

Japan Retail Fund Investment Corporation
27th Semi-Annual Report

March 1, 2015 – August 31, 2015

Japan Retail Fund Investment Corporation (JRF)

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 92 properties throughout Japan, with a value of approximately 830 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 16, 2015)

Suburban + Urban

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.

Stable Distributions

As a retail property management professional, 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.

Strong Sponsors

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

To Our Unitholders

We have implemented various measures to achieve further growth through the portfolio management.

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 strongly promoted portfolio management

During the fiscal period ended August 31, 2015, the macroeconomic climate in Japan was supported by strong corporate earnings and improvements in the income and employment environment, while the recovery slowed to a standstill mainly due to the effects of the slowing economic growth in China. In the meantime, the retail sector was robust on the whole, backed mainly by the growth in inbound consumption. In the J-REIT market, the total amount of funds procured by J-REIT exceeded 500 billion yen in the first six months of 2015 and stable growth continued against the backdrop of the improvement in real estate market conditions and a major monetary easing implemented in October 2014.

Under such conditions, JRF continued to ensure stable rental revenue based on a large and well-balanced portfolio. In addition, JRF acquired two properties for a total acquisition price of about 8.9 billion yen to further expand its asset size. As a result, the total assets managed by JRF at the end of the fiscal period under review consisted of 90 properties with a total value of 854.1 billion yen on an acquisition price basis. In addition, JRF implemented various measures to improve the value of existing properties and strengthen the profit base by means such as increasing rents through facilities refurbishment and tenant leasing by utilizing its SC management ability. The operating revenue for the period came to 30,962 million yen which was 1.4% decrease compared to the previous fiscal period; the decrease was largely due to the absence of gain on the sale of real estate for AEON Mall Kobe Kita (co-ownership interest of 30%) that was posted in the previous fiscal period. In the meantime, net income increased by 0.7% from the previous fiscal period to 10,731 million yen, and total cash distributions amounted to 10,216 million yen. As a result, distribution per unit increased by 24 yen from the previous fiscal period to 4,204 yen. Unrealized gains of the overall portfolio increased to 70.9 billion yen at the end of the fiscal period against the backdrop of the strong real estate market.

Acquired eight prime assets ^(Note) through public offering in five consecutive years

From September to October 2015, after the end of the fiscal period under review, JRF procured funds of about 23.9 billion yen through a public offering that was implemented in five consecutive years and took out new borrowings of 16.5 billion yen and acquired eight properties, centering on urban retail properties, for a total acquisition price of approximately 42.1 billion yen, while disposing of five suburban retail properties for a total selling price of approximately 58.4 billion yen, aimed at a large-scale replacement of assets, in order to further reinforce the portfolio. As a result, the total assets managed by JRF as of October 16 came to 92 properties with a total value of 831.8 billion yen on an acquisition price basis.

In the recent booming J-REIT market, JRF has steadily achieved a step-up in earnings power by focusing on the expansion of asset size through strategic acquisition of assets, and replacement of assets aimed at increasing the profitability and stability of the portfolio, and an increase in the value of existing properties from the mid- to long-term viewpoint. Based on the large asset size of about 830 billion yen and stable financial base, JRF will pursue portfolio management by leveraging its strengths such as the SC management ability, sourcing ability, and agile fund procurement ability and attain further growth in the future. By so doing, we will promote the diversification of portfolio to secure a stable profitability and increase in distributions.

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

*Including “G-Bldg. Ueno01” acquired July 2015. One of the properties is an additional acquisition of the trust beneficiary interest in the property adjacent to G-Bldg. Minami Aoyama 01, which is already owned by JRF, and another property is the additional acquisition of co-ownership interest in mozo wonder city.

Japan Retail Fund Investment Corporation

Executive Director

Shuichi Namba

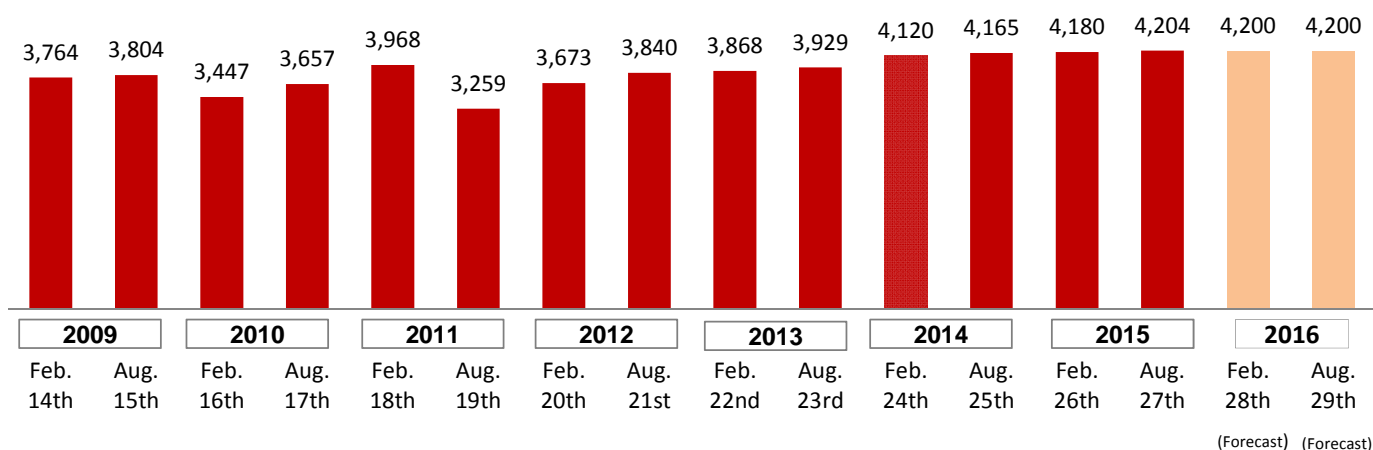
Highlights of the 27th Fiscal Period

- **Contribution of five properties newly acquired last year throughout the period:** new assets (five properties with a total acquisition price of 46.7 billion yen^{*1}), which were acquired through the public offering implemented in 2014 contribute throughout the period.
- **Implementation of action plan to increase asset value:** implemented the renewal of “mozo wonder city”(Nagoya-shi, Aichi) and “G-Bldg. Jiyugaoka 01 (Bldg.B)”(Meguro-ku, Tokyo) , seismic strengthening works at “Bic Camera Tachikawa”(Tachikawa-shi, Tokyo).
- **Increased the Commitment line:** established a new commitment line of 10 billion yen, secured 60 billion yen in total, the largest among J-REITs^{*2}

^{*1} Include the anticipated acquisition price for a certain portion of the underlying land of DFS T GALLERIA OKINAWA, which is intended to be acquired on January 15, 2016.

^{*2} As of the end of September 2015.

➤ Distribution per unit



* On March 1, 2010, JRF executed a four-to-one unit split.

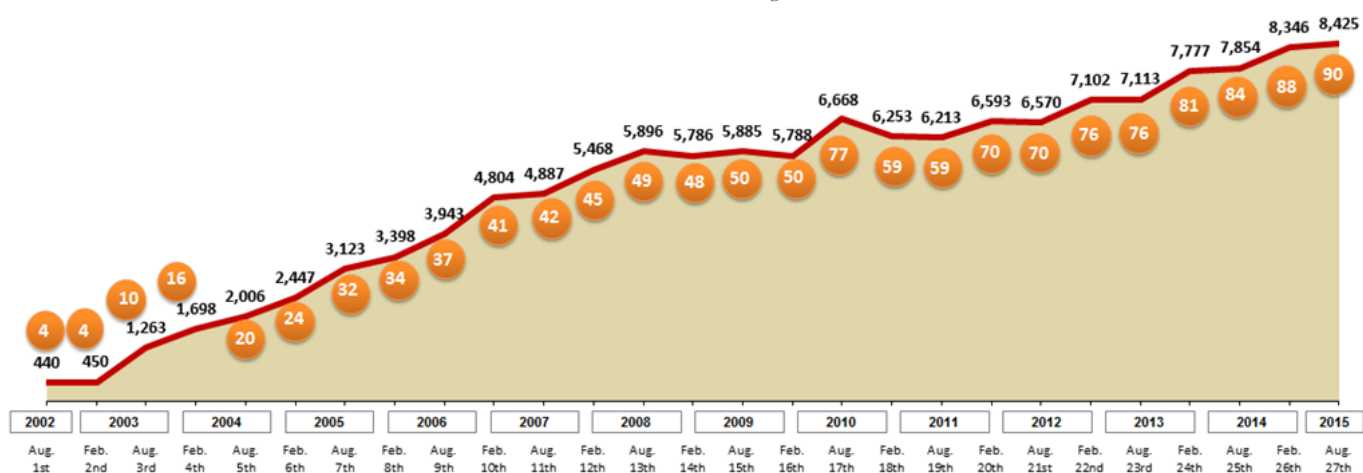
➤ Financial results

	Feb. 2014 fiscal period	Aug. 2014 fiscal period	Feb. 2015 fiscal period	Aug. 2015 fiscal period
Operating revenue	29.0 billion yen	29.5 billion yen	31.3 billion yen	30.9 billion yen
Operating income	12.1 billion yen	12.2 billion yen	13.6 billion yen	12.8 billion yen
Net income	9.6 billion yen	9.6 billion yen	10.6 billion yen	10.7 billion yen
NAV per unit	158 thousand yen	158 thousand yen	160 thousand yen	161 thousand yen

➤ **Total assets and the number of properties**

— Total assets (100 million yen)

● Number of properties



Interview with the President of the Asset Management Company

Through portfolio management, JRF will pursue optimization of the asset structure while adapting to changes in the environment, and aims to enhance investment value for unitholders by attaining an increase in profitability and stability.

Q1. Please start with a review of the 27th fiscal period (period ended August 2015).

While conducting several projects designed to maintain and increase asset value through portfolio management, JRF acquired new assets. As a result, we were able to make solid achievements in promoting the optimization of asset structure and enhancement of profitability and stability.

The most notable initiatives for the fiscal period under review was that JRF implemented various action plans to increase the mid- to long-term competitiveness of existing properties by utilizing the SC management ability, one of JRF's strengths.

JRF has started to reconstruct "G-Bldg. Jiyugaoka 01 (Bldg. B)" (Meguro-ku, Tokyo), which is JRF's first on-balance-sheet reconstruction. On-balance-sheet reconstruction involves reconstructing properties owned while leaving them recorded on the balance sheet. By so doing, outflow accompanying the redevelopment can be prevented. The construction is steadily underway to refurbish the building into a new retail property suitable to Tokyo's trendy Jiyugaoka area, where commercial fashion tenants are concentrated. JRF has already signed a lease reservation contract with a commercial tenant with plans to rent the property after reconstruction, and this will contribute to an increase in the profitability of the portfolio.

For BIC CAMERA Tachikawa (Tachikawa-shi, Tokyo), located close to the North Exit of Tachikawa Station (one of the largest terminal stations in the Tama area in Tokyo), and which has a varied customer base, we are conducting seismic retrofit works on the building while maintaining tenant operations. JRF intends to strengthen the competitiveness of the property and enhance building performance by refurbishing the façade on the front of the building and replacing fittings and equipment in addition to the enhancement of seismic resistance. Construction work on these two properties will be completed in 2016.

Meanwhile, "mozo wonder city" (Nagoya-shi, Aichi), a leading major suburban shopping center, was reopened on September 18, 2015 after large-scale renewal works were carried out. The refurbishment works were aimed at further boosting the earning power of the shopping center, based on its dominant potential with its ability to attract about 19 million customers per year and generate sales revenue in the range of 50 billion yen annually. Specifically, we reviewed the tenant composition and invited high-fashion tenants with an eye to differentiating itself from competing retail properties in the neighboring areas (the property has 82 new tenants, of which 26 tenants opened their first stores in the Tokai area), and replaced 163 stores out of a total of about 215 stores in the property. By creating attractive retail facilities with the best of the SC management ability of JRF that has extensive knowhow and track records in management of retail properties, we developed a foundation for the future goal to achieve annual sales of 60 billion yen.

In addition, JRF acquired new assets in order to further enhance of its asset size. In accordance with the strategy of expanding the ratio of urban retail property which JRF has employed in recent years, in March 2015 we acquired "EDION Kyobashi (land with leasehold interest)" (Osaka-shi, Osaka), the retail complex located close to Kyobashi Station, which is the east gateway to Osaka. We also acquired "G-Bldg. Ueno01" (Taito-ku, Tokyo), which is an amusement facility within walking distance from Ueno and Okachimachi Stations, in July.

We are pleased that we were able to achieve the further expansion of assets that led to the increase in profitability and stability, as well as improvement in the quality of portfolio, by promoting our unique portfolio management approach.

➤ Action Plans aims to enhance investment value for unitholders

Status	Property name	Purpose	Period		
			2015	2016	2017 and after
Completed	mozo wonder city	Increases in competitiveness and sales through renovation	September 2015 (Open after renovation)		
Under construction	G-Bldg. Jiyugaoka 01 Bldg. B	On book reconstruction of old building			Fall 2016 (planned)
	Bic Camera Tachikawa	Prospect benefit after earthquake resistance construction			End of 2016 (planned)
	Nara Family	Transform into high quality retail facility through renovation			Fall 2016 (planned)
Planning phase	Ito-Yokado Yotsukaido	Prospect benefit after extension is built on premise			Summer 2016 (planned)
	KAMISHIN PLAZA	Pull in more customers through floor renewal			Summer 2016 (planned)
Under consideration	In addition to the above, Kyoto Family, Kishiwada CanCan Bayside Mall, Abiko Shopping Plaza, and KAWASAKI Le FRONT are under consideration				

Q2. In October 2015, JRF completed a public offering for the fifth consecutive year and acquired new properties. What is the aim of this offering?

The aim of the measures is to increase the proportion of investment in urban retail properties. Through the strategic acquisition of assets centering on urban retail properties, including the properties located close to major terminal stations and the properties located in areas where continuing consumer demand can be expected and tenants have high substitutability, we were able to further diversify the portfolio.

In August 2015, JRF announced a public offering for a fifth consecutive year, and raised funds of about 23.9 billion yen. Combined with the new borrowing of 16.5 billion yen obtained at the same time, we acquired eight prime assets* for 42.1 billion yen.

The above acquisition of properties was aimed at further diversification of the portfolio through expansion of the asset size, and we conducted strategic property acquisition by focusing on urban retail properties in prime locations with the aim of promoting the optimization of the asset composition, while adapting flexibly to the changes in demographics, consumption structure and trends in Japan. As a result, we added a retail property located in Minami Aoyama, a leading fashion brand area in Japan, and properties located close to major terminal stations with considerable customer traffic, such as Chayamachi near Umeda Station, a leading terminal station in Osaka, Takadanobaba, one of the most popular college towns in Japan, Ueno, which is thriving further with the increase in foreigners visiting Japan, and Akihabara, the largest electronics store district in Japan, to our portfolio. As a result, we were able to achieve the expected results.

For example, G-Bldg. Minami Aoyama 01 (Bldg. B) (Minato-ku, Tokyo) is located in Minami Aoyama where flagship stores of many domestic and international designer brands are concentrated. This property will be operated together with G-Bldg. Minami Aoyama 01 (Bldg. A), which is located on land adjacent to the property, to improve operational cost efficiency. It will feature a wide variety of shops including fashion, accessories, cosmetics, and books, as well as restaurants and bars.

“G-Bldg. Umeda 01” (Osaka-shi, Osaka) is a multi-tenant retail property featuring fashion, restaurants and service tenants located near Umeda Station, one of the main rail terminals in Osaka, surrounded by facilities attracting visitors such as theaters and hotels. JRF owns many properties in the main retail areas in Osaka, but this is the first acquisition in the Umeda area in Osaka.

“G-Bldg. Abeno 01” (Osaka-shi, Osaka) is a retail complex directly connected to Tennoji Station, the south gateway to Osaka. The commercial potential of the Tennoji-Abeno Area is increasing due to the opening of large-scale retail properties nearby. The facility features various tenants including major test preparation schools or service tenants,

capable of leveraging the advantages of good access.

As for mozo wonder city (Nagoya-shi, Aichi), which is one of the largest shopping centers in Japan and the only suburban property among those acquired this time, JRF has acquired a co-ownership interest in the property in three stages since 2011. As a result of the additional acquisition, we now have a 100% ownership in the property, allowing us to enjoy the benefit of upside gain from the aforementioned large-scale property refurbishment (Please refer to page 8 - 9 for the details of new assets.).

The strength of JRF, one of the largest buyers of retail properties in Japan, is that it can employ an investment approach by utilizing its own network established through past achievements and collaboration with its sponsors, Mitsubishi Corporation and UBS Group. By fully leveraging our advantage, we were able to acquire prime assets with good locations and sufficient potential.

