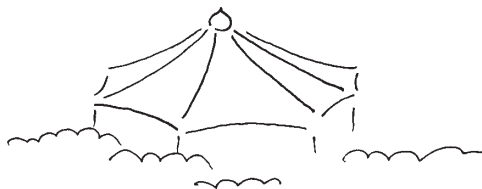
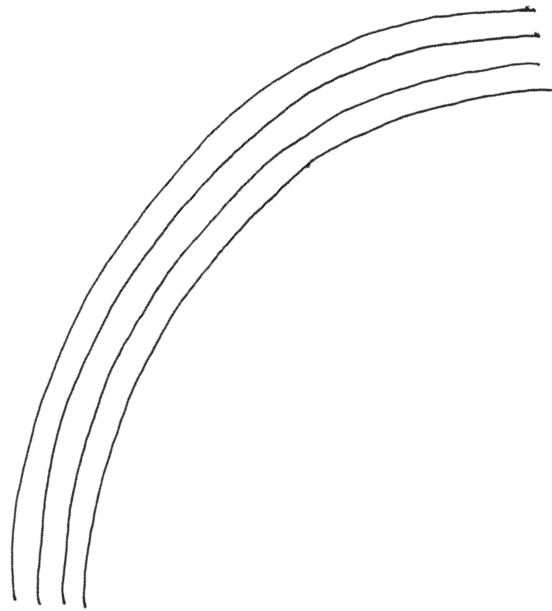
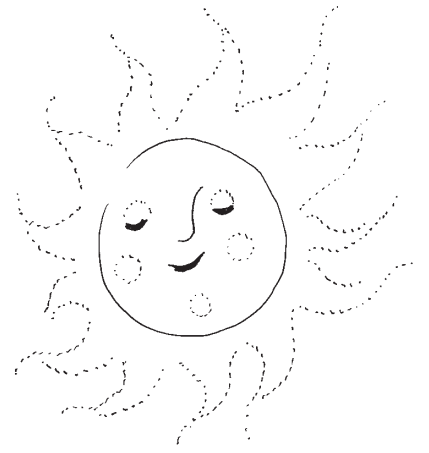
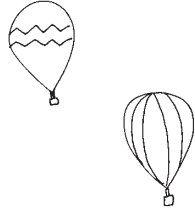


MARCH 2006 SEMIANNUAL REPORT

For the period from October 1, 2005 to March 31, 2006



Japan Real Estate Investment Corporation

FINANCIAL HIGHLIGHTS

For the Period from October 1, 2005 to March 31, 2006

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	For the period from October 1, 2005 to March 31, 2006	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 October 1, 2005 to March 31, 2006
Operating Revenues	13,963	13,120	10,747	10,151	9,560	118,864
Operating Profits	6,319	6,226	4,701	4,358	4,341	53,794
Income before Income Taxes	5,587	5,510	4,121	3,831	3,803	47,560
Net Income	5,586	5,509	4,120	3,830	3,802	47,551
Net Operating Income (NOI) (Note 2)	9,578	8,979	7,131	6,672	6,455	81,536
Funds from Operations (FFO) (Note 3)	7,946	7,527	5,762	5,488	5,301	67,641
FFO Multiple (Note 4)	22.1 times	21.1 times	19.7 times	20.8 times	20.4 times	22.1 times
Cash Distribution	5,586	5,509	4,120	3,830	3,802	47,551
Number of Shares	345,400	345,400	260,400	260,400	260,400	345,400
Dividend per Share (Yen/U.S. dollars)	16,172	15,951	15,824	14,711	14,602	137.67

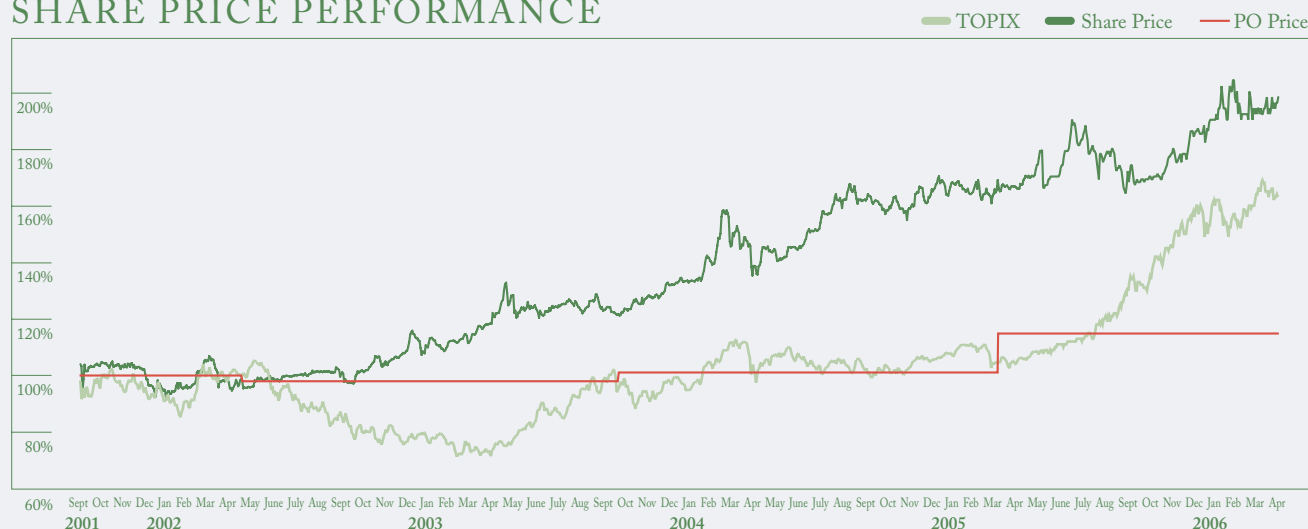
Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.47 = US\$1.00, the foreign exchange rate on March 31, 2006, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be 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 March 31, 2004, 183 days for the period ended September 30, 2004, 182 days for the period ended March 31, 2005, 183 days for the period ended September 30, 2005, and 182 days for the period ended March 31, 2006.)

TOP 10 SHAREHOLDERS

As of March 31, 2006

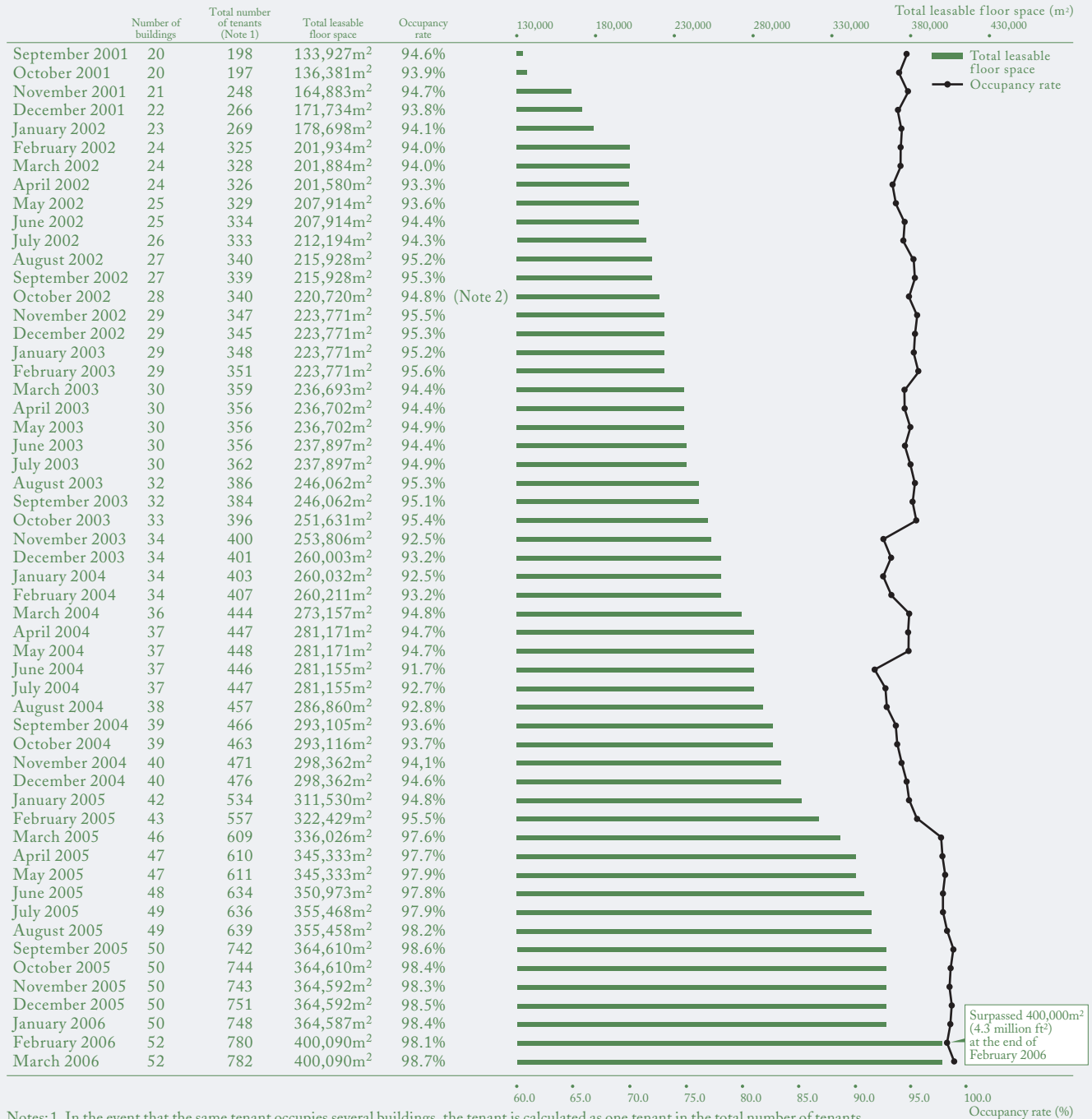
Company	Shares	% of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	21,611	6.26%
NikkoCiti Trust and Banking Corporation (Toshin Acc.)	20,368	5.90%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	14,305	4.14%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	12,172	3.52%
Mitsubishi Estate Co., Ltd.	10,160	2.94%
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%
Resona Bank, Ltd.	6,929	2.01%

SHARE PRICE PERFORMANCE



PORTFOLIO HIGHLIGHTS

TRENDS IN THE STATE OF PORTFOLIO MANAGEMENT



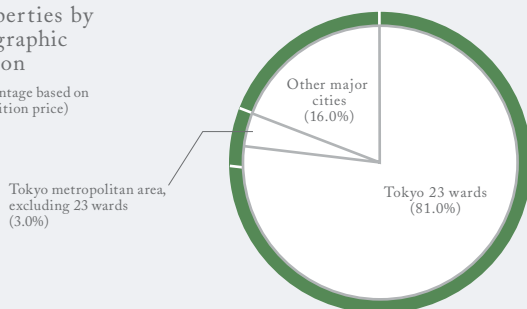
Notes: 1. In the event that the same tenant occupies several buildings, the tenant is calculated as one tenant in the total number of tenants.
 2. Occupancy rate of "Genki Medical Plaza" is not considered in the calculation of October 2002, because the property was acquired at the end of that month,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

PORTFOLIO BREAKDOWN

As of March 31, 2006

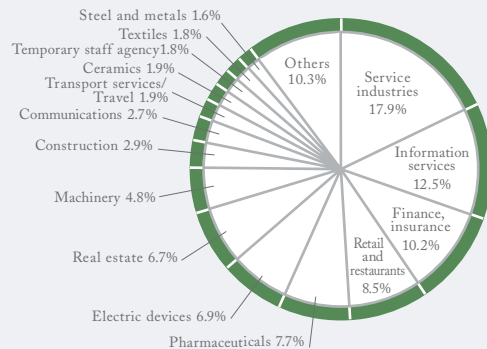
Properties by geographic region

(Percentage based on acquisition price)



Tenants by industry type

(Percentage based on leased area)



NEW PORTFOLIO PROPERTIES PROPERTIES ACQUIRED DURING THE PERIOD ENDED MARCH 31, 2006

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.



Lit City Building

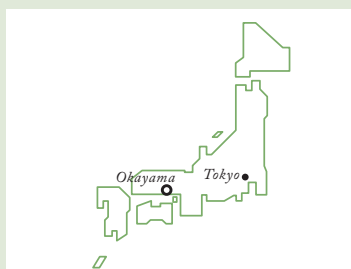
Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥4,650 million (\$39.6 million)
Acquisition date:	February 1, 2006
Location:	Okayama, Okayama Prefecture
Intended use:	Office space, retail stores
Site area:	7,596.44m ² (81,767.32ft ²)
Floor area of building:	52,653.19m ² (566,753.67ft ²)
Structure:	Above ground: 20 floors Below ground: 2 floors
Completion:	June 2005

Note: Land: Ownership (Share of co-ownership: 22.1162%)
Building: Compartmentalized building units and co-ownership of compartmentalized building units (Ownership of building: 27.7488%)

Leasing Conditions (As of March 31, 2006)

Number of tenants:	37 tenants
Leasable floor space:	9,965m ² (107,262.26ft ²)
Leased area:	9,090m ² (97,843.85ft ²)
Occupancy rate:	91.2%



Property Acquisition Merits

The property is located in Okayama City, the second largest city in the Chugoku region next to Hiroshima. The area has been steadily developing as a hub in the Chugoku and Shikoku regions in line with improvements to the wide area, high-speed transportation network. In addition to having one of the largest leased floor areas in the city, the Lit City Building offers high-quality specifications that are expected to satisfy the facility needs of various tenants.



Kitanomaru Square

Property Summary

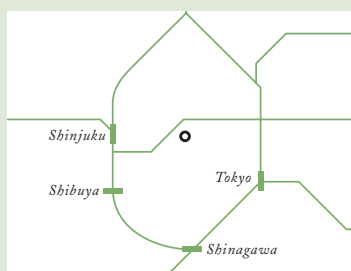
Type of specified asset:	Ownership (Note)
Acquisition price:	¥81,555.5 million (\$694.3 million)
Acquisition date:	February 24, 2006
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space, retail stores, residences
Site area:	5,821.03m ² (62,656.98ft ²)
Floor area of building:	57,279.20m ² (616,547.58ft ²)
Structure:	Above ground: 26 floors Below ground: 2 floors
Completion:	January 2006

Note: Ownership (after obtaining trust beneficiary right on February 24, 2006, the trustee agreement was terminated, and then the Company acquired the ownership in this property as of the same date.)

Leasing Conditions (As of March 31, 2006)(Note)

Number of tenants:	5 tenants
Leasable floor space:	Office area and retail stores: 25,678m ² (276,395.42ft ²)
Leased area:	Office area and retail stores: 25,678m ² (276,395.42ft ²)
Occupancy rate:	100.0%

Note: The figures exclude its residential area.



Property Acquisition Merits

Prestigiously located near the Imperial Palace, the property boasts access to three subway lines and a rich natural environment. 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.

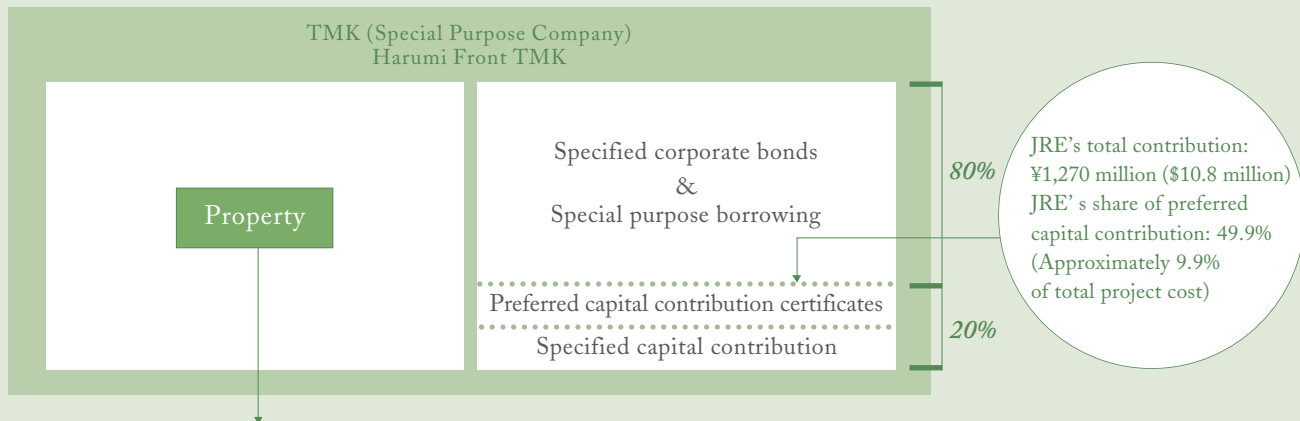
Summary of Preferred Capital Contribution Certificates Additionally Acquired

Type of assets acquired: Preferred capital contribution certificates of 920 shares
 Acquisition price: ¥46 million (\$0.4 million)
 Acquisition date: November 24, 2005

The Company plans to underwrite certificates as follows. The acquisition shown above is the second acquisition.

Issuance date	Number of shares	Amounts per share	Total amount of issuance
March 29, 2005	19,120	¥ 50,000 (\$426)	¥956 million (\$8.1 million)
November 24, 2005	920	¥ 50,000 (\$426)	¥46 million (\$0.4 million)
November 24, 2006	5,360	¥ 50,000 (\$426)	¥268 million (\$2.3 million)

Concurrent acquisition of rights granting priority to purchase properties after completion of construction (preferential purchasing rights)



Summary of Property to be held by TMK

Property Summary

Name of development	
Project:	Harumi Center Building (tentative)
Location:	2-25-2, Harumi, Chuo-ku, Tokyo
Site area:	4,664.63 m ² (50,209.61ft ²)
Total project area:	27,494.17 m ² (295,944.50ft ²)
Leasable floor space:	20,778.85 m ² (223,661.46ft ²)
Intended use:	Office space, retail stores, parking area
Total project cost:	¥12,821 million (\$109.1 million) (planned)
Construction schedule	
Commencement:	May 2005
Completion:	November 2006 (planned)

* Since the Harumi Center Building (tentative name) is currently under construction, an image is shown left.

* The above overview is a plan or schedule, and is subject to change in the future.

