

SEPTEMBER  
2005  
SEMIANNUAL  
REPORT

*For the period from April 1, 2005 to September 30, 2005*



Japan Real Estate Investment Corporation



## Profile

Japan Real Estate Investment Corporation (the “Company”) was established as one of the first real estate investment corporations in Japan, following revisions to the Law Concerning Investment Trusts and Investment Corporations of Japan, as amended, or the Investment Trust Law. Its investments focus primarily on office buildings, aiming to maintain geographical diversity while seeking stable growth and dividends in the medium to long term. The Company was listed on the Tokyo Stock Exchange (“TSE”) on September 10, 2001. (Securities Code: 8952)

Note: Investment corporations, including Japan Real Estate Investment Corporation, are special legal entities incorporated and operated under the Investment Trust Law. Accordingly, the “shares” of such investment corporations, including the shares of the Company, are governed by the Investment Trust Law and represent the equity interests in such investment corporations, which may differ in certain material respects from the “shares” governed by the Commercial Code of Japan and representing the equity interests in Japanese ordinary corporations incorporated and operated under the Commercial Code of Japan. Investors and readers are specifically reminded to pay attention to such differences when reviewing this semiannual report and making any investment decision on or in respect of the “shares” of the Company. “Shareholders” of the Company may be construed accordingly. Each of the investors and readers should consult their own legal, tax and other advisors regarding all Japanese legal, tax and other consequences of an investment in the shares of the Company, with specific reference to their own legal, tax and other situation and any recent changes in applicable laws, guidelines or their interpretation.

### THE STRENGTHS OF JAPAN REAL ESTATE INVESTMENT CORPORATION

- Steady growth — Total amount of acquisition prices reached ¥326.5 billion (\$2,885.1 million) at the end of September, 2005.
- Decision to acquire “Kitanomaru Square” (Scheduled for acquisition in February 2006): The largest single J-REIT-owned property, acquired for ¥81.6 billion (\$720.5 million)
- Revenues and profits have increased for eight consecutive periods. Operating revenues for the eighth period achieved ¥13.1 billion (\$115.9 million), and operating profits reached ¥6.2 billion (\$55.0 million).
- Portfolio of 50 high-quality office buildings as of September 30, 2005
- Superior geographic and tenant diversity with the highest period-end occupancy rate of 98.6% since IPO
- Collaboration with Mitsubishi Estate Co., Ltd., Tokio Marine & Nichido Fire Insurance Co., Ltd., The Dai-ichi Mutual Life Insurance Company, and Mitsui & Co., Ltd.
- Highest issuer credit ratings of any office REIT in the world: A+ from Standard & Poor’s, A1 from Moody’s Investors Service and AA from Rating and Investment Information, Inc. (R&I)
- Healthy financial strategy that supports strong growth through additional issues of shares and bonds: Conducted the largest issue of additional shares in J-REIT history, totaling approximately ¥70 billion (\$620.3 million) on April 26, 2005 (85,000 shares); Became the first J-REIT to issue investment corporation bonds with a maturity of 20 years and a par-value of ¥10 billion (\$88.3 million) on September 29, 2005.

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## Financial Highlights

For the Period from April 1, 2005 to September 30, 2005

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from April 1, 2005 to September 30, 2005
Operating Revenues	13,119	10,747	10,151	9,560	8,965	115,910
Operating Profits	6,226	4,701	4,358	4,341	3,898	55,006
Income before Income Taxes	5,510	4,121	3,831	3,803	3,408	48,682
Net Income	5,509	4,120	3,830	3,802	3,407	48,674
Net Operating Income (NOI) (Note 2)	8,978	7,131	6,672	6,455	5,950	79,326
Funds from Operations (FFO) (Note 3)	7,526	5,762	5,488	5,301	4,801	66,495
FFO Multiple (Note 4)	21.1 times	19.7 times	20.8 times	20.4 times	15.2 times	21.1 times
Cash Distribution	5,509	4,120	3,830	3,802	3,407	48,674
Number of Shares	345,400	260,400	260,400	260,400	225,400	345,400
Dividend per Share (Yen/U.S. dollars)	15,951	15,824	14,711	14,602	15,117	140.92

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥113.19 = US\$1.00, the foreign exchange rate on September 30, 2005, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2. NOI = (Property-Related Revenues – Property-Related Expenses) + Depreciation

3. FFO = Net Income – Gains (Losses) from Sales of Specified Assets + Depreciation

4. FFO Multiple = Share Price at End of the Respective Term ÷ FFO per Share (Annualized)

(Annualized portion of the calculation given in note 4 assumes a fiscal period of 183 days for the period ended September 30, 2003, 183 days for the period ended March 31, 2004, 183 days for the period ended September 30, 2004, 182 days for the period ended March 31, 2005 and 183 days for the period ended September 30, 2005.)

## Top 10 Shareholders

As of September 30, 2005

Company	Shares	% of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.) .....	23,396	6.77%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.) .....	18,681	5.41%
Trust & Custody Services Bank, Ltd. (Toshin Acc.) .....	12,928	3.74%
Mitsubishi Estate Co., Ltd. ....	10,160	2.94%
NikkoCiti Trust and Banking Corporation (Toshin Acc.) .....	9,684	2.80%
The Chugoku Bank, Ltd. ....	9,495	2.75%
Tokio Marine & Nichido Fire Insurance Co., Ltd. ....	8,120	2.35%
The Yamanashi Chuo Bank, Ltd. ....	7,300	2.11%
The Joyo Bank, Ltd. ....	7,138	2.07%
The Dai-ichi Mutual Life Insurance Company .....	4,920	1.42%

## Share Price Performance

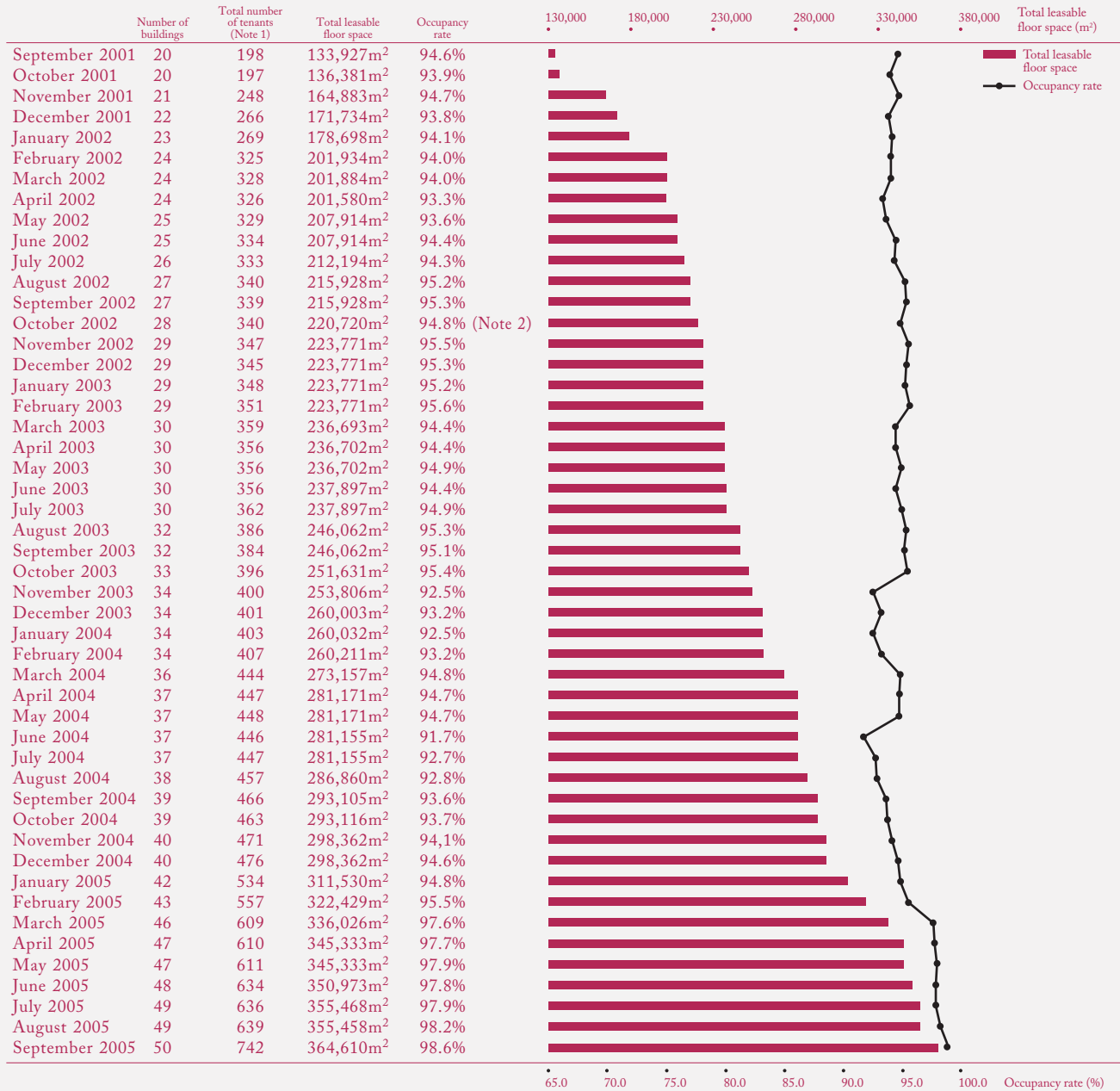


## Additional Issue of Shares

Issuance date: .....	April 26, 2005	Aggregate amount of issue price: ....	¥70,210 million (\$620.3 million)
Issue price: .....	¥826,000 (\$7,297.46)	Commencement date	
Number of shares issued: .....	85,000 shares	for the calculation of cash dividends: .....	April 1, 2005

# Portfolio Highlights

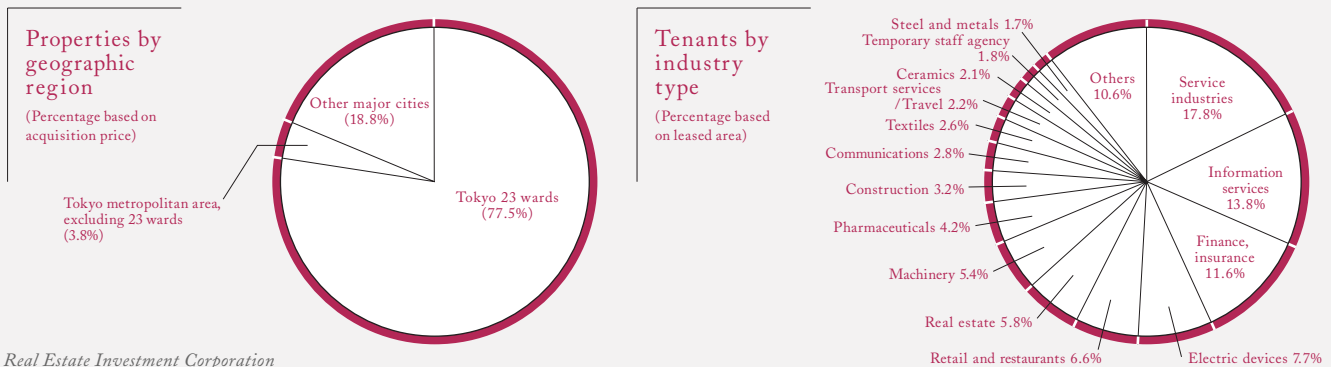
## TRENDS IN THE STATE OF PORTFOLIO MANAGEMENT



Notes: 1. In the event that the same tenant occupies several buildings, the tenant is calculated as one tenant in the total number of tenants.  
 2. Occupancy rate of "Genki Medical Plaza" is not considered in the calculation of October 2002, because the property was acquired at the end of that month, and its rent contracts started at the beginning of November 2002.

## PORTFOLIO BREAKDOWN

As of September 30, 2005



## New Portfolio Properties

### PROPERTIES ACQUIRED DURING THE PERIOD ENDED SEPTEMBER 30, 2005

Notes: 1. In "Property summary," concerning real estate and other assets of which the Company is partial owner through co-ownership or sectional ownership, the figures for "Site area" and "Floor area of building" represent total site area and total floor space for the entire building.  
2. In "Leasing Conditions," the figures represent information of the portion owned by the Company unless otherwise stated.



## Nibancho Garden

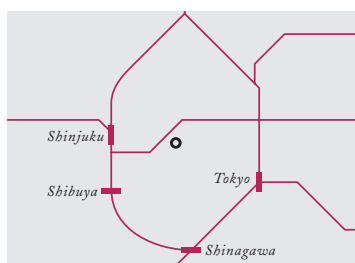
### Property Summary

Type of specified asset: Ownership (Note)  
Acquisition price: ¥14,700 million (\$129.9 million)  
Acquisition date: April 1, 2005  
Location: Chiyoda-ku, Tokyo  
Intended use: Office space, retail stores, residences  
Site area: 11,003.87m<sup>2</sup> (118,444.56ft<sup>2</sup>)  
Floor area of building: 57,031.06m<sup>2</sup> (613,876.63ft<sup>2</sup>)  
Structure: Above ground: 14 floors  
Below ground: 2 floors  
Completion: April 2004

Note: Land: Ownership (7 lots: 3,554.33m<sup>2</sup>)  
Building: Co-ownership of compartmentalized building units  
\*Ownership of the building: 31.345%

### Leasing Conditions (As of September 30, 2005)

Number of tenants: Office area: 1 tenant / Residences: 1 tenant  
Leasable floor space: Office area: 9,316m<sup>2</sup> (100,276ft<sup>2</sup>)  
Residences: 1,686m<sup>2</sup> (18,148ft<sup>2</sup>)  
Leased area: Office area: 9,316m<sup>2</sup> (100,276ft<sup>2</sup>)  
Residences: 1,686m<sup>2</sup> (18,148ft<sup>2</sup>)  
Occupancy rate: Office area: 100.0% / Residences: 100.0%



### Property Acquisition Merits

The Bancho area has a limited supply of office building space despite strong demand from foreign companies, law firms and accounting firms. Only one year old, this property is unique for its large scale and convenience with a four-minute walk to Yotsuya Station and a two-minute walk to Kojimachi Station.



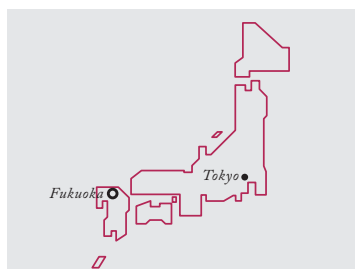
## Tenjin Crystal Building

### Property Summary

Type of specified asset: Ownership  
Acquisition price: ¥5,000 million (\$44.2million)  
Acquisition date: June 1, 2005  
Location: Fukuoka, Fukuoka Prefecture  
Intended use: Office space, retail stores, parking area  
Site area: 1,835.17m<sup>2</sup> (19,753.59ft<sup>2</sup>)  
Floor area of building: 10,432.04m<sup>2</sup> (112,289.44ft<sup>2</sup>)  
Structure: Above ground: 14 floors  
Below ground: 1 floor  
Completion: August 1993

### Leasing Conditions (As of September 30, 2005)

Number of tenants: 25 tenants  
Leasable floor space: 5,640m<sup>2</sup> (60,708ft<sup>2</sup>)  
Leased area: 5,567m<sup>2</sup> (59,923ft<sup>2</sup>)  
Occupancy rate: 98.7%



### Property Acquisition Merits

Situated in the Tenjin area, the most developed retail district in Fukuoka City, this building is readily noticeable making it ideal for attracting customer traffic for retailers. The property has a high-grade image with open spaces and the latest facility specifications to meet tenant needs.