*Including “G-Bldg. Ueno01” acquired July 2015. One of the properties is an additional acquisition of the trust beneficiary interest in the property adjacent to G-Bldg. Minami Aoyama 01, which is already owned by JRF, and another property is an additional acquisition of co-ownership interest in mozo wonder city.

Q3. Could you please tell us about the financial measures JRF carried out in this period and for the public offering?

We worked continuously to further increase financial stability by implementing various means of fund procurement such as new borrowings and increasing our commitment lines to diversify repayment dates, equalize repayment amounts and ensure flexibility in financing. In addition, we aim to achieve stable distributions by utilizing the reserve for dividends and the reserve for reduction entry of property.

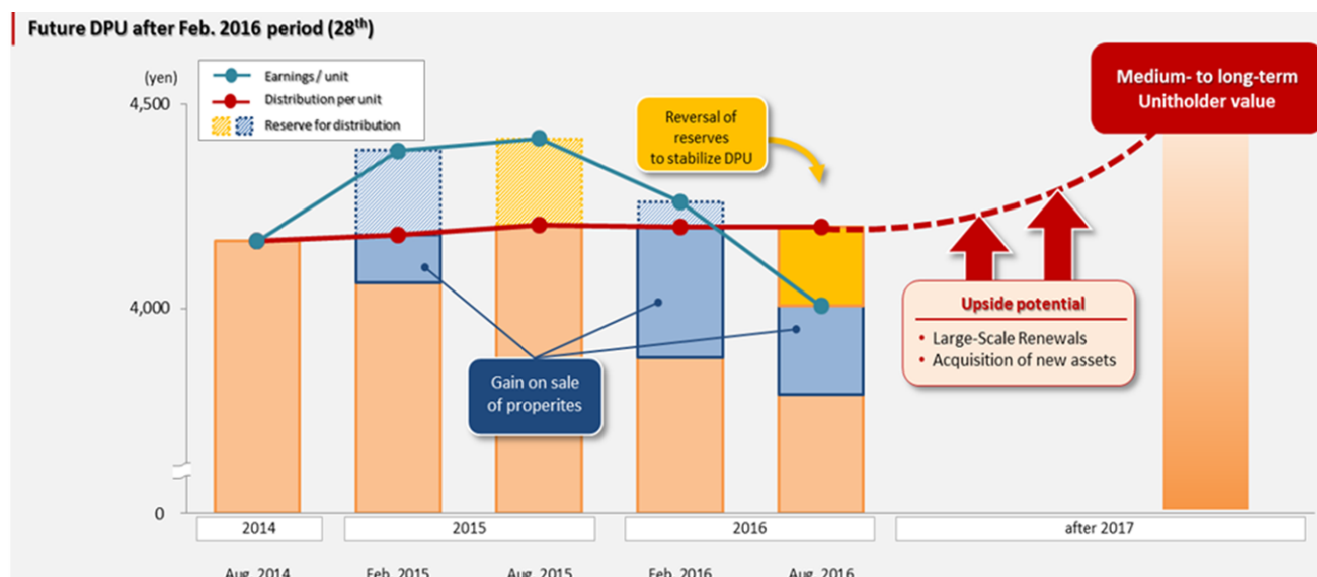
Following the previous period, we have made continuing efforts to further increase financial stability by employing agile and flexible financial strategies.

In March 2015, JRF implemented new borrowings of 5.5 billion yen to partly appropriate the acquisition funds of EDION Kyobashi (land with leasehold interest). Furthermore, we established a new commitment line of 10 billion yen, securing 60 billion yen in total, the largest among J-REITs* and established a more agile financing method.

In July, JRF took out new borrowings of 3 billion yen to partly appropriate the acquisition funds of “G-Bldg, Ueno01”. From September to October, we took out new borrowings for a total amount of 16.5 billion yen, along with the public offering, to partly appropriate the funds for the acquisition of the total of seven properties acquired from September to October.

JRF is advancing measures to revitalize its existing properties with an eye on mid- to long-term growth. Meanwhile, as for temporary expenses arising from large-scale refurbishment and rebuilding and so on (demolition expense, loss on retirement, etc.), we intend to review the utilization policy for prior reserves following the 2015 Tax Reform and utilize retained reserves (reserve for dividends and reserve for reduction entry of property) with the aim of stabilizing distributions.

*As of the end of September 2015.



*Net income per unit is calculated by dividing net income by a number of units outstanding as of the end of each fiscal period and is not identical to net income per unit defined in The Summary of Financial Results and Asset Management Report (net income per unit / average number of units outstanding)

Q4. Lastly, please tell us your message to investors.

JRF will make efforts to maximize the investment value for its unitholders by implementing its external growth strategy through the acquisition of new assets, its internal growth strategy of strengthening the competitiveness of existing properties, and various financial strategies in order to be competitive and achieve further growth in the J-REIT market which is continuing to stably grow.

JRF is implementing portfolio management by combining its strengths, such as agile fund procurement ability, SC management ability and high sourcing ability and is working on measures for further growth by leveraging its assets which are the largest as a J-REIT specialized in retail property. JRF has set the replacement of assets aimed at increasing the profitability and stability of portfolio as one of its core measures. As a part of such measures, we transferred five existing suburban retail properties at the optimal timing in October 2015 by capturing the favorable real estate sales market and thus secured our future ability to acquire urban retail complexes. JRF will work towards the stabilization of distribution by increasing the profitability of its portfolio by focusing on the acquisition of new assets that will contribute to the increase in the investment value for its unitholders and strengthening the competitiveness of the properties that it owns by leveraging SC management ability, with the aim of achieving further growth.

Mitsubishi-Corp. UBS realty Inc., the asset manager of JRF, established the Kansai Office on September 1, 2015. JRF acquired three properties in the Kansai region (the Kansai and Chugoku areas) after September 1. As a result, we own 30 properties in the region as of October 16, and will strengthen the asset management in the region mainly in order to build favorable relationships and create new businesses with our major partners in the Kansai region.

JRF will make the utmost effort to meet the expectations of its unitholders by striving to maximize the unitholder value under the enhanced new structure. We look forward to receiving your continued support and guidance.

Sustainability Measures

JRF x Sustainability

JRF is implementing various measures to ensure the sustainability of the environment and society as a whole. With regards to social contribution activities, we are actively working on strengthening connections with local communities based on the retail properties that we own, while cooperating with our tenants to make the properties attractive to customers and people in the local community.

Social Contribution of JRF

Relations with people in local communities

“KAWASAKI Le FRONT” Drives for creating a brighter society

KAWASAKI Le FRONT (Kawasaki-shi, Kanagawa), a property owned by JRF, participated in the “drives for creating a brighter society” rolled out by the Social Welfare Council of Kawasaki-ku, Kawasaki City, under the slogan of “Taking action towards creating a safe and secure local community free of crime and delinquency” and “Supporting the correction of people who commit crimes or misconduct.” In July this year, KAWASAKI Le FRONT hosted a recital by a junior high school brass band club in Kawasaki City and a crime prevention campaign.



“Kyoto Family” Kyoto Family Club Vegetable Garden Square

“Kyoto Family” (Kyoto-shi, Kyoto), a property owned by JRF, is hosting “Vegetable Garden Square” for customers to participate in the Kyoto Family Club event. This year they planted morning glory seeds and sweet potato plants and created an eco-friendly green curtain before the height of summer.



Environmental Efforts

Designated as Highest Rank of GRESB “Green Star”

JRF designated by the GRESB* as “Green Star,” the highest ranking of the four categories in the GRESB Survey, highly evaluated especially in the aspects of “Management” and “Policy and Disclosure”.



*GRESB (Global Real Estate Sustainability Benchmark) is an organization which founded with the aim of raise the shareholder’s value, undertakes an annual survey that assesses environmental, social and governance factors in the real estate sector. GRESB evaluates the efforts of real estate companies and funds of all over the world for sustainability.

Signed “Montreal Carbon Pledge”

Mitsubishi Corp.-UBS Realty Inc., the asset manager of JRF, has become the first J-REIT asset manager to sign Montreal Carbon Pledge on September 2015. As a signatory, JRF will continue to disclose the amount of CO2 emission through its website and work on the reduction of environmental impact for a sustainable society.



*Montreal Carbon Pledge was launched on September 25, 2014 at PRI in Person in Montreal, and is supported by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI). The Montreal Carbon Pledge commits investors to measure, disclose and reduce their carbon footprints.

I. ASSET MANAGEMENT REPORT

Outline of asset management operation

1. Operating results and financial position

Fiscal period			23rd	24th	25th	26th	27th
As of /for the six months ended			August 31, 2013	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015
Operating revenues	Note 1	(Millions of yen)	26,130	29,083	29,562	31,399	30,962
(Rental revenues)	Note 1	(Millions of yen)	(26,130)	(29,058)	(29,516)	(30,614)	(30,962)
Operating expenses	Note 1	(Millions of yen)	15,465	16,966	17,339	17,707	18,146
(Rental expenses)	Note 1	(Millions of yen)	(13,034)	(14,328)	(14,657)	(14,906)	(15,285)
Operating income		(Millions of yen)	10,665	12,116	12,223	13,692	12,816
Ordinary income		(Millions of yen)	8,171	9,588	9,613	11,061	10,217
Net income	(a)	(Millions of yen)	8,170	9,614	9,613	10,658	10,731
Net assets	(b)	(Millions of yen)	321,322	365,840	365,878	390,928	391,559
(Period-on-period change)		(%)	(+0.1)	(+13.9)	(+0.0)	(+6.8)	(+0.2)
Total assets	(c)	(Millions of yen)	711,352	777,706	785,442	834,687	842,568
(Period-on-period change)		(%)	(+0.2)	(+9.3)	(+1.0)	(+6.3)	(+0.9)
Unitholders' capital		(Millions of yen)	295,474	338,940	338,940	363,254	363,254
(Period-on-period change)		(%)	(0.0)	(+14.7)	(0.0)	(+7.2)	(0.0)
Number of units issued and outstanding	(d)	(Units)	2,079,198	2,308,198	2,308,198	2,430,198	2,430,198
Net asset value per unit	(b)/(d)	(Yen)	154,541	158,495	158,512	160,862	161,122
Total distributions	(e)	(Millions of yen)	8,169	9,509	9,613	10,158	10,216
Distribution per unit	(e)/(d)	(Yen)	3,929	4,120	4,165	4,180	4,204
(Profit distribution per unit)		(Yen)	(3,929)	(4,120)	(4,165)	(4,180)	(4,204)
(Distribution per unit in excess of profit)		(Yen)	(-)	(-)	(-)	(-)	(-)
Ratio of ordinary income to total assets	Note 2	(%)	1.1 (2.3)	1.3 (2.6)	1.2 (2.4)	1.4 (2.8)	1.2 (2.4)
Return on unitholders' equity	Note 2	(%)	2.5 (5.0)	2.8 (5.6)	2.6 (5.2)	2.8 (5.7)	2.7 (5.4)
Ratio of net assets to total assets	(b)/(c)	(%)	45.2	47.0	46.6	46.8	46.5
(Period-on-period change)		(%)	(+0.0)	(+1.8)	(-0.4)	(+0.2)	(-0.3)
Payout ratio	(e)/(a)	(%)	100.0	98.9	100.0	95.3	95.2
Additional information:							
Rental net operating income (NOI)	Note 2	(Millions of yen)	18,782	20,655	20,748	21,805	21,914
Net profit margin	Note 2	(%)	31.3	Note 4 33.0	Note 4 32.5	Note 4 34.0	Note 4 33.0
Debt service coverage ratio	Note 2	(Multiple)	8.3	Note 4 8.9	Note 4 8.6	Note 4 9.0	Note 4 8.8
Funds from operation (FFO) per unit	Note 2	(Yen)	6,664	Note 4 6,710	Note 4 6,695	Note 4 6,582	Note 4 6,770
FFO multiples	Note 2	(Multiple)	13.7	Note 4 14.8	Note 4 16.4	Note 4 19.3	Note 4 16.6
Distributable income per unit after adjustment for taxes on property and equipment	Note 3	(Yen)	3,928	4,114	4,158	4,359	4,412
FFO per unit after adjustment for taxes on property and equipment	Note 3	(Yen)	6,662	Note 4 6,658	Note 4 6,688	Note 4 6,555	Note 4 6,767

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 23rd, 24th, 25th, 26th and 27th 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, 25th and 26th fiscal period does not include deferred income taxes.

2. Outline of asset management operation for the 27th 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, 2015, the 13th year after its listing, JRF issued new investment units in October 2014 for the fourth consecutive year. Combining the proceeds from this issuance with the funds obtained through borrowings, JRF acquired five properties for a total acquisition price of 44.2 billion yen. Also, in line with its asset replacement strategy, JRF disposed of a 30% ownership of trust beneficiary interest in a property for a total sales price of 4.9 billion yen in December 2014, and using the proceeds from the disposition, acquired one property for an acquisition price of 1.9 billion yen in December 2014 and additional co-ownership interest of an existing property for an acquisition price of 1.7 billion yen in January 2015, respectively. Furthermore, JRF acquired one property in March 2015 and July 2015, respectively, using new borrowings and its own funds for an acquisition price of 8.9 billion yen in total.

As a result, the total assets managed by JRF as at the end of the 27th fiscal period (August 31, 2015) amounted to 854.1 billion yen (the total acquisition price for 90 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)

In the April - June quarter of 2015, GDP in real terms decreased 0.3% from the previous quarter, registering a negative year-on-year drop for the first time in three quarters, while the Industrial Production Index for August (preliminary figure) declined 0.5% from the previous month. These indicate that the recovery trend of the Japanese economy has been flat, partly due to the deceleration of the Chinese economy.

On the other hand, although the Consumer Price Index (excluding fresh food) decreased 0.1% from the same month of the previous year, items other than those related to energy (fuel, light and water charges, transportation and communication) generally followed an increasing trend.

Moreover, looking at the trend for wages, which significantly affects consumption trends, the Real Wage Index rose 0.2% from the same month of the previous year, according to preliminary figures of the Monthly Labor Survey for August, marking two consecutive months of positive figures after July, when it turned to positive for the first time in 27 months, showing the possibility of a sustained rising trend going forward.

(Trends in the retail sector)

According to the Current Survey of Commerce released by the Ministry of Economy, Trade and Industry, retail sales (preliminary figure) increased by 0.8% for five consecutive months in August 2015. Supermarket sales rose 2.0% from the same month of the previous year (on a same-store basis, as published by the Japan Chain Stores Association), and department store sales (on a same-store basis, as published by the Japan Department Stores Association) increased 2.7% from the same month of the previous year, both exceeding the results of the previous year for the fifth consecutive month. While weakness remains, consumption as a whole has been showing a steady trend.

(Trends in the real estate sector)

The real estate transactions continued to be very strong in 2015, partly due to large-scale monetary easing in October last year, with land prices in commercial areas also continuing their rising trend.

Looking at Benchmark Land Prices as of July 1, 2015, published by the Ministry of Land, Infrastructure, Transport and Tourism, commercial districts in the three major metropolitan areas (Tokyo, Osaka, and Nagoya), saw prices rise 2.3% from the previous year, marking the third consecutive year of increases. While local areas as a whole have been on a decreasing trend, commercial land prices are rising in some core cities: in the four central cities (Sapporo, Sendai, Hiroshima, and Fukuoka), land prices in commercial districts rose 3.8% from the previous year, exceeding those in the three major metropolitan areas.

ii. Results

Under the circumstances described above, JRF newly acquired EDION Kyobashi (land with leasehold interest) on March 30, 2015 and G-Bldg. Ueno 01 on July 28, 2015, using the new borrowings and its own funds. Moreover, as part of measures to “improve the value of existing properties,” which are regarded as one of JRF’s growth strategies through portfolio management, JRF announced renewal plans for mozo wonder city, G-Bldg. Jiyugaoka 01 (Bldg. B), and Bic Camera Tachikawa.

After the renewal, mozo wonder city was reopened on September 18, 2015, with the aim of further increasing sales by reviewing the composition of tenants and inviting trend-setting tenants, as well as making major changes to environment of the facility. Moreover, we are proceeding with a plan for G-Bldg. Jiyugaoka 01 (Bldg. B) to improve its profitability and asset value through JRF’s first on-balance-sheet reconstruction. Furthermore, we have lengthened the contract period and increased the rent for Bic Camera Tachikawa, by concluding a new 20-year contract with the current tenant, along with implementation of renewal including aseismic strengthening work.

The occupancy rate of the properties owned by JRF as at the end of the fiscal period was stably maintained. The occupancy rate for 38 urban retail properties remained high at 99.8% together with 99.4% occupancy rate maintained for 52 suburban retail properties.

As a result of the above, the total assets managed by JRF at the end of the fiscal period came to 90 properties with a total value of 854,133 million yen on an acquisition price basis and 874,015 million yen on an appraisal value basis. The total leasable area was 3,150,204.42 m² with the total number of tenants standing at 961, and the occupancy rate of the overall portfolio was 99.4%.

