

**Japan Retail Fund Investment Corporation**  
**23<sup>rd</sup> Semiannual Report**

**March 1, 2013 – August 31, 2013**

# 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 84 properties throughout Japan, with a value of approximately 800 billion yen, making it the largest J-REIT specializing in retail properties, and the third largest among all REITs listed in Japan. (As of October 2013)

## 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, 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 listing 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 bases 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 implemented initiatives to further increase unitholder value by active investment management and financing activities.**

**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 increased distributions again in the fiscal period ended August 2013 due to continuous growth of investment assets.**

During this fiscal period, Japan's macro-economy continued to be on a track to gradual recovery due to the effects of monetary and fiscal measures established by the new government which was inaugurated in December 2012. The stock market remained quite active, and the J-REIT market increased its size as a result of a succession of new listings and public offerings. Moreover, with respect to the retail sector, consumer sentiment that has been improving since the beginning of the period remained stable and thus greatly contributed to increased sales of retail properties.

Amid such an environment, JRF took an active approach to maintain and improve the competitiveness of existing properties while the seven properties JRF acquired in the previous fiscal period operated for the full period. As a result, JRF's operating revenue for the period was 26.1 billion yen, up 1.9% compared to the previous period. Net income for the period was 8.1 billion yen, up 1.6% compared to the previous period. As a result, the distribution per unit for the period was 3,929 yen, 61 yen higher than the previous period. In addition, as the discount rate and capitalization rate of each property in value appraisal declined, the total appraisal value at end of period of the entire portfolio exceeded the net book value (and this produced an unrealized gain).

**JRF acquired eight new properties with the funds raised from public offering for the third consecutive year.**

In September 2013 immediately after the period ended, JRF announced it would conduct a public offering for the third consecutive year in order to acquire eight prime properties (with a total acquisition price of approximately 73.6 billion yen) to increase the profitability and stability of the portfolio and achieve sustainable growth of distributions and raised approximately 43.4 billion yen in October 2013. In addition, JRF raised 31 billion yen in total with long-term borrowings. As a result, the total assets managed by JRF came to 84 properties with the scale of assets (acquisition-price-basis) of 794 billion yen (as of October 2013).

The J-REIT market is now booming, spurred on by economic recovery. In order to seize the opportunities for a further leap forward, JRF focuses on more strategic management, and this property acquisition is also a part of such management policy. To increase unitholder value, we will increase the profitability and stability of the portfolio based on the following measures that include acquiring prime properties by leveraging our track record as one of the largest buyers of retail properties in Japan, carrying out renovations to enhance competitiveness by utilizing our SC management capabilities developed with our many years of experience and implementing steady and expeditious financing.

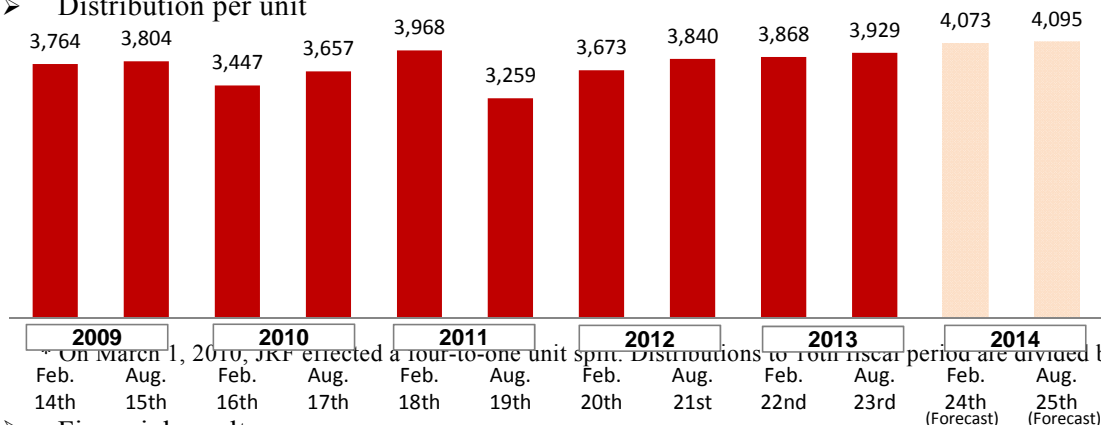
We will continue to strive to live up to investors' expectations, together with the asset manager, Mitsubishi Corp.-UBS Realty Inc., which appointed a new president, and look forward to receiving your continued support.

Japan Retail Fund Investment Corporation  
Executive Director  
Shuichi Namba

## Highlights of the 23rd fiscal period

- New properties acquired with the funds raised by the public offering (7 properties, total acquisition price of approximately 52.1 billion yen) fully contributed to an increase in operating.
- Converted unrealized loss of the entire portfolio to unrealized gain of 6.3 billion yen.
- Completed the renovations of “Kyoto Family” (Ukyo-ku, Kyoto-shi) that started in 2010.
- Acquired the leasehold portion of the land with leasehold interest of “AEON MALL Itami” (Itami-shi, Hyogo) in April 2013.

### ➤ Distribution per unit

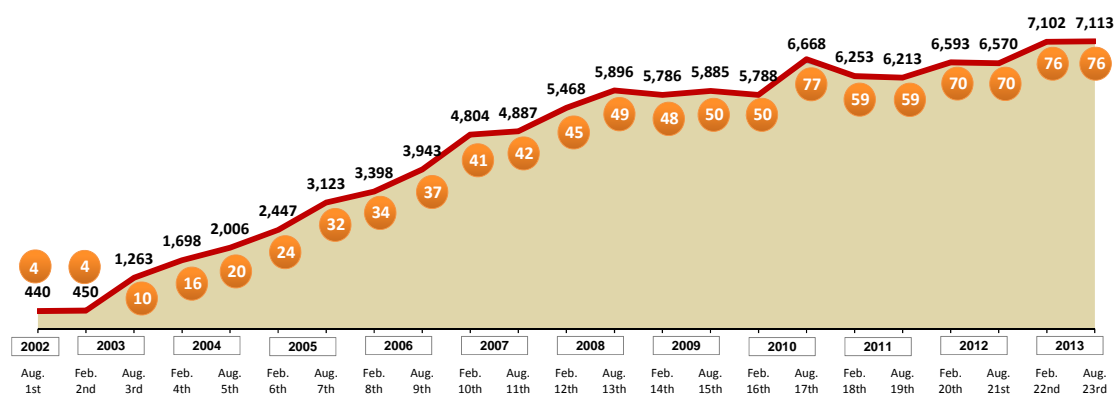


### ➤ Financial results

	Aug. 2012 fiscal period	Feb. 2013 fiscal period	Aug. 2013 fiscal period
Operating revenue	23.5 billion yen	25.6 billion yen	26.1 billion yen
Net income	7.2 billion yen	8.0 billion yen	8.1 billion yen
NAV per unit	157,050 yen	154,318 yen	154,541 yen

### ➤ Total assets and the number of properties

- Total assets
- Number of properties



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

**JRF successfully completed a public offering for the third consecutive year and will make strides toward further increasing and stabilizing distribution levels.**

**Q1. First of all, could you say a word to unitholders about your resolutions in assuming the position of President & CEO?**

I assumed the post of President & CEO of Mitsubishi Corp.-UBS Realty Inc. as of June 25, 2013. While taking over the solid foundation and direction established under the leadership of former President, Mr. Kuga, I will be fully committed to further enhancing JRF's investment management and improving unitholder value. I look forward to receiving your continued support and guidance.

**Q2. The fiscal period ended August 2013 ended in two months after your assumption of office. Could you please tell us about changes to the portfolio assets in the fiscal period?**

**JRF increased profitability and cut costs by renovating “Kyoto Family” and additionally acquiring the leased portion of the land of “AEON MALL Itami”. Unrealized loss, which was JRF's long-simmering concern, was resolved. JRF will stabilize and increase asset value by actively replacing tenants of portfolio assets and carrying out renovations going forward.**

In the fiscal period, the seven properties JRF acquired in October 2012 operated for the full period. As for existing properties, in March 2013, a series of renovations to “Kyoto Family” for the purpose of improving the occupancy rate and profitability was completed. In April 2013, JRF acquired the leased portion of the land of “AEON MALL Itami”, obtaining 100% ownership, and thus increased the stability of the form of ownership and reduced rent payment.

As for the entire portfolio, the issue of unrealized loss was resolved and converted to an unrealized gain of 6.3 billion yen due to an increase in the appraisal value at the end of the period.

**Q3. JRF completed financing by conducting a public offering for the third consecutive year in October 2013 and acquired new assets – what was the response to that?**

**JRF is satisfied with obtaining the approval of unitholders for a public offering conducted in accordance with the existing basic strategies. In addition to further diversification of risks by expanding its asset size, JRF enhanced its management capabilities of retail properties by expanding its network with tenants. JRF will proactively take new actions toward further future growth.**

In September 2013, JRF announced a public offering for the third consecutive year based on the basic strategies of increased distributions, improved NAV (net asset value) and lower LTV (ratio of interest-bearing liabilities, including tenant leasehold and security deposits) and completed financing of approximately 43.4 billion yen in October 2013. Together with funds amounting to 31 billion yen raised by new borrowings at the same time, JRF acquired eight prime assets for approximately 73.6 billion yen, resulting in an asset size of 794 billion yen (acquisition-price-basis).

In this acquisition, JRF successfully obtained all the eight properties at below the appraisal value. The average NOI yield for these properties (estimate at the time of acquisition) was 5.5%, above the 5.2% for the existing portfolio (as of the end of the fiscal period ended August 2013), thereby contributing to an improvement in NAV and profitability. The

total leasable area of the portfolio was 3,100,000 m<sup>2</sup> with the total number of tenants exceeding 1,000, leading to further expansion of JRF's network with tenants.

#### Acquisition Highlight

Acquisition assets	
Number of properties	8 properties
Total acquisition price	Approximately 73.6 billion yen
Average NOI yield	5.5%
Average NOI yield (after depreciation)	4.7%

#### **Q4. Could you please tell us about the characteristics and purpose of this property acquisition?**

JRF acquired well-balanced assets including “G-Bldg. Shinsaibashi 03” and “Summit Store Nakano Minamidai” that produce stable revenue, in addition to “KAWASAKI Le FRONT” and “KAMISHIN PLAZA” for which JRF will proactively work to increase revenue. Of the eight properties acquired, JRF acquired five thanks to sponsor support, and JRF would like to reinforce its cooperative relationship with sponsors for future growth.

JRF has acquired assets for which improvement of competitiveness as well as revenue is expected and assets that are expected to produce stable revenue in a balanced manner by leveraging its strength of SC management capabilities.

For example, “KAWASAKI Le FRONT” (Kawasaki-shi, Kanagawa) is a large-scale retail complex located in front of JR Kawasaki Station. With the largest shop area in the east side of Kawasaki Station and annual sales of over 30 billion yen, the competitiveness of KAWASAKI Le FRONT is expected to be further enhanced by leveraging JRF's SC management capabilities. Meanwhile, “G-Bldg. Shinsaibashi 03” (Chuo-ku, Osaka-shi) is located at the entrance of a major shopping arcade in western Japan and is expected to generate stable revenue by having UNIQLO's global flagship store as its tenant.

JRF was able to realize selective investment in prime properties in the midst of intensifying competition for property acquisition by demonstrating its unique strengths. We achieved external growth without missing an opportunity by utilizing our own network based on our track record as one of Japan's largest buyers of retail properties and CRE strategy (\*1) approach while leveraging the support of our sponsor, Mitsubishi Corporation Group, in a combined manner.

\*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.

#### **Q5. Could you please tell us about the financial measures JRF carried out in the period along with the said public offering?**

Of special note are the long-term borrowings with a term of 15 years, the longest among J-REITs. We appreciate financial institutions' expectations for and confidence in JRF. By bringing in three banks as new lenders, sources of funds were diversified with gradually decreasing LTV, and interest rates were fixed, resulting in the further improvement of the stability of JRF's financial base.

In the fiscal period, JRF fixed interest rates by concluding interest rate swaps agreements and refinancing a part of existing loans between February and March 2013 when long-term interest rates were in the declining phase.

