

Japan Retail Fund Investment Corporation
25th Semi-Annual Report

March 1, 2014 – August 31, 2014

Japan Retail Fund Investment Corporation (JRF)

JRF 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 87 properties throughout Japan, with a value of approximately 850 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 2014)

JRF 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.

JRF 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 of above 99% for the entire portfolio, and has been able to deliver stable distributions to unitholders by establishing a solid revenue base.

JRF 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 has strengthened its portfolio by implementing various measures in order to increase distributions.

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 for the current fiscal period by executing a multifaceted growth strategy.

During the fiscal period (period ended August 2014), Japan's macro-economy, while on a recovery trend, saw last minute demand before the consumption tax hike in April this year as well as the following reactionary fall. With respect to the retail sector, various economic indicators substantially dropped immediately after the consumption tax hike, followed by a moderate recovery partly due to bad weather, with a delayed end to the rainy season, etc.; nonetheless, the sector has been generally stable since the summer. In the J-REIT market, the real estate transaction market was continuously active in the current favorable fund procurement conditions, with severe competition over acquisitions on-going, mainly in urban areas.

Amid such an environment, since 2014, JRF endeavored to improve the profitability and stability of its portfolio by implementing asset replacements as well as operating throughout the period the eight properties (with a total acquisition price of 73.6 billion yen) that were acquired in the previous period. Specifically, JRF acquired four properties (with a total acquisition price of 19.4 billion yen) from March to April, with new loans, etc., and the funds obtained by the sales of four properties (with a total selling price of 9.9 billion yen), consisting of three properties sold during the previous period (in January this year) and one property sold in March.

As a result, JRF's operating revenue for the period was 29,562 million yen, up 1.6% compared to the previous period, with net income for the period amounting to 9,613 million yen, which is almost the same as the previous period. The total distribution for the period was 9,613 million yen, up 1.1% from 9,509 million yen of the previous period. The total distribution per unit for the period was 4,165 yen, an increase of 45 yen from the previous period.

Acquired five prime assets through public offering that was conducted for the fourth consecutive year

In September this year, immediately after the end of the period, JRF obtained a new long-term borrowing of 26.0 billion yen in addition to implementing a public offering for the fourth consecutive year to procure funds of about 24.3 billion yen, in order to diversify its portfolio, secure more stable profitability, improve distributions, and acquire five prime assets*1 (with a total acquisition price of about 46.7 billion yen*2). As a result, JRF had 87 managed properties with an asset size (on an acquisition price basis) of 846.6 billion yen as of October 1, which enabled stable growth.

With the J-REIT market having been stable in recent years, JRF will strive to acquire prime assets, utilizing its unique network as one of the largest buyers of retail properties in Japan as well as abundant deal-making sources such as the support of our sponsors, Mitsubishi Corporation and UBS Group. In addition, we will continue to positively taking advantage of our SC management capabilities for asset value enhancement by maintaining and strengthening the competitiveness of our retail facilities, while responding to various changes in market conditions. Through these endeavors, JRF will realize the enhancement of unitholder value with the continued growth of distributions by focusing on improvement of profitability and stability of its portfolio.

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

*1 Out of the five properties acquired, additional co-ownership interests were acquired for two current properties; 20% in mozo wonder city and 15% in G-Bldg Omotesando 02.

*2 Total acquisition price includes the anticipated acquisition price of a certain portion of underlying land of DFS T GALLERIA OKINAWA (2,470 million yen) which is intended to be acquired on January 15, 2016.

Japan Retail Fund Investment Corporation

Executive Director

Shuichi Namba

- **Contribution of eight properties newly acquired last year throughout the period:** eight properties (with a total acquisition price of 73.6 billion yen), which were acquired through the public offering implemented in 2013, contributed to the operating income throughout the period.
- **Improved profitability and stability through asset replacement:** four properties (with a total selling price of 9.9 billion yen) were sold in January and March this year, while four properties (with a total acquisition price of 19.4 billion yen) were newly acquired from March through April.
- **Actively taking advantage of SC management capabilities:** JRF completed the large-scale renewal of “Oyama Yuen Harvest Walk,” (Oyama City, Tochigi Prefecture), and held a grand opening in April this year.
- **Diversification of fund procurement methods:** successfully issued super-long term investment corporation bonds with 12 years to maturity (with a total issuance price of 8.0 billion yen) in June this year, financing the repayment of long-term borrowings in advance of the due date.

Year	Month	Attendance
2009	Feb. 14th	3,764
	Aug. 15th	3,804
2010	Feb. 16th	3,447
	Aug. 17th	3,657
2011	Feb. 18th	3,968
	Aug. 19th	3,259
2012	Feb. 20th	3,673
	Aug. 21st	3,840
2013	Feb. 22nd	3,868
	Aug. 23rd	3,929
2014	Feb. 24th	4,120
	Aug. 25th	4,165
2015	Feb. 26th (Forecast)	4,170
	Aug. 27th (Forecast)	4,172

➤ Financial results

	Aug. 2013 fiscal period	Feb. 2014 fiscal period	Aug. 2014 fiscal period
Operating revenue	26.1 billion yen	29.0 billion yen	29.5 billion yen
Net income	8.1 billion yen	9.6 billion yen	9.6 billion yen
NAV per unit	154 thousand yen	158 thousand yen	158 thousand yen

— Total assets ● Number of properties



Interview with the President of the Asset Management Company

JRF will strive to improve the stability and profitability of its portfolio by further expanding the “Stable Base” it has established, as well as promoting the “Improvement of Asset Quality” and “Diversification of Tenants.”

Q1. Please start with a review of the 25th fiscal period (period ended August 2014).

As scheduled, JRF completed asset replacement and the large-scale renewal of “Oyama Yuen Harvest Walk” by taking advantage of its SC management capabilities. We promoted efforts for improving the profitability and stability of our portfolio, with steady results.

A major topic for the period is that JRF steadily progressed with asset replacement, which started in the previous period. JRF sold “AEON TOWN Ogaki” (Ogaki-shi, Gifu) in March. Using the funds raised by selling this and three properties in the previous period, as well as the new borrowings, JRF acquired four properties from March through April 2014: “G-Bldg. Shibuya 01” (Shibuya-ku, Tokyo), “G-Bldg. Omotesando 02*1” (Shibuya-ku, Tokyo), “Round1 Stadium Takatsuki” (Takatsuki-shi, Osaka), and “G-Bldg. Kichijoji 01*2” (Musashino-shi, Tokyo). Since the average NOI yield (after depreciation) of the four acquired properties (total of 19.4 billion yen) was 3.9% compared to 3.4% for that of the four sold properties (9.9 billion yen), this asset replacement not only contributed to improving profitability but also enhanced the quality of our portfolio and advanced relationships with prime tenants.

Additionally, JRF completed the large-scale renewal of “Oyama Yuen Harvest Walk” (Oyama-shi, Tochigi), which we had been dealing with for about one year as part of our internal growth strategy. Taking advantage of SC management capabilities, which are JRF’s strengths, we attracted popular new tenants such as OLD NAVY, reviewed the contract terms and so on. On April 26, 2014, we held a grand opening, and operations are running smoothly.

*1 Concluded a purchase agreement for a 50% co-ownership interest, and acquired first 35% co-ownership interest on April 1, 2014.

*2 Acquired co-ownership interest of 50%

Q2. In October 2014, JRF completed a public offering for the fourth consecutive year and acquired new properties. Could you tell us your evaluation of the outcome?







Improved quality of the portfolio was the biggest outcome from this acquisition of new properties. I believe that the improvement in the quality of assets under management will lead to increased appeal for our tenants, strengthening not only our negotiating power as the Fund but also our SC management capabilities.

In September 2014, JRF announced a public offering for a fourth consecutive year, and raised funds of about 24.3 billion yen. Combined with the new borrowing of 26.0 billion yen obtained at the same time, we acquired five prime assets (of which additional acquisition of co-ownership interest was done for two properties) for 46.7 billion yen* in total, making the asset size (on an acquisition price basis) 846.6 billion yen as of October 1, 2014.

This Acquisition was aimed at improving the quality of and diversification of the portfolio, and enhancing the relationship with tenants. We focused our investments only on retail facilities located in areas expected to have steady consumption demand, as well as those that have tenants with a strong brand and global operations. For example, one of the acquired properties, “DFS T GALLERIA OKINAWA” (Naha-shi, Okinawa), was the first case for a J-REIT to invest in duty-free shops, enabling us to further improve our diversification of areas and businesses. Moreover, as for “G-Bldg. Omotesando 02” (Shibuya-ku, Tokyo), we concluded a purchase agreement for 50% of co-ownership interest

in March 2014, followed by another acquirement of 35% in April; we were also able to acquire the remaining 15% as planned. In addition, regarding “mozo wonder city” (Nagoya-shi, Aichi), we acquired co-ownership interest totaling 60% in 2011 and 2012; and concluded with the seller a purchase agreement for the remaining 40%, with 20% of it acquired later.

As for acquisition of properties, we were successful in realizing the intended results, by not only utilizing JRF’s unique networks but also the support from our sponsors—Mitsubishi Corporation and UBS Group.

Acquired properties		Highlights Deal sources	Acquisition conditions			
			Acquisition price (A) (A)/(B)	Appraisal value (B) (Note 1)	NOI yield (before depreciation) (Note 2)	NOI yield (after depreciation) (Note 2)
DFS T GALLERIA OKINAWA (Naha, Okinawa)		A flagship store of a leading global operator of duty-free shops, DFS, located in the center of commerce and tourism in Okinawa Independent network Mitsubishi Corporation Group	15,600 million JPY (Note 1)	16,900 million JPY (Note 1)	5.5%	3.8%
CUTE CUBE HARAJUKU (Shibuya ward, Tokyo)		Retail properties facing Takeshita Street in Harajuku, the epicenter of “KAWAII”, or cute, culture targeting teenagers both in and outside of Japan Mitsubishi Corporation Group	8,520 million JPY	8,690 million JPY	4.1%	3.8%
15% co-ownership interest G-Bldg. Omotesando 02 (Shibuya ward, Tokyo)		Houses a flagship store of a global fashion brand located on Omotesando, a luxury fashion brand street Mitsubishi Corporation Group	5,311 million JPY	5,700 million JPY	3.6%	3.5%
20% co-ownership interest mozo wonder city (Nishi ward, Nagoya, Aichi)		One of the leading large-scale shopping malls in Japan, effectively leveraging our SC Management capabilities Mitsubishi Corporation Group	11,740 million JPY	12,025 million JPY	5.6%	3.8%
m-city Toyonaka (Toyonaka, Osaka)		Neighborhood shopping center located in a highly populated area in Osaka and facing a major arterial road Mitsubishi Corporation Group / UBS Group	5,570 million JPY	5,970 million JPY	5.7%	4.4%
Acquired Properties Total / Average		5 properties	46,741 million JPY	49,285 million JPY	5.1%	3.9%
			(94.8%)			
			(Reference) Aug. 2014 Period : Average for portfolio properties		5.1%	3.7%

(Note 1) Acquisition price includes a certain portion of the underlying land which we intend to acquire on Jan. 15, 2016 (acquisition price of 2,470 million JPY). Appraisal value is calculated based on an assumption that such acquisition is complete.
(Note 2) NOI yield is calculated using PM fee based on PM agreement signed at the date of the acquisition. Therefore, the values differ from those released on Sep. 4, 2014.

Q3. JRF now has many properties in the area of Shibuya/Harajuku/Omotesando, including newly acquired “CUTE CUBE HARAJUKU,” and an additional acquisition, “G-Bldg. Omotesando 02.”

We believe retail facilities in the Shibuya/Harajuku/Omotesando area, with its high potential for markets, location, and future prospects, will greatly contribute to strengthening the quality of the portfolio. It is the area we intend to continue focusing on regarding acquisitions, while paying due consideration to the diversification of other areas.

The Shibuya/Harajuku/Omotesando area centered on Omotesando, a representative brand street in Japan, is one of the major commercial areas in Downtown Tokyo with a high brand value and a lot of new store openings. Besides its attractive markets, it is very appealing owing to its future prospects of a steady long-term increase of revenue due to the high potential of its location. In addition, it is an ideal target area for JRF, which is promoting diversified investment in various businesses and business categories, because it attracts a wide variety of tenants for its streets and the characteristics of each area, such as Takeshita Street for “young fashion, with many general stores and restaurants,” and Omotesando “with the concentration of luxury brand shops.” In the area, we have 14 properties (as of October 2014) including the “CUTE CUBE HARAJUKU,” which was newly acquired.

JRF owns a number of properties in the Shibuya / Harajuku / Omotesando areas



Q4. Could you please tell us about the financial measures JRF carried out in this period and for the public offering?

In addition to the new procurement of funds, we also executed a speedy and flexible finance strategy in the period, including refinancing and issuance of investment corporation bonds. Moreover, we endeavored to develop a stronger financial base by introducing a long-term committed credit line for the first time.

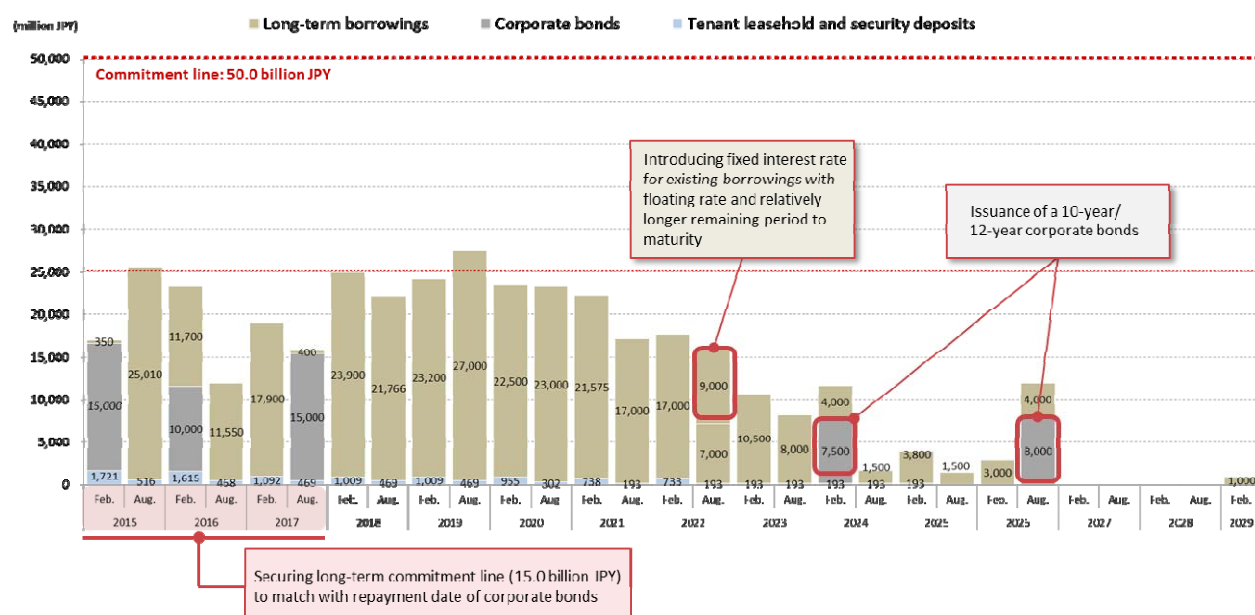
Continuing from the previous period, JRF endeavored to further strengthen the financial base, by executing various fund procurements, taking advantage of favorable market conditions.