As for unrealized losses/gains (Note) of the overall portfolio at the end of the fiscal period, unrealized gains increased by 20 billion yen from the end of the previous fiscal period to 70.9 billion yen due to the effects of the acquisition of new properties with 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, and as result of depreciation.

Note: “Unrealized losses/gains” is the difference between the appraisal value or survey value, and book value of the overall portfolio or individual property.

(3) Funding

JRF diversified repayment dates, fixed interest rates, and lengthened the term of its borrowings to further strengthen its financial base, by first repaying, with its own funds, 10 million yen of the long-term borrowings it took on following the merger with LaSalle Investment Corporation on March 1, 2010 (outstanding borrowings as of the date of repayment to Sumitomo Mitsui Banking Corporation were 24.31 billion yen), as well as refinancing 24.3 billion yen with the same bank, and concluding an interest rate swap agreement on a portion of it. Moreover, to acquire two new properties, JRF took out new borrowings of 5.5 billion yen on March 30, 2015, and 3 billion yen on July 28.

Furthermore, aiming to build a stronger financial base, JRF established a new commitment line of 10 billion yen on June 1, 2015, in addition to an existing one of 50 billion yen.

As a result, JRF's interest-bearing borrowings outstanding at the end of the fiscal period amounted to 380 billion yen, consisting of 329.5 billion yen of long-term borrowings (Note 1) and 47.5 billion yen of

investment corporation bonds.

Consequently, the ratio of long-term borrowings, the ratio of fixed interest rates (Note 2), and LTV (Note 3) were 99.3%, 95.5%, and 52.2%, respectively, at the end of the fiscal period.

Note 1: Long-term borrowings include borrowings that mature within a year.

Note 2: The ratio of fixed interest rates is calculated by dividing the total of fixed-rate debts (including debts, which the interest rates are fixed through interest rate swap agreements), investment corporation bonds and tenant leasehold and security deposits (including those in trusts) by the total of interest-bearing debts and tenant leasehold and security deposits (including those in trusts).

Note 3: LTV is calculated by dividing the total of interest-bearing debts and tenant leasehold and security deposits (including those in trusts) by total assets.

(4) Results and distributions

As a result of the above management actions, the operating revenue for the period was 30,962 million yen, and operating income was 12,816 million yen after deducting operating expenses such as fixed property tax and asset management fees. Ordinary income was 10,217 million yen, and net income was 10,731 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, 2015 amounted to 10,216 million yen, excluding a fractional distribution per unit of less than one yen from 10,216 million yen obtained by deducting the appropriation of reserve for distributions totaling 514 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 10,731 million yen. As a result, distribution per unit amounted to 4,204 yen for the six months ended August 31, 2015.

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	
September 14, 2011	Global offering	187,500	1,875,698	19,520	270,284	Note 1
October 12, 2011	Allocation of investment units to a third party	4,500	1,880,198	468	270,752	Note 2
October 1, 2012	Global offering	194,500	2,074,698	24,162	294,915	Note 3
October 31, 2012	Allocation of investment units to a third party	4,500	2,079,198	559	295,474	Note 4
October 2, 2013	Global offering	229,000	2,308,198	43,465	338,940	Note 5
September 25, 2014	Global offering	119,500	2,427,698	23,816	362,756	Note 6
October 22, 2014	Allocation of investment units to a third party	2,500	2,430,198	498	363,254	Note 7

Note 1 New investment units were issued at a price of ¥107,640 per unit (subscription price of ¥104,107 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 2 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 3 New investment units were issued at a price of ¥128,310 per unit (subscription price of ¥124,230 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 4 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 5 New investment units were issued at a price of ¥195,902 per unit (subscription price of ¥189,805 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 6 New investment units were issued at a price of ¥205,702 per unit (subscription price of ¥199,300 per unit) through a public offering in order to raise funds for acquiring new real property.

Note 7 New investment units were issued at a price of ¥199,300 per unit through the allocation of investment units to a third party in order to raise funds for acquiring of new real property (or specified assets in the future).

Fluctuation in market price of the investment securities:

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

(Yen)					
Fiscal period	23rd	24th	25th	26th	27th
As of /for the six months ended	August 31, 2013	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015
Highest price	249,300	217,000	232,900	269,900	260,300
Lowest price	172,600	179,000	195,600	209,300	218,000
Closing price at end of period	180,600	200,800	218,200	256,500	223,600

4. Distributions

In accordance with the distribution policy in the JRF's article of incorporation 26, Paragraph 1, Item 2, which stipulates to make distribution in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, JRF transferred ¥514 million from retained earnings as of August 31, 2015 in the amount of ¥10,731 million to reserve for dividends corresponding to decrease of deferred tax liabilities, and declared a total of ¥10,216 million for cash distributions which is substantially all of the remaining retained earnings amounting to ¥10,216 million except for fractional distribution per unit less than one yen.. As a result, distribution per unit amounted to ¥4,204 for the six months ended August 31, 2015.

Retained earnings (including reserve for dividends and reserve for reduction entry of property) 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 the 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	23rd	24th	25th	26th	27th
As of /for the six months ended	August 31, 2013	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015
Net income (Thousands of yen)	8,170,474	9,614,210	9,613,708	10,658,506	10,731,054
Retained earnings (including reserve for dividends and reserve for reduction entry of property) (Thousands of yen)	2,328,019	2,432,454	2,432,518	2,932,797	3,447,298
Total distributions (Thousands of yen)	8,169,168	9,509,775	9,613,644	10,158,227	10,216,552
(Distribution per unit) (Yen)	(3,929)	(4,120)	(4,165)	(4,180)	(4,204)
Profit distributions (Thousands of yen)	8,169,168	9,509,775	9,613,644	10,158,227	10,216,552
(Profit distribution per unit) (Yen)	(3,929)	(4,120)	(4,165)	(4,180)	(4,204)
Unitcapital refunds (Thousands of yen)	-	-	-	-	-
(Unitcapital refund per unit) (Yen)	(-)	(-)	(-)	(-)	(-)

5. Management policies and Issues

(1) Management circumstances

While the Japanese economy has been steady since large-scale additional monetary-easing by the Bank of Japan in October last year, we are seeing more uncertainty over the outlook for economic trends, with instability in global financial markets due to the Greek financial crisis and declines in Chinese stock markets during the second half of this year. Although there are some signs of a recovery of personal consumption due to an improving income environment for consumers and a general increase in the level of economic activities in urban areas caused by so-called “inbound demand (demand from visiting foreigners),” JRF needs to carefully monitor the outlook, as well as economic trends.

Regarding the earnings of leading retailers that are also tenants of retail properties owned by JRF, as can be seen from recent announcements of their financial results, the gap between successful companies and unsuccessful ones is widening. JRF will continue to pay close attention to their earnings results.

As for the leasing environment of retail properties, earnings of retailers are generally robust and consumption is remaining relatively strong mainly for big-ticket items due to the polarization of consumption. In addition, inbound demand is strong. Therefore, JRF believes that the market environment is starting to show improvement in lease terms mainly in urban areas. In the meantime, competition is increasing among retail properties in suburban areas, and JRF will keep a close watch on the competitive environment of retail properties and the supply and demand conditions for opening specialty stores.

(2) 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 2015, 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.

In order to maintain and increase the long-term competitiveness of retail properties it has acquired, JRF considers it necessary to select tenants and develop business categories appropriately in the constantly-changing commercial / retail industry. JRF has taken active measures to raise the competitiveness of retail properties by utilizing its SC management ability (Note) 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.

Note: "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.

i. External growth strategy

JRF aims to further diversify and 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. JRF will continue to work on property replacements proactively with the aim of improving the quality and profitability of its portfolio by rebalancing the portfolio

through diversification by type of retail properties, by type of tenants and by area.

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 2015 that evaluates the environmental responsiveness of real estate operators, JRF was designated as "Green Star" company, the highest ranking of the four categories in the GRESB Survey in 2015. JRF was highly evaluated especially in the aspects of "Management" and "Policy and Disclosure".

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.

iii. Financial strategy

JRF constantly works to improve further financial stability.

(i) Effort to secure the financial stability

JRF built a stable financial base, founded on the med- to long - term basic financial concept described below.

Basic concepts of med- to long-term financing	Build a strong financial base to enable continuation of stable management even at the time of a deteriorating financial environment
	Secure financial flexibility to implement responsive portfolio management
	Finance debts at a competitive cost by maintaining high creditworthiness

(ii) LTV control

While aiming at a LTV ratio of 50%, 45% to 55% range is set as JRF's LTV benchmark, comprehensively taking into consideration market conditions for fund procurement.

iv. Measures for ensuring delivery of stable distribution

JRF aims to ensure delivery of stable distribution over the long term by utilizing reserve for distribution, as well as provision for / reversal of reserves for advanced depreciation by applying the Special Provisions for Taxation in the case of Advanced Acquisition of Land, etc. in 2009 and 2010.

6. Subsequent events

(a) Issuance of New Investment Units

The Board of Directors of JRF, at its meetings held on August 20, 2015 and September 2, 2015, resolved to issue new investment units as follows:

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 52,400 new units to be offered through the Domestic Public Offering and the remaining 67,100 new units to be offered through the Overseas Offering consisting of 64,600 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: ¥202,566 per unit
- (iii) Total offering amount: ¥24,206,637,000
- (iv) Issue price (amount to be paid in): ¥196,261 per unit
- (v) Total amount to be paid in: ¥23,453,189,500
- (vi) Payment date: September 9, 2015
- (vii) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2015 and ending on February 29, 2016.

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): ¥196,261 per unit
- (iii) Total amount to be paid in: ¥490,652,500
- (iv) Payment date: October 7, 2015
- (v) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2015 and ending on February 29, 2016.
- (vi) Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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 ¥387,198,507,160 and number of investment units issued and outstanding increased to 2,552,198 units.

(b) Disposition of Properties

On October 14, 2015, JRF decided to sell trust beneficiary interests of the following properties. A part of transaction has been executed on October 15, 2015.

Impact on net income:

- (i) AEON MALL Kashiihama (30% quasi-co-ownership interest), AEON Nishi-Otsu, AEON Omiya, AEON Ueda and AEON MALL Yachiyo Midorigaoka
- (ii) AEON MALL Kashiihama (19% quasi-co-ownership interest)
- (iii) AEON MALL Kashiihama (51% quasi-co-ownership interest)

Disposition amount:

- (i) ¥58,417 million
- (ii) ¥2,755 million
- (iii) ¥7,395 million

Completion date of contract:

October 15, 2015

Disposition date:

- (i) October 15, 2015
- (ii) Scheduled on August 31, 2016
- (iii) Scheduled on September 30, 2016

Purchaser:

Godo Kaisha Double O5

Impact on net income:

Gain on sales of property in the amount of approximately ¥975 million, ¥549 million and ¥1,419 million are expected to be recognized in profit as operating revenues for the six months ending February 29, 2016, August 31, 2016 and February 28, 2017, respectively.

(c) Judgement of Lawsuit and Appeal to the Supreme Court

On November 21, 2012, OPA Co., Ltd., a tenant of Kawaramachi OPA (held by JRF in the form of trust beneficiary interest in a real estate trust), brought a case in the Kyoto District Court against JRF 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 in 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.

The judgment of first instance rendered by the Kyoto District Court as of January 16, 2015 demanded JRF to reduce the rent for the period after May 11, 2012 by about 8.6% compared to the current level, but JRF has filed an appeal to the Osaka Supreme Court on January 30, 2015 through the trustee of the property.

However, the Osaka Supreme Court rendered a judgment on October 27, 2015 to discontinue JRF's appeal and JRF has filed an appeal to the Supreme Court through the trustee of the property on November 9, 2015.

If the judgement of second became final and binding for the six months ending February 29, 2016, litigation expenses would be realized as extraordinary loss amounting to ¥241 million at most for the period then ending. Otherwise, an equivalent amount of provision for litigation expenses is expected to be charged to income as extraordinary loss for the period.

Outline of JRF

1. Investment unit

Fiscal period	23rd	24th	25th	26th	27th
As of	August 31, 2013	February 28, 2014	August 31, 2014	February 28, 2015	August 31, 2015
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)	2,079,198	2,308,198	2,308,198	2,430,198	2,430,198
Number of unitholders (People)	18,669	20,562	19,980	20,305	19,147

2. Unitholders

Major unitholders as of August 31, 2015 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	384,794	15.83
Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	190,224	7.82
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	170,744	7.02
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	96,554	3.97
NOMURA BANK (LUXEMBOURG) S. A.	BATIMENT A, 33, RUE DE GASPERICH, L-5826, LUXEMBOURG	87,697	3.60
THE BANK OF NEW YORK MELLON SA/NV 10	RUE MONTROYERSTRAAT 46, 1000 BRUSSELS, BELGIUM	75,778	3.11
STATE STREET BANK WEST CLIENT – TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A.	47,240	1.94
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	42,864	1.76
CBLDN - STICHTING PGGM DEPOSITARY - LISTED REAL ESTATE PF FUND	CITIGROUP CENTRE, CANADA SQUARE, CANARY WHARF, LONDON, E14 5LB, UK	42,763	1.75
STATE STREET BANK – WEST PENSION FUND CLIENTS – EXEMPT 505233	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A.	41,549	1.70
Total		1,180,207	48.56

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, 2015 (Note2)
Executive Director	Shuichi Namba	Attorney-at-law of Momo-o, Matsuo & Namba	2,580
Supervisory Director	Masahiko Nishida	President of Marks group Co., Ltd. Certified public accountant / Tax accountant	1,680
	Masaharu Usuki	Professor at Graduate School of Economics of Nagoya City University	1,680
Independent auditor	PricewaterhouseCoopers Aarata	-	18,500

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

Note 2 Compensation for Directors indicates actual payments, and the independent auditor's fees indicates estimated audit fees on an accrual basis including ¥1,500 thousand of English financial statement audit fees.

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

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

4. Name of asset manager and other administrator

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

Condition of investment assets

1. Composition of assets

Classification of Assets	Region	As of February 28, 2015		As of August 31, 2015	
		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	23,625	2.8	23,587	2.8
	Osaka and Nagoya metropolitan areas	6,945	0.9	6,942	0.8
	Sub-total	30,571	3.7	30,530	3.6
Trust beneficial interest in real property	Tokyo metropolitan area	370,044	44.3	372,817	44.3
	Osaka and Nagoya metropolitan areas	295,524	35.4	300,088	35.6
	Other metropolitan areas	100,625	12.1	99,667	11.8
	Sub-total	766,193	91.8	772,573	91.7
Bank deposits and other assets		37,921	4.5	39,464	4.7
Total assets		834,687	100.0	842,568	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, 2015 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)	47,180	109,365.50	109,365.50	100.0	4.4	Retail facilities
mozo wonder city (Note 4) (trust beneficial interest)	42,582	86,654.68	72,084.15	83.2	8.4	Retail facilities
Nara Family (trust beneficial interest)	33,200	85,030.68	84,633.24	99.5	6.2	Retail facilities
KAWASAKI Le FRONT (trust beneficial interest)	30,411	56,095.45	55,617.88	99.1	5.9	Retail facilities
AEON MALL Yachiyo Midorigaoka (trust beneficial interest)	28,011	132,294.48	132,294.48	100.0	2.2	Retail facilities
AEON MALL Musashi Murayama (trust beneficial interest)	27,380	137,466.97	137,466.97	100.0	3.0	Retail facilities
AEON MALL Tsurumi Ryokuchi (trust beneficial interest)	25,512	138,538.63	138,538.63	100.0	2.9	Retail facilities
G-Bldg. Shinsaibashi 03 (Note 5) (trust beneficial interest)	22,341	4,631.13	4,631.13	100.0	-	Retail facilities
GYRE (trust beneficial interest)	21,947	4,815.02	4,815.02	100.0	1.8	Retail facilities
AEON MALL Itami (trust beneficial interest)	19,344	157,904.26	157,904.26	100.0	1.9	Retail facilities
Total	297,913	912,796.80	897,351.26	98.3	-	

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 "Leasable area" and "Leased area" for the property which is leased partially in the form of a pass-through master lease is presented on an end-tenant basis.