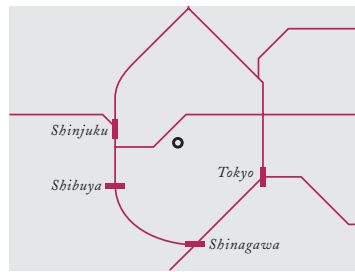
## Burex Kojimachi Building

### Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥7,000 million (\$61.8 million)
Acquisition date:	July 29, 2005
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space, retail stores
Site area:	967.67m <sup>2</sup> (10,415.90ft <sup>2</sup> )
Floor area of building:	6,526.64m <sup>2</sup> (70,252.10ft <sup>2</sup> )
Structure:	Above ground: 11 floors Below ground: 1 floor
Completion:	January 2005

### Leasing Conditions (As of September 30, 2005)

Number of tenants:	1 tenant
Leasable floor space:	4,495m <sup>2</sup> (48,384ft <sup>2</sup> )
Leased area:	4,495m <sup>2</sup> (48,384ft <sup>2</sup> )
Occupancy rate:	100.0%



### Property Acquisition Merits

Located in the Kojimachi and Kioicho area, known for its cultural and academic atmosphere, this property offers convenient access to five subway lines and JR Yotsuya Station. A new building completed in January 2005, the property is expected to contribute to stable profitability of the portfolio due to the conclusion of a ten-year fixed-term rent contract with the seller.



## Tokyo Opera City Building

### Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥9,350 million (\$82.6 million)
Acquisition date:	September 13, 2005
Location:	Shinjuku-ku, Tokyo
Intended use:	Office space, retail stores, concert hall, and art museum
Site area:	18,236.94m <sup>2</sup> (196,300.60ft <sup>2</sup> )
Floor area of building:	232,996.81m <sup>2</sup> (2,507,954.36ft <sup>2</sup> )
Structure:	Above ground: 54 floors Below ground: 4 floors
Completion:	July 1996

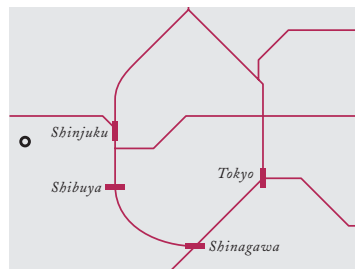
Note: Land: Ownership (share of co-ownership: 26.71% of 5,565.18m<sup>2</sup> [1 lot])

Building: Share of co-ownership of the compartmentalized building units

\*Ownership of the building: 8.368%

### Leasing Conditions (As of September 30, 2005)

Number of tenants:	106 tenants
Leasable floor space:	9,244m <sup>2</sup> (99,501ft <sup>2</sup> )
Leased area:	8,879m <sup>2</sup> (95,573ft <sup>2</sup> )
Occupancy rate:	96.0%



### Property Acquisition Merits

With its superior location in the major Nishi-Shinjuku business district and a direct connection to Hatsudai Station, this building boasts the nation's leading classical music concert hall, designed in cooperation with the New National Theatre, Tokyo. This easily recognizable landmark soars amidst other high rises and provides highly competitive amenities in line with its stature.



This image was created based on design drawings. Accordingly, differences may exist between the image and the completed building.

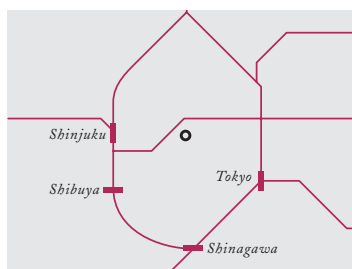
## Kitanomaru Square

### Property Summary

Type of specified asset:	Trust beneficiary right in trust of real estate
Acquisition price:	¥81,555.5 million (\$720.5 million)
Acquisition date:	February 24, 2006 (Planned)
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space, retail stores, residences
Site area:	5,821.03m <sup>2</sup> (62,656.98ft <sup>2</sup> )
Floor area of building:	58,969.18m <sup>2</sup> (634,738.36ft <sup>2</sup> )
Structure:	Above ground: 26 floors Below ground: 2 floors
Completion:	January 2006 (Planned)

### Leasing Conditions on Planned Acquisition Date (Forecast as of September 30, 2005)

Number of tenants:	Office area and retail stores: 5 / Residences : TBD
Leasable floor space:	Office area and retail stores: 25,637m <sup>2</sup> (275,954ft <sup>2</sup> ) Residences: 11,694m <sup>2</sup> (125,873ft <sup>2</sup> )
Leased area:	Office area and retail stores: 25,637m <sup>2</sup> (275,954ft <sup>2</sup> ) Residences: 11,694m <sup>2</sup> (125,873ft <sup>2</sup> )
Occupancy rate:	Office area and retail stores: 100.0% / Residences: TBD



### Property Acquisition Merits

Prestigiously located near the Imperial Palace, the property boasts access to three subway lines and a rich natural environment. Scheduled for completion in January 2006, this new building offers the utmost in convenience and luxury to corporate and residential customers. The conclusion of fixed-term rent contracts with office and shop tenants will contribute to stable revenue streams in the mid term.



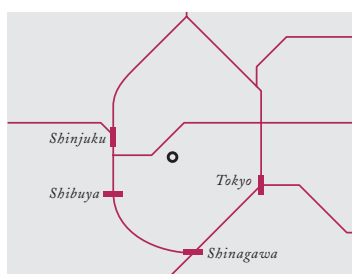
## Sanno Grand Building

### Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥10,200 million (\$90.1 million) / ¥10,700 million (\$94.5 million)
Acquisition date:	January 31, 2005 / April 3, 2006 (Planned)
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space
Site area:	3,663.93m <sup>2</sup> (39,438.18ft <sup>2</sup> )
Floor area of building:	33,875.95m <sup>2</sup> (364,637.34ft <sup>2</sup> )
Structure:	Above ground: 10 floors Below ground: 3 floors
Completion:	September 1966
Note:	Co-ownership 50.0% as of January 31, 2005 99.0% after April 3, 2006

### Leasing Conditions (Of the Entire Building as of September 30, 2005)

Number of tenants:	49 tenants
Leasable floor space:	21,146m <sup>2</sup> (227,613ft <sup>2</sup> )
Leased area:	20,428m <sup>2</sup> (219,885ft <sup>2</sup> )
Occupancy rate:	96.6%



### Property Acquisition Merits

Located in front of Akasaka-Mitsuke Station, this property has very convenient access to several subway lines. It is also a landmark building in the Akasaka area. Large-scale renewal work has brought the building up to the latest standards for earthquake-proof construction and interior specifications.

## History after IPO

Since listing on the Tokyo Stock Exchange (“TSE”) as the first J-REIT in Japan, the Company has established a firm track record over the past eight fiscal periods. While sustaining stable management, the Company has realized steady growth and taken the initiative as a J-REIT pioneer. The size of our portfolio in terms of aggregate acquisition price was ¥305.2 billion (\$2,696.4 million) as of April 1, 2005. Accordingly, the Company achieved its target of expanding the total amount for acquisition of properties to ¥300 billion (\$2,650.4 million) by March 2006 approximately one year in advance. As of September 30, 2005, this balance grew further to ¥326.6 billion (\$2,885.1 million).

**Sep. 2001**

Listed on TSE as first J-REIT

**Sep. 2001**

IPO

**May 2002**

First Follow-On  
(First for a J-REIT)

**Oct. 2003**

Second Follow-On

**Apr. 2005**

Third Follow-On  
Largest additional issue of shares since listing of J-REIT  
(total subscription of ¥70.2 billion (\$620.3 million))

**Feb. and Mar. 2002**

Acquired Issuer Credit Rating (First for a J-REIT)  
Standard & Poor's A+ (Outlook: Stable)  
Moody's A2 (Outlook: Stable)

**Jun. 2002**

First Investment Corporation Bond Issue (First credit rated issue for an investment corporation bond)

**Apr. 2003**

Second/Third Investment Corporation Bond Issue

**Nov. 2004**

Moody's upgraded its credit rating from A2 to A1 with outlook of stable.

**Dec. 2004**

R&I issued an AA issuer credit rating.

**Mar. 2005**

Acquisition of preferred capital contribution certificates  
(First for a J-REIT)

**Sep. 2005**

Fourth Investment Corporation Bond Issue (First J-REIT ever to issue investment corporation bonds without a negative pledge clause or other financial covenants)

Period Ended  
Sep. 2001

Period Ended  
Mar. 2002

Period Ended  
Sep. 2002

Period Ended  
Mar. 2003

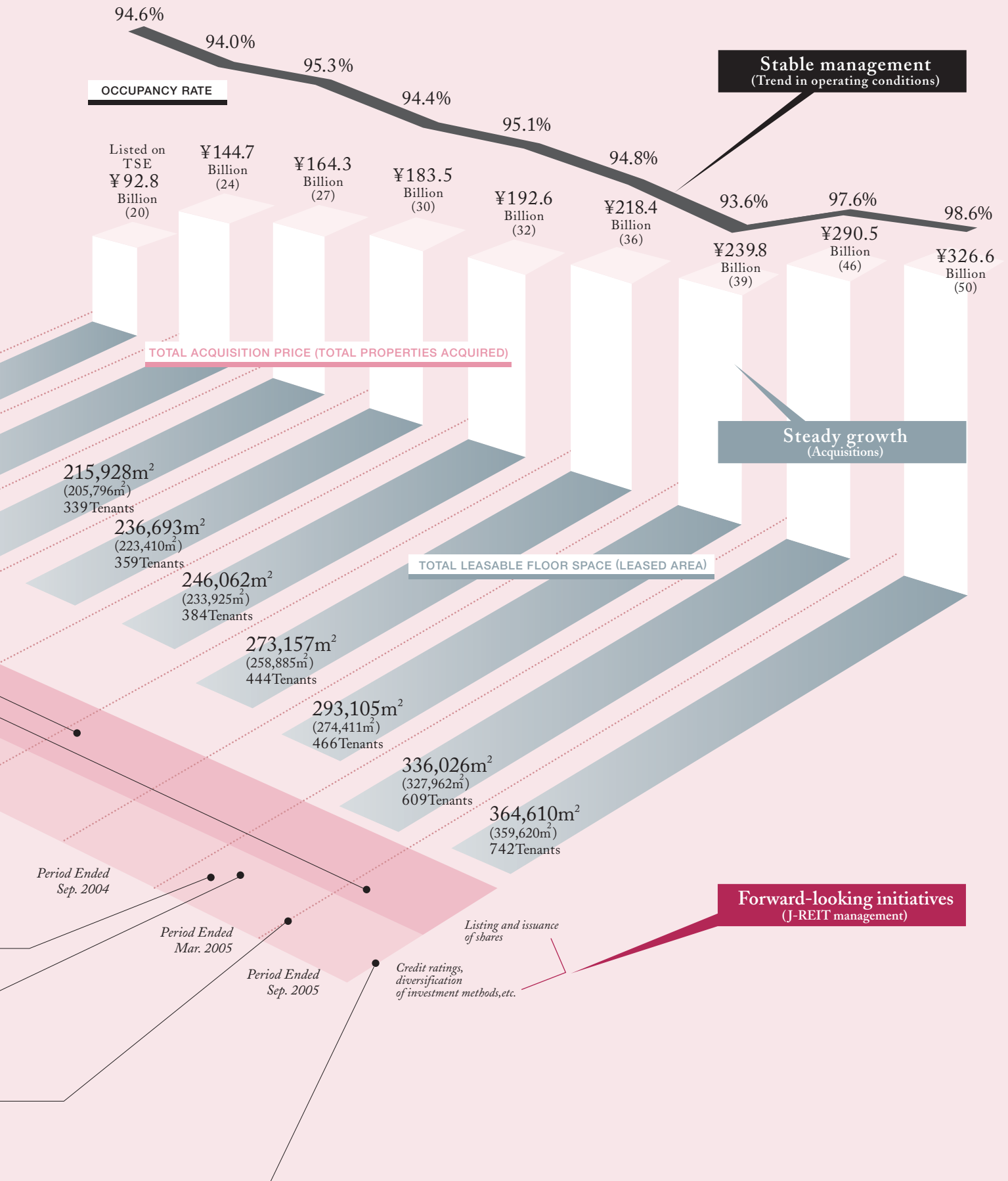
Period Ended  
Sep. 2003

Period Ended  
Mar. 2004

133,927m<sup>2</sup>  
(126,748m<sup>2</sup>)  
198 Tenants

201,884m<sup>2</sup>  
(189,815m<sup>2</sup>)  
328 Tenants





## Topics

For the Period from April 1, 2005 to September 30, 2005

The Company continues to adopt proactive measures to reinforce its balance sheet including assets, liabilities and shareholders' equity with the aim of securing stable and sustainable growth.

### Assets

#### DECISION TO ACQUIRE "KITANOMARU SQUARE" (SCHEDULED FOR ACQUISITION IN FEBRUARY 2006)

##### Acquisition of a leading property:

The largest single J-REIT-owned property, acquired for ¥81.6 billion (\$720.5 million)

Rare opportunity to acquire a large-scale newly constructed property in central Tokyo

The Company's asset portfolio is expected to exceed ¥400.0 billion (\$3,533.9 million), on an acquisition price basis, with the purchase of "Kitanomaru Square."



Note: This image was created based on design drawings. Accordingly, differences may exist between the image and the completed building.

