



**United Urban Investment Corporation**

**Semiannual Report**

**Third Fiscal Period [From December 1, 2004 to May 31, 2005]**

# Profile

United Urban was incorporated on November 4, 2003, under the Law Concerning Investment Trusts and Investment Corporations of Japan. On December 22, 2003 United Urban was listed (Securities Code: 8960) on the J-REIT section of the Tokyo Stock Exchange.

In order to secure steady earnings over the medium to long term, United Urban creates a comprehensive portfolio that is diversified in terms of the types of use and areas of location, and it manages its assets in a way that mitigates risks involved.

## *Diversification by type of property*

United Urban invests principally in real estates used as retail properties, office buildings, hotels, and residential properties.

## *Diversification by region*

United Urban invests in real estate in principal cities throughout Japan, including the Tokyo metropolitan area and certain big cities so designated by Government, and surrounding areas thereof.



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# ◆ To Our Unitholders ◆



**We will solidify our fundamental status  
as a comprehensive REIT.**

**Hisamitsu Abe**

Chairman of Board, CEO of Japan REIT Advisors Co., Ltd.

## To Our Unitholders

I am Chairman of Board, CEO of JRA, and delighted to present this report on our activities during our third fiscal period (six-month ended May 31, 2005).

Thanks to your support, after listing on the J-REIT section of the Tokyo Stock Exchange in December 2003, United Urban Investment Corporation (“United Urban”) completed its first fiscal period at the end of May 2004, its second at the end of November 2004, and its third at the end of May 2005.

In the third fiscal period, operating revenues totaled ¥5,320 million, representing an increase of 69.6% from the previous fiscal period, operating income was ¥2,794 million, up by 54.4%, and net income was ¥2,340 million, up by 46.4%. The distribution to unitholders was ¥14,638 per unit.

Upon listing, our portfolio comprised 12 properties with a total asset value of approximately ¥60.2 billion. By the end of the first fiscal period it had risen to 14 properties valued at approximately ¥64.7 billion, at the end of the second fiscal period, it comprised 18 properties valued at around ¥75.7 billion, and at the end of the third fiscal period, it comprised 23 properties with an aggregate value of approximately ¥134.9 billion.

Of particular note was that in the third fiscal period United Urban made its first issue of investment units by public offering since its listing, the proceeds of which—combined with borrowings—enabled us to acquire three properties. This led to growth in the scale of our assets.

In July 2005, after the end of our third fiscal period, for the first time since our listing, we issued corporate bonds in the aggregate principal amount of ¥25 billion, and we also made early repayments of existing borrowings. This enhanced our financial condition still further and helped solidifying our nature as a comprehensive REIT. I am sincerely grateful for the strong support of our unitholders for having made this possible.

In the sections below I outline our investment activities and new acquisitions during the third fiscal period, and describe the outlook, including the issuance of corporate bonds in the fourth fiscal period.



### Operations in the third fiscal period

#### Property occupancy ratios

The departure of a large-scale tenant during the second fiscal period caused the occupancy ratio for a retail property of United Urban in Osaka Prefecture to remain low in the third fiscal period, but the impact of this was minimized by the generally favorable occupancy ratio in total. As a result, our occupancy ratios in the third fiscal period were stable.

#### Others

The new tenants for the retail property referred to above were decided on at the end of May 2004, prior to the end of the period. In consequence, we believe the occupancy ratio of the retail property is projected to improve within the fourth fiscal period onwards.

### Property acquisitions in the third fiscal period

The property portfolio continued to be expanded during the third fiscal period.

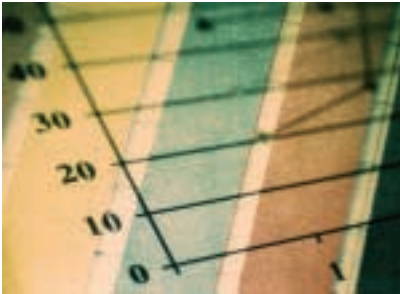
In December 2004 United Urban acquired three large-scale properties (Shin-Osaka Central Tower, Diamond City Kumamoto-Minami Shopping Center (whose name was changed to “Diamond City Value” on July 5, 2005), and Kawasaki Toshiba Building), in February 2005 it acquired Toyoko-Inn Shinagawa-Eki Takanawaguchi, and in April 2005 it acquired Aprile Shin-Ohgi Ichibankan. These acquisitions constituted a further expansion in the scale of United Urban's assets. Among the assets acquired in the third fiscal period, the acquisition of Shin-Osaka Central Tower, a complex comprising both hotel and office facilities, reflects our nature as a comprehensive REIT.

As was the case with properties we have acquired in the past, for these properties acquired during the third fiscal period we concluded leases that were generally long-term and with fixed rent. In consequence, these have helped to assure stable rental income from our entire portfolio.



### Acquisition of credit rating and issuance of corporate bonds

On June 15, 2005, shortly after the end of the third fiscal period, United Urban obtained a credit rating from Rating and Investment Information, Inc. (R&I), and on July 12, 2005, issued corporate bonds for the first time. The issuance was in an aggregate principal amount of ¥25 billion, comprising ¥15 billion of 5-year bonds and ¥10 billion of 10-year bonds. The proceeds of this issuance were used to fund the early repayment of borrowings, including term-loans raised at the time of United Urban's listing, with the result that all of its interest-bearing liabilities became unsecured, and substantial progress was made in obtaining long-term fixed interest rates on borrowings. By enhancing our financial condition and avoiding interest-rate-fluctuation and other risks, these steps enabled us to strengthen our financial basis for further asset expansion in the future.



### Future investment policy

United Urban's basic policy is to maintain its characteristic as a comprehensive REIT. As a diversified REIT, we have invested and will invest in various types of use, thus we can augment our portfolio still further, coping with high prices of properties as a result of fierce competition of acquisition nowadays. At the same time, from now on, we are going to acquire attractive properties of the types in areas with growth potential in line with market trends, as we have done up to now.

### Conclusion

Thanks to the support of all of its unitholders, United Urban Investment Corporation has completed its third fiscal period successfully. We are committed to continuing our operations as a going concern with the aim of maximizing returns to our unitholders, and hope for your ongoing support and goodwill for our endeavors.



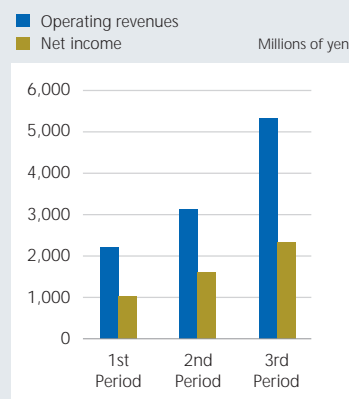
# Financial Highlights

Millions of yen, except per unit information

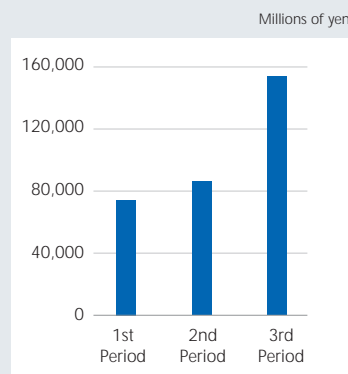
	3rd Fiscal Period (December 1, 2004- May 31, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)	1st Fiscal Period (November 4, 2003- May 31, 2004)
Operating revenues	¥ 5,320	¥ 3,136	¥ 2,205
Operating income	¥ 2,794	¥ 1,809	¥ 1,347
Income before income taxes	¥ 2,344	¥ 1,600	¥ 1,030
Net income	¥ 2,340	¥ 1,599	¥ 1,029
Cash distributions	¥ 2,340	¥ 1,599	¥ 1,029
Cash distribution per unit (Yen)	¥ 14,638	¥ 19,090	¥ 12,285
Dividend payout ratio (%)	99.9	99.9	99.9
Total assets	¥ 153,740	¥ 86,261	¥ 74,153
Total unitholders' equity	¥ 92,178	¥ 40,195	¥ 39,625
Unitholders' equity per unit (Yen)	¥ 576,681	¥ 480,007	¥ 473,202

Note: United Urban's 1st fiscal period was from November 4, 2003 to May 31, 2004, however, the effective operating period was 162 days from December 22, 2003. The 2nd fiscal period was 183 days from June 1, 2004 to November 30, 2004 and the 3rd fiscal period was 182 days from December 1, 2004 to May 31, 2005.

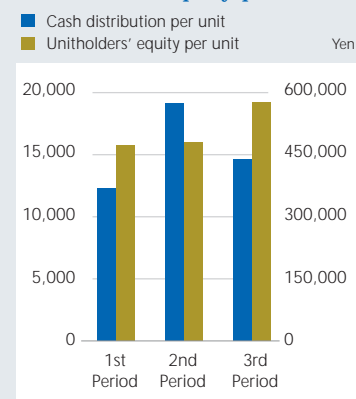
## Operating revenues / Net income



## Total assets



## Cash distribution per unit / Unitholders' equity per unit



## Stock Price Information

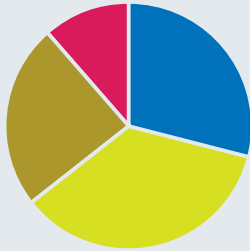


# Portfolio Highlights

## Portfolio Breakdown (As of May 31, 2005)

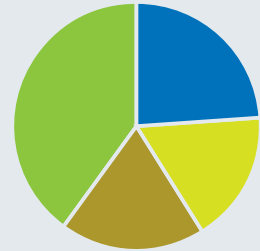
### By Property Use

Retail	29.0%
Office	35.4%
Hotel	24.2%
Residential	11.4%



### By Location

The Six Central Wards of Tokyo	23.9%
The 23 Wards of Tokyo (excluding the six central wards)	17.2%
Tokyo Metropolitan Area (excluding the 23 wards of Tokyo)	18.9%
Other Regions	40.0%



## Occupancy Ratio

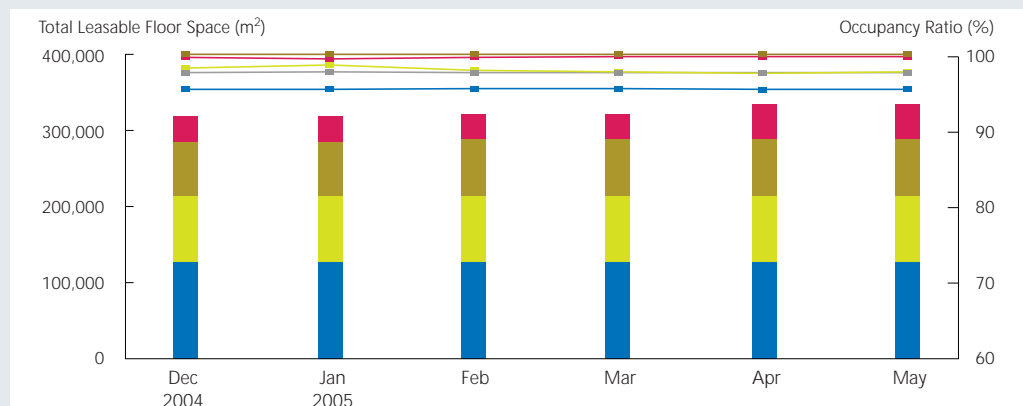
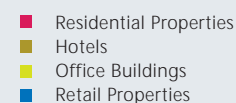
	Dec 2004	Jan 2005	Feb	Mar	Apr	May
Retail Properties	95.4%	95.4%	95.5%	95.5%	95.4%	95.4%
Office Buildings	98.2%	98.6%	97.9%	97.7%	97.5%	97.7%
Hotels	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Residential Properties	99.6%	99.4%	99.6%	99.7%	99.7%	99.7%
Total	97.6%	97.7%	97.6%	97.6%	97.6%	97.6%

## Trends in Total Leasable Floor Space and Occupancy Ratios

### Occupancy Ratio



### Total Leasable Floor Space





## Portfolio Map

### A Retail Properties



A1 Daiei Himonya



A2 Joy Park Izumigaoka



A3 Daimaru Peacock Ashiya-Kawanishi Ten



A4 Re-LAND Shopping Center



A5 Diamond City Kumamoto-Minami Shopping Center (Note 1)

### B Office Buildings



B1 T&G Hamamatsu-Cho Building



B2 SK Nagoya Building



B3 Fukuoka Eartheon Building



B4 Marumasu Koujimachi Building



B5 Rokuban-Cho K Building



B6 Shin-Osaka Central Tower (Note 2)



B7 Kawasaki Toshiba Building

### C Hotels



C1 Shinjuku Washington Hotel-Honkan



(B6) Shin-Osaka Central Tower (Note 2)