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, 2015 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)
G-Bldg. Minami Aoyama 02	8-5, Minami Aoyama 5-chome, Minato-ku, Tokyo	Trust beneficial interest	1,529.15	5,370	5,249
G-Bldg. Kita Aoyama 01	14-8, Kita-Aoyama 3-chome, Minato-ku, Tokyo	Trust beneficial interest	492.69	1,480	949
G-Bldg. Jiyugaoka 01 (Note 4)	9-17, Jiyugaoka 2-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	1,358.82	3,695	2,426
Cheers Ginza	9-5, Ginza 5-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,686.58	4,080	3,982
GYRE	10-1, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,815.02	24,500	21,947
G-Bldg. Jingumae 06	28-3, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	670.43	2,480	2,354
G-Bldg. Jingumae 02	9-9, Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	426.29	1,690	2,300
G-Bldg. Minami Aoyama 01	4-48, Minami Aoyama 5-chome, Minato-ku, Tokyo	Real property	922.30	4,770	6,438
La Porte Aoyama (Note 5)	51-8, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	4,153.44	9,910	9,346
G-Bldg. Jingumae 03	30-12, Jingumae 3-chome, Shibuya-ku, Tokyo	Real property	1,676.87	4,160	5,501
G-Bldg. Minami-Ikebukuro 01 (Note 5)	19-5, Minami Ikebukuro 1-chome, Toshima-ku, Tokyo	Trust beneficial interest	5,061.47	7,930	6,220
Urban Terrace Jingumae	47-6, Jingumae 5-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,719.19	4,660	2,780
G-Bldg. Sangenjaya 01	15-4, Taishido 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	3,471.52	5,750	3,697
G-Bldg. Ginza 01	5-1, Ginza 6-chome, Chuo-ku, Tokyo	Trust beneficial interest	1,610.54	6,440	5,594
KAWASAKI Le FRONT	1-11, Nissincho, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	56,095.45	37,100	30,411
G-Bldg. Omotesando 02	25-15 Jingumae 4-chome, Shibuya-ku, Tokyo	Trust beneficial interest	5,555.65	20,150	17,844
G-Bldg. Kichijoji 01	12-12, Kichijoji Honcho 2-chome, Musashino-shi, Tokyo	Trust beneficial interest	1,512.03	3,990	3,595
CUTE CUBE HARAJUKU	7-1, Jingumae 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,428.54	9,120	8,584
G-Bldg. Nagoya Sakae 01	27-24, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi	Real property	927.09	2,030	1,976
8953 Osaka Shinsaibashi Building	4-12, Minami Senba 3-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	13,666.96	15,000	12,531
Bic Camera Tachikawa	12-2, Akebonocho 2-chome, Tachikawa-shi, Tokyo, etc.	Trust beneficial interest	20,983.43	16,500	11,993
Kawaramachi OPA	385, Komeyacho, Shijo-agaru, Kawaramachi-dori, Nakagyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	18,848.20	15,700	18,405
G-Bldg. Jingumae 01	21-5, Jingumae 4-chome, Shibuya-ku, Tokyo	Real property	555.75	3,850	3,401
G-Bldg. Shinjuku 01	1-8, Shinjuku 4-chome, Shinjuku-ku, Tokyo	Trust beneficial interest	1,093.67	7,750	6,603
G-Bldg. Shinsaibashi 01	5-3, Sinsaibashi-suji 2-chome, Chuou-ku, Osaka-shi, Osaka	Trust beneficial interest	886.46	2,430	1,600
Arkangel Daikanyama(Land with leasehold interest)	111-14, Aobadai 1-chome, Meguro-ku, Tokyo, etc.	Trust beneficial interest	904.04	2,420	1,842
G-Bldg. Shinsaibashi 02 (Note 6)	3-24, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	-	5,680	4,353
Round1 Stadium Sennichimae(Land with leasehold interest)	1, Namba 1-chome, Chuo-ku, Osaka-shi, Osaka, etc.	Trust beneficial interest	1,711.63	9,330	8,091
Round1 Yokohama Station West	8-16, Minamisaikai 2-chome, Nishi-ku Yokohama-shi, Kanagawa	Trust beneficial interest	6,560.09	4,870	3,863
G-Bldg. Omotesando 01	1-9, Jingumae 6-chome, Shibuya-ku, Tokyo	Real property	1,508.03	7,290	5,892
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	3,380	2,793

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)
Round1 Hiroshima	3-11, Tatemachi, Naka-ku, Hiroshima-shi, Hiroshima	Trust beneficial interest	9,890.63	3,820	2,937
G-Bldg. Shinsaibashi 03	2-17, Shinsaibashisuji 1-chome, Chuo-ku, Osaka-shi, Osaka	Trust beneficial interest	4,631.13	26,000	22,341
G-Bldg. Daikanyama 01	35-17, Ebisu-Nishi 1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	599.79	1,450	1,221
G-Bldg. Shibuya 01	20-13 Jinnan1-chome, Shibuya-ku, Tokyo	Trust beneficial interest	1,582.08	3,900	3,232
DFS T GALLERIA OKINAWA	1-1, Omoromachi 4-chome, Naha-shi, Okinawa	Trust beneficial interest	42,088.14	14,500	13,500
EDION Kyobashi (Land with leasehold interest)	9-10, Gamo 1-chome, Joto-ku, Osaka-shi, Osaka	Trust beneficial interest	4,307.16	5,760	5,756
G-Bldg. Ueno 01	9-14 Ueno 4-chome, Taito-ku, Tokyo	Trust beneficial interest	1,471.80	3,530	3,457
Nara Family	4-1, Saidaiji-higashimachi 2-chome, Nara-shi, Nara	Trust beneficial interest	85,030.68	36,600	33,200
Abiko Shopping Plaza	11-1, Abiko 4-chome, Abiko-shi, Chiba	Trust beneficial interest	43,548.05	12,500	9,587
Kyoto Family	1-1, Ikejiricho, Yamanouchi, Ukyo-ku, Kyoto-shi, Kyoto	Trust beneficial interest	19,738.93	5,210	6,677
Higashi-Totsuka Aurora City	537-1, Shinanocho, Totsuka-ku, Yokohama-shi, Kanagawa, etc.	Trust beneficial interest	109,365.50	42,200	47,180
Ito-Yokado Kawasaki	2-1, Oda-sakae 2-chome, Kawasaki-ku, Kawasaki-shi, Kanagawa, etc.	Trust beneficial interest	65,313.47	13,440	13,916
Narupark (Note 5)	232 Urasato 3-chome, Midori-ku, Nagoya-shi, Aichi	Trust beneficial interest	15,227.61	4,950	7,733
Kishiwada CanCan Bayside Mall	2-1, Minatomidori machi, Kishiwada-shi, Osaka, etc.	Trust beneficial interest	38,266.16	6,400	7,336
Makuhari Plaza	7701, Makuharicho 2-chome, Hanamigawa-ku, Chiba-shi, Chiba	Trust beneficial interest	24,505.37	6,780	5,520
Izumisano Shofudai (Land with leasehold interest)	1138-1, Shofudai 1-chome, Izumisano-shi, Osaka	Trust beneficial interest	44,009.52	2,820	2,657
mozo wonder city (Note 7)	40-1, Futakatacho, Nishi-ku, Nagoya-shi, Aichi, etc.	Trust beneficial interest	86,654.68	49,500	42,582
pivo Izumi Chuo	1-2, Ibukino 5-chome, Izumi-shi, Osaka, etc.	Trust beneficial interest	21,182.94	6,850	5,804
Colline Bajikouen	4-18, Kamiyoga 2-chome, Setagaya-ku, Tokyo	Trust beneficial interest	5,368.02	3,760	3,157
KAMISHIN PLAZA	6-12, Osumi 1-chome, Higashiyodogawa-ku, Osaka-shi, Osaka	Trust beneficial interest	11,809.69	4,290	4,002
Oyama Yuen Harvest Walk (Note 7)	1475-52, Aza-kaido-nishi, Oaza-Kizawa, Oyama-shi, Tochigi, etc.	Trust beneficial interest	59,872.64	9,050	9,089
AEON Sendai Nakayama	35-40, Minami Nakayama 1-chome, Izumi-ku, Sendai-shi, Miyagi, etc.	Trust beneficial interest	46,248.96	10,900	8,923
Ito-Yokado Yabashira	15-8, Higurashi 1-chome, Matsudo-shi, Chiba, etc.	Trust beneficial interest	21,308.78	1,940	1,365
Ito-Yokado Kamifukuoka Higashi	1-30, Ohara 2-chome, Fujimino-shi, Saitama	Trust beneficial interest	28,316.18	5,770	6,085
Ito-Yokado Nishikicho	12-1, Nishikicho 1-chome, Warabi-shi, Saitama	Trust beneficial interest	73,438.52	14,200	10,754
AEON MALL Higashiura	13-2, Aza-asahi, Oaza-ogawa, Higashiuracho, Chita-gun, Aichi, etc.	Trust beneficial interest	129,124.73	10,500	7,277
AEON MALL Kashiihama	12-1, Kashiihama 3-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficial interest	109,616.72	14,500	11,749
AEON MALL Sapporo Naebo	1-1, Higashinaebo 2jo 3-chome, Higashi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	74,625.52	8,660	6,719
Ito-Yokado Tsunashima	8-1, Tsunashima-Nishi 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	Trust beneficial interest	16,549.50	4,930	4,702
AEON Itabashi Shopping Center	6-1, Tokumaru 2-chome, Itabashi-ku, Tokyo	Trust beneficial interest	72,748.34	13,000	11,092
AEON MALL Yamato	2-6, Shimotsuruma 1-chome, Yamato-shi, Kanagawa	Trust beneficial interest	85,226.68	17,400	15,563
SEIYU Hibarigaoka	9-8, Sumiyoshicho 3-chome, Nishi-Tokyo-shi, Tokyo	Trust beneficial interest	19,070.88	6,840	4,969

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 Tobata Shopping Center	2-2, Shioi-cho, Tobata-ku, Kita-Kyushu-shi, Fukuoka	Trust beneficial interest	93,258.23	6,400	5,667
AEON Takatsuki	47-2, Haginosho 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	77,267.23	10,400	10,256
AEON Yagoto	2-1, Ishizaka, Kojimachi-aza, Showa-ku, Nagoya-shi, Aichi	Trust beneficial interest	63,778.44	3,480	3,426
AEON Naha Shopping Center	10-2, Kanagusuku 5-chome, Naha-shi, Okinawa	Trust beneficial interest	79,090.48	10,600	10,253
AEON Nishi-Otsu	11-1, Ohjigaoka 3-chome, Otsu-shi, Shiga	Trust beneficial interest	62,717.26	11,200	12,148
AEON Omiya	574-1, Kushibikicho 2-chome, Kita-ku, Saitama-shi, Saitama	Trust beneficial interest	75,344.90	5,600	5,758
AEON Ueda	12-18, Tsuneda 2-chome, Ueda-shi, Nagano	Trust beneficial interest	61,349.07	7,970	8,033
AEON MALL Tsurumi Ryokuchi	17-1, Tsurumi 4-chome, Tsurumi-ku, Osaka-shi, Osaka	Trust beneficial interest	138,538.63	25,800	25,512
AEON MALL Itami	1-1, Fujinoki 1-chome, Itami-shi, Hyogo	Trust beneficial interest	157,904.26	19,400	19,344
Ito-Yokado Yotsukaido	5, Chuo, Yotsukaido-shi, Chiba	Trust beneficial interest	59,207.19	10,700	12,826
AEON MALL Yachiyo Midorigaoka	1-3, Midorigaoka 2-chome, Yachiyo-shi, Chiba	Trust beneficial interest	132,294.48	23,700	28,011
AEON MALL Sapporo Hassamu	1-1, Hassamu 8jo 12-chome, Nishi-ku, Sapporo-shi, Hokkaido	Trust beneficial interest	102,169.00	18,100	16,362
Ario Otori	199-12, Otori Minami-cho 3-cho, Nishi-ku, Sakai-shi, Osaka, etc.	Trust beneficial interest	95,135.36	15,500	16,178
AEON MALL Musashi Murayama	1-3, Enoki 1-chome, Musashimurayama-shi, Tokyo	Trust beneficial interest	137,466.97	31,700	27,380
AEON MALL Kobe Kita	2-1, Kouzudai 8-chome, Kita-ku, Kobe-shi, Hyogo	Trust beneficial interest	128,050.62	11,970	9,547
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	1,790	1,717
LIFE Kishibe(Land with leasehold interest)	2205-15, Hara-cho 4-chome, Suita-shi, Osaka, etc.	Real property	5,516.61	2,040	1,942
MrMax Nagasaki	26-1, Iwami machi, Nagasaki-shi, Nagasaki, etc.	Trust beneficial interest	12,115.09	3,150	2,462
Round1 Stadium Itabashi	16-13, Aioicho, Itabashi-ku, Tokyo	Trust beneficial interest	14,828.74	3,130	2,312
Round1 Machida	13-14, Morino 1-chome, Machida-shi, Tokyo	Trust beneficial interest	6,801.89	3,030	2,380
Neyagawa(Land with leasehold interest) (Note 8)	327-1, Taiseicho, Neyagawa-shi, Osaka, etc.	Trust beneficial interest	11,430.04	1,710	1,154
Round1 Stadium Sakai Chuo Kanjyo	241, Ishiwaracho 2-cho, Higashi-ku Sakai-shi, Osaka	Trust beneficial interest	17,521.46	2,390	1,714
Tecc Land Fukuoka Shime Honten (Note 6)	2-1, Minamizato 5-chome, Shime-machi, Kasuya-gun, Fukuoka	Trust beneficial interest	-	5,190	3,967
Summit Store Nakano Minamidai	26-2, Minamidai 5-chome, Nakano-ku, Tokyo	Trust beneficial interest	3,536.50	3,250	3,103
Round1 Stadium Takatsuki	6-4, Zushi 3-chome, Takatsuki-shi, Osaka	Trust beneficial interest	19,767.64	2,820	2,083
m-city Toyonaka	2-18, 2-chome, Hinode-cho Toyonaka-shi, Osaka	Trust beneficial interest	33,301.93	6,190	5,573
Total			3,150,204.42	874,015	803,103

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 A part of the buildings of G-Bldg. Jiyugaoka 01 is under demolish work for reconstruction from June 2015.

Note 5 “Leasable area” for a pass-through master leased property are presented on an end-tenant basis.

Note 6 “Leasable area” of the property is not disclosed because the consent from the tenant has not been obtained.

Note 7 “Leasable area” for the property which is leased partially in the form of a pass-through master lease is presented on an end-tenant basis.

Note 8 The property name was changed from Tecc Land Neyagawa(Land with leasehold interest) to Neyagawa(Land with leasehold interest) in the current period.

Operating results of each retail facility for the six months ended February 28, 2015 and August 31, 2015 were as follows:

Name of property	For the six months ended February 28, 2015				For the six months ended August 31, 2015			
	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) (%)
G-Bldg. Minami Aoyama 02	4	100.0	86	0.3	4	100.0	82	0.3
G-Bldg. Kita Aoyama 01	3	100.0	35	0.1	3	100.0	34	0.1
G-Bldg. Jiyugaoka 01	9	97.0	88	0.3	2	100.0	80	0.3
Cheers Ginza	7	72.1	96	0.3	10	100.0	102	0.3
GYRE	21	94.4	506	1.7	23	100.0	550	1.8
G-Bldg. Jingumae 06	4	100.0	54	0.2	4	100.0	54	0.2
G-Bldg. Jingumae 02	3	100.0	29	0.1	3	100.0	29	0.1
G-Bldg. Minami Aoyama 01	3	100.0	50	0.2	3	100.0	50	0.2
La Porte Aoyama (Note 3)	24	100.0	278	0.9	24	100.0	291	0.9
G-Bldg. Jingumae 03	7	100.0	79	0.3	7	100.0	81	0.3
G-Bldg. Minami-Ikebukuro 01 (Note 3)	8	100.0	262	0.9	8	100.0	265	0.9
Urban Terrace Jingumae	2	100.0	100	0.3	2	100.0	101	0.3
G-Bldg. Sangenjaya 01	3	100.0	147	0.5	3	100.0	147	0.5
G-Bldg. Ginza 01	8	100.0	145	0.5	8	100.0	145	0.5
KAWASAKI Le FRONT	69	99.0	1,812	5.9	69	99.1	1,823	5.9
G-Bldg. Omotesando 02	6	100.0	352	1.1	6	100.0	371	1.2
G-Bldg. Kichijoji 01 (Note 4)	0	0.0	-	-	1	100.0	-	-
CUTE CUBE HARAJUKU	9	96.7	164	0.5	10	100.0	210	0.7
G-Bldg. Nagoya Sakae 01	2	100.0	20	0.1	2	100.0	47	0.1
8953 Osaka Shinsaibashi Building	1	100.0	382	1.2	1	100.0	364	1.2
Bic Camera Tachikawa	2	100.0	388	1.3	2	100.0	382	1.2
Kawaramachi OPA	1	100.0	358	1.2	1	100.0	358	1.2
G-Bldg. Jingumae 01	2	100.0	76	0.2	2	100.0	82	0.3
G-Bldg. Shinjuku 01	1	100.0	161	0.5	1	100.0	161	0.5
G-Bldg. Shinsaibashi 01	2	100.0	60	0.2	2	100.0	67	0.2
Arkangel Daikanyama(Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
G-Bldg. Shinsaibashi 02 (Note 4)	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
Round1 Yokohama Station West	1	100.0	114	0.4	1	100.0	114	0.4
G-Bldg. Omotesando 01	1	100.0	135	0.4	1	100.0	135	0.4
Round1 Kyoto Kawaramachi	1	100.0	104	0.3	1	100.0	104	0.3
Round1 Hiroshima	1	100.0	119	0.4	1	100.0	119	0.4
G-Bldg. Shinsaibashi 03 (Note 4)	1	100.0	-	-	1	100.0	-	-