Specifically, among the loans of 4,050 million yen that had become due on March 31, 2014, we conducted refinancing of 4,000 million yen by a long-term borrowing with a 12-year loan period, and repaid 50 million yen with our own funds on that date. In April, moreover, we newly raised 5,500 million yen in total to finance asset replacement. Furthermore, in June, we issued the 8th investment corporation bonds (with a total amount of 8,000 million yen, loan period of 12 years, and an interest rate of 1.260%) following the ones in December 2013, to finance repayment in advance of the due date of the existing long-term loan, which would become due at the end of September.

As a new policy, in September, we introduced a long-term commitment line with a contract period of 3 years, in addition to the existing short-term commitment line with the contract period of 1 year. We created a stronger financial base by securing more flexible fund raising methods with the establishment of two commitment lines for the short term and long term. In addition, we diversified the repayment periods and leveled the repayment amounts by procuring

borrowings of 26,000 million yen in total at an average loan period of 7.3 years, along with the public offering.

Maturity ladder (as of Oct. 14, 2014)



Q5. Lastly, please tell us your message to investors.

We were able to increase distributions for the period, as we did not miss favorable opportunities while the J-REIT market was active. Going forward, JRF will continue to strive to improve the stability and profitability of its portfolio by promoting the “Improvement of Asset Quality” and “Diversification of Tenants” through our internal growth strategy, while enhancing the “Stable Base” established on asset size and financial stability through the external growth strategy and financial strategy.

With our large asset size and the accomplished diversification of areas and tenants, JRF is securing a “Stable Base” along with financial stability.

Going forward, while we are going to continue further expanding this “Stable Base” as a matter of course, we intend to further improve the unitholder value, paying attention to the “Improvement of Asset Quality” and the “Diversification of Tenants.”

The “Improvement of Asset Quality” will lead to increased appeal for tenants, which in turn will not only have an impact on new assets acquired but will also produce a positive side effect of “Increased Bargaining Power” of the Fund as a whole with tenants. On the other hand, the “Diversification of Tenants” will lead to an “Enhanced Relationship” with tenants, in addition to improved stability for the Fund. As a result, the “Increased Bargaining Power” and the “Enhanced Relationship” with tenants will increase the SC management capabilities JRF aims for, and therefore, significantly contribute to the improvement of profitability for the Fund as a whole.

Accordingly, JRF has the strategy of also improving profitability at the same time by taking advantage of SC management capabilities, while improving the stability of the portfolio; it will be done through the maximum elimination of the elements dependent on individual properties by having “A Number of Popular Tenants” in the “Diversified Large-Scale and High-Quality Assets.”

JRF will also make the utmost effort to meet the expectations of its unitholders, by striving to maximize the unitholder value in future. We look forward to receiving your continued support and guidance.

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

REIT Column

Do you know the word “Sustainability”?

“Sustainability” means the “possibility to be sustained,” referring to the concept as to whether the activities of humankind can be sustained in the future. In modern times, the word has drawn attention especially in the areas of social contribution and environmental issues.

So, what is the “Sustainability” for real estate investment trusts (REITs)? REITs have a mission to deliver stable distributions to unitholders, and for that purpose, continue growing by endeavoring to improve portfolio value. At the same time, given the substantial impact caused by real estate operations, we think it is essential to develop facilities paying due consideration to local communities and the environment, and therefore, we have the responsibility to make efforts to protect sustainable living in communities.

Towards Sustainable Society and Environment

JRF deals with retail facilities, especially those that are the largest store in the area or the central facility in urban commercial and industrial areas, which are all playing an important role in the area. Accordingly, with many of these facilities having a considerable impact on the local community or environment, we think it will lead to ensure the sustainability of society as a whole to promote social contribution and environmental measures at each one of the facilities by cooperating with people in the area.

For instance, it includes activities to help develop a rapport and liaison within the area, including participation in cleaning/beautification activities, support for activities of the UNHCR – an organization to help refugees – and utilization of facilities as disaster prevention bases in the time of emergencies. Moreover, we are endeavoring to ensure the long-term operation of facilities along with developments in the area through various approaches such as efforts to lower environmental burdens by electric power-saving and reduction of CO2 emissions with the establishment of solar panels, wall greening, and introduction of LED lighting.

JRF’s Sustainability Policy

JRF’s asset manager, Mitsubishi Corp.-UBS Realty Inc. has signed the United Nations Principles for Responsible Investment (PRI) and established the Basic Policy for Responsible Property Investment and Environmental Charter. Based on these policies, together with the asset manager, JRF continues promote sustainability efforts.

Signatory of:



External Evaluation: JRF was designated as a “Green Talk” company for two consecutive years in the 2014 GRESB survey of environmental responsiveness.



* GRESB (Global Real Estate Sustainability Benchmark) is an organization committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. The dynamic benchmark is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large.

Please refer to “JRF’s Sustainability” page of the JRF website for more detail.

<http://www.jrf-reit.com/english/structure/csr.html>

I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			21st	22nd	23rd	24th	25th
As of /for the six months ended			August 31, 2012	February 28, 2013	August 31, 2013	February 28, 2014	August 31, 2014
Operating revenues	Note 1	(Millions of yen)	23,559	25,642	26,130	29,083	29,562
(Rental revenues)	Note 1	(Millions of yen)	(23,559)	(25,642)	(26,130)	(29,058)	(29,516)
Operating expenses	Note 1	(Millions of yen)	13,957	15,068	15,465	16,966	17,339
(Rental expenses)	Note 1	(Millions of yen)	(11,699)	(12,688)	(13,034)	(14,328)	(14,657)
Operating income		(Millions of yen)	9,602	10,573	10,665	12,116	12,223
Ordinary income		(Millions of yen)	7,220	8,042	8,171	9,588	9,613
Net income	(a)	(Millions of yen)	7,220	8,041	8,170	9,614	9,613
Net assets	(b)	(Millions of yen)	295,286	320,857	321,322	365,840	365,878
(Period-on-period change)		(%)	(+0.1)	(+8.7)	(+0.1)	(+13.9)	(+0.0)
Total assets	(c)	(Millions of yen)	657,027	710,212	711,352	777,706	785,442
(Period-on-period change)		(%)	(-0.4)	(+8.1)	(+0.2)	(+9.3)	(+1.0)
Unitholders' capital		(Millions of yen)	270,752	295,474	295,474	338,940	338,940
(Period-on-period change)		(%)	(0.0)	(+9.1)	(0.0)	(+14.7)	(0.0)
Number of units issued and outstanding	(d)	(Units)	1,880,198	2,079,198	2,079,198	2,308,198	2,308,198
Net asset value per unit	(b)/(d)	(Yen)	157,050	154,318	154,541	158,495	158,512
Total distributions	(e)	(Millions of yen)	7,219	8,042	8,169	9,509	9,613
Distribution per unit	(e)/(d)	(Yen)	3,840	3,868	3,929	4,120	4,165
(Profit distribution per unit)		(Yen)	(3,840)	(3,868)	(3,929)	(4,120)	(4,165)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 2	(%)	1.1 (2.2)	1.2 (2.4)	1.1 (2.3)	1.3 (2.6)	1.2 (2.4)
Return on unitholders' equity	Note 2	(%)	2.4 (4.9)	2.6 (5.3)	2.5 (5.0)	2.8 (5.6)	2.6 (5.2)
Ratio of net assets to total assets	(b)/(c)	(%)	44.9	45.2	45.2	47.0	46.6
(Period-on-period change)		(%)	(+0.2)	(+0.3)	(+0.0)	(+1.8)	(-0.4)
Payout ratio	(e)/(a)	(%)	100.0	100.0	100.0	98.9	100.0
Additional information:							
Rental net operating income (NOI)	Note 2	(Millions of yen)	17,128	18,552	18,782	20,655	20,748
Net profit margin	Note 2	(%)	30.6	31.4	31.3	Note 4 33.0	Note 4 32.5
Debt service coverage ratio	Note 2	(Multiple)	7.6	8.2	8.3	Note 4 8.9	Note 4 8.6
Funds from operation (FFO) per unit	Note 2	(Yen)	6,642	6,560	6,664	Note 4 6,710	Note 4 6,695
FFO multiples	Note 2	(Multiple)	10.2	13.7	13.7	Note 4 14.8	Note 4 16.4
Distributable income per unit after adjustment for taxes on property and equipment	Note 3	(Yen)	3,834	3,826	3,928	4,114	4,158
FFO per unit after adjustment for taxes on property and equipment	Note 3	(Yen)	6,635	6,519	6,662	Note 4 6,658	Note 4 6,688

Note 1 Consumption taxes are not included.

Note 2 Figures are calculated as below formulas. Percentages in parentheses are annualized using 184,181,184,181 and 184 days for the 21st, 22nd, 23rd, 24th and 25th fiscal period, respectively.

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

Note 3 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 4 Net income used for calculation of "Net profit margin", "Debt service coverage ratio" and "FFO multiples" for the 24th and 25th fiscal period does not include deferred income taxes.

2. Outline of asset management operation for the 25th fiscal period

(1) Principal Activities

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

In the fiscal period ended February 28, 2014, the 12th year after its listing, JRF issued new investment units in October 2013 for the third consecutive year. Combining the proceeds from this issuance with the funds obtained through borrowings, JRF acquired eight properties for a total acquisition price of 73.6 billion yen. Also, in line with its asset replacement strategy, JRF disposed of four properties for a total sales price of 9.9 billion yen in January 2014 and March 2014, and acquired four properties for a total acquisition price of 19.4 billion yen in March 2014 and April 2014, using the proceeds from the dispositions and other funding including new borrowings.

As a result, the total assets managed by JRF as at the end of the 25th fiscal period (August 31, 2014) amounted to 802.3 billion yen (the total acquisition price for 84 properties), and JRF is 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)

GDP in real terms for the first quarter of 2014 (i.e., before the consumption tax increase) rose by 1.5% from the same quarter in the previous year, but that for the second quarter of 2014 (i.e., after the consumption tax increase) declined by 1.8% (preliminary estimate) from the same quarter in the previous year, indicating effects of a last-minute demand surge and its backlash in demand in response to the consumption tax increase.

In 2014, the consumer price index excluding fresh foods (the general index) has gradually increased in comparison with that for the previous year, with a drastic increase after the consumption tax increase that took effect in April. This is due to the yen’s depreciation and higher energy costs since the beginning of the year, expectations toward economic recovery, etc. However, excluding the effects of the tax increase, the index level is below the inflation target that the Bank of Japan initially aimed for. Looking at the index of wages, which significantly affects consumption trends, fixed wages have continuously increased since March 2014 at a higher rate than the previous year’s due to the effects of increase in special bonuses and overtime wages, although a substantial recovery has not yet appeared (source of total cash earnings: Report of Monthly Labour Survey, Ministry of Health, Labour and Welfare).

According to the Cabinet Office’s Economy Watchers Index, the diffusion indexes (DI) for both current and future business conditions tentatively declined due to the consumption tax increase, but DI for the latter conditions has remained at a level exceeding 50 (i.e., at a similar level), with a rapid recovery since April 2014.

(Trends in the retail sector)

According to the Current Survey of Commerce released by the Ministry of Economy, Trade and Industry, retail sales have been clearly affected by the consumption tax increase. More specifically, retail sales for the three months from January to March 2014 significantly increased from the same period in the previous year due to a last-minute surge in demand, but turned to a decline in and after April due to a backlash in demand. However, these sales have basically remained solid although the pace of recovery has been slow. This is partly due to the rainy season that ended much later than last year and changeable weather conditions thereafter. Department store and supermarket sales also declined significantly immediately after the

consumption tax increase, but have gradually increased thereafter, although the pace of recovery varies depending on items and regions.

(Trends in the real estate sector)

Following the favorable fund procurement conditions that have been continuing since last year, the real estate market has been revitalized in 2014, and competition among J-REITs, private placement funds and others for acquiring commercial properties, mainly in urban areas, has been increasing. As a result, cap rate levels (Note) at the time of acquisition are on a declining trend. The acquisition of commercial properties in suburban areas is not as competitive as that in urban areas, but cap rate levels are also decreasing.

According to the land prices as of July 1, 2014 published by the Ministry of Land, Infrastructure, Transport and Tourism in September 2014, the appreciation rate of commercial land prices in the three major metropolitan areas increased to 1.7% from 0.6% in the previous year. Commercial land prices, however, on a national basis have continued to fall, but the rate of decrease has continued to decline.

Note: "Cap rate" is same as NOI yield, which is calculated by dividing NOI by the (estimated) acquisition price.

ii. Results

Under the circumstances described above, in order to improve overall portfolio profitability and stability, JRF newly acquired four properties, namely G-Bldg. Shibuya 01, G-Bldg. Omotesando 02, Round1 Stadium Takatsuki and G-Bldg. Kichijoji, using the proceeds from the disposition of three properties (G DINING SAPPORO, G-Bldg. Jingumae 04 and G-Bldg. Jingumae 05) in the previous fiscal period (in January 2014) and another property, AEION Town Ogaki in March 2014, as well as new borrowings and internal reserves. As for existing properties, utilizing the SC management (Note 1) method, JRF conducted renovation of Oyama Yuen Harvest Walk. The renovation included the renewal of the environmental design (including partial extension and reconstruction of the existing buildings) and retention of new tenants. Oyama Yuen Harvest Walk had its grand opening in April 2014 with the occupancy rate of 100%.

The occupancy rate of the properties owned by JRF as at the end of the fiscal period was stably maintained. The occupancy rate for 30 urban retail properties remained high at 98.8% together with 100% occupancy rate maintained for 51 suburban retail properties.

As a result of the above, the total assets managed by JRF at the end of the fiscal period came to 84 properties with a total value of 802.3 billion yen in acquisition price and 792.4 billion yen in appraisal value. The total leasable area was 3,067,166.11 m² with the total number of tenants standing at 1,037, and the occupancy rate of the overall portfolio was 99.9%.

As for unrealized losses/gains of the overall portfolio at the end of the fiscal period (Note 2), unrealized gains increased by 9.9 billion yen from the end of the previous fiscal period to 36.7 billion yen due to the effects of the acquisition of new properties that have unrealized gains, as well as a decrease in the cap rate compared with the end of the previous fiscal period, mainly of existing properties located inside Tokyo's 23 wards and major urban areas in regions outside of Tokyo, combined with depreciation.

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: "Unrealized losses/gains" are the difference between the appraisal value and book value of the overall portfolio or individual property.

(3) Funding

To repay the existing 4.05 billion yen debt in the fiscal period, JRF raised 4 billion yen as long-term borrowings on March 31, 2014. On April 1, 2014, JRF raised an additional 5.5 billion yen as long-term borrowings, and used a portion of that amount to acquire G-Bldg. Omotesando 02.

