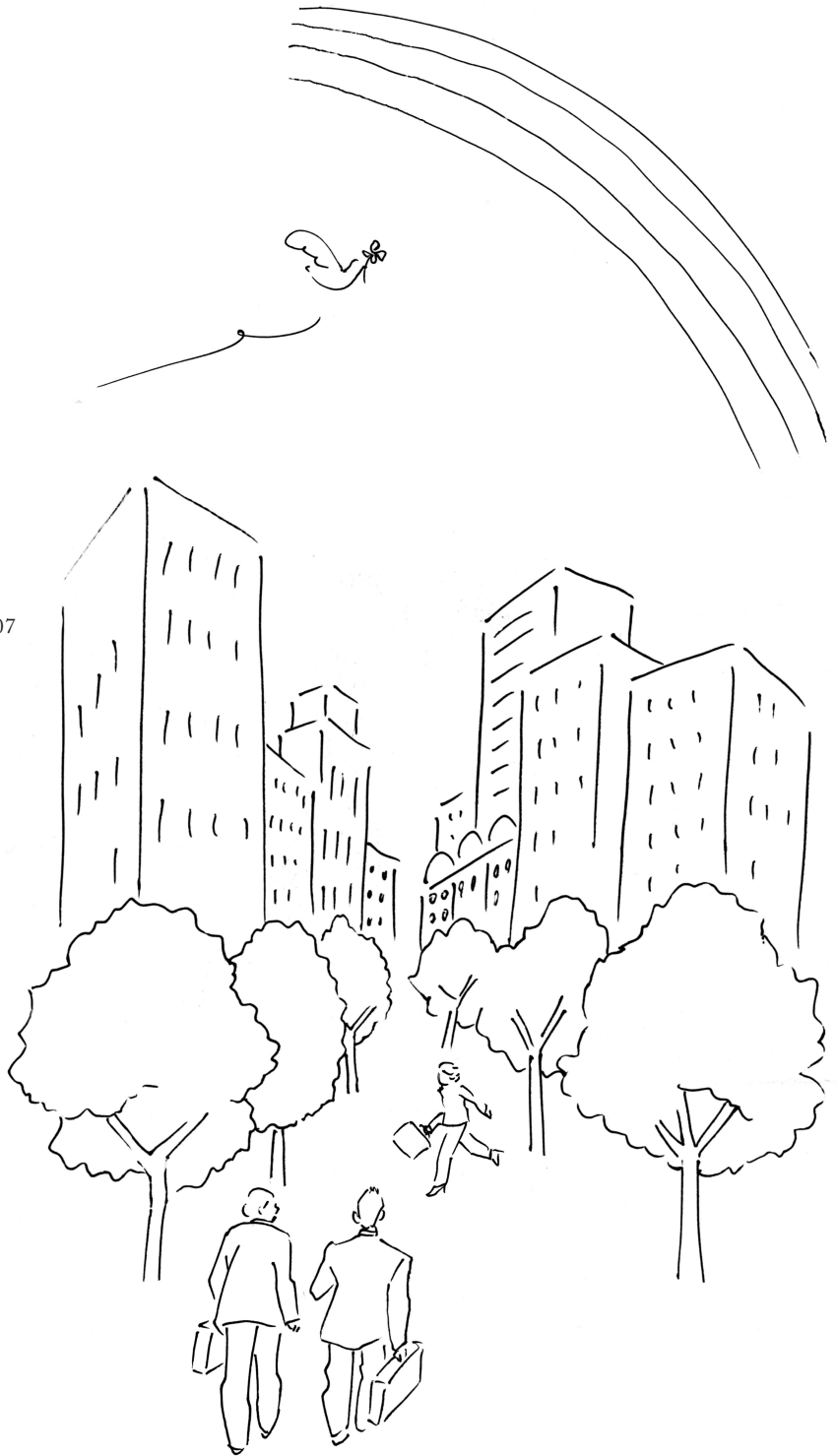


MARCH
2007


SEMIANNUAL
REPORT

For the period from October 1, 2006 to March 31, 2007



Japan Real Estate Investment Corporation


Profile



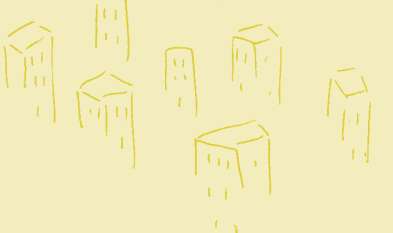
Japan Real Estate Investment Corporation (the “Company”) was established as one of the first real estate investment corporations in Japan, following revisions to the Law Concerning Investment Trusts and Investment Corporations of Japan, as amended, or the Investment Trust Law. Its investments focus primarily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

Note: Investment corporations, including Japan Real Estate Investment Corporation, are special legal entities incorporated and operated under the Investment Trust Law. Accordingly, the “units” of such investment corporations, including the units 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 Company law of Japan and representing the equity interests in Japanese ordinary corporations incorporated and operated under the Company law 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 “units” of the Company. “Unitholders” 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 units of the Company, with specific reference to their own legal, tax and other situation and any recent changes in applicable laws, guidelines or their interpretation.

The Strengths of Japan Real Estate Investment Corporation

- 
- Steady growth — Total amount of acquisition prices reached ¥441,276 million (\$3,738 million) at the end of March 2007.
 - Acquisition of Nishiki Park Building in October 2006 for ¥3,850 million (\$33 million), its additional shares in November 2006 for ¥1,300 million (\$11 million) and preferred capital contribution certificates issued by Harumi Front Special Purpose Company in November 2006 for ¥268 million (\$2 million)
 - Portfolio of 50 high-quality office buildings as of March 31, 2007
 - Recording a capital gain on the exchange of ¥459 million by the property exchange of Mitsubishi Soken Building for Mitsubishi UFJ Trust and Banking Building
 - Revenues and profits have continuously increased from IPO to the end of March 2007. Operating revenues for the 11th period achieved ¥16,960 million (\$144 million), and operating profits reached ¥8,304 million (\$70 million).
 - Superior geographic and tenant diversity with a 97.8% occupancy rate (as of March 31, 2007)
 - New investment unit issue in October 2006 (64,600 units; Total issue value: approximately ¥63 billion)
 - LTV (Interest-bearing debt/Total assets) at the end of the 11th period was 31.5%. The long-term, fixed-interest debt ratio achieved 100.0 %.
 - Highest issuer credit ratings in J-REIT: A+ from Standard & Poor’s, A1 from Moody’s Investors Service and AA from Rating and Investment Information, Inc. (R&I)
 - Collaboration with sponsors of the asset management company, which comprise Mitsubishi Estate Co., Ltd., Tokio Marine & Nichido Fire Insurance Co., Ltd., The Dai-ichi Mutual Life Insurance Company, and Mitsui & Co., Ltd.

