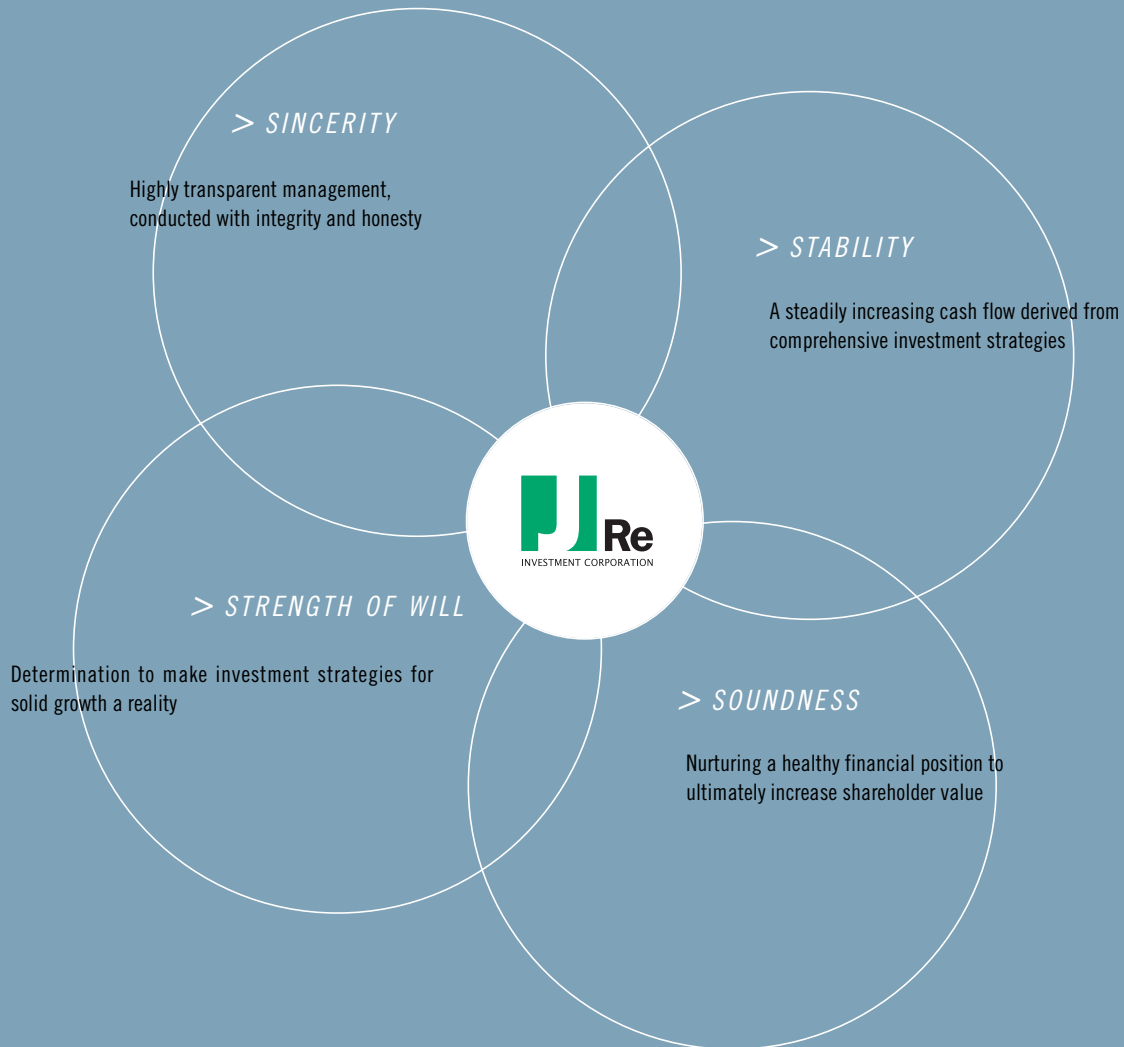




*Growth is created by "the 4 S's"*

*Growth is created by “the 4 S’s”*



We believe that our growth is created by “the 4 S’s”: sincerity, stability, soundness and strength of will. By consistently incorporating these concepts into management guidelines, we are confident that the success we are currently enjoying will be far-reaching, and will allow us to continue to fulfill our responsibility to our shareholders.

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

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

## Profile

Japan Real Estate Investment Corporation (the “Company”) was incorporated on May 11, 2001 as one of the first real estate investment corporations in Japan. The Company invests primarily in office buildings, seeking stable growth and dividends in the medium to long term through high-quality, competitive properties with geographical diversity. We endeavor to take full advantage of the potential inherent in Japanese real estate investment trusts and corporations, or J-REITs, dedicating our resources toward enhancing profitability and ensuring stability. The Company was listed on the Tokyo Stock Exchange (“TSE”) on September 10, 2001. (Securities Code: 8952)

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

### The Strengths of Japan Real Estate Investment Corporation

- Portfolio of 29 high quality office buildings as of December 31, 2002 (including two properties acquired since September 30, 2002)
- Steady growth—Total asset value nearly doubled in one year, from 20 buildings valued at ¥92.8 billion to 29 buildings valued at ¥174.1 billion (as of December 31, 2002)
- Superior geographic and tenant diversity, with a 94% occupancy rate (average for the period under review)
- Solid backing from Mitsubishi Estate Co., Ltd.; The Tokio Marine and Fire Insurance Co., Ltd.; The Dai-ichi Mutual Life Insurance Company; and Mitsui & Co., Ltd.
- Highest issuer credit ratings of any office REIT in the world: A+ from Standard & Poor's and A2 from Moody's Investors Service
- Praise from investors—Awarded the 3rd “Deal of the Year” prize in Equity Finance by the “Nikkei Bonds and Financial Weekly” (for corporate performance during 2001)
- Healthy financial strategy that supports strong growth through additional issues of shares and bonds

### Contents

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## Financial Highlights

For the period from April 1, 2002 to September 30, 2002 and the period from May 11, 2001 to March 31, 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	For the period from April 1, 2002 to September 30, 2002	For the period from May 11, 2001 to March 31, 2002	For the period from April 1, 2002 to September 30, 2002
Operating Revenues	7,910	6,492	64,521
Operating Profits	3,386	2,961	27,625
Income before Income Taxes	2,898	2,405	23,639
Net Income	2,897	2,403	23,631
Net Operating Income (NOI) (Note 2)	5,211	4,732	42,504
Funds from Operations (FFO) (Note 3)	4,091	3,505	33,369
FFO Multiple (Note 4)	14.1 times	13.5 times	14.1 times
Cash Distribution	2,897	2,403	23,630
Number of Shares	225,400	160,400	225,400
Dividend per Share (yen/U.S. dollars)	12,853	14,983	105

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥122.60 = US\$1.00, the foreign exchange rate on September 30, 2002, 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.

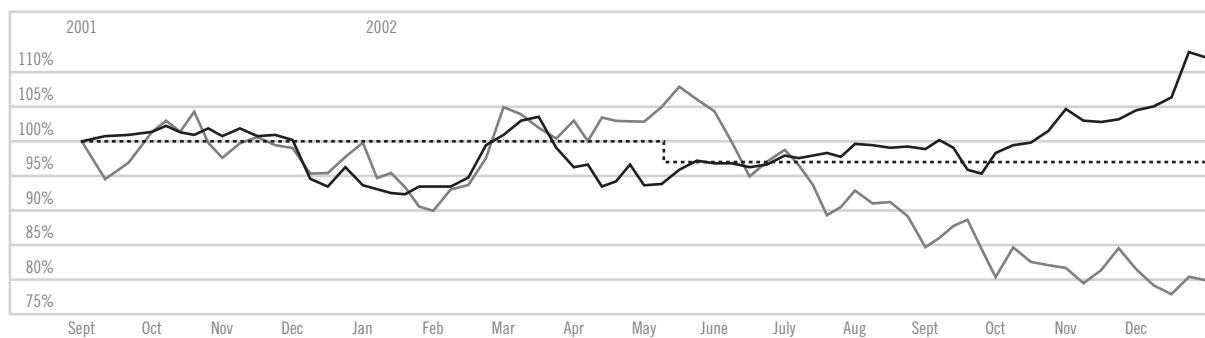
2. NOI = (Property-Related Revenues – Property-Related Expenses) + Depreciation

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 203 days for the period ended March 31, 2002, and 183 days for the period ended September 30, 2002.)