Subsequently, in addition to the public offering in October 2013, JRF obtained long-term borrowings of 31 billion yen in total with an average term of eight years including one with a term of 15 years, the longest among J-REITs (\*2)

to extend and diversify repayment dates. As for the new borrowings, JRF brought in Mizuho Trust & Banking Co., Ltd., THE NISHI-NIPPON CITY BANK, LTD. and The Norinchukin Bank as new lenders and diversified sources of funds. The interest rate of most of these loans is fixed by interest rate swaps agreements. The fixed interest rates ratio (excluding tenant leasehold and security deposits) (\*3) increased from 46.7% at the end of the previous period to 63.2% at the end of this period and is expected to increase to 68.3% at the end of the next period (fiscal period ending February 2014) including implementation of the new borrowings. LTV also declined from 53.8% at the end of the previous period to 53.5% at the end of this period and is expected to gradually decrease to 52.0% at the end of the next period.

JRF will work to establish a stable financial base over the long term while properly controlling financial costs going forward.

\*2 As of September 30, 2013. Based on disclosed materials of J-REITs.

\*3 The fixed interest rates ratio (excluding tenant leasehold and security deposits) = (Loans with fixed interest rates + Investment corporation bonds) ÷ (Loans + Investment corporation bonds)

**Q6. Lastly, could you please tell us about JRF's future policy based on considerations of the market environment?**

**In spite of the overheated real estate market and declining acquisition yield, JRF will further focus on SC management by leveraging JRF's strength that specifically targets retail property assets and aim for sustainable growth of distributions by increasing the portfolio profitability based on acquisition of new properties and enhancement of the competitiveness of existing properties as engines of growth. Please look forward to the bright future of JRF.**

The J-REIT market has experienced an increase in its overall size due to a succession of new listings and public offerings, spurred on by the economic recovery, and JRF expects that the market will continue to be booming for a while. JRF considers the circumstances described above as an opportunity for making selective investment in prime assets and achieving the steady growth of our managed assets. While working to acquire assets by utilizing a variety of investment methodologies, we will strive to promote policies for invigoration by fully utilizing our SC management methods acquired by using our management experience over the past decade. For example, in September 2013, we decided to expand some buildings of "Oyama Yuen Harvest Walk" (Oyama-shi, Tochigi), one of our owned assets, in addition to completely renewing the environmental design of the entire facility and replacing tenants and plan to brush it up to an attractive facility with high customer attraction and reopen it in April 2014.

We at JRF will aim for continued increases in unitholder value going forward and do our best to live up to unitholders' expectations. So please look forward to our future growth.

Toru Tsuji  
President & CEO  
Mitsubishi Corp. – UBS Realty Inc.

# Interview with President Tsuji!

**In June 2013, Mr. Toru Tsuji took up the position of the President & CEO of Mitsubishi Corp. - UBS Realty Inc., the asset manager of JRF. We interviewed President Tsuji and asked him about his experience at Mitsubishi Corporation and his thoughts about J-REITs.**

## Taking over the basics and further bolstering external and internal growth

I would like to take over the idea of achieving external growth by making a public offering along with increased distributions, improved NAV and lower LTV which the former President, Mr. Kuga considered as the basic strategy.

Meanwhile, as the scale of assets and the number of tenants increase, we plan to accelerate internal growth by increasing the value of portfolio assets more than before, characterized by “improvement of proactive shopping center management capabilities” that is unique to a fund that specializes in retail properties. We will also promote external growth backed by such measures to improve sales, not just to acquire assets, in a way that competitors cannot imitate.

## Playing an important role in the growth of the Fund by utilizing experience and expertise acquired

Since I worked at the Real Estate Development & Construction Division of Mitsubishi Corporation, I have been involved in managing several assets acquired. For example, “G-Bldg. Ginza 01” (Chuo-ku, Tokyo) which was acquired in this public offering in collaboration with Mitsubishi Corporation Group is a property I myself sourced. I was also involved in the development of “G-Bldg. Omotesando” (Shibuya-ku, Tokyo) which was acquired in the previous public offering, so I directly negotiated with Mr. Kuga in the process of buyer selection.

From now on, as a main player that supports the growth of the Fund, I would like to utilize my experience and expertise for internal growth in addition to external growth with the enhanced relations with Mitsubishi Corporation Group.

## Invigorating cities, communities and Japan by REITs

While product sales via the Internet are increasing more than ever, shopping centers need to change from a facility that simply displays and sells products to a facility that provides “excitement” and a “sense of hand feeling” to customers and offers “pleasure” so that customers want to come back again and again.

For this change, know-how that entertains people is required in addition to capital necessary for renovating facilities. As a REIT, JRF not only provides that capital but also know-how to invigorate cities, communities and Japan and boost the economy with its commercial facilities as a center while offering pleasure to everyone.

### Toru Tsuji

Joined Mitsubishi Corporation in 1990 and worked in the urban development business and commercial facilities development business. Assumed the position of part-time director of MC Architects in February 2005, and the position of part-time director of Mitsubishi Corporation Urban Development in June 2011. Took up the position of part-time director of Mitsubishi Corp.-UBS Realty Inc. in June 2012, the post of Director/Senior Executive Officer in April 2013 and became the President & CEO in June 2013.



## REIT Column

### What is a public offering in the first place?

In 2013, JRF conducted a public offering for the third consecutive year and it is the ninth public offering including the one at the time of listing.

A public offering widely seeks unitholders when issuing new units in order to raise funds. In the case of J-REIT, while it is exempted from corporation tax, it distributes almost all distributable profit to unitholders. So it cannot have retained earnings (to retain profit). Therefore, financing by a public offering is essential for acquiring new properties so as to increase the scale of assets as well as revenue.

Then the concern becomes whether distributions (profit per unit) may decrease as the number of units increases. However, in most cases of public offerings by REITs, new properties are acquired at the same time. Rent revenue goes up as the number of properties increases, therefore the impact from any dilution is limited.

#### **Its purpose is to increase unitholder value.**

Increasing portfolio value is essential to the growth of REITs. Therefore, it is necessary to acquire new prime properties by a public offering, forward-looking financing for growth, while maintaining the freshness of portfolio assets by implementing invigoration measures such as renovations. With these two measures working together, sustainable return of profits to unitholders becomes possible by increasing and stabilizing distribution levels.

#### **The key to a public offering lies in its timing.**

In conducting a public offering, the most important thing is to make sure that several properties are acquired at the same time on a target date. However, the motives of the seller and buyer do not necessarily match, so various techniques are required to acquire a property at an optimal timing. JRF is equipped with flexibility to use various investment methodologies depending on the situation by utilizing sponsor support and bridge structures (\*).

\* 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.

# I. ASSET MANAGEMENT REPORT

## Outline of asset management operation

### 1. Operating results and financial position

Fiscal period			19th	20th	21st	22nd	23rd
As of /for the six months ended			August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013	August 31, 2013
Operating revenues	Note 1	(Millions of yen)	21,824	23,642	23,559	25,642	26,130
(Rental revenues)	Note 1	(Millions of yen)	(21,789)	(23,634)	(23,559)	(25,642)	(26,130)
Operating expenses	Note 1	(Millions of yen)	13,278	18,304	13,957	15,068	15,465
(Rental expenses)	Note 1	(Millions of yen)	(11,136)	(12,061)	(11,699)	(12,688)	(13,034)
Operating income		(Millions of yen)	8,546	5,338	9,602	10,573	10,665
Ordinary income		(Millions of yen)	6,005	2,827	7,220	8,042	8,171
Net income	(a)	(Millions of yen)	5,502	2,312	7,220	8,041	8,170
Net assets	(b)	(Millions of yen)	278,173	294,972	295,286	320,857	321,322
(Period-on-period change)		(%)	(-0.4)	(+6.0)	(+0.1)	(+8.7)	(+0.1)
Total assets	(c)	(Millions of yen)	621,377	659,346	657,027	710,212	711,352
(Period-on-period change)		(%)	(-0.6)	(+6.1)	(-0.4)	(+8.1)	(+0.2)
Unitholders' capital		(Millions of yen)	250,764	270,752	270,752	295,474	295,474
(Period-on-period change)		(%)	(0.0)	(+8.0)	(0.0)	(+9.1)	(0.0)
Number of units issued and outstanding	(d)	(Units)	1,688,198	1,880,198	1,880,198	2,079,198	2,079,198
Net asset value per unit	(b)/(d)	(Yen)	164,775	156,883	157,050	154,318	154,541
Total distributions	(e)	(Millions of yen)	5,501	6,905	7,219	8,042	8,169
Distribution per unit	(e)/(d)	(Yen)	3,259	3,673	3,840	3,868	3,929
(Profit distribution per unit)		(Yen)	(3,259)	(3,673)	(3,840)	(3,868)	(3,929)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 3	(%)	1.0 (1.9)	0.4 (0.9)	1.1 (2.2)	1.2 (2.4)	1.1 (2.3)
Return on unitholders' equity	Note 3	(%)	2.0 (3.9)	0.8 (1.6)	2.4 (4.9)	2.6 (5.3)	2.5 (5.0)
Ratio of net assets to total assets	(b)/(c)	(%)	44.8	44.7	44.9	45.2	45.2
(Period-on-period change)		(%)	(+0.1)	(-0.1)	(+0.2)	(+0.3)	(+0.0)
Payout ratio	(e)/(a)	(%)	100.0	298.6	100.0	100.0	100.0
Additional information:							
Rental net operating income (NOI)	Note 3	(Millions of yen)	15,781	16,954	17,128	18,552	18,782
Net profit margin	Note 3	(%)	25.2	Note 5 12.0	30.6	31.4	31.3
Debt service coverage ratio	Note 3	(Multiple)	5.8	Note 5 5.0	7.6	8.2	8.3
Funds from operation (FFO) per unit	Note 3	(Yen)	6,297	Note 5 6,492	6,642	6,560	6,664
FFO multiples	Note 3	(Multiple)	9.2	Note 5 9.3	10.2	13.7	13.7
Distributable income per unit after adjustment for taxes on property and equipment	Note 4	(Yen)	3,259	3,613	3,834	3,826	3,928
FFO per unit after adjustment for taxes on property and equipment	Note 4	(Yen)	6,297	Note 5 6,432	6,635	6,519	6,662

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 184,182,184,181 and 184 days for the 19th, 20th, 21st, 22nd and 23rd fiscal period, respectively.

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

Note 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 23rd 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 ended February 28, 2013, the 11th year of its listing, JRF issued new investment units in October 2012 for the second consecutive year. It combined the proceeds from this issuance with the funds obtained through borrowings to acquire seven properties for a total acquisition price of 52.1 billion yen.

The total assets managed by JRF at the end of the 23rd fiscal period (August 31, 2013) amounted to 720.3 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

##### (Macroeconomic trends)

JRF believes that recently, there have been signs of recovery in the Japanese economy, such as correction of the strong yen and a surge in the stock market driven by expectations for an economic rebound, as well as the economic stimulus measures that accompany large-scale monetary easing that have been spearheaded by the new administration inaugurated in December 2012. The Cabinet Office’s Economic Watcher Survey indicated a significant improvement both in the diffusion index (DI) for current business conditions and the DI for future business conditions since the new administration took office. Against the backdrop of such favorable results in the leading economic indicators, and the gradual recovery in the global economy amid the weak yen trend, the GDP growth rate in 2013 is forecasted to be about 2.8% in real terms, and approximately 2.6% in nominal terms, according to a release by the Cabinet Office in August 2013.

##### (The trends in the retail sector)

The Current Survey of Commerce released by the Ministry of Economy, Trade and Industry indicates that roughly, retail sales have been leveling off. The consumer confidence index in the Consumer Confidence Survey issued by the Cabinet Office has fallen below the level in the previous month for three months in a row since June 2013, indicating that factors such as the rising prices of imports resulting from the weak yen and the growing discussion over a consumption tax increase are dragging down consumer sentiment slightly. With the rebound in the consumer sentiment since the beginning of this year, however, department store sales have generally been robust. In particular, big-ticket items such as jewelry and goods in precious metals are demonstrating high sales growth, in addition to the mainstay items including clothing and personal items.

The above trends are seen more remarkably in the urban retail properties owned by JRF, especially stores which sell overseas luxury brand items. For instance, GYRE, which is located on Aoyama-dori Street, has been enjoying strong sales since the beginning of the year, recording YoY sales that roughly exceed 120%. Suburban retail properties recorded average YoY sales of 99.9% for the fiscal period. Sales of large-scale retail stores by type of operation (for existing stores) in the Current Survey of Commerce released by the Ministry of Economy, Trade and Industry, a benchmark index, has shown similar trends in sales as in the previous year, indicating stable sales trends overall.

