) | 346 | 349 | 3,772 |
| Derivatives liabilities (Note 17) | - | 2 | 21 |
| Other | - | - | - |
| ***Total non-current liabilities*** | 329,287 | 359,476 | 3,885,806 |
| **TOTAL LIABILITIES** | 361,740 | 389,354 | 4,208,777 |
| **Net Assets (Note 11):** | | | |
| **Unitholers' equity:** | | | |
| Unitholders' capital, 8,000,000 units authorized; 1,880,198 units as of August 31, 2012 and 2,079,198 units as of February 28, 2013 issued and outstanding | 270,752 | 295,474 | 3,193,968 |
| Capital surplus | 14,986 | 14,986 | 161,993 |
| Reserve for dividends | 2,326 | 2,326 | 25,143 |
| Retained earnings | 7,220 | 8,042 | 86,931 |
| ***Total unitholders' equity*** | 295,286 | 320,830 | 3,468,057 |
| **Valuation and translation adjustments:** | | | |
| Deferred gains or (losses) on hedges | - | 27 | 291 |
| ***Total valuation and translation adjustments*** | - | 27 | 291 |
| **TOTAL NET ASSETS** | 295,286 | 320,857 | 3,468,349 |
| **TOTAL LIABILITIES AND NET ASSETS** | ¥ 657,027 | ¥ 710,212 | $ 7,677,137 |

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**
**STATEMENTS OF INCOME AND RETAINED EARNINGS**
**For the six months ended August 31, 2012 and February 28, 2013**

| | For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Operating revenues** | | | |
| Rental and other operating revenues (Note 13) | ¥ 23,559 | ¥ 25,642 | $ 277,180 |
| | 23,559 | 25,642 | 277,180 |
| **Operating expenses** | | | |
| Property-related expenses (Note 13) | 11,699 | 12,688 | 137,152 |
| Asset management fees | 1,990 | 2,111 | 22,819 |
| Custodian fees | 25 | 24 | 259 |
| General administration fees | 107 | 106 | 1,145 |
| Other | 133 | 137 | 1,480 |
| | 13,957 | 15,068 | 162,879 |
| **Operating income** | 9,602 | 10,573 | 114,290 |
| **Non-operating revenues** | | | |
| Non-operating revenues | 8 | 6 | 64 |
| | 8 | 6 | 64 |
| **Non-operating expenses** | | | |
| Interest expense | 1,423 | 1,526 | 16,495 |
| Corporate bonds interest | 470 | 388 | 4,194 |
| Amortization of bonds issuance costs | 7 | 4 | 43 |
| Amortization of units issuance costs | 27 | 45 | 486 |
| Loan-related costs | 456 | 567 | 6,129 |
| Other non-operating expenses | 4 | 4 | 43 |
| | 2,390 | 2,536 | 27,413 |
| **Ordinary income** | 7,220 | 8,042 | 86,931 |
| **Income before income taxes** | 7,220 | 8,042 | 86,931 |
| Income taxes (Note 14): | | | |
| Current | - | - | - |
| | - | - | - |
| **Net income** | 7,220 | 8,041 | 86,920 |
| **Unappropriated earnings at beginning of period** | - | - | - |
| **Retained earnings at end of period (Note 12)** | ¥ 7,220 | ¥ 8,042 | $ 86,931 |

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

## JAPAN RETAIL FUND INVESTMENT CORPORATION
## STATEMENTS OF CHANGES IN NET ASSETS
## For the six months ended August 31, 2012 and February 28, 2013

| | Unitholders' equity | | | | | | Valuation and translation adjustments | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Surplus | | | | | | | |
| | Unitholders' capital | Capital surplus | Reserve for dividends | Retained earnings | Total surplus | Total unitholders' equity | Deferred gains or (losses) on hedges | Total valuation and translation adjustments | Total net assets |
| | | | | | (in millions) | | | | |
| **Balance as of February 29, 2012.................................** | ¥ 270,752 | ¥ 14,986 | ¥ 6,918 | ¥ 2,314 | ¥ 24,219 | ¥ 294,972 | ¥ - | ¥ - | ¥ 294,972 |
| Changes during the period | | | | | | | | | |
| Appropriation of reserve for dividends...................... | - | - | (4,592) | 4,592 | - | - | - | - | - |
| Cash distribution declared......................................... | - | - | - | (6,905) | (6,905) | (6,905) | - | - | (6,905) |
| Net income................................................................ | - | - | - | 7,220 | 7,220 | 7,220 | - | - | 7,220 |
| Total changes during the period | - | - | (4,592) | 4,906 | 314 | 314 | - | - | 314 |
| **Balance as of August 31, 2012.....................................** | ¥ 270,752 | ¥ 14,986 | ¥ 2,326 | ¥ 7,220 | ¥ 24,533 | ¥ 295,286 | ¥ - | ¥ - | ¥ 295,286 |
| Changes during the period | | | | | | | | | |
| Issuance of new investment units.............................. | 24,721 | - | - | - | - | 24,721 | - | - | 24,721 |
| Cash distribution declared......................................... | - | - | - | (7,219) | (7,219) | (7,219) | - | - | (7,219) |
| Net income................................................................ | - | - | - | 8,041 | 8,041 | 8,041 | - | - | 8,041 |
| Net changes of items other than unitholders' equity... | - | - | - | - | - | - | 27 | 27 | 27 |
| Total changes during the period | 24,721 | - | - | 821 | 821 | 25,543 | 27 | 27 | 25,570 |
| **Balance as of February 28, 2013.................................** | ¥ 295,474 | ¥ 14,986 | ¥ 2,326 | ¥ 8,042 | ¥ 25,355 | ¥ 320,830 | ¥ 27 | ¥ 27 | ¥ 320,857 |

| | Unitholders' equity | | | | | | Valuation and translation adjustments | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Surplus | | | | | | | |
| | Unitholders' capital | Capital surplus | Reserve for dividends | Retained earnings | Total surplus | Total unitholders' equity | Deferred gains or (losses) on hedges | Total valuation and translation adjustments | Total net assets |
| | | | | | (in thousands) | | | | |
| **Balance as of August 31, 2012.....................................** | $ 2,926,732 | $ 161,993 | $ 25,143 | $ 78,045 | $ 265,192 | $ 3,191,936 | $ - | $ - | $ 3,191,936 |
| Changes during the period | | | | | | | | | |
| Issuance of new investment units.............................. | 267,225 | - | - | - | - | 267,225 | - | - | 267,225 |
| Cash distribution declared......................................... | - | - | - | (78,034) | (78,034) | (78,034) | - | - | (78,034) |
| Net income................................................................ | - | - | - | 86,920 | 86,920 | 86,920 | - | - | 86,920 |
| Net changes of items other than unitholders' equity... | - | - | - | - | - | - | 291 | 291 | 291 |
| Total changes during the period | 267,225 | - | - | 8,874 | 8,874 | 276,110 | 291 | 291 | 276,402 |
| **Balance as of February 28, 2013.................................** | $ 3,193,968 | $ 161,993 | $ 25,143 | $ 86,931 | $ 274,078 | $ 3,468,057 | $ 291 | $ 291 | $ 3,468,349 |