## Stock Price Performance



— The Company's stock price on TSE

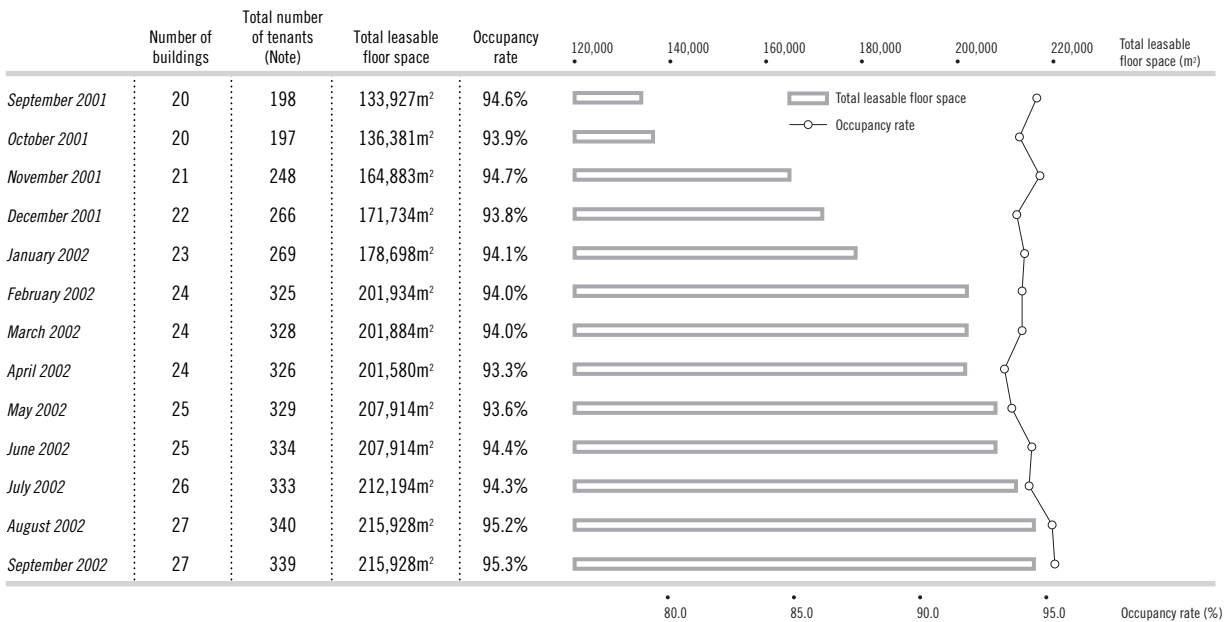
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· · · The Company's PO price

Note: Based on the weekly closing price

# Portfolio Highlights

## TRENDS IN THE STATE OF PORTFOLIO MANAGEMENT

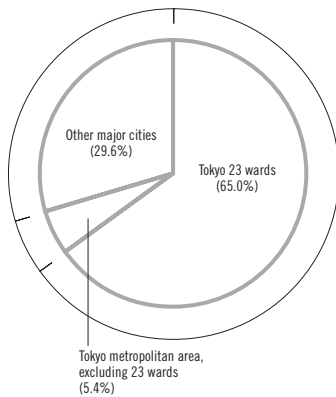


Note: In the event that the same tenant occupies several buildings, the tenant is calculated as one tenant in the total number of tenants.

## PORTFOLIO BREAKDOWN (As of September 30, 2002)

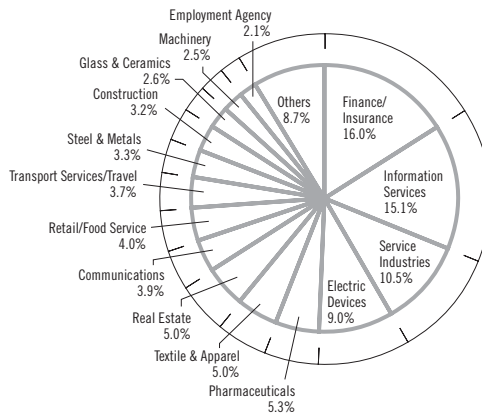
### Properties by geographic region

(Percentage based on acquisition price)



### Tenants by industry type

(All 339 tenants, based on leased floor space)



## To Our Shareholders

*Executive Director of Japan Real Estate Investment Corporation <*  
Yoneichiro Baba (Left)

*CEO & President of Japan Real Estate Asset Management Co., Ltd. <*  
Ryoichi Kakehashi (Right)



The Japanese economy during the six-month period ended September 30, 2002, showed signs of further sluggishness due to such factors as the slowdown in the U.S. economy and the delays in resolving the bad debt problem in Japan. In the market for leased office space, the demand for existing floor space weakened. In such an environment, the positive and negative aspects of properties become apparent in the face of intensified competition. We have taken advantage of this situation to build a strong portfolio and expect to continue making acquisitions as more properties come onto the market.

### ***Bolstering Our Financial Structure***

With this state of affairs in mind, the Company determined that financial preparations for property acquisition were necessary in order to ensure growth over the medium term. As a result, the Company became the first J-REIT to make an additional public share offering after its initial listing. This offering of 65,000 shares on May 8, 2002, generated approximately ¥31 billion (\$253 million). With this base, our ability to secure financing has been enhanced. The Company also became the first J-REIT to issue corporate bonds for qualified investors. These bonds, offered on June 21, 2002, raised ¥25 billion (\$204 million) in capital, and the Company received credit ratings of A+ from Standard & Poor's, and A2 from Moody's Investors Service.

### ***Acquisition and Management***

The Company, during the period under review, conducted a meticulous examination of properties being offered for sale, considering them from all angles to assess their value. The Company then acquired those properties that it determined on the whole would be worthy investments. The three properties acquired during the term are the MD Kanda Building (May 31; ¥9,520 million/\$77,651 thousand), the Burex Kyobashi Building (July 22; ¥5,250 million/\$42,822 thousand), and the Kandabashi Park Building (August 15; ¥4,810 million/\$39,233 thousand).

At the end of the period, the Company's portfolio consisted of 27 office buildings, acquired for a total of ¥164,277 million (\$1,339,943 thousand), with total leasable floor space of 215,928m<sup>2</sup> (2,324,227ft<sup>2</sup>) for a total of 339 tenants. For the purchase of the additional properties the Company borrowed ¥5 billion (\$41 million) on August 15, bringing its total borrowings to ¥29 billion (\$237 million) (¥24 billion/\$196 million in long-term borrowings), with outstanding issues of corporate bonds totaling ¥25 billion (\$204 million).

The highly competitive strength of the properties acquired allowed us to maintain an average occupancy rate of almost 94% for the period (95.3% at the end of the term).

### ***Performance***

The operations outlined above resulted in operating revenues of ¥7,910 million (\$64,521 thousand) and operating profits of ¥3,386 million (\$27,625 thousand). Income before income taxes, excluding interest expense, operating and administrative costs, and amortization expenses related to the issuance of additional shares and corporate bonds, was ¥2,898 million (\$23,639 thousand). Net income was ¥2,897 million (\$23,631 thousand). Cash dividends for the period under review were ¥12,853 (\$105) per share.



### *Outlook for the Next Period*

The continued slump in the Japanese economy is causing concern over demand for leased office space in the Tokyo metropolitan area. In the city center, the so-called 2003 problem—which refers to an expected increase in supply of new large-scale buildings—is also forecast to exert downward pressure on the market. At the same time, demand in regional urban areas is similarly weak as businesses consolidate operations.

Under these worsening circumstances certain properties are favored over others, due mainly to the quality of their building management. As occupancy rates fall, and impairment accounting is adopted, these other properties become liabilities as companies can no longer manage them. Accordingly, we expect that many properties with good potential will come onto the market from companies and individuals that do not specialize in office building management.

In light of the above analysis, the Company has adopted policies to guide its acquisition of properties, including: strengthening existing real estate information channels and developing new channels, conducting thorough due diligence on potential acquisitions and being highly selective in investment activities, and maintaining regional diversity in property ownership. Looking to stabilize rental revenues and maintain occupancy rates, the Company also has resolved to strengthen its relationship of trust with existing tenants, fill vacancies promptly, promote fixed- and long-term lease contracts, and reduce administrative costs.

### *Performance Forecasts*

In our third fiscal period (the six months ending March 31, 2003), operating revenues are forecast at ¥8,300 million (\$67,700 thousand), income before income taxes at ¥3,200 million (\$26,101 thousand), and net income at ¥3,200 million (\$26,101 thousand). Cash dividends are expected to be ¥14,300 (\$117) per share. The forecasts for the six-month period ending September 30, 2003 are for operating revenues of ¥8,300 million (\$67,700 thousand), income before income taxes of ¥3,000 million (\$24,470 thousand), and net income of ¥3,000 million (\$24,470 thousand). Cash dividends for the same period are forecast at ¥13,600 (\$111) per share. We also expect more capital to flow into the market as investors are encouraged by government plans to simplify taxes and lower taxes on stock dividends from 20% to 10%.

### *Opportunity amid Difficulty*

In the coming year, the market for leased office space in Japan will present difficulty but also opportunity. We believe that our strong portfolio, capable management and dedicated professionals will allow us to succeed in this challenging environment. The Company will continue to find growth through "the 4 S's": sincerity, stability, soundness and strength of will. We offer sincere thanks to you, our shareholders, for your continued support.