##### (Trends in the real estate sector)

The value of real estate transactions by listed companies, etc. is picking up, having bottomed out in 2009,

and, in 2012, reached its highest level since the global financial crisis. In 2013, acquisition by J-REITs, for which the financing environment has improved, contributed to an increase in the value of real estate transactions. As a result, the real estate transaction value in the first half of the year was almost as high as that recorded for the full year in 2012. According to the results of Land Price Research by Prefectural Governments in 2013 that was issued by the Ministry of Land, Infrastructure, Transport and Tourism, land prices in three major metropolitan areas went up for the first time in five years. The number of survey locations where land prices increased in commercial areas has grown across the country. In particular, over half the survey locations in the Tokyo area saw their land values rise for the first time in five years, and the ratio of survey locations that experienced increases in land values grew considerably in the Osaka and Nagoya areas as well.

## ii. Results

Under circumstances described above, seven properties that JRF newly acquired in October 2012 (for a total acquisition price of 52.1 billion yen) operated on a full-period basis. As for the existing properties, in March 2013, JRF completed a series of efforts for the remodeling of Kyoto Family that include the attracting of new tenants following expiration of the existing specialty store contracts and making additional investments to the interior and exterior of the property. The aim of such measures is to improve the occupancy and profitability rates. In April 2013, we acquired the leased portion of the land with a leasehold interest of AEON MALL Itami to enhance the stability in the form of ownership and to cut down on rent expenses.

Regarding the occupancy rate of properties owned by JRF at the end of the fiscal period, the occupancy rate for 28 urban retail properties remained at a high level, standing at 98.8%, as a result of the focusing of leasing activities in line with the economic recovery. Combined with the 99.8% occupancy rate for 48 suburban retail properties, JRF maintained a stable occupancy rate for properties it owns.

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 720.3 billion yen. The total leasable area was 3,000,346.25 m<sup>2</sup> with the total number of tenants standing at 908, and the occupancy rate was 99.8%.

## (3) Funding

By taking advantage of the low, long-term interest rate environment from February to March 2013, JRF raised the fixed-interest ratio by concluding interest rate swap agreements and refunding part of the existing borrowings. As a result, the fixed interest rate ratio increased from 46.7% at the end of the previous fiscal period to 63.2% as of the end of the fiscal period.

Through repayments at maturity and new borrowings, JRF's outstanding borrowings at the end of the fiscal period came to 279.7 billion yen. Of this, 11.2 billion yen was short-term borrowings and 268.5 billion yen was long-term borrowings. The total balance of JRF's second, third and sixth investment corporate bonds was 40.0 billion yen as of the end of the fiscal period.

JRF's LTV (Note) at the end of the fiscal period was 53.5%, compared to 53.8% 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 operating revenue was 26,130 million yen, and operating income was 10,665 million yen after deducting operating expenses such as fixed property tax

and asset management fees. Ordinary income was 8,171 million yen, and net income was 8,170 million yen.

With regard to distributions for the fiscal period, 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, a total of cash distributions declared for the six months ended August 31, 2013 was 8,169 million yen, consisted of substantially all of retained earnings at the end of the period of 8,170 million yen except for fractional distribution per unit less than one yen. As a result, distribution per unit amounted to 3,929 yen for the six months ended August 31, 2013.

### 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	19th	20th	21st	22nd	23rd
As of /for the six months ended	August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013	August 31, 2013
Highest price	141,600	128,700	139,700	184,500	249,300
Lowest price	105,800	107,500	117,200	125,600	172,600
Closing price at end of period	115,100	121,700	133,800	181,200	180,600

## 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 August 31, 2013 was ¥8,169 million, consisted of substantially all of retained earnings at the end of the period of ¥8,170 million except for fractional distribution per unit less than one yen. As a result, distribution per unit amounted to ¥3,929 for the six months ended August 31, 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	19th	20th	21st	22nd	23rd
As of /for the six months ended	August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013	August 31, 2013
Net income (Thousands of yen)	5,502,565	2,312,915	7,220,140	8,041,854	8,170,474
Retained earnings (including reserve for dividends) (Thousands of yen)	6,920,069	2,327,017	2,327,197	2,326,714	2,328,019
Total distributions (Thousands of yen)	5,501,837	6,905,967	7,219,960	8,042,337	8,169,168
(Distribution per unit) (Yen)	(3,259)	(3,673)	(3,840)	(3,868)	(3,929)
Profit distributions (Thousands of yen)	5,501,837	6,905,967	7,219,960	8,042,337	8,169,168
(Profit distribution per unit) (Yen)	(3,259)	(3,673)	(3,840)	(3,868)	(3,929)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

## 5. Management policies and Issues

### (1) Management circumstances

JRF expects that there will be only a limited impact on sales at retail properties resulting from an increase in the consumption tax rate. This is because, although we anticipate a temporary surge in demand ahead of the scheduled increase in the consumption tax rate in April 2014, and a decrease in sales in reaction to the buying rush, the government will not implement this tax hike as a provisional measure, but as part of its economic policy package that is implemented in consideration of future business conditions.

Regarding the earnings of leading retailers, which are tenants of retail properties owned by JRF, their recently announced figures from their financial results indicate that their sales are growing steadily, and that profits are improving. Considering this, JRF expects that their earnings are recovering.

As for the leasing environment of retail properties, the occupancy rate for urban retail properties owned by JRF has recovered, resulting from the generally robust earnings of retailers that have continued since 2011. Those earnings have been backed by stable trends in consumption, and relatively strong consumption, notably of big-ticket items in urban areas. In addition, the willingness to open new stores is increasing among retailers, particularly for specialty stores. Considering these trends, JRF expects that the conditions are promising for improvement of lease terms for prime locations in urban areas.

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

Under the circumstances described above, JRF will strive to improve the profitability and stability of its portfolio in the mid to long term by grasping opportunities for the steady growth of the assets it manages and

by carefully investing in selective prime assets. In addition, JRF will continuously carry out a proactive action plan for assets it owns. By doing so, it will aim for the stable growth of distribution payments and promote an increase in unitholder 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 that have lapsed and the intensifying competition. In addition, although greater profitability can be anticipated for some urban retail properties in proportion to improved conditions in the leasing market, there are a few properties with relatively low profitability.

JRF will take the trends in the uplifting of the real estate sales market and the recovering leasing market into account when enhancing the competitiveness of retail properties it owns. To do so, JRF will invest in the renovation and expansion of properties to increase the profitability of assets. In addition, JRF will work to agilely replace tenants and take various measures toward enhancing contracts at the expiry of each lease term, in addition to reviewing operating costs to boost profits.

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

(i) External growth strategy

JRF aims to strengthen the profitability and stability of its portfolio by expanding its asset size through the acquisition of prime properties, leading to an increase in unitholder value.

With regard to investment targets, JRF will carefully select prime real estate in the four categories of large-scale retail properties, the largest class in the relevant area, retail properties near densely-populated areas, retail properties in favorable locations adjacent to major stations, and road-side stores and specialty buildings in favorable locations. In addition to investing in conventional general merchandise retailers in product sales comprising various specialty stores and strong core stores, JRF will also target retail properties with high customer attraction, thus aim to expand investment opportunities. 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 technique, 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.

Furthermore, JRF regards the replacement of assets owned as part of its external growth strategy. Thus, JRF will aim to increase the profitability and stability of its portfolio by giving consideration to the comprehensive diversification of its portfolio to replace assets with those of higher profitability.

(ii) Internal growth strategy

Going forward, JRF aims to increase the profitability and stability of its portfolio by proactively conducting SC management (note 1) and enhancing the operating structure that supports it. Specifically, JRF will continue 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. The goal is to carry out strategic action plans such as the renovation and expansion of retail properties owned with the aim of maintaining and enhancing the competitiveness of such properties, and to enact forward-looking measures to deal with problems and risks.

The main action plan implemented by JRF is the renovation plan for the Oyama Yuen Harvest Walk.



According to this plan which is aimed at establishing a position as the top-selling retail property in the region, JRF will conduct renovation of the property that includes refurbishment of the environmental design including the expansion and remodeling of existing buildings and changing the tenant mix by drawing popular new tenants and reviewing the form of the existing master lease agreements. By doing so, JRF will work towards boosting the sales and profitability of the entire property.

From the viewpoint of operating retail properties while being mindful of environmental and social responsibilities, JRF will focus its efforts on being green, saving energy, and reducing the CO<sub>2</sub> emission of the retail properties it owns. In addition, JRF participates every year in the GRESB (Global Real Estate Sustainability Benchmark) survey (note 2) that evaluates the initiatives regarding the sustainability of real estate companies and each investment fund. Its rating was upgraded from Green Starter last year to Green Talk, which is the rating given to companies that make excellent efforts in regard to “Management and Policy.”

(Note 1): “SC management” is part of JRF’s strategy aimed at achieving internal growth through enhancing the profitability of its portfolio by newly introducing and replacing tenants to maintain and increase the sustainable competitiveness of retail properties, increasing store space by newly establishing or expanding properties, and making proactive efforts for cutting various costs.

(Note 2): GRESB (Global Real Estate Sustainability Benchmark) is an organization established in 2009 to enhance unitholder value by applying environmental, social and governance considerations to real estate investments. As of September 2013, over 50 leading institutional investors are members of GRESB, an organization which has a total of about 610 trillion yen (about 61 hundred billion U.S. dollars; converted at 1 U.S. dollar = 100 yen) in assets under management.

### (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 issuing new investment units and repaying borrowings using surplus funds, while improving the average debt cost and maintaining the current level of the 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 acquired real estate trust beneficiary rights on a total of eight properties on October 3 and October 7, 2013 (for a total acquisition price of 73.6 billion yen). To finance the above-mentioned acquisition of assets, JRF obtained long-term borrowings (totaling 31.0 billion yen), including a 15-year loan, the longest-term borrowing for any J-REIT (note), in addition to issuing new investment assets (for details, please see the “Japan Retail Fund Investment Corporation to Issue New Investment Units and Conduct Secondary Offering of Investment Units” dated September 12, 2013). Through the new borrowings, JRF lowered its LTV level, raised the long-term debt and fixed interest ratios, and maintained the average loan term remaining until maturity while reducing the average debt cost, with the aim of enhancing the long-term stability of its financial base.

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

Note: As of September 30, 2013, based on news releases of each J-REIT.

## 6. Subsequent events

### *Issuance of new investment units*

The Board of Directors of JRF, at its meeting held on September 12, 2013 and September 25, 2013, resolved to issue new investment units as follows:

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

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

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

229,000 investment units, out of which 107,000 new units to be offered through the Domestic Public Offering and 122,000 new units to be offered through the Overseas Offering

##### (ii) Offer price: ¥195,902 per unit

##### (iii) Total offering amount: ¥44,861,558,000

##### (iv) Issue price (amount to be paid in): ¥189,805 per unit

##### (v) Total amount to be paid in: ¥43,465,345,000

##### (vi) Payment date: October 2, 2013

##### (vii) Distribution:

The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2013 and ending on February 28, 2014.

#### *(b) Use of proceeds*

JRF will use the net proceeds from the Offerings partially for acquisition of additional specified assets.

As a result of the Offerings, unitholders' capital increased to ¥338,940,065,160 and number of investment units issued and outstanding increased to 2,308,198 units on October 2, 2013.

## Outline of JRF

### 1. Investment unit

Fiscal period	19th	20th	21st	22nd	23rd
As of	August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013	August 31, 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	1,880,198	1,880,198	2,079,198	2,079,198
Number of unitholders (People)	18,003	19,549	19,077	19,857	18,669

### 2. Unitholders

Major unitholders as of August 31, 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	410,115	19.72
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	134,747	6.48
The Nomura Trust and Banking Co., Ltd, Investment Trust	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	130,452	6.27
Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	128,089	6.16
Nomura Bank Luxembourg S.A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	84,747	4.07
The Bank of New York Treaty JASDEQ Account	AVENUE DES ARTS, 35 KUNSTLAAN, 1040 BRUSSELS, BELGIUM	55,986	2.69
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.	30,896	1.48
State Street Bank - West Pension Fund Clients-Exempt	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	25,452	1.22
State Street Bank and Trust Company	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	24,904	1.19
Total		1,061,288	51.04

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 August 31, 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. 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	-	18,500

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 indicates estimated audit fees on an accrual basis including ¥ 1,500 thousand of English financial statement audit fees.