Name of property	For the six months ended February 28, 2015				For the six months ended August 31, 2015			
	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) (%)
G-Bldg. Daikanyama 01	1	100.0	42	0.1	1	100.0	42	0.1
G-Bldg. Shibuya 01 (Note 4)	1	100.0	-	-	1	100.0	-	-
DFS T GALLERIA OKINAWA	1	100.0	454	1.5	1	100.0	497	1.6
EDION Kyobashi (Land with leasehold interest) (Note 4)	-	-	-	-	1	100.0	-	-
G-Bldg. Ueno 01	-	-	-	-	1	100.0	14	0.0
Nara Family	129	99.8	2,006	6.6	123	99.5	1,927	6.2
Abiko Shopping Plaza	54	99.6	710	2.3	55	99.9	653	2.1
Kyoto Family	69	99.9	584	1.9	70	100.0	584	1.9
Higashi-Totsuka Aurora City	4	100.0	1,360	4.4	4	100.0	1,358	4.4
Ito-Yokado Kawasaki	5	100.0	491	1.6	5	100.0	492	1.6
Narupark (Note 3)	48	99.5	363	1.2	49	99.5	342	1.1
Kishiwada CanCan Bayside Mall	106	93.6	719	2.3	102	94.9	724	2.3
Makuhari Plaza	6	100.0	215	0.7	5	100.0	214	0.7
Izumisano Shofudai(Land with leasehold interest) (Note 4)	2	100.0	-	-	2	100.0	-	-
mozo wonder city (Note 5)	223	99.8	2,460	8.0	151	83.2	2,593	8.4
pivo Izumi Chuo (Note 4)	17	100.0	-	-	17	100.0	-	-
Colline Bajikouen	10	100.0	141	0.5	10	100.0	143	0.5
KAMISHIN PLAZA	42	98.1	275	0.9	42	97.4	275	0.9
Oyama Yuen Harvest Walk (Note 5)	72	99.9	826	2.7	71	99.6	834	2.7
AEON Sendai Nakayama	2	100.0	417	1.4	2	100.0	420	1.4
Ito-Yokado Yabashira	1	100.0	78	0.3	1	100.0	78	0.3
Ito-Yokado Kamifukuoka Higashi	1	100.0	217	0.7	1	100.0	217	0.7
Ito-Yokado Nishikicho	1	100.0	444	1.4	1	100.0	444	1.4
AEON MALL Higashiura	1	100.0	481	1.6	1	100.0	480	1.6
AEON MALL Kashiihama	1	100.0	477	1.6	1	100.0	477	1.5
AEON MALL Sapporo Naebo	1	100.0	372	1.2	1	100.0	371	1.2
Ito-Yokado Tsunashima	1	100.0	168	0.5	1	100.0	168	0.5
AEON Itabashi Shopping Center	1	100.0	650	2.1	1	100.0	656	2.1
AEON MALL Yamato	1	100.0	536	1.8	1	100.0	536	1.7
SEIYU Hibarigaoka	1	100.0	261	0.9	1	100.0	261	0.8
AEON Tobata Shopping Center	1	100.0	339	1.1	1	100.0	315	1.0
AEON Takatsuki	1	100.0	414	1.3	1	100.0	414	1.3
AEON Yagoto	2	100.0	126	0.4	2	100.0	126	0.4
AEON Naha Shopping Center	1	100.0	373	1.2	1	100.0	373	1.2

Name of property	For the six months ended February 28, 2015				For the six months ended August 31, 2015			
	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 Nishi-Otsu	1	100.0	375	1.2	1	100.0	375	1.2
AEON Omiya	1	100.0	194	0.6	1	100.0	194	0.6
AEON Ueda	1	100.0	303	1.0	1	100.0	303	1.0
AEON MALL Tsurumi Ryokuchi	1	100.0	895	2.9	1	100.0	895	2.9
AEON MALL Itami	1	100.0	582	1.9	1	100.0	581	1.9
Ito-Yokado Yotsukaido	1	100.0	290	0.9	1	100.0	290	0.9
AEON MALL Yachiyo Midorigaoka	1	100.0	691	2.3	1	100.0	691	2.2
AEON MALL Sapporo Hassamu	1	100.0	577	1.9	1	100.0	577	1.9
Ario Otori	1	100.0	544	1.8	1	100.0	558	1.8
AEON MALL Musashi Murayama	1	100.0	936	3.1	1	100.0	935	3.0
AEON MALL Kobe Kita (Note 6)	1	100.0	495	1.6	1	100.0	405	1.3
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
MrMax Nagasaki (Note 4)	2	100.0	-	-	2	100.0	-	-
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
Neyagawa(Land with leasehold interest) (Note 4)	1	100.0	-	-	1	100.0	-	-
Round1 Stadium Sakai Chuo Kanjyo	1	100.0	82	0.3	1	100.0	82	0.3
Tecc Land Fukuoka Shime Honten (Note 4)	1	100.0	-	-	1	100.0	-	-
Summit Store Nakano Minamidai	1	100.0	84	0.3	1	100.0	84	0.3
Round1 Stadium Takatsuki	1	100.0	91	0.3	1	100.0	91	0.3
m-city Toyonaka (Note 4)	1	100.0	-	-	1	100.0	-	-
Total	1,040	99.8	30,614	100.0	961	99.4	30,962	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 Rental revenue of the property is not disclosed because the consent from the tenant has not been obtained.

Note 5 “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 6 JRF sold 30% quasi-co-ownership interest of the property on December 5, 2014.

4. Details of specified transaction

The details of specified transaction as of August 31, 2015 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)	252,075	241,075	(2,043)
Total		252,075	241,075	(2,043)

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, 2015.

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, 2015	Total of advanced payment
Bic Camera Tachikawa	Tachikawa-shi, Tokyo	Earthquake-resistant construction	August, 2015 to November, 2016	3,120	657	691
mozo wonder city	Nishi-ku, Nagoya-shi, Aichi	Construction for activating plan	April, 2015 to September, 2015	1,396	273	277
Kishiwada CanCan Bayside Mall	Kishiwada-shi, Osaka	Rezoning construction of tenant floor	May, 2016 to August, 2016	602	-	-
Ito-Yokado Kawasaki	Kawasaki-ku, Kawasaki-shi, Kanagawa	Earthquake-resistant construction of elevator	October, 2015 to November, 2015	162	-	-
AEON MALL Itami	Itami-shi, Hyogo	Repair of outer wall	July, 2015 to January, 2016	119	-	-

2. Capital expenditures for the six months ended August 31, 2015

Maintenance expenditures on property for the six months ended August 31, 2015 were totaling to ¥2,527 million consisting of ¥2,312 million of capital expenditures stated as below and ¥214 million of repair and maintenance expenses charged to income.

Name of property	Location	Purpose	Term for construction or maintenance	Capital expenditures
Nara Family	Nara-shi, Nara	Renewal of disaster prevention equipment	October, 2014 to March, 2015	149
mozo wonder city	Nishi-ku, Nagoya-shi, Aichi	Installment of LED lighting equipment	July, 2015 to August, 2015	124
AEON MALL Itami	Itami-shi, Hyogo	Repair of outer wall	February, 2015 to July, 2015	103
Nara Family	Nara-shi, Nara	Earthquake-resistant construction of elevator	April, 2015 to July, 2015	101
Ito-Yokado Kawasaki	Kawasaki-ku, Kawasaki-shi, Kanagawa	Repair of outer wall	April, 2015 to August, 2015	81
Others	-	-	-	1,752
Total				2,312

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	26th fiscal period	27th fiscal period
	For the six months ended February 28, 2015	For the six months ended August 31, 2015
Asset management fees	2,476,041	2,545,092
Custodian fees	28,204	29,853
General administration fees	118,271	124,140
Compensation for Directors	5,940	5,940
Other operating expenses	172,497	155,925
Total	2,800,955	2,860,952

2. Borrowings

Borrowings as of August 31, 2015 were as follows:

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method (Note 4)	Use (Note 7)	Remarks
			February 28, 2015 (Millions of yen)	August 31, 2015 (Millions of yen)					
Short-term	Mizuho Bank, Ltd.	July 28, 2015	-	2,000	0.3	June 29, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Mizuho Trust & Banking Co., Ltd.	July 28, 2015	-	1,000	0.3	June 29, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sub-total		-	3,000					
Long-term	Sumitomo Mitsui Banking Corporation	November 4, 2008	24,310	-	0.9	March 1, 2015	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Development Bank of Japan Inc. (Note2)	July 30, 2009	11,750	11,450	1.8	July 30, 2016	(Note 5)	(Note 7)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	July 30, 2009	15,666	15,266	2.2	July 30, 2018	(Note 6)	(Note 7)	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 7)	Unsecured and unguaranteed
	Mizuho Bank, Ltd. (Note 2)	February 7, 2011	5,000	5,000	0.7 (Note 3)	February 5, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Shinkumi Federation Bank (Note 2)		3,000	3,000					
	The Hiroshima Bank Ltd. (Note 2)		1,500	1,500					
	The Senshu Ikeda Bank, Ltd. (Note 2)		1,000	1,000					
	The Minato Bank, Ltd. (Note 2)		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 4)	(Note 7)	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 4)	(Note 7)	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 4)	(Note 7)	Unsecured and unguaranteed

	Classification	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2015 (Millions of yen)	August 31, 2015 (Millions of yen)					
	Name of lender								
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	1,982	1,982	1.0 (Note 3)	September 22, 2021	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,682	1,682					
	Sumitomo Mitsui Trust Bank, Limited		1,335	1,335					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	3,965	3,965	0.9 (Note 3)	March 22, 2021	Lump sum (Note 4)	(Note 8)	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 4)	(Note 7)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 22, 2011	3,875	3,875	0.8 (Note 3)	September 18, 2020	Lump sum (Note 4)	(Note 7)	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 (Note 3)	March 19, 2020	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		4,500	4,500					
	Sumitomo Mitsui Trust Bank, Limited		3,500	3,500					
	Sumitomo Mitsui Banking Corporation	September 30, 2011	2,000	2,000	0.9 (Note 3)	September 30, 2020	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	September 30, 2011	3,500	3,500	0.7 (Note 3)	March 30, 2018	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	2,500	2,500	0.8 (Note 3)	September 28, 2018	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Shinsei Bank, Limited	September 30, 2011	4,000	4,000	0.8 (Note 3)	September 28, 2018	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Resona Bank, Limited	September 30, 2011	2,500	2,500	0.6 (Note 3)	September 30, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	September 30, 2011	1,000	1,000	0.6 (Note 3)	September 30, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	December 21, 2011	3,172	3,172	0.7 (Note 3)	December 20, 2019	Lump sum (Note 4)	(Note 9)	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 (Note 3)	June 21, 2019	Lump sum (Note 4)	(Note 9)	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 4)	(Note 7)	Unsecured and unguaranteed
	Resona Bank, Limited	December 21, 2011	2,000	2,000	0.8 (Note 3)	December 21, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 22, 2012	2,180	2,180	1.0 (Note 3)	May 20, 2022	Lump sum (Note 4)	(Note 9)	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	1.1 (Note 3)	May 20, 2022	Lump sum (Note 4)	(Note 7)	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 4)	(Note 9)	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 4)	(Note 7)	Unsecured and unguaranteed
	The Chugoku Bank, LTD.	May 22, 2012	2,000	2,000	0.6 (Note 3)	November 22, 2017	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	September 14, 2012	3,000	3,000	0.5 (Note 3)	September 14, 2017	Lump sum (Note 4)	(Note 7)	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, 2015 (Millions of yen)	August 31, 2015 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2012	2,000	2,000	0.5	September 29, 2017	Lump sum (Note 4)	(Note 7)	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 4)	(Note 7)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	1,000	1,000	1.6	October 1, 2024	Lump sum	(Note 8)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 2, 2012	3,000	3,000	1.0	October 1, 2020	Lump sum	(Note 8)	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 8)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 2, 2012	2,000	2,000	1.0 (Note 3)	October 2, 2020	Lump sum (Note 4)	(Note 8)	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 4)	(Note 8)	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 (Note 3)	April 2, 2020	Lump sum (Note 4)	(Note 8)	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 (Note 3)	April 2, 2020	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 2, 2012	2,974	2,974	0.5 (Note 3)	October 2, 2019	Lump sum (Note 4)	(Note 8)	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 4)	(Note 8)	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 4)	(Note 7)	Unsecured and unguaranteed
	The Gunma Bank, Ltd.	December 28, 2012	500	500	0.6 (Note 3)	December 28, 2018	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.		500	500					
	The Higashi-Nippon Bank, Limited		500	500					
	Sumitomo Mitsui Banking Corporation	February 28, 2013	5,000	5,000	1.2 (Note 3)	February 28, 2022	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 29, 2013	5,000	5,000	1.2 (Note 3)	March 31, 2022	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	September 30, 2013	3,000	3,000	1.3	April 7, 2023	Lump sum	(Note 7)	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 4)	(Note 8)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	October 7, 2013	1,500	1,500	1.5	April 5, 2024	Lump sum	(Note 7)	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 8)	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 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 7, 2013	1,387	1,387	1.3 (Note 3)	April 7, 2023	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,177	1,177					
	Sumitomo Mitsui Trust Bank, Limited		934	934					

Classification	Name of lender	Borrowing date	Balance as of		Average interest rate (%) (Note 1)	Due date	Repayment method	Use	Remarks
			February 28, 2015 (Millions of yen)	August 31, 2015 (Millions of yen)					
Long-term	Development Bank of Japan Inc.	October 7, 2013	1,500	1,500	1.3	April 7, 2023	Lump sum	(Note 7)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	October 7, 2013	1,500	1,500	1.2 (Note 3)	October 7, 2022	Lump sum (Note 4)	(Note 7)	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 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 7, 2013	2,000	2,000	1.2 (Note 3)	October 7, 2022	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	October 7, 2013	1,000	1,000	1.0	October 7, 2021	Lump sum (Note 4)	(Note 7)	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 4)	(Note 7)	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 4)	(Note 8)	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 4)	(Note 7)	Unsecured and unguaranteed
	The Norinchukin Bank	October 7, 2013	1,500	1,500	0.8 (Note 3)	April 7, 2020	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Joyo Bank, Ltd.	October 7, 2013	1,000	1,000	0.8 (Note 3)	April 7, 2020	Lump sum (Note 4)	(Note 7)	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 4)	(Note 7)	Unsecured and unguaranteed
	The 77 Bank, Ltd.	October 7, 2013	1,000	1,000	0.7 (Note 3)	October 7, 2019	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Development Bank of Japan Inc.	March 31, 2014	4,000	4,000	1.7	March 31, 2026	Lump sum	(Note 7)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	1,586	1,586	0.4	February 28, 2017	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,346	1,346					
	Sumitomo Mitsui Trust Bank, Limited		1,068	1,068					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	594	594	1.5 (Note 3)	March 31, 2025	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		504	504					
	Sumitomo Mitsui Trust Bank, Limited		400	400					
	Development Bank of Japan Inc.	October 1, 2014	3,000	3,000	1.3	October 1, 2025	Lump sum	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	793	793	1.1 (Note 3)	October 1, 2024	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		673	673					
	Sumitomo Mitsui Trust Bank, Limited		534	534					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	800	800	1.1	October 1, 2024	Lump sum	(Note 8)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	1,189	1,189	0.8 (Note 3)	September 30, 2022	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					
	THE NISHI-NIPPON CITY BANK, LTD.	October 1, 2014	1,000	1,000	0.8 (Note 3)	September 30, 2022	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Yamaguchi Bank, Ltd.	October 1, 2014	1,000	1,000	0.8	September 30, 2022	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	October 1, 2014	2,000	2,000	0.7 (Note 3)	April 1, 2022	Lump sum (Note 4)	(Note 7)	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, 2015 (Millions of yen)	August 31, 2015 (Millions of yen)					
Long-term	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	1,387	1,387	0.7 (Note 3)	October 1, 2021	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,177	1,177					
	Sumitomo Mitsui Trust Bank, Limited		934	934					
	The Norinchukin Bank	October 1, 2014	1,500	1,500	0.6 (Note 3)	October 1, 2021	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	October 1, 2014	3,000	3,000	0.6 (Note 3)	April 1, 2021	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	October 1, 2014	1,000	1,000	0.6 (Note 3)	April 1, 2021	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	October 1, 2014	1,189	1,189	0.4	February 28, 2017	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,009	1,009					
	Sumitomo Mitsui Trust Bank, Limited		801	801					
	Sumitomo Mitsui Trust Bank, Limited	February 2, 2015	200	200	1.0	January 31, 2025	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	JAPAN POST INSURANCE Co., Ltd.		1,000	1,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 5, 2015	1,571	1,571	0.8 (Note 3)	February 5, 2024	Lump sum (Note 4)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,357	1,357					
	Sumitomo Mitsui Trust Bank, Limited		1,071	1,071					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	February 5, 2015	1,571	1,571	0.7 (Note 3)	February 3, 2023	Lump sum (Note 4)	(Note 9)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,357	1,357					
	Sumitomo Mitsui Trust Bank, Limited		1,071	1,071					
	Sumitomo Mitsui Banking Corporation	March 2, 2015	-	1,000	1.6 (Note 3)	March 30, 2029	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	-	7,000	1.0 (Note 3)	March 31, 2025	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	-	6,000	0.9 (Note 3)	March 29, 2024	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation	March 2, 2015	-	6,000	0.7 (Note 3)	March 31, 2023	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	Sumitomo Mitsui Banking Corporation (Note 2)	March 2, 2015	-	4,300	0.3	March 31, 2016	Lump sum (Note 4)	(Note 7)	Unsecured and unguaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	March 30, 2015	-	2,180	0.3	March 31, 2016	Lump sum (Note 4)	(Note 8)	Unsecured and unguaranteed
	Mitsubishi UFJ Trust and Banking Corporation (Note 2)		-	1,850					
	Sumitomo Mitsui Trust Bank, Limited (Note 2)		-	1,468					
	Sub-total		324,801	329,591					
	Total		324,801	332,591					

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, 2015 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 may repay all or part of principal of the borrowings on interest payment date.