Yoneichiro Baba  
Executive Director of Japan Real Estate Investment Corporation

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

## The Portfolio of Japan Real Estate Investment Corporation

As of September 30, 2002

### PROPERTIES ROSTER

Number	Building name	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)
<b>Tokyo 23 wards</b>					
I- 1	Mitsubishi Soken Building	Otemachi, Chiyoda-ku	Trust	9/25/2001	27,267 (16.6%)
I- 2	Kodenmacho Shin-Nihonbashi Building	Nihonbashi, Chuo-ku	Trust	9/25/2001	3,173 ( 1.9%)
I- 3	Shiba 2chome Daimon Building	Shiba, Minato-ku	Trust	9/10/2001	4,859 ( 3.0%)
I- 4	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	9/25/2001	2,808 ( 1.7%)
I- 5	Takanawadai Building	Higashi Gotanda, Shinagawa-ku	Trust	9/25/2001	2,738 ( 1.7%)
I- 6	JTS Building	Shimo Meguro, Meguro-ku	Trust	9/10/2001	1,362 ( 0.8%)
I- 7	Omori-Eki Higashiguchi Building	Omori Kita, Ota-ku	Trust	9/10/2001	5,123 ( 3.1%)
I- 8	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	9/25/2001	3,541 ( 2.2%)
I- 9	Ikebukuro 2chome Building	Ikebukuro, Toshima-ku	Trust	9/25/2001	1,728 ( 1.1%)
I- 10	Shibuya Cross Tower	Shibuya, Shibuya-ku	Ownership	11/30/2001	34,600 (21.1%)
I- 11	MD Kanda Building	Kanda, Chiyoda-ku	Ownership	5/31/2002	9,520 ( 5.8%)
I- 12	Burex Kyobashi Building	Kyobashi, Chuo-ku	Ownership	7/22/2002	5,250 ( 3.2%)
I- 13	Kandabashi Park Building	Kandanishiki-cho, Chiyoda-ku	Ownership	8/15/2002	4,810 ( 2.9%)
<b>Tokyo metropolitan area (excluding 23 wards)</b>					
II- 1	Urawa Dai-Ichi-Seimei Dowa Kasai Building	Saitama, Saitama Prefecture	Ownership	9/25/2001 10/11/2001	1,232 1,342
				<i>total</i>	2,574 ( 1.6%)
II- 2	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	9/25/2001	3,375 ( 2.1%)
II- 3	Ericsson Shin-Yokohama Building	Yokohama, Kanagawa Prefecture	Ownership	1/28/2002	3,000 ( 1.8%)
<b>Other major cities</b>					
III- 1	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	9/25/2001	2,924 ( 1.8%)
III- 2	Niigata Ishizuecho Nishi-Bandaibashi Building	Niigata, Niigata Prefecture	Trust	9/25/2001	1,010 ( 0.6%)
III- 3	Kanazawa Minamicho Building	Kanazawa, Ishikawa Prefecture	Trust	9/25/2001	1,331 ( 0.8%)
III- 4	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Ownership	9/10/2001	14,533 ( 8.8%)
III- 5	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	9/25/2001 2/28/2002	6,934 7,380
				<i>total</i>	14,314 ( 8.7%)
III- 6	Fukusuke Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Trust	9/25/2001	2,264 ( 1.4%)
III- 7	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	9/25/2001	1,436 ( 0.9%)
III- 8	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	9/10/2001	3,657 ( 2.2%)
III- 9	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Ownership	9/25/2001	1,550 ( 0.9%)
III- 10	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Ownership	12/20/2001	2,650 ( 1.6%)
III- 11	Kanazawa Park Building	Kanazawa, Kanazawa Prefecture	Ownership	2/28/2002	2,880 ( 1.8%)
				<b>Total</b>	<b>164,277 (100%)</b>

### MAJOR TENANTS ROSTER

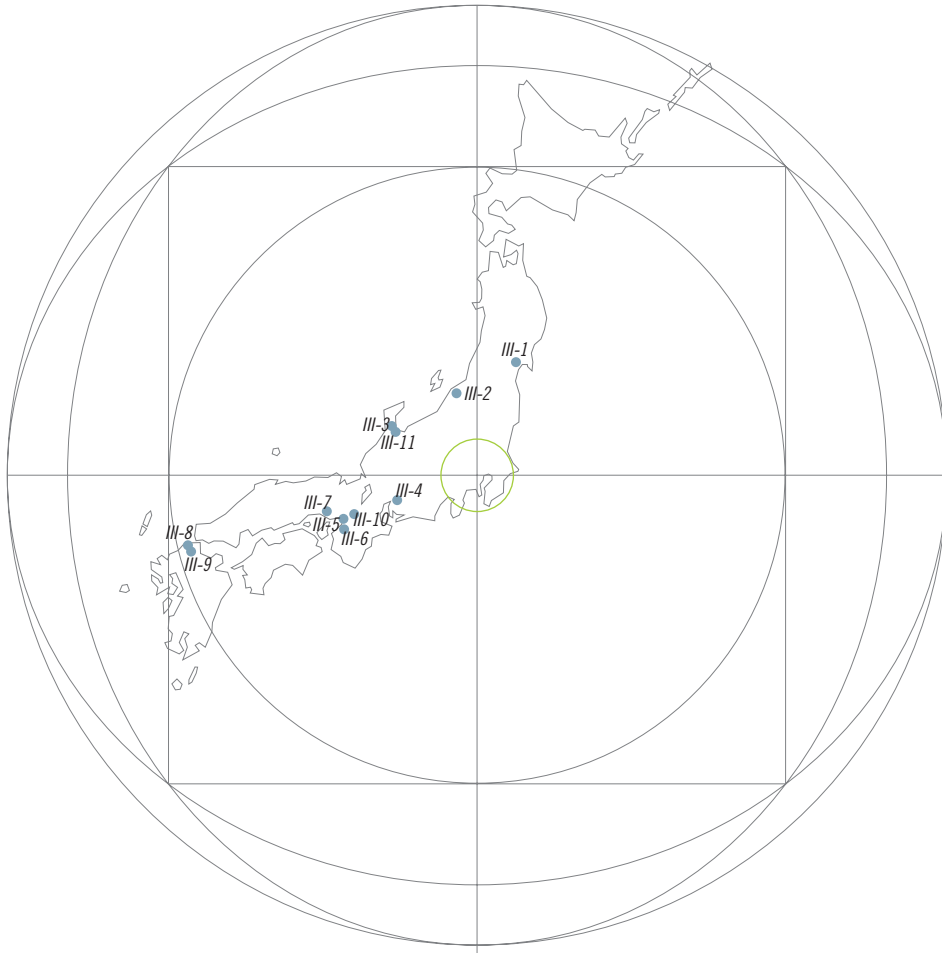
Rank	Name of tenant	Name of building	Leased area	Percent of total leasable area
1	Mitsubishi Research Institute, Inc. (Note)	Mitsubishi Soken Building	14,529m <sup>2</sup> (156,389ft <sup>2</sup> )	7.1%
2	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes another 8 buildings)	13,292m <sup>2</sup> (143,074ft <sup>2</sup> )	6.5%
3	Nippon Ericsson K.K.	Ericsson Shin-Yokohama Building	5,794m <sup>2</sup> ( 62,366ft <sup>2</sup> )	2.8%
4	TOTO Ltd.	Nagoya Hirokoji Building, Midosuji Daiwa Building	4,840m <sup>2</sup> ( 52,097ft <sup>2</sup> )	2.4%
5	Janssen Pharmaceutical K.K.	Takanawadai Building, Tosei Tenjin Building	4,318m <sup>2</sup> ( 46,479ft <sup>2</sup> )	2.1%

Note: Lease with this tenant is a fixed-term lease for the period from February 1, 2001 to March 31, 2011. This tenant has agreed not to terminate the contract during the lease period.