##### PROPERTY DETAILS

Address:	1-13-12 Kudan-kita, Chiyoda-ku, Tokyo
Site area:	5,821.03m <sup>2</sup> (62,656.98ft <sup>2</sup> )
Floor area of the building:	58,969.18m <sup>2</sup> (634,738.36ft <sup>2</sup> )
Structure:	Steel-framed and partially steel-reinforced concrete 26 stories with 2 basements
Completion:	January, 2006 (Planned)



##### ACQUISITION DETAILS

Seller:  
Palace View, Ltd.  
Acquisition price:  
¥81,555.5million (\$720.5 million)  
Planned acquisition date:  
February 24, 2006



External facade (under construction)



View from Kitanomaru Square of Kitanomaru Park and Nippon Budokan

## Liabilities

### ISSUANCE OF THE FOURTH INVESTMENT CORPORATION BONDS

#### DETAILS OF INVESTMENT CORPORATION BOND ISSUANCE

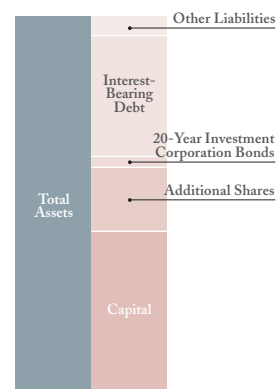
Issue amount:	¥10,000 million (\$88.3 million)
Issue date:	September 29, 2005
Maturity:	20 years
Coupon rate:	2.56% per annum
Secured mortgage / guarantee:	Unsecured / unguaranteed
Financial covenants:	No negative pledge clause or other financial covenants
Credit ratings:	A+ Standard & Poor's Rating Services A1 Moody's Investors Service AA R & I
Use of proceeds:	Repayment of loans

The first J-REIT to issue investment corporation bonds with a maturity of 20 years  
The first J-REIT to issue investment corporation bonds without a negative pledge clause or other financial covenants

### SUCCESSFUL EFFORTS TO ENHANCE FINANCIAL SOUNDNESS AND STABILITY

Reduction in interest-bearing debt ratio on total assets after issue of additional shares: (As of March 31, 2005: 49.3%; as of September 30, 2005: 34.3%)  
Financing by investment corporation bonds (without a negative pledge clause or other financial covenants)

#### BALANCE SHEET



## Shareholders' Equity

### THE THIRD ISSUE OF ADDITIONAL SHARES AFTER PUBLIC OFFERING

#### DETAILS OF ADDITIONAL SHARE ISSUANCE

Number of shares issued:	85,000 shares
Issue price:	¥826,000 (\$7,297.46) per share
Aggregate amount of issue price:	¥70,210 million (\$620.3 million)
Launch date:	April 4, 2005
Pricing date:	April 18, 2005
Payment date:	April 26, 2005
Commencement date for the calculation of cash dividends:	April 1, 2005
Use of proceeds:	Acquisition of additional specified assets and the repayment of loans

The largest issue of additional shares among J-REITs  
Cash distributions per share were maintained.  
(Previous period: ¥15,824 (\$139.80) per share; Period under review: ¥15,951 (\$140.92) per share)

*To Our Shareholders*

A photograph of a group of people, likely a sports team, in a stadium. They are all reaching their arms high into the air, trying to catch a football that is suspended in the air above them. The scene is backlit by a bright sun, creating a silhouette effect and a lens flare. The overall mood is one of excitement and teamwork.

# “Big Deal”

The Company enjoyed significant advances across every key facet of its business activities. Operating revenues and profits increased for the eighth consecutive period, and the Company decided to acquire the largest new property ever held by a J-REIT. In addition to the issue of additional shares, the Company also became the first J-REIT to issue 20-year investment corporation bonds. Underpinned by this broad-based "Big Deal" scenario, the Company continues to cement a leading position in its field.



Kazuhiko Arahata  
CEO & President of Japan Real Estate Asset  
Management Co., Ltd.

In its eighth fiscal period, the six months ended September 30, 2005, Japan Real Estate Investment Corporation ("the Company") continued to advance from strength to strength.

During the period under review, the Japanese economy remained on track for a recovery, with inventory adjustments in IT-related fields primarily coming to a finish, strong capital investment and resilient consumer spending. A number of uncertainties, however, including steep crude oil prices, slowed down the pace of the economic recovery.

The market for leased office space received support from a recovery in corporate earnings, and improved vacancy rates led to signs of improvement in rents at some office buildings in central Tokyo. In areas surrounding metropolitan Tokyo and in regional urban centers, however, overall business conditions remained difficult in spite of signs of improvements in the balance of supply and demand. Accordingly, time is still required for a full-fledged recovery.

Regarding the property market, bad-debt write-offs by financial institutions and the adoption of asset-impairment accounting have helped sustain active property sales. At the same time, in addition to Japanese Real Estate Investment Trusts (J-REITs), such entities as private funds, pension funds and institutional investors are stepping up their acquisition of real estate, increasing competition in the acquisition of prime properties in urban centers.

We would like to highlight some of the Company's major achievements during the eighth period, and discuss our strategies and forecasts for the ninth period and beyond.

## OVERVIEW OF THE EIGHTH PERIOD

The Company recorded operating revenues of ¥13.1 billion (\$115.9 million), up 22.1 percent from the previous period. Operating profits rose 32.4 percent to ¥6.2 billion (\$55.0 million). After deducting expenses for interest payments on borrowings, fees for the issue of additional shares and other administrative costs, income before income taxes increased 33.7 percent to ¥5.5 billion (\$48.7 million) and net income advanced 33.7 percent to ¥5.5 billion (\$48.7 million).

The Company's policy with regard to profit appropriation is

to distribute dividends of approximately 100 percent of taxable income, in order to enjoy the tax benefit available under Article 67-15 of the Special Taxation Measures Law of Japan applicable to J-REITs. For the period under review, we declared a cash dividend of ¥15,951 (\$140.92) per share.

As of September 30, 2005, the Company's total asset balance was ¥356.0 billion (\$3,144.9 million), its net worth was ¥207.0 billion (\$1,828.6 million), or ¥599,254 (\$5,294.23) per share, and its interest-bearing debt was ¥122.0 billion (\$1,077.8 million).

## ACQUISITIONS AND MANAGEMENT

In an increasingly competitive market, the Company uses its own information network to collect data on the sales of numerous properties. We have made acquisitions based on meticulous examination of these data, and after determining optimal prices from many perspectives, including profit stability of the entire Company and expected rates of return.

During the period under review, the Company not only participated in fierce bidding competitions, but also focused on leveraging its own information network to engage in one-on-one transactions. As of September 30, 2005, following four new property acquisitions during the period totaling ¥36.1 billion (\$318.5 million), the Company's property portfolio consisted of 50 office buildings with a total value of ¥326.6 billion (\$2,885.1 million), net leasable floor area of 364,610 m<sup>2</sup> (3,924,626 ft<sup>2</sup>), and a total of 742 tenants.

The Company attained a record occupancy rate of 98.6% (as of September 30, 2005) by (1) acquiring top-level properties and upgrading building facilities through optimal refurbishment in order to maintain and improve functions; and (2) developing finely tuned building management policies from the perspective of tenants while undertaking vigorous sales activities.

The Company is working to reduce costs with a view to further enhancing profit stability. Our basic policy is to lower property management fees and utility expenses by 5 percent within

the first three years of new property acquisition.

Of the total number of properties acquired up to the end of the sixth fiscal period (six months ended September 2004), thirty-nine properties are subject to this cost reduction program. We have already reduced costs of those properties by 12.9 percent per year, based on the results of our seventh and eighth fiscal periods (October 2004 to September 2005).

## FUND-RAISING ACTIVITIES

In addition to a solid performance in terms of leading indicators, the “Big Deal” scenario was also played out in the area of fund raising activities. During the fiscal period under review, the Company issued additional shares through a third follow-on. Through the issue of 85,000 additional shares, the Company raised ¥68.0 billion (\$601.0 million) on April 26, 2005. As of September 30, 2005, the Company’s total shares outstanding numbered 345,400, with a total shareholder capital of ¥201.5 billion (\$1,779.9 million).

In addition, with the aim of diversifying fund procurement methods, in July 2005 the Company registered its intention to conduct a public issue of investment corporation bonds with a maximum limit of ¥100 billion (\$883.5 million). Based upon a subsequent assessment of risks related to future interest rates and further funds procurement, and based upon the earlier registration, on September 29, 2005 the Company became the first J-REIT to issue 20-year investment corporation bonds for a value of ¥10 billion (\$88.3 million).

### Overview of Issue Registration

Maximum limit of issue	Within ¥100 billion (\$883.5 million)
Date of issue registration	July 28, 2005
Planned period of issue	From August 5, 2005 to August 4, 2007

### Overview of 20-Year Investment Corporation Bonds

Name of Investment Corporation Bonds	The Fourth Investment Corporation Bonds (without a negative pledge clause or other financial covenants)
Total amount of the bond issue	¥10 billion (\$88.3 million)
Issue date	September 29, 2005
Maturity	20 years
Coupon rate	2.56% per annum
Subscription method	Public offering
Secured mortgage /guarantee	Unsecured/unguaranteed

Through the issue of additional shares, the Company repaid ¥59.0 billion (\$521.2 million) in short-term loans in May 2005. In addition, the Company secured short-term loans of ¥3.0 billion

(\$26.5 million) on July 29, 2005 in relation to the acquisition of the Burex Kojimachi Building, and of ¥9.0 billion (\$79.5 million) on September 13, 2005 in relation to the acquisition of the Tokyo Opera City Building.

On September 30, 2005 the Company had total interest-bearing liabilities of ¥122.0 billion (\$1,077.8 million), including ¥16.0 billion (\$141.4 million) in short-term loans (down ¥47.0 billion (\$415.2 million) from the previous fiscal period), ¥24.0 billion (\$212.0 million) in the current portion of long-term borrowings (up ¥24.0 billion (\$212.0 million) from the previous fiscal period), ¥27.0 billion (\$238.5 million) in long-term loans (down ¥24.0 billion (\$212.0 million) from the previous fiscal period), and outstanding investment corporation bonds with a par value of ¥55.0 billion (\$485.9 million) (up ¥10.0 billion (\$88.3 million) from the previous fiscal period).

The Company has received the following credit ratings in recognition of its overall performance and potential.

Rating Agency	Issuer Credit Rating
Standard & Poor’s	Long-term: A+; Short-term: A-1; Outlook: Stable
Moody’s Investors Service	Rating: A1; Outlook: Stable
Rating and Investment Information, Inc.	Rating: AA

## GENERAL MEETING OF SHAREHOLDERS HELD

The Company held its Third General Shareholders’ Meeting on May 10, 2005. The meeting ended successfully, with the Company’s proposals passed in their original form with a majority approval by the shareholders.

## OUTLOOK FOR THE NINTH PERIOD AND BEYOND Operating Environment

Despite expectations for a sustained recovery in the Japanese economy, uncertainties remain concerning further increases in crude oil prices and the direction of the U.S. and Chinese economies.

In the office building leasing market, vacancy rates in central Tokyo are improving and a portion of office buildings has seen increases in rents. The overall market also continues to show signs of recovery. At the same time, when the market is viewed on a nationwide level, property selection is evolving in terms of location and building features, with trends toward a bipolarization of the market likely to grow stronger.

Meanwhile, tenants have stringent demands not only with respect to location, building quality and facilities, but also for high-quality building management and value-added services. For these reasons, tenants have become more and more discriminating when selecting buildings. It is anticipated that providing services that correctly and promptly reflect the needs of tenants and deliver added value that differentiates their buildings from the competition will become even more important for suppliers.



Taketo Yamazaki (Left)  
*Executive Director of  
Japan Real Estate Investment Corporation*

Kazuhiko Arahata (Right)  
*CEO & President of Japan Real Estate Asset  
Management Co., Ltd.*

In the real estate market, properties will continue being sold to settle bad debts and due to asset-impairment accounting measures. In light of recent increases in demand, the Company believes that competition will further intensify for the acquisition of prime properties.

### **New Property Acquisitions**

The Company plans to acquire Kitanomaru Square for ¥81.6 billion (\$720.5 million) on February 24, 2006, slated to become the largest new property acquisition ever by a J-REIT. Scheduled for completion in January 2006, this building is located in a prestigious area next to the Imperial Palace in central Tokyo. The building is particularly competitive not only in terms of its exceptional location and accessibility, but also offers the latest specifications sought after in an office building and the features expected of a luxurious condominium for leasing. Occupancy rates for offices and shops shall be 100% on the date of acquisition.

In addition, the Company will purchase additional share of co-ownership in the Sanno Grand Building for ¥10.7 billion (\$94.5 million) on April 3, 2006, raising its share of the co-ownership in this property from 50.0% to 99.0%. Boasting superior location in a popular area branded as a business town, the area is also next to government and other public offices, supporting a strong demand for offices, especially from extra-governmental organizations, and the rental office market is stable. This property has sufficient facilities to meet tenants' needs, and is identified as having earthquake-proof construction to meet the new mandated standards to withstand temblors. As of September 30, 2005, the occupancy rate of the entire building stood at 96.6%

### **Performance Forecasts**

In the six-month period from October 1, 2005 to March 31, 2006 (the ninth fiscal period) we forecast operating revenues of ¥13.8 billion (\$121.9 million), income before income taxes of ¥5.5 billion (\$48.6 million), and net income of ¥5.5 billion (\$48.6 million). We plan to declare a dividend of ¥15,950 (\$140.91) per share.

Our forecasts for the tenth fiscal period (April 1, 2006 to September 30, 2006) are operating revenues of ¥14.7 billion

(\$129.9 million), income before income taxes of ¥5.3 billion (\$46.8 million), net income of ¥5.3 billion (\$46.8 million), and cash dividends of ¥15,300 (\$135.17) per share.

The above estimates for the ninth and tenth periods are underpinned by conservative assumptions based on the portfolio of 50 properties as of September 30, 2005, and the Kitanomaru Square scheduled for settlement on February 24, 2006 and Sanno Grand Building (additional share) on April 3, 2006. These estimates are also based on the 345,400 shares outstanding as of September 30, 2005.

In closing, we would like to thank all the trustworthy professionals whose continued dedication has led to the Company's successes. And to our shareholders, we extend our sincere gratitude for your steadfast confidence and support.

Having advanced steadily forward to surmount the "First Summit" in the seventh period, the Company truly experienced a "Big Deal" scenario in the eighth period, marked by growth in operating revenues and profits, the attainment of a record occupancy rate on an increased number of prime properties, and the issue of additional shares, while also becoming the first J-REIT to issue 20-year investment corporation bonds and arranging the acquisition of Kitanomaru Square.

The Company will press on steadily with well-balanced, quality management to prosper in the next stage of the J-REIT market, which has grown out of its infancy stage. We are committed to following a proactive strategy, seeking out the best opportunities available. We ask for your continued support and understanding as we move ahead into greater prosperity.

Taketo Yamazaki  
Executive Director of Japan Real Estate Investment Corporation

Kazuhiko Arahata  
CEO & President of Japan Real Estate Asset Management Co., Ltd.