PROPERTIES ACQUIRED AFTER THE PERIOD ENDED MARCH 31, 2006



Sanno Grand Building

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥10,700 million (\$91.1 million)
Acquisition date:	April 3, 2006
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space
Site area:	3,663.93m ² (39,438.18ft ²)
Floor area of building:	33,875.95m ² (364,637.34ft ²)
Structure:	Above ground: 10 floors Below ground: 3 floors
Completion:	September 1966

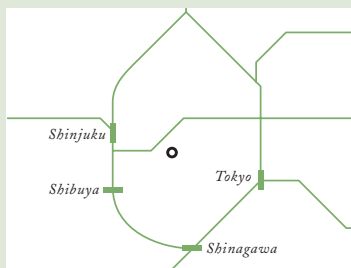
Note: Ownership (Share of co-ownership for both land and building: 49.0%)

* With this additional share acquisition, the share of co-ownership in this property for the Company became 99.0%.

Leasing Conditions (As of April 3, 2006) (Note)

Number of tenants:	51 tenants
Leasable floor space:	20,935m ² (225,342.25ft ²)
Leased area:	20,471m ² (220,347.80ft ²)
Occupancy rate:	97.8%

Note: Number of tenants shows the figure for the entire building, while the figures for leasable floor space, leased area and occupancy rate are for the 99% area of the building under JRE's co-ownership.



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. This additional share acquisition raised JRE's share of co-ownership to 99.0%, enabling JRE to manage the property more effectively.



Sendai Honcho Honma Building

Property Summary

Type of specified asset:	Trust beneficiary right in trust of real estate (Note)
Acquisition price:	¥250 million (\$2.1 million)
Acquisition date:	June 28, 2006
Location:	Sendai, Miyagi Prefecture
Intended use:	Office space, retail stores
Site area:	1,437.47m ² (15,472.78ft ²)
Floor area of building:	8,247.50m ² (88,775.27ft ²)
Structure:	Above ground: 11 floors
Completion:	November 1991

Note: Land: Ownership (Share of co-ownership: 31.864% of 1 out of 3 lots)

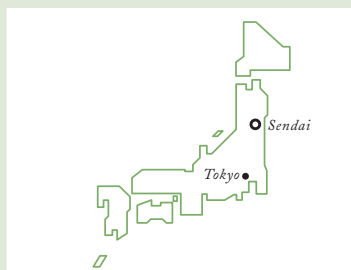
Building: Compartmentalized building units and co-ownership of compartmentalized building units (Ownership of building: 6.61%)

* On June 28, 2006, the Company set up an additional trust fund after the acquisition which enabled it to control a 100% trust beneficiary rights thereof.

Leasing Conditions (As of June 28, 2006) (Note)

Number of tenants:	1 tenant
Leasable floor space:	412 m ² (4,434.73ft ²)
Leased area:	412 m ² (4,434.73ft ²)
Occupancy rate:	100.0%

Note: The figures above represent the additional acquisition.



Property Acquisition Merits

Located in a traditional and concentrated office area in Sendai City, the property has exceptionally convenient access, situated within a one-minute walk from the Hirose-dori Subway Station, and a seven-minute walk from JR Sendai Station. With its high-quality specifications, the Sendai Honcho Honma Building responds to a variety of tenant needs. This additional share acquisition raised JRE's share of co-ownership to 100.0%, enabling JRE to manage the property more effectively.



PROPERTIES SOLD

As of June 28, 2006



Niigata Ishizuecho Nishi-Bandaibashi Building

● III-3

Location : Niigata, Niigata Prefecture
 Site area : 957.90m² (10,310.74ft²)
 Floor area of building : 6,410.33m² (69,000.15ft²)
 Structure : Above ground: 8 floors
 Below ground: 1 floor
 Completion : November 1984



JAL Sales Building

● I-21

Location : Meguro-ku, Tokyo
 Site area : 1,401.52m² (15,085.82ft²)
 Floor area of building : 5,269.58m² (56,721.23ft²)
 Structure : Above ground: 6 floors
 Below ground: 1 floor
 Completion : September 1991



Kanazawa Minamicho Building

● III-5

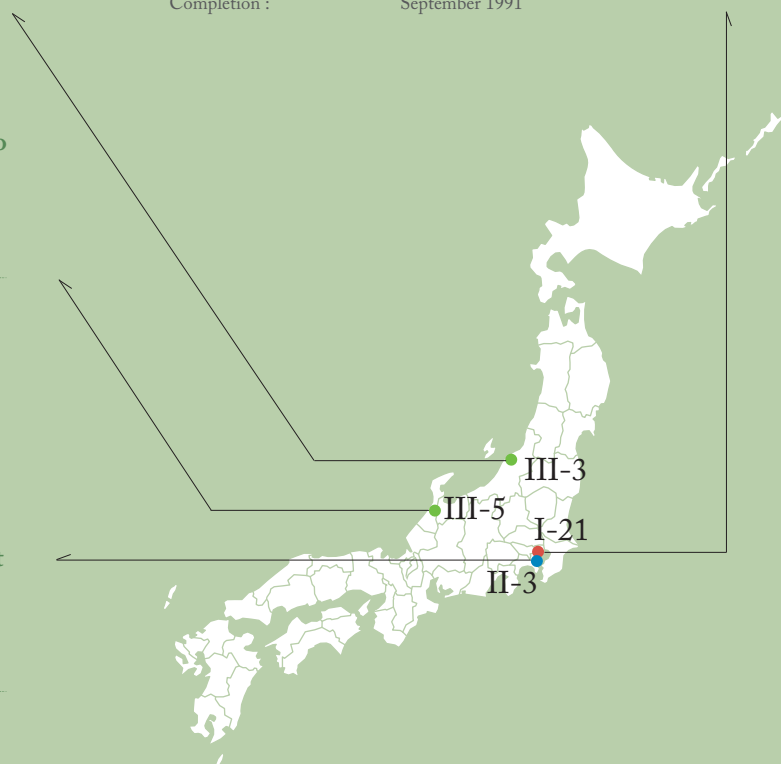
Location : Kanazawa, Ishikawa Prefecture
 Site area : 887.17m² (9,549.41ft²)
 Floor area of building : 5,163.19m² (55,576.06ft²)
 Structure : Above ground: 9 floors
 Completion : March 1987



Shin-Yokohama First Building

● II-3

Location : Yokohama, Kanagawa Prefecture
 Site area : 1,528.00m² (16,447.24ft²)
 Floor area of building : 10,403.41m² (111,981.26ft²)
 Structure : Above ground: 10 floors
 Below ground: 2 floors
 Completion : April 1992



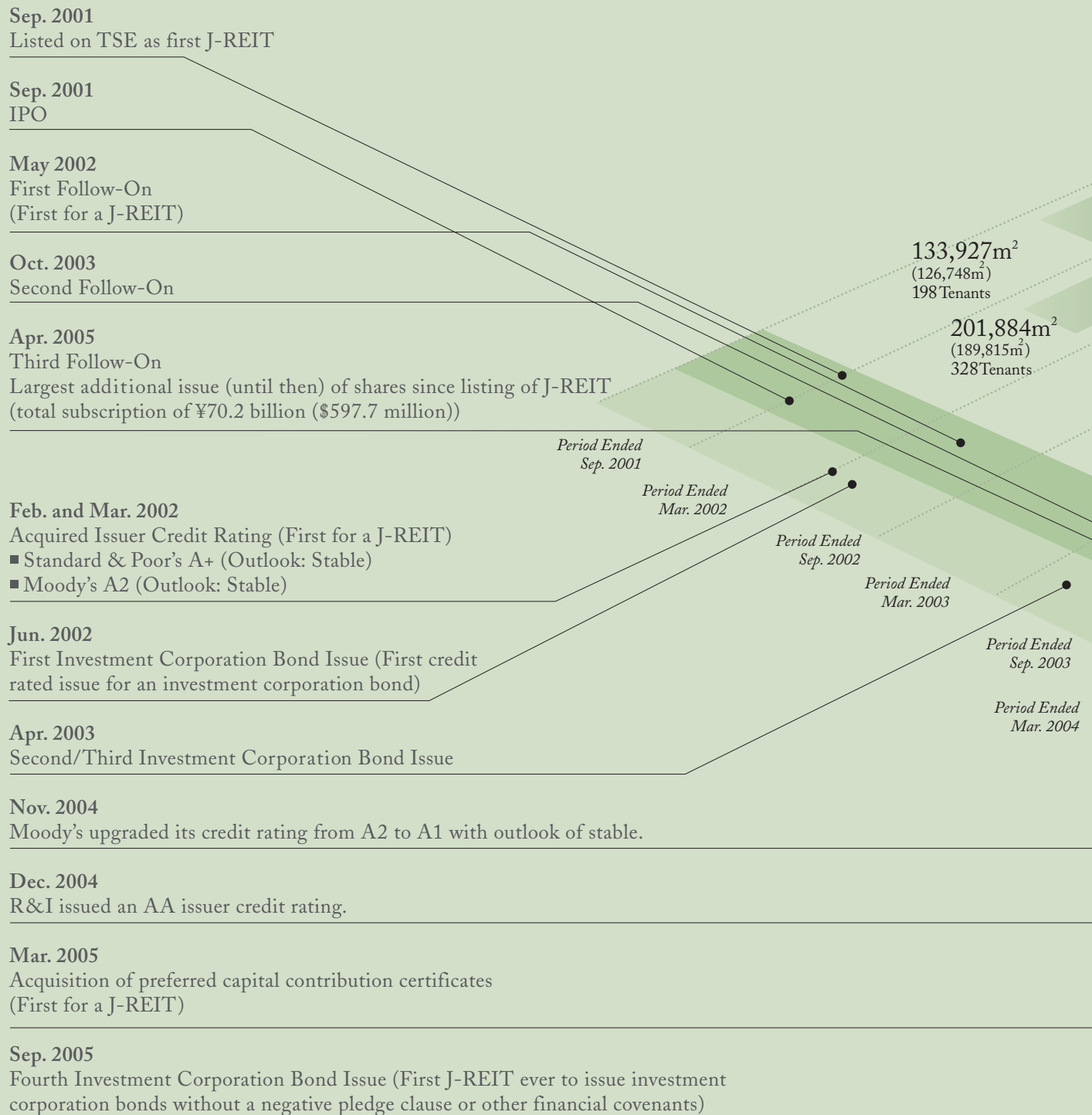
Property numbers are from the properties roster on pages 16-17.

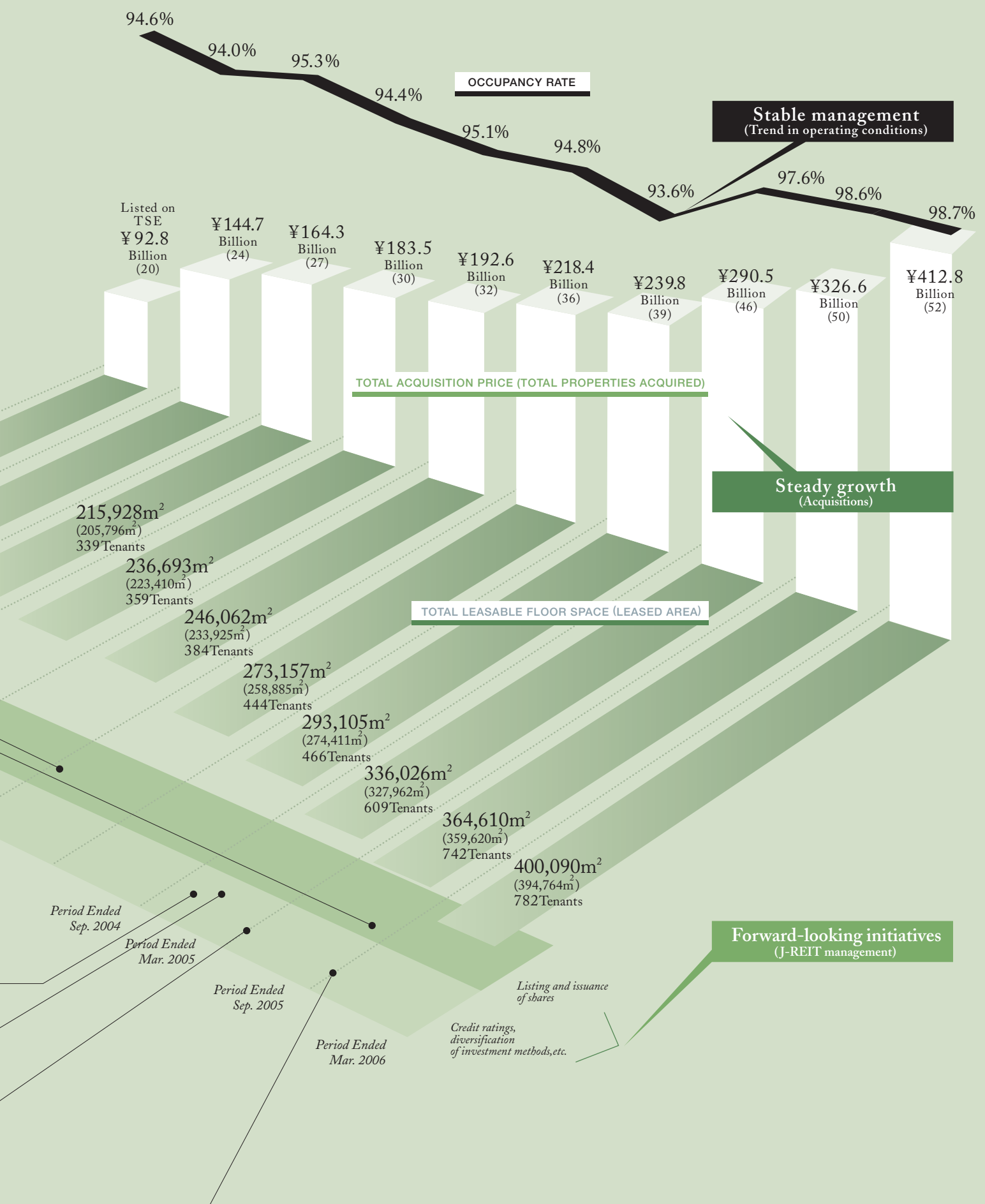
Name	Disposal Value	9th Period Book Value (Mar 31, 06)	(Millions of yen)		
			Disposal Value -9th Period Book Value	9th Period Appraisal Value	Disposal Value -9th Period Appraisal Value
JAL Sales Building	2,593	1,261	1,332	1,490	1,103
Shin-Yokohama First Building	1,755	2,918	-1,162	1,640	115
Niigata Ishizuecho Nishi-Bandaibashi Building	1,490	1,000	490	729	761
Kanazawa Minamicho Building	1,165	1,291	-126	985	180
Total	7,003	6,469	534	4,844	2,159

*Appraisal value means the price at the end of each period, evaluated by an institutional appraiser.

HISTORY AFTER IPO

Since listing on the Tokyo Stock Exchange (“TSE”) as the first J-REIT in Japan, JRE has established a firm track record over the past nine fiscal periods. While sustaining stable management, JRE has realized steady growth and taken the initiative as a J-REIT pioneer. JRE maintained a property acquisition target of ¥300 billion (\$2.6 billion) to be achieved by March 31, 2006. On April 1, 2005, JRE had achieved its initial target one year in advance. Furthermore, the size of our portfolio as of March 31, 2006 was ¥412.8 billion (\$3.5 billion), a measure of JRE’s significant growth.





TO OUR SHAREHOLDERS

Wise investments, a firm grasp of market trends and skillful management have enabled us to build a strong portfolio.

In its ninth fiscal period, the six months ended March 31, 2006, Japan Real Estate Investment Corporation (“the Company”) recorded sound growth in revenues and profits, continuing the string of consecutive increases in business results it has maintained for all periods since its IPO. Wise investments, a firm grasp of market trends and skillful management have enabled us to build a strong portfolio. The Company is set apart by expertise firmly rooted in experience.

During the period under review, the Japanese economy continued on the road to a moderate but steady recovery, supported by increases in capital investment on the back of stronger corporate earnings and by a more favorable consumer mindset spurred by improvements in employment conditions and household incomes.

The market for leased office space received support from the recovery in corporate earnings performance, leading to marked improvement in vacancy rates particularly in central Tokyo. Rents have also been rising for large, newly constructed buildings and other prime properties in central Tokyo. Rents continued to decline slightly in other regional urban centers, with the exception of some major cities such as Osaka, in spite of signs of improvements in the balance of supply and demand.

Regarding the property market, the view that land prices have bottomed out and signs of rising land prices in central Tokyo, as well as the sound market for leased office space, have supported increased investment in

real estate not only by Japanese Real Estate Investment Trusts (J-REITs), but also by newcomers into the market from other areas. Accordingly, competition to acquire prime properties in urban centers has intensified.

I would like to highlight some of the Company’s major achievements during the ninth period, and discuss our strategies and forecasts for the tenth period and beyond.

OVERVIEW OF THE NINTH PERIOD

Performance

The Company recorded operating revenues of ¥14.0 billion (\$118.9 million), an increase of 6.4 percent from the previous period. Operating profits gained 1.5 percent to ¥6.3 billion (\$53.8 million). After deducting expenses for interest payments on borrowings and other administrative costs, income before income taxes rose 1.4 percent to ¥5.6 billion (\$47.6 million) and net income increased 1.4 percent to ¥5.6 billion (\$47.6 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 ¥16,172 (\$137.67) per share.

As of March 31, 2006, the Company’s total asset balance was ¥433.6 billion (\$3,690.7 million). The

The Company acquired ownership of the Kitanomaru Square for ¥81.6 billion (\$694.3 million) on February 24, 2006. As a result, the Company's properties as of March 31, 2006 consisted of 52 office buildings with a total acquisition amount of ¥412.8 billion (\$3,513.8 million).

Company recorded interest-bearing debt of ¥196.5 billion (\$1,672.8 million) on its balance sheets.

Acquisitions and Management

In an increasingly competitive market environment, the Company uses its own information network to collect data on the sale of numerous properties. We make acquisitions based upon meticulous examination of these data, and after determining optimal prices from numerous perspectives, including that of 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. JRE acquired a share of the Lit City Building for ¥4.7 billion (\$39.6 million) on February 1, 2006. In addition, the Company acquired ownership of the Kitanomaru Square for ¥81.6 billion (\$694.3 million) on February 24, 2006. As a result, the Company's assets as of March 31, 2006 consisted of 52 office buildings with a total acquisition amount of ¥412.8 billion (\$3,513.8 million), net leasable floor area of 400,090 m² (4,306,529 ft²), and a total of 782 tenants.

The Company maintained a record-high occupancy rate of 98.7% (as of March 31, 2006) 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. We are working to reduce costs with a view to further enhance profit stability. In light of the recovery in the market for leased office space in central Tokyo, we have also undertaken concrete initiatives aimed at raising the level of rents.