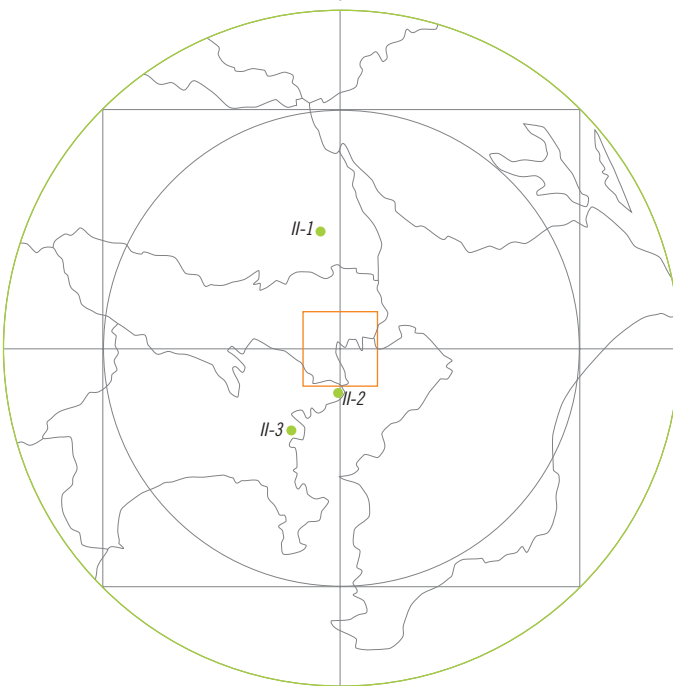


Percentage of ownership of the building (%)	Completion	Appraisal (¥ millions)	Total leasable floor space	Leased area	Total number of tenants	Revenue from leasing operations (¥ millions)
100	1970	28,100	18,006m <sup>2</sup> (193,815ft <sup>2</sup> )	17,347m <sup>2</sup> (186,721ft <sup>2</sup> )	3	1,001 (12.7%)
100	1991	3,170	3,897m <sup>2</sup> ( 41,947ft <sup>2</sup> )	3,897m <sup>2</sup> ( 41,947ft <sup>2</sup> )	5	141 ( 1.8%)
100	1984	4,890	9,622m <sup>2</sup> (103,570ft <sup>2</sup> )	8,655m <sup>2</sup> ( 93,162ft <sup>2</sup> )	22	311 ( 3.9%)
100	1992	2,760	4,062m <sup>2</sup> ( 43,723ft <sup>2</sup> )	3,379m <sup>2</sup> ( 36,371ft <sup>2</sup> )	7	131 ( 1.7%)
100	1991	2,970	4,091m <sup>2</sup> ( 44,035ft <sup>2</sup> )	4,091m <sup>2</sup> ( 44,035ft <sup>2</sup> )	1	153 ( 1.9%)
100	1991	1,330	3,383m <sup>2</sup> ( 36,414ft <sup>2</sup> )	3,383m <sup>2</sup> ( 36,414ft <sup>2</sup> )	1	99 ( 1.3%)
100	1989	4,980	7,708m <sup>2</sup> ( 82,968ft <sup>2</sup> )	7,376m <sup>2</sup> ( 79,395ft <sup>2</sup> )	19	293 ( 3.7%)
100	1987	3,480	7,114m <sup>2</sup> ( 76,574ft <sup>2</sup> )	7,016m <sup>2</sup> ( 75,520ft <sup>2</sup> )	8	188 ( 2.4%)
100	1990	1,570	2,186m <sup>2</sup> ( 23,530ft <sup>2</sup> )	1,944m <sup>2</sup> ( 20,925ft <sup>2</sup> )	4	75 ( 1.0%)
100	1976	34,500	28,547m <sup>2</sup> (307,277ft <sup>2</sup> )	28,547m <sup>2</sup> (307,277ft <sup>2</sup> )	54	1,573 (19.9%)
100	1998	9,590	6,334m <sup>2</sup> ( 68,179ft <sup>2</sup> )	6,334m <sup>2</sup> ( 68,179ft <sup>2</sup> )	3	248 ( 3.1%)
100	2002	5,040	4,279m <sup>2</sup> ( 46,059ft <sup>2</sup> )	4,279m <sup>2</sup> ( 46,059ft <sup>2</sup> )	1	58 ( 0.7%)
56.76	1993	4,920	3,687m <sup>2</sup> ( 39,686ft <sup>2</sup> )	3,687m <sup>2</sup> ( 39,686ft <sup>2</sup> )	7	51 ( 0.6%)
100	1990	2,690	4,510m <sup>2</sup> ( 48,545ft <sup>2</sup> )	4,111m <sup>2</sup> ( 44,250ft <sup>2</sup> )	12	154 ( 2.0%)
100	1990	3,370	6,831m <sup>2</sup> ( 73,528ft <sup>2</sup> )	6,359m <sup>2</sup> ( 68,448ft <sup>2</sup> )	8	185 ( 2.3%)
100	1992	3,100	6,964m <sup>2</sup> ( 74,960ft <sup>2</sup> )	6,964m <sup>2</sup> ( 74,960ft <sup>2</sup> )	2	190 ( 2.4%)
93.39	1991	2,900	5,829m <sup>2</sup> ( 62,743ft <sup>2</sup> )	5,829m <sup>2</sup> ( 62,743ft <sup>2</sup> )	12	165 ( 2.1%)
100	1984	911	4,383m <sup>2</sup> ( 47,178ft <sup>2</sup> )	3,634m <sup>2</sup> ( 39,116ft <sup>2</sup> )	7	83 ( 1.1%)
100	1987	1,310	3,773m <sup>2</sup> ( 40,612ft <sup>2</sup> )	3,337m <sup>2</sup> ( 35,919ft <sup>2</sup> )	12	95 ( 1.2%)
100	1987	14,900	21,590m <sup>2</sup> (232,393ft <sup>2</sup> )	21,518m <sup>2</sup> (231,618ft <sup>2</sup> )	31	805 (10.2%)
100	1991	14,400	20,449m <sup>2</sup> (220,111ft <sup>2</sup> )	20,449m <sup>2</sup> (220,111ft <sup>2</sup> )	20	847 (10.7%)
46.17	1992	2,330	5,337m <sup>2</sup> ( 57,447ft <sup>2</sup> )	4,886m <sup>2</sup> ( 52,592ft <sup>2</sup> )	7	169 ( 2.1%)
100	1989	1,310	3,478m <sup>2</sup> ( 37,437ft <sup>2</sup> )	2,566m <sup>2</sup> ( 27,620ft <sup>2</sup> )	10	79 ( 1.0%)
76.18	1987	3,640	5,944m <sup>2</sup> ( 63,981ft <sup>2</sup> )	5,944m <sup>2</sup> ( 63,981ft <sup>2</sup> )	9	225 ( 2.8%)
100	1992	1,530	4,080m <sup>2</sup> ( 43,917ft <sup>2</sup> )	3,280m <sup>2</sup> ( 35,306ft <sup>2</sup> )	17	102 ( 1.3%)
100	1982	2,470	6,800m <sup>2</sup> ( 73,195ft <sup>2</sup> )	4,818m <sup>2</sup> ( 51,860ft <sup>2</sup> )	20	122 ( 1.6%)
55.13	1991	3,090	13,030m <sup>2</sup> (140,254ft <sup>2</sup> )	12,155m <sup>2</sup> (130,835ft <sup>2</sup> )	60	355 ( 4.5%)
—	—	<b>165,251</b>	<b>215,928m<sup>2</sup> (2,324,227ft<sup>2</sup>)</b>	<b>205,796m<sup>2</sup> (2,215,168ft<sup>2</sup>)</b>	<b>339</b>	<b>7,910 (100%)</b>

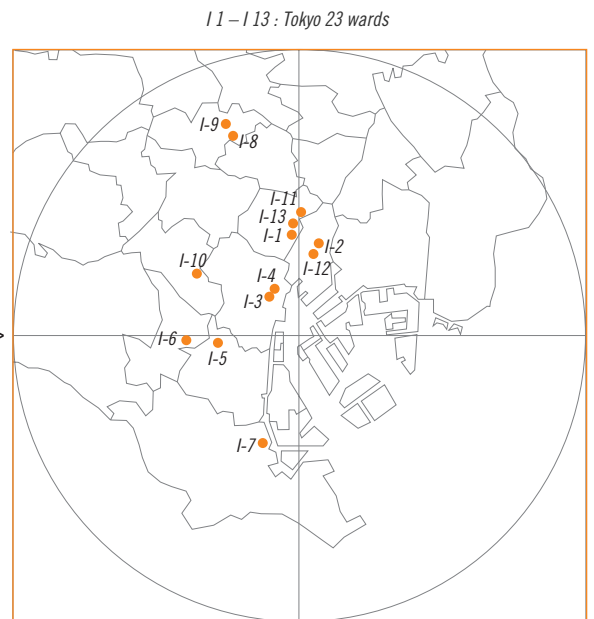
LOCATIONS OF PORTFOLIO PROPERTIES



III 1 – III 11 : Other major cities



II 1 – II 3 : Tokyo metropolitan area (excluding 23 wards)



I 1 – I 13 : Tokyo 23 wards

## Overview of Portfolio Properties

### PROPERTY ACQUISITION

As of September 30, 2002

I-1

#### Mitsubishi Soken Building

Location : 3-6, Otemachi 2-chome, Chiyoda-ku, Tokyo  
 Site area : 3,441.35m<sup>2</sup> (37,042.35ft<sup>2</sup>)  
 Floor area of building : 26,372.92m<sup>2</sup> (283,875.47ft<sup>2</sup>)  
 Structure : Above ground: 15 floors  
 Below ground: 2 floors  
 Completion : July 1970



I-2

#### Kodenmacho Shin-Nihonbashi Building

Location : 4-9, Kodenmacho, Nihonbashi, Chuo-ku, Tokyo  
 Site area : 773.28m<sup>2</sup> (8,323.51ft<sup>2</sup>)  
 Floor area of building : 5,822.88m<sup>2</sup> (62,676.90ft<sup>2</sup>)  
 Structure : Above ground: 9 floors  
 Below ground: 1 floor  
 Completion : November 1991



I-3

#### Shiba 2chome Daimon Building

Location : 3-3, Shiba 2-chome, Minato-ku, Tokyo  
 Site area : 2,820.90m<sup>2</sup> (30,363.89ft<sup>2</sup>)  
 Floor area of building : 16,235.10m<sup>2</sup> (174,752.99ft<sup>2</sup>)  
 Structure : Above ground: 8 floors  
 Below ground: 2 floors  
 Completion : March 1984

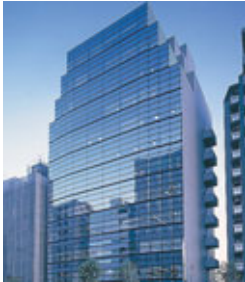







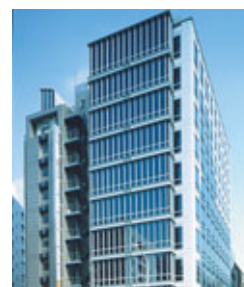
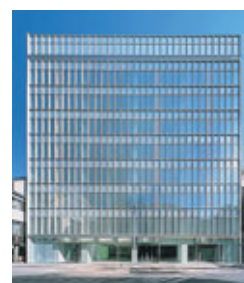
I-4





#### Cosmo Kanasugibashi Building

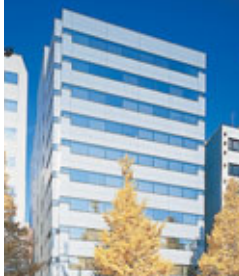


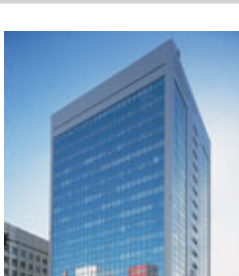
Location : 10-11, Shiba 1-chome, Minato-ku, Tokyo  
 Site area : 758.54m<sup>2</sup> (8,164.85ft<sup>2</sup>)  
 Floor area of building : 5,420.93m<sup>2</sup> (58,350.35ft<sup>2</sup>)  
 Structure : Above ground: 9 floors  
 Below ground: 1 floor  
 Completion : March 1992