# The Portfolio of Japan Real Estate Investment Corporation

As of September 30, 2005

## PROPERTIES ROSTER

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)
<b>Tokyo 23 wards</b>					
●I- 1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Ownership	10/31/2002	5,000 (1.5%)
●I- 2	MD Kanda Building	Kandamitoshirocho, Chiyoda-ku	Ownership	5/31/2002	9,520 (2.9%)
●I- 3	Kandabashi Park Building	Kandanishikicho, Chiyoda-ku	Ownership	8/15/2002	4,810 (1.5%)
●I- 4	Mitsubishi Soken Building	Otemachi, Chiyoda-ku	Trust	9/25/2001	27,267 (8.3%)
●I- 5	Nibancho Garden	Nibancho, Chiyoda-ku	Ownership	4/1/2005	14,700 (4.5%)
●I- 6	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Ownership	7/29/2005	7,000 (2.1%)
●I- 7	Sanno Grand Building	Nagatacho, Chiyoda-ku	Ownership	1/31/2005	10,200 (3.1%)
●I- 8	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Ownership	8/1/2003	7,200 (2.2%)
●I- 9	Kodenmachi Shin-Nihonbashi Building	Nihonbashikodenmachi, Chuo-ku	Trust	9/25/2001	3,173 (1.0%)
●I- 10	Burex Kyobashi Building	Kyobashi, Chuo-ku	Ownership	7/22/2002	5,250 (1.6%)
●I- 11	Ginza Sanwa Building	Ginza, Chuo-ku	Ownership	3/10/2005	16,830 (5.2%)
●I- 12	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Ownership	3/15/2005	5,353 (1.6%)
●I- 13	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Ownership	3/14/2003	7,680 (2.4%)
●I- 14	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	9/10/2001	4,859 (1.5%)
●I- 15	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	9/25/2001	2,808 (0.9%)
●I- 16	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/1/2004	7,830 (2.4%)
●I- 17	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/13/2005	9,350 (2.9%)
●I- 18	Takanawadai Building	Higashi-Gotanda, Shinagawa-ku	Trust	9/25/2001	2,738 (0.8%)
●I- 19	Higashi Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Ownership	11/1/2004	5,500 (1.7%)
●I- 20	JAL Travel Building	Shimomeguro, Meguro-ku	Trust	9/10/2001	1,362 (0.4%)
●I- 21	Omori-Eki Higashiguchi Building	Omori Kita, Ota-ku	Trust	9/10/2001	5,123 (1.6%)
●I- 22	Nippon Brunswick Building	Sendagaya, Shibuya-ku	Ownership	3/24/2004	6,670 (2.0%)
●I- 23	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Ownership	4/1/2004	8,700 (2.7%)
●I- 24	da Vinci Harajuku	Jingumae, Shibuya-ku	Ownership	11/22/2002	4,885 (1.5%)
●I- 25	Jingumae Media Square Building	Jingumae, Shibuya-ku	Ownership	10/9/2003	12,200 (3.7%)
●I- 26	Shibuya Cross Tower	Shibuya, Shibuya-ku	Ownership	11/30/2001	34,600 (10.6%)
●I- 27	Ebisu Neonato	Ebisu, Shibuya-ku	Ownership	11/14/2003	3,740
				4/1/2004	360
				total	4,100 (1.3%)
●I- 28	Harmony Tower	Honcho, Nakano-ku	Ownership	2/28/2005	8,500 (2.6%)
●I- 29	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	9/25/2001	3,541 (1.1%)
●I- 30	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	9/25/2001	1,728 (0.5%)
●I- 31	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Ownership	8/2/2004	4,500 (1.4%)
<b>Tokyo metropolitan area excluding 23 wards</b>					
●II- 1	Hachioji Dai-ichi-Seimei Building	Hachioji, Tokyo	Ownership	3/31/2005	3,300 (1.0%)
●II- 2	Saitama Urawa Building	Saitama, Saitama Prefecture	Ownership	9/25/2001	1,232
				10/11/2001	1,342
				total	2,574 (0.8%)
●II- 3	Shin-Yokohama First Building	Yokohama, Kanagawa Prefecture	Ownership	1/28/2002	3,000 (0.9%)
●II- 4	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	9/25/2001	3,375 (1.0%)
<b>Other major cities</b>					
●III-1	Jozenji Park Building	Sendai, Miyagi Prefecture	Ownership	1/31/2005	1,000 (0.3%)
●III-2	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	9/25/2001	2,924 (0.9%)
●III-3	Niigata Ishizuecho Nishi-Bandaibashi Building	Niigata, Niigata Prefecture	Trust	9/25/2001	1,010 (0.3%)
●III-4	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Ownership	2/28/2002	2,880
				3/3/2003	1,700
				total	4,580 (1.4%)
●III-5	Kanazawa Minamicho Building	Kanazawa, Ishikawa Prefecture	Trust	9/25/2001	1,331 (0.4%)
●III-6	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Ownership	9/10/2001	14,533 (4.5%)
●III-7	Nagoya Misono Building	Nagoya, Aichi Prefecture	Ownership	8/8/2003	1,865 (0.6%)
●III-8	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Ownership	12/20/2001	2,650 (0.8%)
●III-9	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Ownership	9/25/2001	2,264
				12/26/2003	1,900
				total	4,164 (1.3%)
●III-10	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	9/25/2001	6,934
				2/28/2002	7,380
				total	14,314 (4.4%)
●III-11	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	9/25/2001	1,436 (0.4%)
●III-12	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Ownership	3/25/2004	1,320 (0.4%)
●III-13	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Ownership	9/25/2001	1,550 (0.5%)
●III-14	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Ownership	6/1/2005	5,000 (1.5%)
●III-15	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	9/10/2001	3,657 (1.1%)
				total	326,560 (100.0%)



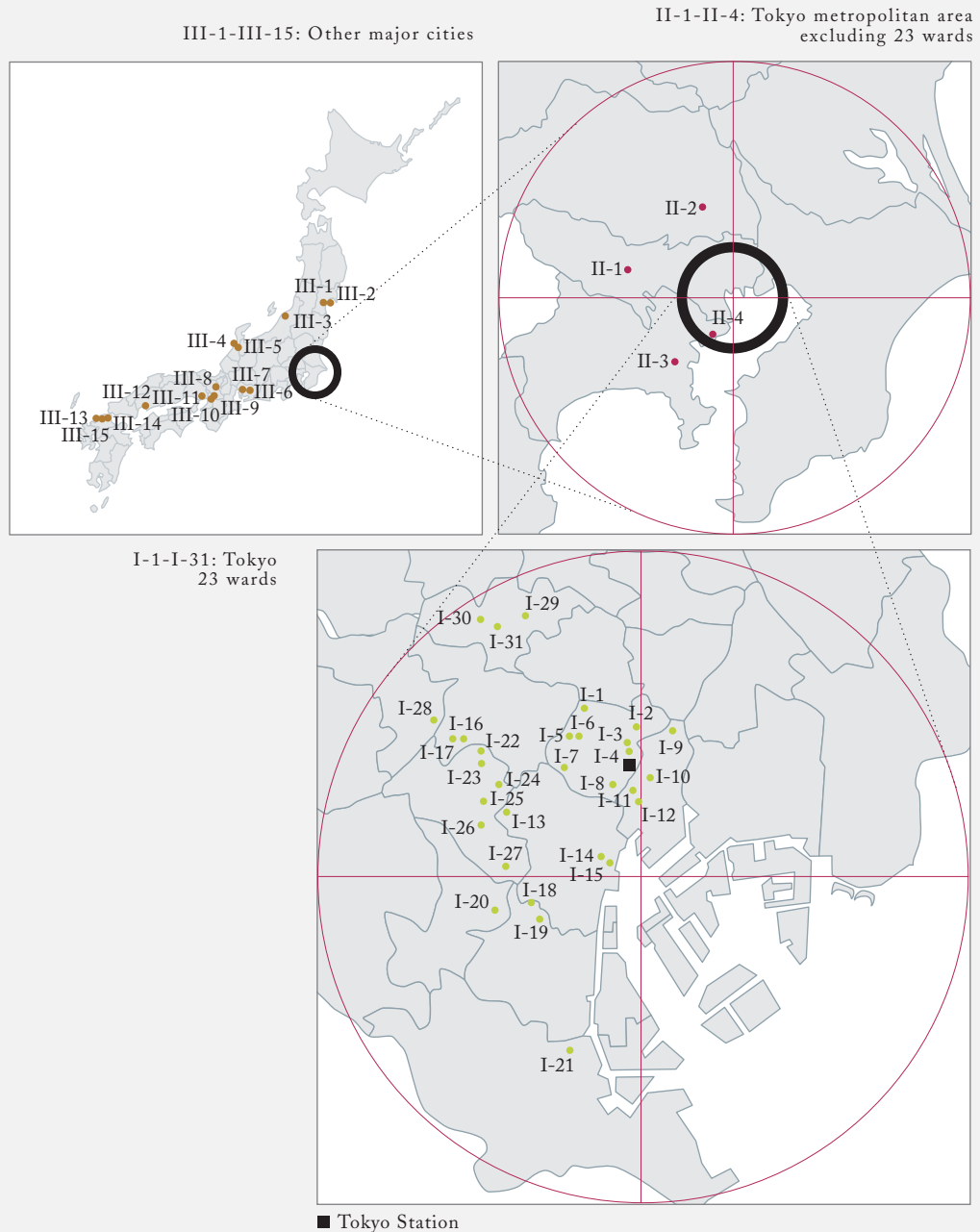
Percentage of ownership of the building (%)	Completion	Appraisal value at the end of period (¥ millions)	Total leasable floor space		Leased area		Total number of tenants	Revenue from leasing operations (¥ millions)	
100	1985	6,200	4,791m <sup>2</sup>	(51,570ft <sup>2</sup> )	4,791m <sup>2</sup>	(51,570ft <sup>2</sup> )	1	221	(1.7%)
100	1998	8,460	6,269m <sup>2</sup>	(67,479ft <sup>2</sup> )	6,269m <sup>2</sup>	(67,479ft <sup>2</sup> )	2	293	(2.2%)
56.76	1993	4,920	3,687m <sup>2</sup>	(39,686ft <sup>2</sup> )	3,687m <sup>2</sup>	(39,686ft <sup>2</sup> )	7	172	(1.3%)
100	1970	30,400	18,006m <sup>2</sup>	(193,815ft <sup>2</sup> )	18,006m <sup>2</sup>	(193,815ft <sup>2</sup> )	4	1,063	(8.1%)
31.345	2004	15,100	9,316m <sup>2</sup>	(100,276ft <sup>2</sup> )	9,316m <sup>2</sup>	(100,276ft <sup>2</sup> )	1	484	(3.7%)
100	2005	6,880	4,495m <sup>2</sup>	(48,384ft <sup>2</sup> )	4,495m <sup>2</sup>	(48,384ft <sup>2</sup> )	1	56	(0.4%)
50	1966	10,900	10,573m <sup>2</sup>	(113,807ft <sup>2</sup> )	10,214m <sup>2</sup>	(109,942ft <sup>2</sup> )	49	465	(3.5%)
10.78	1975	7,230	4,694m <sup>2</sup>	(50,526ft <sup>2</sup> )	4,694m <sup>2</sup>	(50,526ft <sup>2</sup> )	15	281	(2.1%)
100	1991	3,320	3,897m <sup>2</sup>	(41,947ft <sup>2</sup> )	3,897m <sup>2</sup>	(41,947ft <sup>2</sup> )	5	150	(1.1%)
100	2002	5,940	4,279m <sup>2</sup>	(46,059ft <sup>2</sup> )	4,279m <sup>2</sup>	(46,059ft <sup>2</sup> )	1	150	(1.1%)
70.95	1982	16,900	4,329m <sup>2</sup>	(46,597ft <sup>2</sup> )	4,329m <sup>2</sup>	(46,597ft <sup>2</sup> )	13	366	(2.8%)
100	1998	4,540	2,875m <sup>2</sup>	(30,946ft <sup>2</sup> )	2,875m <sup>2</sup>	(30,946ft <sup>2</sup> )	8	98	(0.8%)
100	1982	7,920	4,916m <sup>2</sup>	(52,915ft <sup>2</sup> )	4,916m <sup>2</sup>	(52,915ft <sup>2</sup> )	8	250	(1.9%)
100	1984	5,900	9,643m <sup>2</sup>	(103,796ft <sup>2</sup> )	9,559m <sup>2</sup>	(102,892ft <sup>2</sup> )	27	312	(2.4%)
100	1992	3,110	4,062m <sup>2</sup>	(43,723ft <sup>2</sup> )	4,062m <sup>2</sup>	(43,723ft <sup>2</sup> )	8	131	(1.0%)
100	1989	7,830	6,197m <sup>2</sup>	(66,704ft <sup>2</sup> )	6,197m <sup>2</sup>	(66,704ft <sup>2</sup> )	9	259	(2.0%)
8.368	1996	9,350	9,244m <sup>2</sup>	(99,501ft <sup>2</sup> )	8,879m <sup>2</sup>	(95,573ft <sup>2</sup> )	106	36	(0.3%)
100	1991	2,590	4,067m <sup>2</sup>	(43,777ft <sup>2</sup> )	4,067m <sup>2</sup>	(43,777ft <sup>2</sup> )	1	115	(0.9%)
100	2004	6,130	5,205m <sup>2</sup>	(56,026ft <sup>2</sup> )	5,205m <sup>2</sup>	(56,026ft <sup>2</sup> )	4	214	(1.6%)
100	1991	1,480	3,383m <sup>2</sup>	(36,414ft <sup>2</sup> )	3,383m <sup>2</sup>	(36,414ft <sup>2</sup> )	1	86	(0.7%)
100	1989	5,390	7,708m <sup>2</sup>	(82,968ft <sup>2</sup> )	7,708m <sup>2</sup>	(82,968ft <sup>2</sup> )	19	255	(1.9%)
100	1974	7,570	7,347m <sup>2</sup>	(79,082ft <sup>2</sup> )	7,298m <sup>2</sup>	(78,555ft <sup>2</sup> )	18	332	(2.5%)
100	2003	9,300	7,772m <sup>2</sup>	(83,657ft <sup>2</sup> )	7,772m <sup>2</sup>	(83,657ft <sup>2</sup> )	1	283	(2.2%)
100	1987	5,660	3,109m <sup>2</sup>	(33,465ft <sup>2</sup> )	3,109m <sup>2</sup>	(33,465ft <sup>2</sup> )	5	200	(1.5%)
100	1998	13,480	5,558m <sup>2</sup>	(59,826ft <sup>2</sup> )	5,558m <sup>2</sup>	(59,826ft <sup>2</sup> )	9	373	(2.8%)
100	1976	38,100	29,828m <sup>2</sup>	(321,066ft <sup>2</sup> )	29,675m <sup>2</sup>	(319,419ft <sup>2</sup> )	51	1,478	(11.3%)
12.29939	1994	4,450	2,462m <sup>2</sup>	(26,501ft <sup>2</sup> )	2,462m <sup>2</sup>	(26,501ft <sup>2</sup> )	3	128	(1.0%)
29.253305	1997	9,100	10,929m <sup>2</sup>	(117,639ft <sup>2</sup> )	10,929m <sup>2</sup>	(117,639ft <sup>2</sup> )	17	416	(3.2%)
100	1987	3,410	7,114m <sup>2</sup>	(76,547ft <sup>2</sup> )	6,732m <sup>2</sup>	(72,463ft <sup>2</sup> )	9	169	(1.3%)
100	1990	1,450	2,186m <sup>2</sup>	(23,530ft <sup>2</sup> )	2,186m <sup>2</sup>	(23,530ft <sup>2</sup> )	9	65	(0.5%)
100	1989	4,580	5,797m <sup>2</sup>	(62,398ft <sup>2</sup> )	5,797m <sup>2</sup>	(62,398ft <sup>2</sup> )	8	203	(1.5%)
50.6611	1996	3,300	6,336m <sup>2</sup>	(68,200ft <sup>2</sup> )	6,037m <sup>2</sup>	(64,982ft <sup>2</sup> )	36	162	(1.2%)
100	1990	2,360	4,510m <sup>2</sup>	(48,545ft <sup>2</sup> )	4,510m <sup>2</sup>	(48,545ft <sup>2</sup> )	16	136	(1.0%)
100	1992	1,640	6,925m <sup>2</sup>	(74,540ft <sup>2</sup> )	6,434m <sup>2</sup>	(69,255ft <sup>2</sup> )	8	105	(0.8%)
100	1990	3,210	6,831m <sup>2</sup>	(73,528ft <sup>2</sup> )	6,496m <sup>2</sup>	(69,922ft <sup>2</sup> )	12	152	(1.2%)
50	1993	1,040	2,518m <sup>2</sup>	(27,104ft <sup>2</sup> )	2,400m <sup>2</sup>	(25,833ft <sup>2</sup> )	18	64	(0.5%)
93.39	1991	3,030	5,829m <sup>2</sup>	(62,743ft <sup>2</sup> )	5,756m <sup>2</sup>	(61,957ft <sup>2</sup> )	16	150	(1.1%)
100	1984	729	4,383m <sup>2</sup>	(47,178ft <sup>2</sup> )	4,234m <sup>2</sup>	(45,574ft <sup>2</sup> )	10	82	(0.6%)
89	1991	5,420	21,343m <sup>2</sup>	(229,734ft <sup>2</sup> )	20,514m <sup>2</sup>	(220,811ft <sup>2</sup> )	66	543	(4.1%)
100	1987	985	3,794m <sup>2</sup>	(40,838ft <sup>2</sup> )	3,622m <sup>2</sup>	(38,987ft <sup>2</sup> )	15	76	(0.6%)
100	1987	15,300	21,631m <sup>2</sup>	(232,834ft <sup>2</sup> )	21,431m <sup>2</sup>	(230,681ft <sup>2</sup> )	29	769	(5.9%)
100	1991	1,860	3,470m <sup>2</sup>	(37,351ft <sup>2</sup> )	3,470m <sup>2</sup>	(37,351ft <sup>2</sup> )	9	114	(0.9%)
100	1982	2,020	6,800m <sup>2</sup>	(73,195ft <sup>2</sup> )	6,800m <sup>2</sup>	(73,195ft <sup>2</sup> )	31	140	(1.1%)
100	1992	4,230	11,574m <sup>2</sup>	(124,581ft <sup>2</sup> )	11,335m <sup>2</sup>	(122,009ft <sup>2</sup> )	17	185	(1.4%)
100	1991	14,100	20,450m <sup>2</sup>	(220,122ft <sup>2</sup> )	20,450m <sup>2</sup>	(220,122ft <sup>2</sup> )	25	670	(5.1%)
100	1989	945	3,478m <sup>2</sup>	(37,437ft <sup>2</sup> )	3,212m <sup>2</sup>	(34,574ft <sup>2</sup> )	17	68	(0.5%)
27.085	1994	1,480	5,477m <sup>2</sup>	(58,954ft <sup>2</sup> )	5,401m <sup>2</sup>	(58,136ft <sup>2</sup> )	12	153	(1.2%)
100	1992	1,340	4,000m <sup>2</sup>	(43,056ft <sup>2</sup> )	3,924m <sup>2</sup>	(42,238ft <sup>2</sup> )	20	101	(0.8%)
100	1993	4,970	5,640m <sup>2</sup>	(60,708ft <sup>2</sup> )	5,567m <sup>2</sup>	(59,923ft <sup>2</sup> )	25	150	(1.1%)
76.18	1987	3,480	5,860m <sup>2</sup>	(63,076ft <sup>2</sup> )	5,657m <sup>2</sup>	(60,891ft <sup>2</sup> )	12	176	(1.3%)
—	—	339,029	364,610m <sup>2</sup>	(3,924,626ft <sup>2</sup> )	359,620m <sup>2</sup>	(3,870,914ft <sup>2</sup> )	742	13,119	(100.0%)