Concerning cost reductions, the Company's basic policy is to lower maintenance cost by five percent of maintenance cost plus utility cost in the first three years of new property acquisition. Of the 39 properties acquired up to the end of the sixth fiscal period (six months ended September 30, 2004), 31 properties are subject to this cost reduction program. We have already reduced costs of those properties by 13.3 percent per year, based on the results of our eighth and ninth fiscal periods (April 1, 2005 to March 31, 2006).

Fund-Raising Activities

Of the total acquisition price of ¥86.2 billion (\$733.9 million) for two properties acquired during the period under review, ¥84.5 billion (\$719.3 million) was covered by short-term loans. Meanwhile, cash on hand raised through the September 29, 2005 issue of ¥10.0 billion (\$85.1 million) worth of investment corporation bonds was used to repay ¥10.0 billion (\$85.1 million) in short-term loans on October 3, 2005. As a result of the above factors, on March 31, 2006, the Company had total interest-bearing liabilities of ¥196.5 billion



Kazuhiko Arahata

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

(\$1,672.8 million), including ¥90.5 billion (\$770.4 million) in short-term loans (up ¥74.5 billion (\$634.2 million) from the previous fiscal period), ¥24.0 billion (\$204.3 million) in the current portion of long-term borrowings (unchanged from the previous fiscal period), ¥27.0 billion (\$229.8 million) in long-term loans (unchanged from the previous fiscal period), and outstanding investment corporation bonds with a par value of ¥55.0 billion (\$468.2 million) (unchanged from the previous fiscal period).

The Company has received the credit ratings listed below 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



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



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

OUTLOOK FOR THE TENTH PERIOD AND BEYOND

Operating Environment

Despite expectations for a sustained recovery in the Japanese economy, uncertainties remain concerning increases in interest rates and the impact of rising crude oil and raw material prices upon corporate earnings performance.

In the office building leasing market, vacancy rates in central Tokyo and certain other regional urban centers are demonstrating marked improvement. In addition, rent levels are expected to rise for a portion of office buildings. At the same time, property selection is evolving in terms of location, building quality and facilities, as well as for high-quality building management and value-added services and trends toward a bipolarization of the market are likely to grow stronger.

For these reasons, tenants have become increasingly discriminating when selecting buildings. We anticipate that it will become even more important for suppliers to provide services that promptly and accurately reflect the needs of tenants, and to deliver

added value that differentiates their buildings from the competition.

In the real estate market, the Company expects active real estate investment to continue by J-REITs, in addition to such entities as private funds, pension funds and institutional investors. Accordingly, we expect that competition to acquire prime properties in urban centers will further increase.

New Property Acquisitions

The Company purchased additional share of co-ownership in the Sanno Grand Building for ¥10.7 billion (\$91.1 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 has a stable rental office market and is bordered by government and other public offices, supporting a strong demand for offices especially from extra-governmental organizations. 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. On the date of acquisition (April 3, 2006), the occupancy rate of the entire building stood at 97.8%.

With our team of dedicated and trustworthy professionals, I am confident that we are prepared for the challenges that lay ahead.

In addition, the Company set up an additional trust fund after purchasing a further share of the Sendai Honcho Honma Building for ¥250 million (\$2.1 million) on June 28, 2006. The acquisition allowed the Company to control 100% of the trust beneficiary rights of the entire building, enabling improved efficiency in the operational management of the building and increased asset value. The building is located in the highly competitive “Aoba Street and Hirose Street” area, a concentrated office area in the city of Sendai. Occupancy rates for this acquisition were 100% as of June 28, 2006.

Properties Sold after March 31, 2006

In order to improve the quality of its property portfolio, the Company sold the trust beneficiary rights in trust of real estate for the JAL Sales Building for ¥2,593.0 million (\$22.1 million), the Niigata Ishizuecho Nishi-Bandaibashi Building for ¥1,490.0 million (\$12.7 million) and the Kanazawa Minamicho Building for ¥1,165.0 million (\$9.9 million), and a real estate property, the Shin-Yokohama First Building for ¥1,755.3 million (\$14.9 million). The total sales value of the four properties amounted to ¥7,003.3 million (\$59.6 million), while the total book value was ¥6,469.1 million (\$55.1 million), as of March 31, 2006. The difference between the total sales value and the total book value was ¥534.2 million (\$4.5 million). The handover for all four properties was executed on June 28, 2006.

Performance Forecasts

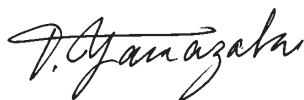
For the six-month period from April 1, 2006 to September 30, 2006 (the tenth fiscal period), we forecast operating revenues of ¥15.2 billion (\$129.7 million), income before income taxes of ¥5.5 billion (\$46.7 million) and net income of ¥5.5 billion (\$46.7 million). We plan to declare a dividend of ¥15,890 (\$135.27) per share.

Our forecasts for the six-month period from

October 1, 2006 to March 31, 2007 (the eleventh fiscal period) are operating revenues of ¥16.2 billion (\$137.9 million), income before income taxes of ¥6.0 billion (\$51.0 million), net income of ¥6.0 billion (\$51.0 million) and cash dividends of ¥17,300 (\$147.27) per share.

The above estimates for the tenth and eleventh periods are based on conservative assumptions of the portfolio consisting of 52 properties as of March 31, 2006, and the acquisition of additional shares in both the Sanno Grand Building on April 3, 2006 and the Sendai Honcho Honma Building on June 28, 2006, but do not include the disposal of four properties: the JAL Sales Building, the Niigata Ishizuecho Nishi-Bandaibashi Building, and Kanazawa Minamicho Building and the Shin-Yokohama First Building on June 28, 2006. Estimates are subject to change in accordance with the acquisition or sale of other properties. These estimates are also based on 345,400 investment shares outstanding as of March 31, 2006.

With our team of dedicated and trustworthy professionals, our portfolio of prime properties and our refined property management policies, I am confident that we are prepared for the challenges that lay ahead. The Company will move forward with boldness and determination to search out and obtain the finest properties available in order to enhance its portfolio and increase shareholder value. I thank all of our shareholders for your unwavering support and understanding.



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 March 31, 2006

PROPERTIES ROSTER

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)
Tokyo 23 wards					
●I- 1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Ownership	10/31/2002	5,000 (1.2%)
●I- 2	Kitanomaru Square	Kudankita, Chiyoda-ku	Ownership	2/24/2006	81,555 (19.8%)
●I- 3	MD Kanda Building	Kandamitoshirocho, Chiyoda-ku	Ownership	5/31/2002	9,520 (2.3%)
●I- 4	Kandabashi Park Building	Kandanishikicho, Chiyoda-ku	Ownership	8/15/2002	4,810 (1.2%)
●I- 5	Mitsubishi Soken Building	Otemachi, Chiyoda-ku	Trust	9/25/2001	27,267 (6.6%)
●I- 6	Nibancho Garden	Nibancho, Chiyoda-ku	Ownership	4/1/2005	14,700 (3.6%)
●I- 7	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Ownership	7/29/2005	7,000 (1.7%)
●I- 8	Sanno Grand Building	Nagatacho, Chiyoda-ku	Ownership	1/31/2005	10,200 (2.5%)
●I- 9	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Ownership	8/1/2003	7,200 (1.7%)
●I- 10	Kodenmachi Shin-Nihonbashi Building	Nihonbashikodenmachi, Chuo-ku	Trust	9/25/2001	3,173 (0.8%)
●I- 11	Burex Kyobashi Building	Kyobashi, Chuo-ku	Ownership	7/22/2002	5,250 (1.3%)
●I- 12	Ginza Sanwa Building	Ginza, Chuo-ku	Ownership	3/10/2005	16,830 (4.1%)
●I- 13	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Ownership	3/15/2005	5,353 (1.3%)
●I- 14	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Ownership	9/10/2003	7,680 (1.9%)
●I- 15	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	9/10/2001	4,859 (1.2%)
●I- 16	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	9/25/2001	2,808 (0.7%)
●I- 17	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/1/2004	7,830 (1.9%)
●I- 18	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/13/2005	9,350 (2.3%)
●I- 19	Takanawadai Building	Higashi-Gotanda, Shinagawa-ku	Trust	9/25/2001	2,738 (0.7%)
●I- 20	Higashi-Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Ownership	11/1/2004	5,500 (1.3%)
●I- 21	JAL Sales Building	Shimomeguro, Meguro-ku	Trust	9/10/2001	1,362 (0.3%)
●I- 22	Omori-Eki Higashiguchi Building	Omori Kita, Ota-ku	Trust	9/10/2001	5,123 (1.2%)
●I- 23	Nippon Brunswick Building	Sendagaya, Shibuya-ku	Ownership	3/24/2004	6,670 (1.6%)
●I- 24	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Ownership	4/1/2004	8,700 (2.1%)
●I- 25	da Vinci Harajuku	Jingumae, Shibuya-ku	Ownership	11/22/2002	4,885 (1.2%)
●I- 26	Jingumae Media Square Building	Jingumae, Shibuya-ku	Ownership	10/9/2003	12,200 (3.0%)
●I- 27	Shibuya Cross Tower	Shibuya, Shibuya-ku	Ownership	11/30/2001	34,600 (8.4%)
●I- 28	Ebisu Neonato	Ebisu, Shibuya-ku	Ownership	11/14/2003	3,740
				4/1/2004	360
				total	4,100 (1.0%)
●I- 29	Harmony Tower	Honcho, Nakano-ku	Ownership	2/28/2005	8,500 (2.1%)
●I- 30	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	9/25/2001	3,541 (0.9%)
●I- 31	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	9/25/2001	1,728 (0.4%)
●I- 32	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Ownership	8/2/2004	4,500 (1.1%)
Tokyo metropolitan area excluding 23 wards					
●II-1	Hachioji First Square	Hachioji, Tokyo	Ownership	3/31/2005	3,300 (0.8%)
●II-2	Saitama Urawa Building	Saitama, Saitama Prefecture	Ownership	9/25/2001	1,232
				10/11/2001	1,342
				total	2,574 (0.6%)
●II-3	Shin-Yokohama First Building	Yokohama, Kanagawa Prefecture	Ownership	1/28/2002	3,000 (0.7%)
●II-4	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	9/25/2001	3,375 (0.8%)
Other major cities					
●III-1	Jozenji Park Building	Sendai, Miyagi Prefecture	Ownership	1/31/2005	1,000 (0.2%)
●III-2	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	9/25/2001	2,924 (0.7%)
●III-3	Niigata Ishizuecho Nishi-Bandaibashi Building	Niigata, Niigata Prefecture	Trust	9/25/2001	1,010 (0.2%)
●III-4	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Ownership	2/28/2002	2,880
				3/3/2003	1,700
				total	4,580 (1.1%)
●III-5	Kanazawa Minamicho Building	Kanazawa, Ishikawa Prefecture	Trust	9/25/2001	1,331 (0.3%)
●III-6	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Ownership	9/10/2001	14,533 (3.5%)
●III-7	Nagoya Misono Building	Nagoya, Aichi Prefecture	Ownership	8/8/2003	1,865 (0.5%)
●III-8	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Ownership	12/20/2001	2,650 (0.6%)
●III-9	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Ownership	9/25/2001	2,264
				12/26/2003	1,900
				total	4,164 (1.0%)
●III-10	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	9/25/2001	6,934
				2/28/2002	7,380
				total	14,314 (3.5%)
●III-11	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	9/25/2001	1,436 (0.3%)
●III-12	Lit City Building	Okayama, Okayama Prefecture	Ownership	2/1/2006	4,650 (1.1%)
●III-13	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Ownership	3/25/2004	1,320 (0.3%)
●III-14	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Ownership	9/25/2001	1,550 (0.4%)
●III-15	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Ownership	6/1/2005	5,000 (1.2%)
●III-16	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	9/10/2001	3,657 (0.9%)
				total	412,766 (100%)

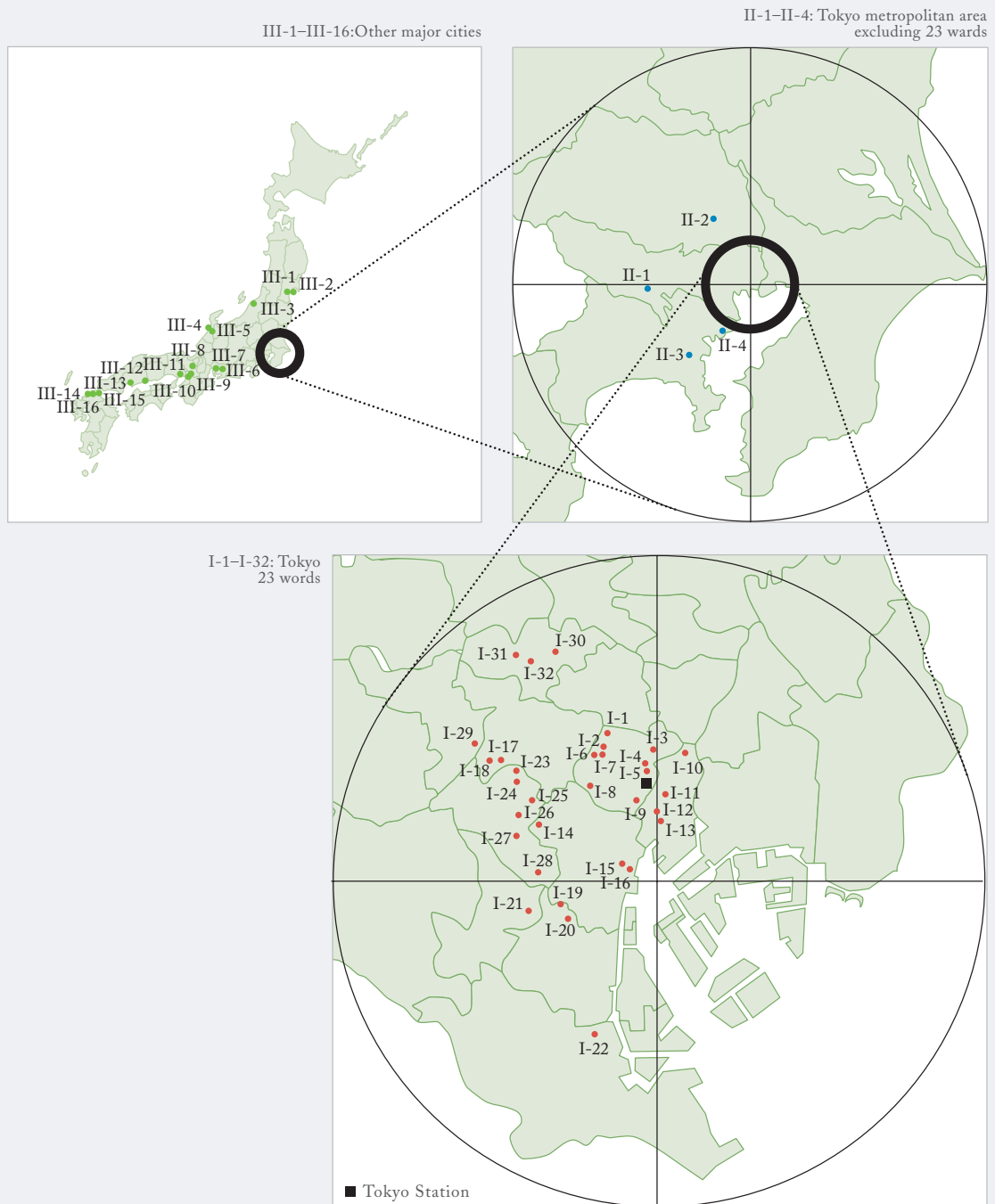
Percentage of ownership of the building (%)	Completion	Appraisal value at the end of period (¥ millions)	Total leasable floor space		Leased area		Total number of tenants	Revenue from leasing operations (¥ millions)	
100	1985	6,210	4,791m ²	(51,570ft ²)	4,791m ²	(51,570ft ²)	1	223	(1.6%)
100	2006	80,200	25,678m ²	(276,395ft ²)	25,678m ²	(276,395ft ²)	5	71	(0.5%)
100	1998	9,080	6,269m ²	(67,479ft ²)	6,269m ²	(67,479ft ²)	2	293	(2.1%)
56.76	1993	5,010	3,687m ²	(39,686ft ²)	3,687m ²	(39,686ft ²)	7	172	(1.2%)
100	1970	31,000	18,006m ²	(193,815ft ²)	18,006m ²	(193,815ft ²)	4	1,062	(7.6%)
31.345	2004	15,800	9,316m ²	(100,276ft ²)	9,316m ²	(100,276ft ²)	1	496	(3.6%)
100	2005	6,880	4,495m ²	(48,384ft ²)	4,495m ²	(48,384ft ²)	1	162	(1.2%)
50	1966	11,400	10,573m ²	(113,807ft ²)	10,339m ²	(111,288ft ²)	51	486	(3.5%)
10.78	1975	7,350	4,694m ²	(50,526ft ²)	4,694m ²	(50,526ft ²)	15	282	(2.0%)
100	1991	3,400	3,897m ²	(41,947ft ²)	3,897m ²	(41,947ft ²)	5	154	(1.1%)
100	2002	6,060	4,279m ²	(46,059ft ²)	4,279m ²	(46,059ft ²)	1	150	(1.1%)
70.95	1982	17,300	4,329m ²	(46,597ft ²)	4,329m ²	(46,597ft ²)	13	372	(2.7%)
100	1998	4,650	2,875m ²	(30,946ft ²)	2,875m ²	(30,946ft ²)	8	133	(1.0%)
100	1982	8,290	3,916m ²	(52,915ft ²)	4,916m ²	(52,915ft ²)	8	245	(1.8%)
100	1984	6,650	9,643m ²	(103,796ft ²)	9,643m ²	(103,796ft ²)	26	301	(2.2%)
100	1992	3,360	4,062m ²	(43,723ft ²)	4,062m ²	(43,723ft ²)	9	129	(0.9%)
100	1989	8,180	6,197m ²	(66,704ft ²)	6,197m ²	(66,704ft ²)	9	239	(1.7%)
8.368	1996	10,400	9,244m ²	(99,501ft ²)	9,137m ²	(98,350ft ²)	109	453	(3.2%)
100	1991	2,650	4,067m ²	(43,777ft ²)	4,067m ²	(43,777ft ²)	1	114	(0.8%)
100	2004	6,520	5,205m ²	(56,026ft ²)	5,205m ²	(56,026ft ²)	4	216	(1.5%)
100	1991	1,490	3,383m ²	(36,414ft ²)	3,383m ²	(36,414ft ²)	1	86	(0.6%)
100	1989	5,390	7,708m ²	(82,968ft ²)	7,548m ²	(81,246ft ²)	18	253	(1.8%)
100	1974	7,910	7,347m ²	(79,082ft ²)	7,298m ²	(78,555ft ²)	18	330	(2.4%)
100	2003	9,620	7,772m ²	(83,657ft ²)	7,772m ²	(83,657ft ²)	1	283	(2.0%)
100	1987	5,900	3,109m ²	(33,465ft ²)	3,109m ²	(33,465ft ²)	4	199	(1.4%)
100	1998	14,090	5,558m ²	(59,826ft ²)	5,558m ²	(59,826ft ²)	9	343	(2.5%)
100	1976	41,600	29,819m ²	(320,969ft ²)	29,726m ²	(319,968ft ²)	52	1,496	(10.7%)
12.29939	1994	5,000	2,462m ²	(26,501ft ²)	2,462m ²	(26,501ft ²)	3	144	(1.0%)
29.253305	1997	10,400	10,929m ²	(117,639ft ²)	10,929m ²	(117,639ft ²)	17	420	(3.0%)
100	1987	3,410	7,114m ²	(76,574ft ²)	6,831m ²	(73,528ft ²)	9	178	(1.3%)
100	1990	1,510	2,186m ²	(23,530ft ²)	2,186m ²	(23,530ft ²)	9	71	(0.5%)
100	1989	5,010	5,797m ²	(62,398ft ²)	5,797m ²	(62,398ft ²)	8	206	(1.5%)
50.6611	1996	3,300	6,336m ²	(68,200ft ²)	6,056m ²	(65,186ft ²)	37	166	(1.2%)
100	1990	2,420	4,510m ²	(48,545ft ²)	4,510m ²	(48,545ft ²)	16	138	(1.0%)
100	1992	1,640	6,925m ²	(74,540ft ²)	6,925m ²	(74,540ft ²)	9	110	(0.8%)
100	1990	3,290	6,831m ²	(73,528ft ²)	6,379m ²	(68,663ft ²)	12	166	(1.2%)
50	1993	1,060	2,518m ²	(27,104ft ²)	2,400m ²	(25,833ft ²)	17	68	(0.5%)
93.39	1991	3,150	5,829m ²	(62,743ft ²)	5,829m ²	(62,743ft ²)	16	149	(1.1%)
100	1984	729	4,383m ²	(47,178ft ²)	4,234m ²	(45,574ft ²)	10	82	(0.6%)
89	1991	5,480	21,202m ²	(228,216ft ²)	20,624m ²	(221,995ft ²)	68	546	(3.9%)
100	1987	985	3,777m ²	(40,655ft ²)	3,568m ²	(38,406ft ²)	16	82	(0.6%)
100	1987	15,900	21,635m ²	(232,877ft ²)	21,084m ²	(226,946ft ²)	29	739	(5.3%)
100	1991	1,890	3,470m ²	(37,351ft ²)	3,470m ²	(37,351ft ²)	9	95	(0.7%)
100	1982	2,090	6,800m ²	(73,195ft ²)	6,800m ²	(73,195ft ²)	33	139	(1.0%)
100	1992	4,400	11,574m ²	(124,581ft ²)	11,574m ²	(124,581ft ²)	18	225	(1.6%)
100	1991	14,600	20,450m ²	(220,122ft ²)	20,450m ²	(220,122ft ²)	25	679	(4.9%)
100	1989	945	3,478m ²	(37,437ft ²)	3,345m ²	(36,005ft ²)	18	62	(0.4%)
27.7488	2005	4,890	9,965m ²	(107,262ft ²)	9,090m ²	(97,844ft ²)	37	82	(0.6%)
27.085	1994	1,490	5,477m ²	(58,954ft ²)	5,335m ²	(57,425ft ²)	12	151	(1.1%)
100	1992	1,360	4,000m ²	(43,056ft ²)	3,848m ²	(41,419ft ²)	19	95	(0.7%)
100	1993	4,970	5,640m ²	(60,708ft ²)	5,080m ²	(54,681ft ²)	24	225	(1.6%)
74.4844	1987	3,490	5,860m ²	(63,076ft ²)	5,657m ²	(60,891ft ²)	12	177	(1.3%)
—	—	439,799	400,090m ²	(4,306,529ft ²)	394,764m ²	(4,249,200ft ²)	782	13,962	(100%)