#### (2) Policy for dismissal or refusal of reappointment of independent auditor

The Board of Directors shall dismiss independent auditor in accordance with the Act on Investment Trusts and Investment Corporation of Japan, if necessary. The Board of Directors shall also decide reappointment of independent auditor considering audit quality, fees or other various factors.

### 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 February 28, 2013		As of August 31, 2013	
		Total of net book value (Millions of yen)	Composition ratio (%)	Total of net book value (Millions of yen)	Composition ratio (%)
Real property	Tokyo metropolitan area	23,763	3.3	23,733	3.3
	Osaka and Nagoya metropolitan areas	4,965	0.7	4,965	0.7
	Sub-total	28,729	4.0	28,698	4.0
Trust beneficial interest in real property	Tokyo metropolitan area	303,962	42.8	302,243	42.5
	Osaka and Nagoya metropolitan areas	260,290	36.7	259,627	36.5
	Other metropolitan areas	88,840	12.5	88,140	12.4
	Sub-total	653,094	92.0	650,012	91.4
Bank deposits and other assets		28,388	4.0	32,641	4.6
Total assets		710,212	100.0	711,352	100.0

### 2. Major property

The principal properties (top ten properties in net book value) as of August 31, 2013 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m <sup>2</sup> )	Leased area (Note 2) (m <sup>2</sup> )	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
Higashi-Totsuka Aurora City (trust beneficial interest)	48,230	109,365.50	109,365.50	100.0	5.3	Retail facilities
Nara Family (trust beneficial interest)	33,597	85,024.42	84,748.84	99.7	7.6	Retail facilities
mozo wonder city (Note 4) (trust beneficial interest)	31,698	86,722.83	86,487.80	99.7	7.6	Retail facilities
AEON MALL Yachiyo Midorigaoka (trust beneficial interest)	28,781	132,294.48	132,294.48	100.0	2.7	Retail facilities
AEON MALL Musashi Murayama (trust beneficial interest)	28,523	137,466.97	137,466.97	100.0	3.6	Retail facilities
AEON MALL Tsurumi Ryokuchi (trust beneficial interest)	26,536	138,538.63	138,538.63	100.0	3.4	Retail facilities
GYRE (trust beneficial interest)	22,253	4,840.56	4,701.48	97.1	2.2	Retail facilities
AEON MALL Itami (trust beneficial interest)	19,670	157,904.26	157,904.26	100.0	2.2	Retail facilities
Kawaramachi OPA (trust beneficial interest)	18,458	18,848.20	18,848.20	100.0	1.4	Retail facilities
Ario Otori (trust beneficial interest)	17,161	95,135.36	95,135.36	100.0	2.1	Retail facilities
Total	274,912	966,141.21	965,491.52	99.9	38.1	

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 August 31, 2013 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m <sup>2</sup> )	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
AEON Sendai Nakayama	35-40, Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc.	Trust beneficial interest	46,248.96	10,500	9,193
Ito-Yokado Kawasaki	2-1, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	65,313.47	13,690	14,085
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	13,400	12,769
Narupark (Note 4)	232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	15,227.58	5,080	7,976
G-Bldg. Minami Aoyama 02	8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,529.15	5,350	5,271
Nara Family	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	85,024.42	37,300	33,597
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba	Trust beneficial interest	43,548.63	12,500	9,814
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,950	1,410
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	6,680	6,220
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	13,200	11,119
G-Bldg. Daikanyama 01	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,330	1,234
G-Bldg. Jingumae 05	32-5, Jingumae 2-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,479.10	3,730	2,710
AEON MALL Higashiura	62-1, Aza-toueicho, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi, etc.	Trust beneficial interest	129,124.73	10,400	7,195
AEON MALL Kashiwhama	12-1, Kashiwhama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	13,700	12,046
AEON MALL Sapporo Naebo	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,540	7,108
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,840.56	22,600	22,253
G-Bldg. Jingumae 04	1-17, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	540.78	1,250	871
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	4,880	4,776
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc.	Trust beneficial interest	20,983.43	12,000	11,438
AEON Itabashi Shopping Center	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,748.34	13,000	11,249
G-Bldg. Kita Aoyama 01	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,370	959
AEON MALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,300	15,571
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	6,920	5,154
AEON Tobata Shopping Center	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	6,140	5,479
AEON Takatsuki	47-2, Haginosho 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	9,570	10,484
G-Bldg. Jiyugaoka 01	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,817.65	3,197	2,530
AEON Yagoto	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,260	3,533
AEON Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	9,930	10,472
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	3,740	4,020
AEON Nishi-Otsu	11-1, Ohjigaoka 3-chome, Otsu-shi, Shiga	Trust beneficial interest	62,717.26	10,800	12,448
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	19,679.78	5,460	7,032

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	41,100	48,230
AEON Omiya	574-1, Kushibikicho 2-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	75,344.90	6,090	5,840
AEON TOWN Ogaki	233-1, Aza-nakashima, Mitsuzukacho, Ogaki-shi, Gifu, etc.	Trust beneficial interest	57,500.35	3,530	3,865
Kawaramachi OPA	385, Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	18,848.20	15,600	18,458
AEON Ueda	12-18, Tsuneda 2-chome, Ueda-shi, Nagano	Trust beneficial interest	61,349.07	7,670	8,440
AEON MALL Tsurumi Ryokuchi	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	25,700	26,536
AEON MALL Itami	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	18,700	19,670
Ito-Yokado Yotsukaido	5, Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,207.19	10,100	13,127
Oyama Yuen Harvest Walk (Note 5)	1457, Oaza-Kizawa, Oyama-shi, Tochigi	Trust beneficial interest	59,580.92	7,500	8,758
AEON MALL Yachiyo Midorigaoka	1-3, Midorigaoka 2-chome, Yachiyo-shi, Chiba	Trust beneficial interest	132,294.48	22,300	28,781
G-Bldg. Jingumae 06	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,330	2,366
AEON MALL Sapporo Hassamu	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	16,900	17,078
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka, etc.	Trust beneficial interest	95,135.36	15,200	17,161
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	3,680	3,411
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,650	2,313
G DINING SAPPORO (Note 4)	3-3, Minami 3jo Nishi 3-chome, Chuo-ku, Sapporo-shi, Hokkaido, etc.	Trust beneficial interest	4,082.11	2,110	2,979
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo	Real property	922.30	5,010	6,469
La Porte Aoyama (Note 4)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,155.96	9,650	9,332
AEON MALL Musashi Murayama	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	30,100	28,523
AEON MALL Kobe Kita	2-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo	Trust beneficial interest	128,031.55	16,000	14,364
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	6,960	6,641
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	1,750	1,717
LIFE Kishibe(Land with leasehold interest)	2205-15, Hara-cho 4-chome, Suita-shi, Osaka, etc.	Real property	5,516.61	2,000	1,942
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	4,490	5,553
G-Bldg. Minami-Ikebukuro 01 (Note 4)	19-5, Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficial interest	5,061.47	7,430	6,019
G-Bldg. Shinsaibashi 01	5-3, Sinsaibashi-suji 2-chome, Chuou-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	1,800	1,606
Kishiwada CanCan Bayside Mall	2-1, Minatomidori machi, Kishiwada-shi, Osaka, etc.	Trust beneficial interest	38,294.38	7,850	7,171
Makuhari Plaza	7701, Makuharicho 2-chome, Hanamigawa-ku, Chiba-shi, Chiba	Trust beneficial interest	24,542.93	6,220	5,621
MrMax Nagasaki	26-1, Iwami machi, Nagasaki-shi, Nagasaki, etc.	Trust beneficial interest	12,115.09	2,820	2,457
Urban Terrace Jingumae	47-6, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,719.19	4,230	2,804
Round1 Stadium Itabashi	16-13, Aioicho, Itabashi-ku, Tokyo	Trust beneficial interest	14,828.74	2,830	2,367

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	2,760	2,425
Arkangel Daikanyama(Land with leasehold interest)	111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	904.04	2,150	1,842
G-Bldg. Shinsaibashi 02 (Note 6)	3-24, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	-	4,940	4,388
Round1 Stadium Sennichimae(Land with leasehold interest)	1, Namba 1-chome, Chuo-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	1,711.63	8,510	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	1,620	1,154
mozo wonder city (Notes 5 and 7)	40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi, etc.	Trust beneficial interest	86,722.83	34,300	31,698
G-Bldg. Sangenjaya 01	15-4, Taishido 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	3,471.52	4,150	3,741
Round1 Yokohama Station West	8-16, Minamisaikai 2-chome, Nishi-ku Yokohama-shi, Kanagawa	Trust beneficial interest	6,560.09	4,650	3,938
G-Bldg. Omotesando	1-9, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	1,508.03	6,360	5,931
Round1 Stadium Sakai Chuo Kanjyo	241, Ishiwara-cho 2-cho, Higashi-ku Sakai-shi, Osaka	Trust beneficial interest	17,521.46	2,210	1,755
pivo Izumi Chuo	1-2, Ibukino 5-chome, Izumi-shi, Osaka, etc.	Trust beneficial interest	21,182.94	6,510	6,009
Tecc Land Fukuoka Shime Honten (Note 6)	2-1, Minamizato 5-chome, Shime-machi, Kasuyagun, Fukuoka	Trust beneficial interest	-	4,810	4,125
Total			3,000,346.25	685,097	678,711

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 February 28, 2013 and August 31, 2013 were as follows:

Name of property	For the six months ended February 28, 2013				For the six months ended August 31, 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	423	1.6	2	100.0	427	1.6
Ito-Yokado Kawasaki	5	100.0	491	1.9	5	100.0	490	1.9
8953 Osaka Shinsaibashi Building	1	100.0	398	1.6	1	100.0	398	1.5
Narupark (Note 3)	47	99.0	363	1.4	48	100.0	354	1.4
G-Bldg. Minami Aoyama 02	4	100.0	81	0.3	4	100.0	78	0.3
Nara Family	122	99.9	1,994	7.8	126	99.7	1,984	7.6
Abiko Shopping Plaza	58	100.0	688	2.7	58	100.0	708	2.7
Ito-Yokado Yabashira	1	100.0	79	0.3	1	100.0	78	0.3
Ito-Yokado Kamifukuoka Higashi	1	100.0	256	1.0	1	100.0	256	1.0
Ito-Yokado Nishikicho	1	100.0	444	1.7	1	100.0	445	1.7
G-Bldg. Daikanyama 01	2	100.0	41	0.2	1	100.0	48	0.2
G-Bldg. Jingumae 05	3	100.0	100	0.4	3	100.0	99	0.4
AEON MALL Higashiura	1	100.0	480	1.9	1	100.0	480	1.8
AEON MALL Kashiihama	1	100.0	477	1.9	1	100.0	477	1.8
AEON MALL Sapporo Naebo	1	100.0	372	1.5	1	100.0	372	1.4
GYRE	21	97.8	563	2.2	20	97.1	575	2.2
G-Bldg. Jingumae 04	2	100.0	33	0.1	2	100.0	33	0.1
Ito-Yokado Tsunashima	1	100.0	180	0.7	1	100.0	180	0.7
Bic Camera Tachikawa	2	100.0	388	1.5	2	100.0	388	1.5
AEON Itabashi Shopping Center	1	100.0	630	2.5	1	100.0	630	2.4
G-Bldg. Kita Aoyama 01	3	100.0	35	0.1	3	100.0	35	0.1
AEON MALL Yamato	1	100.0	536	2.1	1	100.0	537	2.1
SEIYU Hibarigaoka	1	100.0	261	1.0	1	100.0	261	1.0
AEON Tobata Shopping Center	1	100.0	315	1.2	1	100.0	315	1.2
AEON Takatsuki	1	100.0	414	1.6	1	100.0	422	1.6
G-Bldg. Jiyugaoka 01	10	100.0	89	0.3	10	100.0	89	0.4
AEON Yagoto	2	100.0	148	0.6	2	100.0	148	0.6
AEON Naha Shopping Center	1	100.0	402	1.6	1	100.0	373	1.4
Cheers Ginza	10	100.0	112	0.4	10	100.0	106	0.4
AEON Nishi-Otsu	1	100.0	375	1.5	1	100.0	381	1.5
Kyoto Family	67	98.1	583	2.3	70	100.0	585	2.2