Contents



Financial Highlights	p. 1	Subsequent Events	p. 7
Top 10 Unitholders	p. 1	History after IPO	p. 8
Unit Price Performance	p. 1	To Our Unitholders	p.10
New Investment Unit Issue	p. 1	The Portfolio of Japan Real Estate Investment Corporation	p.14
Portfolio Highlights	p. 2	Overview of Portfolio Properties	p.17
New Portfolio Property	p. 3	Financial Section	p.25
Summary of Preferred Capital Contribution Certificates Additionally Acquired	p. 3	Corporate Data	p.40
Exchange of Properties	p. 4		

Financial Highlights

For the period from October 1, 2006 to March 31, 2007

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	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 October 1, 2006 to March 31, 2007
Operating Revenues	16,960	15,570	13,962	13,119	10,747	143,668
Operating Profits	8,304	7,041	6,319	6,226	4,701	70,347
Income before Income Taxes	7,184	5,977	5,586	5,510	4,121	60,861
Net Income	7,183	5,976	5,585	5,509	4,120	60,852
Net Operating Income (NOI) (Note 2)	11,759	10,740	9,578	8,978	7,131	99,616
Funds from Operations (FFO) (Note 3)	9,441	8,257	7,945	7,526	5,762	79,983
FFO Multiple (Note 4)	33.8 times	21.0 times	22.1 times	21.1 times	19.7 times	33.8times
Cash Distribution	7,183	5,976	5,585	5,509	4,120	60,852
Number of Units	410,000	345,400	345,400	345,400	260,400	410,000
Dividend per Unit (Yen/U.S. dollars)	17,521	17,302	16,172	15,951	15,824	148.42

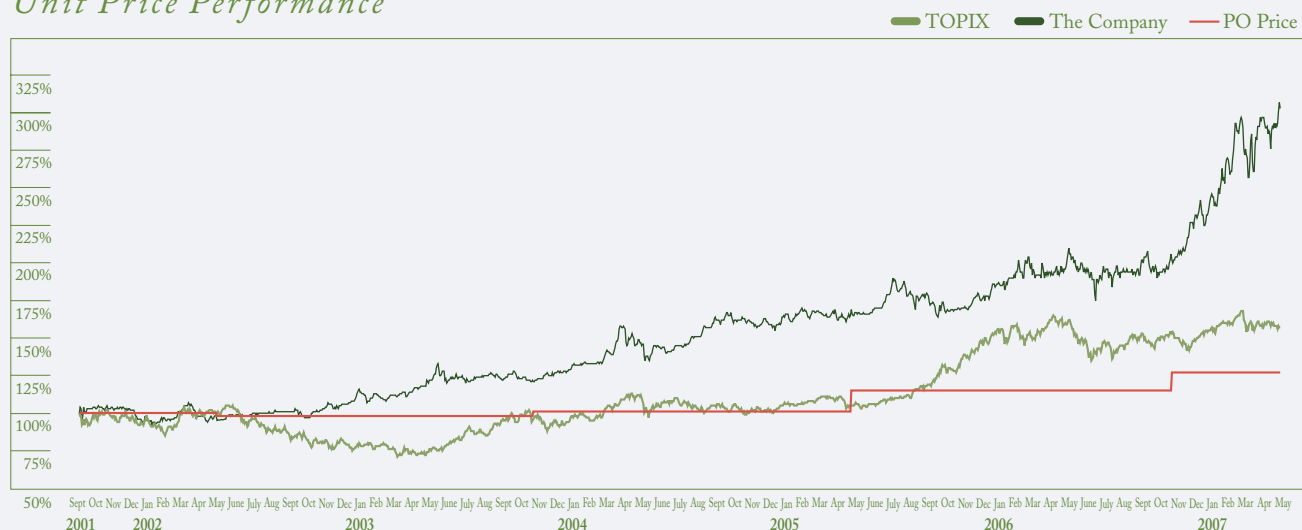
Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥118.05 = US\$1.00, the foreign exchange rate on March 31, 2007, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be 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 = Unit Price at End of the Respective Term ÷ FFO per Unit (Annualized)
 (Annualized portion of the calculation given in note 4 assumes a fiscal period of 182 days for the period ended March 31, 2005, 183 days for the period ended September 30, 2005, 182 days for the period ended March 31, 2006, 183 days for the period ended September 30, 2006 and 182 days for the period ended March 31, 2007.)

Top 10 Unitholders

As of March 31, 2007

Company	Units	% of Total Units
		Outstanding
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	26,415	6.44%
NikkoCiti Trust and Banking Corporation (Toshin Acc.)	26,132	6.37%
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	26,027	6.35%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	19,498	4.76%
The Nomura Trust and Banking Co., Ltd. (Toshin Acc.)	12,682	3.09%
The Bank of New York, Treaty JASDEC Account	10,877	2.65%
Mitsubishi Estate Co., Ltd.	10,160	2.48%
The Chugoku Bank, Ltd.	9,491	2.31%
Resona Bank, Limited.	9,016	2.20%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,120	1.98%

Unit Price Performance

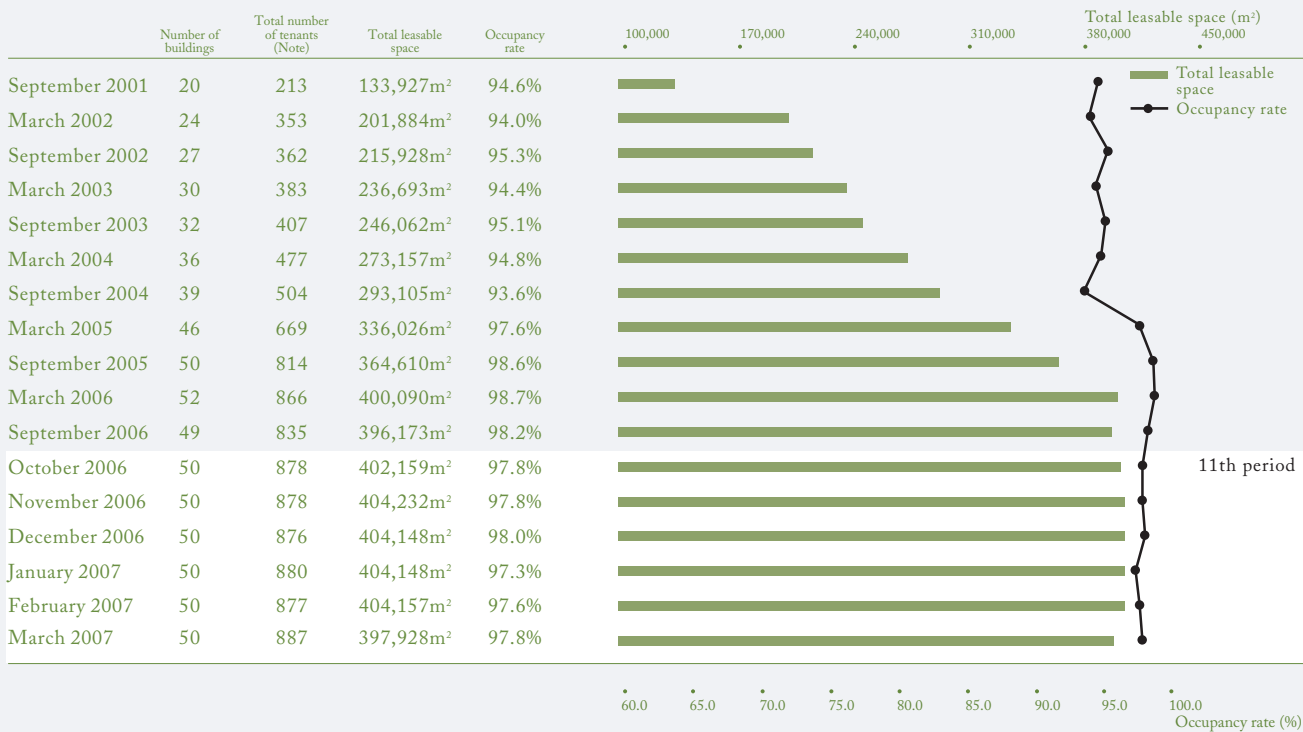


New Investment Unit Issue

Issuance date:	October 24, 2006	Aggregate amount of issue price:	¥65,207million (\$552 million)
Issue price:	¥1,009,400 (\$8,550.61)	Commencement date	
Number of units issued:	64,600 units	for the calculation of cash dividends:	October 1, 2006