MAJOR TENANTS ROSTER

Rank	Name of tenant	Name of building	Leased area	Percent of total leased area
1	Banyu Pharmaceutical Company, Ltd.	Kitanomaru Square (also includes 2 other buildings)	17,077m ² (183,815ft ²)	4.3%
2	Mitsubishi Research Institute, Inc.	Mitsubishi Soken Building	14,529m ² (156,389ft ²)	3.7%
3	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes 8 other buildings)	10,302m ² (110,890ft ²)	2.6%
4	Seven & i Holdings Co.,Ltd. (Note 1)	Nibancho Garden Building	9,316m ² (100,276ft ²)	2.4%
5	Space Design, Inc.	Burex Kojimachi Building (also includes 1 other building)	8,774m ² (94,442ft ²)	2.2%
6	FAST RETAILING CO., LTD.	Kitanomaru Square	8,476m ² (91,235ft ²)	2.1%
7	Yamano Gakuen (Note 2)	Yoyogi 1Chome Building	7,772m ² (83,657ft ²)	2.0%
8	TOTO Ltd.	Midosuji Daiwa Building (also includes 1 other building)	6,906m ² (74,335ft ²)	1.7%
9	Toshiba Solutions Corporation	Takanawadai Building (also includes 2 other buildings)	5,331m ² (57,382ft ²)	1.4%
10	Asahi Kasei Pharma Corporation	MD Kanda Building	5,144m ² (55,370ft ²)	1.3%

Notes: 1. The tenantry in the lease agreement of this property was transferred from Ito-Yokado Co., Ltd. to its holding company, Seven & i Holdings Co., Ltd., on December 1, 2005.
 2. The lease agreement concluded with the tenant shall be terminated on April 30, 2007.

LOCATIONS OF PORTFOLIO PROPERTIES



OVERVIEW OF PORTFOLIO PROPERTIES AS OF MARCH 31, 2006

Note: Concerning real estate and other assets of which the Company is partial owner through co-ownership or compartmentalized building units, 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 : 1,052.80m² (11,332.23ft²)
 Floor area of building : 6,722.02m² (72,355.15ft²)
 Structure : Above ground: 8 floors
 Below ground: 1 floor
 Completion : September 1985



Kitanomaru Square

● I-2

Location : Chiyoda-ku, Tokyo
 Site area : 5,821.03m² (62,656.98ft²)
 Floor area of building : 57,279.20m² (616,547.58ft²)
 Structure : Above ground: 26 floors
 Below ground: 2 floors
 Completion : January 2006



MD Kanda Building

● I-3

Location : Chiyoda-ku, Tokyo
 Site area : 1,085.83m² (11,687.77ft²)
 Floor area of building : 8,185.11m² (88,103.71ft²)
 Structure : Above ground: 10 floors
 Completion : February 1998



Kandabashi Park Building

● I-4

Location : Chiyoda-ku, Tokyo
 Site area : 1,218.56m² (13,116.46ft²)
 Floor area of building : 9,370.25m² (100,860.43ft²)
 Structure : Above ground: 10 floors
 Below ground: 1 floor
 Completion : July 1993



Mitsubishi Soken Building

● I-5

Location : Chiyoda-ku, Tokyo
 Site area : 3,441.35m² (37,042.35ft²)
 Floor area of building : 26,372.92m² (283,875.47ft²)
 Structure : Above ground: 15 floors
 Below ground: 2 floors
 Completion : July 1970



Nibancho Garden

● I-6

Location : Chiyoda-ku, Tokyo
 Site Area : 11,003.87m² (118,444.56ft²)
 Floor area of building : 57,031.06m² (613,876.63ft²)
 Structure : Above ground: 14 floors
 Below ground: 2 floors
 Completion : April 2004



Burex Kojimachi Building

● I-7

Location : Chiyoda-ku, Tokyo
 Site Area : 967.67m² (10,415.90ft²)
 Floor area of building : 6,526.64m² (70,252.10ft²)
 Structure : Above ground: 11 floors
 Below ground: 1 floor
 Completion : January 2005



Sanno Grand Building

● I-8

Location : Chiyoda-ku, Tokyo
 Site Area : 3,663.93m² (39,438.18 ft²)
 Floor area of building : 33,875.95m² (364,637.34 ft²)
 Structure : Above ground: 10 floors
 Below ground: 3 floors
 Completion : September 1966



Yurakucho Denki Building

● I-9

Location : Chiyoda-ku, Tokyo
Site area : 5,749.91m² (61,891.46ft²)
Floor area of building : 70,287.65m² (756,569.24ft²)
Structure : Above ground: 20 floors
Below ground: 4 floors
Completion : September 1975



Kodenmachi Shin-Nihonbashi Building

● I-10

Location : Chuo-ku, Tokyo
Site area : 773.28m² (8,323.51ft²)
Floor area of building : 5,822.88m² (62,676.90ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : November 1991



Burex Kyobashi Building

● I-11

Location : Chuo-ku, Tokyo
Site area : 756.03m² (8,137.83ft²)
Floor area of building : 5,470.54m² (58,884.35ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : February 2002



Ginza Sanwa Building

● I-12

Location : Chuo-ku, Tokyo
Site area : 1,119.27m² (12,047.71ft²)
Floor area of building : 8,851.00m² (95,271.28 ft²)
Structure : Above ground: 9 floors
Below ground: 2 floors
Completion : October 1982



Ryoshin Ginza East Mirror Building

● I-13

Location : Chuo-ku, Tokyo
Site area : 615.25m² (6,622.49ft²)
Floor area of building : 4,104.71m² (44,182.69ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : October 1998



Aoyama Crystal Building

● I-14

Location : Minato-ku, Tokyo
Site area : 989.30m² (10,648.73ft²)
Floor area of building : 8,094.36m² (87,126.88ft²)
Structure : Above ground: 10 floors
Below ground: 4 floors
Completion : December 1982



Shiba 2Chome Daimon Building

● I-15

Location : Minato-ku, Tokyo
Site area : 2,820.90m² (30,363.89ft²)
Floor area of building : 16,235.10m² (174,752.99ft²)
Structure : Above ground: 8 floors
Below ground: 2 floors
Completion : March 1984



Cosmo Kanasugibashi Building

● I-16

Location : Minato-ku, Tokyo
Site area : 758.54m² (8,164.85ft²)
Floor area of building : 5,420.93m² (58,350.35ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : March 1992



Shinwa Building

● I-17

Location : Shinjuku-ku, Tokyo
Site area : 822.00m² (8,847.93ft²)
Floor area of building : 8,291.69m² (89,250.92ft²)
Structure : Above ground: 10 floors
Below ground: 1 floor
Completion : November 1989



Tokyo Opera City Building

● I-18

Location : Shinjuku-ku, Tokyo
Site area : 18,236.94m² (196,300.60ft²)
Floor area of building : 232,996.81m² (2,507,954.36ft²)
Structure : Above ground: 54 floors
Below ground: 4 floors
Completion : July 1996



Takanawadai Building

● I-19

Location : Shinagawa-ku, Tokyo
Site area : 1,416.17m² (15,243.51ft²)
Floor area of building : 5,762.70m² (62,029.13ft²)
Structure : Above ground: 13 floors
Completion : January 1991



Higashi-Gotanda 1Chome Building

● I-20

Location : Shinagawa-ku, Tokyo
Site area : 1,539.95m² (16,575.87ft²)
Floor area of building : 6,460.39m² (69,538.99ft²)
Structure : Above ground: 8 floors
Completion : July 2004



JAL Sales Building

● I-21

Location : Meguro-ku, Tokyo
Site area : 1,401.52m² (15,085.82ft²)
Floor area of building : 5,269.58m² (56,721.23ft²)
Structure : Above ground: 6 floors
Below ground: 1 floor
Completion : September 1991



Omori-Eki Higashiguchi Building

● I-22

Location : Ota-ku, Tokyo
Site area : 2,199.30m² (23,673.05ft²)
Floor area of building : 14,095.34m² (151,720.83ft²)
Structure : Above ground: 11 floors
Below ground: 2 floors
Completion : July 1989



Nippon Brunswick Building

● I-23

Location : Shibuya-ku, Tokyo
Site area : 1,497.52m² (16,119.16ft²)
Floor area of building : 11,957.38m² (128,708.04ft²)
Structure : Above ground: 9 floors
Below ground: 2 floors
Completion : March 1974



Yoyogi 1Chome Building

● I-24

Location : Shibuya-ku, Tokyo
Site area : 1,755.75m² (18,898.72ft²)
Floor area of building : 10,778.10m² (116,014.39ft²)
Structure : Above ground: 14 floors
Below ground: 1 floor
Completion : October 2003



da Vinci Harajuku

● I-25

Location : Shibuya-ku, Tokyo
 Site area : 839.66m² (9,038.02ft²)
 Floor area of building : 4,359.20m² (46,921.99ft²)
 Structure : Above ground: 7 floors
 Below ground: 2 floors
 Completion : December 1987



Jingumae Media Square Building

● I-26

Location : Shibuya-ku, Tokyo
 Site area : 2,261.68m² (24,344.50ft²)
 Floor area of building : 9,420.42m² (101,400.46ft²)
 Structure : Above ground: 9 floors
 Below ground: 2 floors
 Completion : March 1998



Shibuya Cross Tower

● I-27

Location : Shibuya-ku, Tokyo
 Site area : 5,153.45m² (55,471.22ft²)
 Floor area of building : 61,862.33m² (665,879.93ft²)
 Structure : Above ground: 32 floors
 Below ground: 3 floors
 Completion : April 1976



Ebisu Neonato

● I-28

Location : Shibuya-ku, Tokyo
 Site area : 5,005.70m² (53,880.85ft²)
 Floor area of building : 36,598.38m² (393,941.30ft²)
 Structure : Above ground: 18 floors
 Below ground: 2 floors
 Completion : October 1994



Harmony Tower

● I-29

Location : Nakano-ku, Tokyo
 Site area : 10,020.52m² (107,859.88 ft²)
 Floor area of building : 72,729.31m² (782,851.02ft²)
 Structure : Above ground: 29 floors
 Below ground: 2 floors
 Completion : March 1997



Otsuka Higashi-Ikebukuro Building

● I-30

Location : Toshima-ku, Tokyo
 Site area : 2,121.39m² (22,834.43ft²)
 Floor area of building : 9,531.28m² (102,593.74ft²)
 Structure : Above ground: 8 floors
 Below ground: 1 floor
 Completion : November 1987



Ikebukuro 2Chome Building

● I-31

Location : Toshima-ku, Tokyo
 Site area : 397.26m² (4,276.07ft²)
 Floor area of building : 3,157.51m² (33,987.12ft²)
 Structure : Above ground: 9 floors
 Below ground: 1 floor
 Completion : May 1990



Ikebukuro YS Building

● I-32

Location : Toshima-ku, Tokyo
 Site area : 1,384.56m² (14,903.27ft²)
 Floor area of building : 7,464.64m² (80,348.64ft²)
 Structure : Above ground: 8 floors
 Below ground: 1 floor
 Completion : December 1989



Hachioji First Square

● II-1

Location: Hachioji, Tokyo
Site area: 2,989.33m² (32,176.85ft²)
Floor area of building: 18,329.98m² (197,302.07ft²)
Structure: Above ground: 12 floors
Below ground: 1 floor
Completion: July 1996



Saitama Urawa Building

● II-2

Location : Saitama, Saitama Prefecture
Site area : 1,533.06m² (16,501.70ft²)
Floor area of building : 6,258.59m² (67,366.84ft²)
Structure : Above ground: 8 floors
Completion : March 1990



Shin-Yokohama First Building

● II-3

Location : Yokohama, Kanagawa Prefecture
Site area : 1,528.00m² (16,447.24ft²)
Floor area of building : 10,403.41m² (111,981.26ft²)
Structure : Above ground: 10 floors
Below ground: 2 floors
Completion : April 1992



Kawasaki Isago Building

● II-4

Location : Kawasaki, Kanagawa Prefecture
Site area : 1,594.50m² (17,163.04ft²)
Floor area of building : 9,623.83m² (103,589.94ft²)
Structure : Above ground: 12 floors
Below ground: 1 floor
Completion : December 1990



Jozenji Park Building

● III-1

Location: Sendai, Miyagi Prefecture
Site area: 1,566.68m² (16,863.59 ft²)
Floor area of building: 7,648.33m² (82,325.86ft²)
Structure: Above ground: 8 floors
Below ground: 1 floor
Completion: January 1993



Sendai Honcho Honma Building

● III-2

Location : Sendai, Miyagi Prefecture
Site area : 1,437.47m² (15,472.78ft²)
Floor area of building : 8,247.50m² (88,775.27ft²)
Structure : Above ground: 11 floors
Completion : November 1991



Niigata Ishizuecho Nishi-Bandaibashi Building

● III-3

Location : Niigata, Niigata Prefecture
Site area : 957.90m² (10,310.74ft²)
Floor area of building : 6,410.33m² (69,000.15ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : November 1984



Kanazawa Park Building

● III-4

Location : Kanazawa, Ishikawa Prefecture
Site area : 6,642.71m² (71,501.47ft²)
Floor area of building : 43,481.20m² (468,027.29ft²)
Structure : Above ground: 12 floors
Below ground: 2 floors
Completion : October 1991



Kanazawa Minamicho Building

● III-5

Location : Kanazawa, Ishikawa Prefecture
Site area : 887.17m² (9,549.41ft²)
Floor area of building : 5,163.19m² (55,576.06ft²)
Structure : Above ground: 9 floors
Completion : March 1987



Nagoya Hirokoji Building

● III-6

Location : Nagoya, Aichi Prefecture
Site area : 4,095.81m² (44,086.89ft²)
Floor area of building : 33,377.73m² (359,274.55ft²)
Structure : Above ground: 18 floors
Below ground: 2 floors
Completion : May 1987



Nagoya Misono Building

● III-7

Location : Nagoya, Aichi Prefecture
Site area : 805.04m² (8,665.37ft²)
Floor area of building : 5,348.00m² (57,565.34ft²)
Structure : Above ground: 7 floors
Below ground: 1 floor
Completion : September 1991



Kyoto Shijo Kawaramachi Building

● III-8

Location : Kyoto, Kyoto Prefecture
Site area : 1,471.57m² (15,839.83ft²)
Floor area of building : 9,701.04m² (104,421.02ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : November 1982



Sakaisujihonmachi Building

● III-9

Location : Osaka, Osaka Prefecture
Site area : 2,036.22m² (21,917.67ft²)
Floor area of building : 17,145.59m² (184,553.42ft²)
Structure : Above ground: 13 floors
Below ground: 2 floors
Completion : October 1992



Midotsuji Daiwa Building

● III-10

Location : Osaka, Osaka Prefecture
Site area : 3,044.65m² (32,772.31ft²)
Floor area of building : 31,213.27m² (335,976.52ft²)
Structure : Above ground: 15 floors
Below ground: 2 floors
Completion : September 1991



Kobe Itomachi Building

● III-11

Location : Kobe, Hyogo Prefecture
Site area : 808.55m² (8,703.15ft²)
Floor area of building : 4,894.09m² (52,679.50ft²)
Structure : Above ground: 10 floors
Completion : September 1989



Lit City Building

● III-12

Location : Okayama, Okayama Prefecture
Site area : 7,596.44m² (81,767.32ft²)
Floor area of building : 52,653.19m² (566,753.67ft²)
Structure : Above ground: 20 floors
Below ground: 2 floors
Completion : June 2005



NHK Hiroshima Broadcasting Center Building

● III-13

Location : Hiroshima, Hiroshima Prefecture
Site area : 3,296.46m² (35,482.77ft²)
Floor area of building : 35,217.28m² (379,075.28ft²)
Structure : Above ground: 23 floors
Below ground: 2 floors
Completion : August 1994



Tosei Tenjin Building

● III-14

Location : Fukuoka, Fukuoka Prefecture
Site area : 1,221.31m² (13,146.06ft²)
Floor area of building : 5,588.57m² (60,154.81ft²)
Structure : Above ground: 8 floors
Completion : March 1992



Tenjin Crystal Building

● III-15

Location : Fukuoka, Fukuoka Prefecture
Site area : 1,835.17m² (19,753.59ft²)
Floor area of building : 10,432.04m² (112,289.44ft²)
Structure : Above ground: 14 floors
Below ground: 1 floor
Completion : August 1993



Hinode Tenjin Building

● III-16

Location : Fukuoka, Fukuoka Prefecture
Site area : 1,452.15m² (15,630.80ft²)
Floor area of building : 12,527.07m² (134,840.13ft²)
Structure : Above ground: 10 floors
Below ground: 2 floors
Completion : August 1987

THE COMPANY'S INVESTMENT POLICIES

(1) INVESTMENT POLICIES

(i) Basic investment policies

The basic investment policies of the Company shall be as follows:

① Basic policies (Article 23 of the Articles of Incorporation)

The Company shall invest primarily in specified assets (the “portfolio real estate assets”), consisting of certain real estate assets and real estate related securities (as defined below) with the goals of achieving stable growth in value over a medium- to long-term period. The terms “real estate assets” and “real estate related securities” shall mean the items listed below.