Name of property	For the six months ended February 28, 2013				For the six months ended August 31, 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	1,387	5.4	4	100.0	1,395	5.3
AEON Omiya	1	100.0	192	0.7	1	100.0	192	0.7
AEON TOWN Ogaki	1	100.0	326	1.3	1	100.0	322	1.2
Kawaramachi OPA	1	100.0	349	1.4	1	100.0	358	1.4
AEON Ueda	1	100.0	297	1.2	1	100.0	297	1.1
AEON MALL Tsurumi Ryokuchi	1	100.0	895	3.5	1	100.0	895	3.4
AEON MALL Itami	1	100.0	582	2.3	1	100.0	582	2.2
Ito-Yokado Yotsukaido	1	100.0	290	1.1	1	100.0	290	1.1
Oyama Yuen Harvest Walk (Note 4)	71	95.7	565	2.2	55	92.6	532	2.0
AEON MALL Yachiyo Midorigaoka	1	100.0	692	2.7	1	100.0	691	2.7
G-Bldg. Jingumae 06	3	80.6	53	0.2	3	80.6	46	0.2
AEON MALL Sapporo Hassamu	1	100.0	577	2.3	1	100.0	577	2.2
Ario Otori	1	100.0	556	2.2	1	100.0	554	2.1
G-Bldg. Jingumae 01	2	100.0	69	0.3	2	100.0	69	0.3
G-Bldg. Jingumae 02	3	100.0	30	0.1	3	100.0	29	0.1
G DINING SAPPORO (Note 3)	21	85.3	80	0.3	24	100.0	90	0.4
G-Bldg. Minami Aoyama 01	3	100.0	33	0.1	3	100.0	47	0.2
La Porte Aoyama (Note 3)	21	92.6	262	1.0	21	92.3	265	1.0
AEON MALL Musashi Murayama	1	100.0	939	3.7	1	100.0	936	3.6
AEON MALL Kobe Kita	1	100.0	581	2.3	1	100.0	581	2.2
G-Bldg. Shinjuku 01	1	100.0	160	0.6	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	6	93.3	61	0.2	6	93.3	68	0.3
G-Bldg. Minami-Ikebukuro 01 (Note 3)	8	100.0	264	1.0	7	88.8	262	1.0
G-Bldg. Shinsaibashi 01	2	100.0	61	0.2	2	100.0	60	0.2
Kishiwada CanCan Bayside Mall	116	100.0	780	3.0	116	100.0	798	3.1
Makuhari Plaza	6	100.0	201	0.8	6	100.0	219	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 February 28, 2013				For the six months ended August 31, 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	240	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)	224	99.9	1,701	6.6	223	99.7	1,986	7.6
G-Bldg. Sangenjaya 01	3	100.0	121	0.5	3	100.0	149	0.6
Round1 Yokohama Station West	1	100.0	95	0.4	1	100.0	114	0.4
G-Bldg. Omotesando	1	100.0	111	0.4	1	100.0	135	0.5
Round1 Stadium Sakai Chuo Kanjo	1	100.0	68	0.3	1	100.0	82	0.3
pivo Izumi Chuo (Note 5)	17	100.0	-	-	17	100.0	-	-
Tecc Land Fukuoka Shime Honten (Note 5)	1	100.0	-	-	1	100.0	-	-
Total	917	99.8	25,642	100.0	908	99.8	26,130	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 August 31, 2013 were as follows:

Classification	Transaction	Notional amounts		Fair value (Note 1)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	118,050	114,000	(192)
Total		118,050	114,000	(192)

Note 1 The fair value is measured 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 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 measured 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 August 31, 2013.

## Capital expenditures for property

### 1. Schedule of capital expenditures

The current significant plan for capital expenditures on property maintenance is 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		
				Total	Advanced payment	
					Payment for the six months ended August 31, 2013	Total of advanced payment
Oyama Yuen Harvest Walk	Oyama-shi, Tochigi	Renewal construction	September, 2013 to April, 2014	860	21	22
AEON MALL Higashiura	Chita-gun, Aichi	Earthquake-resistant construction of elevator	October, 2013 to January, 2014	277	-	-
AEON Tobata Shopping Center	Kita-Kyushu-shi, Fukuoka	Installment of GHP equipment	October, 2013 to January, 2014	155	6	6
AEON MALL Yamato	Yamato-shi, Kanagawa	Repair of outer wall	May, 2014 to July, 2014	132	-	-
AEON Itabashi Shopping Center	Itabashi-ku, Tokyo	Repair of unqualified elevator	June, 2014 to July, 2014	122	-	-
AEON MALL Higashiura	Chita-gun, Aichi	Repair of outer wall	May, 2014 to July, 2014	111	-	-

### 2. Capital expenditures for the six months ended August 31, 2013

Maintenance expenditures on property for the six months ended August 31, 2013 were totaling to ¥2,404 million consisting of ¥2,233 million of capital expenditures stated as below and ¥170 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	January, 2013 to April, 2013	349
Kyoto Family	Kyoto-shi, Kyoto	Repair of facilities	January, 2013 to May, 2013	268
Kyoto Family	Kyoto-shi, Kyoto	Repair of unqualified facilities	January, 2013 to May, 2013	215
AEON Ueda	Ueda-shi, Nagano	Installment of LED lighting equipment	August, 2013	98
Kyoto Family	Kyoto-shi, Kyoto	Earthquake-resistant construction	January, 2013 to May, 2013	87
Others	-	-	-	1,213
Total				2,233

### 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	19th	20th	21st	22nd	23rd
As of /for the six months ended	August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013	August 31, 2013
Reserved funds at beginning of period	2	-	-	-	-
Increase	11	-	-	-	-
Decrease	(Note 2) 13	-	-	-	-
Reserved funds at end of period	-	-	-	-	-

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 funds decreased for efficient usage.

## Condition of expenses and liabilities

### 1. Details of asset management expenses

(Thousands of yen)

Item	22nd fiscal period	23rd fiscal period
	For the six months ended February 28, 2013	For the six months ended August 31, 2013
Asset management fees	2,111,584	2,149,874
Custodian fees	24,875	26,506
General administration fees	106,230	112,789
Compensation for Directors	5,940	5,940
Other operating expenses	131,385	135,869
Total	2,380,015	2,430,979

### 2. Borrowings

Borrowings as of August 31, 2013 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2013 (Millions of yen)	August 31, 2013 (Millions of yen)					
Short-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 8, 2013	4,439	4,439	0.5	February 7, 2014	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		3,767	3,767					
	Sumitomo Mitsui Trust Bank, Limited		2,994	2,994					
	Sub-total		11,200	11,200					
Long-term	Development Bank of Japan Inc. (Note 2)	September 30, 2008	3,000	3,000	1.0	September 30, 2013	Lump sum	(Note 11)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	November 4, 2008	29,310	24,310	1.0	March 1, 2015 (Note 6)	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Development Bank of Japan Inc. (Note 2)	March 30, 2009	4,250	4,150	1.2 (Note 4)	March 30, 2014	(Note 8)	(Note 11)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	July 30, 2009	12,950	12,650	1.8	July 30, 2016	(Note 9)	(Note 11)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	July 30, 2009	17,266	16,866	2.2	July 30, 2018	(Note 10)	(Note 11)	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 11)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2009	3,143	3,143	1.1 (Note 5)	September 30, 2014	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,714	2,714					
	Sumitomo Mitsui Trust Bank, Limited		2,143	2,143					
	Mizuho Corporate Bank, Ltd. (Note 3)	February 7, 2011	5,000	5,000	0.7 (Note 5)	February 5, 2016	Lump sum (Note 7)	(Note 11)	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					

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2013 (Millions of yen)	August 31, 2013 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2011	5,550	5,550	0.7 (Note 5)	September 28, 2018	Lump sum (Note 7)	(Note 11)	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 7)	(Note 11)	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 (Note 5)	March 30, 2018	Lump sum (Note 7)	(Note 11)	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 7)	(Note 12)	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	0.8	March 22, 2021	Lump sum (Note 7)	(Note 12)	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 7)	(Note 11)	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 7)	(Note 11)	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	0.7	March 19, 2020	Lump sum (Note 7)	(Note 11)	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 7)	(Note 12)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 30, 2011	3,500	3,500	0.8 (Note 5)	March 30, 2018	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	2,500	2,500	0.8 (Note 5)	September 28, 2018	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	4,000	4,000	0.8 (Note 5)	September 28, 2018	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Resona Bank, Limited.	September 30, 2011	2,500	2,500	0.6 (Note 5)	September 30, 2016	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	September 30, 2011	1,000	1,000	0.6 (Note 5)	September 30, 2016	Lump sum (Note 7)	(Note 11)	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 7)	(Note 13)	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	0.6	June 21, 2019	Lump sum (Note 7)	(Note 13)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,355	2,355					
	Sumitomo Mitsui Trust Bank, Limited		1,869	1,869					
	The Chugoku Bank, LTD.	December 21, 2011	3,000	3,000	0.8 (Note 5)	December 21, 2016	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Resona Bank, Limited.	December 21, 2011	2,000	2,000	0.8 (Note 5)	December 21, 2016	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed

	Classification	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2013 (Millions of yen)	August 31, 2013 (Millions of yen)					
	Name of lender								
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	2,180	2,180	0.9	May 20, 2022	Lump sum (Note 7)	(Note 13)	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 7)	(Note 11)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	3,570	3,570	0.6 (Note 5)	November 22, 2017	Lump sum (Note 7)	(Note 13)	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 (Note 5)	November 22, 2017	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The Chugoku Bank, LTD.	May 22, 2012	2,000	2,000	0.6 (Note 5)	November 22, 2017	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	September 14, 2012	3,000	3,000	0.5 (Note 5)	September 14, 2017	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,000	2,000	0.5	September 29, 2017	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 2, 2012	1,000	1,000	0.5 (Note 5)	October 2, 2017	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	1,000	1,000	1.6	October 1, 2024	Lump sum	(Note 12)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	3,000	3,000	1.0	October 1, 2020	Lump sum	(Note 12)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,000	1,000	1.2	October 2, 2022	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 2, 2012	2,000	2,000	1.0 (Note 5)	October 2, 2020	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,190	1,190	1.0 (Note 5)	October 2, 2020	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,010	1,010					
	Sumitomo Mitsui Trust Bank, Limited		800	800					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,784	1,784	0.6	April 2, 2020	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,514	1,514					
	Sumitomo Mitsui Trust Bank, Limited		1,202	1,202					
	Sumitomo Mitsui Banking Corporation	October 2, 2012	3,000	3,000	0.6	April 2, 2020	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	2,974	2,974	0.6	October 2, 2019	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,524	2,524					
	Sumitomo Mitsui Trust Bank, Limited		2,002	2,002					
	The Daishi Bank, Ltd.	October 2, 2012	1,500	1,500	0.5 (Note 5)	October 2, 2017	Lump sum (Note 7)	(Note 12)	Unsecured and unguaranteed
	The Ashikaga Bank, Ltd.		1,000	1,000					
	The Bank of Yokohama, Ltd.		500	500					
	Shinkin Central Bank	December 28, 2012	2,500	2,500	0.5	December 29, 2017	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The Gunma Bank, Ltd.	December 28, 2012	500	500	0.6 (Note 5)	December 28, 2018	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.		500	500					
	The Higashi-Nippon Bank, Ltd.		500	500					



Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2013 (Millions of yen)	August 31, 2013 (Millions of yen)					
Long-term	Sumitomo Mitsui Banking Corporation	February 28, 2013	5,000	5,000	1.2 (Note 5)	February 28, 2022	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 29, 2013	-	5,000	1.2 (Note 5)	March 31, 2022	Lump sum (Note 7)	(Note 11)	Unsecured and unguaranteed
	Sub-total		269,351	268,551					
Total			280,551	279,751					

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

Note 2 The balances as of August 31, 2013 are included in current portion of long-term borrowings in the balance sheets.

Note 3 The company name was changed from Mizuho Corporate Bank, Ltd. to Mizuho Bank, Ltd. following the merger with Mizuho Bank, Ltd. on July 1, 2013.