<p>I-5</p> <p><b>Takanawadai Building</b></p>	<p>Location : 1-5, Higashi Gotanda 3-chome, Shinagawa-ku, Tokyo</p> <p>Site area : 1,416.17m<sup>2</sup> (15,243.51ft<sup>2</sup>)</p> <p>Floor area of building : 5,762.70m<sup>2</sup> (62,029.13ft<sup>2</sup>)</p> <p>Structure : Above ground: 13 floors</p> <p>Completion : January 1991</p>	
<p>I-6</p> <p><b>JTS Building</b></p>	<p>Location : 7-10, Shimo Meguro 3-chome, Meguro-ku, Tokyo</p> <p>Site area : 1,401.52m<sup>2</sup> (15,085.82ft<sup>2</sup>)</p> <p>Floor area of building : 5,269.58m<sup>2</sup> (56,721.23ft<sup>2</sup>)</p> <p>Structure : Above ground: 6 floors Below ground: 1 floor</p> <p>Completion : September 1991</p>	
<p>I-7</p> <p><b>Omori-Eki Higashiguchi Building</b></p>	<p>Location : 5-1, Omori Kita 1-chome, Ota-ku, Tokyo</p> <p>Site area : 2,199.30m<sup>2</sup> (23,673.05ft<sup>2</sup>)</p> <p>Floor area of building : 14,095.34m<sup>2</sup> (151,720.83ft<sup>2</sup>)</p> <p>Structure : Above ground: 11 floors Below ground: 2 floors</p> <p>Completion : July 1989</p>	
<p>I-8</p> <p><b>Otsuka Higashi-Ikebukuro Building</b></p>	<p>Location : 32-22, Higashi-Ikebukuro 2-chome, Toshima-ku, Tokyo</p> <p>Site area : 2,121.39m<sup>2</sup> (22,834.43ft<sup>2</sup>)</p> <p>Floor area of building : 9,531.28m<sup>2</sup> (102,593.74ft<sup>2</sup>)</p> <p>Structure : Above ground: 8 floors Below ground: 1 floor</p> <p>Completion : November 1987</p>	




<p><i>1-9</i></p> <p><b>Ikebukuro 2chome Building</b></p>	<p>Location : 14-2, Ikebukuro 2-chome, Toshima-ku, Tokyo</p> <p>Site area : 397.26m<sup>2</sup> (4,276.07ft<sup>2</sup>)</p> <p>Floor area of building : 3,157.51m<sup>2</sup> (33,987.12ft<sup>2</sup>)</p> <p>Structure : Above ground: 9 floors Below ground: 1 floor</p> <p>Completion : May 1990</p>	
<p><i>1-10</i></p> <p><b>Shibuya Cross Tower</b></p>	<p>Location : 15-1, Shibuya 2-chome, Shibuya-ku, Tokyo</p> <p>Site area : 5,153.45m<sup>2</sup> (55,471.22ft<sup>2</sup>)</p> <p>Floor area of building : 61,862.33m<sup>2</sup> (665,879.93ft<sup>2</sup>)</p> <p>Structure : Above ground: 32 floors Below ground: 3 floors</p> <p>Completion : April 1976</p>	
<p><i>1-11</i></p> <p><b>MD Kanda Building</b></p>	<p>Location : 9-1, Mitoshiro-cho, Kanda, Chiyoda-ku, Tokyo</p> <p>Site area : 1,085.83m<sup>2</sup> (11,687.77ft<sup>2</sup>)</p> <p>Floor area of building : 8,185.11m<sup>2</sup> (88,103.71ft<sup>2</sup>)</p> <p>Structure : Above ground: 10 floors</p> <p>Completion : February 1998</p>	
<p><i>1-12</i></p> <p><b>Burex Kyobashi Building</b></p>	<p>Location : 7-14, Kyobashi 2-chome, Chuo-ku, Tokyo</p> <p>Site area : 756.03m<sup>2</sup> (8,137.83ft<sup>2</sup>)</p> <p>Floor area of building : 5,470.54m<sup>2</sup> (58,884.35ft<sup>2</sup>)</p> <p>Structure : Above ground: 8 floors, Below ground: 1 floor</p> <p>Completion : February 2002</p>	

<p><i>I-13</i></p> <p><b>Kandabashi Park Building</b></p>	<p>Location : 19-1, Kandnishiki-cho 1-chome, Chiyoda-ku, Tokyo</p> <p>Site area : 1,218.56m<sup>2</sup> (13,116.46ft<sup>2</sup>)</p> <p>Floor area of building : 9,370.25m<sup>2</sup> (100,860.43ft<sup>2</sup>)</p> <p>Structure : Above ground: 10 floors Below ground: 1 floor</p> <p>Completion : July 1993</p>	
<p><i>II-1</i></p> <p><b>Urawa Dai-Ichi-Seimei Dowa Kasai Building</b></p>	<p>Location : 2-3, Takasago 2-chome, Saitama, Saitama Prefecture</p> <p>Site area : 1,533.06m<sup>2</sup> (16,501.70ft<sup>2</sup>)</p> <p>Floor area of building : 6,258.59m<sup>2</sup> (67,366.84ft<sup>2</sup>)</p> <p>Structure : Above ground: 8 floors</p> <p>Completion : March 1990</p>	
<p><i>II-2</i></p> <p><b>Kawasaki Isago Building</b></p>	<p>Location : 2-4, Isago 1-chome, Kawasaki-ku, Kawasaki, Kanagawa Prefecture</p> <p>Site area : 1,594.50m<sup>2</sup> (17,163.04ft<sup>2</sup>)</p> <p>Floor area of building : 9,623.83m<sup>2</sup> (103,589.94ft<sup>2</sup>)</p> <p>Structure : Above ground: 12 floors Below ground: 1 floor</p> <p>Completion : December 1990</p>	
<p><i>II-3</i></p> <p><b>Ericsson Shin-Yokohama Building</b></p>	<p>Location : 2-1, Shin-Yokohama 1-chome, Kohoku-ku, Yokohama, Kanagawa Prefecture</p> <p>Site area : 1,528.00m<sup>2</sup> (16,447.24ft<sup>2</sup>)</p> <p>Floor area of building : 10,403.41m<sup>2</sup> (111,981.26ft<sup>2</sup>)</p> <p>Structure : Above ground: 10 floors Below ground: 2 floors</p> <p>Completion : April 1992</p>	

<p>III-1</p> <p><b>Sendai Honcho Honma Building</b></p>	<p>Location : 1-29, Honcho 2-chome, Aoba-ku, Sendai, Miyagi Prefecture</p> <p>Site area : 1,437.47m<sup>2</sup> (15,472.78ft<sup>2</sup>)</p> <p>Floor area of building : 8,247.50m<sup>2</sup> (88,775.27ft<sup>2</sup>)</p> <p>Structure : Above ground: 11 floors</p> <p>Completion : November 1991</p>	
<p>III-2</p> <p><b>Niigata Ishizuecho Nishi-Bandaibashi Building</b></p>	<p>Location : 1945-1, Ishizuecho Dori-ichinocho, Niigata, Niigata Prefecture</p> <p>Site area : 957.90m<sup>2</sup> (10,310.74ft<sup>2</sup>)</p> <p>Floor area of building : 6,410.33m<sup>2</sup> (69,000.15ft<sup>2</sup>)</p> <p>Structure : Above ground: 8 floors Below ground: 1 floor</p> <p>Completion : November 1984</p>	
<p>III-3</p> <p><b>Kanazawa Minamicho Building</b></p>	<p>Location : 3-10, Oyamamachi, Kanazawa, Ishikawa Prefecture</p> <p>Site area : 887.17m<sup>2</sup> (9,549.41ft<sup>2</sup>)</p> <p>Floor area of building : 5,163.19m<sup>2</sup> (55,576.06ft<sup>2</sup>)</p> <p>Structure : Above ground: 9 floors</p> <p>Completion : March 1987</p>	
<p>III-4</p> <p><b>Nagoya Hirokoji Building</b></p>	<p>Location : 3-1, Sakae 2-chome, Naka-ku, Nagoya, Aichi Prefecture</p> <p>Site area : 4,095.81m<sup>2</sup> (44,086.89ft<sup>2</sup>)</p> <p>Floor area of building : 33,377.73m<sup>2</sup> (359,274.55ft<sup>2</sup>)</p> <p>Structure : Above ground: 18 floors Below ground: 2 floors</p> <p>Completion : May 1987</p>	

<p>III-5</p> <p><b>Midosuji Daiwa Building</b></p>	<p>Location : 6-8, Kyutaromachi 3-chome, Chuo-ku, Osaka, Osaka Prefecture</p> <p>Site area : 3,044.65m<sup>2</sup> (32,772.31ft<sup>2</sup>)</p> <p>Floor area of building : 31,213.27m<sup>2</sup> (335,976.52ft<sup>2</sup>)</p> <p>Structure : Above ground: 15 floors Below ground: 2 floors</p> <p>Completion : September 1991</p>	
<p>III-6</p> <p><b>Fukusuke Sakaisujihonmachi Building</b></p>	<p>Location : 8-14, Minamihonmachi 1-chome, Chuo-ku, Osaka, Osaka Prefecture</p> <p>Site area : 2,036.22m<sup>2</sup> (21,917.67ft<sup>2</sup>)</p> <p>Floor area of building : 17,145.59m<sup>2</sup> (184,553.42ft<sup>2</sup>)</p> <p>Structure : Above ground: 13 floors Below ground: 2 floors</p> <p>Completion : October 1992</p>	
<p>III-7</p> <p><b>Kobe Itomachi Building</b></p>	<p>Location : 121, Itomachi, Chuo-ku, Kobe, Hyogo Prefecture</p> <p>Site area : 808.55m<sup>2</sup> (8,703.15ft<sup>2</sup>)</p> <p>Floor area of building : 4,894.09m<sup>2</sup> (52,679.50ft<sup>2</sup>)</p> <p>Structure : Above ground: 10 floors</p> <p>Completion : September 1989</p>	
<p>III-8</p> <p><b>Hinode Tenjin Building</b></p>	<p>Location : 12-20, Tenjin 1-chome, Chuo-ku, Fukuoka, Fukuoka Prefecture</p> <p>Site area : 1,452.15m<sup>2</sup> (15,630.80ft<sup>2</sup>)</p> <p>Floor area of building : 12,527.07m<sup>2</sup> (134,840.13ft<sup>2</sup>)</p> <p>Structure : Above ground: 10 floors Below ground: 2 floors</p> <p>Completion : August 1987</p>	