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

## JAPAN RETAIL FUND INVESTMENT CORPORATION
## STATEMENTS OF CASH FLOWS
## For the six months ended August 31, 2012 and February 28, 2013

| | For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes | ¥ 7,220 | ¥ 8,042 | $ 86,931 |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities: | | | |
| Depreciation | 5,268 | 5,599 | 60,523 |
| Amortization of bonds issuance costs | 7 | 4 | 43 |
| Amortization of units issuance costs | 27 | 45 | 486 |
| Loss on disposal of fixed assets | 20 | 76 | 821 |
| Interest income | (1) | (1) | (10) |
| Interest expense | 1,894 | 1,914 | 20,689 |
| Changes in assets and liabilities: | | | |
| Increase in Rental receivables | (10) | (141) | (1,524) |
| Decrease (increase) in Consumption tax refundable | 247 | (865) | (9,350) |
| Decrease (increase) in Long-term prepaid expenses | 82 | (79) | (853) |
| Increase (decrease) in Accounts payable - operating | 184 | (43) | (464) |
| Decrease in Accounts payable - other | (19) | - | - |
| Increase in Accrued expenses | 14 | 57 | 616 |
| Increase (decrease) in Consumption tax payable | 651 | (651) | (7,037) |
| (Decrease) increase in Rent received in advance | (1) | 178 | 1,924 |
| Increase in Deposits received | 123 | 301 | 3,253 |
| Other, net | 59 | (167) | (1,805) |
| Sub total | 15,769 | 14,271 | 154,264 |
| Interest received | 1 | 1 | 10 |
| Interest expenses paid | (1,939) | (1,879) | (20,311) |
| Income taxes paid | - | - | - |
| Net cash provided by operating activities | 13,830 | 12,392 | 133,953 |
| **Cash Flows from Investing Activities:** | | | |
| Purchase of property and equipment | (2,559) | (54,157) | (585,417) |
| Purchase of intangible assets | - | (26) | (281) |
| Payments of tenant leasehold and security deposits | (2,127) | (2,109) | (22,797) |
| Proceeds from tenant leasehold and security deposits | 353 | 3,041 | 32,872 |
| Payments for restricted bank deposits | - | (661) | (7,145) |
| Proceeds from restricted bank deposits | - | 10 | 108 |
| Proceeds from deposits and others | 103 | 85 | 918 |
| Payments of deposits and others | - | (503) | (5,437) |
| Net cash used in investing activities | (4,230) | (54,321) | (587,190) |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from short-term borrowings | - | 5,400 | 58,372 |
| Repayments of short-term borrowings | (2,000) | (8,400) | (90,800) |
| Repayments of corporate bonds | (20,000) | - | - |
| Proceeds from long-term borrowings | 21,000 | 43,000 | 464,814 |
| Repayments of long-term borrowings | (800) | (13,200) | (142,687) |
| Proceeds from issuance of investment units | - | 24,589 | 265,798 |
| Distribution payments | (6,907) | (7,220) | (78,045) |
| Net cash (used in) provided by financing activities | (8,707) | 44,169 | 477,451 |
| **Net change in cash and cash equivalents** | 892 | 2,240 | 24,213 |
| **Cash and cash equivalents at beginning of period** | 15,810 | 16,703 | 180,553 |
| **Cash and cash equivalents at end of period** | ¥ 16,703 | ¥ 18,944 | $ 204,777 |

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

## JAPAN RETAIL FUND INVESTMENT CORPORATION
## NOTES TO FINANCIAL STATEMENTS
## As of and for the six months ended August 31, 2012 and February 28, 2013

### Note 1 － Organization

Japan Retail Fund Investment Corporation (the "Company"), a real estate investment corporation, with initial capital of ¥200 million, was incorporated on September 14, 2001, under the Act on Investment Trusts and Investment Corporations of Japan (the "Investment Trust Act"). The sponsors of the Company are Mitsubishi Corporation, UBS Global Asset Management (Japan) Ltd. and Mitsubishi Corp.-UBS Realty Inc. The Company was formed to invest primarily in retail properties in Japan. On March 12, 2002, the Company raised ¥23.46 billion through an initial public offering of 52,000 investment units.

On March 13, 2002, the day after the Company was listed on the J-REIT section of the Tokyo Stock Exchange, four retail properties were acquired, and operations of the Company commenced on this date.

On March 4, 2003, the Company completed its second public offering of 95,000 investment units at a price of ¥521,228 per unit. 67,910 of such units were issued in connection with a Japanese Primary Offering, and the remaining 27,090 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Net proceeds of approximately ¥47.7 billion from the second offering were used to acquire five retail properties with an aggregate purchase price of ¥67.9 billion.

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

Subsequent to that, the Company acquired one retail property during the six months ended August 31, 2003 in cash and acquired six retail properties during the six months ended February 29, 2004 through bank borrowings from a bank syndicate.

On March 2, 2004, the Company completed its third public offering totaling 67,000 new investment units at a price of ¥654,910 per unit. 44,300 of such units were issued in connection with a Japanese Primary Offering, and the remaining 22,700 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Net proceeds of approximately ¥42.3 billion from the third offering were used to acquire two retail properties on March 2, 2004 for an aggregate purchase price of ¥23.8 billion and to partially repay the outstanding short-term borrowings incurred in connection with the acquisition of six retail properties during the six months ended February 29, 2004.

Subsequent to the third offering, the Company acquired two retail properties during the six months ended August 31, 2004 in cash and through bank borrowings.

On March 8, 2005, the Company completed its fourth public offering totaling 56,000 new investment units at a price of ¥798,700 per unit. 32,200 of such units were issued in connection with a Japanese Primary Offering, and 23,800 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On March 29, 2005, the Company issued 4,000 investment units domestically in connection with the exercise of an over-allotment option. Total net proceeds of approximately ¥46 billion from the fourth offering were used to acquire four retail properties and repay a portion of the outstanding short-term borrowings.

Subsequently, the Company acquired four properties in cash and through bank borrowings. The Company acquired eight properties in total during the six months ended August 31, 2005.

On September 14, 2005, the Company completed its fifth public offering totaling 23,000 new investment units at a price of ¥861,300 per unit. 11,600 of such units were issued in connection with a Japanese Primary Offering, and the remaining 11,400 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. Net proceeds of approximately ¥19 billion were used to repay the Company's outstanding short-term borrowings incurred in connection with the acquisitions of four properties during the preceding fiscal period.

Subsequent to that, the Company acquired two properties in cash and through bank borrowings during the six months ended February 28, 2006. On February 8, 2006, the Company sold the building and the land leasehold rights for a 30-year period of Esquisse Omotesando to a third party developer for ¥2.15 billion. After taking into account the net book value of the building and various costs associated with the disposal, a loss of ¥16 million was incurred by the Company.