Portfolio Highlights

Trends in the state of portfolio management

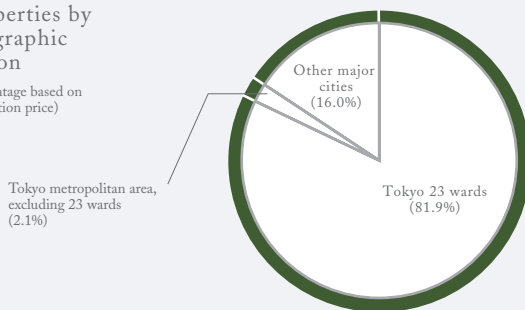


Portfolio breakdown

As of March 31, 2007

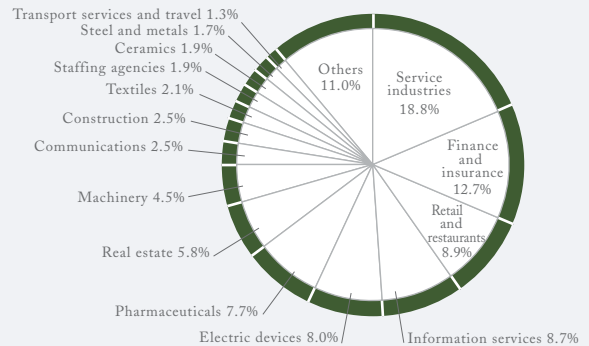
Properties by geographic region

(Percentage based on acquisition price)



Tenants by industry type

(Percentage based on leased space)



New Portfolio Property

For the period from October 1, 2006 to March 31, 2007

Notes: 1. In "Property Summary," concerning real estate of which the Company is a 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.



Nishiki Park Building

Property Summary

Type of specified asset: Real property (Note)
Acquisition price: ¥3,850 million (\$33 million)/
¥1,300 million (\$11 million)
Acquisition date: October 2, 2006 / November 1, 2006
Location: Nagoya, Aichi Prefecture
Usage: Office, shop, residence
Site area: 2,170.45m² (23,363ft²)
Floor area of building: 25,091.91m² (270,087ft²)
Structure: Steel-framed, steel-framed reinforced concrete, and steel-reinforced concrete structure, flat roof
Above ground: 22 floors
Below ground: 4 floors
Completion: August 1995

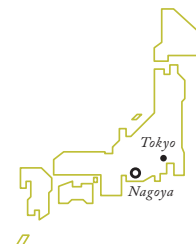
Note: Land: Ownership (share of co-ownership: 54.3489% of 1,786.45m² [1lot]) and term leasehold interest (share of quasi-co-ownership: 272,736 / 384,380 of 384m² [1lot])

Building: Share of co-ownership of compartmentalized building units (60.93025% share of co-ownership of 13,296.06m² of the office/shop spaces from the first floor to the twentieth floor and 90% share of co-ownership of 999.50m² of the residential space from the twenty-first floor to the twenty-second floor)
*Ownership of building : 57.04651%

Leasing Conditions (As of March 31, 2007) (Note)

Number of tenants: 49 tenants
Leasable space: 8,059m² (86,747ft²)
Leased space: 7,953m² (85,609ft²)
Occupancy rate: 98.7 %

Note: The figures do not include the residential space of the building.



Property Acquisition Merits

Located in Fushimi, one of Nagoya's main business districts, and facing Sakura Street, a main thoroughfare, this property offers convenient access to Marunouchi Station (a one-minute walk) on the Sakuradori and Tsurumai subway lines. A burgeoning economic environment underpins growing office demand.

Summary of Preferred Capital Contribution Certificates Additionally Acquired

For the period from October 1, 2006 to March 31, 2007



Summary of Property held by TMK

Property Summary

Name of property: Harumi Center Building
Location: Harumi, Chuo-ku, Tokyo
Site area: 4,664.63m² (50,210ft²)
Floor area of building: 26,447.27m² (284,676ft²)
Leasable space: 20,812m² (224,022ft²)
Occupancy rate: 98.1% (as of March 31, 2007)
Structure: Steel framed structure, flat roof
Above ground: 10 floors
Usage: Office, shop, parking area
Total project cost: ¥12,821 million (\$109 million) (forecast value at the time of the first contribution)
Completion: November 2006

Type of assets acquired: Preferred capital contribution certificates of 5,360 units

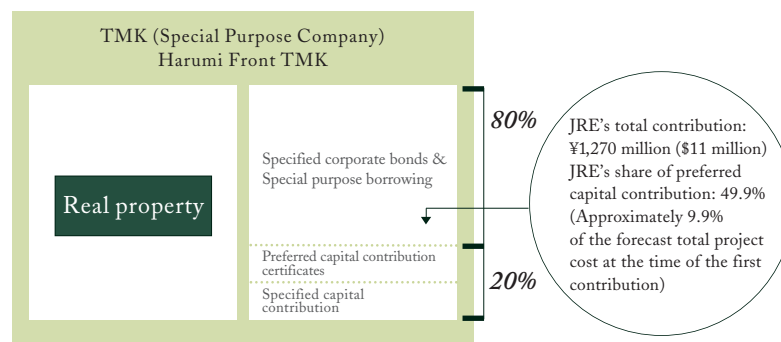
Acquisition price: ¥268 million (\$2.3 million)

Acquisition date: November 24, 2006

The Company underwrote certificates as follows. The acquisition shown above is the third acquisition.

Issuance date	Number of units	Amounts per unit	Total amount of issuance
March 29, 2005	19,120	¥ 50,000 (\$424)	¥956 million (\$8.1 million)
November 24, 2005	920	¥ 50,000 (\$424)	¥46 million (\$0.4 million)
November 24, 2006	5,360	¥ 50,000 (\$424)	¥268 million (\$2.3 million)

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



Exchange of Properties

For the period from October 1, 2006 to March 31, 2007



Outline of Transfer



Transferred property

Mitsubishi Soken Building

(Trust beneficiary right in trust of real estate: 100.0% of ownership)

Acquisition date:	¥27,267 million	Floor area of building:	26,372.92m ² (283,875ft ²) (Note)
Acquisition price:	September 25, 2001	Structure:	Steel-framed reinforced concrete structure, flat roof
Transfer date:	March 28, 2007		Above ground: 15 floors
Transfer price:	¥41,900 million		Below ground: 2 floors
Location:	Otemachi, Chiyoda-ku, Tokyo	Completion:	July 1970
Site area:	3,441.35m ² (37,072ft ²)	Transferee:	Mitsubishi Estate Co., Ltd.

Note: Including the building registered as a separate building

Outline of Acquisition



Acquired property

Mitsubishi UFJ Trust and Banking Corporation

(Real property: 19.38402% of ownership)

Acquisition date:	March 28, 2007	Completion:	February 2003
Acquisition price:	¥44,700 million	Type of ownership:	Land: Ownership (Note 1) Building: Compartmentalized building units (Note 2)
Location:	Marunouchi, Chiyoda-ku, Tokyo	Transferor:	Mitsubishi Estate Co., Ltd.
Site area:	8,100.39m ² (87,192ft ²)	Notes:	1. Co-ownership at the ratio of 226/1,000 in two lots (700.81m ² (7,543ft ²)) and co-ownership at the ratio of 2,795/10,000 in one lot (5,085.53m ² (54,740 ft ²)). 2. Co-ownership of its compartmentalized building units of a part of the 4th stories below ground through the 7th stories above ground and the 8th through 29th stories above ground with a ratio of 226/1,000 of the total 75,824.97m ² (816,172 ft ²). Share in the building: 19.38402%
Floor area of building:	108,171.67m ² (1,164,349ft ²)		
Structure:	Steel-framed, steel-framed reinforced concrete structure, flat roof Above ground: 29 floors Below ground: 4 floors		

Overall Comparison between the Properties

(As of the date of exchange)

		Mitsubishi Soken Building	Mitsubishi UFJ Trust and Banking Building
Age of building		36.7 years	4.1 years
Location		The north end of the Otemachi area	The center of the Marunouchi area
Total number of tenants		4	10
PML value		8.98%	2.24%
NOI (per year)		¥1,574 million (Actual results for the period from Oct. 2005 to Sept. 2006)	¥1,620 million (Notional NOI relating to the acquired shares)
Specifications	Ceiling height	2,575mm	2,800mm
	Standard floor area	Higher level 700m ² Lower level 1,460m ²	1,776m ²
	Air conditioning system	Central air conditioning	Individual air conditioning

Reason for the Exchange

Challenges of Mitsubishi Soken Building



- The competitiveness of the building is likely to decrease in the case that more buildings in the neighborhood are reconstructed in the future.
 - It is necessary to study what action to be taken after the lease contract for a specific leasing period with a principal tenant, which accounts for more than 80% of the leasable space, expires at the end of March 2011.
 - Progress of reconstruction business in Development of Land Replanning/Rezoning in the Otemachi Area.*
- *As for details, please refer to the next page.