C2 Toyoko Inn Shinagawa-Eki Takanawaguchi

### D Residential Properties



D1 T&G Higashi-Ikebukuro Mansion



D2 T&G Yotsuya Mansion



D3 Excellia Magome



D4 Komazawa Court



D5 Ropponmatsu Court



D6 Sky Court Shiba-Daimon



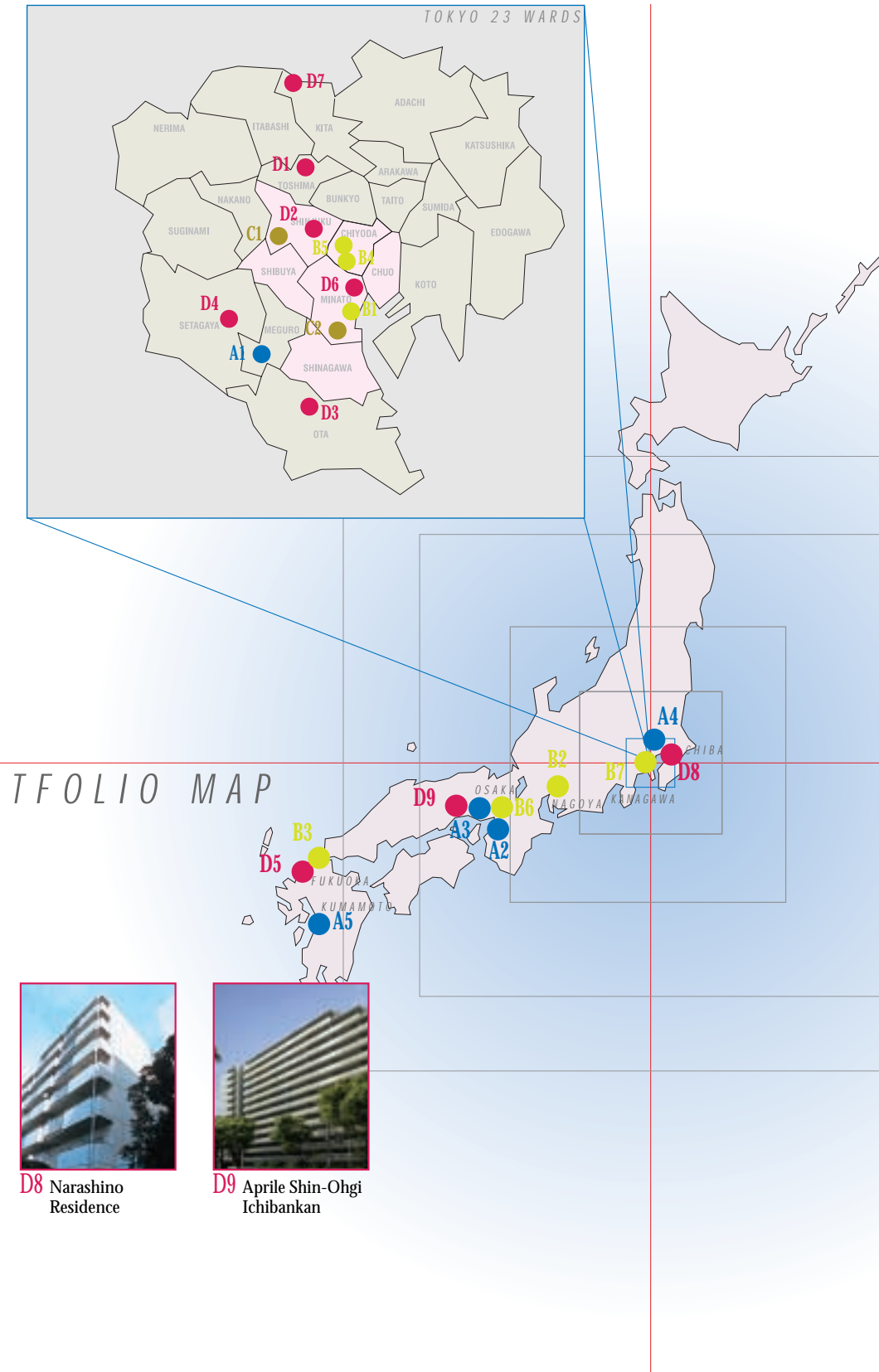
D7 Maison Ukima



D8 Narashino Residence



D9 Aprile Shin-Ohgi Ichibankan



Notes: 1. The name was changed to "Diamond City Value" on July 5, 2005.  
2. Shin-Osaka Central Tower includes the office portion and the hotel portion.



## Portfolio Roster

No.	Type	Name of Property (Note 1)	Acquisition Date	Acquisition Price (Millions of yen) (Note 2)	Share in total acquisition price (%)	Share in type (%)
A1	Retail Properties	Daiei Himonya	Dec. 25, 2003	15,300	11.3%	29.0%
A2		Joy Park Izumigaoka	Dec. 22, 2003	6,770	5.0%	
A3		Daimaru Peacock Ashiya-Kawanishi Ten	Dec. 22, 2003	769	0.6%	
A4		Re-LAND Shopping Center	Sep. 17, 2004	5,200	3.9%	
A5		Diamond City Kumamoto-Minami Shopping Center (Note 3)	Dec. 3, 2004	11,100	8.2%	
B1	Office Buildings	T&G Hamamatsu-Cho Building	Dec. 26, 2003	2,257	1.7%	35.4%
B2		SK Nagoya Building	Dec. 26, 2003	5,400	4.0%	
B3		Fukuoka Eatheon Building	Dec. 26, 2003	2,080	1.5%	
B4		Marumasu Koujimachi Building	Mar. 29, 2004	2,350	1.8%	
B5		Rokuban-Cho K Building	Mar. 30, 2004	2,150	1.6%	
B6		Shin-Osaka Central Tower (office portion)	Dec. 2, 2004	14,279	10.6%	
B7		Kawasaki Toshiba Building	Dec. 20, 2004	19,200	14.2%	
C1	Hotels	Shinjuku Washington Hotel-Honkan	Dec. 22, 2003	21,100	15.6%	24.2%
(B6)		Shin-Osaka Central Tower (hotel portion)	Dec. 2, 2004	9,721	7.2%	
C2		Toyoko Inn Shinagawa-Eki Takanawaguchi	Feb. 18, 2005	1,884	1.4%	
D1	Residential Properties	T&G Higashi-Ikebukuro Mansion	Dec. 26, 2003	2,021	1.5%	11.4%
D2		T&G Yotsuya Mansion	Dec. 26, 2003	1,355	1.0%	
D3		Excellia Magome	Dec. 26, 2003	697	0.5%	
D4		Komazawa Court	Dec. 26, 2003	1,680	1.2%	
D5		Ropponmatsu Court	Dec. 26, 2003	757	0.6%	
D6		Sky Court Shiba-Daimon	Oct. 15, 2004	1,175	0.9%	
D7		Maison Ukima	Oct. 26, 2004	3,530	2.6%	
D8		Narashino Residence	Oct. 26, 2004	1,140	0.8%	
D9		Aprile Shin-Ohgi Ichibankan	Apr. 13, 2005	3,031	2.3%	
Total				134,946	100.0%	100.0%

Notes: 1. Among the above properties, United Urban acquired "Toyoko-Inn Shinagawa-Eki Takanawaguchi" in the form of real estate, and all others in the form of trust beneficiary rights.

2. The acquisition prices above are amounts stated in the sales contracts, excluding applicable consumption taxes, that exclude the expenses (e.g. agency fees, public taxes and impositions) necessary for making the relevant acquisitions, and are rounded to the nearest one million yen.

3. The name was changed to "Diamond City Value" on July 5, 2005.

## New Acquisitions

### B6 Shin-Osaka Central Tower



Address	5-5-15 Nishi-Nakashima, Yodogawa-ku, Osaka-shi, Osaka
Site Area	7,265,79 m <sup>2</sup>
Total Floor Space	58,882,64 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 23F
Completed	June 1989
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership

Shin-Osaka Central Tower is situated on the southeast side of Shin-Osaka Station for the JR Tokaido Shinkansen, JR Kyoto Line, and Midosuji Subway Line.

The Shin-Osaka Station district, in which this property is located, is very well placed for access to the Shinkansen terminal, and thus office space there is in demand by companies with head offices in Tokyo and other cities. Also, the area's convenient transportation access and concentration of office and residential facilities generate demand for accommodation and restaurants, and creating demand for hotels.

This property is a complex that incorporates both a portion for office space and a hotel portion. The office portion is leased to more than 50 tenants, and the hotel portion is leased in its entirety by a company; accordingly, this single building consisting of office and hotel portions is diversified in terms of usage, to minimize the risk of concentrating on limited usage of the property.

## A5 Diamond City Kumamoto-Minami Shopping Center (Note 1)



Address	1-1 Gohnoe, Ogawa-machi, Uki-shi, Kumamoto
Site Area	173,498.31 m <sup>2</sup>
Total Floor Space	63,058.78 m <sup>2</sup>
Construction	S (Note 2)
Number of Floors	2F (Note 2)
Completed	October 1997 (Note 2)
Type of Ownership	Land: Proprietary Ownership and Term Leasehold Interest Building: Proprietary Ownership

Notes: 1. The name was changed to "Diamond City Value" on July 5, 2005.  
2. Data applicable to the main building

Diamond City Kumamoto-Minami Shopping Center is situated approximately 1.5 km southeast of Ogawa Station on the JR Kagoshima-Honsen Line. Uki City, in which the property is located, is situated to the south of the city of Kumamoto, Kumamoto Prefecture, and is linked with the Kumamoto city center by a trunk road: Route 3.

This property is leased in its entirety under a long-term fixed-term tenancy agreement and fixed-term leasehold agreement to a company listed on the First Section of the Tokyo Stock Exchange. In consequence, stable earnings are expected to be generated.

The property comprises 170,569.31 sq. m. of owned land, 2,929 sq. m. of land held on leasehold, and 11 buildings. It is a major commercial complex with facilities for a variety of uses, including a general supermarket, an outlet mall, a cinema complex, and restaurants.



## B7 Kawasaki Toshiba Building



Address	580 Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa
Site Area	8,615.20 m <sup>2</sup>
Total Floor Space	51,254.06 m <sup>2</sup>
Construction	S / RC / SRC
Number of Floors	B2 / 14F
Completed	April 1987
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership

Kawasaki Toshiba Building is about eight minutes on foot to the northeast of Kawasaki Station on the JR Tokaido Line. It is in a commercial district among numerous medium and high-rise buildings.

This property is leased in its entirety under a fixed-term tenancy agreement to a company listed on the First Section of the Tokyo Stock Exchange, and is projected to generate stable earnings.

## C2 Toyoko Inn Shinagawa-Eki Takanawaguchi

Address	4-23-2 Takanawa, Minato-ku, Tokyo
Site Area	482.10 m <sup>2</sup>
Total Floor Space	2,928.94 m <sup>2</sup>
Construction	SRC
Number of Floors	14F
Number of Rooms	181 Rooms
Construction	October 1999
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



Toyoko Inn Shinagawa-Eki Takanawaguchi lies to the south of Shinagawa Station on the JR Tokaido Line, Yamanote Line, and Tokaido Shinkansen. It forms part of the area that has long constituted the core commercial district in Shinagawa, with well-known city hotels such as the Shinagawa Prince Hotel, and numerous restaurants. There are many hotels in the area around the property, and therefore competition used to be fierce. However, the opening of the Tokaido Shinkansen Shinagawa Station and the development of high-rise office blocks around the east exit of Shinagawa Station in recent years has caused the area to evolve in a way that has brought the building of a succession of new hotels and the expansion of existing ones. These developments are having the synergistic effect of increasing the area's ability to attract hotel guests. This property is leased in its entirety to a company that is one of leading hotel operators of budget hotels which is solely for lodging, and is projected to generate stable earnings.

## D9 Aprile Shin-Ohgi Ichibankan

Address	2-62-5 Kita-Ohgi, Higashi Nada-ku, Kobe-shi, Hyogo
Site Area	3,329.45 m <sup>2</sup>
Total Floor Space	12,700.44 m <sup>2</sup>
Construction	SRC
Number of Floors	14F
Number of Units	161 units
Available for Lease	
Completed	September 1997
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



Aprile Shin-Ohgi Ichibankan is a nine-minute walk from Ohgi Station on the Hanshin Main Line (23 minutes by limited express from the railway's Umeda Station, and 11 minutes by express from its Sannomiya Station). Condominiums have been built in the immediate area since the 1960s, and today it is dotted with old and new condominiums and other facilities such as household-goods and other stores, parks, kindergartens, elementary schools, and hospitals. Because of this, it is a very convenient place to live, and stable rental demand is projected.

This property is leased in its entirety under a fixed-term tenancy agreement to a company listed on the First Section of the Tokyo Stock Exchange, and is project to generate stable earnings.

## Overview

### A1 Daiei Himonya

Address	4-1-1 Himonya, Meguro-ku, Tokyo
Site Area	5,249.86 m <sup>2</sup>
Total Floor Space	27,032.50 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 7F
Completed	March 1975
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



### A2 Joy Park Izumigaoka

Address	1-3 Miharadai 1-cho, Sakai-shi, Osaka
Site Area	10,368.45 m <sup>2</sup>
Total Floor Space	29,250.71 m <sup>2</sup>
Construction	RC / S
Number of Floors	5F
Completed	November 2000
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



### A3 Daimaru Peacock Ashiya-Kawanishi Ten

Address	3-28 Kawanishicho, Ashiya-shi, Hyogo
Site Area	3,455.30 m <sup>2</sup>
Total Floor Space	1,488.28 m <sup>2</sup>
Construction	S
Number of Floors	1F
Completed	April 1997
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



### A4 Re-LAND Shopping Center

Address	7-2-2 Fujiwara, Funabashi-shi, Chiba
Site Area	5,198.20 m <sup>2</sup>
Total Floor Space	12,944.65 m <sup>2</sup>
Construction	SRC
Number of Floors	B2 / 5F
Completed	March 1998
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership





## B1 T&G Hamamatsu-Cho Building

Address	2-12-10 Shiba-Daimon, Minato-ku, Tokyo
Site Area	453.81 m <sup>2</sup>
Total Floor Space	3,296.58 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 9F
Completed	December 1988
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



## B2 SK Nagoya Building

Address	1-3-7 Nishiki, Naka-ku, Nagoya-shi, Aichi
Site Area	1,361.96 m <sup>2</sup>
Total Floor Space	11,795.38 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 9F
Completed	February 1986
Type of Ownership	Land: Proprietary Ownership Building: Compartmentalized Proprietary Ownership (percentage of ownership: 100%)



## B3 Fukuoka Eartheon Building

Address	3-6-3 Hakata-Eki Higashi, Hakata-ku, Fukuoka-shi, Fukuoka
Site Area	1,358.91 m <sup>2</sup>
Total Floor Space	6,079.35 m <sup>2</sup>
Construction	SRC
Number of Floors	7F
Completed	September 1998
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



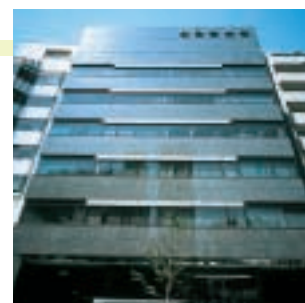
## B4 Marumasu Koujimachi Building

Address	3-3 Koujimachi, Chiyoda-ku, Tokyo
Site Area	703.24 m <sup>2</sup>
Total Floor Space	5,218.55 m <sup>2</sup>
Construction	SRC / RC
Number of Floors	B1 / 9F
Completed	September 1989
Type of Ownership	Land: Proprietary Ownership (Common Ownership) Building: Compartmentalized Proprietary Ownership



## B5 Rokuban-Cho K Building

Address	2 Rokuban-cho, Chiyoda-ku, Tokyo
Site Area	689.70 m <sup>2</sup>
Total Floor Space	4,031.14 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 7F
Completed	December 1988
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



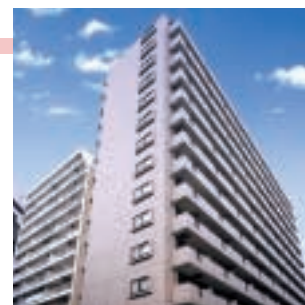
## C1 Shinjuku Washington Hotel-Honkan



Address	3-2-9 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Site Area	6,215.31 m <sup>2</sup>
Total Floor Space	59,985.37 m <sup>2</sup>
Construction	S / SRC
Number of Floors	B4 / 25F
Number of Rooms	1,296 Rooms
Completed	October 1983
Type of Ownership	Land: Proprietary Ownership (Part Common Ownership) Building: Compartmentalized Ownership (Part Common Ownership)

## D1 T&G Higashi-Ikebukuro Mansion

Address	3-8-8 Higashi-Ikebukuro, Toshima-ku, Tokyo
Site Area	398.82 m <sup>2</sup>
Total Floor Space	3,300.18 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 14F
Number of Units Available for Lease	129 units
Completed	December 2001
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