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

On September 21, 2006, the Company completed its sixth public offering totaling 78,000 new investment units at a price of ¥852,600 per unit. 40,000 of such units were issued in connection with a Japanese Primary Offering, and the remaining 38,000 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On September 27, 2006, the Company issued an additional 6,000 investment units domestically in connection with the exercise of an over-allotment option. Net proceeds of approximately ¥69.2 billion were used to repay the Company's outstanding short term borrowings incurred in connection with the acquisition of four properties in the preceding fiscal period.

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

The Company acquired four additional properties in cash and through bank borrowings during the six months ended February 29, 2008 and four additional properties by utilizing internal cash and bank borrowings during the six months ended August 31, 2008.

The Company sold one property during the six months ended February 28, 2009 and acquired two additional properties by utilizing internal cash and bank borrowings during the six months ended August 31, 2009.

Effective on March 1, 2010, the Company executed a four-to-one unit split and 1,159,506 investment units were issued in connection with the unit split. Effective on the same day, the Company also merged with LaSalle Japan REIT Inc. ("LJR") and allocated 142,190 investment units at a ratio of 1.18 units (post-unit split) of the Company per one investment unit of LJR. As a result, investment units issued and outstanding were 1,688,198 units as of March 1, 2010. The Company acquired 21 properties by the merger and seven additional properties in cash and through bank borrowings during the six months ended August 31, 2010. In addition, the Company sold one property during the six months ended August 31, 2010.

Subsequently, the Company invested in two properties through Tokumei Kumiai agreements by utilizing internal cash and bank borrowings during the six months ended February 28, 2011, and sold 18 properties (non-core assets acquired by the merger with LJR) to a third party on September 3, 2010.

The Company invested in two additional properties through another Tokumei Kumiai agreement by utilizing internal cash on April 15, 2011.

On September 14, 2011, the Company completed its seventh public offering totaling 187,500 new investment units at a price of ¥107,640 per unit. 94,200 of such units were issued in connection with a Japanese Primary Offering, and the remaining 93,300 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On October 12, 2011, the Company issued an additional 4,500 investment units domestically in connection with the exercise of an over-allotment option. Subsequently, the Company acquired 12 properties, including properties invested through the Tokumei Kumiai agreements, with an aggregate purchase price of ¥46.0 billion by utilizing the net proceeds of approximately ¥19.9 billion from the seventh offering and through new bank borrowings during the six months ended February 29, 2012. All of the Tokumei Kumiai agreements were terminated by this acquisition. In addition, the Company sold one property during the six months ended February 29, 2012.

On October 1, 2012, the Company completed its eighth public offering totaling 194,500 new investment units at a price of ¥128,310 per unit. 95,000 of such units were issued in connection with a Japanese Primary Offering, and the remaining 99,500 units were issued in connection with an International Offering pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933. On October 31, 2012, the Company issued an additional 4,500 investment units domestically in connection with the exercise of an over-allotment option. Subsequently, the Company acquired six properties and additional share of quasi-co-ownership property with an aggregate purchase price of ¥52.1 billion by utilizing the net proceeds of approximately ¥24.7 billion from the eighth offering and through new bank borrowings totaling of ¥29.0 billion during the six months ended February 28, 2013.

As of February 28, 2013, the Company's portfolio consisted of 76 properties.

## Note 2 － Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

The Company maintains its accounts and records in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Act, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, and other related regulations, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made from financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

The financial statements are not intended to present the financial position and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company's fiscal period is a six-month period which ends at the end of February and August of each year.

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

The Company does not prepare consolidated financial statements as it has no subsidiaries.

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

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and readily convertible into cash, have a low risk of price fluctuation, and mature within three months from the date of acquisition.

The usage of Restricted bank deposits is limited to repayments of tenant leasehold and security deposits.

### *(c) Property and Equipment*

Property and equipment is recorded at cost. Depreciation of property and equipment, except for land, is calculated on a straight-line basis over the estimated useful lives of the assets as stated below:

| | |
|---|---|
| Buildings | 2-50 years |
| Building improvements | 2-60 years |
| Machinery and equipment | 3-17 years |
| Furniture and fixtures | 2-20 years |

### *(d) Other Intangible Assets*

Other intangible assets are amortized on a straight-line basis over the period of the estimated useful lives of the assets.

### *(e)Long-term Prepaid Expenses*

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

### *(f) Impairment of Fixed Assets*

An assessment for impairment is carried out on an asset or group of assets, such as fixed assets, intangible assets and investments, whenever events or changes in circumstances indicate that the carried amount may not be recoverable.

If the asset or group of assets is deemed to be impaired, an impairment loss is recognized for the difference between the carrying amount and the fair value of the asset or group of assets using the discounted cash flow model.

### *(g) Accounting Treatment of Trust Beneficiary Interests in Real Estate Trusts*

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

### *(h) Bonds Issuance Costs*

Bonds issuance costs are capitalized and amortized on a straight-line basis over the maturity period of the bonds issued, which range from five to ten years.

### *(i) Units Issuance Costs*

Units issuance costs are capitalized and amortized over three years.

### *(j) Income Taxes*

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

### *(k) Consumption Taxes*

Consumption taxes withheld and consumption taxes paid are not included in the statements of income and retained earnings. 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.

### *(l) Taxes on Property and Equipment*

Property and equipment are subject to various taxes, such as property taxes and urban planning taxes on an annual basis. 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 Japanese GAAP. In subsequent calendar years, half of such taxes on property and equipment for each calendar year are charged as operating expenses in each fiscal period.

Taxes on property and equipment capitalized amounted to ¥7 million and ¥82 million (US$886 thousand) for the six months ended August 31, 2012 and February 28, 2013, respectively.

### *(m) Revenue Recognition*

Revenue from the leasing of retail space includes fixed rental revenues, variable rental revenues, sales-based rental revenues, recoveries of utility charges and other miscellaneous income, which are all recognized in a pattern appropriate for each revenue stream.

### *(n) Hedge Accounting*

In accordance with the Company’s risk management policy and its internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company’s articles of incorporation. The Company hedges fluctuations in interest rates of borrowings through the use of interest rate swaps as hedging instruments and deferred hedge accounting is generally used for such interest rate swaps. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items.

The Company applies, however, the special treatment provided under Japanese GAAP for the interest rate swaps which qualify for hedge accounting and meet specific criteria, under which only the interest received or paid under such swap contracts is recognized and added to or reduced from any interest earned or incurred on the hedged asset or liability as appropriate, and the fair value of the interest rate swaps is not required to be evaluated separately. The assessment of hedge effectiveness is not performed when the interest rate swaps meet the specific criteria required for such special treatment.

### *(o) Equipment Leases*

The Company capitalized all finance leases on its balance sheets and depreciates the leased assets using the straight-line method, assuming no residual value, over the lease term.

## Note 3 － U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥92.51 = US$1, the effective rate of exchange prevailing at February 28, 2013. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended February 28, 2013 is solely for the convenience of readers outside Japan. Such translations should not be construed as representations that the Japanese yen amounts represent, or have been, or could be converted into, United States dollar amounts at that or any other rate.

## Note 4 － Trust Beneficiary Interest in Real Estate Trusts

For trust beneficiary interest in real estate trusts, all assets and liabilities with respect to assets in the trusts are recorded in the relevant balance sheet accounts of the Company in proportion to the percentage interest in the trusts.