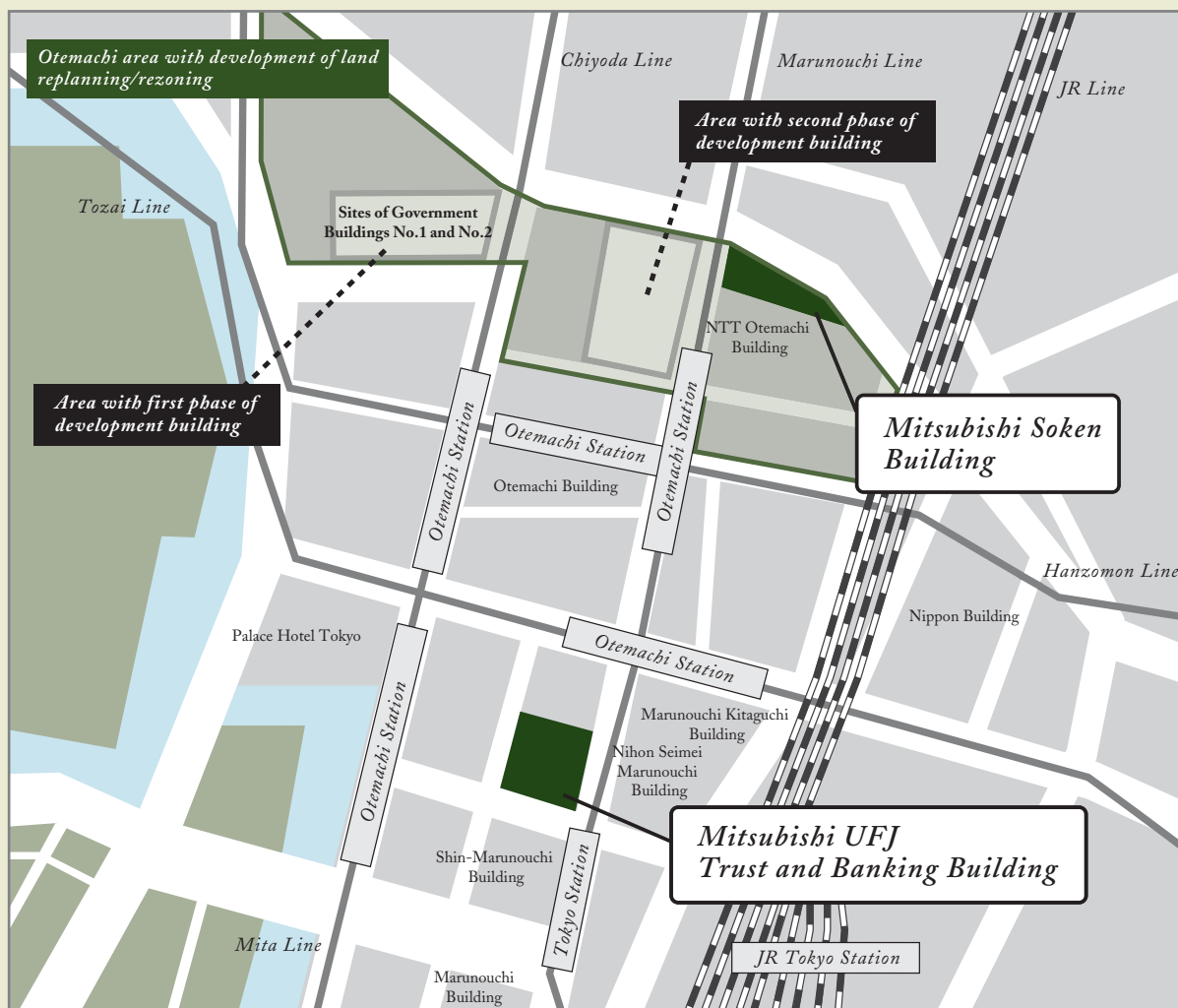
Is this building to be retained, to be rebuilt or to be sold?

Study of Possible Options

1. Maintaining ownership with a proposal of an exchange of lands at the current location	— Concerns regarding the decreasing competitiveness in the future cannot be eliminated.
2. Reconstruction with a proposal of an exchange of lands at the current location	<ul style="list-style-type: none"> — There is negative impact on profitability during the reconstructing period. — It is difficult to construct a new building with square shaped lease spaces that is highly competitive.
3. Sole development or joint development with a proposal of an exchange of lands within the area scheduled for the second phase of development	<ul style="list-style-type: none"> — There is negative impact on profitability during the reconstructing period. — Various risks associated with large-scale development may not be avoided, such as a project completion risk.
4. Outright sale	— Although the profit for the current fiscal period of the sale will substantially increase by capital gain upon sale, the profit will decline constantly in subsequent years.
5. Exchange	— This alternative will (A) allow avoiding (i) adverse effect on profitability and (ii) various risks associated with large-scale development, and (B) maintain stable profitability.

The best scheme is to exchange this building with newly constructed buildings in the same area, which is the best location for office buildings in Japan, in order to maintain stable profitability.

Outline of Development of Land Replanning/Rezoning in the Otemachi Area (Maps)



Outline of Development of Land Replanning/Rezoning in the Otemachi Area

Name of business : Tokyo Metropolitan Urban Land Development Business Plan,
Development of Land Replanning/Rezoning in the Otemachi Area
Business entity : Urban Renaissance Agency (UR)
Area: Approximately 13.1 ha
Period : From April 2006 to the end of March 2015

Outline of Urban Development Project Involving Sequential Reconstruction

- (1) UR acquires the sites of Government Buildings.
- (2) Lands of the relevant parties holding certain rights and interests in properties who wish to rebuild are collected to exchange the lands to the sites of Government Buildings.
- (3) Rebuilding is performed at the sites of government buildings. (First phase redevelopment)
- (4) Lands of the relevant parties holding certain rights and interests in properties who wish to rebuild next are collected to exchange the lands to the building site of the relevant parties holding certain rights and interests in properties who participated in the first phase redevelopment.
- (5) Rebuilding is performed at the building site of the relevant parties holding certain rights and interests in properties who participated in the first phase redevelopment. (Second phase redevelopment)
- (6) The building sites of the relevant parties holding certain rights and interests in properties who participated in the second phase redevelopment are used for the next sequential reconstructing, etc.