## D2 T&G Yotsuya Mansion

Address	10-7 Arakicho, Shinjuku-ku, Tokyo
Site Area	777.40 m <sup>2</sup>
Total Floor Space	2,081.19 m <sup>2</sup>
Construction	RC
Number of Floors	B1 / 8F
Number of Units Available for Lease	78 units
Completed	May 2002
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



## D3 Excellia Magome

Address	5-20-2 Minami-Magome, Ota-ku, Tokyo
Site Area	371.29 m <sup>2</sup>
Total Floor Space	1,110.97 m <sup>2</sup>
Construction	RC
Number of Floors	7F
Number of Condominiums for Lease	44 units
Completed	February 2002
Type of Ownership	Land: Proprietary Ownership (Site Rights) Building: Compartmentalized Proprietary Ownership (percentage of ownership: 100%)



## D4 Komazawa Court

Address	2-37-1 Komazawa, Setagaya-ku, Tokyo
Site Area	2,943.33 m <sup>2</sup>
Total Floor Space	3,580.44 m <sup>2</sup>
Construction	RC
Number of Floors	3F
Number of Units Available for Lease	95 units
Construction	October 1998
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



## D5 Ropponmatsu Court

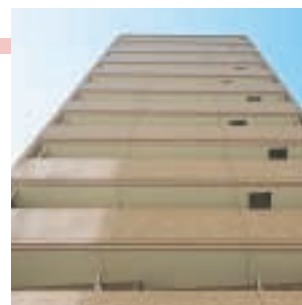
Address	4-3-11 Ropponmatsu, Chuo-ku, Fukuoka-shi, Fukuoka
Site Area	1,738.67 m <sup>2</sup>
Total Floor Space	3,294.36 m <sup>2</sup>
Construction	RC
Number of Floors	6F
Number of Units Available for Lease	100 units
Construction	March 1994
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership





## D6 Sky Court Shiba-Daimon

Address	1-2-3 Shiba-Daimon, Minato-ku, Tokyo
Site Area	233.66 m <sup>2</sup>
Total Floor Space	1,486.38 m <sup>2</sup>
Construction	SRC
Number of Floors	12F
Number of Units Available for Lease	54 units
Construction	April 2003
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



## D7 Maison Ukima

Address	1-3-1 Ukima, Kita-ku, Tokyo
Site Area	6,456.64 m <sup>2</sup>
Total Floor Space	12,691.43 m <sup>2</sup>
Construction	SRC
Number of Floors	12F
Number of Units Available for Lease	147 units
Construction	March 1992
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



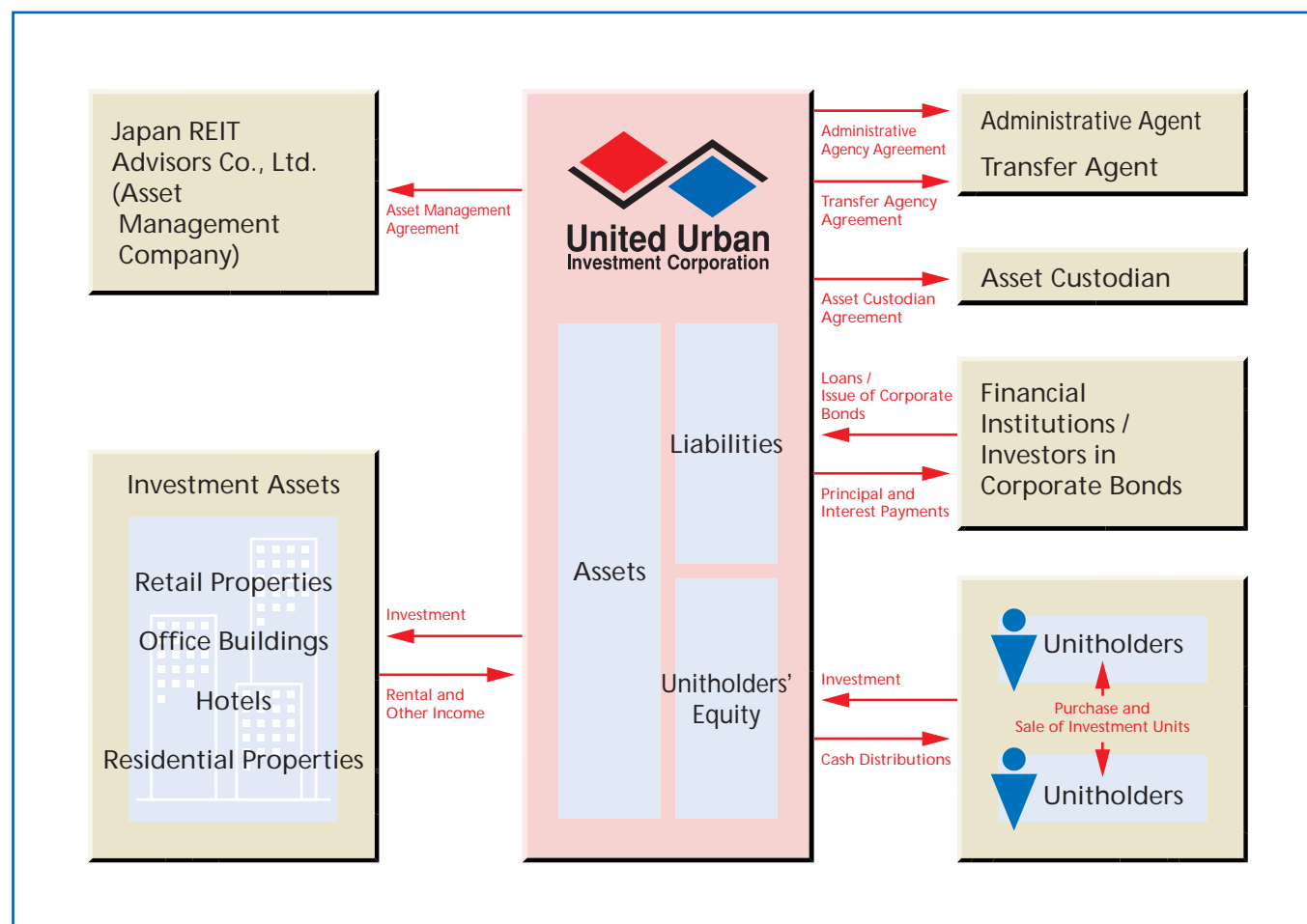
## D8 Narashino Residence

Address	4-83-10 Narashinodai, Funabashi-shi, Chiba
Site Area	3,948.67 m <sup>2</sup>
Total Floor Space	6,840.86 m <sup>2</sup>
Construction	SRC
Number of Floors	B1 / 8F
Number of Units Available for Lease	87 units
Completed	February 1990
Type of Ownership	Land: Proprietary Ownership Building: Proprietary Ownership



# ◆ Corporate Structure of Investment Corporation ◆

## Corporate Structure



## Member of Board of Directors of United Urban (As of May 31, 2005)

Titles	Name	Other Titles
Executive Officer	Yasuhiro Tanaka	—
Supervisory Officer	Masakazu Watase	Lawyer, Watase Law Office
Supervisory Officer	Toshio Kenmochi	Representative Partner, Kasumigaseki Audit Representative Director and President, RECS Management Institute Representative Director and President, RECS Technologies Inc.

## Advisor and Agents (As of May 31, 2005)

Role	Name
Asset Management Company	Japan REIT Advisors Co., Ltd.
Asset Custodian	Mizuho Trust & Banking Co., Ltd.
Transfer Agent	The Chuo Mitsui Trust and Banking Company, Limited
Administrative Agent	Mizuho Trust & Banking Co., Ltd.

# ◆ Profile of Asset Management Company ◆

## Overview

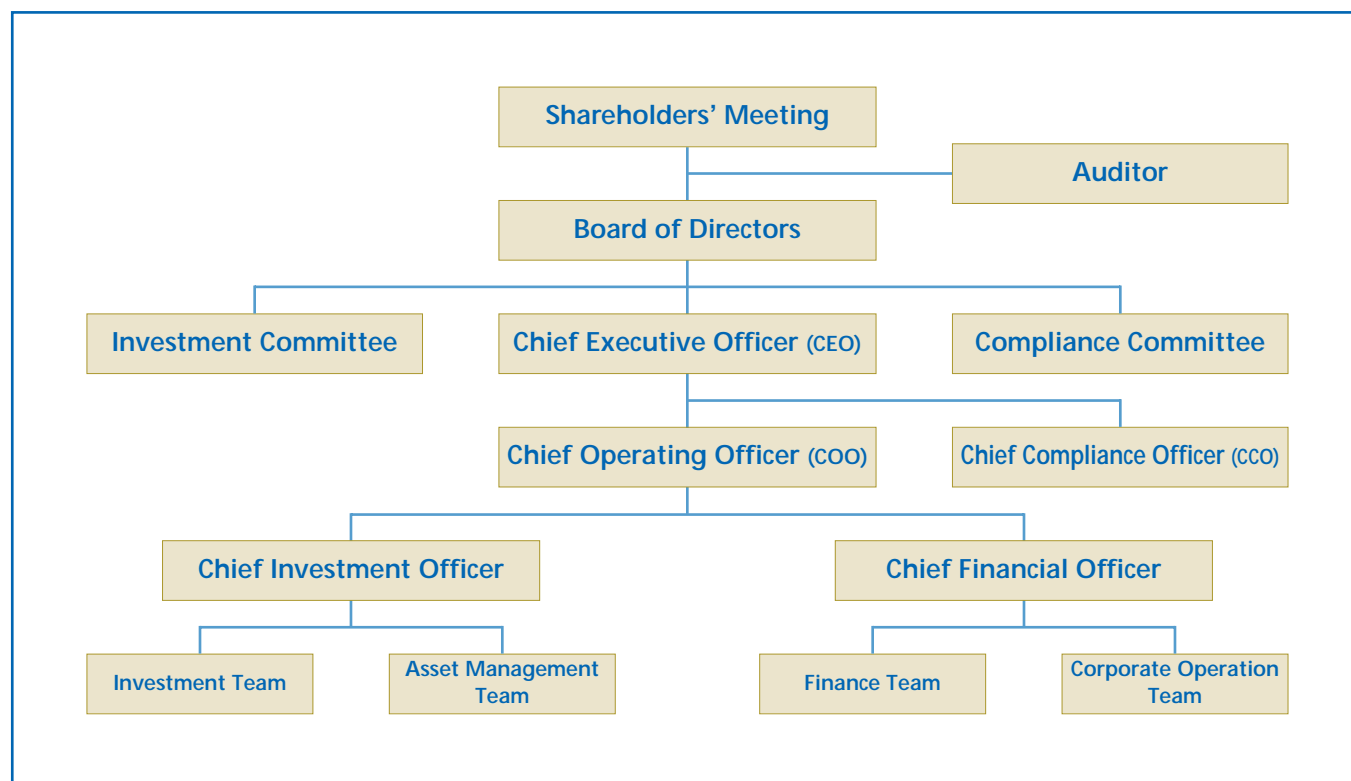
Name: Japan REIT Advisors Co., Ltd.

Capital: ¥425 million (As of May 31, 2005)

## Shareholders (As of May 31, 2005)

Name	Address	Number of Shares Owned	Ownership (%)
Trinity Investment Trust L. L. C.	One Aloha Tower Drive, Suite 3100, Honolulu, HI 96813, U.S.A.	3,740	44.0
Marubeni Corporation	4-2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo	3,060	36.0
Credit Suisse First Boston Principal Investments Ltd., Tokyo Branch	6-1, Roppongi 1-chome, Minato-ku, Tokyo	850	10.0
Yamato Life Insurance Co.	1-7, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo	425	5.0
Kyokuto Securities Co., Ltd.	4-7, Nihonbashi Kayaba-cho 1-chome, Chuo-ku, Tokyo	425	5.0
Total		8,500	100.0

## Organization







**Optimal investment portfolio and stable earnings**

**PEFORMANCE REPORT**

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**Investment Policies**

**Distribution Policies**

## Financial Highlights

### 1. Track Records on Operations

		Millions of yen, unless otherwise indicated		
		3rd Fiscal Period December 1, 2004- May 31, 2005	2nd Fiscal Period June 1, 2004- November 30, 2004	1st Fiscal Period November 4, 2003- May 31, 2004
Operating revenues		5,320	3,136	2,205
(Rental revenues)		(5,320)	(3,136)	(2,205)
Operating expenses		2,526	1,327	858
(Property-related expenses)		(2,013)	(1,000)	(617)
Operating income		2,794	1,809	1,347
Income before income taxes		2,344	1,600	1,030
Net income	(a)	2,340	1,599	1,029
Total assets	(b)	153,740	86,261	74,153
Total unitholders' equity (Net assets)	(c)	92,178	40,195	39,625
Unitholders' capital		89,839	38,596	38,596
Total no. of investment units issued and outstanding (d)	(Unit)	159,843	83,738	83,738
Net assets per unit (c)/(d)	(Yen)	576,681	480,007	473,202
Total cash distribution (e)		2,340	1,599	1,029
Net income per unit (Note 3)	(Yen)	14,641	19,090	12,395
Distribution per unit (e)/(d)	(Yen)	14,638	19,090	12,285
(Distribution of earnings per unit)	(Yen)	(14,638)	(19,090)	(12,285)
(Distribution in excess of earnings per unit)	(Yen)	( - )	( - )	( - )
Return on assets (Notes 4, 5)	(%)	2.0	2.0	1.4
(Annualized) (Notes 4, 5)	(%)	(3.9)	(4.0)	(3.1)
Return on equity (Notes 4, 5)	(%)	3.5	4.0	2.6
(Annualized) (Notes 4, 5)	(%)	(7.1)	(8.0)	(5.8)
Equity ratio (c)/(b) (Note 5)	(%)	60.0	46.6	53.4
Payout ratio (e)/(a)	(%)	99.9	99.9	99.9
<b>Supplementary information</b>				
No. of investment properties at the end of the period	(Units)	23	18	14
Total leasable floor space at the end of the period	(m <sup>2</sup> )	334,243.61	164,122.94	130,094.58
Total no. of tenants at the end of the period	(Units)	128	68	54
Occupancy ratio at the end of the period	(%)	97.6	96.0	99.0
Depreciation and amortization		971	415	318
Capital expenditures		121	39	11
NOI (Net Operating Income) from leasing (Note 4)		4,278	2,552	1,906
FFO (Funds from Operations) per unit (Note 4)	(Yen)	20,744	24,119	16,148
FFO ratio (Notes 4, 5)	(Times)	16.7	14.4	15.7
Debt service coverage ratio (Notes 4, 5)	(Times)	11.6	10.5	9.7
Net income before interest, depreciation and amortization		3,628	2,233	1,507
Interest expense		312	213	155
Interest-bearing liabilities		49,700	38,980	29,000
Ratio of interest-bearing liabilities to total assets at the end of the period	(%)	32.3	45.2	39.1
No. of operating days	(Days)	182	183	162

(Notes)

1. Unless otherwise indicated specifically, all figures above have been rounded to the units stated.

2. Operating revenues, etc., do not include consumption taxes.

3. Net income per unit is computed on the basis of the average numbers of investment units set out below.

Average no. of investment units

1st fiscal period: 82,999units (Weighted average for 162 days from December 22, 2003: the effective no. of operating days in the 1st fiscal period)

2nd fiscal period: 83,738units

3rd fiscal period: 159,807units (Weighted average during the period)

Net income per unit computed for the 1st fiscal period and 3rd fiscal period, based on the number of investment units issued and outstanding at the end of each period (1st fiscal period: 83,738units; 3rd fiscal period: 159,843units), was ¥12,285 and ¥14,637 respectively.