The assets and liabilities owned in the real estate trusts are summarized as follows:

| | As of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 7,694 | ¥ 8,253 | $ 89,211 |
| Restricted bank deposits | - | 650 | 7,026 |
| Property and equipment, at cost: | | | |
| Land | 382,941 | 407,203 | 4,401,718 |
| Buildings | 264,615 | 287,335 | 3,105,988 |
| Building improvements | 14,560 | 15,268 | 165,041 |
| Machinery and equipment | 1,525 | 1,663 | 17,976 |
| Furniture and fixtures | 3,408 | 3,631 | 39,249 |
| | 667,051 | 715,101 | 7,729,985 |
| Less: Accumulated depreciation | (63,488) | (68,983) | (745,681) |
| Net property and equipment | 603,562 | 646,118 | 6,984,304 |
| Other assets: | | | |
| Leasehold rights | 6,844 | 6,830 | 73,829 |
| Other intangible assets | 107 | 146 | 1,578 |
| Lease deposits | 1,404 | 1,396 | 15,090 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Current portion of tenant leasehold and security deposits | 2,695 | 2,683 | 29,002 |
| Non-current liabilities: | | | |
| Tenant leasehold and security deposits | 56,332 | 57,059 | 616,787 |

## Note 5 － Schedule of Property and Equipment

***(i) Schedule of Property and Equipment as of August 31, 2012 consisted of the following:***

| | At cost | | | | Accumulated depreciation | Depreciation for the period | Net property and equipment |
|---|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Decrease | Ending balance | | | |
| | | | | (in millions) | | | |
| Land | ¥ 398,683 | ¥ 5,451 | ¥ - | ¥ 404,135 | ¥ - | ¥ - | ¥ 404,135 |
| Buildings | 265,460 | 860 | 13 | 266,308 | 57,380 | 4,753 | 208,928 |
| Building improvements | 14,623 | 15 | 10 | 14,628 | 3,934 | 301 | 10,693 |
| Machinery and equipment | 1,520 | 4 | - | 1,525 | 589 | 44 | 936 |
| Furniture and fixtures | 3,373 | 53 | 6 | 3,420 | 1,761 | 146 | 1,659 |
| Total | ¥ 683,662 | ¥ 6,385 | ¥ 30 | ¥ 690,018 | ¥ 63,665 | ¥ 5,245 | ¥ 626,352 |

***(ii) Schedule of Property and Equipment as of February 28, 2013 consisted of the following:***

| | At cost | | | | Accumulated depreciation | Depreciation for the period | Net property and equipment |
|---|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Decrease | Ending balance | | | |
| | | | | (in millions) | | | |
| Land | ¥ 404,135 | ¥ 29,733 | ¥ - | ¥ 433,868 | ¥ - | ¥ - | ¥ 433,868 |
| Buildings | 266,308 | 23,290 | 100 | 289,498 | 62,413 | 5,067 | 227,084 |
| Building improvements | 14,628 | 719 | 2 | 15,345 | 4,236 | 304 | 11,108 |
| Machinery and equipment | 1,525 | 137 | - | 1,663 | 638 | 48 | 1,024 |
| Furniture and fixtures | 3,420 | 243 | 14 | 3,649 | 1,907 | 154 | 1,741 |
| Total | ¥ 690,018 | ¥ 54,124 | ¥ 117 | ¥ 744,024 | ¥ 69,196 | ¥ 5,574 | ¥ 674,828 |

| | At cost | | | | Accumulated depreciation | Depreciation for the period | Net property and equipment |
|---|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Decrease | Ending balance | | | |
| | | | | (in thousands) | | | |
| Land | $ 4,368,554 | $ 321,403 | $ - | $ 4,689,957 | $ - | $ - | $ 4,689,957 |
| Buildings | 2,878,694 | 251,756 | 1,080 | 3,129,369 | 674,662 | 54,772 | 2,454,696 |
| Building improvements | 158,123 | 7,772 | 21 | 165,873 | 45,789 | 3,286 | 120,073 |
| Machinery and equipment | 16,484 | 1,480 | - | 17,976 | 6,896 | 518 | 11,069 |
| Furniture and fixtures | 36,968 | 2,626 | 151 | 39,444 | 20,613 | 1,664 | 18,819 |
| Total | $ 7,458,847 | $ 585,061 | $ 1,264 | $ 8,042,633 | $ 747,984 | $ 60,252 | $ 7,294,649 |

## Note 6 －Schedule of Intangible Assets

***(i) Schedule of Intangible Assets as of August 31, 2012 consisted of the following:***

| | At cost | | | | Accumulated amortization | Amortization for the period | Net intangible assets |
|---|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Decrease | Ending balance | | | |
| | | | | (in millions) | | | |
| Leasehold rights | ¥ 8,962 | ¥ - | ¥ 1,926 | ¥ 7,035 | ¥ 171 | ¥ 14 | ¥ 6,864 |
| Other intangible assets | 238 | - | - | 239 | 131 | 8 | 107 |
| Total | ¥ 9,200 | ¥ - | ¥ 1,926 | ¥ 7,274 | ¥ 302 | ¥ 22 | ¥ 6,971 |

***(ii) Schedule of Intangible Assets as of February 28, 2013 consisted of the following:***

| | At cost | | | | Accumulated amortization | Amortization for the period | Net intangible assets |
|---|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Decrease | Ending balance | | | |
| | | | | (in millions) | | | |
| Leasehold rights | ¥ 7,035 | ¥ - | ¥ - | ¥ 7,035 | ¥ 185 | ¥ 14 | ¥ 6,849 |
| Other intangible assets | 239 | 49 | - | 288 | 142 | 10 | 146 |
| Total | ¥ 7,274 | ¥ 49 | ¥ - | ¥ 7,324 | ¥ 327 | ¥ 24 | ¥ 6,996 |

| | At cost | | | | Accumulated amortization | Amortization for the period | Net intangible assets |
|---|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Decrease | Ending balance | | | |
| | | | | (in thousands) | | | |
| Leasehold rights | $ 76,045 | $ - | $ - | $ 76,045 | $ 1,999 | $ 151 | $ 74,035 |
| Other intangible assets | 2,583 | 529 | - | 3,113 | 1,534 | 108 | 1,578 |
| Total | $ 78,629 | $ 529 | $ - | $ 79,169 | $ 3,534 | $ 259 | $ 75,624 |

## Note 7 － Fair Value of Investment and Rental Property

The following table shows the net book value and the fair value of the investment properties in the aggregate for the six months ended August 31, 2012 and February 28, 2013.

| | As of / For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Net book value**(i) | | | |
| Balance at the beginning of the period | ¥ 634,149 | ¥ 633,322 | $ 6,845,984 |
| Net increase (decrease) during the period(ii) | (826) | 48,500 | 524,267 |
| Balance at the end of the period | ¥ 633,322 | ¥ 681,823 | $ 7,370,262 |
| **Fair value**(iii) | ¥ 621,840 | ¥ 677,920 | $ 7,328,072 |