In June 2014, JRF successfully issued super-long-term investment corporation bonds (12-year bonds amounting to 8 billion yen). They are the longest investment corporation bonds ever issued by JRF. Using

the proceeds from this bond issuance, JRF repaid the existing debt amounting to 8 billion yen before maturity.

As a result, JRF's interest-bearing borrowings outstanding at the end of the fiscal period under review amounted to 347 billion yen, consisting of 291.5 billion yen (long-term borrowings) and 55.5 billion yen (investment corporation bonds).

Consequently, the ratio of long-term borrowings, the ratio of fixed interest rates of borrowings (Note 1), and LTV (Note 2) were 100%, 73.7%, and 52.0%, respectively, at the end of the fiscal period under review.

Note 1: The ratio of fixed interest rates of borrowings is calculated by dividing the total of fixed-rate debt (including debt issued under an interest rate swap agreement), investment corporation bonds and tenant leasehold and security deposits (including those in trust) by the total of interest-bearing debt and tenant leasehold and security deposits (including those in trust).

Note 2: LTV is calculated by dividing the total of interest-bearing debt and tenant leasehold and security deposits (including those in trust) by total assets.

(4) Results and distributions

As a result of the above management actions, the operating revenue for the period was 29,562 million yen, and operating income was 12,223 million yen after deducting operating expenses such as fixed property tax and asset management fees. Ordinary income was 9,613 million yen, and net income was 9,613 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 such distribution policy, the total of cash distributions declared for the six months ended August 31, 2014 amounted to 9,613 million yen, excluding a fractional distribution per unit of less than one yen from 9,615 million yen obtained by deducting the appropriation of reserve for distributions totaling 0.5 million yen, which was the sum of items credited to income taxes deferred to the statement of income for partial reversal of deferred tax liability, from unappropriated retained earnings for the fiscal period of 9,615 million yen. As a result, distribution per unit amounted to 4,165 yen for the six months ended August 31, 2014.

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	Global 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	Global 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
October 2, 2013	Global offering	229,000	2,308,198	43,465	338,940	Note 7

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 global 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 global 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.

Note 7 New investment units were issued at a price of ¥195,902 per unit (subscription price of ¥189,805 per unit) through a global offering in order to raise funds for acquiring new real property.

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:

Fiscal period	(Yen)				
	21st	22nd	23rd	24th	25th
As of /for the six months ended	August 31, 2012	February 28, 2013	August 31, 2013	February 28, 2014	August 31, 2014
Highest price	139,700	184,500	249,300	217,000	232,900
Lowest price	117,200	125,600	172,600	179,000	195,600
Closing price at end of period	133,800	181,200	180,600	200,800	218,200

4. Distributions

In accordance with the distribution policy in the JRF's article of incorporation 26, Paragraph 1, Item 2, which stipulates to make distribution in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, JRF transferred ¥0.5 million from retained earnings as of August 31, 2014 in the amount of ¥9,615 million to reserve for dividends corresponding to decrease of deferred tax liabilities, and declared a total of ¥9,613 million for cash distributions which is substantially all of the remaining retained earnings amounting to ¥9,615 million except for fractional distribution per unit less than one yen. As a result, distribution per unit amounted to ¥4,165 for the six months ended August 31, 2014.

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	21st	22nd	23rd	24th	25th
As of /for the six months ended	August 31, 2012	February 28, 2013	August 31, 2013	February 28, 2014	August 31, 2014
Net income (Thousands of yen)	7,220,140	8,041,854	8,170,474	9,614,210	9,613,708
Retained earnings (including reserve for dividends) (Thousands of yen)	2,327,197	2,326,714	2,328,019	2,432,454	2,432,518
Total distributions (Thousands of yen)	7,219,960	8,042,337	8,169,168	9,509,775	9,613,644
(Distribution per unit) (Yen)	(3,840)	(3,868)	(3,929)	(4,120)	(4,165)
Profit distributions (Thousands of yen)	7,219,960	8,042,337	8,169,168	9,509,775	9,613,644
(Profit distribution per unit) (Yen)	(3,840)	(3,868)	(3,929)	(4,120)	(4,165)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and Issues

(1) Management circumstances

As for the outlook of economic trends, JRF needs to continuously assess the effects of the April 2014 consumption tax increase on consumer spending fundamentals, and also pay close attention to the final decision to be made to increase the consumption tax to 10%. While the consumer spending appears to be recovering from a tentative backlash in demand after the consumption tax increase, JRF considers it necessary to continue to watch over the medium- and long-term trend of overall consumption and the macroeconomic trends.

Regarding the earnings of leading retailers that are also tenants of retail properties owned by JRF, their latest financial results indicate that their sales are growing steadily and profits are improving. JRF will continue to pay close attention to their earnings trends.

As for the leasing environment of retail properties, given that earnings of retailers are generally robust and consumption is remaining relatively strong mainly for big-ticket items in urban areas; increased willingness to open specialty stores is seen in JRF's properties, mainly in urban retail properties. JRF believes that the market environment is starting to show improvement in lease terms mainly in urban areas. Meanwhile, leading developers are successively opening commercial properties mainly in suburban areas. Therefore, JRF will keep a close watch on the competitive environment of commercial properties and the supply and demand conditions for opening specialty stores.

(2) Management policy and issues to be addressed

JRF's asset size (total acquisition costs) is ranked third in the entire J-REIT market at the end of August 2014, and ranked first among J-REITs specializing in retail properties. JRF has distinctive features in its investment portfolio targeting retail properties that belong to a variety of industries and business categories, including largest-class regional suburban retail properties generating solid sales in major cities across Japan and roadside shops and specialty buildings in good locations that are let out to tenants such as luxury brand shops.

When investing in retail properties, JRF considers it important to accurately assess changes in medium- and long-term population movements and consumer trends and to acquire properties by carefully examining locations, industries to which tenants belong and also business conditions of retail properties from longer perspectives. Accordingly, JRF's flexible asset allocation is considered to be a competitive advantage as a J-REIT specializing in retail properties.

JRF has also taken active measures to raise the competitiveness of retail properties by utilizing its SC management ability built based on its past management experiences. This SC management ability will be the foundation for JRF's external and internal growth.

From this standpoint, JRF is a J-REIT specializing in investing in overall retail properties that belong to a variety of industries and business categories in various regions, and its asset manager actively participates in the operations of these retail properties. In other words, JRF is considered to have built its unique position even in comparison with other domestic and foreign REITs.

JRF aims to grow further by ensuring stability supported by its distinguishing asset size as a J-REIT, diversified investment in retail properties belonging to a variety of industries and business categories and long-term lease contracts, and by pursuing both external and internal growth while controlling downside risks.

i. External growth strategy

JRF aims to strengthen the profitability and stability of its portfolio by expanding its asset size through the acquisition of retail properties of various industries and business categories.

With regard to investment targets, JRF will carefully select prime real estate in the four categories of large-scale retail properties which are the largest class in their respective areas, retail properties in densely-populated areas, retail properties in favorable locations adjacent to major stations, and roadside shops and specialty buildings in good 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. 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. Based on the basic strategy described above, JRF will acquire properties in a flexible and timely manner, suitably adjusting to the changing market conditions.

As to the strategy for the acquisition of new properties, JRF, as one of the largest domestic buyers of retail properties, makes use of its diverse deal sources based on its own network, CRE (Corporate Real Estate) strategies and sponsor networks, and using bridge structures to apply the optimal investment methodology in acquiring prime properties in a timely manner.

JRF considers property replacements that take account of its portfolio's overall profitability, stability and diversification as one of its external growth strategies. In line with this strategy, JRF disposed of four properties and acquired four properties from the previous fiscal period to the current fiscal period to increase the profitability and stability of its portfolio.

ii. Internal growth strategy

JRF continues to actively conduct SC management, aiming to improve its asset value by maintaining and

strengthening the competitiveness of retail properties amid changes in various market environments. JRF has also actively taken various measures to improve the medium- and long-term competitiveness of retail properties by establishing a necessary operational system for SC management, aiming to improve the profitability and stability of its portfolio.

JRF also conducts daily management of existing properties focusing on SC management measures, and formulates and implements action plans to maintain and improve asset values. For these purposes, JRF assesses tenants' business conditions, building and facility management at each property, competitive environments, changes in consumer trends, and other factors. Since JRF considers that action plans for improving asset values can be divided into measures for revenue improvement and those for revenue stability, it aims to improve both the profitability and stability of its portfolio by combining these two measures through the management of the entire portfolio.

From the viewpoint of operating retail properties while being mindful of environmental and social responsibilities, JRF focuses on greening of facilities, energy conservation and reduction of CO2 emission. In the GRESB (Global Real Estate Sustainability Benchmark) Survey 2014 that evaluates the environmental responsiveness of real estate operators, JRF was designated as "Green Talk" company, which is the rating given to real estate operators making excellent efforts in regard to "Management and Policy."

Note: 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 2014, over 130 leading institutional investors are members of GRESB, which has a total of about 890 trillion yen (about 8.9 trillion 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.

On September 4, 2014, JRF decided to acquire five real estate properties and real estate trust beneficiary rights in total (acquisition costs totaling 46.7 billion yen). For this purpose, JRF issued new investment units (see the notice titled "Japan Retail Fund Investment Corporation to Issue New Investment Units and Conduct Secondary Offering of Investment Units" announced on September 4, 2014 for more details), and also obtained new long-term borrowings amounting to 26 billion yen. By obtaining these new borrowings, JRF was able to strengthen its stable financial base from a long-term perspective. More specifically, JRF has reduced its average debt costs and LTV levels, maintained the level of the long-term debt ratio, improved the fixed rate debt ratio, and also maintained the average remaining maturity.

To establish a faster financing method and a more solid financial base, JRF has implemented new measures. More specifically, JRF originally entered into a commitment line agreement for the maximum amount of 50 billion yen (1-year commitment period), but has established a long-term commitment line for the portion worth 15 billion yen of the said maximum amount. The commitment period for that portion is 3 years, and the borrowing period ranges from one month to five years.

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

6. Subsequent events

Issuance of new investment units

The Board of Directors of JRF, at its meeting held on September 4, 2014 and September 17, 2014, 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: 119,500 investment units, out of which 58,500 new units to be offered through the Domestic Public Offering and the remaining 61,000 new units to be offered through the Overseas Offering consisting of 58,500 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 2,500 additional new units granted to the overseas underwriters.
- (ii) Offer price: ¥205,702 per unit
- (iii) Total offering amount: ¥24,581,389,000
- (iv) Issue price (amount to be paid in): ¥199,300 per unit
- (v) Total amount to be paid in: ¥23,816,350,000
- (vi) Payment date: September 25, 2014
- (vii) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2014 and ending on February 28, 2015.

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

- (i) Number of new investment units: 2,500 investment units
- (ii) Issue price (amount to be paid in): ¥199,300 per unit
- (iii) Total amount to be paid in: ¥498,250,000
- (iv) Payment date: October 22, 2014
- (v) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2014 and ending on February 28, 2015.
- (iv) Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

(c) Use of proceeds

JRF will use the net proceeds from the Offerings partially for the acquisition of additional specified assets. The proceeds from the issuance of new investment units through the third-party allotment will be used partially for the acquisition of specified assets. Remaining proceeds, if any, will be reserved for an acquisition of specified assets in the future.

As a result of the Offerings and third-party allotment, unitholders' capital increased to ¥363,254,665,160 and number of investment units issued and outstanding increased to 2,430,198 units.

Outline of JRF

1. Investment unit

Fiscal period	21st	22nd	23rd	24th	25th
As of	August 31, 2012	February 28, 2013	August 31, 2013	February 28, 2014	August 31, 2014
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)	1,880,198	2,079,198	2,079,198	2,308,198	2,308,198
Number of unitholders (People)	19,077	19,857	18,669	20,562	19,980

2. Unitholders

Major unitholders as of August 31, 2014 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	466,552	20.21
Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	170,003	7.36
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	156,198	6.76
The Nomura Trust and Banking Co., Ltd, Investment Trust	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	120,611	5.22
Nomura Bank Luxembourg S.A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	70,748	3.06
The Bank Of New York Mellon SA/NV 10	RUE MONTROYERSTRAAT 46, 1000 BRUSSELS, BELGIUM	58,788	2.54
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	39,904	1.72
State Street Bank West Client-Treaty	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	34,662	1.50
State Street Bank - West Pension Fund Clients-Exempt	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.	32,191	1.39
State Street Bank and Trust Company 505223	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	27,962	1.21
Total		1,177,619	51.01

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, 2014 (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	-	21,450

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

Note 2 Compensation for Directors indicates actual payments, and the independent auditor's fees consist of estimated audit fees on an accrual basis and ¥4,450 thousand of fees for English financial statement audit and issuance of a comfort letter with respect to public offering of eighth series unsecured investment corporation bonds.

(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, 2014		As of August 31, 2014	
		Total of net book value (Note 1) (Millions of yen)	Composition ratio (%)	Total of net book value (Note 1) (Millions of yen)	Composition ratio (%)
Real property	Tokyo metropolitan area	23,695	3.1	23,662	3.0
	Osaka and Nagoya metropolitan areas	4,965	0.6	4,965	0.6
	Sub-total	28,661	3.7	28,627	3.6
Trust beneficial interest in real property	Tokyo metropolitan area	339,271	43.6	355,538	45.3
	Osaka and Nagoya metropolitan areas	287,262	36.9	283,897	36.1
	Other metropolitan areas	87,447	11.3	87,671	11.2
	Sub-total	713,981	91.8	727,108	92.6
Bank deposits and other assets		35,063	4.5	29,706	3.8
Total assets		777,706	100.0	785,442	100.0

Note 1 Total of net book value is carrying amounts on the balance sheets (amounts of Real property and Trust beneficial interest in real property are book values net of depreciation) at the end of the fiscal period.

2. Major property

The principal properties (top ten properties in net book value) as of August 31, 2014 were as follows:

Name of property	Net book value (Millions of yen)	Leasable area (Note 1) (m ²)	Leased area (Note 2) (m ²)	Occupancy ratio (Note 3) (%)	Ratio of rental revenue to total rental revenues (Note 3) (%)	Major use
Higashi-Totsuka Aurora City (trust beneficial interest)	47,592	109,365.50	109,365.50	100.0	4.6	Retail facilities
Nara Family (trust beneficial interest)	33,239	85,030.68	84,891.81	99.8	6.8	Retail facilities
mozo wonder city (Note 4) (trust beneficial interest)	31,102	86,722.88	86,666.97	99.9	6.7	Retail facilities
KAWASAKI Le FRONT (trust beneficial interest)	30,523	56,084.97	55,371.77	98.7	6.3	Retail facilities
AEON MALL Yachiyo Midorigaoka (trust beneficial interest)	28,366	132,294.48	132,294.48	100.0	2.3	Retail facilities
AEON MALL Musashi Murayama (trust beneficial interest)	27,940	137,466.97	137,466.97	100.0	3.2	Retail facilities
AEON MALL Tsurumi Ryokuchi (trust beneficial interest)	26,112	138,538.63	138,538.63	100.0	3.0	Retail facilities
G-Bldg. Shinsaibashi 03 (Note 5) (trust beneficial interest)	22,429	4,631.13	4,631.13	100.0	-	Retail facilities
GYRE (trust beneficial interest)	22,109	4,814.03	4,579.90	95.1	1.5	Retail facilities
AEON MALL Itami (trust beneficial interest)	19,377	157,904.26	157,904.26	100.0	2.0	Retail facilities
Total	288,793	912,853.53	911,711.42	99.9	-	

Note 1 Regardless the share of co-ownership or quasi-co-ownership, "Leasable area" means the total area of the building or land with leasehold interest of each property leasable 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 Regardless the share of co-ownership or quasi-co-ownership, "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 These properties are leased partially in the form of a pass-through master lease agreement and the "Leasable area" and "Leased area" of the properties show the leasable and leased area to the end tenants.