4. The indicators stated above are computed in accordance with the methods set out below. The figures in parentheses are, for the 1st fiscal period, the annualized figure for the 162 days from December 22, 2003, the effective number of operating days; and for the 2nd and 3rd fiscal periods they are the annualized figures for the 183 and 182 days respectively in those fiscal periods.

Return on assets.....Ordinary income / Ave. total assets

Ave. total assets= (Total assets at the beginning of period + Total assets at the end of the period) / 2

Ave. total assets in 1st fiscal period only= Total assets at the end of the period

Return on equity.....Net income / Ave. net assets

Ave. net assets= (Net assets at the beginning of period + Net assets at the end of the period) / 2

Ave. net assets in 1st fiscal period only= Net assets at the end of the period

NOI (Net operating income) from leasing

.....Income from property leasing in the period

(Rental revenues - Rental expenses) + Depreciation and amortization

FFO (Funds from operations) per unit

..... (Net income + Depreciation + Amortization of deferred assets) / No. of investment units issued and outstanding at the end of the period

FFO ratio .....Investment unit price at the end of the period / Annualized FFO per unit

Debt service coverage ratio.....Net income before interest, depreciation and amortization / Interest expense

5. Fractions are rounded to the nearest one decimal place

## 2. Performance Review for the Current Period

United Urban Investment Corporation ("United Urban") was incorporated on November 4, 2003, under the Law Concerning Investment Trusts and Investment Corporations of Japan (the "Investment Trust Law"). On December 22, 2003, United Urban was listed (Securities Code: 8960) on the J-REIT section of the Tokyo Stock Exchange.

In December 2004, at the beginning of its third fiscal period, United Urban made a new issue of investment units by public offering and another issue of investment units by means of a third-party allotment. As a result, the total number of investment units issued and outstanding is 159,843units, as of May 31, 2005.

United Urban has aimed to secure steady earnings over the medium-term as an integrated real estate investment trust (REIT), diversifying its investments not only in terms of the types of properties (retail properties, office buildings, hotels, residential properties, etc.) but also in terms of geographic area. Distributions were made in both United Urban's first fiscal period (ended in May 2004) and its second fiscal period.

In order to upgrade and expand its portfolio, United Urban acquired Shin-Osaka Central Tower on December 2, 2004 (acquisition price ¥24,000 million), Diamond City Kumamoto-Minami Shopping Center (whose name was changed to Diamond City Value on July 5, 2005) on December 3, 2004 (acquisition price ¥11,100 million), Kawasaki Toshiba Building on December 20, 2004 (acquisition price ¥19,200 million), Toyoko Inn Shinagawa-Eki Takanawaguchi on February 18, 2005 (acquisition price ¥1,884 million), and Aprile Shin-Ohgi Ichibankan on April 13, 2005 (acquisition price ¥3,031 million). In consequence, as of May 31, 2005, United Urban's assets totaled 23 properties, comprising five retail properties, six office buildings, two hotels, one office and hotel complex, and nine residential properties. The aggregate acquisition price totaled ¥134,946 million, compared with ¥75,731 million at the beginning of the period, the total leasable floor space was 334,243.61 sq. m. compared with 164,122.94 sq. m., and the number of tenants stood at 128 compared with 68.

The occupancy ratio for the portfolio as a whole at each month-end during the period was between 97.6% and 97.7%, and stood at 97.6% at May 31, 2005.

During the period under review, in December 2004 United Urban raised ¥51,242 million by means of a further issue of investment units, with the proceed of such issue United Urban repaid ¥18,980 million of borrowings, and then borrowed ¥27,000 million from banks. These funds enabled it to address the risk of interest-rate increases and refunding risk, at the same time providing funds for new property acquisitions.

For subsequent property acquisitions, United Urban has used bank borrowing (¥2,000 million in February 2005; ¥3,200 million in April 2005), and in March 2005 used surplus funds to make early partial repayment (¥2,500 million) of borrowings. As a result, the balance of outstanding borrowings at May 31, 2005, totaled ¥49,700 million (up by ¥10,720 million from the end of the previous period), comprising ¥13,700 million of short-term borrowings (up by ¥320 million), and ¥36,000 million of long-term borrowings (up by ¥10,400 million).

### 3. Issuance of New Investment Units

The changes in unitholders' capital and total number of investment units issued and outstanding since its incorporation are shown below.

Date	Remarks	Number of Investment Units Issued and Outstanding (Units)		Unitholders Capital (Millions of yen)		Notes
		Increase	Balance	Increase	Balance	
November 4, 2003	Date of incorporation	250	250	125	125	(Note 1)
December 20, 2003	Additional issue of new investment units through initial public offering	79,500	79,750	36,634	36,759	(Note 2)
January 21, 2004	Additional issue of new investment units through third-party allotment	3,988	83,738	1,838	38,597	(Note 3)
December 1, 2004	Additional issue of new investment units through public offering	75,800	159,538	51,037	89,634	(Note 4)
December 22, 2004	Additional issue of new investment units through third-party allotment	305	159,843	205	89,839	(Note 5)

(Notes)

1. United Urban was incorporated with an issue of 250 investment units at ¥500,000 per unit.
2. New investment units were issued by public offering at the issue price of ¥480,000 per unit (underwriter price ¥460,800), for the purpose of procuring funds for property acquisitions, etc.
3. New investment units were issued by third-party allotment at the issue price of ¥460,800 per unit for the purpose of procuring funds for property acquisitions, etc.
4. New investment units were issued by public offering at the issue price of ¥698,250 per unit (underwriter price ¥673,312), for the purpose of procuring funds for property acquisitions, etc.
5. New investment units were issued by third-party allotment at the issue price of ¥673,312 per unit for the purpose of procuring funds for property acquisitions, etc.

#### 4. Distribution Information

With regard to the distribution in the period under review, in view of the special manner in which taxation is applied pursuant to Article 67-15 of the Special Taxation Measures Law, in order to ensure that the maximum amount of distribution of earnings would be deductible, it was decided that the entire amount of unappropriated profit at the end of period would be distributed, excluding cases in which the distributions per investment unit were fractions of one yen. In consequence, the distribution per investment unit was fixed at ¥14,638 for the 3rd fiscal period.

		3rd Fiscal Period December 1, 2004- May 31, 2005	2nd Fiscal Period June 1, 2004- November 30, 2004	1st Fiscal Period November 4, 2003- May 31, 2004
Unappropriated retained earnings at the end of period	Thousands of yen	2,339,803	1,598,606	1,028,751
Cash distribution	Thousands of yen	2,339,782	1,598,559	1,028,722
Distribution per unit	Yen	14,638	19,090	12,285
Unappropriated retained earnings carried forward to the next period	Thousands of yen	21	47	29

#### 5. Summary of Unitholders' Contribution

	3rd Fiscal Period As of May 31, 2005	2nd Fiscal Period As of November 30, 2004	1st Fiscal Period As of May 31, 2004
Number of investment units authorized (Unit)	2,000,000	2,000,000	2,000,000
Number of investment units issued and outstanding (Unit)	159,843	83,738	83,738
Unitholders' capital (Millions of yen)	89,839	38,596	38,596
Number of unitholders	14,019	7,867	8,336



## 6. Major Unitholders

(As of May 31, 2005)			
Unitholder Name	Address	Investment Units Held (Units)	Percentage of Investment Unit Held (%)
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	11,456	7.17 %
The Bank of Ikeda, Ltd.	2-1-11 Jonan, Ikeda-shi, Osaka	7,030	4.40 %
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	6,909	4.32 %
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	6,612	4.14 %
Resona Bank, Ltd.	2-2-1 Bingocho, Chuo-ku, Osaka-shi, Osaka	4,479	2.80 %
The Fuji Fire And Marine Insurance Co.,Ltd.	1-18-11 Minamisenba, Chuo-ku, Osaka-shi, Osaka	3,622	2.27 %
The Gibraltar Life Insurance Co., Ltd. (general other account)	1-8-11 Harumi, Chuo-ku, Tokyo Japan Trustee Services Bank, Ltd. (standing proxy)	3,295	2.06 %
Hokuto Bank, Ltd.	3-1-41 Nakadori, Akita-shi, Akita Prefecture	2,761	1.73 %
The Nanto Bank, Ltd.	16, Hashimoto-cho, Nara-shi, Nara	2,702	1.69 %
NikkoCititrust and Banking Corp. (investment account)	2-3-14 Higashi-shinagawa, Shinagawa-ku, Tokyo	2,619	1.64 %
Total		51,485	32.22 %

(Note)

The percentages of share of investment unit are rounded to two decimal places.

## 7. Categories of Unitholders

(As of May 31, 2005)				
	Number of Unitholders by Category		Number of Units by Holder Category	
Individuals and others	13,441	95.9%	38,995 units	24.4%
Financial institution (including securities companies)	182	1.3%	104,331 units	65.3%
Other domestic corporations	354	2.5%	11,258 units	7.0%
Foreign corporations and individuals	42	0.3%	5,259 units	3.3%
Total	14,019	100%	159,843 units	100%

## **8. Future Policies**

### **A. Acquisition of new properties (External growth)**

In order to build a portfolio capable of securing stable earnings over the medium to long term, United Urban has been making acquisitions continuously since the first fiscal period. It will continue to pursue external growth in order to build an optimum portfolio, while monitoring market trends closely.

### **B. Management and administration (Internal growth)**

In its management and administration, United Urban will take into consideration the fact that most of the properties in its portfolio are occupied on long-term leases, and by implementing maintenance works and repairs proactively in order to enhance tenant satisfaction, it will build relationships of trust with its tenants.

In addition, by engaging in leasing activity based on the study and analysis of trends in the rental market, United Urban will endeavor to ensure that any vacancies are filled rapidly.

## Portfolio Profiles

### 1. Composition of Portfolio

Categories of Assets	Type of Use	Areas		3rd Fiscal Period (As of May 31, 2005)	
				Total Amounts Held (Thousands of yen) (Note 1)	Percentage of Total Assets ( % )
Real Estate	Retail Properties	Capital Region (Note 2)	The 6 central wards of Tokyo (Note 3)	-	-
			The 23 wards of Tokyo (Note 4)	-	-
			Tokyo metropolitan areas (Note 5)	-	-
		Other regions		-	-
	Office Buildings	Capital Region	The 6 central wards of Tokyo	-	-
			The 23 wards of Tokyo	-	-
			Tokyo metropolitan areas	-	-
		Other regions		-	-
	Hotels	Capital Region	The 6 central wards of Tokyo	1,972,325	1.3
			The 23 wards of Tokyo	-	-
			Tokyo metropolitan areas	-	-
		Other regions		-	-
	Residential Properties	Capital Region	The 6 central wards of Tokyo	-	-
			The 23 wards of Tokyo	-	-
			Tokyo metropolitan areas	-	-
Other regions		-	-		
Subtotal			1,972,325	1.3	
Real Estate in Trust	Retail Properties	Capital Region	The 6 central wards of Tokyo	-	-
			The 23 wards of Tokyo	15,288,185	9.9
			Tokyo metropolitan areas	5,332,102	3.5
		Other regions		18,797,544	12.2
	Office Buildings	Capital Region	The 6 central wards of Tokyo	6,941,092	4.5
			The 23 wards of Tokyo	-	-
			Tokyo metropolitan areas	19,788,267	12.9
		Other regions		21,945,618	14.3
	Hotels	Capital Region	The 6 central wards of Tokyo	21,160,644	13.8
			The 23 wards of Tokyo	-	-
			Tokyo metropolitan areas	-	-
		Other regions		9,885,999	6.4
	Residential Properties	Capital Region	The 6 central wards of Tokyo	2,614,313	1.7
			The 23 wards of Tokyo	8,176,871	5.3
			Tokyo metropolitan areas	1,207,503	0.8
		Other regions		4,029,867	2.6
	Subtotal			135,168,005	87.9
Bank Deposits and Other Assets			16,599,651	10.8	
Total Assets			153,739,981	100.0	

(Notes)

1. "Total amount held" is net book value of assets at the end of the period ("Real estate" and "Real estate in trust" being stated at book value net of depreciation).
2. The "Capital Region" refers to eight prefectures: Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Gunma, Tochigi and Yamanashi Prefectures.
3. The "six central wards of Tokyo" are Chiyoda, Minato, Chuo, Shinjuku, Shibuya and Shinagawa wards.
4. The "23 wards of Tokyo" are the 23 Tokyo wards excluding the "six central wards of Tokyo."
5. "Tokyo metropolitan area" refers to the Tokyo metropolitan area excluding the 23 wards of Tokyo.