Subsequent Events

After the period from October 1, 2006 to March 31, 2007

Acquired Property



8-3 Square Kita Building

Property Summary

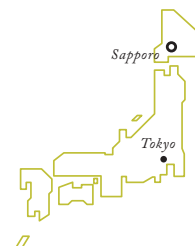
Type of specified asset:	Real property (Note 1)
Acquisition price:	¥7,100 million (\$60 million)
Acquisition date:	June 1, 2007
Location:	Sapporo, Hokkaido
Usage:	Office, shop (Note 2)
Site area:	5,541.60m ² (59,649ft ²)
Floor area of building:	16,048.59m ² (172,745ft ²) (Office building) 48.38m ² (521ft ²) (Multi-level parking structure)
Structure:	Steel-reinforced concrete structure, flat roof Above ground: 11 floors Below ground: 1 floor (Note 2)
Completion:	December 2006

Notes: 1. Land: Ownership (47.17% in the site rights)
Building: Ownership (all the compartmentalized building units in the office building and the multi-level parking structure, and the common area in the project site)
2. Usage and structure refer to the office building.

Leasing Conditions (As of June 1, 2007)(Note)

Number of tenants:	7 tenants
Leasable space:	12,265m ² (132,019ft ²)
Leased space:	12,078m ² (130,006ft ²)
Occupancy rate:	98.5%

Note: The number of tenants, leasable space, leased space and occupancy rate refer to the office building as of the acquisition date.



Property Acquisition Merits

Located in Sapporo, the largest central city in Hokkaido, the 8-3 Square Kita Building benefits JRE's portfolio in terms of regional diversity. The property is a new building within the site that is directly connected to JR Sapporo Station via an underground walkway. With its convenient location and high specifications for meeting a variety of facility needs for tenants, the property holds a competitive edge in Sapporo's office building market.

Issuance of Investment Corporation Bonds

Based on the approval by the Board of Directors' meeting held on June 1, 2007, the Company issued investment corporation bonds.

- (1) Name
 - (i) Japan Real Estate Investment Corporation Fifth Unsecured Bond (hereinafter, "the Fifth Bond")
 - (ii) Japan Real Estate Investment Corporation Sixth Unsecured Bond (hereinafter, "the Sixth Bond")
- (2) Total amount of the bond issue
 - The Fifth Bond: 10 billion yen
 - The Sixth Bond: 15 billion yen
- (3) Payment amount
 - 100 yen per face value of 100 yen
- (4) Redemption price
 - 100 yen per face value of 100 yen
- (5) Yield on the bonds
 - The Fifth Bond: 1.67%
 - The Sixth Bond: 1.91%
- (6) Secured mortgage or guarantee
 - There is no secured mortgage or guarantee on the bonds.
 - There are no assets reserved as security for the bonds.
- (7) Redemption method and dates
 - (i) Final redemption date
 - The Fifth Bond: June 18, 2012
 - The Sixth Bond: June 18, 2014
 - (ii) Redemption by purchase may be accomplished anytime from the date following the payment date.
- (8) Interest payment dates
 - June 18 and December 18 of every year
- (9) Finance-related special covenants
 - No finance-related special covenants are attached to the bonds.
- (10) Use of the fund
 - Scheduled future redemptions of the existing investment corporation bonds

History after IPO

Since listing on the Tokyo Stock Exchange (“TSE”) as the first J-REIT in Japan, the Company has established a firm track record over the past 10 fiscal periods. As the Company concluded its 11th fiscal period ended March 31, 2007, the total acquisition price for properties reached ¥441,276 million. Throughout its history, the Company has sustained stable management while realizing steady growth and taking the initiative as a J-REIT pioneer. During the fiscal period under review, the Company accelerated efforts to streamline and strengthen its portfolio. In addition to acquiring quality property, the Company conducted a property exchange (detailed on p. 4-6) for the first time.

Sep. 2001

Listed on TSE as first J-REIT

Sep. 2001

IPO

May 2002

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

Oct. 2003

Second Follow-On

Apr. 2005

Third Follow-On

Oct. 2006

Fourth Follow-On

Feb. and Mar. 2002

Acquired Issuer Credit Rating (First for a J-REIT)

- Standard & Poors A+ (Outlook: Stable)
- Moody's A2 (Outlook: Stable)

Jun. 2002

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

Apr. 2003

Second/Third Investment Corporation Bond Issue

Nov. 2004

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

Dec. 2004

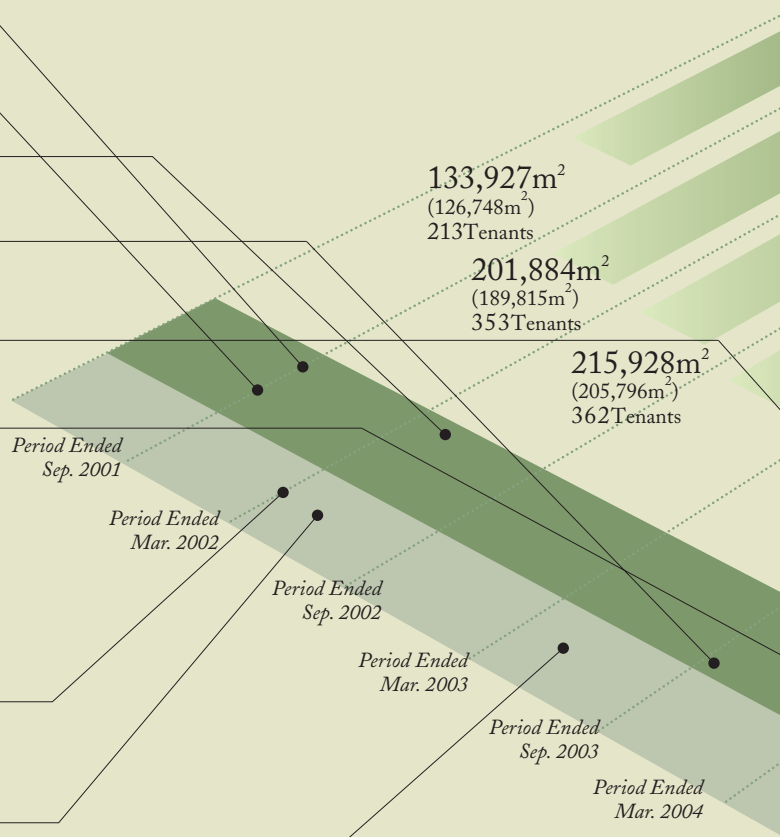
R&I issued an AA issuer credit rating.