I. Real estate assets:

1. Real estate
 2. Leaseholds of real estate
 3. Surface rights
 4. Trust beneficiary rights in trust of real estate, leaseholds of land, and surface rights. These assets referred to herein include beneficiary certificates of comprehensive trusts over real estate and moneys incidental thereto, but do not include marketable securities as defined in Article 3, Item 1 of the Cabinet Order of Law on Investment Trusts and Investment Corporations as amended (the “Cabinet Order”).
 5. Trust beneficiary rights in monetary trusts that are invested in real estate, leaseholds of real estate, and surface rights (except for marketable securities)
 6. Equity interests in anonymous partnership relating to a contract that (i) either party makes a contribution to the other party for purposes of management of the assets described in any of the items listed in 1. through 5. above, (ii) the other party manages the contribution as investments principally in any of such assets, and (iii) its profits are distributed (hereinafter referred to as “anonymous partnership equity interest”)
- #### II. Marketable securities, value of which derives principally from real estate assets (the “real estate related securities”) are as follows:
1. Preferred Securities (as defined in Article 2, Paragraph 9 of Asset Liquidation Law, as amended, the “Asset Liquidation Law”) issued by a special purpose company under such Law whose objective is to invest more than half of its assets in real estate assets
 2. Beneficiary certificates (as defined in Article 2, Paragraph 12 of the Investment Trust Law) issued by an investment trust whose objective is to invest more than half of its assets in real estate assets
 3. Certificates for shares (as defined in Article 2, Paragraph 22 of the Investment Trust Law) issued by an investment corporation under such Law whose objective is to invest more than half of its assets in real estate assets
 4. Beneficiary certificates of a special purpose trust (as defined in Article 2, Paragraph 13 under the Asset Liquidation Law), whose objective is to invest more than half of its assets in real estate assets (except for the trust beneficiary rights referred to in 4. and 5. of I. above)

② Investment attitude (Article 24 of the Articles of Incorporation)

The following is the basic policy of investment attitude of the Company, especially its policy concerning the acquisition and holding of the Portfolio Real Estate as set forth in the Articles of Incorporation.

- A. In accordance with the Ministerial Ordinance of the Ministry of Finance, the Company shall make an investment so that at least 75% of its total assets are invested in real estate, leaseholds of real estate, surface rights, trust beneficiary rights (limited to trusts in real estate, surface rights or leaseholds of land), and anonymous partner equity interests (limited to anonymous partner contracts, the assets of which are entrusted in real estate, surface rights, or leaseholds of real estate).
- B. It is the Company's asset investment policy to make an investment, so that the ratio (the “specified real estate ratio”) of the aggregate value of the specified real estate to the aggregate value of the specified assets is at least 75%. The specified real estate shall mean, among the specified assets, the real estate, leaseholds of real estate, surface rights or the trust beneficiary rights of real estate, leaseholds of land and surface rights.
- C. The Company shall principally invest in office buildings which are located in Tokyo and other major metropolitan areas of Japan, including those as such designated by the relevant Cabinet Order.

- D. The Company shall make investment decisions only after it conducts thorough and sufficient due diligence investigations of the relevant real estate assets and becomes fully aware of the investment value in light of the investment climate.
- E. The Company shall invest principally in real estate and trust beneficiary rights in trust of real estate, but may invest in other real estate assets (meaning any asset listed in “I. Real estate assets” above, but excluding the real estate and the trust beneficiary rights in trust of the real estate) and real estate related securities in addition to those described above in light of investment climate at that time and/or the size of the assets.

③ Leasing of corporate assets (Article 27 of the Articles of Incorporation)

The Company may enter into leasing contracts with third parties with regard to real estate assets being specified assets, for the purpose of generating earnings, and may cause the trustees to enter into leasing contracts with third parties with regard to the underlying real estate of the trust beneficiary rights.

④ Loans and corporate bonds (Article 30 of the Articles of Incorporation)

- A. In order to manage the portfolio of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds with a view to utilizing the proceeds thereof toward acquisitions of specified assets, capital improvements of the real estate for lease and the underlying real estate of the trust beneficiary rights and working capital.
- B. The Company shall not make total borrowings, including loans and issuance of corporate bonds, in excess of an aggregate of ¥1 trillion.
- C. The Company may borrow only from qualified institutional investors (the “qualified institutional investors”) referred to in Article 2, Paragraph 3, Item 1 of the Securities and Exchange Law of Japan.

(ii) Guidelines for investment and management of portfolio real estate assets based on basic investment policies

The asset management company, J-Rea, has internally established, for the purpose of properly carrying out the asset management business of the Company, the Japan Real Estate Asset Management Plan (the “Asset Management Plan”) as its internal rule, based on the basic investment policies outlined in section (i), ① through ④ above and in accordance with the asset management agreement (the “Asset Management Agreement”) concluded between the Company and the asset management company dated May 18, 2001, as amended on August 3, 2001 and April 1, 2003. Accordingly, the asset management company manages the portfolio real estate assets in compliance with the Asset Management Plan, with the aim of managing the assets of the Company in an appropriate manner.

The Asset Management Plan has been formed, based on the current Japanese economic environment, real estate market conditions, financial environment, statistics of economy, property conditions and performance of the Company, all at the time of listing on the Tokyo Stock Exchange, or TSE, the medium- and long-term outlook for the real estate market, and experience and know-how accumulated by the asset management company and other various complex factors then available to the investment management company. As such, the asset management company intends to review the Asset Management Plan periodically to determine whether or not they appropriately fit with the external and internal environmental factors. If the asset management company determines that it is in the best interests of the Company and its investors to revise the Asset Management Plan to manage the portfolio, the Asset Management Plan may be revised periodically in line with the Articles of Incorporation and the asset management agreement.

The asset management company will pursue the achievement of internal growth as well as external growth in order to enhance its earnings and stability. Internal growth means that the Company will maximize the profitability of its own existing real estate and other assets. External growth means that the Company will acquire new portfolio real estate assets within such an appropriate price range as may be considered in the best interests of the Company. The asset management company shall conduct the management by taking into account the stability of the cash flow and the expected return from a comprehensive perspective. The asset management company will, in managing the assets, consider various factors, including portfolio composition in terms of geographical diversification, use, size and age as well as the capitalization rate (meaning the return obtained by dividing the cash flow, excluding capital expenditures but after deduction of cost of repairs, by the property acquisition costs). The Company is continuously engaged in market research activities, for the purpose of the external growth, to seek an opportunity to acquire new portfolio real estate assets. Once the Company makes an acquisition decision, the Company shall promptly make a public announcement thereof.

① Guidelines for acquisition of portfolio real estate assets

To achieve the external growth, the guidelines concerning the acquisition of portfolio real estate assets are as follows:

A. Geographic portfolio composition

1. The basic geographical diversification is to make investment of 70% or more of the funds in real estate located in the greater Tokyo metropolitan area and the approximately remaining 30% or less of the funds in cities in other parts of Japan.
2. During the course of expansion of the asset base of the Company, the portfolio composition may tentatively deviate from the investment allocation percentages as outlined above.

B. Property type portfolio composition

In principle, the asset management company will recommend the Company to invest in portfolio real estate assets used for office buildings.

While these assets may mainly be used for office buildings, they may also partially be used for commercial use or, depending on the relevant local municipal regulations, may be used for residential use. Accordingly, the Company may acquire the office buildings with certain portion thereof used for commercial facilities or residential areas.

C. Building size and age in portfolio composition

1. In principle, the asset management company will recommend the Company to invest in land and buildings thereon that have total floor space or size of 3,000 square meters or more per building.
2. In principle, the asset management company will recommend the Company to invest in buildings with the latest earthquake resistance capabilities in compliance with the earthquake resistance standards (meaning the earthquake resistance standards under the “Building Standards Law” which came into effect in 1981, and hereinafter the “earthquake resistance standards”) or buildings with the equivalent capabilities as stated above.
3. In addition to the criteria referred to in 1. and 2. above, the asset management company will recommend the Company to make an investment decision by taking into account such factors as location, building structures (including earthquake resistance standards), facilities (including ceiling height, floor wiring, space per floor, electrical supply, and so forth), and the complexity of ownership and other rights.

D. Due diligence conducted at the time of acquisition

1. Acquisition of the real property

To thoroughly and accurately assess the quality of properties, the asset management company will conduct a comprehensive due diligence of the property from an economic, physical, and legal standpoint.

The asset management company will make use of analytical assessment based on real estate appraisal reports, engineering reports, and seismic reports and real estate market reports issued by independent third party professionals who possess analytical capability and relevant experience.

The asset management company will also make an on-site inspection of the property and hold interviews with persons in charge of property management of the building.

2. The following table shows the due diligence items based on the above.

Type of Research	Details of Research	Source Materials
Economic Analysis	<ul style="list-style-type: none"> — Supply and demand conditions for office buildings in the location under consideration including a future outlook; analysis of market rental rates — Frontage condition, access to major roads and public transportation — Level of discount rate and capitalization rate — Analysis of the current operating costs of the building and room for reduction — Reflection of inspection of the physical conditions of building, legal due diligence, economic analysis of the current building operation — Evaluation of dispositions 	real estate appraisal reports, market reports, on-site inspection
Physical Inspection	<ul style="list-style-type: none"> — Searching the boundary with neighboring properties and status of the over boundary — The level of maintenance for the building and facilities and its state of deterioration — Medium- and long-term estimated repairs and capital expenditure — Building and facility specifications (room layout, ceiling height, heat, ventilation and air-conditioning (HVAC) systems, electrical supply, etc.) — Earthquake resistance capability of the building — Investigation for existence of toxic substances within the building or within the property site — Whether or not there has been any actual damage to the building as a result of natural disasters, such as typhoons, earthquakes, etc. 	documents from the seller, engineering reports, seismic report, on-site inspection
Legal Research	<ul style="list-style-type: none"> — Research into ownership and other rights and mortgages — Research into lease contracts — Certification of the property boundary line, agreement regarding the boundary — Research into the level of compliance with legal requirements for construction and management of the building — Research into management rules, agreements among the owners, and leasehold agreements in cases where the building and land are not owned by a single owner — Research into existence and substance of any agreements with the owners in the neighborhood regarding the countermeasures against defective television radiation acceptance, etc. 	documents from the seller, engineering reports, on-site inspection
Research on the State of Property Management	<ul style="list-style-type: none"> — Investigation into the operations of the property management company and compliance with building management manual — Research into whether or not there have been any suggestions and/or complaints made by tenants against the building management — Tenant composition — Research into the existence of any rules or stipulations governing building management in cases where the property is not owned by a single owner 	documents from the seller, on-site inspection

E. Targeted capitalization rate

1. The asset management company will set a certain target for its capitalization rate and make acquisition of portfolio real estate assets by taking into account the capitalization rate set for the total portfolio.
2. The capitalization rate referred to above may be adjusted from time to time in accordance with changes in the Company's financing policy and/or changes in interest rates.

* The capitalization rate addressed in this section is based on the return calculated by dividing the cash flow (excluding capital expenditure and after deduction of the cost of repairs) by the property acquisition costs.

F. Investment in real estate related securities

The asset management company primarily invests assets in real estate and trust beneficiary rights in trust of real estate. However, in the event that investment is made in real estate related securities, the following are the primary criteria for investments:

- a. The Company intends to make an investment in real estate related securities if the investment opportunity is ensured for the Company to acquire the underlying real estate of such securities upon maturity of the investment period;
- b. The aggregate amount of our investment of the real estate related securities is up to 10% of the total assets of the Company;
- c. The Company makes an investment after it conducts the due diligence on the investment scheme within the real estate related securities and evaluate the profitability and investment grade of the underlining real estate by reference to paragraphs A through E above; and
- d. In case of the investment in real estate related securities involving development of the underlining real estate, the Company will make an investment if the development project is sufficiently reliable, after conducting the due diligence of the development plans from the point of view of risks relating to scheduled completion and delivery as well as risks relating to retaining sufficient tenants upon completion.

② Guidelines for management of portfolio real estate assets

To achieve internal growth, the policy for maintenance and management of portfolio real estate assets is as follows:

A. Policy for maintenance and management

The Company shall, for the purpose of internal growth, make an effort through continuous and strategic capital investments in and management of properties, to increase the tenant satisfaction and competitiveness, maintain and expand the income, such as raising the rent and improving the occupancy ratios, and decrease of costs, such as outsourced maintenance costs and utility charges.

In order to achieve the above, the Company shall consign the management of properties to a suitable property management company after taking into account the nature and conditions of the relevant property. The Company will ensure to achieve these objectives through sound competition among several property management companies having business relation with the Company.

1. Selection of property management companies

When appointing the property management company for the relevant property, the Company shall analyze and select the property management companies, based not only on their general capability and track record as property management company, but also on their understanding of and familiarity with the Company's own operational procedures of management of properties, given that the property management business requires them to coordinate with the asset management company, asset holding company and other administration outsourcing companies, and their involvement in planning of acquisition of property.

2. Evaluation of property management companies

For the purposes of understanding the capability and nature of, and then improving the level of operation of, the property management companies, from the point of view of stable management of the properties of the Company and adequate supervision over the property management companies, the Company generally conducts the evaluation of each property management company at each fiscal period end. The Company and the asset management company shall jointly conduct such evaluation, upon retaining the third party specialists, i.e., evaluation consultant having special expertise, over the following items:

Leasing capability

Capability to maintain the buildings, including management control over the costs

Capability of repair and construction

Reporting capability

External evaluation, including evaluation on customer satisfaction

The Company shall consider the replacement of the property management company if the Company finds out some of them are inadequate as consignee of the property management of the properties after the relevant property management company fails to abide by the instruction to correct certain conducts.

B. Insurance policy

In principle, the Company will carry comprehensive casualty and liability insurance covering all of the properties owned by the Company to protect the properties either from damages to or reduction in revenue arising from natural causes or accidents or any possible financial losses arising from liability claims of third parties. In connection with procuring earthquake insurance, the Company will make a determination based on the amount of the probable maximum loss, or PML, on its properties.

- *1. The Company will carry comprehensive casualty insurance to compensate for financial losses due to damages and accidents except for earthquakes, floods, tidal waves and wars. This type of insurance can also include a special provision that compensates for corporate profits.
- *2. Liability insurance covers the Company from possible financial losses arising from legal claims with regard to physical harm or financial damage to third parties that results from possession, use, occupancy or management of the building.

③ Guidelines for disposal of portfolio real estate assets

In principle, the Company seeks to hold investments over a reasonably long-time and has no particular intention to engage in short-term buying and selling of the properties. In determining the sale of a property, the Company makes a comprehensive analysis and determination by taking into consideration such factors as the outlook for future profitability of that property, the amount that the property has changed in value and the outlook for future additional change in value, the economic outlook and stability for the region in which the portfolio real estate assets are located, the deterioration of the real estate and other assets and the estimate of future expenses associated with its maintenance, and how well the particular property fits with the Company's total portfolio of properties.

(iii) Financing guidelines

The Company has stipulated the following financial guidelines.

- ① In order to manage the assets of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds for purposes of making acquisitions of specified assets, capital improvements for the existing portfolio real estate assets and working capital.
- ② The Company shall not make total borrowings, including loans and issuance of corporate bonds, in excess of an aggregate of ¥1 trillion.
- ③ The Company shall borrow only from qualified institutional investors.
- ④ In principle, the Company shall not borrow funds (including investment corporation bonds) in excess of 65% of the total value of its total assets (the "debt ratio"), and will seek to maintain an even lower debt ratio.
- ⑤ The Company shall seek to borrow funds at the most favorable possible terms in consideration of the economic climate at the time of borrowing, with a view to reducing the future effects of refinancing and achieving the lowest possible financing costs. The Company will compare terms presented from several qualified institutional investors, such as ratio of fixed interest loan, borrowing periods, requirement of collateral for borrowing and so forth, to achieve the best possible terms. However, the financing costs may fluctuate due to changes in unforeseeable economic conditions in instances where penalties, which may arise from prepayment of borrowings, will be determined by the interest rate environment at that time.
- ⑥ The Company may establish lines of credit facility in advance, including a maximum line of credit facilities and a commitment line or future loan agreements to finance timely in need of capital whenever it becomes necessary to acquire additional specified assets.
- ⑦ The Company may use its properties as collateral for borrowing funds.