## 2. Selected Data by Property

(As of May 31, 2005)

Type of Property	Property Name	Book Value (Millions of yen) (Note 1)	Appraisal Value (Millions of yen) (Note 2)	Leasable Floor Space (m) (Note 3)	Leased Floor Space (m) (Note 3)	Occupancy Ratio (%) (Note 3)
Retail Properties	Daiei Himonya	15,288	16,100	26,655.66	26,655.66	100.0%
	Joy Park Izumigaoka	6,602	5,060	13,662.53	8,233.95	60.3%
	Daimaru Peacock Ashiya-Kawanishi Ten	777	786	1,558.80	1,558.80	100.0%
	Re-LAND Shopping Center	5,332	5,200	12,968.85	12,499.76	96.4%
	Diamond City Kumamoto-Minami Shopping Center (Note 5)	11,418	11,200	72,073.39	72,073.39	100.0%
Office Buildings	T&G Hamamatsu-Cho Building	2,238	2,456	2,422.93	2,422.93 (Note 4)	100.0%
	SK Nagoya Building	5,402	5,851	8,708.57	8,209.49	94.3%
	Fukuoka Eartheon Building	2,022	2,250	4,934.39	4,934.39	100.0%
	Marumasu Koujimachi Building	2,449	2,560	2,612.42	2,065.90	79.1%
	Rokuban-Cho K Building	2,254	2,360	4,031.14	4,031.14	100.0%
	Shin-Osaka Central Tower (Note 6)	24,408	24,300	46,044.41	45,104.88	98.0%
	Kawasaki Toshiba Building	19,788	19,450	36,212.28	36,212.28	100.0%
Hotels	Shinjyuku Washington Hotel-Honkan	21,161	21,600	53,317.45	53,317.45	100.0%
	Toyoko Inn Shinagawa-Eki Takanawaguchi	1,972	1,920	3,088.85	3,088.85	100.0%
Residential Properties	T&G Higashi-Ikebukuro Mansion	2,040	2,088	2,603.22	2,502.32 (Note 4)	96.1%
	T&G Yotsuya Mansion	1,367	1,406	1,679.10	1,636.20 (Note 4)	97.4%
	Excellia Magome	707	673	914.98	914.98 (Note 4)	100.0%
	Komazawa Court	1,700	1,690	3,741.17	3,741.17	100.0%
	Ropponmatsu Court	763	776	3,294.36	3,294.36	100.0%
	Sky Court Shiba-Daimon	1,247	1,190	1,486.38	1,486.38	100.0%
	Maison Ukima	3,730	3,780	12,691.43	12,691.43	100.0%
	Narashino Residence	1,208	1,170	6,840.86	6,840.86	100.0%
	Aprile Shin-Ohgi Ichibankan	3,267	3,060	12,700.44	12,700.44	100.0%
	Total	137,140	136,926	334,243.61	326,217.01	97.6%

(Notes)

1. "Book value" is stated after being rounded to the units stated.
2. "Appraisal value" is the real estate appraisal value or the prices resulting from price surveys conducted by the same methods as appraisals conducted by real estate appraisers.

3. "Leasable floor space," "leased floor space," and "occupancy ratio" are stated on the basis of data as of May 31, 2005. "Leasable floor space" means the aggregate leasable floor space of the portions owned by United Urban of individual real estate and real estate in trust (In principle these are the numerical values stated in lease agreements, but the values that underlie the numerical values stated in agreements differ from agreement to agreement. Therefore, the figures stated are either the figures equivalent to the total floor area of a building (*nobe yuka menseki*), the figures equivalent to the floor area stated in the registry office (*tokibo kisai no yuka menseki*), the figures equivalent to the area exclusively occupied (*senyu menseki*), or the figures equivalent to the total floor area plus other partially enclosed usable space (*seko yuka menseki*); and "leased floor space" means the aggregate of the areas (the areas stated in lease agreements, the details being the same as those stated with regard to leasable floor space above) within total leasable floor space that is leased after actual lease agreements are concluded. "Occupancy ratio" is the percentage obtained from dividing "leased floor space" by "leasable floor space." With regard to the portion of the main building of Shinjuku Washington Hotel held in co-ownership with other entities, leasable floor space and leased floor space are computed by using this portion's entire floor area.
4. Master lease agreements with no rental guarantees have been concluded with regard to T&G Hamamatsu-Cho Building, T&G Higashi-Ikebukuro Mansion, T&G Yotsuya Mansion, and Excellia Magome. Accordingly, United Urban is able to receive rental revenues only if these holdings of real estate in trust are subleased. In view of this, the "leased floor space" of these properties is stated not as the area rented to the lessees, but as the area subleased by the lessees as of May 31, 2005.
5. The name was changed to "Diamond City Value" on July 5, 2005.
6. "Shin-Osaka Central Tower" is a complex incorporating both hotel and office facilities.

### 3. Selected Financial Data by Property

Name of Property	3rd Fiscal Period (December 1, 2004 to May 31, 2005)			
	Total Number of Tenants at the end of period (Note 1)	Occupancy Ratio at the end of period (%) (Note 2)	Rental Revenue (During the period) (Millions of yen) (Note 3)	Share of Total Rental Revenue (%)
Daiei Himonya	1	100.0	528	9.9
Joy Park Izumigaoka	13	60.3	179	3.4
Daimaru Peacock Ashiya-Kawanishi Ten	1	100.0	31	0.6
Re-LAND Shopping Center	13	96.4	270	5.1
Diamond City Kumamoto-Minami Shopping Center (Note 4)	1	100.0	453	8.5
T&G Hamamatsu-Cho Building	1	100.0	99	1.9
SK Nagoya Building	8	94.3	237	4.5
Fukuoka Eartheon Building	4	100.0	130	2.4
Marumasu Koujimachi Building	10	79.1	105	2.0
Rokuban-Cho K Building	1	100.0	97	1.8
Shin-Osaka Central Tower	56	98.0	1,152	21.7
Kawasaki Toshiba Building	1	100.0	715	13.4
Shinjyuku Washington Hotel-Honkan	8	100.0	827	15.5
Toyoko Inn Shinagawa-Eki Takanawaguchi	1	100.0	32	0.6
T&G Higashi-Ikebukuro Mansion	1	96.1	73	1.4
T&G Yotsuya Mansion	1	97.4	46	0.9
Excellia Magome	1	100.0	24	0.4
Komazawa Court	1	100.0	51	1.0
Ropponmatsu Court	1	100.0	35	0.6
Sky Court Shiba-Daimon	1	100.0	32	0.6
Maison Ukima	1	100.0	124	2.3
Narashino Residence	1	100.0	51	1.0
Aprile Shin-Ohgi Ichibankan	1	100.0	(Note 5)	0.5
Total	128	97.6	5,320	100.0



(Note)

1. "Number of tenants" figures are stated on the basis of the data as of the end of the fiscal period. In the event that one tenant is renting more than one room, the aggregate number of tenants is stated by treating each such tenant as a single tenant within the same property, and as more than one tenant if the rentals include more than one property. With regard to a property subleased by a lessee, the number of tenants is treated as being one; as of May 31, 2005, the number of tenants subleasing from lessees and the number of rental units were as follows.  
 "Joy Park Izumigaoka" 5 tenants; "Diamond City Kumamoto-Minami Shopping Center" 84 tenants; "T&G Hamamatsu-Cho Building" 7 tenants; "Rokuban-Cho K Building" 1 tenant; "Shin-Osaka Central Tower" 3 tenants; "Kawasaki Toshiba Building" 12 tenants; "T&G Higashi-Ikebukuro Mansion" 124 units; "T&G Yotsuya Mansion" 76 units; "Excellia Magome" 44 units; "Komazawa Court" 86 units; "Ropponmatsu Court" 89 units; "Sky Court Shiba-Daimon" 1 tenant; "Narashino Residence" 1 unit.
2. "Occupancy ratio" figures are stated on the basis of the data as of the end of each fiscal period. "Occupancy ratio" is the percentage obtained from dividing "leased floor space" by "leasable floor space." With regard to the portion of the main building of Shinjuku Washington Hotel held in co-ownership with other entities, leasable floor space and leased floor space are computed by using this portion's entire floor area.
3. "Rental revenue" is stated after being rounded to the units stated.
4. The name was changed to "Diamond City Value" on July 5, 2005.
5. In regard to this property the tenant with which a lease agreement has been concluded has not given its consent for the disclosure of rental revenue. Therefore, there has been no choice but to omit disclosure of this figure here.

## 4. Major Tenants

### Top 10 Tenants by Leased Floor Space

(As of May 31, 2005)

No.	Tenant Name	Industry	Property Name	Leased Floor Space(m <sup>2</sup> )
1	Diamond City Co., Ltd.	Real Estate	Diamond City Kumamoto-Minami Shopping Center (Note)	72,073.39
2	Fujita Kanko Inc.	Service	Shinjuku Washington Hotel -Honkan	49,293.84
3	Toshiba Corporation	Manufacturing (Electric Appliances)	Kawasaki Toshiba Building	36,212.28
4	The Daiei, Inc.	Supermarket	Daiei Himonya	26,655.66
5	Taiheiyo Cement Corporation	Manufacturing (Cement)	Maison Ukima Narashino Residence	19,532.29
6	Washington Hotel Corporation	Hotel	Shin-Osaka Central Tower	18,727.96
7	Kobe Steel, Ltd.	Manufacturing (Iron and Steel)	Aprile Shin-Ohgi Ichibankan	12,700.44
8	Summit Inc.	Retail and Wholesale	Re-LAND Shopping Center	11,729.83
9	Benny Estate Service Co., Ltd.	Real Estate Management	Komazawa Court Ropponmatsu Court	7,035.53
10	Kokusai Kogyo Co., Ltd.	Aerial Survey	Fukuoka Eartheon Building Rokuban-Cho K Building	6,771.68

(Note)

The name was changed to "Diamond City Value" on July 5, 2005.

## Capital Expenditures

### 1. Plan of Capital Expenditures

The table below sets out the principal capital expenditures for repair and other works for properties scheduled as of May 31, 2005. These scheduled amounts include both portions to be capitalized and expensed.

Name of Properties	Description of Works	Scheduled Period	Amount Projected (Millions of yen)		
			Total amount	Amount payable in the 3rd fiscal period	Amount already paid
Shin-Osaka Central Tower	Expansion of air-conditioning equipment	From June 2005 to August 2005	23	-	-
Shin-Osaka Central Tower	Replacement of air-conditioning heat source	From October 2005 to November 2005	20	-	-
Shin-Osaka Central Tower	Replacement of air-conditioning heat source	From November 2005 to December 2005	20	-	-
Shin-Osaka Central Tower	Repair of exterior wall	From February 2006 to April 2006	100	-	-
Kawasaki Toshiba Building	Renewal of dilapidated hot-water and steam pipes (2nd phase of works to last four periods)	From August 2005 to October 2005	13	-	-
Shinjuku Washington Hotel -Honkan	Removal and replacement of exterior wall seal	From March 2006 to May 2006	136	-	-

### 2. Capital Expenditures made during the Period

The table below sets out the amounts of United Urban's capital expenditures for its real estate and other assets during the third fiscal period, which totaled ¥121 million. Together with ¥30 million of repair and maintenance costs recorded as expenses in the statement of income in the period, expenditure on engineering works totaled ¥151 million.

Name of Properties	Description of Works	Period Implemented	Expenditure Amount (Millions of yen)
Daiei Himonya	Repairs	From April 2005 to May 2005	14
Kawasaki Toshiba Building	Renewal of turbo-chiller (No. 6)	From February 2005 to March 2005	43
Kawasaki Toshiba Building	Renewal of PAC-type fan coils on each floor	From May 2005 to May 2005	13
Other capital expenditures			51
Total			121

### 3. Cash Reserved for Long-Term Repair and Maintenance Plan (Repair and Maintenance Reserve)

Based on the long-term repair and maintenance plan formulated for each of its properties, United Urban sets aside a repair and maintenance reserve out of cash flow during each fiscal period, as outlined below, for the purpose of large-scale repairs and maintenance for the medium to long term.

	Millions of yen		
	3rd Fiscal Period (December 1, 2004- May 31, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)	1st Fiscal Period (November 4, 2003- May 31, 2004)
Reserve balance at the beginning of period	268	69	-
Addition	301	199	69
Deduction	61	-	-
Reserve balance at the end of period	508	268	69

## Expenses and Debt

### 1. Asset Management Expenses

	Thousands of yen		
	3rd Fiscal Period (December 1, 2004- May 31, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)	1st Fiscal Period (November 4, 2003- May 31, 2004)
Asset management fees	343,980	199,419	138,794
Asset custodian fees	12,904	11,153	7,604
Administrative agent fees	54,741	37,960	31,305
Directors' fees	10,200	10,200	11,900
Other expenses	91,242	68,083	51,014
Total	513,067	326,815	240,617

(Note)

In addition to the amounts stated above, there were asset management fees of ¥517,488 thousand for the 1st fiscal period, ¥88,360 thousand for the 2nd fiscal period, ¥473,714 thousand for the 3rd fiscal period related to acquisition of properties, which were capitalized and included in acquisition cost of each properties.

## 2. Borrowings

Borrowings from financial institutions as of May 31, 2005 were as follows;

(Short-term debt)

Lender	Balance (Millions of yen)	Average Interest Rate	Drawdown Date	Repayment Date	Remarks
Mizuho Trust & Banking Co., Ltd.	1,280	0.43994%	Dec. 20, 2004	Dec. 20, 2005	Unsecured / Unguaranteed / Floating rate of interest
Aozora Bank, Ltd.	1,280	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
	500	0.52234%	Feb. 18, 2005	Feb. 17, 2006	
UFJ Bank Limited	860	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
	1,000	0.53480%	Apr. 13, 2005	Apr. 12, 2006	
	700	0.52234%	Feb. 18, 2005	Feb. 17, 2006	
Mizuho Corporate Bank, Ltd.	860	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Yamaguchi Bank, Ltd.	860	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Bank of Fukuoka, Ltd.	860	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Yamanashi Chuo Bank, Ltd.	430	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
	500	0.52234%	Feb. 18, 2005	Feb. 17, 2006	
The Shonai Bank, Ltd.	430	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Hokuriku Bank, Ltd.	430	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Saikyo Bank, Ltd.	430	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Hokkoku Bank, Limited	260	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
The Hokuyo Bank, Ltd.	260	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
Tokushima Bank, Ltd.	260	0.43994%	Dec. 20, 2004	Dec. 20, 2005	
Shinsei Bank, Limited	500	0.52234%	Feb. 18, 2005	Feb. 17, 2006	
The Bank of Tokyo-Mitsubishi, Ltd.	1,000	0.53480%	Apr. 13, 2005	Apr. 12, 2006	
	500	0.52234%	Feb. 18, 2005	Feb. 17, 2006	
UFJ Trust Bank Limited	500	0.52234%	Feb. 18, 2005	Feb. 17, 2006	
Total	13,700				