Mar. 2005

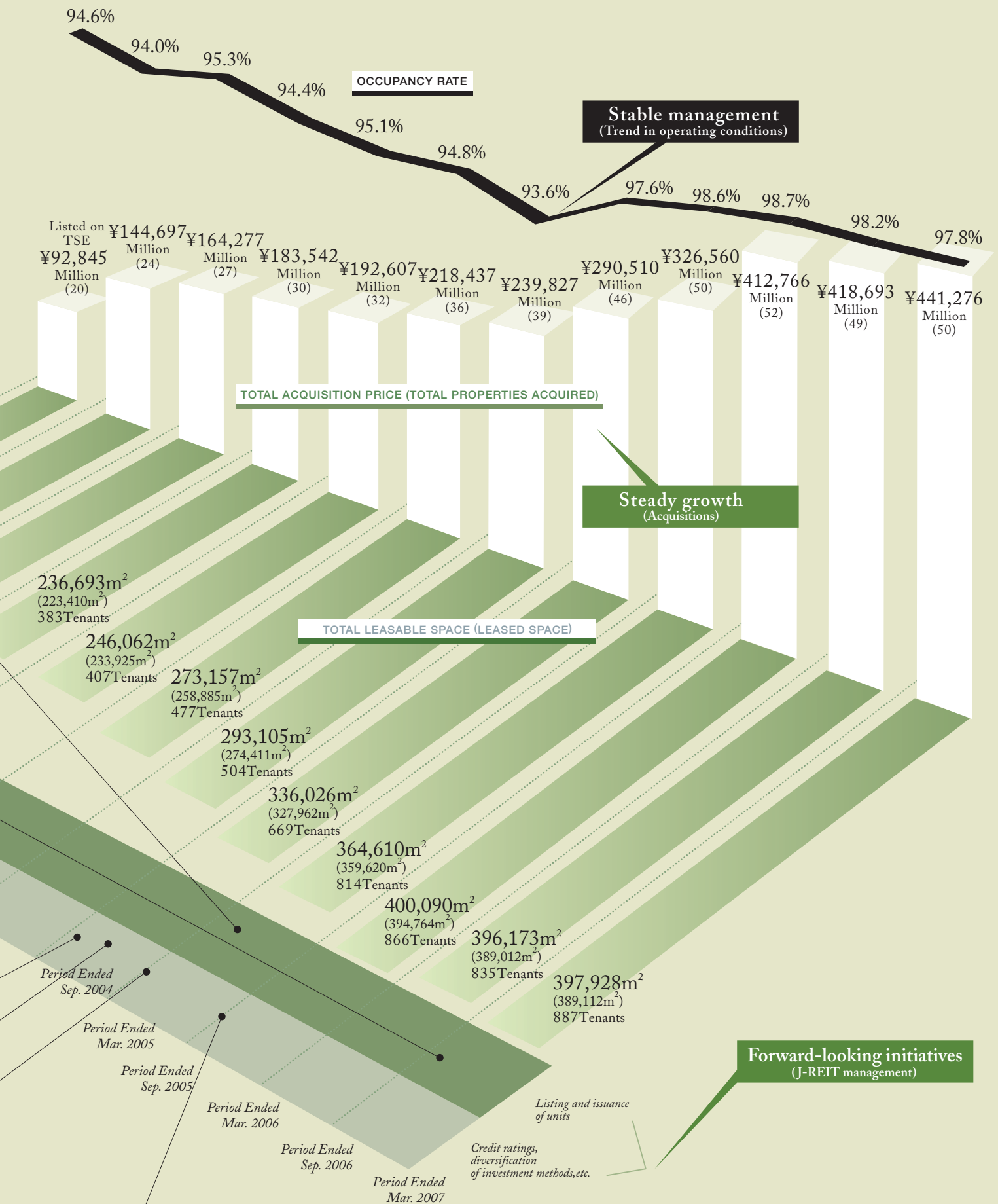
Acquisition of preferred capital contribution certificates
(First for a J-REIT)

Sep. 2005

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



Note: The total number of tenants is the gross number of tenants by building.



To Our Unitholders



The market for leased office space is seeing an increase in demand, leading to improved vacancy rates in major cities around Japan.



Kazuhiko Arahata

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

FINANCIAL RESULTS AND OUTLOOK

In the 11th fiscal period (the six months ended March 31, 2007), the Japanese economy continued to show favorable trends, although the household sector displayed signs of weakness attributable to such factors as a general flattening out in consumer spending caused by sluggish income growth. Capital spending increased in an environment where profits in the corporate sector rose in response to growth in demand and an improvement in staffing conditions.

As a result of favorable corporate performance, the market for leased office space is seeing an increase in demand, which is leading to improved vacancy rates in major cities around Japan. Demand is especially robust in central Tokyo, reflected in noticeably falling vacancy rates and climbing rents for new tenants. Under these circumstances, the Company continued to achieve increases in revenues and profits, and it is pleased to report another satisfactory fiscal period for our unitholders.

In the 11th fiscal period, the Company recorded operating revenues of ¥16,960 million (\$144 million), up 8.9% from the previous period. Operating profits rose 17.9% to ¥8,304 million (\$70 million). After deducting expenses for interest payments on loans and other costs, income before income taxes increased 20.2% to ¥7,184 million (\$61 million) and net income climbed 20.2% to ¥7,183 million (\$61 million). As a result, we declared a cash dividend of ¥17,521 (\$148.42) per unit.

In addition to acquiring competitive property during the fiscal period under review, as a means of constantly reviewing the portfolio, the Company conducted an exchange of properties in order to enhance portfolio quality. As a result, the Company's properties as of March 31, 2007 consisted of 50 office buildings with a total acquisition amount of ¥441,276 million (\$3,738 million), total leasable

space of 397,928 m² (approximately 4,283,261 ft²) and a total of 887 tenants, marking steady growth of the portfolio.

For the 12th fiscal period (April 1, 2007 to September 30, 2007), the Company forecasts operating revenues of ¥17,000 million (\$144 million), income before income taxes of ¥7,000 million (\$59 million) and net income of ¥7,000 million (\$59 million). The Company plans to declare a cash dividend of ¥17,090 (\$144.77) per unit.

Our forecasts for the 13th fiscal period (October 1, 2007 to March 31, 2008) are operating revenues of ¥17,140 million (\$145 million), income before income taxes of ¥7,070 million (\$60 million), net income of ¥7,070 million (\$60 million), and a cash dividend of ¥17,200 (\$145.70) per unit.

Although it will be necessary to pay close attention to the impact of the U.S. economy on the Japanese market, as well as the impact of rising interest rates and increasing crude oil and raw material prices on corporate earnings performance, the stable, favorable turnabout in the Japanese economy centered on the corporate sector is expected to continue for the foreseeable future.

In the market for leased office space, both vacancy rates and rent levels are demonstrating favorable trends, supported by the active demand for office space spurred by the robust corporate performance.

On the other hand, when selecting buildings, tenants in this market are making increasingly stringent demands ranging from location, building quality and features to building management and value-added services. We anticipate that it will become even more important for suppliers to provide services that correctly and promptly 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 be continued by J-REITs, in

The Company shall become the market leader in the next stage as well, mobilizing all of its know-how and enthusiasm to fulfill its mandate from unitholders to increase unitholder value.

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 become more intense.

Therefore, to produce steady results that extend into the future, the Company adheres to the following management policies with respect to financial strategy and internal and external growth. Five and a half years have passed since our public listing, and our goal is to achieve continued stable operations.

MANAGEMENT POLICIES

Financial Strategy

The greatest challenge facing us in terms of financial strategy is maintaining our sound financial position built up over the years. As the Japanese economy recovers, interest rates are eventually expected to rise. In response, it is essential to limit the scale of impact that higher interest rates will have on earnings, while also delaying their impact. To that end, in the 11th fiscal period, the Company issued 64,600 investment units by public offering, raising ¥63,211 million (\$535 million) on October 24, 2006, in order to fund the repayment of loans and acquisition of new specified assets. This amount was used to repay ahead of schedule short-term loans of ¥4,500 million (\$38 million) on October 31, 2006, and ¥58,000 million (\$491 million) on November 24, 2006, respectively. Consequently, as of March 31, 2007, the loan to value ratio (Interest-bearing debt/Total assets) stood at 31.5%, in line with our target of the 30% range.

In addition to the above, as a result of converting short-term loans to long-term loans, on March 31, 2007, the Company had total interest-bearing debt of ¥140,000 million (\$1,186 million), consisting of ¥85,000 million (\$720 million) in long-term loans, including a ¥6,000 million (\$51 million) current portion of long-term loans; and outstanding investment corporation bonds with a par value of ¥55,000 million (\$466 million), including a ¥25,000 million (\$212 million) current portion of investment corporation bonds. (Short-term loans have been repaid in full.) This sound financial strategy has given us sufficient

latitude to acquire more properties for further growth.

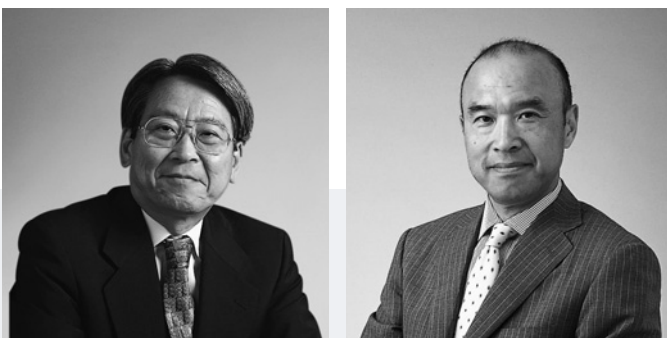
As of May 16, 2007, the Company had obtained the following credit ratings.