Borrowing and repayment of funds in the near term will be based on the following policies:

- ① As a flexible response is required when borrowing funds for the further acquisition of relevant assets, short-term borrowing will be the main means for procuring the necessary funds.
- ② Short-term borrowing procured for the acquisition of the assets shall be converted to long-term fixed-interest borrowing or corporate bonds as appropriate, with reference to the finance environment, to achieve low and stable fund procurement costs.

(2) INVESTMENT ASSETS

(i) Assets in which the Company may invest are as follows:

① Real estate assets and real estate related securities

② Other specified assets

1. The Company may invest in the following marketable securities:

- a. Government bonds
- b. Municipal government bonds
- c. Bonds issued by special legal entities under special law
- d. Corporate bonds (except for convertible bonds, bonds with warrants and bonds with stock acquisition rights)
- e. Specified corporate bonds issued by special purpose companies, as set forth in Article 2, Paragraph 1, Item 3-2 of the Securities and Exchange Law
- f. Commercial paper, as set forth in Article 2, Paragraph 1, Item 8 of the Securities and Exchange Law
- g. Securities or certificates which fall within any of the types described in a. through f. above and which are issued by foreign governments or foreign legal entities
- h. Beneficiary certificates except for those described in section (i), ①, II. 2. of (1) of the Investment Policies above
- i. Certificates for shares of investment corporations except for those described in section (i), ①, II. 3. of (1) of the Investment policies above
- j. Corporate bonds issued by investment corporations, as set forth in Article 2, Paragraph 25 of the Investment Trust Law
- k. Shares issued by foreign investment corporations, as set forth in Article 220, Paragraph 1 of the Investment Trust Law
- l. Trust beneficiary certificates of foreign loan receivables, as set forth in Article 2, Paragraph 1, Item 10 of the Securities and Exchange Law
- m. Securities or certificates representing options, as set forth in Article 2, Paragraph 1, Item 10-2 of the Securities and Exchange Law
- n. Depository receipts denominated in Japanese yen of the same nature as for those in a. through d. above, as described in Article 2, Paragraph 1, Item 10-3 of the Securities and Exchange Law
- o. Negotiable certificates of deposit issued by foreign entities denominated in Japanese yen
- p. Trust beneficiary certificates of loan receivables, as set forth in Article 2, Paragraph 2, Item 1 of the Securities and Exchange Law
- q. Rights against a foreign entity which are of the same nature as the rights in item p. above

2. The Company may invest in monetary claims, with the exception of those described in Article 3, Items 1, 12 and 14 of the Cabinet Order.

3. The Company may invest in financial derivatives, as described in Article 3, Item 14 of the Cabinet Order.

4. The Company may invest in stocks (provided, however, that investments may be made when deemed necessary or useful for the basic policies outlined in section (i), ① of (1) of the Investment Policies above.)

③ The Company may invest in trademark rights under the Trademark Law, the right to utilize the trademark exclusively or non-exclusively, and the right to use sources of hot springs as set forth in the Hot Springs Law and facilities related to such hot springs. This is provided, however, that investments may be made when deemed necessary or useful for the basic policies outlined in section (i), ① of (1) of the Investment Policies above.

(ii) Investment criteria and future investment plan in terms of property type, geographical location, and business sector and so forth

Please refer to (i) Basic investment policies and (ii) Guidelines for investment and management of portfolio real estate assets based on Basic investment policies under (1) Investment Policies above.

(3) DISTRIBUTION POLICY

The Company will make cash distributions subsequent to each fiscal period in accordance with the following guidelines.

- (i) In connection with the total cash amount to be distributed to shareholders, accounting profits will be calculated in accordance with the generally accepted accounting principles in Japan (Japanese GAAP).
- (ii) In making cash distributions to the extent of accounting profits, the Company will distribute profits as cash distributions in excess of 90% of the taxable income as defined in Article 67-15 of the Special Taxation Measures Law of Japan.
- (iii) At the appropriate discretion of the board of directors, the Company may, in accordance with Article 137, Paragraph 1 of the Investment Trust Law, make distributions in excess of accounting profits based on the Cash Distribution Statement approved pursuant to Article 131, Paragraph 2 of the Investment Trust Law.
- (iv) The Company is allowed to make distributions in excess of accounting profits to the extent of the amount equivalent to the aggregate of the amount of depreciation for the current period and the amount of accounting profits. However, in cases where cash distributions for the relevant period do not exceed 90% of the “distributable amount” stipulated by Article 39-32-3 of the Cabinet Order of Enforcement of the Special Taxation Measures Law of Japan, the Company may make distributions in excess of accounting profits to the extent of 91% of such distributable amount.
- (v) Distributions need to be made in cash in proportion to the number of shares registered on the final records of shareholders (including the records of beneficial shareholders) as of the close of each fiscal period.
- (vi) In the event that the Company issues additional shares during a business period, the value of the dividends in connection with those shares may be calculated on a daily pro-rated basis, as determined by the board of directors.
- (vii) Besides the above provisions, the Company shall comply with the rules on investment trusts and investment corporations (established on March 16, 2001, as amended) stipulated by the Investment Trusts Association of Japan.
- (viii) If investors need to calculate a profit or loss upon distribution in excess of accounting profits, the Company will not make distributions in excess of accounting profits to the shareholders. However, the Company will be able to make distributions in excess of accounting profits pursuant to clauses (i) through (vii) above if any of the following three conditions is met.
 1. Due to changes of the tax codes or other reasons, it becomes no longer necessary for an individual investor to calculate a gain or loss upon distribution in excess of accounting profits for the period.
 2. Due to changes of the tax codes or other reasons, the board of directors determines that it is appropriate to make distributions in excess of accounting profits such as that individual investors are no longer required under tax codes to calculate in each case his/her profit and loss on sale with regard to the distributions in excess of accounting profits in general.
 3. The board of directors determines that it is necessary to make distributions in excess of accounting profits to meet the distribution requirements.

(4) INVESTMENT RESTRICTIONS

In accordance with the Articles of Incorporation, the investment restrictions of the Company are as follows:

- ① The Company shall not seek to invest aggressively in the marketable securities and monetary claims described in (2) Investment Assets above, but rather make investment to secure stability and liquidity (Article 26 of the Articles of Incorporation).
- ② The Company shall limit its trading activity in financial derivatives to the extent of hedging the interest rate volatility risks, with regard to its debts and other risks (Article 26 of the Articles of Incorporation).
- ③ In order to manage the portfolio of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds (not in excess of ¥1 trillion) with a view to utilizing the proceeds thereof toward acquisitions of specified assets, capital improvements of the real estate for lease and the underlying real estate of trust beneficiary rights and working capital (Article 30 of the Articles of Incorporation).
- ④ The Company shall borrow only from qualified institutional investors (Article 30 of the Articles of Incorporation).

FINANCIAL SECTION

FINANCIAL OVERVIEW OF JAPAN REAL ESTATE INVESTMENT CORPORATION	p.36
BALANCE SHEETS	p.40
STATEMENTS OF INCOME AND RETAINED EARNINGS	p.42
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	p.42
STATEMENTS OF CASH FLOWS	p.43
NOTES TO FINANCIAL STATEMENTS	p.44
REPORT OF INDEPENDENT AUDITORS	p.53

FINANCIAL OVERVIEW OF JAPAN REAL ESTATE INVESTMENT CORPORATION

1. SELECTED FINANCIAL DATA

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	For the period from October 1, 2005 to March 31, 2006	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 October 1, 2005 to March 31, 2006
Operating Revenues	¥ 13,963	¥ 13,120	¥ 10,747	¥ 10,151	¥ 9,560	118,864
Operating Expenses	7,644	6,894	6,046	5,792	5,219	65,070
Operating Profits	6,319	6,226	4,701	4,358	4,341	53,794
Income before Income Taxes	5,587	5,510	4,121	3,831	3,803	47,560
Net Income	5,586	5,509	4,120	3,830	3,802	47,551
Total Assets	433,552	355,968	322,358	257,372	244,523	3,690,748
Interest-Bearing Liabilities	196,500	122,000	159,000	99,000	87,000	1,672,768
Total Shareholders' Equity	207,059	206,982	137,569	137,279	137,250	1,762,652
Shareholders' Capital	201,473	201,473	133,448	133,448	133,448	1,715,101
Number of Shares	345,400	345,400	260,400	260,400	260,400	345,400
Total Shareholders' Equity per Share (Yen/U.S. dollars)	599,475	599,254	528,299	527,185	527,077	5,103.22
Cash Distribution	5,586	5,509	4,120	3,830	3,802	47,551
Dividend Payout Ratio	99.9%	100%	99.9%	99.9%	99.9%	99.9%
Dividend Per Share (Yen/U.S. dollars)	16,172	15,951	15,824	14,711	14,602	137.67
Net Operating Income (NOI)	9,578	8,979	7,131	6,672	6,455	81,536
Funds from Operations (FFO)	7,946	7,527	5,762	5,488	5,301	67,641
Return on Assets (ROA) (Note 2)	1.4%	1.6%	1.4%	1.5%	1.6%	1.4%
	(2.8% annualized)	(3.2% annualized)	(2.9% annualized)	(3.0% annualized)	(3.2% annualized)	(2.8% annualized)
Return on Equity (ROE) (Note 3)	2.7%	2.8%	3.0%	2.8%	2.8%	2.7%
	(5.4% annualized)	(5.6% annualized)	(6.0% annualized)	(5.6% annualized)	(5.7% annualized)	(5.4% annualized)
EOP Equity Ratio (Note 4)	47.8%	58.1%	42.7%	53.3%	56.1%	47.8%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	45.3%	34.3%	49.3%	38.5%	35.6%	45.3%
FFO Multiple	22.1 times	21.1 times	19.7 times	20.8 times	20.4 times	22.1 times
Debt Service Coverage Ratio (Note 6)	12.3 times	14.0 times	11.2 times	12.7 times	13.9 times	12.3 times

Notes 1: Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.47 = US\$1.00, the foreign exchange rate on March 31, 2006, 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 March 31, 2004, 183 days for the period ended September 30, 2004, 182 days for the period ended March 31, 2005, 183 days for the period ended September 30, 2005 and 182 days for the period ended March 31, 2006.)

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

2. CASH DISTRIBUTION

The cash distribution for the period from October 1, 2005 to March 31, 2006 consisted of almost all taxable income for the period, qualifying the Company for special tax treatment as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. The dividend per share was ¥16,172 (\$137.67). With 345,400 shares outstanding, the cash distribution totaled ¥5,585,809 thousand (\$47,550,939). Retained earnings carried forward totaled ¥99,014 (\$843).

(From October 1, 2005 to March 31, 2006)	(Thousands of yen)	(U.S. dollars)
Net income	5,585,837	47,551,184
Retained earnings brought forward	71	598
Distribution (Dividend per share : ¥16,172)	5,585,809	47,550,939
Retained earnings carried forward	99	843

3. PAID-IN CAPITAL

The Company was established with funding from Mitsubishi Estate Co., Ltd. (160 shares), Tokio Marine & Nichido Fire Insurance Co., Ltd. (120 shares) and The Dai-ichi Mutual Life Insurance Company (120 shares), each share representing ¥500,000 (\$4,256). Additional 160,000 shares were issued in an initial public offering at ¥525,000 (\$4,469) each (acceptance price of ¥506,625 (\$4,313)). An additional 65,000 shares were issued on May 8, 2002, at ¥490,980 (\$4,180) per share (acceptance price of ¥475,268 (\$4,046)), an additional 35,000 shares were issued on October 25, 2003, at ¥629,000 (\$5,355) per share (acceptance price of ¥608,456 (\$5,180)) and an additional 85,000 shares were issued on April 26, 2005, at ¥826,000 (\$7,032) per share (acceptance price of ¥800,288 (\$6,813)).

Issue date	Remarks	Common shares outstanding		Paid-in capital			
		Increase	Balance	Increase	Balance		
				(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
May 11, 2001	Private placement	400	400	200	1,703	200	1,703
September 8, 2001	Additional share issue (Initial Public Offering)	160,000	160,400	81,060	690,049	81,260	691,751
May 8, 2002	Additional share issue	65,000	225,400	30,892	262,978	112,152	954,729
October 25, 2003	Additional share issue	35,000	260,400	21,295	181,280	133,448	1,136,018
April 26, 2005	Additional share issue	85,000	345,400	68,024	579,076	201,472	1,715,093

The Company was listed on the Tokyo Stock Exchange on September 10, 2001. Market quotations from that time are as follows:

Month	High	Low	Month	High	Low	Month	High	Low
September 2001 (September 10, 2001 to September 28, 2001)	¥550,000	¥491,000	April 2003	¥641,000	¥591,000	December 2004	¥866,000	¥805,000
October 2001	¥551,000	¥534,000	May 2003	¥699,000	¥631,000	January 2005	¥880,000	¥840,000
November 2001	¥549,000	¥536,000	June 2003	¥660,000	¥626,000	February 2005	¥893,000	¥852,000
December 2001	¥542,000	¥485,000	July 2003	¥657,000	¥630,000	March 2005	¥886,000	¥856,000
January 2002	¥510,000	¥480,000	August 2003	¥665,000	¥640,000	April 2005	¥893,000	¥842,000
February 2002	¥531,000	¥499,000	September 2003	¥678,000	¥636,000	May 2005	¥878,000	¥862,000
March 2002	¥560,000	¥527,000	October 2003	¥655,000	¥634,000	June 2005	¥945,000	¥869,000
April 2002	¥524,000	¥495,000	November 2003	¥669,000	¥639,000	July 2005	¥1,000,000	¥939,000
May 2002	¥527,000	¥497,000	December 2003	¥678,000	¥656,000	August 2005	¥960,000	¥882,000
June 2002	¥525,000	¥512,000	January 2004	¥707,000	¥678,000	September 2005	¥947,000	¥856,000
July 2002	¥528,000	¥518,000	February 2004	¥715,000	¥692,000	October 2005	¥900,000	¥867,000
August 2002	¥534,000	¥520,000	March 2004	¥840,000	¥714,000	November 2005	¥944,000	¥883,000
September 2002	¥540,000	¥505,000	April 2004	¥830,000	¥748,000	December 2005	¥978,000	¥913,000
October 2002	¥543,000	¥508,000	May 2004	¥771,000	¥702,000	January 2006	¥1,000,000	¥949,000
November 2002	¥563,000	¥531,000	June 2004	¥765,000	¥735,000	February 2006	¥1,070,000	¥981,000
December 2002	¥609,000	¥552,000	July 2004	¥795,000	¥753,000	March 2006	¥1,070,000	¥985,000
January 2003	¥609,000	¥560,000	August 2004	¥844,000	¥785,000	April 2006	¥1,040,000	¥1,000,000
February 2003	¥595,000	¥569,000	September 2004	¥882,000	¥832,000	May 2006	¥1,100,000	¥995,000
March 2003	¥603,000	¥573,000	October 2004	¥874,000	¥830,000	June 2006	¥1,030,000	¥904,000
			November 2004	¥857,000	¥820,000			

4. OVERVIEW OF BORROWINGS

The following is a list of the Company's borrowings showing amounts and lending institutions as of March 31, 2006.

Category	Lender	Balance		Average interest rate (%)	Due	Use of funds	Remarks
		(Millions of yen)	(Thousands of U.S. dollars)				
Short-term debt	The Daishi Bank, Ltd.	—	—	0.2475	October 29, 2005	Repayment of existing short-term loans	Unsecured/Unguaranteed/Senior/Floating rate
	The Yamanashi Chuo Bank, Ltd.	2,000	17,026	0.25198	June 15, 2006		
	Mitsubishi UFJ Trust & Banking Corporation	—	—	0.22	July 31, 2006		
	Mitsubishi UFJ Trust & Banking Corporation	2,000	17,026	0.25555	September 13, 2006	Purchase of real estate	
	The Daishi Bank, Ltd.	2,000	17,026	0.2475	October 31, 2006	Repayment of existing short-term loans	
	Mitsubishi UFJ Trust & Banking Corporation	4,500	38,308	0.2609	February 1, 2007	Purchase of real estate	
	Mitsubishi UFJ Trust & Banking Corporation	22,000	187,282	0.2745	February 23, 2007	Purchase of real estate trust beneficiary rights	
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,000	136,205	0.2745	February 23, 2007		
	Mizuho Corporate Bank, Ltd.	16,000	136,205	0.2745	February 23, 2007		
	The Sumitomo Trust & Banking Co., Ltd.	16,000	136,205	0.2745	February 23, 2007		
	Shinsei Bank, Ltd.	10,000	85,128	0.2745	February 23, 2007		
Subtotal	90,500	770,409					

Category	Lender	Balance		Average interest rate (%)	Due	Use of funds	Remarks
		(Millions of yen)	(Thousands of U.S. dollars)				
Current portion of long-term debt	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,000	51,077	1.12	Expected principal repayment date June 23, 2006	Purchase of real estate trust beneficiary rights	Secured/Unguaranteed/ Senior/Fixed rate
	Mizuho Corporate Bank, Ltd.	6,000	51,077		Final principal repayment date June 23, 2008		
	The Sumitomo Trust & Banking Co., Ltd.	5,200	44,267				
	Mitsubishi UFJ Trust & Banking Corporation	5,200	44,267				
	Sompo Japan Insurance Inc.	1,600	13,620				
	Subtotal	24,000	204,307				
Long-term debt	The Iyo Bank, Ltd.	2,000	17,026	1.0575	March 24, 2009	Purchase of real estate	Secured/Unguaranteed/ Senior/Fixed rate
	The Dai-ichi Mutual Life Insurance Company	5,000	42,564	1.015	March 30, 2009		
	The Taiyo Life Insurance Company	2,000	17,026	1.47125	March 30, 2011		
	The Chugoku Bank, Ltd.	3,000	25,538	0.90875	June 15, 2007	Repayment of existing short-term loans	
	The Bank of Fukuoka, Ltd.	3,000	25,538	0.78375	August 31, 2007	Purchase of real estate	
	Mitsui Life Insurance Co., Ltd.	5,000	42,564	1.50125	August 31, 2011	Repayment of existing short-term loans	
	Mitsui Life Insurance Co., Ltd.	2,000	17,026	1.55	October 29, 2012	Purchase of real estate	
	National Mutual Insurance Federation of Agricultural Cooperatives	5,000	42,564	1.33125	November 1, 2011	Purchase of real estate	
Total		27,000	229,846				

5. BONDS ISSUED BY THE COMPANY

Our past investment corporation bond issues are as follows, as of March 31, 2006.