<p><i>III-9</i></p> <p><b>Tosei Tenjin Building</b></p>	<p>Location : 9-25, Tenjin 3-chome, Chuo-ku, Fukuoka, Fukuoka Prefecture</p> <p>Site area : 1,221.31m<sup>2</sup> (13,146.06ft<sup>2</sup>)</p> <p>Floor area of building : 5,588.57m<sup>2</sup> (60,154.81ft<sup>2</sup>)</p> <p>Structure : Above ground: 8 floors</p> <p>Completion : March 1992</p>	
<p><i>III-10</i></p> <p><b>Kyoto Shijo Kawaramachi Building</b></p>	<p>Location : 338, Tominaga-cho, Kawaramachidori Matsubara-agaru 2-chome, Shimogyo-ku, Kyoto, Kyoto Prefecture</p> <p>Site area : 1,471.57m<sup>2</sup> (15,839.83ft<sup>2</sup>)</p> <p>Floor area of building : 9,701.04m<sup>2</sup> (104,421.02ft<sup>2</sup>)</p> <p>Structure : Above ground: 9 floors Below ground: 1 floor</p> <p>Completion : November 1982</p>	
<p><i>III-11</i></p> <p><b>Kanazawa Park Building</b></p>	<p>Location : 1-1, Hirooka 3-chome, Kanazawa, Ishikawa Prefecture</p> <p>Site area : 6,642.71m<sup>2</sup> (71,501.47ft<sup>2</sup>)</p> <p>Floor area of building : 43,481.20m<sup>2</sup> (468,027.29ft<sup>2</sup>)</p> <p>Structure : Above ground: 12 floors Below ground: 2 floors</p> <p>Completion : October 1991</p>	

## NEW PROPERTY ACQUISITION

Properties acquired between October 1, 2002 and December 31, 2002

### Kokusai Iidabashi Building

#### Property Summary

Type of specified asset: Ownership  
Acquisition price: ¥5,000 million  
Acquisition date: October 31, 2002  
Location: 6-5, Iidabashi 3-chome, Chiyoda-ku, Tokyo  
Intended use: Office space  
Site area: 1,052.80m<sup>2</sup> (11,332.23ft<sup>2</sup>)  
Floor area of building: 6,722.02m<sup>2</sup> (72,355.15ft<sup>2</sup>)  
Structure: Above ground: 8 floors, Below ground: 1 floor  
Completion: September 1985

#### Leasing Conditions

Number of tenants: 1  
Rentable area: 4,791m<sup>2</sup> (51,569.84ft<sup>2</sup>)  
Leased area: 4,791m<sup>2</sup> (51,569.84ft<sup>2</sup>)



### Da Vinci Harajuku

#### Property Summary

Type of specified asset: Ownership  
Acquisition price: ¥4,885 million  
Acquisition date: November 22, 2002  
Location: 25-15, Jingumae 3-chome, Shibuya-ku, Tokyo  
Intended use: Office space, Retail stores  
Site area: 839.66m<sup>2</sup> (9,038.02ft<sup>2</sup>)  
Floor area of building: 4,359.20m<sup>2</sup> (46,921.99ft<sup>2</sup>)  
Structure: Above ground: 7 floors, Below ground: 2 floors  
Completion: December 1987

#### Leasing Conditions

Number of tenants: 6  
Rentable area: 3,051m<sup>2</sup> (32,840.66ft<sup>2</sup>)  
Leased area: 3,051m<sup>2</sup> (32,840.66ft<sup>2</sup>)



Note: Details on area, structure, etc., listed above as recorded in the registry.

## Financial Section

BALANCE SHEETS p. 18    STATEMENTS OF INCOME AND RETAINED EARNINGS p. 20    STATEMENTS OF CASH FLOWS p. 21  
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY p. 22    NOTES TO FINANCIAL STATEMENTS p. 22    REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS p. 28

### SELECTED FINANCIAL DATA

For the period from April 1, 2002 to September 30, 2002 and the period from May 11, 2001 to March 31, 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	For the period from April 1, 2002 to September 30, 2002	For the period from May 11, 2001 to March 31, 2002	For the period from April 1, 2002 to September 30, 2002
Operating Revenues	7,910	6,492	64,521
Operating Expenses	4,523	3,530	36,896
Operating Profits	3,386	2,961	27,625
Income before Income Taxes	2,898	2,405	23,639
Net Income	2,897	2,403	23,631
Total Assets	185,397	161,809	1,512,211
Interest-Bearing Liabilities	54,000	64,000	440,457
Total Shareholders' Equity	115,049	83,663	938,414
Shareholders' Capital	112,152	81,260	914,783
Number of Shares	225,400	160,400	225,400
Total Shareholders' Equity per Share (yen/U.S. dollars)	510,424	521,591	4,163
Cash Distribution	2,897	2,403	23,630
Dividend Payout Ratio	99.9%	99.9%	99.9%
Dividend per Share (yen/U.S. dollars)	12,853	14,983	105
Net Operating Income (NOI)	5,211	4,732	42,504
Funds from Operations (FFO)	4,091	3,505	33,369
Return on Assets (ROA) (Note 2)	1.6% (3.2% annualized)	2.0% (3.6% annualized)	1.6% (3.2% annualized)
Return on Equity (ROE) (Note 3)	2.7% (5.4% annualized)	2.9% (5.2% annualized)	2.7% (5.4% annualized)
EOP Equity Ratio (Note 4)	62.1%	51.7%	62.1%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	29.1%	39.6%	29.1%
FFO Multiple	14.1 times	13.5 times	14.1 times
Debt Service Coverage Ratio (Note 6)	13.9 times	15.5 times	13.9 times

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥122.60 = US\$1.00, the foreign exchange rate on September 30, 2002, 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 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 203 days for the period ended March 31, 2002, and 183 days for the period ended September 30, 2002.)

4. EOP Equity Ratio = (Net Worth at end of period ÷ Total Assets at end of period) x 100

5. EOP Interest-Bearing Debt Ratio on Total Assets = (Interest-Bearing Debt at end of period ÷ Total Assets at end of period) x 100

6. Debt Service Coverage Ratio = Net Income before Interest, Taxes, Depreciation and Amortization ÷ Interest Expenses

**BALANCE SHEETS**

As of September 30, 2002 and March 31, 2002

	Thousands of yen		U.S. dollars (Note 1)
	<i>As of September 30, 2002</i>	<i>As of March 31, 2002</i>	<i>As of September 30, 2002</i>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and bank deposits (Note 6)	19,990,003	15,323,911	163,050,593
Rental receivables	83,741	59,275	683,043
Consumption tax refundable	69,322	714,493	565,439
Other current assets	22,272	64,361	181,663
<b>Total current assets</b>	<b>20,165,338</b>	<b>16,162,040</b>	<b>164,480,738</b>
<b>Property and Equipment, at Cost (Notes 3 and 6):</b>			
Land	113,727,332	99,614,150	927,629,137
Buildings and structures	52,171,555	45,676,498	425,542,863
Machinery and equipment	1,036,947	944,758	8,457,972
Tools, furniture and fixtures	2,942	—	23,996
	<b>166,938,776</b>	<b>146,235,406</b>	<b>1,361,653,968</b>
Less accumulated depreciation	(2,294,189)	(1,100,006)	(18,712,800)
<b>Net property and equipment</b>	<b>164,644,587</b>	<b>145,135,400</b>	<b>1,342,941,168</b>
<b>Investments and Other Assets:</b>			
Deposits	14,100	14,100	115,008
Long-term prepaid expenses	57,656	53,684	470,278
Leasehold rights	444,160	444,160	3,622,844
Deferred corporate bond issuance costs	70,786	—	577,371
Other	454	454	3,700
<b>Total Assets</b>	<b>185,397,081</b>	<b>161,809,838</b>	<b>1,512,211,107</b>

	Thousands of yen		U.S. dollars (Note 1)
	<i>As of September 30, 2002</i>	<i>As of March 31, 2002</i>	<i>As of September 30, 2002</i>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade accounts payable	128,327	259,617	1,046,715
Other payables	551,315	291,225	4,496,859
Short-term debt (Notes 4 and 6)	5,000,000	40,000,000	40,783,034
Accrued expenses	169,243	154,557	1,380,449
Accrued income taxes	914	1,332	7,459
Rent received in advance	1,219,158	998,248	9,944,195
Other current liabilities	23,443	23,425	191,211
<b>Total current liabilities</b>	<b>7,092,400</b>	<b>41,728,404</b>	<b>57,849,922</b>
<b>Long-Term Liabilities:</b>			
Corporate bonds	25,000,000	—	203,915,171
Long-term debt (Notes 5 and 6)	24,000,000	24,000,000	195,758,565
Deposits from tenants	14,255,089	12,418,100	116,273,157
<b>Total long-term liabilities</b>	<b>63,255,089</b>	<b>36,418,100</b>	<b>515,946,893</b>
<b>Total Liabilities</b>	<b>70,347,489</b>	<b>78,146,504</b>	<b>573,796,815</b>
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' capital	112,152,420	81,260,000	914,783,197
Retained earnings (Note 7)	2,897,172	2,403,334	23,631,095
<b>Total shareholders' equity</b>	<b>115,049,592</b>	<b>83,663,334</b>	<b>938,414,292</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>185,397,081</b>	<b>161,809,838</b>	<b>1,512,211,107</b>

## STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six months ended September 30, 2002 and for the period from May 11, 2001 to March 31, 2002

	Thousands of yen		U.S. dollars (Note 1)
	<i>For the Period from April 1, 2002 to September 30, 2002</i>	<i>For the period from May 11, 2001 to March 31, 2002</i>	<i>For the Period from April 1, 2002 to September 30, 2002</i>
<b>Operating Revenues and Expenses</b>			
<b>Operating Revenues:</b>			
Rental revenues (Note 11)	7,889,166	6,427,133	64,348,822
Non-rental revenues (Note 11)	21,117	65,385	172,247
	<b>7,910,283</b>	<b>6,492,518</b>	<b>64,521,069</b>
<b>Operating Expenses:</b>			
Property-related expenses (Note 11)	3,893,229	2,859,570	31,755,543
Asset management fees	382,270	389,449	3,118,023
Administrative service fees	133,920	146,714	1,092,335
Other operating expenses	113,996	135,029	929,818
	<b>4,523,415</b>	<b>3,530,762</b>	<b>36,895,719</b>
Operating profits	<b>3,386,868</b>	<b>2,961,756</b>	<b>27,625,350</b>
<b>Non-Operating Revenues and Expenses</b>			
<b>Non-Operating Revenues:</b>			
Interest received	510	2,035	4,161
Other non-operating revenues	2,315	813	18,882
<b>Non-Operating Expenses:</b>			
Interest expense	224,827	241,563	1,833,829
Interest expense on corporate bonds	91,315	—	744,821
Amortization of corporate bond issuance costs	70,786	—	577,371
New share issuance costs	70,760	121,149	577,161
Share listing expenses	—	74,901	—
Amortization of start-up costs	—	90,498	—
Other non-operating expenses	33,861	31,457	276,191
<b>Income before Income Taxes</b>	<b>2,898,144</b>	<b>2,405,036</b>	<b>23,639,020</b>
Income Taxes (Note 8):			
Current	1,017	1,738	8,291
Deferred	16	(36)	130
<b>Net Income</b>	<b>2,897,111</b>	<b>2,403,334</b>	<b>23,630,599</b>
<b>Retained Earnings at beginning of period</b>	<b>61</b>	<b>—</b>	<b>496</b>
<b>Retained Earnings at end of period</b>	<b>2,897,172</b>	<b>2,403,334</b>	<b>23,631,095</b>

## STATEMENTS OF CASH FLOWS (Unaudited)

For the six months ended September 30, 2002 and the period from May 11, 2001 to March 31, 2002

	Thousands of yen		U.S. dollars (Note 1)
	For the Period from April 1, 2002 to September 30, 2002	For the period from May 11, 2001 to March 31, 2002	For the Period from April 1, 2002 to September 30, 2002
<b>Cash Flows from Operating Activities</b>			
Income before income taxes	2,898,144	2,405,036	23,639,020
Depreciation and amortization	1,194,194	1,100,006	9,740,571
Loss on retirement of property and equipment	155	649	1,269
Amortization of corporate bond issuance costs	70,786	—	577,371
New share issuance costs	70,760	—	577,161
Non-cash portion of interest income	(510)	(2,035)	(4,161)
Non-cash portion of interest expense	316,143	241,563	2,578,651
Rental receivables and other receivables	(24,462)	(59,279)	(199,529)
Consumption tax refundable	645,171	(714,493)	5,262,403
Prepaid expenses	24,522	(46,183)	200,020
Other current assets	17,546	(18,137)	143,120
Trade accounts payable	(131,290)	259,617	(1,070,877)
Other payables	260,090	291,225	2,121,449
Rent received in advance	220,910	998,248	1,801,874
Other current liabilities	17	23,425	140
Long-term prepaid expenses	(3,972)	(53,684)	(32,397)
Subtotal	5,558,204	4,425,958	45,336,085
Interest received	510	2,035	4,161
Interest paid	(301,456)	(87,006)	(2,458,861)
Income taxes paid	(1,434)	(407)	(11,695)
Net cash provided by operating activities	5,255,824	4,340,580	42,869,690
<b>Cash Flows from Investing Activities</b>			
Purchases of property and equipment	(20,703,536)	(146,236,055)	(168,870,604)
Purchases of intangible assets	—	(444,614)	—
Payment of deposits	—	(14,100)	—
Proceeds from lease deposits received	2,354,100	12,845,326	19,201,465
Repayment of lease deposits	(517,111)	(427,226)	(4,217,871)
Net cash used in investing activities	(18,866,547)	(134,276,669)	(153,887,010)
<b>Cash Flows from Financing Activities</b>			
Proceeds from short-term borrowings	5,000,000	40,000,000	40,783,034
Repayment of short-term borrowings	(40,000,000)	—	(326,264,274)
Proceeds from long-term borrowings	—	24,000,000	—
Proceeds from corporate bonds	25,000,000	—	203,915,171
Payments of corporate bond issuance costs	(141,572)	—	(1,154,742)
Proceeds from issuance of shares	30,892,420	81,260,000	251,977,325
Payments of share issuance costs	(70,760)	—	(577,161)
Dividends to shareholders	(2,403,273)	—	(19,602,555)
Net cash provided by financing activities	18,276,815	145,260,000	149,076,798
<b>Net Increase in Cash and Cash Equivalents</b>	4,666,092	15,323,911	38,059,478
<b>Cash and Cash Equivalents at beginning of Period</b>	15,323,911	—	124,991,115
<b>Cash and Cash Equivalents at end of Period</b>	19,990,003	15,323,911	163,050,593

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the six months ended September 30, 2002 and for the period from May 11, 2001 to March 31, 2002

	Shares	Shareholders' equity	
		Thousands of yen	U.S. dollars (Note 1)
<b>Beginning</b>	—	—	
5/11/01 Initial private placement	400	200,000	
9/10/01 Initial public offering	160,000	81,060,000	
Net income	—	2,403,334	
<b>Balance as of March 31, 2002</b>	<b>160,400</b>	<b>83,663,334</b>	<b>682,408,923</b>
5/8/02 Second public offering	65,000	30,892,420	251,977,325
Cash dividends paid	—	(2,403,273)	(19,602,555)
Net income	—	2,897,111	23,630,599
<b>Balance as of September 30, 2002</b>	<b>225,400</b>	<b>115,049,592</b>	<b>938,414,292</b>

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2002 and March 31, 2002

**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., 27% by The Tokio Marine and Fire Insurance Co., Ltd., 27% by The Dai-ichi Mutual Life Insurance Company and 10% by Mitsui & Co., Ltd.

On May 11, 2001, the Company was incorporated with ¥200 million of original capital contribution by Mitsubishi Estate Co., Ltd., The Tokio Marine and Fire Insurance Co., Ltd. and The Dai-ichi Mutual Life Insurance Company 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.

During the current six-month period ended September 30, 2002, the Company issued additional shares and corporate bonds. On May 8, 2002, the Company completed a second offering of 65,000 shares at a price of ¥490,980 (\$4,005), generating gross proceeds of ¥31,914 million (\$260,308 thousand). The proceeds from the offering of the shares, net of underwriters' discount, were ¥30,892 million (\$251,977 thousand). On June 21, 2002, the Company issued ¥25,000 million (\$203,915 thousand) of unsecured corporate bonds due June 2007 with an interest rate of 1.32% to the qualified investors. The proceeds from issuance of additional shares and corporate bonds were used to repay short-term borrowings made for the acquisition of the properties during the previous period and for working capital purposes.

At September 30, 2002, the Company owned a portfolio of 27 office properties (24 office properties at March 31, 2002) containing an aggregate of approximately 216,000 square meters of net rentable area.

**Basis of presenting financial statements**

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied 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 may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.



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 ¥122.60=US\$1.00, the foreign exchange rate on September 30, 2002, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

## 2. Summary of Significant Accounting Policies

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### 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 .....	10-42 years
Machinery and equipment .....	3-10 years
Tools, furniture and fixtures.....	3-6 years

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

### Deferred charges

Deferred charges include bond issuance costs, share issuance costs and start-up costs. Bond issuance costs are amortized using the straight-line method over one year. Share issuance costs and start-up costs were charged to operations when incurred. The underwriters' commissions of the public offering were not reflected to 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 offer price (the price paid by the shareholder) and the purchase price (the price received by the Company) was directly distributed to the underwriters. The amounts incurred at the initial offering on September 10, 2001 and the second offering on May 8, 2002 were ¥2,940 million and ¥1,021million (\$8,330 thousand), respectively.