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 On March 29, 2013, JRF had repaid ¥5,000 million out of the remaining principal (¥29,310 million as of February 28, 2013) in advance of the due date.

Note 7 JRF may repay all or part of principal of the borrowings on interest payment date.

Note 8 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥5,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is June 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2013 includes ¥200 million of current portion of long-term borrowings.

Note 9 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥15,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2013, includes ¥600 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 (¥20,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2013, includes ¥800 million of current portion of long-term borrowings.

Note 11 The funds were mainly appropriated to repayment of borrowings.

Note 12 The funds were appropriated to purchasing real property or trust beneficiary interests in real property and miscellaneous expenses relating to the acquisition.

Note 13 The funds were appropriated to repayments of corporate bonds.

### 3. Investment corporation bonds

Name of bonds	Issuance date	Balance as of		Interest rate (%)	Maturity date	Repayment method	Use	Remarks
		February 28, 2013 (Millions of yen)	August 31, 2013 (Millions of yen)					
Second series unsecured investment corporation bonds	February 9, 2005	15,000	15,000	1.73	February 9, 2015	Lump sum (Note 1)	(Note 2)	Unsecured and unguaranteed
Third series unsecured investment corporation bonds	February 22, 2006	10,000	10,000	2.02	February 22, 2016	Lump sum (Note 1)	(Note 2)	Unsecured and unguaranteed
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
AEON MALL Itami	April 24, 2013	378	-	-	-	-
Total	-	378	-	-	-	-

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	AEON MALL Itami	April 24, 2013	378	497	Daiwa Real Estate Appraisal Co., Ltd.	March 1, 2013

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 those transactions that are required to be investigated pursuant to Article 201 of the Act on Investments Trusts and Investment Corporation of Japan and not disclosed above in (1) Property (Appraisal value), the asset manager (Mitsubishi Corp.-UBS Realty Inc.) contracted PricewaterhouseCoopers Aarata to perform investigations.

The transactions subject to such investigation during the six months ended August 31, 2013, were 11 interest rate swap contracts, for which the asset manager received the investigation report from PricewaterhouseCoopers Aarata.

For this purpose, investigation was performed with respect to details of the interest swap contracts, such as the name of counterparties, contract amounts, type of the financial instrument or index, or the period of transactions.

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

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

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

##### (2) Amounts of fees paid and other expenses

(Thousands of yen)

Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Property management fees	604,458	Mitsubishi Corporation Urban Development, Inc.	49,700	8.2
Facility management fees	1,141,090	Mitsubishi UFJ Lease & Finance Company Limited	532	0.0
Utilities	1,252,138	Japan Facility Solutions, Inc.	16,184	1.3
Repair costs	170,592	Mitsubishi Corporation Urban Development, Inc.	568	0.3
Other rental expenses	528,835	Mitsubishi Shoji & Sun Co., Ltd.	860	0.2
		Mitsubishi Corporation	478	0.1
		Mitsubishi Corporation Urban Development, Inc.	455	0.1
Other operating expenses	135,869	Mitsubishi Corporation	180	0.1

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 In addition to above transaction, JRF paid ¥29,614 thousand to Mitsubishi Corporation Urban Development, Inc. for fees relating to capital expenditures.

#### 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 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 21st fiscal period (March 1, 2012 to August 31, 2012)	3,200	428,160	0.2%
The 22nd fiscal period (September 1, 2012 to February 28, 2013)	3,200	579,840	0.2%
The 23rd fiscal period (March 1, 2013 to August 31, 2013)	3,200	577,920	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

None

### 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.



## **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 August 31, 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 August 31, 2013 and its financial performance and cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

### ***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 23 to the financial statements, which states that the Company issued new investment units.

### ***Convenience translation***

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

November 18, 2013

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**PricewaterhouseCoopers Aarata**

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

	As of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4).....	¥ 18,944	¥ 24,221	\$ 246,248
Restricted bank deposits (Note 4).....	650	558	5,673
Rental receivables .....	1,088	1,049	10,664
Consumption tax refundable .....	865	-	-
Other current assets .....	1,341	1,314	13,359
<b>Total current assets</b> .....	<b>22,891</b>	<b>27,143</b>	<b>275,955</b>
<b>Non-current assets:</b>			
<b>Property and equipment (Notes 4, 5, 7 and 10), at cost:</b>			
Land.....	433,868	434,269	4,415,097
Buildings.....	289,498	291,402	2,962,606
Building improvements.....	15,345	15,429	156,862
Machinery and equipment.....	1,663	1,670	16,978
Furniture and fixtures.....	3,649	3,783	38,460
	744,024	746,556	7,590,036
Less: Accumulated depreciation.....	(69,196)	(74,807)	(760,542)
<b>Net property and equipment</b> .....	<b>674,828</b>	<b>671,749</b>	<b>6,829,493</b>
<b>Other assets:</b>			
Leasehold rights (Notes 4, 6 and 7).....	6,849	6,826	69,398
Other intangible assets (Notes 4, 6 and 7).....	146	136	1,382
Lease deposits (Note 4).....	1,396	1,359	13,816
Long-term prepaid expenses .....	3,308	3,063	31,140
Derivatives (Note 17).....	29	363	3,690
Bonds issuance costs .....	33	29	294
Units issuance costs .....	196	147	1,494
Other .....	532	534	5,429
<b>Total other assets</b> .....	<b>12,493</b>	<b>12,460</b>	<b>126,677</b>
<b>TOTAL ASSETS</b> .....	<b>¥ 710,212</b>	<b>¥ 711,352</b>	<b>\$ 7,232,126</b>

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

**JAPAN RETAIL FUND INVESTMENT CORPORATION**  
**BALANCE SHEETS**

**As of February 28, 2013 and August 31, 2013**

	As of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 8).....	¥ 11,200	¥ 11,200	\$ 113,867
Current portion of long-term borrowings (Note 8).....	9,600	8,550	86,925
Current portion of tenant leasehold and security deposits (Notes 4 and 10).....	2,683	2,610	26,535
Accounts payable—operating .....	978	1,363	13,857
Accounts payable—other .....	9	4	40
Accrued expenses .....	1,773	1,825	18,554
Consumption tax payable .....	-	817	8,306
Rent received in advance .....	2,265	2,234	22,712
Deposits received .....	1,273	2,330	23,688
Other current liabilities .....	93	104	1,057
<b>Total current liabilities</b> .....	<b>29,878</b>	<b>31,041</b>	<b>315,585</b>
<b>Non-current liabilities:</b>			
Long-term borrowings (Note 8).....	259,751	260,001	2,643,361
Long-term bonds issued—unsecured (Note 9).....	40,000	40,000	406,669
Tenant leasehold and security deposits (Notes 4 and 10).....	58,859	58,121	590,900
Deferred tax liabilities (Note 14).....	513	513	5,215
Asset retirement obligations (Note 18).....	349	352	3,578
Derivatives liabilities (Note 17).....	2	-	-
Other .....	-	-	-
<b>Total non-current liabilities</b> .....	<b>359,476</b>	<b>358,989</b>	<b>3,649,745</b>
<b>TOTAL LIABILITIES</b> .....	<b>389,354</b>	<b>390,030</b>	<b>3,965,331</b>
<b>Net Assets (Note 11):</b>			
<b>Unitholders' equity:</b>			
Unitholders' capital, 8,000,000 units authorized; 2,079,198 units as of February 28, 2013 and August 31, 2013 issued and outstanding.....	295,474	295,474	3,004,005
Capital surplus.....	14,986	14,986	152,358
Reserve for dividends.....	2,326	2,326	23,647
Retained earnings.....	8,042	8,170	83,062
<b>Total unitholders' equity</b> .....	<b>320,830</b>	<b>320,958</b>	<b>3,263,094</b>
<b>Valuation and translation adjustments:</b>			
Deferred gains (losses) on hedges.....	27	363	3,690
<b>Total valuation and translation adjustments</b> .....	<b>27</b>	<b>363</b>	<b>3,690</b>
<b>TOTAL NET ASSETS</b> .....	<b>320,857</b>	<b>321,322</b>	<b>3,266,795</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<b>¥ 710,212</b>	<b>¥ 711,352</b>	<b>\$ 7,232,126</b>

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 February 28, 2013 and August 31, 2013

	For the six months ended		
	February 28,	August 31,	August 31,
	2013	2013	2013
	(in millions)		(in thousands)
<b>Operating revenues</b>			
Rental and other operating revenues (Note 13).....	¥ 25,642	¥ 26,130	\$ 265,656
	25,642	26,130	265,656
<b>Operating expenses</b>			
Property-related expenses (Note 13).....	12,688	13,034	132,513
Asset management fees .....	2,111	2,149	21,848
Custodian fees .....	24	26	264
General administration fees .....	106	112	1,138
Other .....	137	141	1,433
	15,068	15,465	157,228
<b>Operating income</b> .....	10,573	10,665	108,428
<b>Non-operating revenues</b>			
Non-operating revenues.....	6	14	142
	6	14	142
<b>Non-operating expenses</b>			
Interest expense .....	1,526	1,506	15,311
Corporate bonds interest .....	388	398	4,046
Amortization of bonds issuance costs .....	4	4	40
Amortization of units issuance costs .....	45	49	498
Loan-related costs .....	567	545	5,540
Other non-operating expenses .....	4	4	40
	2,536	2,508	25,498
<b>Ordinary income</b> .....	8,042	8,171	83,072
<b>Income before income taxes</b> .....	8,042	8,171	83,072
Income taxes (Note 14):			
Current.....	-	-	-
	-	-	-
<b>Net income</b> .....	8,041	8,170	83,062
<b>Unappropriated earnings at beginning of period</b> .....	-	-	-
<b>Retained earnings at end of period (Note 12)</b> .....	¥ 8,042	¥ 8,170	\$ 83,062

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 February 28, 2013 and August 31, 2013

	Unitholders' equity						Valuation and translation adjustments		Total net assets
	Surplus					Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
	Unitholders' capital	Capital surplus	Reserve for dividends	Retained earnings	Total surplus				
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
Changes during the period									
Cash distribution declared.....	-	-	-	(8,042)	(8,042)	(8,042)	-	-	(8,042)
Net income.....	-	-	-	8,170	8,170	8,170	-	-	8,170
Net changes of items other than unitholders' equity...	-	-	-	-	-	-	335	335	335
Total changes during the period	-	-	-	128	128	128	335	335	464
Balance as of August 31, 2013.....	¥ 295,474	¥ 14,986	¥ 2,326	¥ 8,170	¥ 25,484	¥ 320,958	¥ 363	¥ 363	¥ 321,322

	Unitholders' equity					Valuation and translation adjustments		Total net assets	
	Surplus				Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
	Unitholders' capital	Capital surplus	Reserve for dividends	Retained earnings					Total surplus
Balance as of February 28, 2013.....	\$ 3,004,005	\$ 152,358	\$ 23,647	\$ 81,760	\$ 257,777	\$ 3,261,793	\$ 274	\$ 274	\$ 3,262,067
Changes during the period									
Cash distribution declared.....	-	-	-	(81,760)	(81,760)	(81,760)	-	-	(81,760)
Net income.....	-	-	-	83,062	83,062	83,062	-	-	83,062
Net changes of items other than unitholders' equity...	-	-	-	-	-	-	3,405	3,405	3,405
Total changes during the period	-	-	-	1,301	1,301	1,301	3,405	3,405	4,717
Balance as of August 31, 2013.....	\$ 3,004,005	\$ 152,358	\$ 23,647	\$ 83,062	\$ 259,089	\$ 3,263,094	\$ 3,690	\$ 3,690	\$ 3,266,795

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 February 28, 2013 and August 31, 2013**