Note 5 "Ratio of rental revenue to total rental revenues" of the property is not disclosed because the consent from the tenant has not been obtained.

3. Details of property

The retail facilities as of August 31, 2014 were as follows:

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
AEON Sendai Nakayama	35-40, Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc.	Trust beneficial interest	46,248.96	10,900	9,052
Ito-Yokado Kawasaki	2-1, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	65,313.47	13,320	13,943
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	14,000	12,683
Narupark (Note 4)	232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	15,238.59	4,980	7,863
G-Bldg. Minami Aoyama 02	8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,529.15	5,370	5,264
Nara Family	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	85,030.68	36,600	33,239
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba	Trust beneficial interest	43,548.63	12,400	9,681
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,920	1,394
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	6,670	6,144
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	14,000	10,913
G-Bldg. Daikanyama 01	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,390	1,227
AEON MALL Higashiura	13-2, Aza-asahi, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi, etc.	Trust beneficial interest	129,124.73	10,400	7,426
AEON MALL Kashiihama	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	14,200	11,893
AEON MALL Sapporo Naebo	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,660	6,902
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,814.03	22,800	22,109
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	4,780	4,745
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc.	Trust beneficial interest	20,983.43	12,300	11,368
AEON Itabashi Shopping Center	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,748.34	13,000	11,278
G-Bldg. Kita Aoyama 01	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,420	954
AEON MALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,300	15,501
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	6,830	5,061
AEON Tobata Shopping Center	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	6,330	5,621
AEON Takatsuki	47-2, Haginosho 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	9,770	10,355
G-Bldg. Jiyugaoka 01	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,817.65	3,312	2,504
AEON Yagoto	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,310	3,482
AEON Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	10,300	10,353
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	3,980	3,990
AEON Nishi-Otsu	11-1, Ohjigaoka 3-chome, Otsu-shi, Shiga	Trust beneficial interest	62,717.26	11,000	12,274
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	19,677.43	5,780	6,850
Higashi-Totsuka Aurora City	537-1, Shinanocho, Totsuka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	109,365.50	40,800	47,592
AEON Omiya	574-1, Kushibikicho 2-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	75,344.90	6,000	5,801

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
Kawaramachi OPA	385, Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	18,848.20	15,600	18,490
AEON Ueda	12-18, Tsuneda 2-chome, Ueda-shi, Nagano	Trust beneficial interest	61,349.07	7,760	8,230
AEON MALL Tsurumi Ryokuchi	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	25,800	26,112
AEON MALL Itami	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	18,800	19,377
Ito-Yokado Yotsukaido	5, Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,207.19	10,400	12,966
Oyama Yuen Harvest Walk (Note 5)	1475-52, Oaza-Kizawa, Oyama-shi, Tochigi, etc.	Trust beneficial interest	59,872.65	8,620	9,437
AEON MALL Yachiyo Midorigaoka	1-3, Midorigaoka 2-chome, Yachiyo-shi, Chiba	Trust beneficial interest	132,294.48	22,900	28,366
G-Bldg. Jingumae 06	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,390	2,360
AEON MALL Sapporo Hassamu	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	17,600	16,728
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka, etc.	Trust beneficial interest	95,135.36	15,400	16,667
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	3,750	3,406
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,680	2,306
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo	Real property	922.30	5,020	6,453
La Porte Aoyama (Note 4)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,155.96	9,760	9,344
AEON MALL Musashi Murayama	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	30,500	27,940
AEON MALL Kobe Kita	2-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo	Trust beneficial interest	128,031.55	16,500	13,996
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	7,440	6,622
LIFE Taiheiji(Land with leasehold interest)	43-6, Taiheiji 2-chome, Higashi Osaka-shi, Osaka	Real property	3,898.01	1,350	1,304
LIFE Shimodera(Land with leasehold interest)	5-23, Shimodera 2-chome, Naniwa-ku, Osaka-shi, Osaka, etc.	Real property	4,344.18	1,770	1,717
LIFE Kishibe(Land with leasehold interest)	2205-15, Hara-cho 4-chome, Suita-shi, Osaka, etc.	Real property	5,516.61	2,030	1,942
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	4,360	5,529
G-Bldg. Minami-Ikebukuro 01 (Note 4)	19-5, Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficial interest	5,061.47	7,560	6,116
G-Bldg. Shinsaibashi 01	5-3, Shinsaibashi-suji 2-chome, Chuou-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	1,880	1,602
Kishiwada CanCan Bayside Mall	2-1, Minatomidori machi, Kishiwada-shi, Osaka, etc.	Trust beneficial interest	38,302.92	7,400	7,111
Makuhari Plaza	7701, Makuharicho 2-chome, Hanamigawa-ku, Chiba-shi, Chiba	Trust beneficial interest	24,542.93	6,440	5,562
MrMax Nagasaki	26-1, Iwami machi, Nagasaki-shi, Nagasaki, etc.	Trust beneficial interest	12,115.09	2,950	2,429
Urban Terrace Jingumae	47-6, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,719.19	4,550	2,791
Round1 Stadium Itabashi	16-13, Aioicho, Itabashi-ku, Tokyo	Trust beneficial interest	14,828.74	2,980	2,333
Round1 Machida	13-14, Morino 1-chome, Machida-shi, Tokyo	Trust beneficial interest	6,801.89	2,910	2,398
Arkangel Daikanyama(Land with leasehold interest)	111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	904.04	2,260	1,842
G-Bldg. Shinsaibashi 02 (Note 6)	3-24, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	-	5,190	4,371
Round1 Stadium Sennichimae(Land with leasehold interest)	1, Namba 1-chome, Chuo-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	1,711.63	9,040	8,091

Name of property	Location (Note 1)	Form of ownership	Leasable area (Note 2) (m ²)	Appraisal value at end of period (Note 3) (Millions of yen)	Net book value (Millions of yen)
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 (Note 5)	40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi, etc.	Trust beneficial interest	86,722.88	35,600	31,102
G-Bldg. Sangenjaya 01	15-4, Taishido 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	3,471.52	4,250	3,718
Round1 Yokohama Station West	8-16, Minamisaikai 2-chome, Nishi-ku Yokohama-shi, Kanagawa	Trust beneficial interest	6,560.09	4,770	3,901
G-Bldg. Omotesando 01 (Note 7)	1-9, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	1,508.03	6,900	5,911
Round1 Stadium Sakai Chuo Kanjyo	241, Ishiwara-cho 2-cho, Higashi-ku Sakai-shi, Osaka	Trust beneficial interest	17,521.46	2,300	1,739
pivo Izumi Chuo	1-2, Ibukino 5-chome, Izumi-shi, Osaka, etc.	Trust beneficial interest	21,182.94	6,650	5,910
Tecc Land Fukuoka Shime Honten (Note 6)	2-1, Minamizato 5-chome, Shime-machi, Kasuya-gun, Fukuoka	Trust beneficial interest	-	4,970	4,046
G-Bldg. Ginza 01	5-1, Ginza 6-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,610.54	6,120	5,548
Round1 Kyoto Kawaramachi	585, Uraderacho, Shijo-agaru yori Rokkaku-sagaru made, Teramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto, etc.	Trust beneficial interest	8,821.66	3,250	2,818
Round1 Hiroshima	3-11, Tatemachi, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	9,890.63	3,750	2,974
Colline Bajikouen	4-18, Kamiyoga 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	5,368.02	3,720	3,128
KAMISHIN PLAZA	6-12, Osumi 1-chome, Higashiyodogawa-ku, Osaka-shi, Osaka	Trust beneficial interest	11,809.69	4,230	3,978
Summit Store Nakano Minamidai	26-2, Minamidai 5-chome, Nakano-ku, Tokyo	Trust beneficial interest	3,536.50	3,180	3,120
KAWASAKI Le FRONT	1-11, Nissincho, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	56,084.97	36,800	30,523
G-Bldg. Shinsaibashi 03	2-17, Shinsaibashisuji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	4,631.13	23,500	22,429
G-Bldg. Shibuya 01	20-13 Jinnan1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,582.08	3,740	3,258
G-Bldg. Omotesando 02	25-15 Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	5,555.65	13,300	12,500
Round1 Stadium Takatsuki	6-4, Zushi 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	19,767.64	2,720	2,110
G-Bldg. Kichijoji 01	12-12, Kichijoji Honcho 2-chome, Musashino-shi, Tokyo	Trust beneficial interest	1,474.98	1,885	1,771
Total			3,067,166.11	792,437	755,736

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

Note 2 Regardless the share of co-ownership or quasi-co-ownership, “Leasable area” means the total area of the building or land with leasehold interest of each property leasable 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 The property name was changed from G-bldg. Omotesando to G-bldg. Omotesando 01 during the six months ended August 31, 2014.

Operating results of each retail facility for the six months ended February 28, 2014 and August 31, 2014 were as follows:

Name of property	For the six months ended February 28, 2014				For the six months ended August 31, 2014			
	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	421	1.5	2	100.0	423	1.4
Ito-Yokado Kawasaki	5	100.0	490	1.7	5	100.0	491	1.7
8953 Osaka Shinsaibashi Building	1	100.0	399	1.4	1	100.0	405	1.4
Narupark (Note 3)	48	100.0	360	1.2	47	98.2	369	1.2
G-Bldg. Minami Aoyama 02	4	100.0	87	0.3	3	90.4	85	0.3
Nara Family	130	100.0	2,003	6.9	129	99.8	2,012	6.8
Abiko Shopping Plaza	57	100.0	695	2.4	56	99.9	699	2.4
Ito-Yokado Yabashira	1	100.0	78	0.3	1	100.0	78	0.3
Ito-Yokado Kamifukuoka Higashi	1	100.0	256	0.9	1	100.0	256	0.9
Ito-Yokado Nishikicho	1	100.0	445	1.5	1	100.0	445	1.5
G-Bldg. Daikanyama 01	1	100.0	40	0.1	1	100.0	42	0.1
G-Bldg. Jingumae 05 (Note 4)	-	-	84	0.3	-	-	-	-
AEON MALL Higashiura	1	100.0	481	1.7	1	100.0	488	1.7
AEON MALL Kashiihama	1	100.0	477	1.6	1	100.0	477	1.6
AEON MALL Sapporo Naebo	1	100.0	372	1.3	1	100.0	372	1.3
GYRE	21	89.8	681	2.3	22	95.1	434	1.5
G-Bldg. Jingumae 04 (Note 4)	-	-	28	0.1	-	-	-	-
Ito-Yokado Tsunashima	1	100.0	172	0.6	1	100.0	168	0.6
Bic Camera Tachikawa	2	100.0	388	1.3	2	100.0	388	1.3
AEON Itabashi Shopping Center	1	100.0	662	2.3	1	100.0	656	2.2
G-Bldg. Kita Aoyama 01	3	100.0	35	0.1	3	100.0	32	0.1
AEON MALL Yamato	1	100.0	537	1.9	1	100.0	536	1.8
SEIYU Hibarigaoka	1	100.0	261	0.9	1	100.0	261	0.9
AEON Tobata Shopping Center	1	100.0	315	1.1	1	100.0	330	1.1
AEON Takatsuki	1	100.0	414	1.4	1	100.0	414	1.4
G-Bldg. Jiyugaoka 01	10	100.0	90	0.3	10	100.0	88	0.3
AEON Yagoto	2	100.0	129	0.4	2	100.0	126	0.4
AEON Naha Shopping Center	1	100.0	373	1.3	1	100.0	373	1.3
Cheers Ginza	10	100.0	109	0.4	9	91.0	106	0.4
AEON Nishi-Otsu	1	100.0	375	1.3	1	100.0	380	1.3
Kyoto Family	70	100.0	591	2.0	69	99.3	603	2.0
Higashi-Totsuka Aurora City	4	100.0	1,373	4.7	4	100.0	1,369	4.6
AEON Omiya	1	100.0	193	0.7	1	100.0	194	0.7

Name of property	For the six months ended February 28, 2014				For the six months ended August 31, 2014			
	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 TOWN Ogaki (Note 5)	1	100.0	325	1.1	-	-	37	0.1
Kawaramachi OPA	1	100.0	358	1.2	1	100.0	358	1.2
AEON Ueda	1	100.0	303	1.0	1	100.0	303	1.0
AEON MALL Tsurumi Ryokuchi	1	100.0	895	3.1	1	100.0	896	3.0
AEON MALL Itami	1	100.0	583	2.0	1	100.0	583	2.0
Ito-Yokado Yotsukaido	1	100.0	290	1.0	1	100.0	290	1.0
Oyama Yuen Harvest Walk (Note 6)	63	99.2	778	2.7	72	99.7	841	2.8
AEON MALL Yachiyo Midorigaoka	1	100.0	691	2.4	1	100.0	691	2.3
G-Bldg. Jingumae 06	4	100.0	49	0.2	4	100.0	51	0.2
AEON MALL Sapporo Hassamu	1	100.0	577	2.0	1	100.0	577	1.9
Ario Otori	1	100.0	555	1.9	1	100.0	580	2.0
G-Bldg. Jingumae 01	2	100.0	69	0.2	2	100.0	70	0.2
G-Bldg. Jingumae 02	3	100.0	29	0.1	3	100.0	29	0.1
G DINING SAPPORO (Notes 3 and 4)	-	-	102	0.4	-	-	-	-
G-Bldg. Minami Aoyama 01	3	100.0	50	0.2	3	100.0	50	0.2
La Porte Aoyama (Note 3)	21	90.5	268	0.9	22	93.6	283	1.0
AEON MALL Musashi Murayama	1	100.0	938	3.2	1	100.0	937	3.2
AEON MALL Kobe Kita	1	100.0	578	2.0	1	100.0	579	2.0
G-Bldg. Shinjuku 01	1	100.0	161	0.6	1	100.0	161	0.5
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	0.2	1	100.0	68	0.2
G-Bldg. Jingumae 03	6	93.3	76	0.3	7	100.0	77	0.3
G-Bldg. Minami-Ikebukuro 01 (Note 3)	7	88.8	240	0.8	8	100.0	247	0.8
G-Bldg. Shinsaibashi 01	2	100.0	61	0.2	2	100.0	60	0.2
Kishiwada CanCan Bayside Mall	112	99.1	794	2.7	110	98.8	793	2.7
Makuhari Plaza	6	100.0	221	0.8	6	100.0	201	0.7
MrMax Nagasaki (Note 7)	2	100.0	-	-	2	100.0	-	-
Urban Terrace Jingumae	2	100.0	100	0.3	2	100.0	101	0.3
Round1 Stadium Itabashi	1	100.0	95	0.3	1	100.0	95	0.3
Round1 Machida	1	100.0	90	0.3	1	100.0	90	0.3
Arkangel Daikanyama(Land with leasehold interest) (Note 7)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Shinsaibashi 02 (Note 7)	1	100.0	-	-	1	100.0	-	-
Round1 Stadium Sennichimae(Land with leasehold interest)	1	100.0	240	0.8	1	100.0	240	0.8