### 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

The statements of cash flows is provided for information purposes only since it is not required to be prepared by the Investment Trust Law, the Japanese Commercial Code, the Securities and Exchange Law of Japan and the related regulations. Cash and cash equivalents consists of cash on hand, deposits placed with bank 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. Real Estate

Real Estate at September 30, 2002 and March 31, 2002 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of September 30, 2002		As of March 31, 2002		As of September 30, 2002	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	55,833,517	55,833,517	41,755,393	41,755,393	455,412,050	455,412,050
Buildings and structures	27,584,214		21,232,642		224,993,588	
Accumulated depreciation	1,062,197	26,522,017	456,078	20,776,564	8,663,928	216,329,660
Machinery and equipment	365,344		273,155		2,979,973	
Accumulated depreciation	35,231	330,113	14,592	258,563	287,364	2,692,609
Tools, furniture and fixtures	2,942		—		23,995	
Accumulated depreciation	129	2,813	—	—	1,056	22,939
Land in trust	57,893,815	57,893,815	57,858,757	57,858,757	472,217,087	472,217,087
Buildings and structures in trust	24,587,341		24,443,856		200,549,275	
Accumulated depreciation	1,116,412	23,470,929	586,866	23,856,990	9,106,131	191,443,144
Machinery and equipment in trust	671,603		671,603		5,477,999	
Accumulated depreciation	80,220	591,383	42,470	629,133	654,320	4,823,679
<b>Total</b>		<b>164,644,587</b>		<b>145,135,400</b>		<b>1,342,941,168</b>

### 4. Short-Term Debt

Short-term debt at September 30, 2002 and March 31, 2002 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2002	As of March 31, 2002	As of September 30, 2002
Secured loans from banks, trust banks with variable interest, due on June 23, 2003.	5,000,000	40,000,000	40,783,034
	<b>5,000,000</b>	<b>40,000,000</b>	<b>40,783,034</b>

The weighted average interest rates applicable to the bank loans at September 30, 2002 and March 31, 2002 were 0.89417% and 0.898%, respectively, per annum.

## 5. Long-Term Debt

Long-term debt at September 30, 2002 and March 31, 2002 consisted of the following:

	Thousands of yen		U.S. dollars
	As of September 30, 2002	As of March 31, 2002	As of September 30, 2002
Secured loans from banks, trust banks and an insurance company with variable interest, due on June 23, 2006.	24,000,000	24,000,000	195,758,565
	<b>24,000,000</b>	<b>24,000,000</b>	<b>195,758,565</b>

The weighted average interest rate applicable to the loans at September 30, 2002 and March 31, 2002 was 1.120% per annum.

## 6. Secured Assets

At September 30, 2002 and March 31, 2002, the following assets were pledged as collateral for the following debt:

Pledged assets:	Thousands of yen		U.S. dollars
	As of September 30, 2002	As of March 31, 2002	As of September 30, 2002
Cash and cash equivalents	8,690,039	13,223,134	70,881,233
Land and land leasehold	51,111,173	85,666,327	416,893,744
Buildings and structures	19,674,960	32,815,949	160,480,911
Machinery and equipment	498,550	671,180	4,066,478
Total	<b>79,974,722</b>	<b>132,376,595</b>	<b>652,322,366</b>

Debt secured by the pledged assets:	Thousands of yen		U.S. dollars
	As of September 30, 2002	As of March 31, 2002	As of September 30, 2002
Short-term debt	5,000,000	40,000,000	40,783,034
Long-term debt	24,000,000	24,000,000	195,758,565
Total	<b>29,000,000</b>	<b>64,000,000</b>	<b>236,541,599</b>

## 7. Shareholders' Equity

Under the Investment Trust Law and the related regulations, the declaration of cash distribution for the current fiscal period is made by the resolution of the Board of Directors after the close of such fiscal period. As such, the retained earnings of shareholders' equity at September 30, 2002 included cash distribution of ¥2,897,066 subsequently made for the current fiscal period.

## 8. Income Taxes

At September 30, 2002, 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 period from April 1, 2002 to September 30, 2002 and the period from May 11, 2001 to March 31, 2002 was as follows:

	For the period from April 1, 2002 to September 30, 2002	For the period from May 11, 2001 to March 31, 2002
Statutory tax rate .....	39.39%	39.39%
Deductible dividend distribution .....	( 39.37%)	( 39.36%)
Others .....	0.02%	0.04%
Effective tax rate .....	0.04%	0.07%

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 33-2 of the Articles of Incorporation, the Company made a dividend distribution of approximately 100% of retained earnings in the amount of ¥2,897 million (\$23,630 thousand) and treated it as tax deductible dividend. The Company will not distribute the dividends in excess of accounting profit under Article 33-3 of the Articles of Incorporation.

### 9. Per Share Information

The following table summarizes information about net assets per share and net income per share at September 30, 2002 and March 31, 2002, and for the periods then ended:

	Thousands of yen		U.S. dollars
	<i>For the period from April 1, 2002 to September 30, 2002</i>	<i>For the period from May 11, 2001 to March 31, 2002</i>	<i>For the period from April 1, 2002 to September 30, 2002</i>
Net assets at period end per share	510,424	521,591	4,163
Net income per share	12,853	23,952	105
		14,983*	

\*Net income per share for the operating period from September 10, 2001 to March 31, 2002.

In calculating the net assets per share, the amount of the net assets included 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. The weighted average number of shares used in the calculation was 225,400 shares for the period from April 1, 2002 to September 30, 2002 and 160,400 shares for the period from May 11, 2001 to March 31, 2002. 225,400 shares for the period from April 1, 2002 to September 30, 2002 were calculated as if 65,000 additional shares issued on May 8<sup>th</sup>, 2002 had been issued on April 1, 2002. Diluted net income per share has not been presented since no warrants and convertible bonds were outstanding during the period.

### 10. Related Party Transactions

The Company entered into the following related party transactions with Mitsubishi Estate Co. Ltd. and certain affiliates of Mitsubishi Estate Co., Ltd., the Tokio Marine and Fire Insurance Co., Ltd., and Mitsui & Co., Ltd.

	Thousands of yen		U.S. dollars
	<i>For the period from April 1, 2002 to September 30, 2002</i>	<i>For the period from May 11, 2001 to March 31, 2002</i>	<i>For the period from April 1, 2002 to September 30, 2002</i>
Purchase of the properties	4,810,000	17,413,000	39,233,279
Property management fees	596,476	425,423	4,865,221
Commissions for property acquisition	—	400,000	—
Utilities	74,367	66,191	606,585
Insurance	4,010	35,557	32,709
Other operating expenses	1,640	1,300	13,380
Other commissions	—	2,936	—
Due diligence costs	500	—	4,078
Repair and maintenance	125,201	15,331	1,021,217

## 11. Breakdown of Property-Related Revenues and Expenses

For the period from April 1, 2002 to September 30, 2002 and the period from May 11, 2001 to March 31, 2002

	Thousands of yen		U.S. dollars
	<i>For the period from April 1, 2002 to September 30, 2002</i>	<i>For the period from May 11, 2001 to March 31, 2002</i>	<i>For the period from April 1, 2002 to September 30, 2002</i>
<b>Property-Related Revenues</b>	<b>7,910,283</b>	6,492,518	<b>64,521,069</b>
<b>Rental Revenues</b>	<b>7,889,166</b>	6,427,133	<b>64,348,822</b>
Rental revenues	5,520,576	4,571,649	45,029,165
Common area charges	1,442,741	1,181,816	11,767,866
Parking revenues	306,922	247,209	2,503,445
Other rental revenues	618,927	426,459	5,048,346
<b>Non-Rental Revenues</b>	<b>21,117</b>	65,385	<b>172,247</b>
Cancellation charges	11,030	51,790	89,968
Other miscellaneous revenues	10,087	13,595	82,279
<b>Property-Related Expenses</b>	<b>3,893,229</b>	2,859,570	<b>31,755,543</b>
Property management fees	1,121,506	915,169	9,147,681
Utilities expenses	769,500	493,413	6,276,507
Property and other taxes	628,567	4,146	5,126,978
Casualty insurance	20,205	15,246	164,807
Repairs and maintenance	152,207	321,486	1,241,493
Depreciation	1,194,194	1,100,006	9,740,571
Other rental expenses	7,050	10,104	57,506
<b>Profits</b>	<b>4,017,054</b>	3,632,948	<b>32,765,526</b>

## 12. Leases

The Company leases office buildings and earns rent income. The future minimum lease payments to be received by the Company on non-cancelable leases at September 30, 2002 and at March 31, 2002 were as follows:

	Thousands of yen		U.S. dollars
	<i>As of September 30, 2002</i>	<i>As of March 31, 2002</i>	<i>As of September 30, 2002</i>
Due within one year	2,856,633	2,132,045	23,300,435
Due after one year	17,557,395	13,278,205	143,208,765
<b>Total</b>	<b>20,414,028</b>	15,410,250	<b>166,509,200</b>

*REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS*

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

We have audited the accompanying balance sheets of Japan Real Estate Investment Corporation as of September 30, 2002 and March 31, 2002, the statements of income and retained earnings, and changes in shareholders' equity for the six months ended September 30, 2002 and for the period from May 11, 2001 (date of incorporation) to March 31, 2002, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements, expressed in yen, present fairly the financial position of Japan Real Estate Investment Corporation at September 30, 2002 and March 31, 2002, and the results of its operations for the six months ended September 30, 2002 and for the period from May 11, 2001 (date of incorporation) to March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements are presented solely for convenience. We have also reviewed 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 to the financial statements.

*Shin Nihon & Co.*

Shin Nihon & Co.

Tokyo, Japan  
December 20, 2002

See Note 1 to the financial statements, which explains the basis of presentation of the financial statements of Japan Real Estate Investment Corporation under Japanese accounting principles and practices.

## Corporate Data

As of September 30, 2002

### Executives

Executive Director: Yoneichiro Baba

Supervisory Directors: Tsunaya Kawamura  
Kenji Kusakabe

### Paid-in Capital

¥112,152,420,000

### Number of Shares Issued

225,400

### Number of Shareholders

18,083

### Stock Listing

Tokyo Stock Exchange

### Securities Code

8952

### Transfer Agent and Registration

The Sumitomo Trust & Banking Co., Ltd.

5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

### Independent Public Accountants

Shin Nihon & Co.

Hibiya Kokusai Bldg.

2-3, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo 100-0011, Japan

### Incorporation

May 11, 2001

### Executive Office

Japan Real Estate Investment Corporation

3-1, Marunouchi 3-chome, 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>