## MAJOR TENANTS ROSTER

Rank	Name of tenant	Name of building	Leased area	Percent of total leased area
1	Mitsubishi Research Institute, Inc.	Mitsubishi Soken Building	14,529m <sup>2</sup> (156,389ft <sup>2</sup> )	4.0%
2	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes 8 other buildings)	10,387m <sup>2</sup> (111,805ft <sup>2</sup> )	2.9%
3	Ito Yokado Co., Ltd.	Nibancho Garden	9,316m <sup>2</sup> (100,276ft <sup>2</sup> )	2.6%
4	Space Design, Inc.	Burex Kojimachi Building (also includes 1 other building)	8,774m <sup>2</sup> (94,442ft <sup>2</sup> )	2.4%
5	Yamano Gakuen	Yoyogi 1Chome Building	7,772m <sup>2</sup> (83,657ft <sup>2</sup> )	2.2%
6	TOTO Ltd.	Midosuji Daiwa Building (also includes 1 other building)	6,800m <sup>2</sup> (73,195ft <sup>2</sup> )	1.9%
7	Toshiba Solutions Corporation	Takanawadai Building (also includes 2 other buildings)	5,331m <sup>2</sup> (57,382ft <sup>2</sup> )	1.5%
8	Asahi Kasei Pharma Corporation	MD Kanda Building	5,144m <sup>2</sup> (55,370ft <sup>2</sup> )	1.4%
9	Tokyo Kenbikyoin Foundation	Genki Medical Plaza	4,791m <sup>2</sup> (51,570ft <sup>2</sup> )	1.3%
10	Daiwabo Co., Ltd.	Midosuji Daiwa Building (also includes 1 other building)	4,490m <sup>2</sup> (48,330ft <sup>2</sup> )	1.2%

Note: Upon the acquisition of the Kitanomaru Square scheduled for February 24, 2006, leasing area for planned tenants includes 16,729 m<sup>2</sup> (180,069ft<sup>2</sup>) for Banyu Pharmaceutical Co., Ltd. and 8,446 m<sup>2</sup> (90,912ft<sup>2</sup>) for FAST RETAILING CO., LTD.

## LOCATIONS OF PORTFOLIO PROPERTIES



## Overview of Portfolio Properties As of September 30, 2005

Note: Concerning real estate and other assets of which the Company is partial owner through co-ownership or sectional ownership, the figures for "Site area" and "Floor area of building" represent total site area and total floor space for the entire building.



### Genki Medical Plaza

● I-1

Location : Chiyoda-ku, Tokyo  
Site area : 1,052.80m<sup>2</sup> (11,332.23ft<sup>2</sup>)  
Floor area of building : 6,722.02m<sup>2</sup> (72,355.15ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Below ground: 1 floor  
Completion : September 1985



### MD Kanda Building

● I-2

Location : Chiyoda-ku, Tokyo  
Site area : 1,085.83m<sup>2</sup> (11,687.77ft<sup>2</sup>)  
Floor area of building : 8,185.11m<sup>2</sup> (88,103.71ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Completion : February 1998



### Kandabashi Park Building

● I-3

Location : Chiyoda-ku, Tokyo  
Site area : 1,218.56m<sup>2</sup> (13,116.46ft<sup>2</sup>)  
Floor area of building : 9,370.25m<sup>2</sup> (100,860.43ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Below ground: 1 floor  
Completion : July 1993



### Mitsubishi Soken Building

● I-4

Location : Chiyoda-ku, Tokyo  
Site area : 3,441.35m<sup>2</sup> (37,042.35ft<sup>2</sup>)  
Floor area of building : 26,372.92m<sup>2</sup> (283,875.47ft<sup>2</sup>)  
Structure : Above ground: 15 floors  
Below ground: 2 floors  
Completion : July 1970



### Nibancho Garden

● I-5

Location : Chiyoda-ku, Tokyo  
Site Area : 11,003.87m<sup>2</sup> (118,444.56ft<sup>2</sup>)  
Floor area of building : 57,031.06m<sup>2</sup> (613,876.63ft<sup>2</sup>)  
Structure : Above ground: 14 floors  
Below ground: 2 floors  
Completion : April 2004



### Burex Kojimachi Building

● I-6

Location : Chiyoda-ku, Tokyo  
Site Area : 967.67m<sup>2</sup> (10,415.90ft<sup>2</sup>)  
Floor area of building : 6,526.64m<sup>2</sup> (70,252.10ft<sup>2</sup>)  
Structure : Above ground: 11 floors  
Below ground: 1 floor  
Completion : January 2005



### Sanno Grand Building

● I-7

Location : Chiyoda-ku, Tokyo  
Site Area : 3,663.93m<sup>2</sup> (39,438.18 ft<sup>2</sup>)  
Floor area of building : 33,875.95m<sup>2</sup> (364,637.34 ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Below ground: 3 floors  
Completion : September 1966



### Yurakucho Denki Building

● I-8

Location : Chiyoda-ku, Tokyo  
Site area : 5,749.91m<sup>2</sup> (61,891.46ft<sup>2</sup>)  
Floor area of building : 70,287.65m<sup>2</sup> (756,569.24ft<sup>2</sup>)  
Structure : Above ground: 20 floors  
Below ground: 4 floors  
Completion : September 1975



### Kodenmachi Shin-Nihonbashi Building

● I-9

Location : Chuo-ku, Tokyo  
Site area : 773.28m<sup>2</sup> (8,323.51ft<sup>2</sup>)  
Floor area of building : 5,822.88m<sup>2</sup> (62,676.90ft<sup>2</sup>)  
Structure : Above ground: 9 floors  
Below ground: 1 floor  
Completion : November 1991



### Burex Kyobashi Building

● I-10

Location : Chuo-ku, Tokyo  
Site area : 756.03m<sup>2</sup> (8,137.83ft<sup>2</sup>)  
Floor area of building : 5,470.54m<sup>2</sup> (58,884.35ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Below ground: 1 floor  
Completion : February 2002



### Ginza Sanwa Building

● I-11

Location: Chuo-ku, Tokyo  
Site Area: 1,119.27m<sup>2</sup> (12,047.71ft<sup>2</sup>)  
Floor area of building: 8,851.00m<sup>2</sup> (95,271.28 ft<sup>2</sup>)  
Structure: Above ground: 9 floors  
Below ground: 2 floors  
Completion: October 1982



### Ryoshin Ginza East Mirror Building

● I-12

Location: Chuo-ku, Tokyo  
Site Area: 615.25m<sup>2</sup> (6,622.49ft<sup>2</sup>)  
Floor area of building: 4,104.71m<sup>2</sup> (44,182.69ft<sup>2</sup>)  
Structure: Above ground: 8 floors  
Below ground: 1 floor  
Completion: October 1998



### Aoyama Crystal Building

● I-13

Location : Minato-ku, Tokyo  
Site area : 989.30m<sup>2</sup> (10,648.73ft<sup>2</sup>)  
Floor area of building : 8,094.36m<sup>2</sup> (87,126.88ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Below ground: 4 floors  
Completion : December 1982



### Shiba 2Chome Daimon Building

● I-14

Location : Minato-ku, Tokyo  
Site area : 2,820.90m<sup>2</sup> (30,363.89ft<sup>2</sup>)  
Floor area of building : 16,235.10m<sup>2</sup> (174,752.99ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Below ground: 2 floors  
Completion : March 1984



### Cosmo Kanasugibashi Building

● I-15

Location : Minato-ku, Tokyo  
Site area : 758.54m<sup>2</sup> (8,164.85ft<sup>2</sup>)  
Floor area of building : 5,420.93m<sup>2</sup> (58,350.35ft<sup>2</sup>)  
Structure : Above ground: 9 floors  
Below ground: 1 floor  
Completion : March 1992



### Shinwa Building

● I-16

Location : Shinjuku-ku, Tokyo  
Site area : 822.00m<sup>2</sup> (8,847.93ft<sup>2</sup>)  
Floor area of building : 8,291.69m<sup>2</sup> (89,250.92ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Below ground: 1 floor  
Completion : November 1989



## Tokyo Opera City Building

● I-17

Location : Shinjuku-ku, Tokyo  
 Site Area: 18,236.94m<sup>2</sup> (196,300.60ft<sup>2</sup>)  
 Floor area of building : 232,996.81m<sup>2</sup> (2,507.954.36ft<sup>2</sup>)  
 Structure : Above ground: 54 floors  
 Below ground: 4 floors  
 Completion : July 1996



## Takanawadai Building

● I-18

Location : Shinagawa-ku, Tokyo  
 Site area : 1,416.17m<sup>2</sup> (15,243.51ft<sup>2</sup>)  
 Floor area of building : 5,762.70m<sup>2</sup> (62,029.13ft<sup>2</sup>)  
 Structure : Above ground: 13 floors  
 Completion : January 1991



## Higashi Gotanda 1Chome Building

● I-19

Location: Shinagawa-ku, Tokyo  
 Site Area: 1,539.95m<sup>2</sup> (16,575.87ft<sup>2</sup>)  
 Floor area of building: 6,460.39m<sup>2</sup> (69,538.99ft<sup>2</sup>)  
 Structure: Above ground: 8 floors  
 Completion: July 2004



## JAL Travel Building

● I-20

Location : Meguro-ku, Tokyo  
 Site area : 1,401.52m<sup>2</sup> (15,085.82ft<sup>2</sup>)  
 Floor area of building : 5,269.58m<sup>2</sup> (56,721.23ft<sup>2</sup>)  
 Structure : Above ground: 6 floors  
 Below ground: 1 floor  
 Completion : September 1991



## Omori-Eki Higashiguchi Building

● I-21

Location : Ota-ku, Tokyo  
 Site area : 2,199.30m<sup>2</sup> (23,673.05ft<sup>2</sup>)  
 Floor area of building : 14,095.34m<sup>2</sup> (151,720.83ft<sup>2</sup>)  
 Structure : Above ground: 11 floors  
 Below ground: 2 floors  
 Completion : July 1989



## Nippon Brunswick Building

● I-22

Location : Shibuya-ku, Tokyo  
 Site area : 1,497.52m<sup>2</sup> (16,119.16ft<sup>2</sup>)  
 Floor area of building : 11,957.38m<sup>2</sup> (128,708.04ft<sup>2</sup>)  
 Structure : Above ground: 9 floors  
 Below ground: 2 floors  
 Completion : March 1974



## Yoyogi 1Chome Building

● I-23

Location : Shibuya-ku, Tokyo  
 Site area : 1,755.75m<sup>2</sup> (18,898.72ft<sup>2</sup>)  
 Floor area of building : 10,778.10m<sup>2</sup> (116,014.39ft<sup>2</sup>)  
 Structure : Above ground: 14 floors  
 Below ground: 1 floor  
 Completion : October 2003



## da Vinci Harajuku

● I-24

Location : Shibuya-ku, Tokyo  
 Site area : 839.66m<sup>2</sup> (9,038.02ft<sup>2</sup>)  
 Floor area of building : 4,359.20m<sup>2</sup> (46,921.99ft<sup>2</sup>)  
 Structure : Above ground: 7 floors  
 Below ground: 2 floors  
 Completion : December 1987