Name of property	For the six months ended February 28, 2014				For the six months ended August 31, 2014			
	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) (%)
Izumisano Shofudai(Land with leasehold interest) (Note 7)	2	100.0	-	-	2	100.0	-	-
Tecc Land Neyagawa(Land with leasehold interest) (Note 7)	1	100.0	-	-	1	100.0	-	-
mozo wonder city (Note 6)	224	99.8	1,995	6.9	224	99.9	1,969	6.7
G-Bldg. Sangenjaya 01	3	100.0	149	0.5	3	100.0	148	0.5
Round1 Yokohama Station West	1	100.0	114	0.4	1	100.0	114	0.4
G-Bldg. Omotesando 01	1	100.0	135	0.5	1	100.0	135	0.5
Round1 Stadium Sakai Chuo Kanjyo	1	100.0	82	0.3	1	100.0	85	0.3
pivo Izumi Chuo (Note 7)	17	100.0	-	-	17	100.0	-	-
Tecc Land Fukuoka Shime Honten (Note 7)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Ginza 01	8	100.0	120	0.4	8	100.0	147	0.5
Round1 Kyoto Kawaramachi	1	100.0	85	0.3	1	100.0	104	0.3
Round1 Hiroshima	1	100.0	98	0.3	1	100.0	119	0.4
Colline Bajikouen	10	100.0	116	0.4	10	100.0	144	0.5
KAMISHIN PLAZA	44	98.9	226	0.8	45	99.5	275	0.9
Summit Store Nakano Minamidai	1	100.0	69	0.2	1	100.0	84	0.3
KAWASAKI Le FRONT	66	98.5	1,464	5.0	67	98.7	1,862	6.3
G-Bldg. Shinsaibashi 03 (Note 7)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Shibuya 01 (Note 7)	-	-	-	-	1	100.0	-	-
G-Bldg. Omotesando 02	-	-	-	-	6	100.0	215	0.7
Round1 Stadium Takatsuki	-	-	-	-	1	100.0	76	0.3
G-Bldg. Kichijoji 01 (Note 7)	-	-	-	-	2	51.6	-	-
Total	1,021	99.9	29,058	100.0	1,037	99.9	29,516	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 These properties were sold on January 31, 2014.

Note 5 The property was sold on March 24, 2014.

Note 6 “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 7 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, 2014 were as follows:

(Millions of yen)

Classification	Transaction	Notional amounts		Fair value (Note 1)
			Over 1 year	
Over-the-counter	Interest rate swaps (Floating-rate to fixed-rate interest)	128,000	128,000	(1,631)
Total		128,000	128,000	(1,631)

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, 2014.

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, 2014	Total of advanced payment
Kishiwada CanCan Bayside Mall	Kishiwada-shi, Osaka	Rezoning construction of tenant floor	May, 2015 to August, 2015	300	-	-
AEON MALL Itami	Itami-shi, Hyogo	Repair of outer wall	September, 2014 to January, 2015	186	-	-
Nara Family	Nara-shi, Nara	Earthquake-resistant construction of elevator	March, 2015 to July, 2015	173	-	-
AEON MALL Yamato	Yamato-shi, Kanagawa	Earthquake-resistant construction of elevator	September, 2014 to January, 2015	150	-	-
Nara Family	Nara-shi, Nara	Renewal of disaster prevention equipment	May, 2015 to July, 2015	148	-	-

2. Capital expenditures for the six months ended August 31, 2014

Maintenance expenditures on property for the six months ended August 31, 2014 were totaling to ¥3,105 million consisting of ¥2,887 million of capital expenditures stated as below and ¥217 million of repair and maintenance expenses charged to income.

(Millions of yen)

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures
Oyama Yuen Harvest Walk	Oyama-shi, Tochigi	Renewal construction	September, 2013 to May, 2014	719
AEON MALL Tsurumi Ryokuchi	Osaka-shi, Osaka	Earthquake-resistant construction of elevator	July, 2014	203
AEON Itabashi Shopping Center	Itabashi-ku, Tokyo	Earthquake-resistant construction of elevator	April, 2014 to July, 2014	203
AEON MALL Higashiura	Chita-gun, Aichi	Repair of outer wall	August, 2014	154
AEON Tobata Shopping Center	Kita-Kyushu-shi, Fukuoka	Repair of outer wall	July, 2014	118
Others	-	-	-	1,489
Total				2,887

3. Reserved funds for long-term maintenance plan

JRF generally reserves funds to appropriate for future expenditures on large-scale maintenance based on a long-term maintenance plan, except for when depreciation for each fiscal period exceeds following two items.

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

There were no reserved funds for last five fiscal periods.

Condition of expenses and liabilities

1. Details of asset management expenses

(Thousands of yen)

Item	24th fiscal period	25th fiscal period
	For the six months ended February 28, 2014	For the six months ended August 31, 2014
Asset management fees	2,324,887	2,387,662
Custodian fees	26,287	28,251
General administration fees	112,083	119,095
Compensation for Directors	5,940	5,940
Other operating expenses	169,313	141,263
Total	2,638,511	2,682,211

2. Borrowings

Borrowings as of August 31, 2014 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method (Note 5)	Use (Note 9)	Remarks
			February 28, 2014 (Millions of yen)	August 31, 2014 (Millions of yen)					
Long-term	Sumitomo Mitsui Banking Corporation (Note 2)	November 4, 2008	24,310	24,310	0.9	March 1, 2015	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 30, 2009	4,050	-	1.2 (Note 3)	March 30, 2014	Lump sum (Note 6)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	July 30, 2009	12,350	12,050	1.8	July 30, 2016	Lump sum (Note 7)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	July 30, 2009	16,466	16,066	2.2	July 30, 2018	Lump sum (Note 8)	(Note 9)	Unsecured and unguaranteed
	American Family Life Assurance Company of Columbus	September 4, 2009	5,000	5,000	3.0	September 4, 2019	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2009	3,143	-	1.1 (Note 3)	September 30, 2014 (Note 4)	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		2,714	-					
	Sumitomo Mitsui Trust Bank, Limited		2,143	-					
	Mizuho Corporate Bank, Ltd.	February 7, 2011	5,000	5,000	0.7 (Note 3)	February 5, 2016	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Shinkumi Federation Bank		3,000	3,000					
	The Hiroshima Bank Ltd.		1,500	1,500					
	The Senshu Ikeda Bank, Ltd.		1,000	1,000					
	The Minato Bank, Ltd.		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2011	5,550	5,550	0.7 (Note 3)	September 28, 2018	Lump sum (Note 5)	(Note 9)	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 3)	March 29, 2019	Lump sum (Note 5)	(Note 9)	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	0.8 (Note 3)	March 30, 2018	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2014 (Millions of yen)	August 31, 2014 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	1,982	1,982	0.8	September 22, 2021	Lump sum (Note 5)	(Note 10)	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 5)	(Note 10)	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 3)	September 22, 2016	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	3,875	3,875	0.7	September 18, 2020	Lump sum (Note 5)	(Note 9)	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 5)	(Note 9)	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	0.8	September 30, 2020	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 30, 2011	3,500	3,500	0.7 (Note 3)	March 30, 2018	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	2,500	2,500	0.8 (Note 3)	September 28, 2018	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	4,000	4,000	0.8 (Note 3)	September 28, 2018	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Resona Bank, Limited.	September 30, 2011	2,500	2,500	0.6 (Note 3)	September 30, 2016	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	September 30, 2011	1,000	1,000	0.6 (Note 3)	September 30, 2016	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 21, 2011	3,172	3,172	0.6	December 20, 2019	Lump sum (Note 5)	(Note 11)	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 5)	(Note 11)	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 3)	December 21, 2016	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Resona Bank, Limited.	December 21, 2011	2,000	2,000	0.8 (Note 3)	December 21, 2016	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	2,180	2,180	0.8	May 20, 2022	Lump sum (Note 5)	(Note 11)	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	0.8	May 20, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	3,570	3,570	0.6 (Note 3)	November 22, 2017	Lump sum (Note 5)	(Note 11)	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 3)	November 22, 2017	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Chugoku Bank, LTD.	May 22, 2012	2,000	2,000	0.6 (Note 3)	November 22, 2017	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2014 (Millions of yen)	August 31, 2014 (Millions of yen)					
Long-term	The Bank of Fukuoka, Ltd.	September 14, 2012	3,000	3,000	0.5 (Note 3)	September 14, 2017	Lump sum (Note 5)	(Note 9)	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 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 2, 2012	1,000	1,000	0.5 (Note 3)	October 2, 2017	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	1,000	1,000	1.6	October 1, 2024	Lump sum	(Note 10)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	3,000	3,000	1.0	October 1, 2020	Lump sum	(Note 10)	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 10)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 2, 2012	2,000	2,000	1.0 (Note 3)	October 2, 2020	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	1,190	1,190	1.0 (Note 3)	October 2, 2020	Lump sum (Note 5)	(Note 10)	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 5)	(Note 10)	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 5)	(Note 10)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	2,974	2,974	0.5	October 2, 2019	Lump sum (Note 5)	(Note 10)	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 3)	October 2, 2017	Lump sum (Note 5)	(Note 10)	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 5)	(Note 9)	Unsecured and unguaranteed
	The Gunma Bank, Ltd.	December 28, 2012	500	500	0.6 (Note 3)	December 28, 2018	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.		500	500					
	The Higashi-Nippon Bank, Ltd.		500	500					
	Sumitomo Mitsui Banking Corporation	February 28, 2013	5,000	5,000	1.2 (Note 3)	February 28, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 29, 2013	5,000	5,000	1.2 (Note 3)	March 31, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	September 30, 2013	3,000	3,000	1.3	April 7, 2023	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,000	1,000	2.2 (Note 3)	October 6, 2028	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 7, 2013	1,500	1,500	1.5	April 5, 2024	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,000	1,000	1.3	October 6, 2023	Lump sum	(Note 10)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,189	1,189	1.4 (Note 3)	October 6, 2023	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2014 (Millions of yen)	August 31, 2014 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,387	1,387	1.3 (Note 3)	April 7, 2023	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,177	1,177					
	Sumitomo Mitsui Trust Bank, Limited		934	934					
	Development Bank of Japan Inc.	October 7, 2013	1,500	1,500	1.3	April 7, 2023	Lump sum	(Note 9)	Unsecured and unguaranteed
	Mizuho Corporate Bank, Ltd.	October 7, 2013	1,500	1,500	1.2 (Note 3)	October 7, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	October 7, 2013	1,000	1,000	1.2 (Note 3)	October 7, 2022	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 7, 2013	2,000	2,000	1.2 (Note 3)	October 7, 2022	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	October 7, 2013	1,000	1,000	1.0	October 7, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Nishi-Nippon City Bank, Ltd.	October 7, 2013	1,000	1,000	1.0 (Note 3)	October 7, 2021	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,189	1,189	0.9 (Note 3)	April 7, 2021	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					
	Shinkin Central Bank	October 7, 2013	1,500	1,500	0.8	October 7, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Norinchukin Bank	October 7, 2013	1,500	1,500	0.8 (Note 3)	April 7, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Joyo Bank, Ltd.	October 7, 2013	1,000	1,000	0.8 (Note 3)	April 7, 2020	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 7, 2013	1,000	1,000	0.7 (Note 3)	October 7, 2019	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	October 7, 2013	1,000	1,000	0.7 (Note 3)	October 7, 2019	Lump sum (Note 5)	(Note 9)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2014	-	4,000	1.7	March 31, 2026	Lump sum	(Note 9)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	-	1,586	0.4	February 28, 2017	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		-	1,346					
	Sumitomo Mitsui Trust Bank, Limited		-	1,068					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	-	594	1.5 (Note 3)	March 31, 2025	Lump sum (Note 5)	(Note 10)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		-	504					
	Sumitomo Mitsui Trust Bank, Limited		-	400					
	Sub-total		294,751	291,501					
	Total		294,751	291,501					

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, 2014 are included in current portion of long-term borrowings in the balance sheets.

Note 3 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 4 JRF had repaid all principal of the borrowings on June 30, 2014 in advance of the due date.

Note 5 JRF may repay all or part of principal of the borrowings on interest payment date.

Note 6 The principal was 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 was repaid on due date. The interest payment date was June 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date.

Note 7 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥15,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2014, includes ¥600 million of current portion of long-term borrowings.

Note 8 The principal is repaid on each interest payment date at an amount corresponding to 4% of the initial principal (¥20,000 million) per year, and the remaining balance is repaid on due date. The interest payment date is September 30, 2009 at first, and thereafter the 30th of March, June, September and December, and due date. The balance as of August 31, 2014, includes ¥800 million of current portion of long-term borrowings.

Note 9 The funds were mainly appropriated to repayment of borrowings.

Note 10 The funds were appropriated to purchasing real property or trust beneficiary interests in real property and miscellaneous expenses relating to the acquisition.

Note 11 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, 2014 (Millions of yen)	August 31, 2014 (Millions of yen)					
Second series unsecured investment corporation bonds (Note 1)	February 9, 2005	15,000	15,000	1.73	February 9, 2015	Lump sum (Note 2)	(Note 3)	Unsecured and unguaranteed
Third series unsecured investment corporation bonds	February 22, 2006	10,000	10,000	2.02	February 22, 2016	Lump sum (Note 2)	(Note 3)	Unsecured and unguaranteed
Sixth series unsecured investment corporation bonds	May 23, 2007	15,000	15,000	2.17	May 23, 2017	Lump sum (Note 2)	(Note 3)	Unsecured and unguaranteed
Seventh series unsecured investment corporation bonds	December 18, 2013	7,500	7,500	1.108	December 18, 2023	Lump sum (Note 2)	(Note 3)	Unsecured and unguaranteed
Eighth series unsecured investment corporation bonds	June 26, 2014	-	8,000	1.26	June 26, 2026	Lump sum (Note 2)	(Note 3)	Unsecured and unguaranteed
Total		47,500	55,500					

Note 1 Maturity date of the second series unsecured investment corporation bonds is within one year from August 31, 2014.