	For the six months ended		
	February 28,	August 31,	August 31,
	2013	2013	2013
	(in millions)		(in thousands)
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes.....	¥ 8,042	¥ 8,171	\$ 83,072
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation.....	5,599	5,685	57,797
Amortization of bonds issuance costs.....	4	4	40
Amortization of units issuance costs.....	45	49	498
Loss on disposal of fixed assets.....	76	55	559
Interest income.....	(1)	(1)	(10)
Interest expense.....	1,914	1,904	19,357
Changes in assets and liabilities:			
(Increase) decrease in Rental receivables.....	(141)	35	355
(Increase) decrease in Consumption tax refundable.....	(865)	865	8,794
(Increase) decrease in Long-term prepaid expenses.....	(79)	245	2,490
(Decrease) increase in Accounts payable - operating.....	(43)	149	1,514
(Decrease) in Accounts payable - other.....	-	(2)	(20)
Increase in Accrued expenses.....	57	32	325
(Decrease) increase in Consumption tax payable.....	(651)	817	8,306
Increase (decrease) in Rent received in advance.....	178	(30)	(305)
Increase in Deposits received.....	301	1,056	10,736
Other, net.....	(167)	33	335
Sub total.....	14,271	19,071	193,889
Interest received.....	1	1	10
Interest expenses paid.....	(1,879)	(1,886)	(19,174)
Income taxes paid.....	-	-	-
Net cash provided by operating activities.....	12,392	17,186	174,725
<b>Cash Flows from Investing Activities:</b>			
Purchase of property and equipment.....	(54,157)	(2,328)	(23,668)
Purchase of intangible assets.....	(26)	(26)	(264)
Payments of tenant leasehold and security deposits.....	(2,109)	(1,039)	(10,563)
Proceeds from tenant leasehold and security deposits.....	3,041	232	2,358
Payments for restricted bank deposits.....	(661)	(93)	(945)
Proceeds from restricted bank deposits.....	10	186	1,891
Proceeds from deposits and others.....	85	7	71
Payments of deposits and others.....	(503)	(2)	(20)
Net cash used in investing activities.....	(54,321)	(3,064)	(31,150)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term borrowings.....	5,400	-	-
Repayments of short-term borrowings.....	(8,400)	-	-
Proceeds from long-term borrowings.....	43,000	5,000	50,833
Repayments of long-term borrowings.....	(13,200)	(5,800)	(58,967)
Proceeds from issuance of investment units.....	24,589	-	-
Distribution payments.....	(7,220)	(8,044)	(81,781)
Net cash provided by (used in) financing activities.....	44,169	(8,844)	(89,914)
<b>Net change in cash and cash equivalents.....</b>	<b>2,240</b>	<b>5,277</b>	<b>53,649</b>
<b>Cash and cash equivalents at beginning of period.....</b>	<b>16,703</b>	<b>18,944</b>	<b>192,598</b>
<b>Cash and cash equivalents at end of period.....</b>	<b>¥ 18,944</b>	<b>¥ 24,221</b>	<b>\$ 246,248</b>

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 February 28, 2013 and August 31, 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 1, 2010, the Company merged with LaSalle Japan REIT Inc.

The total assets managed by the Company at the end of the 23rd fiscal period (August 31, 2013) amounted to ¥720.3 billion (US\$7,323 million) (the total acquisition price 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 and Restricted Bank Deposits***

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 and intangible assets, 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 accounts for balance sheet and statement of income and retained earnings 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 ¥82 million and ¥3 million (US\$30 thousand) for the six months ended February 28, 2013 and August 31, 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, to which deferred hedge accounting is applied, where gains or losses on derivatives qualifying for hedge accounting are deferred as valuation and translation adjustments within net assets until maturity of the hedge transaction. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and those of the hedged items.

For the interest rate swaps which qualify for hedge accounting and meet specific criteria, the Company applies the special treatment provided under Japanese GAAP 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 measured 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 ¥98.36 = US\$1, the effective rate of exchange prevailing at August 31, 2013. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended August 31, 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		
	February 28,	August 31,	August 31,
	2013	2013	2013
	(in millions)		(in thousands)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	¥ 7,602	¥ 9,391	\$ 95,475
Restricted bank deposits.....	650	558	5,673
Property and equipment, at cost:			
Land.....	407,203	407,604	4,144,001
Buildings.....	287,335	289,232	2,940,544
Building improvements.....	15,268	15,353	156,089
Machinery and equipment.....	1,663	1,670	16,978
Furniture and fixtures.....	3,631	3,764	38,267
	715,101	717,625	7,295,902
Less: Accumulated depreciation.....	(68,983)	(74,555)	(757,980)
Net property and equipment.....	646,118	643,070	6,537,921
Other assets:			
Leasehold rights.....	6,830	6,806	69,194
Other intangible assets.....	146	136	1,382
Lease deposits.....	1,396	1,359	13,816
<b>Liabilities</b>			
Current liabilities:			
Current portion of tenant leasehold and security deposits.....	2,683	2,610	26,535
Non-current liabilities:			
Tenant leasehold and security deposits.....	57,059	56,362	573,017

## Note 5 — Schedule of Property and Equipment

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

	At cost			Ending balance (in millions)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
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

(ii) Schedule of Property and Equipment as of August 31, 2013 consisted of the following:

	At cost			Ending balance (in millions)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Land.....	¥ 433,868	¥ 401	¥ -	¥ 434,269	¥ -	¥ -	¥ 434,269
Buildings.....	289,498	2,003	98	291,402	67,516	5,149	223,886
Building improvements.....	15,345	84	-	15,429	4,544	307	10,885
Machinery and equipment.....	1,663	7	-	1,670	688	49	982
Furniture and fixtures.....	3,649	135	1	3,783	2,059	151	1,724
Total.....	¥ 744,024	¥ 2,631	¥ 100	¥ 746,556	¥ 74,807	¥ 5,658	¥ 671,749

	At cost			Ending balance (in thousands)	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Land.....	\$ 4,411,020	\$ 4,076	\$ -	\$ 4,415,097	\$ -	\$ -	\$ 4,415,097
Buildings.....	2,943,249	20,363	996	2,962,606	686,417	52,348	2,276,189
Building improvements.....	156,008	854	-	156,862	46,197	3,121	110,664
Machinery and equipment.....	16,907	71	-	16,978	6,994	498	9,983
Furniture and fixtures.....	37,098	1,372	10	38,460	20,933	1,535	17,527
Total.....	\$ 7,564,294	\$ 26,748	\$ 1,016	\$ 7,590,036	\$ 760,542	\$ 57,523	\$ 6,829,493

## Note 6 — Schedule of Intangible Assets

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

	At cost			Ending balance (in millions)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
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

(ii) Schedule of Intangible Assets as of August 31, 2013 consisted of the following:

	At cost			Ending balance (in millions)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Leasehold rights.....	¥ 7,035	¥ -	¥ 16	¥ 7,019	¥ 192	¥ 13	¥ 6,826
Other intangible assets.....	288	3	-	292	155	12	136
Total.....	¥ 7,324	¥ 3	¥ 16	¥ 7,311	¥ 348	¥ 26	¥ 6,962

	At cost			Ending balance (in thousands)	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Leasehold rights.....	\$ 71,522	\$ -	\$ 162	\$ 71,360	\$ 1,952	\$ 132	\$ 69,398
Other intangible assets.....	2,928	30	-	2,968	1,575	122	1,382
Total.....	\$ 74,461	\$ 30	\$ 162	\$ 74,328	\$ 3,538	\$ 264	\$ 70,780



## 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 February 28, 2013 and August 31, 2013.

	As of / For the six months ended		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>Net book value<sup>(i)</sup></b>			
Balance at the beginning of the period.....	¥ 633,322	¥ 681,823	\$ 6,931,913
Net increase (decrease) during the period <sup>(ii)</sup> .....	48,500	(3,112)	(31,638)
Balance at the end of the period.....	¥ 681,823	¥ 678,711	\$ 6,900,274
<b>Fair value<sup>(iii)</sup></b> .....	¥ 677,920	¥ 685,097	\$ 6,965,199

Notes:

- (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 February 28, 2013:

#### Acquisitions:

	Increase (decrease) in net book value (in millions)
G-Bldg. Sangenjaya 01.....	¥ 3,766
Round1 Yokohama Station West.....	3,973
G-Bldg. Omotesando.....	5,949
mozo wonder city.....	27,012
Round1 Stadium Sakai Chuo Kanjyo.....	1,778
pivo Izumi Chuo.....	6,084
Tecc Land Fukuoka Shine Honten.....	4,198
Kishiwada CanCan Bayside Mall (land adjacent to existing property) .....	265

### For the six months ended August 31, 2013:

#### Acquisition:

	Increase (decrease) in net book value (in millions)	(in thousands)
AEON MALL Itami (leased portion of the land of existing property).....	¥ 391	\$ 3,975
Capital expenditures:		
Renewal construction at Kyoto Family.....	349	3,548
Total of capital expenditures for the period (including above expenditure).....	2,233	22,702

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

For rental revenues and expenses for the six months ended February 28, 2013 and August 31, 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 February 28, 2013 and August 31, 2013 and average interest rates range for each period were as follows:

	As of / For the six months ended		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>Bank borrowings at end of the period</b>			
Short-term borrowings.....	¥ 11,200	¥ 11,200	\$ 113,867
Long-term borrowings.....	269,351	268,551	2,730,286
Total.....	¥ 280,551	¥ 279,751	\$ 2,844,154
<b>Average interest rates range for the period.....</b>	From 0.5% to 3.0%	From 0.5% to 3.0%	

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

	As of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>Credit Facilities</b>			
Total amount of credit facilities.....	¥ 35,500	¥ 35,500	\$ 360,919
Borrowings drawn down.....	(11,200)	(11,200)	(113,867)
Unused credit facilities.....	¥ 24,300	¥ 24,300	\$ 247,051
<b>Commitment Lines</b>			
Total amount of committed lines of credit.....	¥ 50,000	¥ 50,000	\$ 508,336
Borrowings drawn down.....	-	-	-
Unused committed lines of credit.....	¥ 50,000	¥ 50,000	\$ 508,336

## Note 9 — Corporate Bonds

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

	Balance as of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>Long-term bonds—unsecured</b>			
¥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	\$ 152,501
¥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	101,667
¥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	152,501
Total.....	¥ 40,000	¥ 40,000	\$ 406,669

## Note 10 — Collateral

Certain properties and beneficiary interests in trusts (comprising of properties and cash) with an aggregate book value of ¥248,662 million and ¥248,412 million (US\$2,525,538 thousand) were pledged as collateral to secure tenant leasehold and security deposits totaling ¥37,861 million and ¥37,059 million (US\$376,769 thousand) as of February 28, 2013 and August 31, 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 and ¥691 million (US\$7,025 thousand) and a former owner's payment of retirement benefit obligation for an amount of ¥350 million and ¥350 million (US\$3,558 thousand) as of February 28, 2013 and August 31, 2013, respectively.

## 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 net assets. The Company is required to maintain net assets of at least ¥50 million (US\$508 thousand) as required by the Investment Trust Act.

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

## Note 12 — Appropriation of Retained Earnings

In accordance with the distribution policy in the Company's article of incorporation which stipulates that the Company makes distributions in excess of 90% of distributable profit as defined in the Special Taxation Measures 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 Measures 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 distributions of retained earnings for the six months ended February 28, 2013 and August 31, 2013, respectively.