## (Long-term debt)

Lender	Balance (Millions of yen)	Average Interest Rate	Drawdown Date	Repayment Date	Remarks
The Sumitomo Trust & Banking Co., Ltd.	1,500	1.18758%	Dec. 26, 2003	Dec. 26, 2008	Secured / Unguaranteed / Floating rate of interest
	3,000	1.16821%	Dec. 25, 2003	Dec. 25, 2008	
	360	0.68205%	Dec. 20, 2004	Dec. 20, 2006	Unsecured / Unguaranteed / Fixed rate of interest
	2,230	0.91837%	Dec. 20, 2004	Dec. 20, 2007	
	2,000	1.39716%	Dec. 20, 2004	Dec. 20, 2009	
Mizuho Trust & Banking Co., Ltd.	2,250	1.18758%	Dec. 26, 2003	Dec. 26, 2008	Secured / Unguaranteed / Floating rate of interest
	1,000	1.16821%	Dec. 25, 2003	Dec. 25, 2008	
	1,100	0.68205%	Dec. 20, 2004	Dec. 20, 2006	Unsecured / Unguaranteed / Fixed rate of interest
	1,110	0.91837%	Dec. 20, 2004	Dec. 20, 2007	
	330	1.39716%	Dec. 20, 2004	Dec. 20, 2009	
UFJ Bank Limited	4,000	1.16821%	Dec. 25, 2003	Dec. 25, 2008	Secured / Unguaranteed / Floating rate of interest
Saitama Resona Bank, Limited	2,250	1.18758%	Dec. 26, 2003	Dec. 26, 2008	Secured / Unguaranteed / Floating rate of interest
	1,000	1.16821%	Dec. 25, 2003	Dec. 25, 2008	
	670	1.39716%	Dec. 20, 2004	Dec. 20, 2009	Unsecured / Unguaranteed / Fixed rate of interest
Shinsei Bank, Limited	370	0.68205%	Dec. 20, 2004	Dec. 20, 2006	Unsecured / Unguaranteed / Fixed rate of interest
	2,220	0.91837%	Dec. 20, 2004	Dec. 20, 2007	
	1,330	1.39716%	Dec. 20, 2004	Dec. 20, 2009	
The Norinchukin Bank	3,670	0.68205%	Dec. 20, 2004	Dec. 20, 2006	Unsecured / Unguaranteed / Fixed rate of interest
Aozora Bank, Ltd.	1,000	1.16821%	Dec. 25, 2003	Dec. 25, 2008	Secured / Unguaranteed / Floating rate of interest
Sumitomo Mitsui Banking Corporation	1,500	1.18758%	Dec. 26, 2003	Dec. 26, 2008	Secured / Unguaranteed / Floating rate of interest
The Hyakugo Bank, Ltd.	740	0.91837%	Dec. 20, 2004	Dec. 20, 2007	Unsecured / Unguaranteed / Fixed rate of interest
The Hiroshima Bank, Ltd.	740	0.91837%	Dec. 20, 2004	Dec. 20, 2007	Unsecured / Unguaranteed / Fixed rate of interest
Mitsui Sumitomo Insurance Co., Ltd.	740	0.91837%	Dec. 20, 2004	Dec. 20, 2007	Unsecured / Unguaranteed / Fixed rate of interest
Daido Life Insurance Company	670	1.39716%	Dec. 20, 2004	Dec. 20, 2009	Unsecured / Unguaranteed / Fixed rate of interest
The Kagawa Bank, Ltd.	220	0.91837%	Dec. 20, 2004	Dec. 20, 2007	Unsecured / Unguaranteed / Fixed rate of interest
Total	36,000				
Borrowings Total	49,700				



(Notes)

1. The average interest rate represents the weighted average during the period based on the number of days and the outstanding balance of a borrowing, and is rounded to the nearest five decimal places. The figures do not include fees related to these borrowings that have been paid to the lenders listed in the table.
2. All of pledged assets are beneficiary rights of trusted real estate assets.

## **Trading Activities during the Period**

### **1. Trading of Real Estate and Real Estate-Backed Securities**

(Millions of yen)

Asset type	Name of Properties	Acquisition		Transfer			
		Date	Price (Note 1)	Date	Price	Book value	Gain on sale
Beneficiary rights of trusted real estate assets	Shin-Osaka Central Tower	December 2, 2004	24,000	-	-	-	-
Beneficiary rights of trusted real estate assets	Diamond City Kumamoto-Minami Shopping Center (Note 2)	December 3, 2004	11,100	-	-	-	-
Beneficiary rights of trusted real estate assets	Kawasaki Toshiba Building	December 20, 2004	19,200	-	-	-	-
Real estate	Toyoko Inn Shinagawa-Eki Takanawaguchi	February 18, 2005	1,883	-	-	-	-
Beneficiary rights of trusted real estate assets	Aprile Shin-Ohgi Ichibankan	April 14, 2005	3,031				
	Total		59,214	-	-	-	-

(Notes)

1. The acquisition costs are purchase prices stated in the sales and purchase agreement of each asset, excluding consumption taxes and expenses necessary for making the relevant acquisitions(e.g. agency fees, taxes and impositions), and are rounded to the nearest one million yen.
2. The name of “Diamond City Kumamoto-Minami Shopping Center” was changed to “Diamond City Value” on July 5, 2005.

### **2. Trading with Related Parties**

#### **(1) Status of transactions**

There were no sales and purchase transactions involving real estate and real estate in trust with related parties in the period.

(2) Amount of commissions paid to related parties

The amounts of commissions paid to related parties in the third fiscal period were set out below.

Category	Total commission paid (A) (Thousands of yen)	Description of transactions with related parties		(B)/(A) (%)
		Payee	Amount paid (B) (Thousands of yen)	
Property Management Fees	328,368	Tozai Asset Management K.K.	151,467	46.1
		Benny Estate Service Co., Ltd.	7,054	2.1
		Marubeni Real Estate Co., Ltd.	22,742	6.9
		Marubeni Properties Co., Ltd.	78,600	23.9
Casualty Insurance Premium	12,933	Marubeni Safenet Co., Ltd.	12,933	100.0
Construction Management Fees	4,362 (Note 2)	Tozai Asset Management K.K.	1,460 (Note 2)	33.4
		Benny Estate Service Co., Ltd.	84 (Note 2)	1.9
		Marubeni Real Estate Co., Ltd.	1,768	40.5
		Marubeni Properties Co., Ltd.	467	10.7
Other rental expenses	27,374	Benny Estate Service Co., Ltd.	600	2.2
		Marubeni Real Estate Co., Ltd.	533	1.9
		Marubeni Properties Co., Ltd.	4,598	16.8

(Notes)

1. Related parties are the related parties of investment trust management companies, as stipulated in Article 20 of the Investment Trust Law Enforcement Order, that have concluded asset management agreements with United Urban. In the table above, the parties stated as having conducted business up to the end of the third fiscal period and of having received payment of commissions are Tozai Asset Management K.K., Benny Estate Service Co., Ltd., Marubeni Real Estate Co., Ltd., Marubeni Properties Co., Ltd., and Marubeni Safenet Co., Ltd.
2. The figures above include construction costs of ¥270,000 paid to Tozai Asset Management K.K., and works expenses of ¥15,000 paid to Benny Estate Service Co., Ltd.

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## ***Appendix***

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### **Investment Policies**

#### ***Investment Policies***

The Investment Corporation sets forth in its Articles of Incorporation that it shall invest in investment assets with the aim of securing stable revenues over the medium to long term. The Asset Management Company establishes Asset Management Guidelines as their internal rules and determine the management policies that apply to the Investment Corporation's investment, in accordance with the Articles of Incorporation of the Investment Corporation and the Asset Management Agreement between the Asset Management Company and the Investment Corporation and in consideration of the basic policies provided in the Articles of Incorporation of the Investment Corporation. The Asset Management Company takes due consideration of various factors including the current status and trends in real estate, capital and financial markets, as well as general economic conditions, market trends of real estate-related products and the financial condition of the Investment Corporation, when establishing the Asset Management Guidelines. Furthermore, in order to ensure that the Asset Management Guidelines remain relevant and in tune with changes in market and operating conditions, the Asset Management Guidelines shall be amended promptly and actively in consideration of the Articles of Incorporation of the Investment Corporation and the Asset Management Agreement.

#### ***Basic Investment Policy***

The Investment Corporation aims to secure stable earnings over the medium to long term when investing in real estate assets. To this end, the Investment Corporation aims to establish and develop an optimal investment portfolio in terms of type of use and area of location in tune with changes in the general economy and real estate market trends and with the intention to minimize risks. The Investment Corporation aims to establish and develop a comprehensive investment portfolio by investing in real estate assets in various types of use in various areas of locations.

##### **(a) Type of Use of Real Estate Assets**

The Investment Corporation shall invest primarily in real estates (including Real Estate etc. other than real estate and Real Estate-Backed Securities (each as defined below)) such as retail properties, office buildings, hotels, and residential properties.

##### **(b) Area of Location**

The Investment Corporation shall invest in real estates (including Real Estate etc. other than real estate and Real Estate-Backed Securities (each as defined below)) located in the Tokyo Metropolitan Area and other major cities in Japan including government designated cities, and surrounding areas thereof.

#### ***Investment Stance***

- (a)** In accordance with its asset management policy, the Investment Corporation shall invest in specified assets of which more than 75% are comprised of investments in Specified Real Estate Assets. Specified Real Estate Assets as used herein shall mean real estate, real estate leases, superficies and beneficiary rights of trust in which real estate, land leases or superficies are entrusted.
- (b)** The Investment Corporation shall invest primarily in real estates (including Real Estate etc. other than real estate and Real Estate-Backed Securities (each as defined below)) such as retail properties, office buildings, hotels and residential properties
- (c)** The area of location of investment shall be in the Tokyo Metropolitan Area and other major cities in Japan including government designated cities, and surrounding areas thereof.
- (d)** The Investment Corporation shall conduct necessary due diligence prior to investment in real estate etc. An investment decision shall be made when the investment amount is considered in line with the existing investment environment and other relevant considerations.

### ***Management Policy***

Based on the aforementioned basic investment policy and investment stance, Japan REIT Advisors Co., Ltd., the Asset Management Company appointed by the Investment Corporation, undertakes management of the Investment Corporation's investment assets in accordance with the following asset management policies:

#### **(a) Portfolio Management Criteria**

##### **1. Investment Term**

In principle, investment assets shall be acquired for the medium to long term and shall not be acquired for the purpose of short-term sale.

##### **2. Acquisition Criteria**

The acquisition of investment assets shall be subject to comprehensive due diligence. Due diligence shall include an assessment of current relevant conditions, the potential for future profitability, risks, location, the status and maintenance of buildings and facilities, historical data relating to repairs and renovations, measures to prevent deterioration and obsolescence, earthquake protection, ownership rights, tenant status, details of building lease agreements, environmental and geological conditions and independent appraisal. In addition, an investment decisions shall be made in line with considerations relating to investment yield in the context of future economic conditions, trends in real estate markets, the property's potential to attract tenants, significant factors and expenses that may impact on future profits, the contribution of the acquisition to the future growth of the investment portfolio as a whole and the level to which the acquisition would enhance investment portfolio value from a medium- to long-term perspective. Furthermore, investment asset acquisitions shall be subject to an assessment of the type, use and location of each property in line with surveys and analyses of medium- and long-term market trends. The investment portfolio shall be subject to constant review and adjustment to ensure an optimal composition of investment assets of varied use and location.

##### **(i) Type of Use of Real Estate Assets**

The composition of the investment portfolio by asset type of use shall be determined on an ongoing basis subject to changes in general economic conditions and real estate market trends. As of the date hereof, the Investment Corporation shall limit investment in real estate categorized in any one particular asset type of use to a maximum of 60% of the total investment portfolio based on the most current independent asset appraisal. In an effort to secure stable earnings, however, the Investment Corporation may temporarily maintain an investment portfolio comprised of real estate categorized in one asset type of use in excess of 60% of the total investment portfolio.

##### **(ii) Area of Location**

Pursuant to the Asset Management Guidelines, the Investment Corporation shall maintain the investment in real estate assets located in the Tokyo Metropolitan Area, the hub of economic activity in Japan, 50% or more of its total investment portfolio based on the most current independent appraisal. In addition, the Investment Corporation shall invest in major metropolitan areas in Japan other than the Tokyo Metropolitan Area subject to the economic environment and markets trends of each region. As a rule, the Investment Corporation shall contain real estate investment in any one major metropolitan area other than the Tokyo Metropolitan Area to a maximum of one-third of the total investment portfolio based on the most current independent appraisal. In an effort to secure stable earnings, however, the Investment Corporation may temporarily maintain an investment portfolio comprised of real estate located in one metropolitan area other than the Tokyo Metropolitan Area exceeding one-third of the total investment portfolio.

#### **(b) Leasing Policy**

The Asset Management Company shall undertake real estate leasing activities in connection with the Investment Corporation's investment portfolio with the aim of securing stable medium- and long-term revenues under the following leasing policies in accordance with the Asset Management Guidelines:

1. Selection of High-Quality Tenants

The Asset Management Company shall conclude real estate leasing agreements based on comprehensive credit analyses of the financial condition and business performance of each prospective corporate and individual tenant, as well as conducting thorough checks of the industry in which the prospective tenant operates.

2. Execution and Renewal of Long-Term Real Estate Leasing Agreements (including Fixed Real Estate Lease Agreements)

Whenever possible, the Asset Management Company shall conclude medium- to long-term real estate leasing agreements with new tenants. In addition, the Asset Management Company shall endeavor to increase existing tenant satisfaction through quality real estate management, maintenance and improvement with the aim of continuous extension of real estate leasing agreements for a medium- and long-term period.

**Investment Criteria**

***Types of Investment Assets***

The Investment Corporation shall invest primarily in Real Estate etc. and Real Estate-Backed Securities each as defined below.

(a) Real Estate etc. refers to the following:

1. Real estate
2. Real estate leases
3. Superficies
4. Beneficiary interests of trust in which real estate, land leases or superficies are entrusted, including comprehensive trusts in which cash associated with real estate is also entrusted, but excluding the securities ("Marketable Securities") defined in Article 3, Item 1 of the Enforcement Order of the Investment Trust and Investment Corporation Law (Cabinet Order No. 480 of 2000, as amended).
5. Beneficiary interests of trust of money for the purpose of investment in real estate, real estate leases and superficies (excluding Marketable Securities)
6. Equity investment based on an agreement under which one party to the agreement makes contributions for investment in assets set forth in 1. through 5. above, and the other party invests these contributions primarily in acquisition and management of such assets, with the profits from the investment distributed

(b) Real Estate-Backed Securities refers to the following securities having a purpose of investment in Real Estate etc. in an amount exceeding one-half of the asset:

1. Preferred contribution securities as defined under Article 2, Paragraph 9 of the Asset Liquidation Law (Law No. 105 of 1998)
2. Beneficiary securities as defined under Article 2, Paragraph 12 of the Investment Trust Law
3. Investment securities as defined under Article 2, Paragraph 22 of the Investment Trust Law
4. Beneficiary securities of specified-purpose trusts as defined in Article 2 Paragraph 15 of the Asset Liquidation Law

(c) The Investment Corporation may invest in the following Specified Assets in an effort to efficiently utilize surplus funds:

1. Deposits
2. Call loans
3. Government bonds
4. Local government bonds
5. Bonds issued by corporations under special law
6. Stock certificates (only when it is deemed essential or of benefit to the Investment Corporation in accordance with its Articles of Incorporation)
7. Corporate bonds or debentures (excluding convertible bonds, bonds with stock subscription rights and bonds with stock acquisition rights)
8. Specified bonds issued by special-purpose companies as defined under Article 2, Paragraph 1, Item 3-2 of the Securities and Exchange Law
9. Commercial paper



10. Securities or instruments issued by a foreign country or a foreign corporation which are of the same nature as the securities or instruments enumerated in 3. through 9. above
11. Beneficiary securities
12. Investment securities
13. Investment corporation bonds
14. Foreign investment securities
15. Beneficiary interests in overseas loan trusts
16. Securities or instruments representing options
17. Depositary receipts
18. Transferable certificates of deposits denominated in Japanese yen issued by a foreign corporation
19. Beneficiary interests in loan trusts
20. Rights against a foreign corporation having the same nature as the rights enumerated in 19. above
21. Monetary claims
22. Rights relating to financial derivative transactions
23. Trademark and other rights under the Trademark Law, and rights over hot spring reserves under the Hot Springs Law (only when it is deemed essential or of benefit to the Investment Corporation in accordance with its Articles of Incorporation)

### **Investment Restrictions**

#### ***Restrictions under the Articles of Incorporation of the Investment Corporation***

The Investment Corporation may not invest in real estates (including Real Estate etc. other than real estate and Real Estate-Backed Securities), which are not located in Japan.