Note 2 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 3 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		Disposition			
	Date of acquisition	Acquisition cost	Date of disposition	Disposition amount	Net book value	Gain (loss) on disposition
G-Bldg. Shibuya 01	March 25, 2014	3,230	-	-	-	-
G-Bldg. Omotesando 02	April 1, 2014	12,393	-	-	-	-
Round1 Stadium Takatsuki	April 1, 2014	2,080	-	-	-	-
G-Bldg. Kichijoji 01	April 10, 2014	1,700	-	-	-	-
Oyama Yuen Harvest Walk	April 25, 2014	254	-	-	-	-
AEON TOWN Ogaki	-	-	March 24, 2014	3,430	3,735	46
Total	-	19,658	-	3,430	3,735	46

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)

Acquisition /Disposition	Name of property	Date of acquisition /disposition	Acquisition Cost /Disposition amount	Appraisal value	Name of appraiser	Date of appraisal
Acquisition	G-Bldg. Shibuya 01	March 25, 2014	3,230	3,610	Japan Real Estate Institute	March 1, 2014
Acquisition	G-Bldg. Omotesando 02	April 1, 2014	12,393	12,915	CBRE K.K.	March 1, 2014
Acquisition	Round1 Stadium Takatsuki	April 1, 2014	2,080	2,660	Tanizawa Sōgō Appraisal Co., Ltd.	March 1, 2014
Acquisition	G-Bldg. Kichijoji 01	April 10, 2014	1,700	1,885	CBRE K.K.	March 1, 2014
Acquisition	Oyama Yuen Harvest Walk	April 25, 2014	254	306	Japan Real Estate Institute	April 25, 2014
Disposition	AEON TOWN Ogaki	March 24, 2014	3,430	3,400	Japan Real Estate Institute	February 28, 2014

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 Arata to perform investigations.

The transaction subject to such investigation during the six months ended August 31, 2014, was one interest rate swap contract, 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 counter parties, 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

Classification	Acquisition cost / Disposition amount (Notes 2 and 3)	
	Acquisition cost	Disposition amount
Total amount	¥19,658,293 thousand	¥3,430,000 thousand
	Acquisition cost from interested parties ¥15,623,500 thousand (79.5%)	Disposition amount to interested parties ¥ - thousand (-)
<i>Breakdown for transactions with interested parties</i>		
Mitsubishi Corporation Urban Development, Inc.	¥3,230,000 thousand (16.4%)	¥ - thousand (-)
Jingumae 425 LLC	¥12,393,500 thousand (63.0%)	¥ - thousand (-)
Total	¥15,623,500 thousand (79.5%)	¥ - thousand (-)

(2) Amounts of fees paid and other expenses

Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Property management fees	680,365	Mitsubishi Corporation Urban Development, Inc.	23,500	3.5
Facility management fees	1,329,814	Mitsubishi UFJ Lease & Finance Company Limited	471	0.0
Utilities	1,959,461	Japan Facility Solutions, Inc.	16,580	0.8
Repair costs	217,736	Mitsubishi Corporation Urban Development, Inc.	735	0.3
Other rental expenses	698,148	Mitsubishi Shoji & Sun Co., Ltd.	1,778	0.3
		Mitsubishi Corporation Urban Development, Inc.	1,225	0.2
		Mitsubishi Corporation	314	0.0
Other operating expenses	141,263	Mitsubishi Corporation	155	0.1

Note 1 “Interested parties or major shareholders” means the interested parties related with the asset management company of JRF or the major shareholders of the asset management company as prescribed under Article 26, Item 27 of the Regulations for Management Reports by Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

Note 2 The acquisition cost or disposition amount indicate contracted amount of the property in the purchase agreement.

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

Note 4 In addition to above transaction, JRF paid Mitsubishi Corporation for research fees which were capitalized as a cost of property amounting to ¥773 thousand. JRF also paid Mitsubishi Corporation Urban Development, Inc. for ¥4,152 thousand of 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 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%
The 24th fiscal period (September 1, 2013 to February 28, 2014)	3,200	642,560	0.1%
The 25th fiscal period (March 1, 2014 to August 31, 2014)	3,200	698,240	0.1%

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

(1) The Board of Directors Meeting

Execution or modification of significant agreement approved by the Board of Directors of JRF for the six months ended August 31, 2014 was as follows:

Approval day	Item	Summary
June 13, 2014	Appointment of general administrators regarding investment corporation bonds	The Board of Directors of JRF appointed Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and SMBC Nikko Securities Inc. as general administrators regarding eighth investment corporation bonds.

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, 2014 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, 2014 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 26 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, 2014 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 12, 2014

PricewaterhouseCoopers Aarata

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JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of February 28, 2014 and August 31, 2014

	As of		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4).....	¥ 26,279	¥ 21,734	\$ 209,504
Restricted bank deposits (Note 4).....	558	513	4,945
Rental receivables	1,202	1,182	11,393
Consumption tax refundable	68	-	-
Derivatives (Note19).....	2	-	-
Other current assets	1,648	1,278	12,319
Total current assets	29,759	24,708	238,172
Non-current assets:			
Property and equipment (Notes 4, 5, 6, 8 and 11), at cost:			
Land.....	494,054	511,510	4,930,692
Buildings.....	300,616	300,358	2,895,295
Building improvements.....	15,426	15,890	153,171
Machinery and equipment.....	1,727	1,750	16,869
Furniture and fixtures.....	3,808	3,879	37,391
	815,633	833,389	8,033,439
Less: Accumulated depreciation.....	(79,918)	(84,160)	(811,258)
Net property and equipment	735,715	749,229	7,222,180
Other assets:			
Leasehold rights (Notes 4, 7 and 8).....	6,812	6,394	61,634
Other intangible assets (Notes 4, 7 and 8).....	115	112	1,079
Lease deposits (Note 4).....	1,644	1,637	15,779
Long-term prepaid expenses	2,879	2,626	25,313
Derivatives (Note19).....	24	12	115
Bond issuance costs	73	116	1,118
Unit issuance costs	234	158	1,523
Other	447	446	4,299
Total other assets	12,232	11,505	110,902
TOTAL ASSETS	¥ 777,706	¥ 785,442	\$ 7,571,255

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

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS

As of February 28, 2014 and August 31, 2014

	As of		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term borrowings (Note 9).....	¥ 13,450	¥ 25,710	\$ 247,831
Current portion of long-term bonds issued — unsecured (Note 10).....	15,000	15,000	144,592
Current portion of tenant leasehold and security deposits (Notes 4 and 11)..	3,417	2,236	21,553
Accounts payable—operating	1,510	1,970	18,989
Accounts payable—other	6	11	106
Accrued expenses	1,877	2,032	19,587
Consumption tax payable	-	946	9,118
Rent received in advance	2,609	2,795	26,942
Deposits received	1,004	2,617	25,226
Current portion of asset retirement obligations (Note 20).....	355	-	-
Other current liabilities	192	136	1,310
Total current liabilities	39,424	53,457	515,297
Non-current liabilities:			
Long-term borrowings (Note 9).....	281,301	265,791	2,562,087
Long-term bonds issued—unsecured (Note 10).....	32,500	40,500	390,399
Tenant leasehold and security deposits (Notes 4 and 11).....	57,735	58,859	567,370
Deferred tax liabilities (Note 16).....	487	487	4,694
Asset retirement obligations (Note 20).....	360	362	3,489
Derivatives liabilities (Note 19).....	56	106	1,021
Total non-current liabilities	372,441	366,105	3,529,063
TOTAL LIABILITIES	411,866	419,563	4,044,370
Net Assets (Note 12):			
Unitholders' equity:			
Unitholders' capital, 8,000,000 units authorized; 2,308,198 units as of February 28, 2014 and August 31, 2014 issued and outstanding.....	338,940	338,940	3,267,206
Capital surplus.....	14,986	14,986	144,457
Reserve for dividends.....	2,326	2,430	23,423
Retained earnings.....	9,615	9,615	92,683
Total unitholders' equity	365,869	365,973	3,527,790
Valuation and translation adjustments:			
Deferred losses on hedges.....	(29)	(94)	(906)
Total valuation and translation adjustments	(29)	(94)	(906)
TOTAL NET ASSETS	365,840	365,878	3,526,874
TOTAL LIABILITIES AND NET ASSETS	¥ 777,706	¥ 785,442	\$ 7,571,255

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, 2014 and August 31, 2014

	For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Operating revenues			
Rental and other operating revenues (Note 14).....	¥ 29,058	¥ 29,516	\$ 284,518
Gain on sales of property (Note 15).....	25	46	443
	<u>29,083</u>	<u>29,562</u>	<u>284,962</u>
Operating expenses			
Property-related expenses (Note 14).....	14,328	14,657	141,285
Asset management fees	2,324	2,387	23,009
Custodian fees	26	28	269
General administration fees	112	119	1,147
Other	175	147	1,417
	<u>16,966</u>	<u>17,339</u>	<u>167,139</u>
Operating income	<u>12,116</u>	<u>12,223</u>	<u>117,823</u>
Non-operating revenues			
Non-operating revenues.....	7	6	57
	<u>7</u>	<u>6</u>	<u>57</u>
Non-operating expenses			
Interest expense	1,576	1,599	15,413
Corporate bonds interest	405	458	4,414
Amortization of bond issuance costs	5	7	67
Amortization of unit issuance costs	71	76	732
Loan-related costs	472	469	4,520
Other non-operating expenses	4	4	38
	<u>2,535</u>	<u>2,615</u>	<u>25,207</u>
Ordinary income	<u>9,588</u>	<u>9,613</u>	<u>92,664</u>
Income before income taxes	<u>9,588</u>	<u>9,613</u>	<u>92,664</u>
Income taxes (Note 16):			
Current.....	-	-	-
Deferred.....	(26)	-	-
	<u>(25)</u>	<u>-</u>	<u>-</u>
Net income	<u>9,614</u>	<u>9,613</u>	<u>92,664</u>
Unappropriated earnings at beginning of period	<u>1</u>	<u>2</u>	<u>19</u>
Retained earnings at end of period (Note 13)	<u>¥ 9,615</u>	<u>¥ 9,615</u>	<u>\$ 92,683</u>

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, 2014 and August 31, 2014

	Unitholders' equity						Valuation and translation adjustments		
	Surplus					Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
	Unitholders' capital	Capital surplus	Reserve for dividends	Retained earnings	Total surplus				
	(in millions)								
Balance as of August 31, 2013.....	¥ 295,474	¥ 14,986	¥ 2,326	¥ 8,170	¥ 25,484	¥ 320,958	¥ 363	¥ 363	¥ 321,322
Changes during the period									
Issuance of new investment units.....	43,465	-	-	-	-	43,465	-	-	43,465
Cash distribution declared.....	-	-	-	(8,169)	(8,169)	(8,169)	-	-	(8,169)
Net income.....	-	-	-	9,614	9,614	9,614	-	-	9,614
Net changes of items other than unitholders' equity...	-	-	-	-	-	-	(392)	(392)	(392)
Total changes during the period	43,465	-	-	1,445	1,445	44,910	(392)	(392)	44,518
Balance as of February 28, 2014.....	¥ 338,940	¥ 14,986	¥ 2,326	¥ 9,615	¥ 26,929	¥ 365,869	¥ (29)	¥ (29)	¥ 365,840
Changes during the period									
Appropriation of reserve for dividends.....	-	-	103	(103)	-	-	-	-	-
Cash distribution declared.....	-	-	-	(9,509)	(9,509)	(9,509)	-	-	(9,509)
Net income.....	-	-	-	9,613	9,613	9,613	-	-	9,613
Net changes of items other than unitholders' equity...	-	-	-	-	-	-	(65)	(65)	(65)
Total changes during the period	-	-	103	-	103	103	(65)	(65)	38
Balance as of August 31, 2014.....	¥ 338,940	¥ 14,986	¥ 2,430	¥ 9,615	¥ 27,032	¥ 365,973	¥ (94)	¥ (94)	¥ 365,878

	Unitholders' equity					Valuation and translation adjustments			
	Surplus				Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets	
	Unitholders' capital	Capital surplus	Reserve for dividends	Retained earnings					Total surplus
	(in thousands of U.S. dollars (Note 3))								
Balance as of February 28, 2014.....	\$ 3,267,206	\$ 144,457	\$ 22,421	\$ 92,683	\$ 259,581	\$ 3,526,788	\$ (279)	\$ (279)	\$ 3,526,508
Changes during the period									
Appropriation of reserve for dividends.....	-	-	992	(992)	-	-	-	-	-
Cash distribution declared.....	-	-	-	(91,661)	(91,661)	(91,661)	-	-	(91,661)
Net income.....	-	-	-	92,664	92,664	92,664	-	-	92,664
Net changes of items other than unitholders' equity...	-	-	-	-	-	-	(626)	(626)	(626)
Total changes during the period	-	-	992	-	992	992	(626)	(626)	366
Balance as of August 31, 2014.....	\$ 3,267,206	\$ 144,457	\$ 23,423	\$ 92,683	\$ 260,574	\$ 3,527,790	\$ (906)	\$ (906)	\$ 3,526,874

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, 2014 and August 31, 2014

	For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S.dollars (Note 3))
Cash Flows from Operating Activities:			
Income before income taxes.....	¥ 9,588	¥ 9,613	\$ 92,664
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation.....	5,926	5,888	56,757
Amortization of bond issuance costs.....	5	7	67
Amortization of unit issuance costs.....	71	76	732
Gain on sales of property.....	(25)	(46)	(443)
Loss on disposal of fixed assets.....	237	72	694
Interest income.....	(4)	(2)	(19)
Interest expense.....	1,981	2,058	19,838
Changes in assets and liabilities:			
(Increase) decrease in Rental receivables.....	(152)	19	183
(Increase) decrease in Consumption tax refundable.....	(68)	68	655
Decrease in Long-term prepaid expenses.....	183	252	2,429
Increase in Accounts payable - operating.....	28	367	3,537
Increase in Accounts payable - other.....	1	6	57
Increase in Accrued expenses.....	74	82	790
(Decrease) increase in Consumption tax payable.....	(817)	946	9,118
Increase in Rent received in advance.....	375	186	1,792
(Decrease) increase in Deposits received.....	(1,326)	1,613	15,548
Other, net.....	(293)	321	3,094
Sub total.....	15,786	21,533	207,566
Interest received.....	4	2	19
Interest expenses paid.....	(2,004)	(1,985)	(19,134)
Income taxes paid.....	-	-	-
Net cash provided by operating activities.....	13,786	19,548	188,432
Cash Flows from Investing Activities:			
Purchase of property and equipment.....	(76,073)	(22,714)	(218,951)
Proceeds from sales of property and equipment.....	6,526	3,013	29,043
Purchase of intangible assets.....	-	(8)	(77)
Proceeds from sales of intangible assets.....	8	412	3,971
Payments of tenant leasehold and security deposits.....	(2,671)	(2,442)	(23,539)
Proceeds from tenant leasehold and security deposits.....	3,092	2,406	23,192
Proceeds from restricted bank deposits.....	-	45	433
Proceeds from deposits and others.....	94	8	77
Payments of deposits and others.....	(292)	-	-
Net cash used in investing activities.....	(69,316)	(19,280)	(185,849)
Cash Flows from Financing Activities:			
Repayments of short-term borrowings.....	(11,200)	-	-
Proceeds from long-term borrowings.....	34,000	9,500	91,575
Repayments of long-term borrowings.....	(7,800)	(12,750)	(122,903)
Proceeds from issuance of corporate bonds.....	7,451	7,948	76,614
Proceeds from issuance of investment units.....	43,306	-	-
Distribution payments.....	(8,169)	(9,511)	(91,681)
Net cash provided by (used in) financing activities.....	57,587	(4,812)	(46,385)
Net change in cash and cash equivalents.....	2,057	(4,544)	(43,801)
Cash and cash equivalents at beginning of period.....	24,221	26,279	253,315
Cash and cash equivalents at end of period.....	¥ 26,279	¥ 21,734	\$ 209,504

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, 2014 and August 31, 2014

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 March 1, 2010, the Company merged with LaSalle Japan REIT Inc.