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):

***For the six months ended August 31, 2012:***

| | Increase (decrease) in net book value (in millions) |
|---|---|
| Acquisitions: | |
| A part of Land with leasehold interest in Nara Family | ¥ 3,524 |

***For the six months ended February 28, 2013:***

| | Increase (decrease) in net book value | |
|---|---|---|
| | (in millions) | (in thousands) |
| Acquisitions: | | |
| G-Bldg. Sangenjaya 01 | ¥ 3,766 | $ 40,709 |
| Round1 Yokohama Station West | 3,973 | 42,946 |
| G-Bldg. Omotesando | 5,949 | 64,306 |
| mozo wonder city | 27,012 | 291,990 |
| Round1 Stadium Sakai Chuo Kanjyo | 1,778 | 19,219 |
| pivo Izumi Chuo | 6,084 | 65,765 |
| Tecc Land Fukuoka Shime Honten | 4,198 | 45,378 |
| Kishiwada CanCan Bayside Mall (land adjacent to existing property) | 265 | 2,864 |

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

For rental revenues and expenses for the six months ended August 31, 2012 and February 28, 2013, please refer to "Note 13 － Breakdown of Rental and Other Operating Revenues and Property-Related Expenses".

## Note 8 － Bank Borrowings, Credit Facilities and Commitment Lines

Bank borrowings outstanding as of August 31, 2012 and February 28, 2013 and average interest rates range for each period were as follows:

| | As of / For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Bank borrowings at end of the period** | | | |
| Short-term borrowings | ¥ 14,200 | ¥ 11,200 | $ 121,067 |
| Long-term borrowings | 239,551 | 269,351 | 2,911,587 |
| Total | ¥ 253,751 | ¥ 280,551 | $ 3,032,655 |
| **Average interest rates range for the period** | From 0.5% to 3.0% | From 0.5% to 3.0% | |

As of August 31, 2012 and February 28, 2013, the Company entered into credit facilities and committed lines of credit as follows:

| | As of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Credit Facilities** | | | |
| Total amount of credit facilities | ¥ 35,500 | ¥ 35,500 | $ 383,742 |
| Borrowings drawn down | (14,200) | (11,200) | (121,067) |
| Unused credit facilities | ¥ 21,300 | ¥ 24,300 | $ 262,674 |
| **Commitment Lines** | | | |
| Total amount of committed lines of credit | ¥ 50,000 | ¥ 50,000 | $ 540,482 |
| Borrowings drawn down | - | - | - |
| Unused committed lines of credit | ¥ 50,000 | ¥ 50,000 | $ 540,482 |

## Note 9 － Corporate Bonds

The details of unsecured corporate bonds issued and outstanding as of August 31, 2012 and February 28, 2013 were as follows:

| | Balance as of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Long-term bonds－unsecured** | | | |
| ￥15 billion of 10-year bonds, issued on February 9, 2005, maturing on February 9, 2015 with a coupon of 1.73% | ¥ 15,000 | ¥ 15,000 | $ 162,144 |
| ￥10 billion of 10-year bonds, issued on February 22, 2006, maturing on February 22, 2016 with a coupon of 2.02% | 10,000 | 10,000 | 108,096 |
| ￥15 billion of 10-year bonds, issued on May 23, 2007, maturing on May 23, 2017 with a coupon of 2.17% | 15,000 | 15,000 | 162,144 |
| Total | ¥ 40,000 | ¥ 40,000 | $ 432,385 |

## Note 10 － Collateral

Certain properties and beneficiary interests in trusts (comprising of properties and cash) with an aggregate book value of ¥237,199 million and ¥248,662 million (US$2,687,947 thousand) were pledged as collateral to secure tenant leasehold and security deposits totaling ¥39,265 million and ¥37,861 million (US$409,263 thousand) as of August 31, 2012 and February 28, 2013, respectively.

Certain lands and buildings included in the above aggregate book value were pledged as collateral to secure co-owner's payment of tenant leasehold and security deposits for a total amount of ¥691 million (US$7,469 thousand) and a former owner's payment of retirement benefit obligation for an amount of ¥350 million (US$3,783 thousand) as of August 31, 2012 and February 28, 2013.

## Note 11 － Net Assets

The Company issues only non-par value units in accordance with the Investment Trust Act, and the entire amount of the issue price of new units is allocated to unitholders' capital within the net assets. The Company is required to maintain net assets of at least ¥50 million (US$540 thousand) as required by the Investment Trust Act.

The units issued and outstanding were 1,880,198 units and 2,079,198 units as of August 31, 2012 and February 28, 2013, respectively.

## Note 12 － Appropriation of Retained Earnings

In accordance with the distribution policy in the Company's article of incorporation which stipulates to make distribution in excess of 90% of distributable profit as defined in the Special Taxation Measure Act of Japan for the fiscal period, the Company generally intends to distribute approximately 100% of retained earnings. Also the Company intends to make regular distributions to unitholders with respect to its semi-annual fiscal periods, ending at the end of February and August of each year.

Because the gain on negative goodwill did not qualify as distributable profit as defined in the Special Taxation Measure Act of Japan for the six months ended August 31, 2010, the Company transferred ¥6,918 million from retained earnings to reserve for dividends on October 13, 2010 instead of declaring dividends for that fiscal period. Subsequently, ¥4,592 million of the reserve for dividends was appropriated to dividends declared during the six months ended February 29, 2012.

The following table shows the appropriation of retained earnings for the six months ended August 31, 2012 and February 28, 2013, respectively.

| | For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| Retained earnings at the end of period | ¥ 7,220 | ¥ 8,042 | $ 86,931 |
| Cash distribution declared | (7,219) | (8,042) | (86,931) |
| Retained earnings carried forward | ¥ - | ¥ - | $ - |

A dividend in respect of the six months ended February 28, 2013 of ¥3,868 (US$41) per investment unit, amounting to a total dividend of ¥8,042 million (US$86,931 thousand) consisted of substantially all retained earnings at the end of the period amounting to ¥8,042 million (US$86,931 thousand) was proposed and approved at the board of directors meeting on April 15, 2013. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥3,840 and ¥3,868 (US$41) for the six months ended August 31, 2012 and February 28, 2013, respectively.