## Jingumae Media Square Building

● I-25

Location : Shibuya-ku, Tokyo  
 Site area : 2,261.68m<sup>2</sup> (24,344.50ft<sup>2</sup>)  
 Floor area of building : 9,420.42m<sup>2</sup> (101,400.46ft<sup>2</sup>)  
 Structure : Above ground: 9 floors  
 Below ground: 2 floors  
 Completion : March 1998



## Shibuya Cross Tower

● I-26

Location : Shibuya-ku, Tokyo  
 Site area : 5,153.45m<sup>2</sup> (55,471.22ft<sup>2</sup>)  
 Floor area of building : 61,862.33m<sup>2</sup> (665,879.93ft<sup>2</sup>)  
 Structure : Above ground: 32 floors  
 Below ground: 3 floors  
 Completion : April 1976



## Ebisu Neonato

● I-27

Location : Shibuya-ku, Tokyo  
 Site area : 5,005.70m<sup>2</sup> (53,880.85ft<sup>2</sup>)  
 Floor area of building : 36,598.38m<sup>2</sup> (393,941.30ft<sup>2</sup>)  
 Structure : Above ground: 18 floors  
 Below ground: 2 floors  
 Completion : October 1994



## Harmony Tower

● I-28

Location : Nakano-ku, Tokyo  
 Site Area : 10,020.52m<sup>2</sup> (107,859.88 ft<sup>2</sup>)  
 Floor area of building : 72,729.31m<sup>2</sup> (782,851.02ft<sup>2</sup>)  
 Structure : Above ground: 29 floors  
 Below ground: 2 floors  
 Completion : March 1997



## Otsuka Higashi-Ikebukuro Building

● I-29

Location : Toshima-ku, Tokyo  
 Site area : 2,121.39m<sup>2</sup> (22,834.43ft<sup>2</sup>)  
 Floor area of building : 9,531.28m<sup>2</sup> (102,593.74ft<sup>2</sup>)  
 Structure : Above ground: 8 floors  
 Below ground: 1 floor  
 Completion : November 1987



## Ikebukuro 2Chome Building

● I-30

Location : Toshima-ku, Tokyo  
 Site area : 397.26m<sup>2</sup> (4,276.07ft<sup>2</sup>)  
 Floor area of building : 3,157.51m<sup>2</sup> (33,987.12ft<sup>2</sup>)  
 Structure : Above ground: 9 floors  
 Below ground: 1 floor  
 Completion : May 1990



## Ikebukuro YS Building

● I-31

Location : Toshima-ku, Tokyo  
 Site area : 1,384.56m<sup>2</sup> (14,903.27ft<sup>2</sup>)  
 Floor area of building : 7,464.64m<sup>2</sup> (80,348.64ft<sup>2</sup>)  
 Structure : Above ground: 8 floors  
 Below ground: 1 floor  
 Completion : December 1989



## Hachioji Dai-ichi-Seimei Building

● II-1

Location : Hachioji, Tokyo  
 Site Area : 2,989.33m<sup>2</sup> (32,176.85ft<sup>2</sup>)  
 Floor area of building : 18,329.98m<sup>2</sup> (197,302.07ft<sup>2</sup>)  
 Structure : Above ground: 12 floors  
 Below ground: 1 floor  
 Completion : July 1996



### Saitama Urawa Building

● II-2

Location : Saitama, Saitama Prefecture  
Site area : 1,533.06m<sup>2</sup> (16,501.70ft<sup>2</sup>)  
Floor area of building : 6,258.59m<sup>2</sup> (67,366.84ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Completion : March 1990



### Shin-Yokohama First Building

● II-3

Location : Yokohama, Kanagawa Prefecture  
Site area : 1,528.00m<sup>2</sup> (16,447.24ft<sup>2</sup>)  
Floor area of building : 10,403.41m<sup>2</sup> (111,981.26ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Below ground: 2 floors  
Completion : April 1992



### Kawasaki Isago Building

● II-4

Location : Kawasaki, Kanagawa Prefecture  
Site area : 1,594.50m<sup>2</sup> (17,163.04ft<sup>2</sup>)  
Floor area of building : 9,623.83m<sup>2</sup> (103,589.94ft<sup>2</sup>)  
Structure : Above ground: 12 floors  
Below ground: 1 floor  
Completion : December 1990



### Jozenji Park Building

● III-1

Location : Sendai, Miyagi Prefecture  
Site Area : 1,566.68m<sup>2</sup> (16,863.59 ft<sup>2</sup>)  
Floor area of building : 7,648.33m<sup>2</sup> (82,325.86ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Below ground: 1 floor  
Completion : January 1993



### Sendai Honcho Honma Building

● III-2

Location : Sendai, Miyagi Prefecture  
Site area : 1,437.47m<sup>2</sup> (15,472.78ft<sup>2</sup>)  
Floor area of building : 8,247.50m<sup>2</sup> (88,775.27ft<sup>2</sup>)  
Structure : Above ground: 11 floors  
Completion : November 1991



### Niigata Ishizuecho Nishi-Bandaibashi Building

● III-3

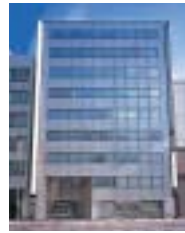
Location : Niigata, Niigata Prefecture  
Site area : 957.90m<sup>2</sup> (10,310.74ft<sup>2</sup>)  
Floor area of building : 6,410.33m<sup>2</sup> (69,000.15ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Below ground: 1 floor  
Completion : November 1984



### Kanazawa Park Building

● III-4

Location : Kanazawa, Ishikawa Prefecture  
Site area : 6,642.71m<sup>2</sup> (71,501.47ft<sup>2</sup>)  
Floor area of building : 43,481.20m<sup>2</sup> (468,027.29ft<sup>2</sup>)  
Structure : Above ground: 12 floors  
Below ground: 2 floors  
Completion : October 1991



### Kanazawa Minamicho Building

● III-5

Location : Kanazawa, Ishikawa Prefecture  
Site area : 887.17m<sup>2</sup> (9,549.41ft<sup>2</sup>)  
Floor area of building : 5,163.19m<sup>2</sup> (55,576.06ft<sup>2</sup>)  
Structure : Above ground: 9 floors  
Completion : March 1987



### Nagoya Hirokoji Building

● III-6

Location : Nagoya, Aichi Prefecture  
Site area : 4,095.81m<sup>2</sup> (44,086.89ft<sup>2</sup>)  
Floor area of building : 33,377.73m<sup>2</sup> (359,274.55ft<sup>2</sup>)  
Structure : Above ground: 18 floors  
Below ground: 2 floors  
Completion : May 1987



### Nagoya Misono Building

● III-7

Location : Nagoya, Aichi Prefecture  
Site area : 805.04m<sup>2</sup> (8,665.37ft<sup>2</sup>)  
Floor area of building : 5,348.00m<sup>2</sup> (57,565.34ft<sup>2</sup>)  
Structure : Above ground: 7 floors  
Below ground: 1 floor  
Completion : September 1991



### Kyoto Shijo Kawaramachi Building

● III-8

Location : Kyoto, Kyoto Prefecture  
Site area : 1,471.57m<sup>2</sup> (15,839.83ft<sup>2</sup>)  
Floor area of building : 9,701.04m<sup>2</sup> (104,421.02ft<sup>2</sup>)  
Structure : Above ground: 9 floors  
Below ground: 1 floor  
Completion : November 1982



### Sakaisujihonmachi Building

● III-9

Location : Osaka, Osaka Prefecture  
Site area : 2,036.22m<sup>2</sup> (21,917.67ft<sup>2</sup>)  
Floor area of building : 17,145.59m<sup>2</sup> (184,553.42ft<sup>2</sup>)  
Structure : Above ground: 13 floors  
Below ground: 2 floors  
Completion : October 1992



### Midosuji Daiwa Building

● III-10

Location : Osaka, Osaka Prefecture  
Site area : 3,044.65m<sup>2</sup> (32,772.31ft<sup>2</sup>)  
Floor area of building : 31,213.27m<sup>2</sup> (335,976.52ft<sup>2</sup>)  
Structure : Above ground: 15 floors  
Below ground: 2 floors  
Completion : September 1991



### Kobe Itomachi Building

● III-11

Location : Kobe, Hyogo Prefecture  
Site area : 808.55m<sup>2</sup> (8,703.15ft<sup>2</sup>)  
Floor area of building : 4,894.09m<sup>2</sup> (52,679.50ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Completion : September 1989



### NHK Hiroshima Broadcasting Center Building

● III-12

Location : Hiroshima, Hiroshima Prefecture  
Site area : 3,296.46m<sup>2</sup> (35,482.77ft<sup>2</sup>)  
Floor area of building : 35,217.28m<sup>2</sup> (379,075.28ft<sup>2</sup>)  
Structure : Above ground: 23 floors  
Below ground: 2 floors  
Completion : August 1994



### Tosei Tenjin Building

● III-13

Location : Fukuoka, Fukuoka Prefecture  
Site area : 1,221.31m<sup>2</sup> (13,146.06ft<sup>2</sup>)  
Floor area of building : 5,588.57m<sup>2</sup> (60,154.81ft<sup>2</sup>)  
Structure : Above ground: 8 floors  
Completion : March 1992





## Tenjin Crystal Building

● III-14

Location : Fukuoka, Fukuoka Prefecture  
Site Area: 1,835.17m<sup>2</sup> (19,753.59ft<sup>2</sup>)  
Floor area of building : 10,432.04m<sup>2</sup> (112,289.44ft<sup>2</sup>)  
Structure : Above ground: 14 floors  
Below ground: 1 floor  
Completion : August 1993



## Hinode Tenjin Building

● III-15

Location : Fukuoka, Fukuoka Prefecture  
Site area : 1,452.15m<sup>2</sup> (15,630.80ft<sup>2</sup>)  
Floor area of building : 12,527.07m<sup>2</sup> (134,840.13ft<sup>2</sup>)  
Structure : Above ground: 10 floors  
Below ground: 2 floors  
Completion : August 1987



## Financial Section

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### Selected Financial Data

	Millions of yen					Thousands of U.S. dollars (Note 1)
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from April 1, 2005 to September 30, 2005
Operating Revenues	¥ 13,119	¥ 10,747	¥ 10,151	¥ 9,560	¥ 8,965	\$115,910
Operating Expenses	6,893	6,046	5,792	5,219	5,067	60,903
Operating Profits	6,226	4,701	4,358	4,341	3,898	55,006
Income before Income Taxes	5,510	4,121	3,831	3,803	3,408	48,682
Net Income	5,509	4,120	3,830	3,802	3,407	48,674
Total Assets	355,968	322,358	257,372	244,523	209,581	3,144,874
Interest-Bearing Liabilities	122,000	159,000	99,000	87,000	76,000	1,077,833
Total Shareholders' Equity	206,982	137,569	137,279	137,250	115,559	1,828,628
Shareholders' Capital	201,472	133,448	133,448	133,448	112,152	1,779,952
Number of Shares	345,400	260,400	260,400	260,400	225,400	345,400
Total Shareholders' Equity per Share (Yen/U.S. dollars)	599,254	528,299	527,185	527,077	512,688	5,294.23
Cash Distribution	5,509	4,120	3,830	3,802	3,407	48,674
Dividend Payout Ratio	100%	99.9%	99.9%	99.9%	99.9%	100%
Dividend Per Share (Yen/U.S. dollars)	15,951	15,824	14,711	14,602	15,117	140.92
Net Operating Income (NOI)	8,978	7,131	6,672	6,455	5,950	79,326
Funds from Operations (FFO)	7,526	5,762	5,488	5,301	4,801	66,495
Return on Assets (ROA) (Note 2)	1.6%	1.4%	1.5%	1.6%	1.7%	1.6%
	(3.2% annualized)	(2.9% annualized)	(3.0% annualized)	(3.2% annualized)	(3.3% annualized)	(3.2% annualized)
Return on Equity (ROE) (Note 3)	2.8%	3.0%	2.8%	2.8%	3.0%	2.8%
	(5.6% annualized)	(6.0% annualized)	(5.6% annualized)	(5.7% annualized)	(5.9% annualized)	(5.6% annualized)
EOP Equity Ratio (Note 4)	58.1%	42.7%	53.3%	56.1%	55.1%	58.1%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	34.3%	49.3%	38.5%	35.6%	36.3%	34.3%
FFO Multiple	21.1 times	19.7 times	20.8 times	20.4 times	15.2 times	21.1 times
Debt Service Coverage Ratio (Note 6)	14.0 times	11.2 times	12.7 times	13.9 times	12.6 times	14.0 times

- Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥113.19 = US\$1.00, the foreign exchange rate on September 30, 2005, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.
2. ROA = Income before Income Taxes ÷ Average of Total Assets during the period
3. ROE = Net Income ÷ Average of Net Worth during the period  
(Annualized portions of the calculations given in notes 2 and 3 above assume a fiscal period of 183 days for the period ended September 30, 2003, 183 days for the period ended March 31, 2004, 183 days for the period ended September 30, 2004, 182 days for the period ended March 31, 2005 and 183 days for the period ended September 30, 2005.)
4. EOP Equity Ratio = (Net Worth at end of period ÷ Total Assets at end of period) x 100
5. EOP Interest-Bearing Debt Ratio on Total Assets = (Interest-Bearing Debt at end of period ÷ Total Assets at end of period) x 100
6. Debt Service Coverage Ratio = Net Income before Interest, Taxes, Depreciation and Amortization ÷ Interest Expenses

## Balance Sheets

As of September 30, 2005 and March 31, 2005

	Thousands of yen		U.S. dollars (Note 1)
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and bank deposits	¥ 26,939,579	¥ 29,361,925	\$ 238,003,172
Rental receivables	85,373	35,275	754,243
Consumption tax refundable	254,084	422,203	2,244,758
Other current assets	649,529	200,129	5,738,392
<b>Total current assets</b>	<b>27,928,565</b>	<b>30,019,532</b>	<b>246,740,565</b>
<b>Property and Equipment, at Cost:</b>			
Land	224,595,204	206,679,886	1,984,231,862
Buildings and structures	109,182,708	90,980,987	964,596,771
Machinery and equipment	1,732,022	1,538,663	15,301,897
Tools, furniture and fixtures	18,142	18,142	160,279
Construction in progress	324,357	5,500	2,865,597
<b>Subtotal</b>	<b>335,852,433</b>	<b>299,223,178</b>	<b>2,967,156,406</b>
Less accumulated depreciation	(11,788,363)	(9,783,957)	(104,146,681)
<b>Net property and equipment</b>	<b>324,064,070</b>	<b>289,439,221</b>	<b>2,863,009,725</b>
<b>Investments and Other Assets:</b>			
Investment securities	958,798	956,000	8,470,691
Deposits	15,109	14,234	133,481
Long-term prepaid expenses	10,909	17,622	96,383
Leasehold rights	2,112,907	1,083,390	18,666,905
Easement	828,095	828,095	7,315,976
Deferred investment corporation bond issuance costs	49,860	—	440,498
Other	—	599	—
<b>Total Assets</b>	<b>¥355,968,313</b>	<b>¥322,358,693</b>	<b>\$3,144,874,224</b>