Note 5 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.

Note 6 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, 2015, includes ¥800 million of current portion of long-term borrowings.

Note 7 The funds were mainly appropriated to repayment of borrowings.

Note 8 The funds were appropriated to purchasing real property or trust beneficiary interests in real property and miscellaneous expenses relating to the acquisition.

Note 9 The funds were appropriated to redemption 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, 2015 (Millions of yen)	August 31, 2015 (Millions of yen)					
Third series unsecured investment corporation bonds (Note 1)	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	8,000	1.260	June 26, 2026	Lump sum (Note 2)	(Note 3)	Unsecured and unguaranteed
Ninth series unsecured investment corporation bonds	February 5, 2015	7,000	7,000	0.765	February 5, 2025	Lump sum (Note 2)	(Note 4)	Unsecured and unguaranteed
Total		47,500	47,500					

Note 1 Maturity date of the third series unsecured investment corporation bonds is within one year from August 31, 2015.

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.

Note 4 The funds were appropriated to redemption of corporate bonds.

4. Short-term investment corporation bonds

None

5. Investment unit warrants

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
EDION Kyobashi (Land with leasehold interest)	March 30, 2015	5,640	-	-	-	-
G-Bldg. Ueno 01	July 28, 2015	3,320	-	-	-	-
Total	-	8,960	-	-	-	-

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

2. Transactions of other assets

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

3. Research for specified assets value, etc.

(1) Property (Appraisal value)

(Millions of yen)

Acquisition /Disposition	Name of property	Date of acquisition /disposition	Acquisition Cost /Disposition amount	Appraisal value	Name of appraiser	Date of appraisal
Acquisition	EDION Kyobashi (Land with leasehold interest)	March 30, 2015	5,640	5,760	CBRE K.K.	March 1, 2015
Acquisition	G-Bldg. Ueno 01	July 28, 2015	3,320	3,540	Daiwa Real Estate Appraisal Co.,Ltd.	June 1, 2015

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

(2) Other transaction

None

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	¥8,960,000 thousand	¥ - thousand
<i>Breakdown for transactions with interested parties</i>		
<i>GK EDN1910</i>	¥5,640,000 thousand (62.9%)	¥ - thousand (-)
total	¥5,640,000 thousand (62.9%)	¥ - thousand (-)

(2) Amounts of fees paid and other expenses

(Thousands of yen)				
Classification	Total amounts (A)	Transactions with interested parties or major shareholders		(B) / (A) (%)
		Name of counter party	Amount of payment (B)	
Facility management fees	1,365,744	Mitsubishi UFJ Lease & Finance Company Limited	457	0.0
Utilities	1,965,732	Japan Facility Solutions, Inc.	18,111	0.9
Other rental expenses	779,382	Mitsubishi Corporation Urban Development, Inc.	2,703	0.3
		Mitsubishi Shoji & Sun Co., Ltd.	1,166	0.1
		Mitsubishi Corporation	500	0.1
Other operating expenses	155,925	Mitsubishi Corporation	122	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 ¥142 thousand.

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

Outline of overseas real estate investment corporation

1. Disclosure relating to overseas real estate investment corporation

None

2. Disclosure relating to property held by overseas real estate investment corporation

None

Outline of overseas real estate investment corporation

1. Disclosure relating to overseas real estate investment corporation

None

2. Disclosure relating to property held by overseas real estate investment corporation

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)
Accumulated number	-	-	3,200

(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 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%
The 26th fiscal period (September 1, 2014 to February 28, 2015)	3,200	820,800	0.1%
The 27th fiscal period (March 1, 2015 to August 31, 2015)	3,200	715,520	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.

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, 2015 was as follows:

Approval day	Item	Summary
August 20, 2015	Underwriting agreements of new investment units	In connection with the global offering of new investment units, the Board of Directors of JRF approved entering into the underwriting agreements with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., UBS Securities Japan Co., Ltd. and SMBC Nikko Securities Inc. as joint domestic coordinator, and UBS AG, London Branch, Morgan Stanley & Co. International plc and SMBC Nikko Capital Markets Limited as international joint lead managers.

3. Other

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



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, 2015 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, 2015 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 state the following matters including issuance of new investment units, disposition of properties, and judgment of lawsuit and appeal to the Supreme Court.

Convenience Translation

The U.S. dollar amounts in the accompanying financial statements with respect to the six months period ended August 31, 2015 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 Sarata

November 16, 2015

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of February 28, 2015 and August 31, 2015

	As of		
	February 28,	August 31,	August 31,
	2015	2015	2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
ASSETS			
Current assets:			
Cash and cash equivalents (Note 4).....	¥ 26,836	¥ 29,239	\$ 241,285
Restricted bank deposits (Note 4).....	513	513	4,233
Time deposits.....	1,500	1,500	12,378
Rental receivables	1,117	880	7,261
Consumption tax refundable	457	-	-
Other current assets	2,269	2,150	17,742
Total current assets.....	32,695	34,283	282,909
Non-current assets:			
Property and equipment (Notes 4, 5, 6, 8 and 11), at cost:			
Land.....	543,258	551,759	4,553,218
Buildings.....	314,154	316,416	2,611,123
Building improvements.....	16,081	16,471	135,921
Machinery and equipment.....	1,820	1,843	15,208
Furniture and fixtures.....	4,017	4,081	33,677
Construction in progress.....	-	1,141	9,415
	879,331	891,713	7,358,582
Less: Accumulated depreciation.....	(89,589)	(95,585)	(788,785)
Net property and equipment.....	789,741	796,127	6,569,788
Other assets:			
Leasehold rights (Notes 4, 7 and 8).....	6,907	6,875	56,733
Other intangible assets (Notes 4, 7 and 8).....	115	101	833
Lease deposits (Note 4).....	1,715	1,708	14,094
Long-term prepaid expenses	2,666	2,708	22,346
Derivatives (Note 19).....	2	3	24
Bond issuance costs	154	143	1,180
Unit issuance costs	217	147	1,213
Other	470	470	3,878
Total other assets.....	12,250	12,158	100,330
TOTAL ASSETS.....	¥ 834,687	¥ 842,568	\$ 6,953,028

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

JAPAN RETAIL FUND INVESTMENT CORPORATION
BALANCE SHEETS
As of February 28, 2015 and August 31, 2015

	As of		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 9).....	¥ -	¥ 3,000	\$ 24,756
Current portion of long-term borrowings (Note 9).....	36,710	33,050	272,734
Current portion of long-term bonds issued — unsecured (Note 10).....	10,000	10,000	82,521
Current portion of tenant leasehold and security deposits (Notes 4 and 11).....	2,181	2,133	17,601
Accounts payable—operating	1,926	2,219	18,311
Accounts payable—other	35	10	82
Accrued expenses	2,049	2,150	17,742
Consumption tax payable	-	1,122	9,258
Rent received in advance	2,918	2,986	24,641
Deposits received	2,221	1,077	8,887
Other current liabilities	228	764	6,304
Total current liabilities	58,271	58,513	482,860
Non-current liabilities:			
Long-term borrowings (Note 9).....	288,091	296,541	2,447,111
Long-term bonds issued — unsecured (Note 10).....	37,500	37,500	309,457
Tenant leasehold and security deposits (Notes 4 and 11).....	58,503	57,625	475,532
Deferred tax liabilities (Note 16).....	514	-	-
Asset retirement obligations (Note 20).....	473	476	3,928
Derivatives liabilities (Note 19).....	405	347	2,863
Other	-	4	33
Total non-current liabilities	385,487	392,495	3,238,942
TOTAL LIABILITIES	443,759	451,009	3,721,810
Net Assets (Note 12):			
Unitholders' equity:			
Unitholders' capital, 8,000,000 units authorized; 2,430,198 units as of February 28, 2015 and August 31, 2015 issued and outstanding.....	363,254	363,254	2,997,639
Capital surplus.....	14,986	14,986	123,667
Reserve for reduction entry of property.....	-	502	4,142
Reserve for dividends.....	2,430	2,430	20,052
Retained earnings.....	10,660	10,731	88,554
Total unitholders' equity	391,332	391,905	3,234,073
Valuation and translation adjustments:			
Deferred losses on hedges.....	(404)	(345)	(2,847)
Total valuation and translation adjustments	(404)	(345)	(2,847)
TOTAL NET ASSETS	390,928	391,559	3,231,218
TOTAL LIABILITIES AND NET ASSETS	¥ 834,687	¥ 842,568	\$ 6,953,028

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, 2015 and August 31, 2015

	For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Operating revenues			
Rental and other operating revenues (Note 14).....	¥ 30,614	¥ 30,962	\$ 255,504
Gain on sales of property (Note 15).....	785	-	-
	<u>31,399</u>	<u>30,962</u>	<u>255,504</u>
Operating expenses			
Property-related expenses (Note 14).....	14,906	15,285	126,134
Asset management fees	2,476	2,545	21,001
Custodian fees	28	29	239
General administration fees	118	124	1,023
Other	178	161	1,328
	<u>17,707</u>	<u>18,146</u>	<u>149,744</u>
Operating income	<u>13,692</u>	<u>12,816</u>	<u>105,760</u>
Non-operating revenues			
Non-operating revenues.....	6	8	66
	<u>6</u>	<u>8</u>	<u>66</u>
Non-operating expenses			
Interest expense	1,625	1,721	14,202
Corporate bonds interest	469	386	3,185
Amortization of bond issuance costs	8	10	82
Amortization of unit issuance costs	70	70	577
Loan-related costs	458	413	3,408
Other non-operating expenses	4	4	33
	<u>2,637</u>	<u>2,607</u>	<u>21,513</u>
Ordinary income	<u>11,061</u>	<u>10,217</u>	<u>84,312</u>
Extraordinary losses			
Litigation settlement.....	375	-	-
	<u>375</u>	<u>-</u>	<u>-</u>
Income before income taxes	<u>10,686</u>	<u>10,217</u>	<u>84,312</u>
Income taxes (Note 16):			
Current.....	-	-	-
Deferred.....	27	(514)	(4,241)
	<u>27</u>	<u>(513)</u>	<u>(4,233)</u>
Net income	<u>10,658</u>	<u>10,731</u>	<u>88,554</u>
Unappropriated earnings at beginning of period	<u>1</u>	<u>-</u>	<u>-</u>
Retained earnings at end of period (Note 13)	<u>¥ 10,660</u>	<u>¥ 10,731</u>	<u>\$ 88,554</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, 2015 and August 31, 2015

	Unitholders' equity						Valuation and translation adjustments			
	Surplus									
	Unitholders' capital	Capital surplus	Reserve for reduction entry of property	Reserve for dividends	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
	(in millions)									
Balance as of August 31, 2014.....	¥ 338,940	¥ 14,986	¥ -	¥ 2,430	¥ 9,615	¥ 27,032	¥ 365,973	¥ (94)	¥ (94)	¥ 365,878
Changes during the period										
Issuance of new investment units.....	24,314	-	-	-	-	-	24,314	-	-	24,314
Appropriation of reserve for dividends.....	-	-	-	-	-	-	-	-	-	-
Cash distribution declared.....	-	-	-	-	(9,613)	(9,613)	(9,613)	-	-	(9,613)
Net income.....	-	-	-	-	10,658	10,658	10,658	-	-	10,658
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	(310)	(310)	(310)
Total changes during the period	24,314	-	-	-	1,044	1,044	25,359	(310)	(310)	25,049
Balance as of February 28, 2015.....	¥ 363,254	¥ 14,986	¥ -	¥ 2,430	¥ 10,660	¥ 28,077	¥ 391,332	¥ (404)	¥ (404)	¥ 390,928
Changes during the period										
Appropriation of reserve for reduction entry of property...	-	-	502	-	(502)	-	-	-	-	-
Cash distribution declared.....	-	-	-	-	(10,158)	(10,158)	(10,158)	-	-	(10,158)
Net income.....	-	-	-	-	10,731	10,731	10,731	-	-	10,731
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	58	58	58
Total changes during the period	-	-	502	-	70	572	572	58	58	631
Balance as of August 31, 2015.....	¥ 363,254	¥ 14,986	¥ 502	¥ 2,430	¥ 10,731	¥ 28,650	¥ 391,905	¥ (345)	¥ (345)	¥ 391,559

	Unitholders' equity						Valuation and translation adjustments			
	Surplus									
	Unitholders' capital	Capital surplus	Reserve for reduction entry of property	Reserve for dividends	Retained earnings	Total surplus	Total unitholders' equity	Deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
	(in thousands of U.S. dollars (Note 3))									
Balance as of February 28, 2015.....	\$ 2,997,639	\$ 123,667	\$ -	\$ 20,052	\$ 87,968	\$ 231,696	\$ 3,229,344	\$ (3,333)	\$ (3,333)	\$ 3,226,010
Changes during the period										
Appropriation of reserve for reduction entry of property...	-	-	4,142	-	(4,142)	-	-	-	-	-
Cash distribution declared.....	-	-	-	-	(83,825)	(83,825)	(83,825)	-	-	(83,825)
Net income.....	-	-	-	-	88,554	88,554	88,554	-	-	88,554
Net changes of items other than unitholders' equity.....	-	-	-	-	-	-	-	478	478	478
Total changes during the period	-	-	4,142	-	577	4,720	4,720	478	478	5,207
Balance as of August 31, 2015.....	\$ 2,997,639	\$ 123,667	\$ 4,142	\$ 20,052	\$ 88,554	\$ 236,425	\$ 3,234,073	\$ (2,847)	\$ (2,847)	\$ 3,231,218

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, 2015 and August 31, 2015

	For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S.dollars (Note 3))
Cash Flows from Operating Activities:			
Income before income taxes.....	¥ 10,686	¥ 10,217	\$ 84,312
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation.....	6,097	6,236	51,460
Amortization of bond issuance costs.....	8	10	82
Amortization of unit issuance costs.....	70	70	577
Gain on sales of property.....	(785)	-	-
Loss on disposal of fixed assets.....	60	99	816
Interest income.....	(3)	(3)	(24)
Interest expense.....	2,095	2,108	17,395
Litigation settlement.....	375	-	-
Changes in assets and liabilities:			
Decrease in Rental receivables.....	69	232	1,914
(Increase) decrease in Consumption tax refundable.....	(457)	457	3,771
Increase in Long-term prepaid expenses.....	(39)	(42)	(346)
(Decrease) increase in Accounts payable - operating.....	(285)	219	1,807
Increase (decrease) in Accounts payable - other.....	23	(24)	(198)
Increase in Accrued expenses.....	47	52	429
(Decrease) increase in Consumption tax payable.....	(946)	1,122	9,258
Increase in Rent received in advance.....	122	68	561
Decrease in Deposits received.....	(395)	(1,144)	(9,440)
Other, net.....	(1,026)	271	2,236
Sub total.....	15,716	19,952	164,647
Interest received.....	3	3	24
Interest expenses paid.....	(2,125)	(2,060)	(16,999)
Litigation settlement paid.....	(375)	-	-
Income taxes paid.....	-	-	-
Net cash provided by operating activities.....	13,218	17,894	147,664
Cash Flows from Investing Activities:			
Payments into time deposits.....	(1,500)	-	-
Purchase of property and equipment.....	(50,478)	(12,868)	(106,189)
Proceeds from sales of property and equipment.....	4,947	-	-
Purchase of intangible assets.....	(561)	-	-
Payments of tenant leasehold and security deposits.....	(2,151)	(1,588)	(13,104)
Proceeds from tenant leasehold and security deposits.....	1,906	1,328	10,958
Proceeds from deposits and others.....	131	7	57
Payments of deposits and others.....	(234)	-	-
Net cash used in investing activities.....	(47,941)	(13,121)	(108,276)
Cash Flows from Financing Activities:			
Proceeds from short-term borrowings.....	-	3,000	24,756
Proceeds from long-term borrowings.....	35,200	29,800	245,915
Repayments of long-term borrowings.....	(1,900)	(25,010)	(206,387)
Proceeds from issuance of corporate bonds.....	6,953	-	-
Redemption of corporate bonds.....	(15,000)	-	-
Proceeds from issuance of investment units.....	24,185	-	-
Distribution payments.....	(9,613)	(10,160)	(83,842)
Net cash provided by (used in) financing activities.....	39,825	(2,370)	(19,557)
Net change in cash and cash equivalents.....	5,102	2,402	19,821
Cash and cash equivalents at beginning of period.....	21,734	26,836	221,455
Cash and cash equivalents at end of period.....	¥ 26,836	¥ 29,239	\$ 241,285

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, 2015 and August 31, 2015

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 27th fiscal period (August 31, 2015) amounted to ¥854.1 billion (US\$7,048 million) (the total acquisition price of 90 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 carrying 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 recoverable amount of the asset or group of assets.