## Note 13 － Breakdown of Rental and Other Operating Revenues and Property-Related Expenses

Rental and other operating revenues and property-related expenses for the six months ended August 31, 2012 and February 28, 2013 consist of the following:

| | For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Rental and other operating revenues:** | | | |
| Rental and parking revenue | ¥ 21,535 | ¥ 23,266 | $ 251,497 |
| Common area charges | 851 | 972 | 10,506 |
| Other | 1,172 | 1,403 | 15,165 |
| Total rental and other operating revenues | ¥ 23,559 | ¥ 25,642 | $ 277,180 |
| **Property-related expenses:** | | | |
| Property management fees | ¥ 410 | ¥ 639 | $ 6,907 |
| Facility management fees | 999 | 1,110 | 11,998 |
| Utilities | 933 | 1,067 | 11,533 |
| Property-related taxes | 2,425 | 2,425 | 26,213 |
| Repair and maintenance | 160 | 204 | 2,205 |
| Insurance | 53 | 55 | 594 |
| Trust fees | 101 | 104 | 1,124 |
| Rent expense(i) | 920 | 856 | 9,253 |
| Other | 405 | 548 | 5,923 |
| Depreciation | 5,268 | 5,599 | 60,523 |
| Loss on disposal of property | 20 | 76 | 821 |
| Total property-related expenses | ¥ 11,699 | ¥ 12,688 | $ 137,152 |
| **Operating income from property leasing activities** | ¥ 11,859 | ¥ 12,953 | $ 140,017 |

Note:

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

## Note 14 － Income Taxes

The Company is subject to corporate income taxes in Japan at a statutory rate of approximately 40%. The Company may deduct from its taxable income the amounts distributed to its unitholders, provided the requirements are met under the Special Taxation Measure Act of Japan. Under this act, the Company must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If the Company does not satisfy all of the requirements, the entire taxable income of the Company will be subject to regular corporate income taxes in Japan.

The Company has a policy of making distributions in excess of 90% of its distributable profit for the fiscal period to qualify for conditions set forth in the Special Taxation Measure Act of Japan to achieve a deduction of distributions for income tax purpose and distributed approximately 100% or more of distributable profit. Hence, the Company has treated the distributions as a tax allowable deduction as defined in the Special Taxation Measure Act of Japan.

Deferred tax assets or liabilities are recognized where assets or liabilities have different accounting and tax bases. The tax rate used for the calculation of deferred tax is the rate applicable to the period in which the temporary differences are expected to be reversed. Since we would generally not expect to incur income tax payable in the future, in principle we provide valuation allowance in full for future deductible temporary differences that would give rise to deferred tax assets. Deferred tax liabilities are recognized except for cases where it is highly likely that the Company will not be subject to income tax in the future.

Reconciliation of the Company's effective tax rates and statutory tax rates are as follows:

| | For the six months ended | |
|---|---|---|
| | August 31, 2012 | February 28, 2013 |
| | (Rate) | |
| Statutory tax rate | 39.33% | 36.59% |
| Deductible cash distributions | (39.31) | (36.59) |
| Change in valuation allowance (for deferred tax assets) | (0.10) | (0.09) |
| Other | 0.09 | 0.10 |
| Effective tax rate | 0.01% | 0.01% |

Deferred tax assets and liabilities consist of the followings:

| | As of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| **Deferred tax assets:** | | | |
| Current: | | | |
| Tax loss carryforwards | ¥ 3,294 | ¥ 3,291 | $ 35,574 |
| Other | 1 | 1 | 10 |
| *Sub total* | 3,296 | 3,293 | 35,596 |
| Valuation allowance | (3,296) | (3,293) | (35,596) |
| *Total* | - | - | - |
| Non-current: | | | |
| Amortization of leasehold rights | 94 | 102 | 1,102 |
| Asset retirement obligations | 118 | 119 | 1,286 |
| Valuation difference on assets acquired by the merger | 6,149 | 6,128 | 66,241 |
| Other | 9 | 17 | 183 |
| *Sub total* | 6,371 | 6,368 | 68,835 |
| Valuation allowance | (6,371) | (6,368) | (68,835) |
| *Total* | - | - | - |
| *Total deferred tax assets* | - | - | - |
| **Net deferred tax assets** | ¥ - | ¥ - | $ - |
| **Deferred tax liabilities:** | | | |
| Non-current: | | | |
| Valuation difference on assets acquired by the merger (not offset by other tax deductible items)[(i)] | ¥ 513 | ¥ 513 | $ 5,545 |
| *Total deferred tax liabilities* | 513 | 513 | 5,545 |
| **Net deferred tax liabilities** | ¥ 513 | ¥ 513 | $ 5,545 |

Note:

(i) The Company recorded a deferred tax liability of ￥513 million during the period ended February 29, 2012 because the Company's position of not being subject to any income tax in the future may be unsustainable. This is due to the reduced level in the reserve for dividends from which the Company can make tax-deductible distributions, as a result of its appropriation amounting to ￥4,592 million during the period ended February 29, 2012.

## Note 15 － Leases

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

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of August 31, 2012 and February 28, 2013 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

| | As of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| Due within one year | ¥ 30,707 | ¥ 30,976 | $ 334,839 |
| Due after one year down | 116,136 | 111,636 | 1,206,745 |
| Total | ¥ 146,843 | ¥ 142,613 | $ 1,541,595 |

***(b) Lease Commitments***

As described in Note 2 (o), 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 copying machines.

## Note 16 － Financial Instruments

***(a) Qualitative information for financial instruments***

*(i) Policy for financial instrument transactions*

The Company raises funds through borrowings, issuance of corporate bonds, or issuance of investment units, for the purpose of the acquisition of real estate properties, payment of expenditures on property maintenance and/or repayment of existing debt. Surplus funds are managed carefully by investing in financial instruments that meet the Company'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 speculative purposes.

*(ii) 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 Company 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 long-term borrowings with floating interest rates is hedged by derivatives (interest rate swaps) as hedging instruments. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and the hedged items. When the interest rate swaps meet specific criteria required for the special treatment provided under Japanese GAAP, the assessment of hedge effectiveness is not performed. In accordance with the Company's risk management policy and internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company's articles of incorporation.

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

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

The fair value of financial instruments is 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.

### *(b) 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 August 31, 2012 and February 28, 2013.

| | As of | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | August 31, 2012 | | | February 28, 2013 | | | February 28, 2013 | | |
| | Carrying amounts | Fair value | Unrealized gain (loss) | Carrying amounts | Fair value | Unrealized gain (loss) | Carrying amounts | Fair value | Unrealized gain (loss) |
| | (in millions) | | | | | | (in thousands) | | |
| **Assets:** | | | | | | | | | |
| (1) Cash and cash equivalents | ¥ 16,703 | ¥ 16,703 | ¥ - | ¥ 18,944 | ¥ 18,944 | ¥ - | $ 204,777 | $ 204,777 | $ - |
| (2) Restricted bank deposits | - | - | - | 650 | 650 | - | 7,026 | 7,026 | - |
| Total assets | ¥ 16,703 | ¥ 16,703 | ¥ - | ¥ 19,595 | ¥ 19,595 | ¥ - | $ 211,814 | $ 211,814 | $ - |
| **Liabilities:** | | | | | | | | | |
| (1) Short-term borrowings | ¥ 14,200 | ¥ 14,200 | ¥ - | ¥ 11,200 | ¥ 11,200 | ¥ - | $ 121,067 | $ 121,067 | $ - |
| (2) Current portion of long-term borrowings | 9,000 | 9,015 | (15) | 9,600 | 9,614 | (14) | 103,772 | 103,923 | (151) |
| (3) Current portion of tenant leasehold and security deposits | 2,649 | 2,653 | (4) | 2,636 | 2,651 | (14) | 28,494 | 28,656 | (151) |
| (4) Long-term borrowings | 230,551 | 233,257 | (2,706) | 259,751 | 262,672 | (2,921) | 2,807,815 | 2,839,390 | (31,574) |
| (5) Long-term bonds issued | 40,000 | 41,443 | (1,443) | 40,000 | 41,444 | (1,444) | 432,385 | 447,994 | (15,609) |
| (6) Tenant leasehold and security deposits | 15,394 | 15,889 | (494) | 13,543 | 14,117 | (573) | 146,394 | 152,599 | (6,193) |
| Total liabilities | ¥ 311,794 | ¥ 316,459 | ¥ (4,664) | ¥ 336,730 | ¥ 341,700 | ¥ (4,969) | $ 3,639,930 | $ 3,693,654 | $ (53,713) |
| **Derivative instruments** | ¥ - | ¥ - | ¥ - | ¥ 27 | ¥ 27 | ¥ - | $ 291 | $ 291 | $ - |