First issue of investment corporation bonds

Total principal amount of bonds	¥25 billion (\$213 million)
Issue price	¥100 (\$0.85) (par value)
Interest rate	1.32% annually
Closing date	June 21, 2002
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on June 21, 2007 Cancellation upon repurchase may be made at any time.

Second issue of investment corporation bonds

Total principal amount of bonds	¥10 billion (\$85 million)
Issue price	¥100 (\$0.85) (par value)
Interest rate	0.69% annually
Closing date	April 30, 2003
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on April 30, 2008 Cancellation upon repurchase may be made at any time.

Third issue of investment corporation bonds

Total principal amount of bonds	¥10 billion (\$85 million)
Issue price	¥100 (\$0.85) (par value)
Interest rate	0.98% annually
Closing date	April 30, 2003
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on April 30, 2010 Cancellation upon repurchase may be made at any time.

Fourth issue of investment corporation bonds

Total principal amount of bonds	¥10 billion (\$85 million)
Issue price	¥100 (\$0.85) (par value)
Interest rate	2.56% annually
Closing date	September 29, 2005
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on September 29, 2025 Cancellation upon repurchase may be made at any time.

6. CAPITAL EXPENDITURES FOR EXISTING PROPERTIES

a. PLANNED CAPITAL EXPENDITURES

The following table represents the main capital expenditures planned for renovations of existing properties, as of March 31, 2006. The total expected construction amount includes portions that will be accounted for as ordinary expenses.

Property (Location)	Objective	Estimated duration	Expected construction amounts		Planned payment for the period under review	Previously paid total
			(Millions of yen)	(Thousands of U.S. dollars)		
Sanno Grand Building (Chiyoda-ku, Tokyo)	Functional maintenance (air conditioner renewal work [fourth phase])	From June 2006 to March 2007	165	1,405	—	—
Shibuya Cross Tower (Shibuya-ku, Tokyo)	Functional maintenance (BEMS work*)	From April 2005 to August 2006	965	8,215	371	291
Ikebukuro YS Building (Toshima-ku, Tokyo)	Functional maintenance (air conditioner renewal work [first phase])	From May 2006 to September 2006	105	894	—	—
Ikebukuro YS Building (Toshima-ku, Tokyo)	Functional maintenance (air conditioner renewal work [second phase])	From October 2006 to March 2007	245	2,086	—	—
Jozenji Park Building (Sendai, Miyagi prefecture)	Improve profitability (renewal of common areas of standard floors)	From July 2006 to October 2006	11	94	—	—
Hinode Tenjin Building (Fukuoka, Fukuoka prefecture)	Improve profitability (individual air conditioner renewal work [first phase])	From May 2006 to May 2006	74	630	—	—

*Building Energy Management System

b. CAPITAL EXPENDITURES DURING THE PERIOD ENDED MARCH 31, 2006

The following table represents the main capital expenditures for acquired properties during the period under review. Capital expenditures amounted to ¥1,200 million (\$10,215 thousand), with repairs and maintenance adding ¥528 million (\$4,495 thousand) throughout the term for a total of ¥1,728 million (\$14,710 thousand).

Capital expenditures during the fiscal period under review were mainly for renewal of common areas for rent in the Nippon Brunswick Building and functional maintenance in the Shibuya Cross Tower. Other real estate and related work included regular maintenance and refurbishments of toilets and lighting.

Property (Location)	Objective	Duration	Construction amounts	
			(Millions of yen)	(Thousands of U.S. dollars)
Nippon Brunswick Building (Shibuya-ku, Tokyo)	Improve profitability (renewal of common areas [first phase])	From March 2005 to October 2005	104	885
Shibuya Cross Tower (Shibuya-ku, Tokyo)	Functional maintenance (first phase work on upgrading heating equipment)	From February 2005 to March 2006	414	3,524
Other properties			681	5,797
Total			1,200	10,215

c. CASH RESERVES AT END OF PERIOD (RESERVES FOR CAPITAL IMPROVEMENTS)

In order to prepare for renovation of facilities useful for maintaining the value of properties for the future, the Company accumulates cash reserves each period for capital improvements that will be conducted based on the medium- to long-term renovation strategy formulated for each of the properties. Cash reserves over the period under review were as follows:

	(Millions of yen)				(Thousands of U.S. dollars)
	For the period from October 1, 2005 to March 31, 2006	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, 2005 to March 31, 2006
Reserve balance at the beginning of the period	425	331	225	155	3,618
Amount accumulated	979	923	840	824	8,334
Withdrawal from reserves	864	829	734	754	7,355
Amount carried forward	540	425	331	225	4,597

BALANCE SHEETS

As of March 31, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars (Note 1)
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
ASSETS			
Current Assets:			
Cash and bank deposits	¥ 17,485,196	¥ 26,939,579	\$ 148,848,186
Rental receivables	74,566	85,373	634,767
Consumption tax refundable	1,001,998	254,084	8,529,824
Other current assets	220,424	649,529	1,876,423
Total current assets	18,782,184	27,928,565	159,889,200
Property and Equipment, at Cost:			
Land	283,232,146	224,595,204	2,411,101,952
Buildings and structures	138,304,738	109,182,708	1,177,362,199
Machinery and equipment	2,178,032	1,732,022	18,541,178
Tools, furniture and fixtures	50,737	18,142	431,913
Construction in progress	1,149,831	324,357	9,788,297
Subtotal	424,915,484	335,852,433	3,617,225,539
Less accumulated depreciation	(14,148,307)	(11,788,363)	(120,441,860)
Net property and equipment	410,767,177	324,064,070	3,496,783,679
Investments and Other Assets:			
Investment securities	1,004,798	958,798	8,553,653
Deposits	12,975	15,109	110,451
Long-term prepaid expenses	4,198	10,909	35,725
Leasehold rights	2,112,907	2,112,907	17,986,780
Easement	828,095	828,095	7,049,420
Deferred investment corporation bond issuance costs	39,888	49,860	339,559
Total Assets	¥433,552,222	¥355,968,313	\$3,690,748,467

The accompanying notes form an integral part of these financial statements

	Thousands of yen		U.S. dollars (Note 1)
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
LIABILITIES			
Current Liabilities:			
Trade accounts payable	¥ 684,600	¥ 382,468	\$ 5,827,874
Other payables	846,564	932,365	7,206,639
Short-term loans	90,500,000	16,000,000	770,409,466
Current portion of long-term loan	24,000,000	24,000,000	204,307,483
Accrued expenses	319,538	298,429	2,720,166
Accrued income taxes	1,010	964	8,598
Rent received in advance	2,608,745	2,422,968	22,207,757
Other current liabilities	295,916	10,495	2,519,081
Total current liabilities	119,256,373	44,047,689	1,015,207,064
Long-Term Liabilities:			
Investment corporation bonds	55,000,000	55,000,000	468,204,648
Long-term loans	27,000,000	27,000,000	229,845,918
Deposits from tenants	25,237,081	22,644,218	214,838,518
Other	—	294,000	—
Total long-term liabilities	107,237,081	104,938,218	912,889,084
Total Liabilities	226,493,454	148,985,907	1,928,096,148
SHAREHOLDERS' EQUITY			
Shareholders' capital	201,472,860	201,472,860	1,715,100,537
Retained earnings	5,585,908	5,509,546	47,551,782
Total shareholders' equity	207,058,768	206,982,406	1,762,652,319
Total Liabilities and Shareholders' Equity	¥433,552,222	¥355,968,313	\$3,690,748,467

The accompanying notes form an integral part of these financial statements

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six months ended March 31, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars (Note 1)
	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2005 to March 31, 2006
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenues	¥13,899,176	¥13,076,552	\$118,321,070
Non-rental revenues	63,749	43,355	542,686
Total operating revenues	13,962,925	13,119,907	118,863,756
Operating Expenses:			
Property-related expenses	6,744,815	6,158,114	57,417,344
Asset management fees	571,458	392,914	4,864,713
Administrative service fees	230,858	228,974	1,965,254
Other operating expenses	96,623	113,716	822,536
Total operating expenses	7,643,754	6,893,718	65,069,847
Operating profits	6,319,171	6,226,189	53,793,909
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	45	27	382
Other non-operating revenues	2,795	11,752	23,797
Non-Operating Expenses:			
Interest expense	327,839	328,662	2,790,831
Interest expense on investment corporation bonds	376,500	249,201	3,205,074
Amortization of investment corporation bond issuance costs	9,972	9,972	84,890
New share issuance costs	—	116,295	—
Other non-operating expenses	20,846	23,431	177,457
Income before Income Taxes	5,586,854	5,510,407	47,559,836
Income Taxes:			
Current	1,019	969	8,673
Deferred	(2)	2	(21)
Net Income	5,585,837	5,509,436	47,551,184
Retained Earnings brought forward	71	110	598
Retained Earnings at end of period	¥ 5,585,908	¥ 5,509,546	\$ 47,551,782

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended March 31, 2006 and September 30, 2005

	Shares	Thousands of yen	U.S. dollars (Note 1)
	Balance as of March 31, 2005	260,400	¥137,569,060
Public offering	85,000	68,024,480	
Cash dividends paid	—	(4,120,570)	
Net income	—	5,509,436	
Balance as of September 30, 2005	345,400	¥206,982,406	\$1,762,002,262
Cash dividends paid	—	(5,509,475)	(46,901,127)
Net income	—	5,585,837	47,551,184
Balance as of March 31, 2006	345,400	¥207,058,768	\$1,762,652,319

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS

For the six months ended March 31, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars (Note 1)
	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2005 to March 31, 2006
Cash Flows from Operating Activities			
Income before income taxes	¥ 5,586,854	¥ 5,510,407	\$ 47,559,836
Depreciation and amortization	2,359,942	2,017,176	20,089,746
Loss on retirement of property and equipment	—	1,419	—
Amortization of investment corporation bond issuance costs	9,972	9,972	84,890
New share issuance costs	—	116,295	—
Interest income	(45)	(27)	(382)
Interest expense	704,339	577,863	5,995,905
Changes in assets and liabilities			
Rental receivables and other receivables	10,807	(50,098)	91,994
Consumption tax refundable	(747,914)	168,118	(6,366,853)
Prepaid expenses	(21,561)	8,537	(183,547)
Trade accounts payable	302,132	(325,817)	2,571,991
Other payables	(81,801)	213,997	(696,356)
Accrued expenses	(110)	4,000	(933)
Rent received in advance	185,777	(37,959)	1,581,489
Long-term prepaid expenses	6,713	6,713	57,146
Other long-term liabilities	(294,000)	(294,000)	(2,502,767)
Other	371,977	3,071	3,166,570
Subtotal	8,393,082	7,929,667	71,448,729
Interest received	45	27	382
Interest paid	(687,121)	(586,369)	(5,849,329)
Income taxes paid	(973)	(1,003)	(8,281)
Net cash provided by operating activities	7,705,033	7,342,322	65,591,501
Cash Flows from Investing Activities			
Purchases of property and equipment	(88,698,937)	(37,109,136)	(755,077,356)
Purchases of intangible assets	—	(1,028,918)	—
Purchases of investment securities	(46,000)	(2,798)	(391,589)
Payments of deposits	—	(875)	—
Proceeds from deposits	2,134	—	18,166
Proceeds from lease deposits received	3,256,479	2,253,267	27,721,795
Repayment of lease deposits	(663,617)	(603,991)	(5,649,246)
Net cash used in investing activities	(86,149,941)	(36,492,451)	(733,378,230)
Cash Flows from Financing Activities			
Proceeds from short-term loans	86,500,000	14,000,000	736,358,219
Repayment of short-term loans	(12,000,000)	(61,000,000)	(102,153,741)
Proceeds from investment corporation bonds	—	10,000,000	—
Payments of investment corporation bond issuance costs	—	(59,832)	—
Proceeds from issuance of shares	—	68,024,480	—
Payment of new share issuance costs	—	(116,295)	—
Dividends to shareholders	(5,509,475)	(4,120,570)	(46,901,127)
Net cash provided by financing activities	68,990,525	26,727,783	587,303,351
Net decrease in Cash and Cash Equivalents	(9,454,383)	(2,422,346)	(80,483,378)
Cash and Cash Equivalents at beginning of Period	26,939,579	29,361,925	229,331,564
Cash and Cash Equivalents at end of Period	¥ 17,485,196	¥ 26,939,579	\$ 148,848,186

The accompanying notes form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

March 31, 2006 and September 30, 2005

1. ORGANIZATION AND BASIS OF PRESENTATION

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 The 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 March 31, 2006, the Company had total shareholders’ equity of ¥201,473 million with 345,400 outstanding shares.

At March 31, 2006, the Company owned a portfolio of 52 office properties concerning an aggregate of approximately 400,090 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 ¥117.47=US\$1.00, the foreign exchange rate on March 31, 2006, 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

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 income as incurred. Significant renewals and betterments are capitalized.

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 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 periods ended March 31, 2006 and September 30, 2005.

Deferred charges

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

Investment corporation bond issuance costs are amortized using the straight-line method over three years.

New share issuance costs are charged to income 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.

3. INVESTMENT SECURITIES

Investment securities recorded at cost at March 31, 2006 and September 30, 2005 are summarized as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Other securities			
Non-listed stock	¥1,004,798	¥958,798	\$8,553,653

4. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2006 and September 30, 2005 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2006		As of September 30, 2005		As of March 31, 2006	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥226,564,682	¥226,564,682	¥167,927,740	¥167,927,740	\$1,928,702,491	\$1,928,702,491
Buildings and structures	113,767,762		84,710,571		968,483,545	
Accumulated depreciation	9,082,162	104,685,600	7,248,141	77,462,430	77,314,731	891,168,814
Machinery and equipment	1,533,824		1,087,814		13,057,159	
Accumulated depreciation	379,413	1,154,411	314,601	773,213	3,229,874	9,827,285
Tools, furniture and fixtures	41,111		8,516		349,965	
Accumulated depreciation	3,532	37,579	2,470	6,046	30,063	319,902
Construction in progress	1,149,831	1,149,831	324,357	324,357	9,788,297	9,788,297
Land in trust	56,667,464	56,667,464	56,667,464	56,667,464	482,399,461	482,399,461
Buildings and structures in trust	24,536,976		24,472,137		208,878,654	
Accumulated depreciation	4,355,726	20,181,250	3,929,924	20,542,213	37,079,473	171,799,181
Machinery and equipment in trust	644,208		644,208		5,484,019	
Accumulated depreciation	325,219	318,989	291,345	352,863	2,768,525	2,715,494
Tools, furniture and fixtures in trust	9,626		9,626		81,948	
Accumulated depreciation	2,255	7,371	1,882	7,744	19,194	62,754
Total		¥410,767,177		¥324,064,070		\$3,496,783,679

5. SHORT-TERM LOANS

Short-term loans at March 31, 2006 and September 30, 2005 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Unsecured loan from a bank with variable interest, due on October 29, 2005	¥ —	¥ 2,000,000	\$ —
Unsecured loan from a bank with variable interest, due on June 15, 2006	2,000,000	2,000,000	17,025,624
Unsecured loan from a trust bank with variable interest, due on July 31, 2006	—	3,000,000	—
Unsecured loan from a trust bank with variable interest, due on September 13, 2006	2,000,000	9,000,000	17,025,624
Unsecured loan from a bank with variable interest, due on October 31, 2006	2,000,000	—	17,025,624
Unsecured loan from a trust bank with variable interest, due on February 1, 2007	4,500,000	—	38,307,653
Unsecured loans from banks and trust banks with variable interest, due on February 23, 2007	80,000,000	—	681,024,941
Total	¥90,500,000	¥16,000,000	\$770,409,466

The weighted average interest rates applicable to the short-term loans at March 31, 2006 and September 30, 2005 were 0.27255% and 0.22553%, respectively, per annum.

Since the period ended September 30, 2005, the Company has been committing credit lines of ¥20,000 million (\$17,025,624 thousand) with certain financial institutions to reduce a refinancing risk. The unused amount of such committed credit lines was ¥20,000 million (\$17,025,624 thousand) at March 31, 2006.

6. INVESTMENT CORPORATION BONDS

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

	As of March 31, 2006		As of September 30, 2005		As of March 31, 2006
	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%	\$212,820,294
Unsecured bonds due on April 30, 2008	10,000,000	0.69%	10,000,000	0.69%	85,128,118
Unsecured bonds due on April 30, 2010	10,000,000	0.98%	10,000,000	0.98%	85,128,118
Unsecured bonds due on September 29, 2025	10,000,000	2.56%	10,000,000	2.56%	85,128,118
Total	¥55,000,000		¥55,000,000		\$468,204,648

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

Long-term loans at March 31, 2006 and September 30, 2005 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
1.120% secured loans from banks, trust banks, and an insurance company, due on June 23, 2006	¥ 24,000,000	¥ 24,000,000	\$ 204,307,483
0.90875% unsecured loan from a bank, due on June 15, 2007	3,000,000	3,000,000	25,538,436
0.78375% unsecured loan from a bank, due on August 31, 2007	3,000,000	3,000,000	25,538,436
1.0575% unsecured loan from a bank, due on March 24, 2009	2,000,000	2,000,000	17,025,624
1.015% unsecured loan from an insurance company, due on March 30, 2009	5,000,000	5,000,000	42,564,058
1.47125% unsecured loan from an insurance company, due on March 30, 2011	2,000,000	2,000,000	17,025,624
1.50125% unsecured loan from an insurance company, due on August 31, 2011	5,000,000	5,000,000	42,564,058
1.55% unsecured loan from an insurance company, due on October 29, 2012	2,000,000	2,000,000	17,025,624
1.33125% unsecured loan from another financial institution, due on November 1, 2011	5,000,000	5,000,000	42,564,058
Subtotal	¥ 51,000,000	¥ 51,000,000	\$ 434,153,401
Less: current portion of long-term loan	(24,000,000)	(24,000,000)	(204,307,483)
Total	¥ 27,000,000	¥ 27,000,000	\$ 229,845,918

8. SECURED ASSETS

At March 31, 2006 and September 30, 2005, the following assets were pledged as collateral for the following loans:

Pledged assets:	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Bank deposits	¥ 8,000,493	¥ 7,895,029	\$ 68,106,687
Land and leasehold rights	47,765,093	47,765,093	406,615,247
Buildings and structures	15,824,731	16,099,186	134,712,957
Machinery and equipment	268,777	297,960	2,288,048
Tools, furniture and fixtures	7,372	7,744	62,755
Total	¥71,866,466	¥72,065,012	\$611,785,694

Loans secured by the pledged assets:	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Current portion of long-term loan	¥24,000,000	¥24,000,000	\$204,307,483
Total	¥24,000,000	¥24,000,000	\$204,307,483

9. SHAREHOLDERS' EQUITY

The Company is required to maintain net assets of at least ¥50 million (\$426 thousand), as required pursuant to the Investment Trust Law.