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

Trust beneficiary interests in real estate trusts are commonly utilized to obtain ownership in commercial properties in Japan, through which the Company holds all of its real estate. 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 ¥51 million and ¥17 million (US\$140 thousand) for the six months ended February 28, 2015 and August 31, 2015, respectively.

(m) Revenue Recognition

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

(n) Hedge Accounting

In accordance with the Company's risk management policy and its internal rules, the Company uses derivative instruments for the purpose of hedging risks that are prescribed in the Company's articles of incorporation. The Company hedges fluctuations in interest rates of borrowings through the use of interest rate swaps as hedging instruments, to which deferred hedge accounting is applied, where gains or losses on derivatives qualifying for hedge accounting are deferred as valuation and translation adjustments within net assets until maturity of the hedge transaction. The hedge effectiveness of the interest rate swaps is assessed by comparing the cumulative changes in the cash flows of the hedging instruments and those of the hedged items.

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

(o) Equipment Leases

The Company capitalized all finance leases that do not transfer ownership of the leased property to the lessee on its balance sheets and depreciates the leased assets using the straight-line method, assuming no residual value, over the lease term.

Note 3 — U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥121.18 = US\$1, the effective rate of exchange prevailing at August 31, 2015. The inclusion of such U.S. dollar amounts associated with the fiscal six months ended August 31, 2015 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, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Assets			
Current assets:			
Cash and cash equivalents.....	¥ 10,323	¥ 10,639	\$ 87,795
Restricted bank deposits.....	513	513	4,233
Property and equipment, at cost:			
Land.....	514,947	523,447	4,319,582
Buildings.....	311,646	313,905	2,590,402
Building improvements.....	15,997	16,387	135,228
Machinery and equipment.....	1,820	1,843	15,208
Furniture and fixtures.....	3,997	4,062	33,520
Construction in progress.....	-	1,141	9,415
	848,409	859,645	7,093,951
Less: Accumulated depreciation.....	(89,219)	(95,169)	(785,352)
Net property and equipment.....	759,190	764,475	6,308,590
Other assets:			
Leasehold rights.....	6,888	6,855	56,568
Other intangible assets.....	115	101	833
Lease deposits.....	1,715	1,708	14,094
Liabilities			
Current liabilities:			
Current portion of tenant leasehold and security deposits.....	2,181	2,133	17,601
Non-current liabilities:			
Tenant leasehold and security deposits.....	56,636	55,753	460,084

Note 5 — Reduction Entry for Property

Acquisition costs of certain buildings were reduced by government subsidies received. The accumulated amounts of such reduction as of February 28, 2015 and August 31, 2015 were ¥24 million and ¥5 million (US\$41 thousand), respectively.

Note 6 — Schedule of Property and Equipment

(i) Schedule of Property and Equipment as of February 28, 2015 consisted of the following:

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
				(in millions)			
Land.....	¥ 511,510	¥ 32,900	¥ 1,152	¥ 543,258	¥ -	¥ -	¥ 543,258
Buildings.....	300,358	17,231	3,435	314,154	81,056	5,570	233,098
Building improvements.....	15,890	450	259	16,081	5,282	282	10,798
Machinery and equipment.....	1,750	70	-	1,820	842	54	977
Furniture and fixtures.....	3,879	158	21	4,017	2,408	147	1,608
Total.....	¥ 833,389	¥ 50,810	¥ 4,868	¥ 879,331	¥ 89,589	¥ 6,054	¥ 789,741

(ii) Schedule of Property and Equipment as of August 31, 2015 consisted of the following:

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
				(in millions)			
Land.....	¥ 543,258	¥ 8,872	¥ 371	¥ 551,759	¥ -	¥ -	¥ 551,759
Buildings.....	314,154	2,552	290	316,416	86,540	5,675	229,875
Building improvements.....	16,081	391	1	16,471	5,591	308	10,880
Machinery and equipment.....	1,820	23	-	1,843	898	55	945
Furniture and fixtures.....	4,017	67	2	4,081	2,555	148	1,526
Construction in progress.....	-	1,141	-	1,141	-	-	1,141
Total.....	¥ 879,331	¥ 13,047	¥ 666	¥ 891,713	¥ 95,585	¥ 6,188	¥ 796,127

	At cost			Ending balance	Accumulated depreciation	Depreciation for the period	Net property and equipment
	Beginning balance	Increase	Decrease				
				(in thousands of U.S. dollars (Note 3))			
Land.....	\$ 4,483,066	\$ 73,213	\$ 3,061	\$ 4,553,218	\$ -	\$ -	\$ 4,553,218
Buildings.....	2,592,457	21,059	2,393	2,611,123	714,144	46,831	1,896,971
Building improvements.....	132,703	3,226	8	135,921	46,137	2,541	89,783
Machinery and equipment.....	15,018	189	-	15,208	7,410	453	7,798
Furniture and fixtures.....	33,149	552	16	33,677	21,084	1,221	12,592
Construction in progress.....	-	9,415	-	9,415	-	-	9,415
Total.....	\$ 7,256,403	\$ 107,666	\$ 5,495	\$ 7,358,582	\$ 788,785	\$ 51,064	\$ 6,569,788

Note 7 — Schedule of Intangible Assets

(i) Schedule of Intangible Assets as of February 28, 2015 consisted of the following:

	At cost			Ending balance	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
				(in millions)			
Leasehold rights.....	¥ 6,446	¥ 541	¥ -	¥ 6,987	¥ 80	¥ 27	¥ 6,907
Other intangible assets.....	290	18	-	308	192	15	115
Total.....	¥ 6,737	¥ 559	¥ -	¥ 7,296	¥ 272	¥ 42	¥ 7,023

(ii) Schedule of Intangible Assets as of August 31, 2015 consisted of the following:

	At cost			Ending balance	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
				(in millions)			
Leasehold rights.....	¥ 6,987	¥ -	¥ -	¥ 6,987	¥ 112	¥ 32	¥ 6,875
Other intangible assets.....	308	-	-	309	208	15	101
Total.....	¥ 7,296	¥ -	¥ -	¥ 7,297	¥ 320	¥ 48	¥ 6,976

	At cost			Ending balance	Accumulated amortization	Amortization for the period	Net intangible assets
	Beginning balance	Increase	Decrease				
				(in thousands of U.S. dollars (Note 3))			
Leasehold rights.....	\$ 57,658	\$ -	\$ -	\$ 57,658	\$ 924	\$ 264	\$ 56,733
Other intangible assets.....	2,541	-	-	2,549	1,716	123	833
Total.....	\$ 60,207	\$ -	\$ -	\$ 60,216	\$ 2,640	\$ 396	\$ 57,567

Note 8 — Fair Value of Investment and Rental Property

The following table shows the net book value and the fair value of the investment and rental properties in the aggregate for the six months ended February 28, 2015 and August 31, 2015.

	As of / For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Net book value⁽ⁱ⁾			
Balance at the beginning of the period.....	¥ 755,736	¥ 796,765	\$ 6,575,053
Net increase during the period ⁽ⁱⁱ⁾	41,029	6,338	52,302
Balance at the end of the period.....	¥ 796,765	¥ 803,103	\$ 6,627,355
Fair value⁽ⁱⁱⁱ⁾	¥ 847,609	¥ 874,015	\$ 7,212,535

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, 2015:

	Increase (decrease) in net book value (in millions)	
Acquisitions:		
DFS T GALLERIA OKINAWA.....	¥	13,647
mozo wonder city (additional acquisition of interest of quasi-co-ownership).....		11,855
CUTE CUBE HARAJUKU.....		8,604
m-city Toyonaka.....		5,636
G-Bldg. Omotesando 02 (additional acquisition of interest of quasi-co-ownership).....		5,355
G-Bldg. Nagoya Sakae 01.....		1,983
G-Bldg. Kichijoji 01 (additional acquisition of interest of quasi-co-ownership).....		1,775
Capital expenditures:		
Repair of outer wall of AEON MALL Itami.....		168
Total of capital expenditures for the period (including above expenditure).....		2,402
Disposition:		
AEON MALL Kobe Kita (partial disposition of interest of quasi-co-ownership).....		(4,161)

For the six months ended August 31, 2015:

	Increase (decrease) in net book value (in millions)		(in thousands of U.S. dollars (Note 3))
Acquisitions:			
EDION Kyobashi (Land with leasehold interest).....	¥	5,756	\$ 47,499
G-Bldg. Ueno 01.....		3,459	28,544
Capital expenditures:			
Renewal of disaster prevention equipment of Nara Family.....		149	1,229
Total of capital expenditures for the period (including above expenditure).....		2,312	19,079

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

For rental revenues and expenses for the six months ended February 28, 2015 and August 31, 2015, please refer to “Note 14 — Analysis 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, 2015 and August 31, 2015 and average interest rates range for each period were as follows:

	As of / For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Bank borrowings at end of the period			
Short-term borrowings.....	¥ -	¥ 3,000	\$ 24,756
Long-term borrowings.....	324,801	329,591	2,719,846
Total.....	¥ 324,801	¥ 332,591	\$ 2,744,603
Average interest rates range for the period.....	From 0.4% to 3.0%	From 0.3% to 3.0%	

As of February 28, 2015 and August 31, 2015, the Company entered into credit facilities and committed lines of credit as follows:

	As of		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Credit Facilities			
Total amount of credit facilities.....	¥ 35,500	¥ 35,500	\$ 292,952
Borrowings drawn down.....	-	-	-
Unused credit facilities.....	¥ 35,500	¥ 35,500	\$ 292,952
Commitment Lines			
Total amount of committed lines of credit.....	¥ 50,000	¥ 60,000	\$ 495,131
Borrowings drawn down.....	-	-	-
Unused committed lines of credit.....	¥ 50,000	¥ 60,000	\$ 495,131

Note 10 — Corporate Bonds

The details of unsecured corporate bonds issued and outstanding as of February 28, 2015 and August 31, 2015 were as follows:

	Balance as of		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Long-term bonds—unsecured			
¥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	\$ 82,521
¥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	123,782
¥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	61,891
¥8 billion of 12-year bonds, issued on June 26, 2014, maturing on June 26, 2026 with a coupon of 1.26%.....	8,000	8,000	66,017
¥7 billion of 10-year bonds, issued on February 5, 2015, maturing on February 5, 2025 with a coupon of 0.765%.....	7,000	7,000	57,765
Total.....	¥ 47,500	¥ 47,500	\$ 391,978

Note 11 — Collateral

Certain properties and beneficiary interests in trusts (comprising of properties and cash) with an aggregate book value of ¥255,045 million and ¥254,033 million (US\$2,096,327 thousand) were pledged as collateral to secure tenant leasehold and security deposits totaling ¥33,017 million and ¥32,511 million (US\$268,286 thousand) as of February 28, 2015 and August 31, 2015, 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 amounts of ¥691 million and ¥691 million (US\$5,702 thousand) and a former owner's payment of retirement benefit obligation for amounts of ¥350 million and ¥350 million (US\$2,888 thousand) as of February 28, 2015 and August 31, 2015, 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\$412 thousand) in accordance with the Investment Trust Act.

The units issued and outstanding were 2,430,198 units as of February 28, 2015 and August 31, 2015.

Note 13 — Appropriation of Retained Earnings

The Company's articles of incorporation stipulate the policy that the Company makes distributions in excess of 90% of distributable profit as defined in the Special Taxation Measure Act of Japan. In accordance with this policy, the Company intends to make regular distributions to unitholders with respect to its semi-annual fiscal periods, ending at the end of February and August of each year.

The following table shows the distributions of retained earnings for the six months ended February 28, 2015 and August 31, 2015, respectively.

	For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Retained earnings at the end of period.....	¥ 10,660	¥ 10,731	\$ 88,554
Cash distribution declared.....	(10,158)	(10,216)	(84,304)
Transfer to reserve for reduction entry of property.....	(502)	-	-
Transfer to reserve for dividends.....	-	(514)	(4,241)
Retained earnings carried forward.....	¥ -	¥ -	\$ -

Pursuant to the Special Taxation Measures Act of Japan, the Company made a transfer from the profit for the year ended February 28, 2015 of ¥10,660 million to reserve for reduction entry of property, and declared a total distribution of ¥10,158 million, representing all of the remaining profit for the year ended February 28, 2015 after the transfer.

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 ¥514 million (US\$4,241 thousand) from retained earnings of ¥10,731 million (US\$88,554 thousand) as of August 31, 2015 to reserve for dividends and declared a total distribution of ¥10,216 million (US\$84,304 thousand), representing substantially all of remaining retained earnings after transferring to reserve for dividends.

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

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, 2015 and August 31, 2015 consist of the following:

	For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Rental and other operating revenues:			
Rental and parking revenue.....	¥ 27,286	¥ 27,212	\$ 224,558
Common area charges.....	1,559	1,622	13,385
Other.....	1,768	2,127	17,552
Total rental and other operating revenues.....	<u>¥ 30,614</u>	<u>¥ 30,962</u>	<u>\$ 255,504</u>
Property-related expenses:			
Property management fees.....	¥ 760	¥ 686	\$ 5,661
Facility management fees.....	1,372	1,365	11,264
Utilities.....	1,845	1,965	16,215
Property-related taxes.....	2,795	2,896	23,898
Repair and maintenance.....	194	214	1,765
Insurance.....	55	56	462
Trust fees.....	86	86	709
Rent expense ⁽ⁱ⁾	888	896	7,393
Other.....	749	779	6,428
Depreciation.....	6,097	6,236	51,460
Loss on disposal of property.....	60	99	816
Total property-related expenses.....	<u>¥ 14,906</u>	<u>¥ 15,285</u>	<u>\$ 126,134</u>
Operating income from property leasing activities.....	<u>¥ 15,708</u>	<u>¥ 15,677</u>	<u>\$ 129,369</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

Analysis of gain on sales of property for the six months ended February 28, 2015 is as follows:

	For the six months ended February 28, 2015
	(in millions)
Sale of land and building.....	¥ 4,950
Cost of land and building.....	(4,161)
Other sales expenses.....	(2)
Gain on sales of property, net.....	<u>¥ 785</u>

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. The Company has 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, 2015	August 31, 2015
	(Rate)	
Statutory tax rate.....	34.16%	34.15%
Deductible cash distributions.....	(30.18)	(34.15)
Reserve for reduction entry of property.....	(1.61)	-
Change in tax rate.....	-	4.89
Change in expectation of payment for deferred tax liability based on tax reform.....	-	(5.03)
Change in valuation allowance (for deferred tax assets).....	(1.93)	(4.78)
Other.....	(0.18)	(0.11)
Effective tax rate.....	0.26%	(5.03%)

Deferred tax assets and liabilities consist of the following:

	As of		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		
	(in thousands of U.S. dollars (Note 3))		
Deferred tax assets:			
Current:			
Tax loss carryforwards.....	¥ 3,017	¥ 2,806	\$ 23,155
Other.....	11	12	99
<i>Sub total</i>	3,028	2,819	23,262
Valuation allowance.....	(3,028)	(2,819)	(23,262)
<i>Total</i>	-	-	-
Non-current:			
Amortization of leasehold rights.....	49	45	371
Depreciation.....	-	42	346
Asset retirement obligations.....	161	154	1,270
Valuation differences on assets acquired through the merger.....	5,831	5,509	45,461
Other.....	138	112	924
<i>Sub total</i>	6,180	5,863	48,382
Valuation allowance.....	(6,180)	(5,863)	(48,382)
<i>Total</i>	-	-	-
<i>Total deferred tax assets</i>	-	-	-
Net deferred tax assets	¥ -	¥ -	\$ -
Deferred tax liabilities:			
Non-current:			
Valuation differences on assets acquired through the merger (not offset by other tax deductible items) ⁽ⁱ⁾	¥ 414	¥ -	\$ -
Asset retirement costs (not offset by other tax deductible items) ⁽ⁱ⁾	99	-	-
<i>Total deferred tax liabilities</i>	514	-	-
Net deferred tax liabilities	¥ 514	¥ -	\$ -

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.