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

Because of the excellent ratings the Company has obtained from rating agencies, it is able to obtain low-interest loans at favorable terms. It is extremely important for a REIT to be able to expeditiously raise funds in order not to miss opportunities to acquire prime properties that become available. The Company has been able to keep interest rates down and obtain bank loans unsecured primarily as a result of its adherence to a conservative financial strategy. Moreover, property sellers have a great deal of confidence in our ability to pay a contract price, as the Company already has a recognized name in the real estate market.

External Growth

In the current feverish metropolitan Tokyo real estate market, we believe it is difficult to continue our portfolio expansion strategy along only the same lines we have taken thus far. Aggressive investing continues in Japan's real estate market, and competition for the acquisition of prime real estate is intensifying, making it more difficult to achieve external growth. For these reasons, we have been focused on improving portfolio quality from the 10th fiscal period by a reshuffling of properties in the portfolio. The Company sold properties from its portfolio for the first time during the 10th fiscal period, selling a total of four properties, and in the 11th fiscal period, it conducted the property exchange detailed in the chart below as part of efforts to further strengthen portfolio quality. The property acquired through the exchange, the Mitsubishi UFJ Trust and Banking Building, is a large-scale office building directly in front of Tokyo Station, giving it a location in the heart of the



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

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

Marunouchi area, which is the most prominent location for office buildings in Japan. This makes the property of exceptional competitiveness, and the acquisition has been highly rated by the real estate market in Japan.

	Transferred Property	Acquired Property
Name of Property	Mitsubishi Soken Building	Mitsubishi UFJ Trust and Banking Building
Age of Building	36.7 years	4.1 years
Location	Otemachi, Chiyoda-ku, Tokyo	Marunouchi, Chiyoda-ku, Tokyo
Type of specified asset	Trust beneficiary right in trust of real estate	Real property
Transfer/acquisition Price	¥41,900 million (\$355 million)	¥44,700 million (\$379 million)
Specifications		
Ceiling height	2,575mm	2,800mm
Standard floor area	Higher level 700m ² Lower level 1,460m ²	1,776m ²
Air conditioning system	Central air conditioning	Individual air conditioning

Although competition for the acquisition of prime real estate is intensifying, our policy is to expand our portfolio by carefully selecting and acquiring prime properties through one-on-one transactions rather than through direct competition such as bidding, to the extent possible. Toward this end, we will continue to make sufficient use of the pipeline provided by sponsor companies of the Asset Management Company.

Internal Growth

Our third policy pertains to internal growth. At present, internal growth is our primary management focus.

The Company has achieved its 10th consecutive period of revenue and profit growth; however, during the first three to four years after public listing, the rental market was unfavorable. In the midst of slack corporate earnings, an increasing cost consciousness led corporations to close their sales locations as they continued to cut back. Unfortunately, our existing properties did not generate increased earnings; but rather the ability to increase revenue and profit came through the acquisition of new properties,

or in other words, through external growth.

The market, however, began to change two and a half years ago, and occupancy rates increased following an overall rebound in corporate earnings. In addition, rent levels for new tenants in the 23 wards of Tokyo began to increase two years ago, making it possible to raise rents on contracts with existing tenants beginning in 2006. As a result of these rent increases in the overall market, approximately 40% of our leasing agreements in the 23 wards of Tokyo are for rents that are below current market rent levels. Through an expected turnover of around 7% in tenants and negotiations aimed at revising rents on existing contracts, we believe that circumstances now present us with an excellent opportunity to see increased revenue from rents.

Since the launch of the J-REIT market over five and a half years ago, 41 investment corporations have sprung up and the market continues to mature. Considering this, the Company — a J-REIT pioneer — is proud of the great impact and huge success it has enjoyed over the past years. Meanwhile, as the market grows and competition intensifies, the J-REIT market is facing its next stage of development. The Company shall become the market leader in the next stage as well, mobilizing all of its know-how and enthusiasm to fulfill its mandate from unitholders to increase unitholder value. I thank all of our unitholders for their 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, 2007

Properties Roster			Type of specified asset	Acquisition date	Acquisition price (¥ millions)	
Number	Name of building	Location				
Tokyo 23 wards						
●I- 1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Real property	10/31/2002	5,000	(1.1%)
●I- 2	Kitanomaru Square	Kudan-Kita, Chiyoda-ku	Real property	02/24/2006	81,555	(18.5%)
●I- 3	MD Kanda Building	Kanda-Mitoshirocho, Chiyoda-ku	Real property	05/31/2002	9,520	(2.2%)
●I- 4	Kandabashi Park Building	Kanda-Nishikicho, Chiyoda-ku	Real property	08/15/2002	4,810	(1.1%)
●I- 5	Nibancho Garden	Nibancho, Chiyoda-ku	Real property	04/01/2005	14,700	(3.3%)
●I- 6	Mitsubishi UFJ Trust and Banking Building	Marunouchi, Chiyoda-ku	Real property	03/28/2007	44,700	(10.1%)
●I- 7	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Real property	07/29/2005	7,000	(1.6%)
●I- 8	Sanno Grand Building	Nagatacho, Chiyoda-ku	Real property	01/31/2005	10,200	
				04/03/2006	10,700	
				total	20,900	(4.7%)
●I- 9	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Real property	08/01/2003	7,200	(1.6%)
●I- 10	Kodenmachi Shin-Nihonbashi Building	Nihonbashi-Kodenmachi, Chuo-ku	Trust	09/25/2001	3,173	(0.7%)
●I- 11	Burex Kyobashi Building	Kyobashi, Chuo-ku	Real property	07/22/2002	5,250	(1.2%)
●I- 12	Ginza Sanwa Building	Ginza, Chuo-ku	Real property	03/10/2005	16,830	(3.8%)
●I- 13	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Real property	03/15/2005	5,353	(1.2%)
●I- 14	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Real property	03/14/2003	7,680	(1.7%)
●I- 15	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	09/10/2001	4,859	(1.1%)
●I- 16	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	09/25/2001	2,808	(0.6%)
●I- 17	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/01/2004	7,830	(1.8%)
●I- 18	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Real property	09/13/2005	9,350	(2.1%)
●I- 19	Takanawadai Building	Higashi-Gotanda, Shinagawa-ku	Trust	09/25/2001	2,738	(0.6%)
●I- 20	Higashi-Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Real property	11/01/2004	5,500	(1.2%)
●I- 21	Omori-Eki Higashiguchi Building	Omori-Kita, Ota-ku	Trust	09/10/2001	5,123	(1.2%)
●I- 22	Nippon Brunswick Building	Sendagaya, Shibuya-ku	Real property	03/24/2004	6,670	(1.5%)
●I- 23	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Real property	04/01/2004	8,700	(2.0%)
●I- 24	da Vinci Harajuku	Jingumae, Shibuya-ku	Real property	11/22/2002	4,885	(1.1%)
●I- 25	Jingumae Media Square Building	Jingumae, Shibuya-ku	Real property	10/09/2003	12,200	(2.8%)
●I- 26	Shibuya Cross Tower	Shibuya, Shibuya-ku	Real property	11/30/2001	34,600	(7.8%)
●I- 27	Ebisu Neonato	Ebisu, Shibuya-ku	Real property	11/14/2003	3,740	
				04/01/2004	360	
				total	4,100	(0.9%)
●I- 28	Harmony Tower	Honcho, Nakano-ku	Real property	02/28/2005	8,500	(1.9%)
●I- 29	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	09/25/2001	3,541	(0.8%)
●I- 30	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	09/25/2001	1,728	(0.4%)
●I- 31	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Real property	08/02/2004	4,500	(1.0%)
Tokyo metropolitan area excluding 23 wards						
●II-1	Hachioji First Square	Hachioji, Tokyo	Real property	03/31/2005	3,300	(0.7%)
●II-2	Saitama Urawa Building	Saitama, Saitama Prefecture	Real property	09/25/2001	1,232	
				10/11/2001	1,342	
				total	2,574	(0.6%)
●II-3	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	09/25/2001	3,375	(0.8%)
Other major cities						
●III- 1	Jozenji Park Building	Sendai, Miyagi Prefecture	Real property	01/31/2005	1,000	(0.2%)
●III- 2	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	09/25/2001	2,924	
				06/28/2006	250	
				total	3,174	(0.7%)
●III- 3	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Real property	02/28/2002	2,880	
				03/03/2003	1,700	
				total	4,580	(1.0%)
●III- 4	Nishiki Park Building	Nagoya, Aichi Prefecture	Real property	10/02/2006	3,850	
				11/01/2006	1,300	
				total	5,150	(1.2%)
●III- 5	Hirokoji Tokio Marine Nichido Building	Nagoya, Aichi Prefecture	Real property	09/22/2006	1,680	(0.4%)
●III- 6	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Real property	09/10/2001	14,533	(3.3%)
●III- 7	Nagoya Misono Building	Nagoya, Aichi Prefecture	Real property	08/08/2003	1,865	(0.4%)
●III- 8	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Real property	12/20/2001	2,650	(0.6%)
●III- 9	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Real property	09/25/2001	2,264	
				12/26/2003	1,900	
				total	4,164	(0.9%)
●III- 10	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	09/25/2001	6,934	
				02/28/2002	7,380	
				total	14,314	(3.2%)
●III- 11	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	09/25/2001	1,436	(0.3%)
●III- 12	Lit City Building	Okayama, Okayama Prefecture	Real property	02/01/2006	4,650	(1.1%)
●III- 13	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Real property	03/25/2004	1,320	(0.3%)
●III- 14	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Real property	09/25/2001	1,550	(0.4%)
●III- 15	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Real property	06/01/2005	5,000	(1.1%)
●III- 16	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	09/10/2001	3,657	(0.8%)
				total	441,276	(100.0%)