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

	Thousands of yen		U.S. dollars (Note 1)
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade accounts payable	¥ 382,468	¥ 708,285	\$ 3,378,996
Other payables	932,365	714,368	8,237,167
Short-term loans	16,000,000	63,000,000	141,355,243
Current portion of long-term loan	24,000,000	—	212,032,865
Accrued expenses	298,429	306,935	2,636,533
Accrued income taxes	964	998	8,516
Rent received in advance	2,422,968	2,460,927	21,406,199
Other current liabilities	10,495	15,177	92,722
<b>Total current liabilities</b>	<b>44,047,689</b>	<b>67,206,690</b>	<b>389,148,241</b>
<b>Long-Term Liabilities:</b>			
Investment corporation bonds	55,000,000	45,000,000	485,908,649
Long-term loans	27,000,000	51,000,000	238,536,973
Deposits from tenants	22,644,218	20,994,943	200,054,937
Other	294,000	588,000	2,597,403
<b>Total long-term liabilities</b>	<b>104,938,218</b>	<b>117,582,943</b>	<b>927,097,962</b>
<b>Total Liabilities</b>	<b>148,985,907</b>	<b>184,789,633</b>	<b>1,316,246,203</b>
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' capital	201,472,860	133,448,380	1,779,952,823
Authorized: 2,000,000 shares			
Issued: 345,400 shares as of September 30, 2005			
and 260,400 shares as of March 31, 2005			
Retained earnings	5,509,546	4,120,680	48,675,198
<b>Total shareholders' equity</b>	<b>206,982,406</b>	<b>137,569,060</b>	<b>1,828,628,021</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>¥355,968,313</b>	<b>¥322,358,693</b>	<b>\$3,144,874,224</b>

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

## Statements of Income and Retained Earnings

For the six months ended September 30, 2005 and March 31, 2005

	Thousands of yen		U.S. dollars (Note 1)
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2005 to September 30, 2005
<b>Operating Revenues and Expenses</b>			
<b>Operating Revenues:</b>			
Rental revenues	¥13,076,552	¥10,708,353	\$115,527,449
Non-rental revenues	43,355	39,522	383,027
<b>Total operating revenues</b>	<b>13,119,907</b>	<b>10,747,875</b>	<b>115,910,476</b>
<b>Operating Expenses:</b>			
Property-related expenses	6,158,114	5,258,142	54,405,105
Asset management fees	392,914	476,958	3,471,279
Administrative service fees	228,974	176,673	2,022,916
Other operating expenses	113,716	134,242	1,004,648
<b>Total operating expenses</b>	<b>6,893,718</b>	<b>6,046,015</b>	<b>60,903,948</b>
Operating profits	6,226,189	4,701,860	55,006,528
<b>Non-Operating Revenues and Expenses</b>			
<b>Non-Operating Revenues:</b>			
Interest income	27	81	236
Other non-operating revenues	11,752	5,037	103,822
<b>Non-Operating Expenses:</b>			
Interest expense	328,662	315,062	2,903,630
Interest expense on investment corporation bonds	249,201	248,500	2,201,620
Amortization of investment corporation bond issuance costs	9,972	—	88,100
New share issuance costs	116,295	—	1,027,427
Other non-operating expenses	23,431	21,813	207,007
<b>Income before Income Taxes</b>	<b>5,510,407</b>	<b>4,121,603</b>	<b>48,682,802</b>
<b>Income Taxes:</b>			
Current	969	1,015	8,562
Deferred	2	(3)	20
<b>Net Income</b>	<b>5,509,436</b>	<b>4,120,591</b>	<b>48,674,220</b>
Retained Earnings brought forward	110	89	978
<b>Retained Earnings at end of period</b>	<b>¥ 5,509,546</b>	<b>¥ 4,120,680</b>	<b>\$ 48,675,198</b>

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

## Statements of Changes in Shareholders' Equity

For the six months ended September 30, 2005 and March 31, 2005

	Shares	Thousands of yen	U.S. dollars (Note 1)
<b>Balance as of September 30, 2004</b>	260,400	¥137,279,213	
Cash dividends paid	—	(3,830,744)	
Net income	—	4,120,591	
<b>Balance as of March 31, 2005</b>	260,400	¥137,569,060	\$1,215,381,750
Public offering	85,000	68,024,480	600,976,058
Cash dividends paid	—	(4,120,570)	(36,404,007)
Net income	—	5,509,436	48,674,220
<b>Balance as of September 30, 2005</b>	<b>345,400</b>	<b>¥206,982,406</b>	<b>\$1,828,628,021</b>

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

## Statements of Cash Flows

For the six months ended September 30, 2005 and March 31, 2005

	Thousands of yen		U.S. dollars (Note 1)
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2005 to September 30, 2005
<b>Cash Flows from Operating Activities</b>			
Income before income taxes	¥ 5,510,407	¥ 4,121,603	\$ 48,682,802
Depreciation and amortization	2,017,176	1,641,471	17,821,149
Loss on retirement of property and equipment	1,419	12,844	12,536
Amortization of investment corporation bond issuance costs	9,972	—	88,100
New share issuance costs	116,295	—	1,027,427
Interest income	(27)	(81)	(236)
Interest expense	577,863	563,562	5,105,250
Changes in assets and liabilities			
Rental receivables and other receivables	(50,098)	27,277	(442,599)
Consumption tax refundable	168,118	(383,982)	1,485,282
Prepaid expenses	8,537	(19,063)	75,422
Trade accounts payable	(325,817)	457,219	(2,878,493)
Other payables	213,997	(4,017)	1,890,597
Accrued expenses	4,000	—	35,339
Rent received in advance	(37,959)	265,319	(335,357)
Long-term prepaid expenses	6,713	6,713	59,307
Other long-term liabilities	(294,000)	(294,000)	(2,597,403)
Other	3,071	(85,216)	27,128
Subtotal	7,929,667	6,309,649	70,056,251
Interest received	27	81	236
Interest paid	(586,369)	(514,337)	(5,180,398)
Income taxes paid	(1,003)	(957)	(8,865)
Net cash provided by operating activities	7,342,322	5,794,436	64,867,224
<b>Cash Flows from Investing Activities</b>			
Purchases of property and equipment	(37,109,136)	(52,705,185)	(327,848,187)
Purchases of intangible assets	(1,028,918)	—	(9,090,187)
Purchases of investment securities	(2,798)	(956,000)	(24,716)
Payments of deposits	(875)	—	(7,729)
Proceeds from lease deposits received	2,253,267	4,989,274	19,906,942
Repayment of lease deposits	(603,991)	(777,304)	(5,336,079)
Net cash used in investing activities	(36,492,451)	(49,449,215)	(322,399,956)
<b>Cash Flows from Financing Activities</b>			
Proceeds from short-term loans	14,000,000	61,000,000	123,685,838
Repayment of short-term loans	(61,000,000)	(8,000,000)	(538,916,865)
Proceeds from long-term loans	—	7,000,000	—
Proceeds from investment corporation bonds	10,000,000	—	88,347,027
Payments of investment corporation bond issuance costs	(59,832)	—	(528,598)
Proceeds from issuance of shares	68,024,480	—	600,976,058
Payment of new share issuance costs	(116,295)	—	(1,027,427)
Dividends to shareholders	(4,120,570)	(3,830,744)	(36,404,007)
Net cash provided by financing activities	26,727,783	56,169,256	236,132,026
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>(2,422,346)</b>	<b>12,514,477</b>	<b>(21,400,706)</b>
<b>Cash and Cash Equivalents at beginning of Period</b>	<b>29,361,925</b>	<b>16,847,448</b>	<b>259,403,878</b>
<b>Cash and Cash Equivalents at end of Period</b>	<b>¥ 26,939,579</b>	<b>¥ 29,361,925</b>	<b>\$ 238,003,172</b>

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

## Notes to Financial Statements

September 30, 2005 and March 31, 2005

### 1. ORGANIZATION AND BASIS OF PRESENTATION

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#### Organization

Japan Real Estate Investment Corporation (the "Company") is a real estate investment corporation formed to own and invest primarily in a portfolio of office properties. The Company is externally managed by a licensed asset management company, Japan Real Estate Asset Management Co., Ltd. ("J-Rea"). J-Rea is currently owned 36% by Mitsubishi Estate Co., Ltd. ("MEC"), 27% by Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMN"), 27% by The Dai-ichi Mutual Life Insurance Company ("DL") and 10% by Mitsui & Co., Ltd.

On May 11, 2001, the Company was incorporated with ¥200 million of original capital contribution by MEC, TMN and DL under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law.

On September 10, 2001, the Company commenced operations when the Company was listed on the Tokyo Stock Exchange as one of the first real estate investment corporations in Japan (so-called "J-REITs"). The Company issued 160,000 shares at a price of ¥525,000, generating gross proceeds of ¥84,000 million. The proceeds from the offering of the shares, net of underwriters' discount, were ¥81,060 million.

On May 8, 2002, the Company completed a second offering of 65,000 shares at a price of ¥490,980, generating gross proceeds of ¥31,914 million. The proceeds from the offering of the shares, net of underwriters' discount, were ¥30,892 million.

On October 25, 2003, the Company completed a third public offering of 35,000 shares at a price of ¥629,000, generating gross proceeds of ¥22,015 million. The proceeds from the offering of the shares, net of underwriters' discount, were ¥21,296 million.

On April 26, 2005, the Company completed a fourth public offering of 85,000 shares at a price of ¥826,000, generating gross proceeds of ¥70,210 million. The proceeds from the offering of the shares, net of underwriters' discount, were ¥68,024 million. As of September 30, 2005, the Company had total shareholders' equity of ¥201,473 million with 345,400 outstanding shares.

At September 30, 2005, the Company owned a portfolio of 50 office properties concerning an aggregate of approximately 364,610 square meters of leasable area.

#### Basis of presenting financial statements

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Law, the Japanese Commercial Code, the Securities and Exchange Law of Japan and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company 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 that is more familiar to readers outside Japan. In addition, the notes to financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥113.19=US\$1.00, the foreign exchange rate on September 30, 2005, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### Investment Security

Non-marketable security classified as other security is carried at cost. Cost of security sold is determined by the moving average method.

#### Property and equipment

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



Buildings .....	2-61 years
Structures .....	5-50 years
Machinery and equipment.....	3-18 years
Tools, furniture and fixtures .....	3-15 years

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

#### **Deferred charges**

Deferred charges include investment corporation bond issuance costs and new share issuance costs.

Prior to April 1, 2005, investment corporation bond issuance costs were amortized using the straight-line method over one year. Effective from April 1, 2005, investment corporation bond issuance costs are amortized using the straight-line method over three years. This change in the amortization of investment corporation bond issuance costs was made to allocate periodic costs more appropriately, taking into consideration that a benefit of the investment corporation bond issuance costs will be effective not only when incurred but also over their contractual periods, since issuance costs may increase as investment corporation bonds are issued more frequently under a shelf registration system. The effect of this change in the amortization method decreased non-operating expenses by ¥20 million (\$176 thousand) and increase income before income taxes by the same amount for the six months ended September 30, 2005.

New share issuance costs are charged to operations as incurred. The underwriters' commissions of the public offering are not recognized as new share issuance costs in the financial statements since such costs are not payable by the Company under the so-called "spread method". Under the spread method, the difference between the offering price (the price paid by the shareholder) and the purchase price (the price received by the Company) is directly paid to the underwriters. The difference incurred at the fourth offering on April 26, 2005 was ¥2,186 million (\$19,308 thousand).

#### **Revenue recognition**

Revenues from leasing of office space are recognized as rent accrued over the lease period.

#### **Taxes on property and equipment**

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally charged to expense during the period. The sellers of the properties were liable for property taxes for the calendar year including the period from the date of purchase by the Company through the end of the year since the taxes are imposed on the owner registered in the record as of January 1 based on the assessment made by the local government. The Company 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.

#### **Consumption taxes**

Consumption taxes withheld and consumption taxes paid are not included in the statements 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 are included in the current assets and the excess of amounts withheld over payments are included in the current liabilities.

#### **Cash and cash equivalents**

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

#### **Accounting standard for impairment of fixed assets**

On August 9, 2002, the Business Accounting Deliberation Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires the recognition of an impairment loss on certain assets, such as fixed assets, intangible assets and investments, individually or as a group, as the difference between the carrying amount and the fair value of the asset or present value using a discounted cash flow model. The standard requires that an assessment for the impairment be carried out on an asset whenever events or changes in circumstances indicate that the carried amount may not be recoverable. The Company adopted the new standard for an impairment of long-lived assets in the current fiscal period ended September 30, 2005.

The adoption of this new standard had no effect on the statement of income and retained earnings for the fiscal period ended September 30, 2005.

### 3. INVESTMENT SECURITIES

Investment securities recorded at cost at September 30, 2005 and March 31, 2005 are summarized as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Other securities			
Non-listed stock	¥958,798	¥956,000	\$8,470,691

### 4. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2005 and March 31, 2005 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2005		As of March 31, 2005		As of September 30, 2005	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥167,927,740	¥167,927,740	¥150,012,421	¥150,012,421	\$1,483,591,659	\$1,483,591,659
Buildings and structures	84,710,571		66,547,731		748,392,713	
Accumulated depreciation	7,248,141	77,462,430	5,764,875	60,782,856	64,035,167	684,357,546
Machinery and equipment	1,087,814		894,455		9,610,513	
Accumulated depreciation	314,601	773,213	256,051	638,404	2,779,402	6,831,111
Tools, furniture and fixtures	8,516		8,516		75,232	
Accumulated depreciation	2,470	6,046	1,917	6,599	21,825	53,407
Construction in progress	324,357	324,357	5,500	5,500	2,865,597	2,865,597
Land in trust	56,667,464	56,667,464	56,667,465	56,667,465	500,640,203	500,640,203
Buildings and structures in trust	24,472,137		24,433,256		216,204,058	
Accumulated depreciation	3,929,924	20,542,213	3,502,182	20,931,074	34,719,709	181,484,349
Machinery and equipment in trust	644,208		644,208		5,691,384	
Accumulated depreciation	291,345	352,863	257,472	386,736	2,573,948	3,117,436
Tools, furniture and fixtures in trust	9,626		9,626		85,047	
Accumulated depreciation	1,882	7,744	1,460	8,166	16,630	68,417
<b>Total</b>		¥324,064,070		¥289,439,221		\$2,863,009,725

## 5. SHORT-TERM LOANS

Short-term loans at September 30, 2005 and March 31, 2005 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Unsecured loans from a bank and a trust bank with variable interest, due on May 11, 2005	¥ —	¥27,000,000	\$ —
Unsecured loans from banks and another financial institution with variable interest, due on May 18, 2005	—	17,000,000	—
Unsecured loans from banks with variable interest, due on May 24, 2005	—	4,000,000	—
Unsecured loan from a trust bank with variable interest, due on May 31, 2005	—	11,000,000	—
Unsecured loan from a bank with variable interest, due on June 15, 2005	—	2,000,000	—
Unsecured loan from a bank with variable interest, due on October 29, 2005	2,000,000	2,000,000	17,669,405
Unsecured loan from a bank with variable interest, due on June 15, 2006	2,000,000	—	17,669,405
Unsecured loan from a trust bank with variable interest, due on July 31, 2006	3,000,000	—	26,504,108
Unsecured loan from a trust bank with variable interest, due on September 13, 2006	9,000,000	—	79,512,325
<b>Total</b>	<b>¥16,000,000</b>	<b>¥63,000,000</b>	<b>\$141,355,243</b>

The weighted average interest rates applicable to the short-term loans at September 30, 2005 and March 31, 2005 were 0.22553% and 0.30442%, respectively, per annum.