10. INCOME TAXES

At March 31, 2006 and September 30, 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 March 31, 2006, and September 30, 2005 were as follows:

	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 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 ¥5,586 million (\$47,551 thousand) subsequent to March 31, 2006 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 March 31, 2006 and September 30, 2005, and for the periods then ended:

	Yen		U.S. dollars
	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2005 to March 31, 2006
Net assets at period end per share	¥599,475	¥599,254	\$5,103
Net income per share	¥ 16,172	¥ 16,505	\$ 138

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, Mizuho Securities Co., Ltd. and certain affiliates of MEC, TMN and Mitsui & Co., Ltd.

	Thousands of yen		U.S. dollars
	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2005 to March 31, 2006
Purchase of the properties	¥ —	¥14,700,000	\$ —
Property management fees	889,415	741,990	7,571,424
Utilities	61,531	70,139	523,798
Insurance	68,023	2,037	579,064
Other operating expenses	4,043	7,054	34,414
Repair and maintenance	395,331	267,945	3,365,381
Underwriting commission	—	45,000	—

13. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six months ended March 31, 2006 and September 30, 2005

	Thousands of yen		U.S. dollars
	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2005 to March 31, 2006
Property-Related Revenues	¥13,962,925	¥13,119,907	\$118,863,756
Rental Revenues	13,899,176	13,076,552	118,321,070
Rental revenues	10,216,646	9,664,349	86,972,386
Common area charges	2,286,350	2,100,331	19,463,271
Parking revenues	462,240	451,950	3,934,959
Other rental revenues	933,940	859,922	7,950,454
Non-Rental Revenues	63,749	43,355	542,686
Cancellation charges	38,350	39,566	326,471
Other miscellaneous revenues	25,399	3,789	216,215
Property-Related Expenses	6,744,815	6,158,114	57,417,344
Property management fees	1,684,380	1,554,810	14,338,809
Utilities expenses	1,068,683	1,012,500	9,097,492
Property and other taxes	1,035,498	1,035,966	8,814,997
Casualty insurance	35,242	33,111	300,012
Repairs and maintenance	528,519	474,299	4,499,186
Depreciation	2,359,942	2,017,176	20,089,746
Other rental expenses	32,551	30,252	277,102
Profits	¥ 7,218,110	¥ 6,961,793	\$ 61,446,412

14. LEASES

The Company owns office buildings under leases and earns rent income. As of March 31, 2006 and September 30, 2005, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2006	As of September 30, 2005	As of March 31, 2006
Due within one year	¥ 8,482,391	¥ 7,275,000	\$ 72,208,995
Due after one year	31,833,988	27,329,530	270,996,752
Total	¥40,316,379	¥34,604,530	\$343,205,747

15. SUBSEQUENT EVENTS

Appropriation of retained earnings

On May 25, 2006, the Board of Directors resolved to effect the payment of a cash distribution of ¥16,172 per share aggregating ¥5,586 million (\$47,551 thousand) to shareholders at the record date of March 31, 2006.

Dispositions of Properties

On June 13, 2006, the Company resolved to dispose four properties as follows in accordance with its asset management policy stipulated by the Articles of Incorporation.

Consumption taxes and adjustments of property taxes are excluded from the sales prices.

(a) JAL Sales Building

1. Sales price	¥2,593 million
2. Type of assets sold	Trust
3. Contract date	June 16, 2006
4. Delivery date	June 28, 2006
5. Buyer	Y.K. Speyside
6. Impact of disposition on gain or loss	Approximately ¥1,271 million of gain on sale of real estate will be recorded.

(b) Shin-Yokohama First Building

1. Sales price	¥1,755 million
2. Type of assets sold	Real Estate
3. Contract date	June 28, 2006
4. Delivery date	June 28, 2006
5. Buyer	AIC Inc.
6. Impact of disposition on gain or loss	Approximately ¥1,271 million of loss on sale of real estate will be recorded.

(c) Niigata Ishizuecho Nishi-Bandaibashi Building

1. Sales price	¥1,490 million
2. Type of assets sold	Trust
3. Contract date	June 16, 2006
4. Delivery date	June 28, 2006
5. Buyer	Y.K. Speyside
6. Impact of disposition on gain or loss	Approximately ¥453 million of gain on sale of real estate will be recorded.

(d) Kanazawa Minamicho Building

1. Sales price	¥1,165 million
2. Type of assets sold	Trust
3. Contract date	June 16, 2006
4. Delivery date	June 28, 2006
5. Buyer	Y.K. Speyside
6. Impact of disposition on gain or loss	Approximately ¥148 million of loss on sale of real estate will be recorded.

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 March 31, 2006 and September 30, 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.

Supplemental Information

As described in Note 15, Subsequent Events, the Company resolved to dispose its properties.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended March 31, 2006 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 ShinNihon

June 29, 2006

ABOUT THE J-REIT SYSTEM

J-REIT STRUCTURE AND RELATED ORGANIZATIONS

The organizational structure of the Company is shown in the diagram on the next page, but we feel it would be helpful to add a further explanation of the role played by each of the related organizations. Understanding this relationship is the key to understanding the overall J-REIT system. (Numbers in the diagram correspond to the numbers below.)

1) Investment Corporation: A special type of entity for the specific purpose of owning and operating real estate properties

The investment corporation is a special type of entity, incorporated and operated under the Investment Trust Law, for the purpose of owning and operating real estate properties using capital raised from investors. It has a board of directors and shareholders' meeting just like an ordinary corporation under the Commercial Code of Japan, but since this structure of the investment corporation is simply a vehicle for owning and operating real estate properties, it is not permitted under its articles of incorporation to engage in any other business activities.

The principal responsibility of the investment corporation is custody and management of its assets, as well as issuance of equity securities. The corporation does not, however, control its assets directly, as all management functions must be outsourced to a licensed asset management company.

2) Tokyo Stock Exchange & 3) Investors: Buy and sell the Company's shares, and receive dividends.

Investors provide capital for the investment corporation and receive equity securities, just as they would receive shares of stock issued by an ordinary corporation. Dividends are also paid to shareholders of record at the end of the fiscal period. Investors may also buy and sell the equity securities on the Tokyo Stock Exchange just like shares of an ordinary corporation, and the same trading regulations apply.

4) Asset Management Company: Real estate trust fund manager

The investment corporation may not manage its assets by itself, but must outsource the investment decision and administration work to an asset management company. The asset management company, therefore, performs a vital role for the real estate investment corporation.

The asset management company is normally involved with the investment corporation from the time of its incorporation, and afterwards performs the role of fund manager for the real estate properties on consignment from the investment corporation. The asset management company must have a good grasp of the properties held by the investment corporation, and manage the assets to achieve higher earnings. As necessary, it will sell off some of the assets or acquire new ones.

In this way, the asset management company performs a series of duties in accordance with the Investment Trust Law.

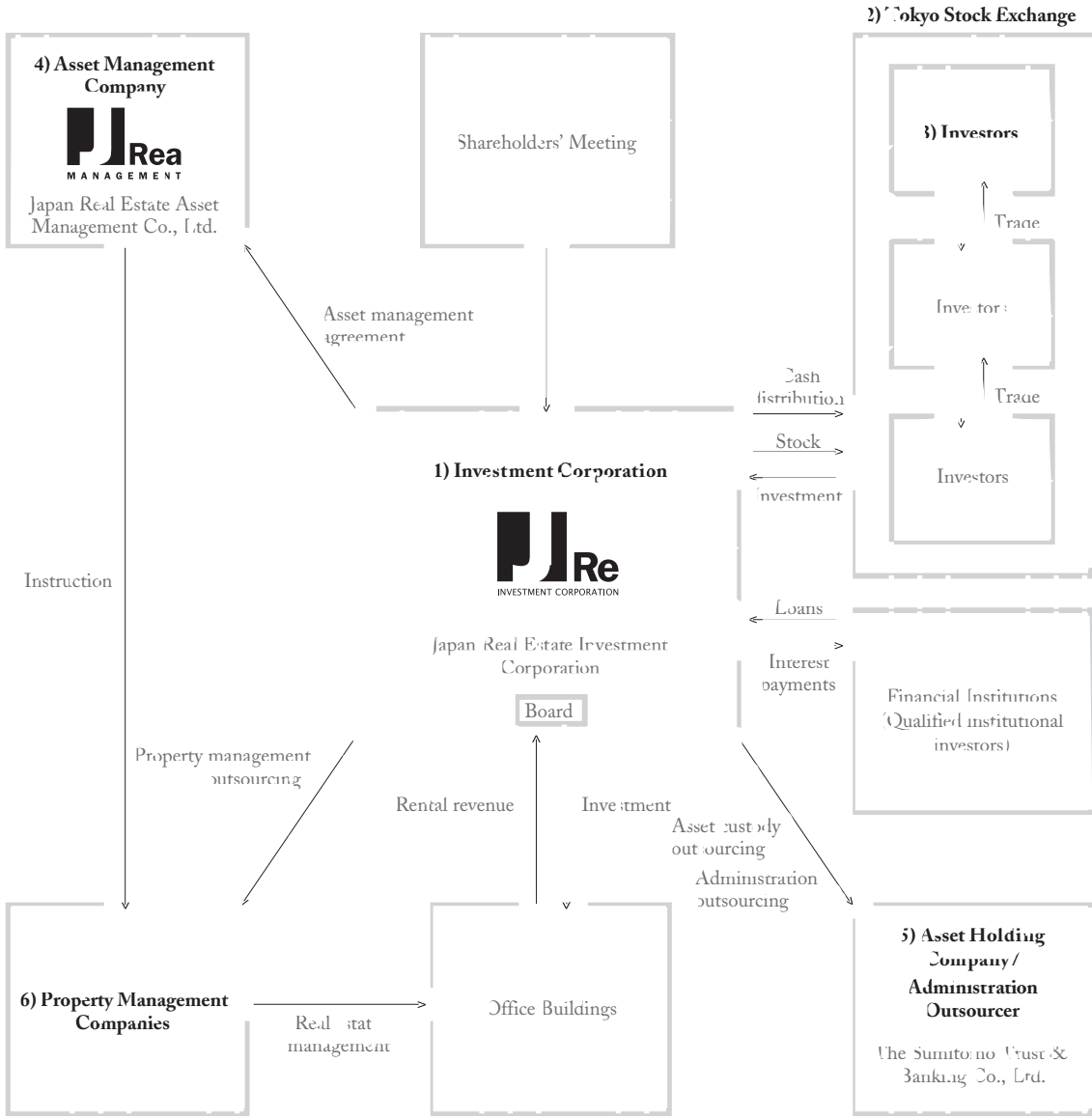
5) Asset Holding Company/Administration Outsourcer

The investment corporation consigns the property holding function (physical possession of the property deeds) or trust beneficiary certificates to trust banks or similar organizations. Administrative functions such as the transfer of share certificates are also outsourced to trust banks or securities companies, just like for shares of ordinary corporations.

6) Property Management Companies

The primary responsibility of the property management companies is to manage the maintenance and leasing of buildings. Building maintenance involves proper upkeep of the property to ensure long-term profitability for the investment corporation, and leasing services include monthly invoicing for rents and negotiating contract renewals.

ORGANIZATIONAL STRUCTURE OF JAPAN REAL ESTATE INVESTMENT CORPORATION



ROLE OF SHAREHOLDERS IN THE J-REIT SYSTEM

Set out below, in further detail, is the role shareholders of the investment corporation play in the J-REIT system. In particular, we would like to present a description of certain principal rights of the shareholders of an investment corporation under the Investment Trust Law, which is in effect as of March 31, 2006. This summary does not purport to be a comprehensive description of all of the rights of the shareholders under Japanese law that may be relevant to an investment decision on the shares of the Company.

Voting Rights — A shareholder with one or more shares is entitled to one vote for each share. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority vote cast in writing or through proxies who are also shareholders. Shareholders who do not attend and/or do not exercise their voting rights at the general meeting of shareholders will be deemed to be in agreement with proposals submitted at the meeting.

Except in certain minor circumstances, the voting rights of shareholders apply to the following resolutions:

Appointment and dismissal of executive director, supervisory directors and independent auditors; approval of the execution or termination of the asset management agreement with an asset management company; consolidation of shares; mergers; dissolution; amendment to the Articles of Incorporation; and any other matters so required by the Investment Trust Law, any other law or the Articles of Incorporation.

Other Rights of Shareholders —

In addition to the rights set out above, shareholders have the following rights:

Dividends upon resolution of the board of directors;
Derivative action;
Right to sue for annulment of resolutions;
Right to request bar on the executive director to prevent misconduct;
Right to void newly issued shares;
Right to sue for the nullification of merger;
Right to make submissions to shareholders' meetings;
Right to convene a general meeting of shareholders;
Right to request the appointment of an inspector;
Right to request the removal of directors;
Right to request for the dissolution of an investment corporation; and
Right to inspect books.

Consolidation or Split of Shares — An investment corporation may (i) consolidate shares upon resolution of the general meeting of shareholders, or (ii) split shares into a greater number of shares upon resolution of the board of directors.

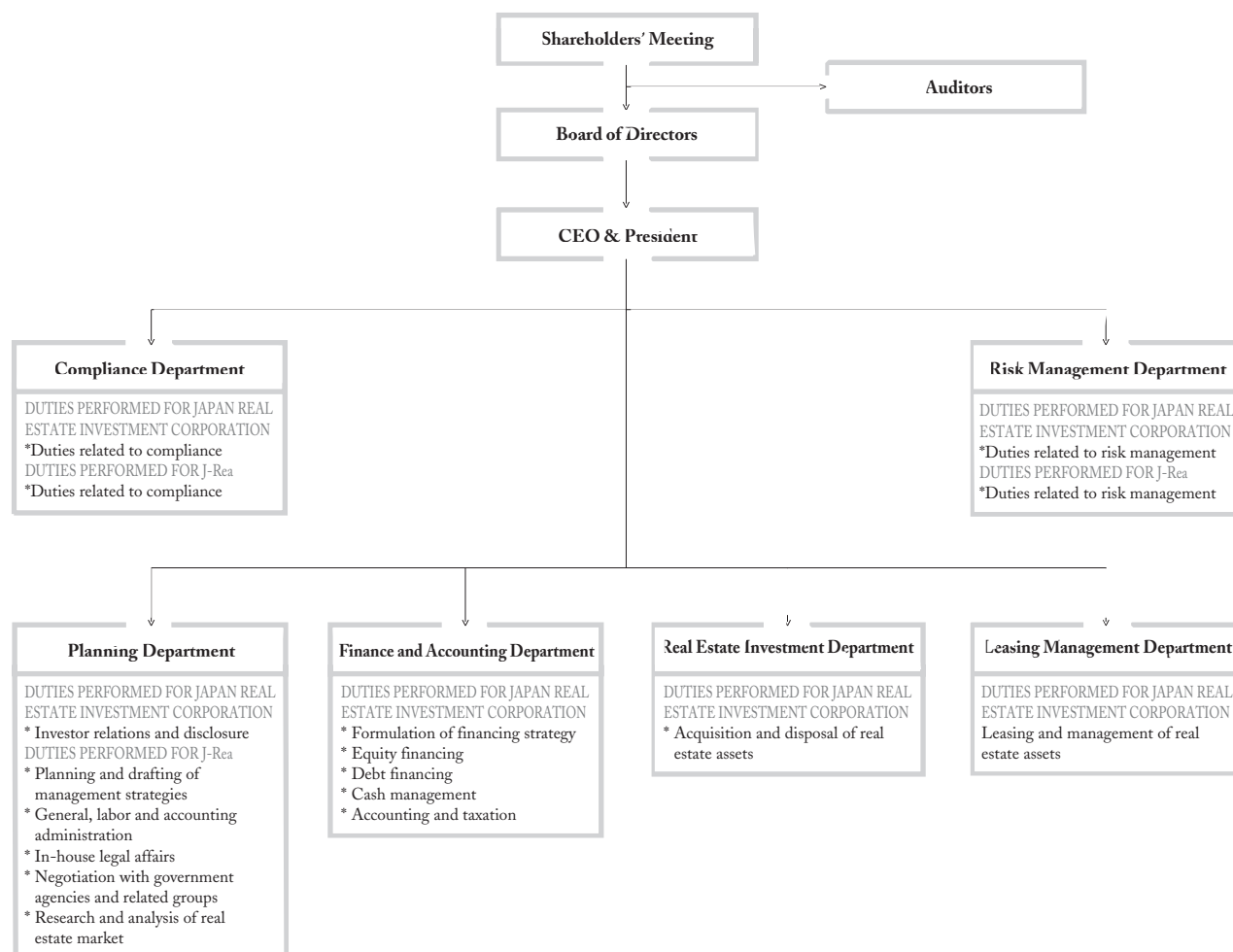
No Redemption/Repurchase of Shares — As an investment corporation is a closed-end J-REIT, shareholders are not entitled to request for redemption/repurchase of their shares from an investment corporation.

Issue of Additional Shares and Subscription Rights — Shareholders have no pre-emptive rights with respect to issuance of additional shares. Shares may be issued at the times and upon the terms approved by resolution of the board of directors.

Liquidation — In the event of liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the numbers of shares held.

PROFILE OF J-REA (Asset Management Company)

ORGANIZATION



PRINCIPAL SHAREHOLDERS

Shareholder	Address	Numbers of Shares	Percentage
Mitsubishi Estate Co., Ltd.	6-1, Otemachi 1chome, Chiyoda-ku, Tokyo	102,855	36%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-1, Marunouchi 1chome, Chiyoda-ku, Tokyo	77,142	27%
The Dai-ichi Mutual Life Insurance Company	13-1, Yurakucho 1chome, Chiyoda-ku, Tokyo	77,142	27%
Mitsui & Co., Ltd.	2-1, Otemachi 1chome, Chiyoda-ku, Tokyo	28,571	10%
	Total	285,710	100%

CORPORATE DATA

As of March 31, 2006

Executives

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

Paid-in Capital

¥201,472,860,000

Number of Shares Issued

345,400

Number of Shareholders

15,580

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

For further information, please contact :
Japan Real Estate Asset Management Co., Ltd.
Planning Department, Manager
Toshiya Kobayashi
Tel: 81-3-3211-7921
Fax: 81-3-3212-8886
E-mail: toshiya-kobayashi@j-rea.co.jp

<http://www.j-re.co.jp>