The total assets managed by the Company at the end of the 25th fiscal period (August 31, 2014) amounted to ¥802.3 billion (US\$7,733 million) (the total acquisition price of 84 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	2-17 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 impairment assessment 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) Bond Issuance Costs

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

(i) Unit Issuance Costs

Unit 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 accounting and tax bases 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 disposition is liable for these taxes on the property from the date of disposition 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 ¥117 million and ¥31 million (US\$298 thousand) for the six months ended February 28, 2014 and August 31, 2014, 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.

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 ¥103.74 = US\$1, the effective rate of exchange prevailing at August 31, 2014. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended August 31, 2014 is solely for the convenience of readers outside of 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

The investment properties managed by the Company consist of real properties and 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, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Assets			
Current assets:			
Cash and cash equivalents.....	¥ 7,947	¥ 10,632	\$ 102,486
Restricted bank deposits.....	558	513	4,945
Property and equipment, at cost:			
Land.....	467,388	484,844	4,673,645
Buildings.....	298,444	298,182	2,874,320
Building improvements.....	15,349	15,814	152,438
Machinery and equipment.....	1,727	1,750	16,869
Furniture and fixtures.....	3,790	3,860	37,208
	786,701	804,452	7,754,501
Less: Accumulated depreciation.....	(79,627)	(83,831)	(808,087)
Net property and equipment.....	707,073	720,621	6,946,414
Other assets:			
Leasehold rights.....	6,792	6,374	61,442
Other intangible assets.....	115	112	1,079
Lease deposits.....	1,644	1,637	15,779
Liabilities			
Current liabilities:			
Current portion of tenant leasehold and security deposits.....	3,417	2,236	21,553
Non-current liabilities:			
Tenant leasehold and security deposits.....	55,975	57,081	550,231

Note 5 — Reduction Entry for Property

Acquisition costs of certain buildings were reduced by government subsidies received. The accumulated amount of such reduction was ¥31 million (US\$298 thousand) as of August 31, 2014.

Note 6 — Schedule of Property and Equipment

(i) Schedule of Property and Equipment as of February 28, 2014 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.....	¥ 434,269	¥ 63,868	¥ 4,083	¥ 494,054	¥ -	¥ -	¥ 494,054
Buildings.....	291,402	12,387	3,174	300,616	72,208	5,392	228,407
Building improvements.....	15,429	82	86	15,426	4,821	299	10,605
Machinery and equipment.....	1,670	56	-	1,727	739	51	987
Furniture and fixtures.....	3,783	203	177	3,808	2,148	155	1,660
Total.....	¥ 746,556	¥ 76,598	¥ 7,521	¥ 815,633	¥ 79,918	¥ 5,899	¥ 735,715

(ii) Schedule of Property and Equipment as of August 31, 2014 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.....	¥ 494,054	¥ 17,455	¥ -	¥ 511,510	¥ -	¥ -	¥ 511,510
Buildings.....	300,616	4,490	4,747	300,358	76,080	5,370	224,278
Building improvements.....	15,426	719	255	15,890	5,022	297	10,868
Machinery and equipment.....	1,727	34	11	1,750	787	52	962
Furniture and fixtures.....	3,808	108	38	3,879	2,269	149	1,609
Total.....	¥ 815,633	¥ 22,808	¥ 5,052	¥ 833,389	¥ 84,160	¥ 5,870	¥ 749,229

	At cost			Ending balance (in thousands of U.S. dollars (Note 3))	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
Land.....	\$ 4,762,425	\$ 168,257	\$ -	\$ 4,930,692	\$ -	\$ -	\$ 4,930,692
Buildings.....	2,897,782	43,281	45,758	2,895,295	733,371	51,764	2,161,924
Building improvements.....	148,698	6,930	2,458	153,171	48,409	2,862	104,761
Machinery and equipment.....	16,647	327	106	16,869	7,586	501	9,273
Furniture and fixtures.....	36,707	1,041	366	37,391	21,871	1,436	15,509
Total.....	\$ 7,862,280	\$ 219,857	\$ 48,698	\$ 8,033,439	\$ 811,258	\$ 56,583	\$ 7,222,180

Note 7 — Schedule of Intangible Assets

(i) Schedule of Intangible Assets as of February 28, 2014 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.....	¥ 7,019	¥ -	¥ -	¥ 7,019	¥ 206	¥ 13	¥ 6,812
Other intangible assets.....	292	-	12	280	164	13	115
Total.....	¥ 7,311	¥ -	¥ 12	¥ 7,299	¥ 371	¥ 26	¥ 6,928

(ii) Schedule of Intangible Assets as of August 31, 2014 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.....	¥ 7,019	¥ -	¥ 572	¥ 6,446	¥ 52	¥ 5	¥ 6,394
Other intangible assets.....	280	10	-	290	177	13	112
Total.....	¥ 7,299	¥ 10	¥ 573	¥ 6,737	¥ 229	¥ 18	¥ 6,507

	At cost			Ending balance (in thousands of U.S. dollars (Note 3))	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
Leasehold rights.....	\$ 67,659	\$ -	\$ 5,513	\$ 62,136	\$ 501	\$ 48	\$ 61,634
Other intangible assets.....	2,699	96	-	2,795	1,706	125	1,079
Total.....	\$ 70,358	\$ 96	\$ 5,523	\$ 64,941	\$ 2,207	\$ 173	\$ 62,724

Note 8 — 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, 2014 and August 31, 2014.

	As of / For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Net book value⁽ⁱ⁾			
Balance at the beginning of the period.....	¥ 678,711	¥ 742,642	\$ 7,158,685
Net increase during the period ⁽ⁱⁱ⁾	63,931	13,093	126,209
Balance at the end of the period.....	<u>¥ 742,642</u>	<u>¥ 755,736</u>	<u>\$ 7,284,904</u>
Fair value⁽ⁱⁱⁱ⁾	¥ 769,387	¥ 792,437	\$ 7,638,683

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, 2014:		Increase (decrease) in net book value (in millions)
Acquisitions:		
KAWASAKI Le FRONT.....	¥	30,684
G-Bldg. Shinsaibashi 03.....		22,511
G-Bldg. Ginza 01.....		5,558
KAMISHIN PLAZA.....		3,954
Colline Bajikouen.....		3,140
Summit Store Nakano Minamidai.....		3,134
Round1 Hiroshima.....		3,006
Round1 Kyoto Kawaramachi.....		2,840
Capital expenditures:		
Earthquake-resistant construction of unqualified elevators at AEON MALL Higashiura.....		278
Total of capital expenditures for the period (including above expenditure).....		1,768
Disposals:		
G DINING SAPPORO.....		(2,933)
G-Bldg. Jingumae 05.....		(2,704)
G-Bldg. Jingumae 04.....		(869)

For the six months ended August 31, 2014:

	Increase (decrease) in net book value	
	(in millions)	(in thousands of U.S. dollars (Note 3))
Acquisitions:		
G-Bldg. Omotesando 02.....	¥ 12,505	\$ 120,541
G-Bldg. Shibuya 01.....	3,270	31,521
Round1 Stadium Takatsuki.....	2,121	20,445
G-Bldg. Kichijoji 01.....	1,774	17,100
Oyama Yuen Harvest Walk (additional acquisition).....	258	2,486
Capital expenditures:		
Renewal construction of Oyama Yuen Harvest Walk.....	719	6,930
Total of capital expenditures for the period (including above expenditure).....	2,887	27,829
Disposal:		
AEON TOWN Ogaki.....	(3,735)	(36,003)

- (iii) Fair value has been determined based on independent real estate appraisers. For AEON TOWN Ogaki that was sold on March 24, 2014, the selling prices have been used as a reference to determine fair value as of February 28, 2014.

For rental revenues and expenses for the six months ended February 28, 2014 and August 31, 2014, please refer to “Note 14 — Breakdown of Rental and Other Operating Revenues and Property-Related Expenses”.

Note 9 — Bank Borrowings, Credit Facilities and Commitment Lines

Bank borrowings outstanding as of February 28, 2014 and August 31, 2014 and average interest rates range for each period were as follows:

	As of / For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Bank borrowings at end of the period			
Long-term borrowings.....	¥ 294,751	¥ 291,501	\$ 2,809,919
Total.....	¥ 294,751	¥ 291,501	\$ 2,809,919
Average interest rates range for the period.....	From 0.5% to 3.0%	From 0.4% to 3.0%	

As of February 28, 2014 and August 31, 2014, the Company entered into credit facilities and committed lines of credit as follows:

	As of		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Credit Facilities			
Total amount of credit facilities.....	¥ 35,500	¥ 35,500	\$ 342,201
Borrowings drawn down.....	-	-	-
Unused credit facilities.....	¥ 35,500	¥ 35,500	\$ 342,201
Commitment Lines			
Total amount of committed lines of credit.....	¥ 50,000	¥ 50,000	\$ 481,974
Borrowings drawn down.....	-	-	-
Unused committed lines of credit.....	¥ 50,000	¥ 50,000	\$ 481,974

Note 10 — Corporate Bonds

The details of unsecured corporate bonds issued and outstanding as of February 28, 2014 and August 31, 2014 were as follows:

	Balance as of		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Long-term bonds — unsecured			
¥15 billion of 10-year bonds, issued on February 9, 2005, maturing on February 9, 2015 with a coupon of 1.73%.....	¥ 15,000	¥ 15,000	\$ 144,592
¥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	96,394
¥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	144,592
¥7.5 billion of 10-year bonds, issued on December 18, 2013, maturing on December 18, 2023 with a coupon of 1.108%.....	7,500	7,500	72,296
¥8 billion of 12-year bonds, issued on June 26, 2014, maturing on June 26, 2026 with a coupon of 1.26%.....	-	8,000	77,115
Total.....	¥ 47,500	¥ 55,500	\$ 534,991

Note 11 — Collateral

Certain properties and beneficiary interests in trusts (comprising of properties and cash) with an aggregate book value of ¥246,636 million and ¥245,188 million (US\$2,363,485 thousand) respectively were pledged as collateral to secure tenant leasehold and security deposits totaling ¥35,156 million and ¥34,426 million (US\$331,848 thousand) as of February 28, 2014 and August 31, 2014, 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\$6,660 thousand) and a former owner's payment of retirement benefit obligation for an amount of ¥350 million and ¥350 million (US\$3,373 thousand) as of February 28, 2014 and August 31, 2014, respectively.

Note 12 — 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\$481 thousand) in accordance with the Investment Trust Act.

The units issued and outstanding were 2,308,198 units as of February 28, 2014 and August 31, 2014.

Note 13 — 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. The Company also intends to make regular distributions to unitholders with respect to its semi-annual fiscal periods, ending at the end of February and August of each year.

The following table shows the distributions of retained earnings for the six months ended February 28, 2014 and August 31, 2014, respectively.

	For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Retained earnings at the end of period.....	¥ 9,615	¥ 9,615	\$ 92,683
Cash distribution declared.....	(9,509)	(9,613)	(92,664)
Transfer to reserve for dividends.....	(103)	-	-
Retained earnings carried forward.....	¥ 2	¥ 1	\$ 9

Because reversal of deferred tax liabilities did not qualify as distributable profit as defined in the Special Taxation Measures Act of Japan, the Company transferred ¥103 million and ¥0.5 million (US\$4 thousand) from retained earnings of ¥9,615 million and ¥9,615 million (US\$92,683 thousand) at the end of each fiscal period to reserve for dividends and declared a total distribution of ¥9,509 million and ¥9,613 million (US\$92,664 thousand), with approval of the Board of Directors meeting held on October 14, 2014, representing substantially all of remaining retained earnings after transferring to reserve for dividends for the six months ended February 28, 2014 and August 31, 2014, respectively.

The financial statements do not reflect the transfer to reserve for dividends and declaration of distribution as of the end of each fiscal period.

Cash distributions per investment unit were ¥4,120 and ¥4,165 (US\$40) for the six months ended February 28, 2014 and August 31, 2014, respectively.

Note 14 — Analysis 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, 2014 and August 31, 2014 consist of the following:

	For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Rental and other operating revenues:			
Rental and parking revenue.....	¥ 26,012	¥ 26,115	\$ 251,735
Common area charges.....	1,332	1,608	15,500
Other.....	1,713	1,792	17,273
Total rental and other operating revenues.....	<u>¥ 29,058</u>	<u>¥ 29,516</u>	<u>\$ 284,518</u>
Property-related expenses:			
Property management fees.....	¥ 707	¥ 680	\$ 6,554
Facility management fees.....	1,257	1,329	12,810
Utilities.....	1,685	1,959	18,883
Property-related taxes.....	2,598	2,813	27,115
Repair and maintenance.....	188	217	2,091
Insurance.....	53	55	530
Trust fees.....	87	84	809
Rent expense ⁽ⁱ⁾	921	857	8,261
Other.....	664	698	6,728
Depreciation.....	5,926	5,888	56,757
Loss on disposal of property.....	237	72	694
Total property-related expenses.....	<u>¥ 14,328</u>	<u>¥ 14,657</u>	<u>\$ 141,285</u>
Operating income from property leasing activities.....	<u>¥ 14,729</u>	<u>¥ 14,859</u>	<u>\$ 143,233</u>

Note:

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

Note 15 — Analysis of Gain on Sales of Property

Breakdown of gain on sales of property for the six months ended February 28, 2014 and August 31, 2014 were as follows:

	For the six months ended		
	February 28, 2014 ⁽ⁱ⁾	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Sale of land and building.....	¥ 6,560	¥ 3,430	\$ 33,063
Cost of land and building.....	(6,508)	(3,735)	(36,003)
Other sales expenses.....	(25)	(4)	(38)
Gain on derecognition of asset retirement obligation.....	-	356	3,431
Gain on sales of property, net.....	<u>¥ 25</u>	<u>¥ 46</u>	<u>\$ 443</u>

Note:

- (i) Disposition amounts of each property are not disclosed because the consent from the counter party has not been obtained. Gross amounts of gains and losses on sales of property are ¥870 million and ¥844 million, respectively.

Note 16 — 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 the 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 purposes and distributed approximately 100% 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 for a 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 rate and statutory tax rate are as follows:

	For the six months ended	
	February 28, 2014	August 31, 2014
	(Rate)	
Statutory tax rate.....	36.59%	36.59%
Deductible cash distributions.....	(36.29)	(35.07)
Change in valuation allowance (for deferred tax assets).....	(0.12)	(3.76)
Other.....	(0.45)	2.24
Effective tax rate.....	(0.27%)	0.00%

Deferred tax assets and liabilities consist of the followings:

	As of		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Deferred tax assets:			
Current:			
Tax loss carryforwards.....	¥ 3,231	¥ 3,017	\$ 29,082
Current portion of asset retirement obligations.....	130	-	-
Other.....	26	30	289
Sub total.....	3,388	3,047	29,371
Valuation allowance.....	(3,388)	(3,047)	(29,371)
Total.....	-	-	-
Non-current:			
Amortization of leasehold rights.....	143	37	356
Asset retirement obligations.....	123	123	1,185
Valuation differences on assets acquired through the merger.....	6,096	6,087	58,675
Other.....	19	36	347
Sub total.....	6,382	6,285	60,584
Valuation allowance.....	(6,382)	(6,285)	(60,584)
Total.....	-	-	-
Total deferred tax assets.....	-	-	-
Net deferred tax assets.....	¥ -	¥ -	\$ -
Deferred tax liabilities:			
Non-current:			
Valuation differences on assets acquired through the merger (not offset by other tax deductible items).....	¥ 410	¥ 410	\$ 3,952
Asset retirement costs (not offset by other tax deductible items) ⁽ⁱ⁾	77	76	732
Total deferred tax liabilities.....	487	487	4,694
Net deferred tax liabilities.....	¥ 487	¥ 487	\$ 4,694

Note:

(i) The Company recorded these deferred tax liabilities because the Company's position of not being subject to any income tax in the future may be unsustainable.