During the period ended September 30, 2005, the Company committed credit lines of ¥20,000 million (\$176,694 thousand) with certain financial institutions to reduce a refinancing risk. The unused amount of such committed credit lines was ¥20,000 million (\$176,694 thousand) at September 30, 2005.

## 6. INVESTMENT CORPORATION BONDS

Details of total investment corporation bonds outstanding are summarized as follows:

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2005
	Amount (thousands of yen)	Interest rate (%)	Amount (thousands of yen)	Interest rate (%)	Amount (U.S. dollars)
Unsecured bonds due on June 21, 2007	¥25,000,000	1.32%	¥25,000,000	1.32%	\$220,867,568
Unsecured bonds due on April 30, 2008	10,000,000	0.69%	10,000,000	0.69%	88,347,027
Unsecured bonds due on April 30, 2010	10,000,000	0.98%	10,000,000	0.98%	88,347,027
Unsecured bonds due on September 29, 2025	10,000,000	2.56%	—	—	88,347,027
<b>Total</b>	<b>¥55,000,000</b>		<b>¥45,000,000</b>		<b>\$485,908,649</b>

## 7. LONG-TERM LOANS INCLUDING CURRENT PORTION OF LONG-TERM LOAN

Long-term loans at September 30, 2005 and March 31, 2005 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
1.120% secured loan from banks, trust banks, and an insurance company, due on June 23, 2006	¥ 24,000,000	¥24,000,000	\$ 212,032,865
0.90875% unsecured loan from a bank, due on June 15, 2007	3,000,000	3,000,000	26,504,108
0.78375% unsecured loan from a bank, due on August 31, 2007	3,000,000	3,000,000	26,504,108
1.0575% unsecured loan from a bank, due on March 24, 2009	2,000,000	2,000,000	17,669,405
1.015% unsecured loan from an insurance company, due on March 30, 2009	5,000,000	5,000,000	44,173,514
1.47125% unsecured loan from an insurance company, due on March 30, 2011	2,000,000	2,000,000	17,669,405
1.50125% unsecured loan from an insurance company, due on August 31, 2011	5,000,000	5,000,000	44,173,514
1.55% unsecured loan from an insurance company, due on October 29, 2012	2,000,000	2,000,000	17,669,405
1.33125% unsecured loan from another financial institution, due on November 1, 2011	5,000,000	5,000,000	44,173,514
Subtotal	51,000,000	51,000,000	450,569,838
Less: current portion of long-term loan	(24,000,000)	—	(212,032,865)
<b>Total</b>	<b>¥ 27,000,000</b>	<b>¥51,000,000</b>	<b>\$ 238,536,973</b>

## 8. SECURED ASSETS

At September 30, 2005 and March 31, 2005, the following assets were pledged as collateral for the following loans:

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Pledged assets:			
Bank deposits	¥ 7,895,029	¥ 7,854,568	\$ 69,750,232
Land and leasehold rights	47,765,093	47,765,093	421,990,398
Buildings and structures	16,099,186	16,398,223	142,231,520
Machinery and equipment	297,960	327,143	2,632,387
Tools, furniture and fixtures	7,744	8,166	68,417
<b>Total</b>	<b>¥72,065,012</b>	<b>¥72,353,193</b>	<b>\$636,672,954</b>
Loans secured by the pledged assets:			
Current portion of long-term loan	¥24,000,000	¥ —	\$212,032,865
Long-term loan	—	24,000,000	—
<b>Total</b>	<b>¥24,000,000</b>	<b>¥24,000,000</b>	<b>\$212,032,865</b>

## 9. SHAREHOLDERS' EQUITY

The Company is required to maintain net assets of at least ¥50 million (\$442 thousand), as required pursuant to the Investment Trust Law.

## 10. INCOME TAXES

At September 30, 2005, and March 31, 2005, the Company's deferred tax assets consist mainly of the enterprise tax, which is not deductible for tax purposes. The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended September 30, 2005, and March 31, 2005 were as follows:

	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005
Statutory tax rate .....	39.39%	39.39%
Deductible dividend distribution .....	(39.38%)	(39.38%)
Others .....	0.01%	0.01%
Effective tax rate .....	0.02%	0.02%

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan, or the STML, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its taxable income for the fiscal period as stipulated by Article 67-15 of the STML. Based on the distribution policy provided by Article 32-2 of the Articles of Incorporation, the Company made a dividend distribution of 100% of retained earnings in the amount of ¥5,509 million (\$48,675 thousand) subsequent to September 30, 2005 and treated it as tax deductible dividend. The Company will not distribute the dividends in excess of accounting profit under Article 32-3 of the Articles of Incorporation.

## 11. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at September 30, 2005 and March 31, 2005, and for the periods then ended:

	Yen		U.S. dollars
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2005 to September 30, 2005
Net assets at period end per share	¥599,254	¥528,299	\$5,294
Net income per share	¥ 15,951	¥ 15,824	\$ 141

In calculating the net assets per share, the amount of the net assets is adjusted for the cash distribution declared in the subsequent period. Net income per share is computed by dividing net income by the weighted average number of shares outstanding during each period. Diluted net income per share has not been presented since no warrants or convertible bonds were outstanding during the period.

## 12. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions with MEC and certain affiliates of MEC, TMN, Mitsui & Co., Ltd., and Mizuho Securities Co., Ltd.

	Thousands of yen		U.S. dollars
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2005 to September 30, 2005
Purchase of the properties	¥14,700,000	¥ —	\$129,870,130
Property management fees	741,990	657,950	6,555,262
Utilities	70,139	65,528	619,655
Insurance	2,037	57,278	17,999
Other operating expenses	7,054	1,889	62,319
Repair and maintenance	267,945	198,557	2,367,216
Underwriting commission	45,000	—	397,562

### 13. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six months ended September 30, 2005 and March 31, 2005

	Thousands of yen		U.S. dollars
	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2005 to September 30, 2005
<b>Property-Related Revenues</b>	<b>¥13,119,907</b>	<b>¥10,747,875</b>	<b>\$115,910,476</b>
<b>Rental Revenues</b>	<b>13,076,552</b>	<b>10,708,353</b>	<b>115,527,449</b>
Rental revenues	9,664,349	7,785,264	85,381,647
Common area charges	2,100,331	1,791,597	18,555,800
Parking revenues	451,950	412,547	3,992,847
Other rental revenues	859,922	718,945	7,597,155
<b>Non-Rental Revenues</b>	<b>43,355</b>	<b>39,522</b>	<b>383,027</b>
Cancellation charges	39,566	20,540	349,550
Other miscellaneous revenues	3,789	18,982	33,477
<b>Property-Related Expenses</b>	<b>6,158,114</b>	<b>5,258,142</b>	<b>54,405,105</b>
Property management fees	1,554,810	1,277,345	13,736,285
Utilities expenses	1,012,500	855,487	8,945,135
Property and other taxes	1,035,966	937,696	9,152,455
Casualty insurance	33,111	27,864	292,529
Repairs and maintenance	474,299	471,973	4,190,288
Depreciation	2,017,176	1,641,471	17,821,149
Other rental expenses	30,252	46,306	267,264
<b>Profits</b>	<b>¥ 6,961,793</b>	<b>¥ 5,489,733</b>	<b>\$ 61,505,371</b>

### 14. LEASES

The Company owns office buildings under leases and earns rent income. As of September 30, 2005 and March 31, 2005, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen		U.S. dollars
	As of September 30, 2005	As of March 31, 2005	As of September 30, 2005
Due within one year	¥ 7,275,000	¥ 6,297,045	\$ 64,272,458
Due after one year	27,329,530	20,166,472	241,448,273
<b>Total</b>	<b>¥34,604,530</b>	<b>¥26,463,517</b>	<b>\$305,720,731</b>

### 15. SUBSEQUENT EVENTS

#### Appropriation of retained earnings

On November 18, 2005, the Board of Directors resolved to effect the payment of a cash distribution of ¥15,951 per share aggregating ¥5,509 million (\$48,675 thousand) to shareholders at the record date of September 30, 2005.

## Report of Independent Auditors

To the Board of Directors and Shareholders of  
Japan Real Estate Investment Corporation

We have audited the accompanying balance sheets of Japan Real Estate Investment Corporation as of September 30, 2005 and March 31, 2005, and the related statements of income and retained earnings, changes in shareholders' 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 Japan Real Estate Investment Corporation at September 30, 2005 and March 31, 2005, 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.

As described in Note 2, the Company changed its method of accounting for amortization of investment corporation bond issuance costs in the six-month period ended September 30, 2005.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended September 30, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shin Nihon*

December 21, 2005

## *Corporate Data*

As of September 30, 2005

### **Executives**

Executive Director: Taketo Yamazaki  
Supervisory Directors: Kenji Kusakabe  
Tomohiko Okanoya

### **Paid-in Capital**

¥201,472,860,000

### **Number of Shares Issued**

345,400

### **Number of Shareholders**

18,655

### **Stock Listing**

Tokyo Stock Exchange

### **Securities Code**

8952

### **Type of Investment Corporation**

Closed-end corporate type fund

### **Transfer Agent**

The Sumitomo Trust & Banking Co., Ltd.  
5-33, Kitahama 4chome, Chuo-ku, Osaka 540-8639, Japan

### **Auditors**

Ernst & Young ShinNihon  
Hibiya Kokusai Bldg.  
2-3, Uchisaiwaicho 2chome, Chiyoda-ku, Tokyo 100-0011, Japan

### **Incorporation**

May 11, 2001

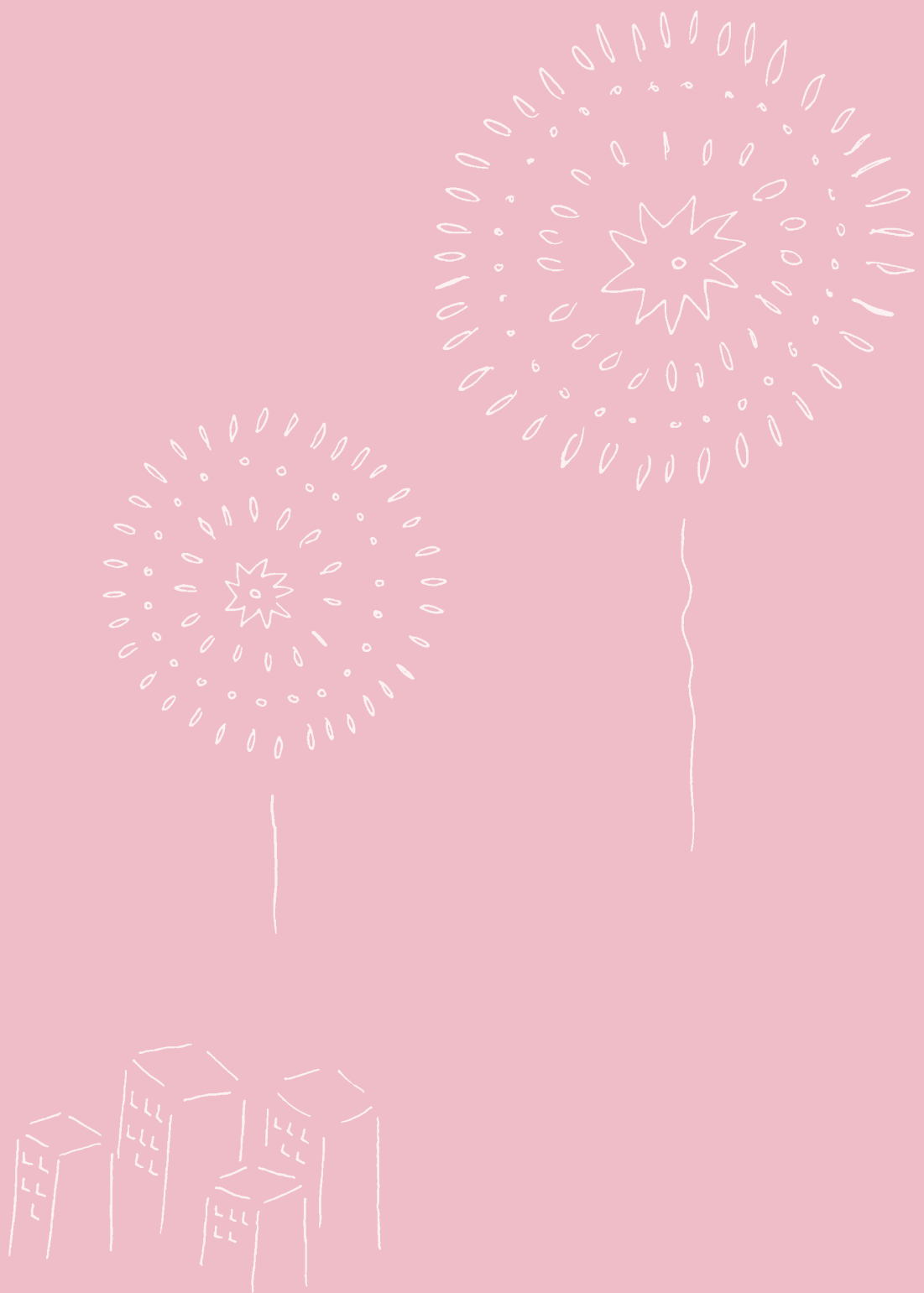
### **Executive Office**

Japan Real Estate Investment Corporation  
3-1, Marunouchi 3chome, Chiyoda-ku, Tokyo 100-0005, Japan

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This semiannual report includes translations of documents originally filed under the Securities and Exchange Law of Japan. This report was prepared in English solely for the convenience of readers outside Japan and should not be considered as a disclosure statement. The original Japanese documents shall take precedence in the event of any discrepancies arising from the translations or interpretations contained in this report.

Estimates for Japan Real Estate Investment Corporation's future operating results contained in this semiannual report are forward-looking statements and are based on information currently available to the Company and its asset management company and are subject to risks and uncertainties. Consequently, these projections should not be relied upon as the sole basis for evaluating Japan Real Estate Investment Corporation. Actual results may differ substantially from the projections depending on a number of factors.

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