### **Distribution Policies**

The Investment Corporation shall make cash distributions in accordance with the following distribution policies:

#### ***Profit Distribution***

- (a) As part of the total amount of the cash distributions payable to unitholders, the amount of profits provided for in Article 136, Paragraph 1 of the Investment Trust Law shall be calculated in accordance with generally accepted accounting principles in Japan.
- (b) The Investment Corporation shall, in principle, pay cash distributions in an amount that exceeds 90% of the Investment Corporation's distributable income as stipulated in Article 67-15 of the Special Taxation Measures Law.

#### ***Distributions in Excess of Profits***

In the event the distributable amount is less than 90% of distributable income, or when the Investment Corporation deems appropriate based on trends in the real estate market and other factors, the Investment Corporation may distribute an amount in excess of profits, provided that such amount does not exceed the amount of depreciation relating to fixed assets for the relevant business term. In such a case, however, if the cash distribution does not meet the conditions of special tax treatments for Investment Corporations, the amount decided by the Investment Corporation for the purpose of meeting the conditions may be distributed in cash. While the Investment Corporation shall make every effort to ensure stable cash distributions, it shall not make any distribution exceeding profits as long as tax law requires unitholders to individually calculate capital gains and losses each time they receive cash distributions exceeding profits. However, when the Board of Directors of the Investment Corporation decides that distributions exceeding profits is required in order to satisfy the requirements for special tax treatment or otherwise, cash distributions in excess of profits are allowed to be paid subject to the aforementioned cash distribution policies.

***Method of Cash Distribution***

Distributions shall be paid in cash and, in principle, within three months from the last day of each business term to unitholders and pledgees of record (as of the last day of each business term) in proportion to the number of investment units held.

***Extinctive Prescription for Cash Distributions***

The Investment Corporation shall be discharged from the obligation to pay cash distributions of profits to unitholders and pledgees of record three calendar years from the date of commencement of payment. Interest shall not accrue on unpaid cash distributions.

***Regulations of the Investment Trusts Association of Japan***

In addition to the distribution policies set out above, the Investment Corporation shall comply with the relevant regulations of the Investment Trusts Association of Japan.

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## BALANCE SHEETS

(As of May 31, 2005 and November 30, 2004)

	Thousands of yen	
	End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and bank deposits	¥ 14,905,648	¥ 9,191,182
Rental receivables	89,713	47,800
Consumption tax refundable	1,318,537	81,207
Other current assets	51,527	18,304
Total current assets	16,365,425	9,338,493
<b>PROPERTY AND EQUIPMENT, AT COST:</b>		
Land	78,775,653	48,633,504
Buildings and structures	59,950,931	28,764,199
Machinery and equipment	114,125	86,702
Tools, furniture and fixtures	3,458	1,164
Subtotal	138,844,167	77,485,569
Less accumulated depreciation	(1,703,838)	(733,335)
Net property and equipment	137,140,329	76,752,234
<b>INVESTMENT AND OTHER ASSETS:</b>		
Intangible assets	296	289
Security deposits	10,463	10,450
Long-term prepaid expenses	189,987	120,433
Organization costs	33,481	39,061
<b>TOTAL ASSETS</b>	<b>¥ 153,739,981</b>	<b>¥ 86,260,960</b>

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

		Thousands of yen	
		End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
<b>LIABILITIES &amp; UNITHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable	¥	204,490	¥ 75,367
Short-term debt		13,700,000	13,380,000
Accrued expenses		114,626	99,892
Income taxes payable		4,906	989
Rent received in advance		835,124	458,248
Other current liabilities		10,426	122,393
Total current liabilities		14,869,572	14,136,889
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt		36,000,000	25,600,000
Leasehold and security deposits received		10,691,926	6,329,195
Total long-term liabilities		46,691,926	31,929,195
<b>Total Liabilities</b>		61,561,498	46,066,084
<b>UNITHOLDERS' EQUITY</b>			
Unitholders' capital			
Units Authorized: 2,000,000 units as of May 31, 2005 and November 30, 2004			
Unites Issued and Outstanding: 159,843 units as of May 31, 2005 and 83,738 as of November 30, 2004		89,838,680	38,596,270
Retained earnings		2,339,803	1,598,606
<b>Total unitholders' equity</b>		92,178,483	40,194,876
<b>TOTAL LIABILITIES and UNITHOLDERS' EQUITY</b>	¥	153,739,981	¥ 86,260,960

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

## STATEMENTS OF INCOME

(For the six months ended May 31, 2005 and November 30, 2004)

	Thousands of yen	
	3rd Fiscal Period (December 1, 2004 - May 31, 2005)	2nd Fiscal Period (June 1, 2004 - November 30, 2004)
<b>OPERATING REVENUES</b>		
Rental revenues	¥ 5,070,924	¥ 2,611,370
Other rental revenues	249,172	524,557
	5,320,096	3,135,927
<b>OPERATING EXPENSES</b>		
Property-related expenses	2,013,057	999,910
Asset management fees	343,980	199,419
Administrative service fees	67,644	49,113
Other operating expenses	101,443	78,283
	2,526,124	1,326,725
<b>OPERATING INCOME</b>	2,793,972	1,809,202
<b>NON-OPERATING REVENUES</b>		
Interest income	92	95
Other non-operating revenues	335	9,072
	427	9,167
<b>NON-OPERATING EXPENSES</b>		
Interest expenses	311,688	213,071
New unit issuance costs	132,669	-
Amortization of organization costs	5,580	5,580
Other non-operating expenses	-	132
	449,937	218,783
<b>INCOME BEFORE INCOME TAXES</b>	2,344,462	1,599,586
<b>PROVISION FOR INCOME TAXES</b>		
Current	4,924	1,008
Deferred	(218)	1
	4,706	1,009
<b>NET INCOME</b>	¥ 2,339,756	¥ 1,598,577

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



## STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(For the six months ended May 31, 2005 and November 30, 2004)

				Thousands of yen
	Number of units	Unitholders' Capital	Retained earnings	Total unitholders' equity
<b>BALANCE AS OF MAY 31, 2004</b>	83,738	¥ 38,596,270	¥ 1,028,751	¥ 39,625,021
Cash distribution paid	-	-	(1,028,722)	(1,028,722)
Net Income	-	-	1,598,577	1,598,577
<b>BALANCE AS OF NOVEMBER 30, 2004</b>	83,738	38,596,270	1,598,606	40,194,876
Additional issue of new investment units through public offering on December 1, 2004	75,800	51,037,050	-	51,037,050
Additional issue of new investment units through third-party allotment on December 22, 2004	305	205,360	-	205,360
Cash distribution paid	-	-	(1,598,559)	(1,598,559)
Net Income	-	-	2, 339,756	2, 339,756
<b>BALANCE AS OF MAY 31, 2005</b>	159,843	¥ 89,838,680	¥ 2,339,803	¥ 92,178,483

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

## STATEMENTS OF CASH FLOWS

(For the six months ended May 31, 2005 and November 30, 2004)

	Thousands of yen	
	3rd Fiscal Period (December 1, 2004- May 31, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income taxes	¥ 2,344,462	¥ 1,599,586
Depreciation and amortization	970,503	415,491
Interest income	(92)	(95)
Interest expense	311,688	213,071
Amortization of organization costs	5,580	5,580
Increase in rental receivables	(41,914)	2,904
Increase in consumption tax refundable	(1,237,330)	798,810
Increase in trade accounts payable	63,878	(41,022)
Increase in accrued expenses	4,659	6,946
Increase in rent received in advance	376,876	79,877
Others, net	(125,080)	125,137
Subtotal	2,673,230	3,206,285
Interest received	92	95
Interest paid	(390,292)	(184,414)
Income taxes paid	(1,007)	(1,035)
Net cash provided by operating activities	2,282,023	3,020,931
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchases of property and equipment	(61,293,352)	(11,696,590)
Payments for purchases of intangible assets	(7)	(139)
Payments for security deposits	(13)	-
Proceeds from leasehold and security deposits received	4,710,997	1,798,321
Payments for leasehold and security deposits received	(348,267)	(444,280)
Proceeds from restricted deposits with banks	400,000	-
Net cash used in investing activities	(56,530,642)	(10,342,688)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term debt	13,700,000	9,980,000
Repayments of short-term debt	(13,380,000)	-
Proceeds from long-term debt	18,500,000	-
Repayments of long-term debt	(8,100,000)	-
Proceeds from issuance of new investment units	51,242,410	-
Distributions to unitholders	(1,599,325)	(1,023,299)
Net cash provided by financing activities	60,363,085	8,956,701
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	6,114,466	1,634,944
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	8,585,652	6,950,708
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	¥ 14,700,118	¥ 8,585,652

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

## NOTES TO FINANCIAL STATEMENTS

(May 31, 2005 and November 30, 2004)

### 1. ORGANIZATION AND BASIS OF PRESENTATION

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#### ***Organization***

United Urban Investment Corporation ("United Urban") is a real estate investment corporation formed to own and invest in retail properties, office buildings, hotels, residential properties in Japan. United Urban is externally managed by a licensed asset management company, Japan REIT Advisors Co., Ltd. ("JRA").

JRA is currently owned 44% by Trinity Investment Trust L. L. C. ("Trinity"), 36% by Marubeni Corporation ("Marubeni"), 10% by Credit Suisse First Boston Principal Investments Ltd., Tokyo Branch ("CSFBPI"), 5% by Kyokuto Securities Co., Ltd. ("Kyokuto"), and 5% by Yamato Life Insurance Co. ("Yamato").

United Urban was established on November 4, 2003, with initial capital of ¥125 million, under the Law Concerning Investment Trust and Investment Corporations of Japan ("Investment Trust Law"). United Urban was originally formed by Trinity, Marubeni, CSFBPI, Kyokuto, Yamato, and JRA.

On December 20, 2003, United Urban raised ¥36,633 million through an initial public offering of investment units, and on December 22, 2003, United Urban was listed on the J-REIT section of the Tokyo Stock Exchange. On December 1, 2004, United Urban raised ¥51,037 million through its second public offering of investment units.

As of May 31, 2005, the end of the third fiscal period, United Urban had ownership or beneficiary rights in 5 retail properties, 6 office buildings, 2 hotels, 9 residences, and 1 property comprised of an office building and a hotel.

#### ***Basis of presenting financial statements***

The accompanying financial statements of United Urban are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the financial statements prepared by United Urban as required by the Securities and Exchange Law and Investment Trust Law of Japan.

The accompanying financial statements are a translation of the audited financial statements of United Urban, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of United Urban filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to financial statements include information which might not be required under Japanese GAAP but is presented herein as additional information. The amounts in the financial statements have been rounded down to thousands in the financial statements originally prepared in Japanese and filed, whereas the amounts have been rounded to the nearest thousands in the accompanying financial statements.

United Urban's accounting periods end at the end of May and November. United Urban's third fiscal period began on December 1, 2004 and ended on May 31, 2005.

## 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### ***Property and equipment***

Property and equipment is stated at cost, less accumulated depreciation. The cost of land, buildings and structures include the purchase price of property, legal fees and other acquisition costs. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

	End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
Buildings and structures	2-55years	2-50years
Machinery and equipment	3-17years	3-13years
Tools, furniture and fixtures	5-10years	8-10years

Expenditures for repairs and maintenance are charged to operational expenses as incurred. Significant renewals and betterments are capitalized.

### ***Cash and Cash Equivalents***

The statements of cash flows are provided for information purposes only since they are not required to be prepared by the Investment Trust Law, the Japanese Commercial Code, the Securities and Exchange Law of Japan and the related regulations.

Cash and cash equivalents consist of cash on hand, cash held in trust, deposits with banks, deposits with banks held in trust and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, with original maturities of three months or less.

### ***Revenue Recognition***

United Urban operates retail properties, office buildings, hotels and residential properties that are rented to tenants. Revenue from leasing these spaces is recognized on an accrual basis over the life of each lease. Rental revenue includes rental revenues, recoveries of utility charged and other income.

### ***Taxes on Property and Equipment***

Property and Equipment is subject to property taxes and city planning taxes on a calendar year basis. United Urban recognizes amount of tax paid during current fiscal period as property-related expenses. The sellers of the properties were liable for property taxes for the calendar year including the period from the date of purchase by United Urban through the end of the year since the taxes are imposed on the registered owner as of January 1, based on the assessment made by the local government. United Urban paid the amount equivalent to the property taxes to the sellers applicable to the period since acquisition and included the amount equivalent to the taxes in the purchase price of each property and capitalized as cost of the property. Capitalized property taxes amounted to ¥52,219 thousands and ¥14,218 thousands for the period ended May 31, 2005 and November 30, 2004, respectively.

### ***New Investment Units Issue Costs***

New investment unit issue costs are expended in the period of payment.

The public offering of new investment units on December 1, 2004 was conducted through an underwriting agreement under which underwriting securities companies underwrote all of the newly issued units at an agreed issue price and sold them at an offering price different from such issue price ("spread method"). Under the spread method, the difference between the offering price and the issue price is the income generated by the underwriting securities companies as *de facto* underwriting fees, and there were no underwriting fees paid by United Urban to the underwriting securities companies. In the case of the public offering of new investment units on December 1, 2004, the total amount of the difference between the offering price and the issue price was ¥1,890 million, which would have been accounted for as investment units issue costs of United Urban if the offering had been conducted through an underwriting agreement under which an underwriting securities company underwrites units at an issue price and sells them at an offering price which is the same as such issue price ("conventional method"). Therefore, under the spread method, the new investment units issue costs were reported ¥1,890 million lower, and the operating income and income before income taxes ¥1,890 million higher than would have been the case if the conventional method were applied.

### ***Organization Costs***

Organization Costs are amortized over a period of approximately five years, comprised ten fiscal periods, with an equal amount amortized in each fiscal period.