Note 17 — Leases

(a) Lease Rental Revenues

The Company leases its properties to retail tenants. Future minimum rental revenues pursuant to existing rental contracts as of February 28, 2015 and August 31, 2015 (exclusive of the recovery of utility and other charges) scheduled to be received are summarized as follows:

	As of		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Due within one year.....	¥ 28,427	¥ 27,265	\$ 224,995
Due after one year.....	96,248	100,644	830,533
Total.....	¥ 124,676	¥ 127,910	\$ 1,055,537

(b) Lease Commitments

As described in Note 2 (o), Finance lease transactions that do not transfer ownership of the leased property to the lessee, are capitalized and depreciated on a straight-line basis, assuming no residual value, over the lease term. Such capitalized leased properties are furniture and fixtures.

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 conditions. 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 the redemption of 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 maintains 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, maintaining high liquidity and entering into credit facility agreements and commitment line agreements.

(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, 2015 and August 31, 2015.

	As of								
	February 28, 2015			August 31, 2015			August 31, 2015		
	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.....	¥ 26,836	¥ 26,836	¥ -	¥ 29,239	¥ 29,239	¥ -	\$ 241,285	\$ 241,285	\$ -
(2) Restricted bank deposits.....	513	513	-	513	513	-	4,233	4,233	-
(3) Time deposits.....	1,500	1,500	-	1,500	1,500	-	12,378	12,378	-
Total.....	¥ 28,849	¥ 28,849	¥ -	¥ 31,252	¥ 31,252	¥ -	\$ 257,897	\$ 257,897	\$ -
Liabilities:									
(1) Short-term borrowings.....	¥ -	¥ -	¥ -	¥ 3,000	¥ 3,000	¥ -	\$ 24,756	\$ 24,756	\$ -
(2) Current portion of long-term borrowings.....	¥ 36,710	¥ 36,725	¥ (15)	¥ 33,050	¥ 33,251	¥ (201)	\$ 272,734	\$ 274,393	\$ (1,658)
(3) Current portion of long-term bonds issued.....	10,000	10,179	(179)	10,000	10,087	(87)	82,521	83,239	(717)
(4) Current portion of tenant leasehold and security deposits.....	2,181	2,197	(16)	2,133	2,150	(17)	17,601	17,742	(140)
(5) Long-term borrowings.....	288,091	292,063	(3,972)	296,541	299,804	(3,263)	2,447,111	2,474,038	(26,926)
(6) Long-term bonds issued.....	37,500	38,603	(1,103)	37,500	38,445	(945)	309,457	317,255	(7,798)
(7) Tenant leasehold and security deposits.....	9,464	9,929	(464)	8,996	9,436	(439)	74,236	77,867	(3,622)
Total.....	¥ 383,946	¥ 389,698	¥ (5,752)	¥ 391,221	¥ 396,174	¥ (4,953)	\$ 3,228,428	\$ 3,269,301	\$ (40,873)
Derivative instruments*	¥ (404)	¥ (404)	¥ -	¥ (345)	¥ (345)	¥ -	\$ (2,847)	\$ (2,847)	\$ -

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

Notes:

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

Assets

(1) Cash and cash equivalents, (2) Restricted bank deposits and (3) Time deposits

The carrying amounts of cash and cash equivalents, restricted bank deposits or time 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, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Tenant leasehold and security deposits	¥ 49,038	¥ 48,628	\$ 401,287
Total liabilities	¥ 49,038	¥ 48,628	\$ 401,287

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, 2015:		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	¥	26,836	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits		513	-	-	-	-	-
Time deposits		1,500	-	-	-	-	-
Total	¥	28,849	¥ -	¥ -	¥ -	¥ -	¥ -
As of August 31, 2015:		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	¥	29,239	¥ -	¥ -	¥ -	¥ -	¥ -
Restricted bank deposits		513	-	-	-	-	-
Time deposits		1,500	-	-	-	-	-
Total	¥	31,252	¥ -	¥ -	¥ -	¥ -	¥ -
As of August 31, 2015:		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	\$	241,285	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted bank deposits		4,233	-	-	-	-	-
Time deposits		12,378	-	-	-	-	-
Total	\$	257,897	\$ -	\$ -	\$ -	\$ -	\$ -

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

<i>As of February 28, 2015:</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.....	¥	36,710	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term bonds issued.....		10,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits.....		1,548	-	-	-	-	-
Long-term borrowings.....		-	29,450	24,300	43,766	49,500	141,075
Long-term bonds issued.....		-	-	15,000	-	-	22,500
Tenant leasehold and security deposits.....		-	1,531	1,447	1,447	1,394	3,110
Total.....	¥	48,258	¥ 30,981	¥ 40,747	¥ 45,213	¥ 50,894	¥ 166,685
<i>As of August 31, 2015:</i>		Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
		(in millions)					
Short-term borrowings.....	¥	3,000	¥ -	¥ -	¥ -	¥ -	¥ -
Current portion of long-term borrowings.....		33,050	-	-	-	-	-
Current portion of long-term bonds issued.....		10,000	-	-	-	-	-
Current portion of tenant leasehold and security deposits.....		1,548	-	-	-	-	-
Long-term borrowings.....		-	18,300	45,666	49,000	45,500	138,075
Long-term bonds issued.....		-	15,000	-	-	-	22,500
Tenant leasehold and security deposits.....		-	1,531	1,447	1,447	1,231	2,819
Total.....	¥	47,598	¥ 34,831	¥ 47,113	¥ 50,447	¥ 46,731	¥ 163,394
<i>As of August 31, 2015:</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))					
Short-term borrowings.....	\$	24,756	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term borrowings.....		272,734	-	-	-	-	-
Current portion of long-term bonds issued.....		82,521	-	-	-	-	-
Current portion of tenant leasehold and security deposits.....		12,774	-	-	-	-	-
Long-term borrowings.....		-	151,015	376,844	404,357	375,474	1,139,420
Long-term bonds issued.....		-	123,782	-	-	-	185,674
Tenant leasehold and security deposits.....		-	12,634	11,940	11,940	10,158	23,262
Total.....	\$	392,787	\$ 287,431	\$ 388,785	\$ 416,298	\$ 385,632	\$ 1,348,357

Note 19 — Derivatives

Information on derivative transactions undertaken by the Company as of February 28, 2015 and August 31, 2015 is as follows. Derivative instruments are used for hedging purposes only and are subject to hedge accounting.

As of February 28, 2015:

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	¥ 143,575	¥ 132,575	¥ (404)
Special treatment for hedge accounting of interest rate swaps ⁽ⁱ⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	88,500	88,500	(1,910)
Total.....			¥ 232,075	¥ 221,075	¥ (2,314)

As of August 31, 2015:

			Notional amounts ⁽ⁱⁱ⁾			Notional amounts ⁽ⁱⁱ⁾		
Method of hedge accounting	Type of derivatives	Hedged item	Total	Over 1 year	Fair value ⁽ⁱⁱⁱ⁾	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	¥ 143,575	¥ 132,575	¥ (345)	\$ 1,184,807	\$ 1,094,033	\$ (2,847)
Special treatment for hedge accounting of interest rate swaps ⁽ⁱ⁾	Interest rate swap (Floating-rate to fixed-rate interest)	Long-term borrowings	108,500	108,500	(1,698)	895,362	895,362	(14,012)
Total.....			¥ 252,075	¥ 241,075	¥ (2,043)	\$ 2,080,169	\$ 1,989,395	\$ (16,859)

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 with reference to the calculation performed by the counterparty to the interest rate swaps contracts, based on the prevailing market interest rates and other assumptions.
- The above table as of February 28, 2015 does not include the interest rate swaps contracts of ¥20,000 million (US\$167,686 thousand) in notional amounts entered into on February 20, 2015 which are designated as hedging instruments for specific long-term borrowings funded on March 2, 2015 and subject to the special treatment provided under Japanese GAAP for the interest rate swaps.

Note 20 — Asset Retirement Obligations

The Company has an obligation under a fixed-term leasehold agreement to restore its leased land, which represents a portion of the land where DFS T GALLERIA OKINAWA, owned by the Company, is located upon the termination of the agreement, and contractual or legal obligations to remove asbestos contained in the buildings of KAWASAKI Le FRONT. The estimated period of use of the properties are estimated at 9 years for DFS T GALLERIA OKINAWA based on the lease period per the agreement, and 24 years for KAWASAKI Le FRONT based on the useful life of buildings containing asbestos. The asset retirement obligations for the restoration or removal of asbestos are recognized as a liability using discount rates at 0.458% and 1.584%, respectively.

Movements of asset retirement obligations for the six months ended February 28, 2015 and August 31, 2015 are as follows:

	For the six months ended		
	February 28, 2015	August 31, 2015	August 31, 2015
	(in millions)		(in thousands of U.S. dollars (Note 3))
Balance at the beginning of the period.....	¥ 362	¥ 473	\$ 3,903
Increase due to acquisition of properties.....	108	-	-
Adjustment for passage of time.....	3	3	24
Balance at the end of the period.....	¥ 473	¥ 476	\$ 3,928

Note 21 — Contingent Liabilities

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 in 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.

The judgment of first instance rendered by the Kyoto District Court as of January 16, 2015 demanded the Company to reduce the rent for the period after May 11, 2012 by about 8.6% compared to the current level, but the Company has filed an appeal to the Osaka Supreme Court on January 30, 2015 through the trustee of the property.

If the judgement of first instance became final and binding, the Company would have been obligated to pay the rent reduction totaling of ¥205 million (US\$1,691 thousand) (calculated from March 31, 2011 up to August 31, 2015) and the interest on the obligation. However, the Osaka Supreme Court rendered a judgment on October 27, 2015 to discontinue the Company's appeal and the Company has filed an appeal to the Supreme Court through the trustee of the property on November 9, 2015.

If the judgement of second instance became final and binding for the six months ending February 29, 2016, litigation expenses would be realized as extraordinary loss amounting to ¥241 million (US\$1,988 thousand) at most for the period then ending. Otherwise, an equivalent amount of provision for litigation expenses is expected to be charged to income as extraordinary loss for the period.

Note 22 — Related-Party Transactions

Transactions with related parties defined under the Financial Instruments and Exchanges Act are not applicable for the six months ended February 28, 2015 and August 31, 2015.

Transactions with related parties defined under the Investment Trust Law⁽ⁱ⁾ are as below.

(a) Real Estate Acquisition

The Company acquired certain properties from Omoromachi 41 LLC, Kamiotai SC2 LLC, Mitsubishi Corporation Urban Development, Inc., Toyonaka East LLC and Jingumae 425 LLC for ¥13,130 million, ¥11,740 million, ¥8,520 million, ¥5,570 million and ¥5,311 million for the six months ended February 28, 2015, respectively, and from GK EDN1910 for ¥5,640 million (US\$46,542 thousand) for the six months ended August 31, 2015.

(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 ¥2,476 million and ¥2,545 million (US\$21,001 thousand) were paid by the Company for the six

months ended February 28, 2015 and August 31, 2015, respectively. These fees are calculated at 0.6% of the Company's total assets. Acquisition fees amounting to ¥383 million and ¥71 million (US\$585 thousand) were paid by the Company for the six months ended February 28, 2015 and August 31, 2015, 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 ¥118 million and ¥124 million (US\$1,023 thousand) for general administration fees, and ¥46 million and ¥47 million (US\$387 thousand) for custodian fees for the six months ended February 28, 2015 and August 31, 2015, respectively.

In addition, the Company obtained long-term borrowings of ¥6,583 million and ¥1,850 million (US\$15,266 thousand) from Mitsubishi UFJ Trust and Banking Corporation for the six months ended February 28, 2015 and August 31, 2015, respectively.

The ending balances of accrued general administration fees, accounts payable for custodian fees, current portion of long-term borrowings and long-term borrowings as of August 31, 2015 were ¥43 million (US\$354 thousand), ¥8 million (US\$66 thousand), ¥1,850 million (US\$15,266 thousand) and ¥51,081 million (US\$421,529 thousand), respectively.

Notes:

- (i) Under the Investment Trust Law, the definition of a "related party" includes the asset management company and its interested parties (parent and subsidiary corporations, specified individual shareholders, and major shareholders of the asset management company defined as interested parties under Article 201 of the Investment Trust Law and Article 123 of the Order for Enforcement of the Investment Trust Law), as well as the asset custody company, in addition to controlling unitholders, major unitholders, subsidiary corporations, subsidiary companies of controlling unitholders, and officers and their close relatives.

Note 23 — Per Unit Information

The following table shows the net asset value per unit as of February 28, 2015 and August 31, 2015 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, 2015	August 31, 2015	August 31, 2015
	(Yen)		(US\$ (Note 3))
The net asset value per unit.....	¥ 160,862	¥ 161,122	\$ 1,329
Net income per unit.....	¥ 4,415	¥ 4,415	\$ 36
Weighted average number of units.....	2,413,648	2,430,198	

Note 24 — Segment Information

Segment information for the six months ended February 28, 2015 and August 31, 2015 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 Overseas 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, 2015	August 31, 2015	August 31, 2015	
	(in millions)		(in thousands of U.S. dollars (Note 3))	
AEON Retail Co., Ltd.	¥ 4,950	¥ 4,990	\$ 41,178	Property rental business
AEON Mall Co., Ltd.	3,928	3,836	31,655	Property rental business

Note 25 — Significant Non-cash Transactions

Due to the recognition of asset retirement obligations for a property acquired for the six months ended February 28, 2015, the balances of buildings and asset retirement obligations increased by ¥108 million.

Note 26 — Subsequent Events

(a) Issuance of New Investment Units

The Board of Directors of the Company, at its meetings held on August 20, 2015 and September 2, 2015, resolved to issue new investment units as follows:

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 52,400 new units to be offered through the Domestic Public Offering and the remaining 67,100 new units to be offered through the Overseas Offering consisting of 64,600 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: ¥202,566 (US\$1,671) per unit
- (iii) Total offering amount: ¥24,206 million (US\$199,752 thousand)
- (iv) Issue price (amount to be paid in): ¥196,261 (US\$1,619) per unit
- (v) Total amount to be paid in: ¥23,453 million (US\$193,538 thousand)
- (vi) Payment date: September 9, 2015
- (vii) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2015 and ending on February 29, 2016.

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): ¥196,261 (US\$1,619) per unit
- (iii) Total amount to be paid in: ¥490 million (US\$4,043 thousand)
- (iv) Payment date: October 7, 2015

- (v) Distribution: The units to be issued will first be entitled to distributions, if any, for the six months commencing on September 1, 2015 and ending on February 29, 2016.
- (vi) Allottee: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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 ¥387,198 million (US\$3,195,230 thousand) and number of investment units issued and outstanding increased to 2,552,198 units.

(b) Disposition of Properties

On October 14, 2015, the Company decided to sell trust beneficiary interests of the following properties. A part of transaction has been executed on October 15, 2015.

Property name:

- (i) AEON MALL Kashiihama (30% quasi-co-ownership interest), AEON Nishi-Otsu, AEON Omiya, AEON Ueda and AEON MALL Yachiyo Midorigaoka
- (ii) AEON MALL Kashiihama (19% quasi-co-ownership interest)
- (iii) AEON MALL Kashiihama (51% quasi-co-ownership interest)

Disposition amount:

- (i) ¥58,417 million (US\$482,067 thousand)
- (ii) ¥2,755 million (US\$22,734 thousand)
- (iii) ¥7,395 million (US\$61,024 thousand)

Completion date of contract:

October 15, 2015

Disposition date:

- (i) October 15, 2015
- (ii) Scheduled on August 31, 2016
- (iii) Scheduled on September 30, 2016

Purchaser:

Godo Kaisha Double O5

Impact on net income:

Gain on sales of property in the amount of approximately ¥975 million (US\$8,045 thousand), ¥549 million (US\$4,530 thousand) and ¥1,419 million (US\$11,709 thousand) are expected to be recognized in profit as operating revenues for the six months ending February 29, 2016, August 31, 2016 and February 28, 2017, respectively.

(c) Judgement of Lawsuit and Appeal to the Supreme Court

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 in 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.

The judgment of first instance rendered by the Kyoto District Court as of January 16, 2015 demanded the Company to reduce the rent for the period after May 11, 2012 by about 8.6% compared to the current level, but the Company has filed an appeal to the Osaka Supreme Court on January 30, 2015 through the trustee of the property.

However, the Osaka Supreme Court rendered a judgment on October 27, 2015 to discontinue the Company's appeal and the Company has filed an appeal to the Supreme Court through the trustee of the property on November 9, 2015.

If the judgement of second became final and binding for the six months ending February 29, 2016, litigation expenses would be realized as extraordinary loss amounting to ¥241 million (US\$1,988 thousand) at most for the period then ending. Otherwise, an equivalent amount of provision for litigation expenses is expected to be charged to income as extraordinary loss for the period.