	For the six months ended		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
Retained earnings at the end of period.....	¥ 8,042	¥ 8,170	\$ 83,062
Cash distribution declared.....	(8,042)	(8,169)	(83,052)
Retained earnings carried forward.....	¥ -	¥ 1	\$ 10

A dividend in respect of the six months ended August 31, 2013 of ¥3,929 (US\$39) per investment unit, amounting to a total dividend of ¥8,169 million (US\$83,052 thousand) representing substantially all retained earnings at the end of the period in the amount of ¥8,170 million (US\$83,062 thousand), was proposed and approved at the board of directors meeting on October 15, 2013. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥3,868 and ¥3,929 (US\$39) for the six months ended February 28, 2013 and August 31, 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 February 28, 2013 and August 31, 2013 consist of the following:

	For the six months ended		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>Rental and other operating revenues:</b>			
Rental and parking revenue.....	¥ 23,266	¥ 23,501	\$ 238,928
Common area charges.....	972	1,095	11,132
Other.....	1,403	1,534	15,595
Total rental and other operating revenues.....	¥ 25,642	¥ 26,130	\$ 265,656
<b>Property-related expenses:</b>			
Property management fees.....	¥ 639	¥ 604	\$ 6,140
Facility management fees.....	1,110	1,141	11,600
Utilities.....	1,067	1,252	12,728
Property-related taxes.....	2,425	2,597	26,403
Repair and maintenance.....	204	170	1,728
Insurance.....	55	53	538
Trust fees.....	104	94	955
Rent expense <sup>(i)</sup> .....	856	850	8,641
Other.....	548	528	5,368
Depreciation.....	5,599	5,685	57,797
Loss on disposal of property.....	76	55	559
Total property-related expenses.....	¥ 12,688	¥ 13,034	\$ 132,513
<b>Operating income from property leasing activities.....</b>	<b>¥ 12,953</b>	<b>¥ 13,096</b>	<b>\$ 133,143</b>

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 Measures 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 satisfy the above requirements set forth in the Special Taxation Measures 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 Measures 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	
	February 28, 2013	August 31, 2013
	(Rate)	
Statutory tax rate.....	36.59%	36.59%
Deductible cash distributions.....	(36.59)	(36.58)
Change in valuation allowance (for deferred tax assets).....	(0.09)	(0.09)
Other.....	0.10	0.09
Effective tax rate.....	0.01%	0.01%

Deferred tax assets and liabilities consist of the followings:

	As of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
<b>Deferred tax assets:</b>			
Current:			
Tax loss carryforwards.....	¥ 3,291	¥ 3,290	\$ 33,448
Other.....	1	2	20
<i>Sub total</i> .....	3,293	3,292	33,468
Valuation allowance.....	(3,293)	(3,292)	(33,468)
<i>Total</i> .....	-	-	-
Non-current:			
Amortization of leasehold rights.....	102	110	1,118
Asset retirement obligations.....	119	120	1,220
Valuation difference on assets acquired by the merger.....	6,128	6,108	62,098
Other.....	17	21	213
<i>Sub total</i> .....	6,368	6,360	64,660
Valuation allowance.....	(6,368)	(6,360)	(64,660)
<i>Total</i> .....	-	-	-
<i>Total deferred tax assets</i> .....	-	-	-
<b>Net deferred tax assets</b> .....	¥ -	¥ -	\$ -
<b>Deferred tax liabilities:</b>			
Non-current:			
Valuation difference on assets acquired by the merger (not offset by other tax deductible items) <sup>(i)</sup> .....	¥ 513	¥ 513	\$ 5,215
<i>Total deferred tax liabilities</i> .....	513	513	5,215
<b>Net deferred tax liabilities</b> .....	¥ 513	¥ 513	\$ 5,215

Note:

- (i) The Company recorded a deferred tax liability in the amount 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 February 28, 2013 and August 31, 2013 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	As of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
Due within one year.....	¥ 30,976	¥ 30,107	\$ 306,089
Due after one year.....	111,636	102,820	1,045,343
Total.....	¥ 142,613	¥ 132,927	\$ 1,351,433

### *(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 rates 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 February 28, 2013 and August 31, 2013.

	As of								
	February 28, 2013			August 31, 2013			August 31, 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)		
<b>Assets:</b>									
(1) Cash and cash equivalents.....	¥ 18,944	¥ 18,944	¥ -	¥ 24,221	¥ 24,221	¥ -	\$ 246,248	\$ 246,248	\$ -
(2) Restricted bank deposits.....	650	650	-	558	558	-	5,673	5,673	-
Total.....	¥ 19,595	¥ 19,595	¥ -	¥ 24,779	¥ 24,779	¥ -	\$ 251,921	\$ 251,921	\$ -
<b>Liabilities:</b>									
(1) Short-term borrowings.....	¥ 11,200	¥ 11,200	¥ -	¥ 11,200	¥ 11,200	¥ -	\$ 113,867	\$ 113,867	\$ -
(2) Current portion of long-term borrowings.....	9,600	9,614	(14)	8,550	8,565	(15)	86,925	87,078	(152)
(3) Current portion of tenant leasehold and security deposits	2,636	2,651	(14)	2,563	2,579	(15)	26,057	26,220	(152)
(4) Long-term borrowings.....	259,751	262,672	(2,921)	260,001	262,314	(2,313)	2,643,361	2,666,876	(23,515)
(5) Long-term bonds issued.....	40,000	41,444	(1,444)	40,000	41,504	(1,504)	406,669	421,960	(15,290)
(6) Tenant leasehold and security deposits.....	13,543	14,117	(573)	12,870	13,360	(490)	130,845	135,827	(4,981)
Total.....	¥ 336,730	¥ 341,700	¥ (4,969)	¥ 335,184	¥ 339,524	¥ (4,339)	\$ 3,407,726	\$ 3,451,850	\$ (44,113)
<b>Derivative instruments*</b> .....	¥ 27	¥ 27	¥ -	¥ 363	¥ 363	¥ -	\$ 3,690	\$ 3,690	\$ -

\* Net assets and liabilities arising from derivative transactions are presented after setting off against each other, with amounts in parentheses representing liabilities.

**Notes:**

(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 that 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 that would be applicable to new borrowings under the same conditions and terms. For 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 that 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**

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.

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

	As of		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
Current portion of tenant leasehold and security deposits .....	¥ 46	¥ 46	\$ 467
Tenant leasehold and security deposits .....	45,315	45,251	460,054
Total liabilities .....	¥ 45,362	¥ 45,298	\$ 460,532

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.

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

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 August 31, 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 .....	¥ 24,221	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits .....	558	-	-	-	-	-
Total.....	¥ 24,779	¥ -	¥ -	¥ -	¥ -	¥ -
As of August 31, 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 .....	\$ 246,248	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted bank deposits .....	5,673	-	-	-	-	-
Total.....	\$ 251,921	\$ -	\$ -	\$ -	\$ -	\$ -

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

<i>As of February 28, 2013:</i>	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
<i>As of August 31, 2013:</i>	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 .....	8,550	-	-	-	-	-
Current portion of tenant leasehold and security deposits .....	1,521	-	-	-	-	-
Long-term borrowings .....	-	33,710	23,250	11,300	45,666	146,075
Long-term bonds issued .....	-	15,000	10,000	15,000	-	-
Tenant leasehold and security deposits .....	-	1,354	1,548	1,531	1,447	5,499
Total .....	¥ 21,271	¥ 50,064	¥ 34,798	¥ 27,831	¥ 47,113	¥ 151,574
<i>As of August 31, 2013:</i>	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
			(in thousands)			
Short-term borrowings .....	\$ 113,867	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term borrowings .....	86,925	-	-	-	-	-
Current portion of tenant leasehold and security deposits .....	15,463	-	-	-	-	-
Long-term borrowings .....	-	342,720	236,376	114,884	464,274	1,485,105
Long-term bonds issued .....	-	152,501	101,667	152,501	-	-
Tenant leasehold and security deposits .....	-	13,765	15,738	15,565	14,711	55,906
Total .....	\$ 216,256	\$ 508,987	\$ 353,782	\$ 282,950	\$ 478,985	\$ 1,541,012

## Note 17 — Derivatives

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

*As of February 28, 2013<sup>(iv)</sup>:*

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts <sup>(ii)</sup>		Fair value <sup>(iii)</sup>
			Total	Over 1 year (in millions)	
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	¥ 28,550	¥ 28,550	¥ 27
Special treatment for hedge accounting of interest rate swaps <sup>(i)</sup>	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	41,500	41,500	(998)
Total.....			¥ 70,050	¥ 70,050	¥ (971)

*As of August 31, 2013:*

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts <sup>(ii)</sup>		Fair value <sup>(iii)</sup>	Notional amounts <sup>(ii)</sup>		Fair value <sup>(iii)</sup>
			Total	Over 1 year (in millions)		Total	Over 1 year (in thousands)	
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	¥ 76,550	¥ 72,500	¥ 363	\$ 778,263	\$ 737,088	\$ 3,690
Special treatment for hedge accounting of interest rate swaps <sup>(i)</sup>	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	41,500	41,500	(555)	421,919	421,919	(5,642)
Total.....			¥ 118,050	¥ 114,000	¥ (192)	\$ 1,200,183	\$ 1,159,007	\$ (1,952)

Notes:

- (i) The interest rate swaps for which the Company applies 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 separately recorded in the Company's 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 measured 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 February 28, 2013 and August 31, 2013 were as follows:

	For the six months ended		
	February 28, 2013	August 31, 2013	August 31, 2013
	(in millions)		(in thousands)
Balance at the beginning of the period.....	¥ 346	¥ 349	\$ 3,548
Adjustment for passage of time.....	3	3	30
Balance at the end of the period.....	¥ 349	¥ 352	\$ 3,578

## 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 in 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 ¥707 million and ¥829 million (US\$8,428 thousand) (calculated up to February 28, 2013 and August 31, 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 in 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. On June 28, 2013, the initial date of the period for rent reduction claim was changed from March 1, 2011 to March 31, 2011 by the request of the tenant.

If the claim by OPA Co., Ltd. were allowed, the Company would be obliged to pay the rent reduction totaling of ¥145 million and ¥177 million (US\$1,799 thousand) (calculated from March 1, 2011 up to February 28, 2013 and from March 31, 2011 up to August 31, 2013, (reflective of the change of the initial date of the period for rent reduction as described above) respectively) 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 and from Kamiotai SC2 LLC for ¥26,750 million during the six months ended February 28, 2013. For the six months ended August 31, 2013, 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 ¥2,111 million and ¥2,149 million (US\$21,848 thousand) were paid by the Company for the six months ended February 28, 2013 and August 31, 2013, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥417 million 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 ¥106 million and ¥112 million (US\$1,138 thousand) for general administration fees, ¥57 million and ¥44 million (US\$447 thousand) for custodian fees, and ¥168 million and ¥158 million (US\$1,606 thousand) for interest expense for the six months ended February 28, 2013 and August 31, 2013, respectively.



In addition, the Company obtained short-term borrowings of ¥3,767 million and long-term borrowings of ¥5,048 million from Mitsubishi UFJ Trust and Banking Corporation for the six months ended February 28, 2013. The Company repaid ¥3,767 million 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 August 31, 2013 were ¥38 million (US\$386 thousand), ¥7 million (US\$71 thousand), ¥50 million (US\$508 thousand), ¥3,767 million (US\$38,298 thousand) and ¥42,164 million (US\$428,670 thousand), respectively.

## Note 21 — Per Unit Information

The following table shows the net asset value per unit as of February 28, 2013 and August 31, 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		
	February 28, 2013	August 31, 2013	August 31, 2013
The net asset value per unit.....	¥ 154,318	¥ 154,541	\$ 1,571
Net income per unit.....	¥ 3,931	¥ 3,929	\$ 39
Weighted average number of units.....	2,045,468	2,079,198	

## Note 22 — Segment Information

Segment information for the six months ended February 28, 2013 and August 31, 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

Name of Customer	Revenues for the six months ended			Relating Segment
	February 28, 2013	August 31, 2013	August 31, 2013	
	(in millions)		(in thousands)	
AEON Retail Co., Ltd. ....	¥ 4,832	¥ 4,886	\$ 49,674	Property rental business
AEON Mall Co., Ltd. ....	4,012	4,013	40,799	Property rental business
Ito-Yokado Co., Ltd. ....	2,560	— <sup>(i)</sup>		Property rental business

Note:

(i) Revenues from the customer for the six months ended August 31, 2013 were not disclosed as they did not meet the requirement to disclose information about major customers.

## **Note 23 — Subsequent Events**

### ***Issuance of New Investment Units***

The Board of Directors of the Company, at its meeting held on September 12, 2013 and September 25, 2013, resolved to issue new investment units as follows:

#### ***(a) Issuance of New Investment Units through Public Offering***

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

- (i) Number of new investment units to be offered:  
229,000 investment units, out of which 107,000 new units to be offered through the Domestic Public Offering and 122,000 new units to be offered through the Overseas Offering
- (ii) Offer price: ¥195,902 (US\$1,991) per unit
- (iii) Total offering amount: ¥44,861 million (US\$456,089 thousand)
- (iv) Issue price (amount to be paid in): ¥189,805 (US\$1,929) per unit
- (v) Total amount to be paid in: ¥43,465 million (US\$441,897 thousand)
- (vi) Payment date: October 2, 2013
- (vii) Distribution:  
The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2013 and ending on February 28, 2014.

#### ***(b) Use of proceeds***

The Company will use the net proceeds from the Offerings partially for acquisition of additional specified assets.

As a result of the Offerings, unitholders' capital increased to ¥338,940 million (US\$3,445,912 thousand) and number of investment units issued and outstanding increased to 2,308,198 units on October 2, 2013.