Note (i): The methods and assumption used to estimate fair value are as follows:

*Assets*

(1) Cash and cash equivalents and (2) Restricted bank deposits

The carrying amounts of cash and cash equivalents or restricted bank deposits are deemed to approximate their fair value.

*Liabilities*

(1) Short-term borrowings

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

(2) Current portion of long-term borrowings and (4) 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 in conjunction with 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.

(3) Current portion of tenant leasehold and security deposits and (6) Tenant leasehold and security deposits

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.

(5) Long-term bonds issued

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

*Derivative instruments*

The fair value is evaluated at the amount calculated by the counterparty to the interest rate swaps contracts based on the prevailing market interest rates and other assumptions. Based on the special treatment provided under Japanese GAAP for the qualifying interest rate swaps as described in “Note 2 －Summary of Significant Accounting Policies (n) Hedge Accounting”, the fair value of the interest rate swaps as the hedging instrument is not measured separately from that of the long-term borrowings as the hedged item. Please refer to “Note 17 －Derivatives” for disclosure of the fair value of the interest rate swaps that is based on the amount calculated by the counterparty to the swap contracts.

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

| | As of | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| Current portion of tenant leasehold and security deposits | ¥ 46 | ¥ 46 | $ 497 |
| Tenant leasehold and security deposits | 42,480 | 45,315 | 489,838 |
| Total liabilities | ¥ 42,527 | ¥ 45,362 | $ 490,346 |

Tenant leasehold and security deposits 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 are 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

| *As of August 31, 2012:* | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | (in millions) | | | | | |
| Cash and cash equivalents | ¥ 16,703 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Total | ¥ 16,703 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

| *As of February 28, 2013:* | *Up to 1 year* | *1-2 years* | *2-3 years* | *3-4 years* | *4-5 years* | *Over 5 years* |
|---|---|---|---|---|---|---|
| | (in millions) | | | | | |
| Cash and cash equivalents | ¥ 18,944 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Restricted bank deposits | 650 | - | - | - | - | - |
| Total | ¥ 19,595 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

| *As of February 28, 2013:* | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| Cash and cash equivalents | $ 204,777 | $ - | $ - | $ - | $ - | $ - |
| Restricted bank deposits | 7,026 | - | - | - | - | - |
| Total | $ 211,814 | $ - | $ - | $ - | $ - | $ - |

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

| *As of August 31, 2012:* | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | | | (in millions) | | | |
| Short-term borrowings | ¥ 14,200 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Current portion of long-term borrowings | 9,000 | - | - | - | - | - |
| Current portion of tenant leasehold and security deposits | 1,594 | - | - | - | - | - |
| Long-term borrowings | - | 8,550 | 43,710 | 23,250 | 11,300 | 143,741 |
| Long-term bonds issued | - | - | 15,000 | 10,000 | 15,000 | - |
| Tenant leasehold and security deposits | - | 1,521 | 1,354 | 1,548 | 1,531 | 6,947 |
| Total | ¥ 24,794 | ¥ 10,071 | ¥ 60,064 | ¥ 34,798 | ¥ 27,831 | ¥ 150,688 |

| *As of February 28, 2013:* | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | | | (in millions) | | | |
| Short-term borrowings | ¥ 11,200 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| Current portion of long-term borrowings | 9,600 | - | - | - | - | - |
| Current portion of tenant leasehold and security deposits | 1,594 | - | - | - | - | - |
| Long-term borrowings | - | 13,450 | 36,710 | 22,450 | 24,300 | 162,841 |
| Long-term bonds issued | - | 15,000 | 10,000 | - | 15,000 | - |
| Tenant leasehold and security deposits | - | 1,305 | 1,548 | 1,531 | 1,447 | 5,953 |
| Total | ¥ 22,394 | ¥ 29,755 | ¥ 48,258 | ¥ 23,981 | ¥ 40,747 | ¥ 168,794 |

| *As of February 28, 2013:* | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Short-term borrowings | $ 121,067 | $ - | $ - | $ - | $ - | $ - |
| Current portion of long-term borrowings | 103,772 | - | - | - | - | - |
| Current portion of tenant leasehold and security deposits | 17,230 | - | - | - | - | - |
| Long-term borrowings | - | 145,389 | 396,821 | 242,676 | 262,674 | 1,760,252 |
| Long-term bonds issued | - | 162,144 | 108,096 | - | 162,144 | - |
| Tenant leasehold and security deposits | - | 14,106 | 16,733 | 16,549 | 15,641 | 64,349 |
| Total | $ 242,071 | $ 321,640 | $ 521,651 | $ 259,226 | $ 440,460 | $ 1,824,602 |

## Note 17 － Derivatives

Information on derivative transactions undertaken by the Company as of August 31, 2012 and February 28, 2013 was as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

***As of August 31,2012:***

| Method of hedge accounting | Type of derivatives | Hedged item | Notional amounts[ii] Total | Notional amounts[ii] Over 1 year | Fair value[i][iii] |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| Special treatment for hedge accounting of interest rate swaps[i] | Interest rate swap (Floating-rate to fixed-rate interest) | Long-term borrowings | ¥ 25,000 | ¥ 25,000 | ¥ (836) |
| Total | | | ¥ 25,000 | ¥ 25,000 | ¥ (836) |

***As of February 28,2013:***

| Method of hedge accounting | Type of derivatives | Hedged item | Notional amounts[ii] Total | Notional amounts[ii] Over 1 year | Fair value[i][iii] | Notional amounts[ii] Total | Notional amounts[ii] Over 1 year | Fair value[i][iii] |
|---|---|---|---|---|---|---|---|---|
| | | | (in millions) | | | (in thousands) | | |
| Deferred hedge accounting | Interest rate swap (Floating-rate to fixed-rate interest) | Long-term borrowings | ¥ 28,550 | ¥ 28,550 | ¥ 27 | $ 308,615 | $ 308,615 | $ 291 |
| Special treatment for hedge accounting of interest rate swaps[i] | Interest rate swap (Floating-rate to fixed-rate interest) | Long-term borrowings | 41,500 | 41,500 | (998) | 448,600 | 448,600 | (10,788) |
| Total | | | ¥ 70,050 | ¥ 70,050 | ¥ (971) | $ 757,215 | $ 757,215 | $ (10,496) |

Notes:

(i) The interest rate swaps for which the Company had applied the special treatment provided under the Accounting Standard Board of Japan Statement No.10, "Accounting Standard for Financial Instruments" revised on March 10, 2008, are not required to be evaluated in the balance sheets.