### ***Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate***

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and income statement accounts.

### ***Income Taxes***

Differed tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the enacted tax rate.

### ***Consumption Taxes***

Consumption taxes withheld and paid are not included in the statement of income. The consumption taxes paid are generally offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld is included in the current assets as consumption tax refundable.

Certain consumption taxes payments related to purchase of property and equipment is nondeductible against consumption tax withheld. Such consumption tax payments is capitalized and included in acquisition cost of property and equipment.

### 3.CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of May 31, 2005 and November 30, 2004 were follows.

	Thousands of yen	
	End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
Cash and bank deposits	¥ 14,905,648	¥ 9,191,182
Restricted deposits with bank	205,530	605,530
Cash and cash equivalents	¥ 14,700,118	¥ 8,585,652

### 4.SECCURED ASSETS

At May 31, 2005 and November 30, 2004 the following assets were pledged as collateral for the following debts.

Pledged Assets	Thousands of yen	
	End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
Cash and bank deposits	¥ 4,369,330	¥ 7,013,059
Land	32,589,021	47,124,417
Buildings and structures	16,566,586	25,388,376
Machinery and equipment	2,754	75,766
Tools, furniture and fixtures	2,047	1,107
Intangible assets	-	289
Security deposits	-	450
Total	¥ 53,529,738	¥ 79,603,464

Debt secured by pledged assets	Thousands of yen	
	End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
Short-term debt	¥ -	¥ 13,380,000
Long-term debt	17,500,000	25,600,000
Leasehold and security deposits received	1,783,378	1,783,378
Total	¥ 19,283,378	¥ 40,763,378

### 5.UNITHOLDERS' EQUITY

United Urban issues only non-par value units in accordance with the Investment Trust Law of Japan. United Urban shall maintain at least ¥50 million as the minimum net assets as required by the Investment Trust Law of Japan.



## 6.SHORT-TERM DEBT

Short-term debt at May 31, 2005 and November 30, 2004 consisted of the following:

	End of 3rd Fiscal Period (As of May 31, 2005)		End of 2nd Fiscal Period (As of November 30, 2004)	
	Amount (thousands of yen)	Weighted- average interest rate	Amount (thousands of yen)	Weighted- average interest rate
Secured loans from a bank and trust banks with variable interest, due on March 28, 2005	¥ -	-	¥ 1,700,000	1.180%
Secured loans from a bank and trust banks with variable interest, due on March 28, 2005	-	-	1,700,000	1.180%
Secured loans from a bank and trust banks with variable interest, due on September 9, 2005	-	-	4,000,000	1.186%
Secured loans from a trust bank with variable interest, due on June 26, 2005	-	-	1,000,000	1.177%
Secured loans from a bank and trust banks with variable interest, due on September 26, 2005	-	-	4,980,000	1.170%
Unsecured loans from banks and a trust bank with variable interest, due on December 20, 2005	8,500,000	0.440%	-	-
Unsecured loans from banks with variable interest, due on February 17, 2006	2,000,000	0.535%	-	-
Unsecured loans from banks and a trust bank with variable interest, due on April 12, 2006	3,200,000	0.522%	-	-
Total	¥ 13,700,000		¥ 13,380,000	

## 7.LONG-TERM DEBT

Long-term debt at May 31, 2005 and November 30, 2004 consisted of the following:

	End of 3rd Fiscal Period As of May 31, 2005		End of 2nd Fiscal Period As of November 30, 2004	
	Amount (thousands of yen)	Weighted- average interest rate	Amount (thousands of yen)	Weighted- average interest rate
Secured loans from banks with variable interest, due on December 26, 2005	¥ -	-	¥ 5,600,000	0.880%
Secured loans from banks and trust banks with variable interest, due on December 26, 2008	7,500,000	1.187%	10,000,000	1.188%
Secured loans from a bank and trust banks with variable interest, due on December 25, 2008	10,000,000	1.168%	10,000,000	1.168%
Unsecured loans from banks and trust banks with fixed interest, due on December 20, 2006	5,500,000	0.682%	-	-
Unsecured loans from banks, trust banks, and an insurance company with fixed interest, due on December 20, 2007	8,000,000	0.918%	-	-
Unsecured loans from banks, trust banks, and an insurance company with fixed interest, due on December 20, 2009	5,000,000	1.397%	-	-
Total	¥ 36,000,000		¥ 25,600,000	

## 8.OPERATING REVENUES AND EXPENSES

Operating Revenues and Expenses for the periods ended May 31, 2005 and November 30, 2004 were as follows:

	Thousands of yen	
	3rd Fiscal Period (December 1, 2004- May 31, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)
<b>Operating Revenues</b>	¥ 5,320,096	¥ 3,135,927
<b>Rental Revenues</b>	5,070,924	2,611,370
Rental revenues	4,573,356	2,360,701
Common area charges	401,739	182,914
Parking revenues	88,320	61,712
Others	7,509	6,043
<b>Other Rental Revenues</b>	249,172	524,557
Incidental revenues	227,146	110,163
Temporary revenues(including cancellation charges)	9,712	409,684
Other miscellaneous revenues	12,314	4,710
<b>Property-Related Expenses</b>	2,013,057	999,910
Property and other taxes	347,993	189,269
Property management fees	328,369	201,133
Utilities expenses	258,740	126,095
Casualty insurance	12,933	8,220
Repairs and maintenance	52,934	45,718
Depreciation and amortization	970,503	415,491
Other rental expenses	41,585	13,984
<b>Profits</b>	¥ 3,307,039	¥ 2,136,017

## 9.INCOME TAXES

The reconciliation of tax rate difference between the adjusted statutory tax rates and the effective tax rates for the periods ended May 31, 2005 and November 30, 2004 were as follows:

	3rd Fiscal Period (December 1, 2004- May 31, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)
Statutory effective tax rate	39.39%	39.39%
Deductible dividends distribution	(39.31%)	(39.36%)
Others	0.12%	0.03%
Effective tax rate	0.20%	0.06%

United Urban is subjected to income taxes in Japan. United Urban has a policy to make dividend distributions in excess of 90% of taxable income for a fiscal period to meet conditions set forth in the Special Taxation Measures Law of Japan to deduct dividend distributions for income tax purpose. Based on the distribution policy, United Urban made a dividend distribution of approximately 100% of retained earnings in the amount of ¥2,339,782 thousand and ¥1,598,559 thousand at May 31, 2005 and November 30, 2004, respectively and treated as tax deductible dividend distributions. United Urban will not distribute the dividends in excess of accounting profit under the Articles of Incorporation.

## 10.PER UNIT INFORMATION

Information about net assets per unit and net income per unit at May 31, 2005 and November 30, 2004, respectively and for the six-month periods then ended was as follows.

The calculation of net assets per unit and net income per unit is based on the weighted-average number of units outstanding during the period.

	Yen	
	3rd Fiscal Period (December 1, 2004- May 1, 2005)	2nd Fiscal Period (June 1, 2004- November 30, 2004)
Net assets at period-end per unit	¥ 576,681	¥ 480,007
Net income per unit	¥ 14,641	¥ 19,090
Weighted-average number of units	159,807	83,738

## 11.LEASES

United Urban leases properties and earns rental revenue. As of May 31, 2005 and November 30, 2004, the future lease revenues under the non-cancelable operating leases were as follows:

	Thousands of yen	
	End of 3rd Fiscal Period (As of May 31, 2005)	End of 2nd Fiscal Period (As of November 30, 2004)
Due within one year	¥ 4,509,907	¥ 1,001,134
Due after one year	32,135,825	10,101,190
Total	¥ 36,645,732	¥ 11,102,324

## 12.SIGNIFICANT SUBSEQUENT EVENT

### ***Cash Distribution Declared***

On July 2005, the Board of Directors resolved to effect the payment of a cash distribution of ¥14,638 per share aggregating ¥2,339,782 thousand to unitholders at the recorded date of May 31, 2005.

### ***Issuance of Corporate Bonds***

On July 12, 2005, United Urban issued corporate bonds with the net proceeds thereof in the amount of ¥25 billion. The details of such corporate bonds were as follows.

### First series of unsecured bonds

Name of the bond	United Urban Investment Corporation's First Series Unsecured Bond (Pari passu at least equally in right of payment with all other unsecured corporate bonds and restricted to qualified institutional investors)
Total issue amount	¥15 billion
Issue price	¥100 (per value)
Interest rate	0.78% per annum
Payment date	July 12, 2005
Guarantee	Unsecured / Unguaranteed
Redemption method and date	Principle will be redeemed in full on July 12, 2010. Bonds may be redeemed at any time from the following day of the issue date.
Use of proceeds	Repayment of existing loan (Note)
Rating	A- Rating and Investment Information, Inc.

### Second series of unsecured bonds

Name of the bond	United Urban Investment Corporation's Second Series Unsecured Bond (Pari passu at least equally in right of payment with all other unsecured corporate bonds and restricted to qualified institutional investors)
Total issue amount	¥10 billion
Issue price	¥100 (per value)
Interest rate	1.91% per annum
Payment date	July 12, 2005
Guarantee	Unsecured / Unguaranteed
Redemption method and date	Principle will be redeemed in full on July 10, 2015. Bonds may be redeemed at any time from the following day of the issue date.
Use of proceeds	Repayment of existing loan (Note)
Rating	A- Rating and Investment Information, Inc.

(Note) The following existing loans were repaid before the stated maturities.

#### Term Loan 1

Repayment date	The second repayment: June 27, 2005 The third repayment: July 13, 2005
Lenders	The Sumitomo Trust & Banking Co., Ltd, Satitama Resona Bank, Limited, Mizuho Trust & Banking Co., Ltd and Sumitomo Mitsui Banking Corporation
Borrowing amount	¥7.5 billion
Amount repaid	The second repayment: ¥1.4 billion The third repayment: ¥6.1 billion
Interest rate	1.18% per annum
Drawdown date	December 26, 2003
Maturity date	December 26, 2008
Remarks	Secured / Unguaranteed / Limited-recourse loan / floating rate

#### Term Loan 2

Repayment date	July 13, 2005
Lenders	The Sumitomo Trust & Banking Co., Ltd, UFJ Bank Limited, Satitama Resona Bank, Limited, Mizuho Trust & Banking Co., Ltd and Aozora Bank, Ltd.
Borrowing amount	¥10 billion
Interest rate	1.16% per annum
Drawdown date	December 25, 2003
Repayment method	Bullet payment at maturity
Maturity date	December 25, 2008
Remarks	Secured / Unguaranteed / Limited-recourse loan / floating rate

Term Loan (Funds for acquiring Toyoko Inn Shinagawa-Eki Takanawaguchi)

Repayment date	July 13, 2005
Lenders	UFJ Bank Limited, and The Bank of Tokyo-Mitsubishi, Ltd.
Borrowing amount	¥2 billion
Interest rate	0.53% per annum
Drawdown date	February 18, 2005
Repayment method	Bullet payment at maturity
Maturity date	February 18, 2006
Remarks	Unsecured / Unguaranteed / floating rate

Term Loan (Funds for acquiring Aprile Shin-Ohgi Ichibankan)

Repayment date	July 13, 2005
Lenders	UFJ Bank Limited, Aozora Bank, Ltd., Shinsei Bank, Limited, The Yamanashi Chuo Bank, Ltd., The Bank of Tokyo-Mitsubishi, Ltd. and UFJ Trust Bank Limited
Borrowing amount	¥3.2 billion
Interest rate	0.53% per annum
Drawdown date	April 13, 2005
Repayment method	Bullet payment at maturity
Maturity date	April 12, 2006
Remarks	Unsecured / Unguaranteed / floating rate

Term Loan 4

Repayment date	July 13, 2005
Lenders	Aozora Bank, Ltd., The Saikyo Bank, Ltd., The Shonai Bank, Ltd., Tokushima Bank, Ltd., The Bank of Fukuoka Ltd., The Hokuyo Bank, Ltd., The Hokuriku Bank, Ltd., The Hokkoku Bank Limited, Mizuho Corporate Bank, Ltd., The Yamaguchi Bank, Ltd., The Yamanashi Chuo Bank, Ltd., UFJ Bank Limited and Mizuho Trust & Banking Co., Ltd.
Borrowing amount	¥8.5 billion
Amount repaid	¥5 billion
Borrowing amount after repayment	¥3.5 billion
Interest rate	0.43% per annum
Drawdown date	December 20, 2004
Maturity date	December 20, 2005
Remarks	Unsecured / Unguaranteed / floating rate

## Report of Independent Auditors

The Board of Directors and Unitholders of  
United Urban Investment Corporation

We have audited the accompanying balance sheets of United Urban Investment Corporation as of May 31, 2005 and November 30, 2004, and the related statements of income, change in unitholders' equity, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Urban Investment Corporation at May 31, 2005 and November 30, 2004, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

A handwritten signature in black ink, reading "Ernst & Young Shimidzu". The signature is written in a cursive, flowing style.

August 29, 2005

# Corporate Data

Set out below is certain corporate data of United Urban Investment Corporation (“United Urban”) as of May 31, 2005:

<b>Corporate Name:</b>	<b>United Urban Investment Corporation</b>
<b>Corporate Office:</b>	<b>Shiroyama JT Trust Tower</b> <b>4-3-1, Toranomom, Minato-ku, Tokyo 105-6018, Japan</b> <b>Tel: +81-3-5402-3189</b> <b><a href="http://www.united-reit.co.jp">http://www.united-reit.co.jp</a></b>
<b>Date of Incorporation:</b>	<b>November 4, 2003</b>
<b>Paid-in Capital</b>	<b>¥89,838,680,160</b>
<b>Number of Unitholders</b>	<b>14,019</b>
<b>Transfer Agent</b>	<b>The Chuo Mitsui Trust and Banking Co., Ltd.</b> <b>3-33-1, Shiba, Minato-ku, Tokyo 105-8574, Japan</b>
<b>Business Office of the Transfer Agent</b>	<b>Stock Transfer Agency Department of The Chuo Mitsui Trust and Banking Co., Ltd.</b> <b>2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan</b>
<b>Independent Auditors</b>	<b>Ernst &amp; Young ShinNihon</b> <b>Hibiya Kokusai Bldg.</b> <b>2-2-3, Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan</b>
<b>Stock Listing:</b>	<b>Tokyo Stock Exchange (Securities Code: 8960)</b>
<b>Fiscal Period</b>	<b>Fiscal period is six-months ending on May 31 and November 30</b>
<b>Investor Relations</b>	<b>For further information, please contact our Asset Management Company:</b> <b>Japan REIT Advisors Co., Ltd.</b> <b>Chief Financial Officer</b> <b>Shiroyama JT Trust Tower</b> <b>4-3-1, Toranomom, Minato-ku, Tokyo 105-6018, Japan</b> <b>Tel: +81-3-5402-3189</b>

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