On March 31, 2014, the Japanese government announced an act to partially amend income tax act (Act No.10 of 2014) which results in changes in the statutory tax rate over the forthcoming years. As a consequence of the effects of this act, the statutory tax rate will change from 39.43% to 37.11% for temporary differences which will reverse in the six months ending February 28, 2015 and August 31, 2015. This change in the statutory tax rate did not have any impact on deferred tax assets and liabilities as of February 28, 2014 or income taxes for the period then ended.

Note 17 — Leases

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of February 28, 2014 and August 31, 2014 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	As of		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Due within one year.....	¥ 32,096	¥ 30,331	\$ 292,375
Due after one year.....	106,496	96,958	934,625
Total.....	¥ 138,593	¥ 127,289	\$ 1,227,000

Note 18 — 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, 2014 and August 31, 2014.

	As of								
	February 28, 2014			August 31, 2014			August 31, 2014		
	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 of U.S. dollars (Note 3))		
Assets:									
(1) Cash and cash equivalents.....	¥ 26,279	¥ 26,279	¥ -	¥ 21,734	¥ 21,734	¥ -	\$ 209,504	\$ 209,504	\$ -
(2) Restricted bank deposits.....	558	558	-	513	513	-	4,945	4,945	-
Total.....	¥ 26,837	¥ 26,837	¥ -	¥ 22,247	¥ 22,247	¥ -	\$ 214,449	\$ 214,449	\$ -
Liabilities:									
(1) Current portion of long-term borrowings.....	¥ 13,450	¥ 13,464	¥ (14)	¥ 25,710	¥ 25,725	¥ (15)	\$ 247,831	\$ 247,975	\$ (144)
(2) Current portion of long-term bonds issued.....	15,000	15,199	(199)	15,000	15,100	(100)	144,592	145,556	(963)
(3) Current portion of tenant leasehold and security deposits.....	3,347	3,460	(112)	2,189	2,205	(15)	21,100	21,255	(144)
(4) Long-term borrowings.....	281,301	284,188	(2,887)	265,791	269,678	(3,887)	2,562,087	2,599,556	(37,468)
(5) Long-term bonds issued.....	32,500	33,732	(1,232)	40,500	41,763	(1,263)	390,399	402,573	(12,174)
(6) Tenant leasehold and security deposits.....	11,195	11,586	(390)	10,680	11,218	(538)	102,949	108,135	(5,186)
Total.....	¥ 356,794	¥ 361,632	¥ (4,838)	¥ 359,871	¥ 365,691	¥ (5,820)	\$ 3,468,970	\$ 3,525,072	\$ (56,101)
Derivative instruments*	¥ (29)	¥ (29)	¥ -	¥ (94)	¥ (94)	¥ -	\$ (906)	\$ (906)	\$ -

* 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) 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.

- (2) Current portion of long-term bonds issued and (5) Long-term bonds issued

The fair value is the quoted price provided by pricing vendors.

- (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.

Derivative instruments

Please refer to "Note 19 — 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, 2014	August 31, 2014	August 31, 2014
	(in thousands of U.S. dollars (Note 3))		
Current portion of tenant leasehold and security deposits.....	¥ 70	¥ 46	\$ 443
Tenant leasehold and security deposits.....	46,539	48,178	464,411
Total liabilities.....	¥ 46,610	¥ 48,225	\$ 464,864

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, 2014:	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.....	¥ 26,279	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits.....	558	-	-	-	-	-
Total.....	¥ 26,837	¥ -	¥ -	¥ -	¥ -	¥ -
As of August 31, 2014:	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.....	¥ 21,734	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits.....	513	-	-	-	-	-
Total.....	¥ 22,247	¥ -	¥ -	¥ -	¥ -	¥ -
As of August 31, 2014:	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars (Note 3))					
Cash and cash equivalents.....	\$ 209,504	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted bank deposits.....	4,945	-	-	-	-	-
Total.....	\$ 214,449	\$ -	\$ -	\$ -	\$ -	\$ -

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

<i>As of February 28, 2014:</i>						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions)					
Current portion of long-term borrowings	¥ 13,450	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term bonds issued	15,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits	1,305	-	-	-	-	-
Long-term borrowings	-	36,710	22,450	24,300	43,766	154,075
Long-term bonds issued	-	10,000	-	15,000	-	7,500
Tenant leasehold and security deposits	-	1,548	1,531	1,447	1,447	4,505
Total	¥ 29,755	¥ 48,258	¥ 23,981	¥ 40,747	¥ 45,213	¥ 166,080
<i>As of August 31, 2014:</i>						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in millions)					
Current portion of long-term borrowings	¥ 25,710	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term bonds issued	15,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits	1,354	-	-	-	-	-
Long-term borrowings	-	23,250	15,300	45,666	49,000	132,575
Long-term bonds issued	-	10,000	15,000	-	-	15,500
Tenant leasehold and security deposits	-	1,548	1,531	1,447	1,447	4,051
Total	¥ 42,064	¥ 34,798	¥ 31,831	¥ 47,113	¥ 50,447	¥ 152,126
<i>As of August 31, 2014:</i>						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(in thousands of U.S. dollars (Note 3))					
Current portion of long-term borrowings	\$ 247,831	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term bonds issued	144,592	-	-	-	-	-
Current portion of tenant leasehold and security deposits	13,051	-	-	-	-	-
Long-term borrowings	-	224,117	147,484	440,196	472,334	1,277,954
Long-term bonds issued	-	96,394	144,592	-	-	149,411
Tenant leasehold and security deposits	-	14,921	14,758	13,948	13,948	39,049
Total	\$ 405,475	\$ 335,434	\$ 306,834	\$ 454,144	\$ 486,283	\$ 1,466,416

Note 19 — Derivatives

Information on derivative transactions undertaken by the Company as of February 28, 2014 and August 31, 2014 was as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of February 28, 2014:

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts ⁽ⁱⁱ⁾		Fair value ⁽ⁱⁱⁱ⁾
			Total	Over 1 year	
			(in millions)		
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	¥ 76,550	¥ 64,500	¥ (29)
Special treatment for hedge accounting of interest rate swaps ⁽ⁱ⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	62,000	62,000	(1,143)
Total			¥ 138,550	¥ 126,500	¥ (1,172)

As of August 31, 2014:

Method of hedge accounting	Type of derivatives	Hedged item	Notional amounts ⁽ⁱⁱ⁾		Fair value ⁽ⁱⁱⁱ⁾	Notional amounts ⁽ⁱⁱ⁾		
			Total	Over 1 year		Total	Over 1 year	Fair value ⁽ⁱⁱⁱ⁾
			(in millions)			(in thousands of U.S. dollars (Note 3))		
Deferred hedge accounting	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	¥ 64,500	¥ 64,500	¥ (94)	\$ 621,746	\$ 621,746	\$ (906)
Special treatment for hedge accounting of interest rate swaps ⁽ⁱ⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	63,500	63,500	(1,537)	612,107	612,107	(14,815)
Total			¥ 128,000	¥ 128,000	¥ (1,631)	\$ 1,233,853	\$ 1,233,853	\$ (15,721)

Notes:

- 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.
- The notional amounts relating to derivatives do not, by themselves, represent the market risk exposure associated with the derivative transactions.
- The fair value is determined at the amount in reference to the calculation by the counterparty to the interest rate swaps contracts based on the prevailing market interest rates and other assumptions.

Note 20 — Asset Retirement Obligations

The Company has contractual or legal obligations to remove asbestos contained in the buildings of KAWASAKI Le FRONT. The estimated period of use of the property is estimated at 24 years based on the useful life of buildings containing asbestos. The asset retirement obligations for the removal are recognized as liability using discount rates at 1.584%.

Movements of asset retirement obligations for the six months ended February 28, 2014 and August 31, 2014 were as follows:

	For the six months ended		
	February 28, 2014	August 31, 2014	August 31, 2014
	(in millions)		(in thousands of U.S. dollars (Note 3))
Balance at the beginning of the period.....	¥ 352	¥ 716	\$ 6,901
Increase due to acquisition of properties.....	358	-	-
Adjustment for passage of time.....	5	3	28
Derecognition due to sales of properties.....	-	(356)	(3,431)
Derecognition due to execution of obligations.....	-	(1)	(9)
Balance at the end of the period.....	¥ 716	¥ 362	\$ 3,489

Note 21 — Contingent Liabilities

On November 1, 2011, Tokyu Hands Inc., a tenant of 8953 Osaka Shinsaibashi Building (held by the Company in the form of trust beneficiary interest in a real estate trust), brought a case in the Osaka District Court against the Company through a trustee of the property, to demand reduction in 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 the claim by Tokyu Hands Inc. were allowed, the Company would be obligated to pay the rent and parking fee reduction totaling of ¥951 million and ¥1,073 million (US\$10,343 thousand) (calculated up to February 28, 2014 and August 31, 2014, respectively) and the interest on the obligation.

The outcome of this case may have an impact on operating results or financial position of the Company. However it is difficult to estimate the amount of the impact at this point.

On November 21, 2012, OPA Co., Ltd., a tenant of Kawaramachi OPA (held by the Company in the form of trust beneficiary interest in a real estate trust), brought a case in the Kyoto District Court against the Company through a trustee of the property, to demand reduction in the rent for the period from March 1, 2011 to July 31, 2011 by approximately 9%, and for a period after August 1, 2011 by approximately 10% compared to the amounts as stated on the current lease contract. On June 28, 2013, the initial date of the period for the 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 obligated to pay the rent reduction totaling of ¥214 million and ¥252 million (US\$2,429 thousand) (calculated from March 31, 2011 up to February 28, 2014 and August 31, 2014, respectively) and the interest on the obligation.

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

Note 22 — Related-Party Transactions

(a) Real Estate Acquisition

The Company acquired certain properties from SSG4 LLC for ¥ 5,900 million and from Ginza 651 LLC for ¥5,500 million during the six months ended February 28, 2014, and from Jingumae 425 LLC for ¥12,393 million (US\$119,462 thousand) and from Mitsubishi Corporation Urban Development, Inc. for ¥3,230 million (US\$31,135 thousand) for the six months ended August 31, 2014.

(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 ¥2,324 million and ¥2,387 million (US\$23,009 thousand) were paid by the Company for the six months ended February 28, 2014 and August 31, 2014, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥589 million and ¥155 million (US\$1,494 thousand) were paid by the Company for the six months ended

February 28, 2014 and August 31, 2014, respectively. 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 ¥111 million and ¥118 million (US\$1,137 thousand) for general administration fees, ¥45 million and ¥45 million (US\$433 thousand) for custodian fees for the six months ended February 28, 2014 and August 31, 2014, respectively. The Company also paid Mitsubishi UFJ Trust and Banking Corporation for ¥158 million of interest expenses for the six months ended February 28, 2014.

In addition, the Company obtained long-term borrowings of ¥4,542 million and ¥1,850 million (US\$17,833 thousand) from Mitsubishi UFJ Trust and Banking Corporation for the six months ended February 28, 2014 and August 31, 2014, respectively. The Company repaid ¥3,767 million of short-term borrowings and ¥1,346 million of long-term borrowings for the six months ended February 28, 2014, and ¥2,714 million (US\$26,161 thousand) of long-term borrowings for the six months ended August 31, 2014.

The ending balances of accrued general administration fees, accounts payable for custodian fees and long-term borrowings as of August 31, 2014 were ¥41 million (US\$395 thousand), ¥8 million (US\$77 thousand) and ¥44,498 million (US\$428,937 thousand), respectively.

Note 23 — Per Unit Information

The following table shows the net asset value per unit as of February 28, 2014 and August 31, 2014 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, 2014	August 31, 2014	August 31, 2014
	(Yen)		(US\$ (Note 3))
The net asset value per unit.....	¥ 158,495	¥ 158,512	\$ 1,527
Net income per unit.....	¥ 4,237	¥ 4,165	\$ 40
Weighted average number of units.....	2,268,977	2,308,198	

Note 24 — Segment Information

Segment information for the six months ended February 28, 2014 and August 31, 2014 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			Related Segment
	February 28, 2014	August 31, 2014	August 31, 2014	
	(in millions)		(in thousands of U.S. dollars (Note 3))	
AEON Retail Co., Ltd.	¥ 4,898	¥ 4,912	\$ 47,349	Property rental business
AEON Mall Co., Ltd.	4,012	4,012	38,673	Property rental business

Note 25 — Significant Non-cash Transactions

Due to the recognition of asset retirement obligations for a property acquired in the current fiscal period, the balances of buildings and asset retirement obligations increased by ¥358 million and ¥360 million, respectively, as of February 28, 2014.

Note 26 — Subsequent Events

Issuance of new investment units

The Board of Directors of the Company, at its meeting held on September 4, 2014 and September 17, 2014, 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: 19,500 investment units, out of which 58,500 new units to be offered through the Domestic Public Offering and the remaining 61,000 new units to be offered through the Overseas Offering consisting of 58,500 new units to be underwritten and purchased by overseas underwriters and an option to purchase up to an aggregate of 2,500 additional new units granted to the overseas underwriters.
- (ii) Offer price: ¥205,702 (US\$1,982) per unit
- (iii) Total offering amount: ¥24,581 million (US\$236,948 thousand)
- (iv) Issue price (amount to be paid in): ¥199,300 (US\$1,921) per unit
- (v) Total amount to be paid in: ¥23,816 million (US\$229,573 thousand)
- (vi) Payment date: September 25, 2014
- (vii) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2014 and ending on February 28, 2015.

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

- (i) Number of new investment units: 2,500 investment units
- (ii) Issue price (amount to be paid in): ¥199,300 (US\$1,921) per unit
- (iii) Total amount to be paid in: ¥498 million (US\$4,800 thousand)
- (iv) Payment date: October 22, 2014
- (v) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2014 and ending on February 28, 2015.
- (iv) Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

(c) Use of proceeds

The Company will use the net proceeds from the Offerings partially for the acquisition of additional specified assets. The proceeds from the issuance of new investment units through the third-party allotment will be used partially for the acquisition of specified assets. Remaining proceeds, if any, will be reserved for an acquisition of specified assets in the future.

As a result of the Offerings and third-party allotment, unitholders' capital increased to ¥363,254 million (US\$3,501,580 thousand) and number of investment units issued and outstanding increased to 2,430,198 units.