(ii) The notional amounts relating to derivatives do not, by themselves, represent the market risk exposure associated with the derivative transactions.

(iii) The fair value is evaluated at the amount calculated by the counterparty to the interest rate swaps contracts based on the prevailing market interest rates and other assumptions.

(iv) The above table as of February 28, 2013 includes an interest rate swap contract of ￥5,000 million in notional amount entered into on February 15, 2013 which is designated as hedging instrument for specific long-term borrowings funded on March 29, 2013 and subject to the special treatment provided under Japanese GAAP for the interest rate swaps.

## Note 18 － Asset Retirement Obligations

The Company has an obligation under a fixed-term leasehold agreement to restore the leased land where AEON TOWN 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 August 31, 2012 and February 28, 2013 were as follows:

| | For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| | (in millions) | | (in thousands) |
| Balance at the beginning of the period | ¥ 343 | ¥ 346 | $ 3,740 |
| Adjustment for passage of time | 3 | 3 | 32 |
| Balance at the end of the period | ¥ 346 | ¥ 349 | $ 3,772 |

## Note 19 － Contingent Liabilities

On November 1, 2011, Tokyu Hands Inc., a tenant of 8953 Osaka Shinsaibashi Building (held by the Company in form of trust beneficiary interest in real estate trust), brought a case at Osaka District Court against the Company through a trustee of the property, to demand reduction of the rent and parking fee for the period from December 27, 2009 to December 26, 2010 by 20 %, and for a period after December 27, 2010 by 30% compared to the amounts as stated on the current lease contract.

If their claim by Tokyu Hands Inc. were allowed, the Company would be obliged to pay the rent and parking fee reduction totaling of ¥585 million and ¥707 million (US$7,642 thousand) (calculated up to August 31, 2012 and February 28, 2013, respectively) and interest on the obligation.

On November 21, 2012, OPA Co., Ltd., a tenant of Kawaramachi OPA (held by the Company in form of trust beneficiary interest in real estate trust), brought a case to Kyoto District Court against the Company through a trustee of the property, to demand reduction of the rent for the period from March 1, 2011 to July 31, 2011 by about 9%, and for a period after August 1, 2011 by about 10% compared to the amounts as stated on the current lease contract.

If the claim by OPA Co., Ltd. were allowed, the Company would be obliged to pay the rent reduction totaling of ¥145 million (US$1,567 thousand) (calculated up to February 28, 2013) and interest on the obligation.

The Company is not able to estimate the outcome of these cases at this point.

## Note 20 － Related-Party Transactions

### *(a) Real Estate Acquisition*

The Company acquired certain properties from Mitsubishi Corporation for ¥ 5,850 million (US$63,236 thousand) and from Kamiotai SC2 LLC for ¥26,750 million (US$289,157 thousand) during the six months ended February 28, 2013. For the six months ended August 31, 2012, there were no acquisition transactions with related parties.

### *(b) Fees Paid to the Asset Manager*

Fees paid to the asset manager, Mitsubishi Corp.-UBS Realty Inc., are comprised of asset management fees and acquisition fees. Asset management fees in the aggregate amount of ¥1,990 million and ¥2,111 million (US$22,819 thousand) were paid by the Company for the six months ended August 31, 2012 and February 28, 2013, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥417 million (US$4,507 thousand) were paid by the Company for the six months ended February 28, 2013. The fees are calculated at 0.8% of the purchase price of the property acquired. Such acquisition fees are capitalized as part of the acquisition cost of the properties.

### *(c)Transactions with the Custodian and General Administrator*

Fees paid to the custodian and general administrator, Mitsubishi UFJ Trust and Banking Corporation, were ¥107 million and ¥106 million (US$1,145 thousand) for general administration fees, ¥54 million and ¥57 million (US$616 thousand) for custodian fees, and ¥151 million and ¥168 million (US$1,816 thousand) for interest expense for the six months ended August 31, 2012 and February 28, 2013, respectively.

In addition, the Company made long-term borrowings of ¥4,880 million from Mitsubishi UFJ Trust and Banking Corporation for the six months ended August 31, 2012. Also, the Company made short-term borrowings of ¥3,767 million (US$40,719 thousand) and long-term borrowings of ¥5,048 million (US$54,567 thousand) from Mitsubishi UFJ Trust and Banking Corporation for the six months ended February 28, 2013. The Company repaid ¥3,767 million (US$ 40,719 thousand) of short-term borrowings for the six months ended February 28, 2013.

The ending balances of accrued general administration fees, accounts payable for custodian fees, accrued interest expense, short-term borrowings and long-term borrowings as of February 28, 2013 were ¥35 million (US$378 thousand), ¥10 million (US$108 thousand), ¥54 million (US$583 thousand), ¥3,767 million (US$40,719 thousand) and ¥42,164 million (US$455,777 thousand), respectively.

## Note 21 － Per Unit Information

The following table shows the net asset value per unit as of August 31, 2012 and February 28, 2013 and net income per unit for the six months then ended.

Net income per unit is calculated by dividing the net income attributable to unitholders by the weighted average number of units outstanding during the six months period. The Company has no dilutive potential units.

| | As of / For the six months ended | | |
|---|---|---|---|
| | August 31, 2012 | February 28, 2013 | February 28, 2013 |
| The net asset value per unit | ¥ 157,050 | ¥ 154,318 | $ 1,668 |
| Net income per unit | ¥ 3,840 | ¥ 3,931 | $ 42 |
| Weighted average number of units | 1,880,198 | 2,045,468 | |

## Note 22 － Segment Information

Segment information for the six months ended August 31, 2012 and February 28, 2013 is as follows:

***(a) Operating Segment Information***

Disclosure is omitted as the Company is comprised of a single reportable segment engaged in the property rental business.

***(b) Enterprise-wide Disclosures***

*(i) Information about Products and Services*

Disclosure is not required as revenues from external customers for the single segment is in excess of 90% of total revenues.

*(ii) Information about Geographic Areas*

*Revenues from Oversea Customers:*

Disclosure is not required as revenues from external customers attributed to Japan are in excess of 90% of total revenues.

*Tangible Fixed Assets:*

Disclosure is not required as tangible fixed assets located in Japan are in excess of 90% of total tangible fixed assets.

***(c) Information about Major Customers***

| | Revenues for the six months ended | | | |
|---|---|---|---|---|
| Name of Customer | August 31, 2012 | February 28, 2013 | February 28, 2013 | Relating Segment |
| | (in millions) | | (in thousands) | |
| AEON Retail Co., Ltd. | ¥ 4,700 | ¥ 4,832 | $ 52,232 | Property rental business |
| AEON Mall Co., Ltd. | 4,019 | 4,012 | 43,368 | Property rental business |
| Ito-Yokado Co., Ltd. | 2,558 | 2,560 | 27,672 | Property rental business |