Percentage of ownership of the building (%)	Completion	Appraisal value at the end of period (¥ millions)	Total leasable space		Leased space		Total number of tenants	Revenues from leasing operations (¥ millions)	
100.0	1985	6,220	4,791m ²	(51,577ft ²)	4,791m ²	(51,577ft ²)	1	222	(1.4%)
100.0	2006	83,900	25,678m ²	(276,402ft ²)	25,678m ²	(276,402ft ²)	5	1,843	(11.2%)
100.0	1998	10,200	6,269m ²	(67,480ft ²)	6,269m ²	(67,480ft ²)	2	292	(1.8%)
56.76	1993	5,600	3,687m ²	(39,695ft ²)	3,687m ²	(39,695ft ²)	8	165	(1.0%)
31.345	2004	16,400	9,316m ²	(100,282ft ²)	9,316m ²	(100,282ft ²)	1	493	(3.0%)
19.38402	2003	44,700	11,737m ²	(126,340ft ²)	11,737m ²	(126,340ft ²)	10	20	(0.1%)
100.0	2005	6,930	4,495m ²	(48,384ft ²)	4,495m ²	(48,384ft ²)	1	162	(1.0%)
99.0	1966	26,800	20,865m ²	(224,594ft ²)	20,750m ²	(223,360ft ²)	49	982	(6.0%)
10.78	1975	7,980	4,694m ²	(50,531ft ²)	4,694m ²	(50,531ft ²)	15	294	(1.8%)
100.0	1991	3,430	3,897m ²	(41,950ft ²)	3,897m ²	(41,950ft ²)	5	153	(0.9%)
100.0	2002	6,610	4,279m ²	(46,068ft ²)	4,279m ²	(46,068ft ²)	1	150	(0.9%)
70.95	1982	17,500	4,329m ²	(46,604ft ²)	4,329m ²	(46,604ft ²)	12	374	(2.3%)
100.0	1998	4,790	2,875m ²	(30,949ft ²)	2,875m ²	(30,949ft ²)	8	134	(0.8%)
100.0	1982	8,900	4,898m ²	(52,724ft ²)	4,898m ²	(52,724ft ²)	7	253	(1.5%)
100.0	1984	6,990	9,643m ²	(103,799ft ²)	9,643m ²	(103,799ft ²)	22	312	(1.9%)
100.0	1992	3,560	4,062m ²	(43,726ft ²)	4,062m ²	(43,726ft ²)	8	133	(0.8%)
100.0	1989	8,450	6,197m ²	(66,707ft ²)	6,197m ²	(66,707ft ²)	8	265	(1.6%)
8.368	1996	11,600	9,242m ²	(99,489ft ²)	8,942m ²	(96,259ft ²)	108	484	(2.9%)
100.0	1991	2,780	4,067m ²	(43,783ft ²)	4,067m ²	(43,783ft ²)	1	116	(0.7%)
100.0	2004	6,720	5,205m ²	(56,035ft ²)	5,205m ²	(56,035ft ²)	4	208	(1.3%)
100.0	1989	5,520	7,708m ²	(82,972ft ²)	7,708m ²	(82,972ft ²)	19	252	(1.5%)
100.0	1974	8,480	7,347m ²	(79,085ft ²)	7,322m ²	(78,814ft ²)	19	331	(2.0%)
100.0	2003	11,800	7,772m ²	(83,660ft ²)	7,772m ²	(83,660ft ²)	1	283	(1.7%)
100.0	1987	6,090	3,147m ²	(33,876ft ²)	3,147m ²	(33,876ft ²)	5	197	(1.2%)
100.0	1998	15,300	5,558m ²	(59,832ft ²)	5,558m ²	(59,832ft ²)	9	327	(2.0%)
100.0	1976	45,800	29,819m ²	(320,978ft ²)	29,819m ²	(320,978ft ²)	55	1,479	(9.0%)
12.29939	1994	5,520	2,462m ²	(26,511ft ²)	2,462m ²	(26,511ft ²)	3	151	(0.9%)
29.253305	1997	12,700	10,929m ²	(117,646ft ²)	10,929m ²	(117,646ft ²)	18	445	(2.7%)
100.0	1987	3,500	7,123m ²	(76,679ft ²)	7,123m ²	(76,679ft ²)	9	182	(1.1%)
100.0	1990	1,560	2,186m ²	(23,532ft ²)	2,186m ²	(23,532ft ²)	9	73	(0.4%)
100.0	1989	5,570	5,797m ²	(62,401ft ²)	5,797m ²	(62,401ft ²)	8	201	(1.2%)
50.6611	1996	3,390	6,344m ²	(68,290ft ²)	6,307m ²	(67,894ft ²)	40	170	(1.0%)
100.0	1990	2,550	4,510m ²	(48,550ft ²)	4,421m ²	(47,588ft ²)	15	136	(0.8%)
100.0	1990	3,360	6,831m ²	(73,537ft ²)	5,982m ²	(64,392ft ²)	11	158	(1.0%)
50.0	1993	1,070	2,518m ²	(27,106ft ²)	2,400m ²	(25,842ft ²)	16	67	(0.4%)
100.0	1991	3,600	6,241m ²	(67,185ft ²)	5,804m ²	(62,475ft ²)	16	158	(1.0%)
89.0	1991	6,300	21,202m ²	(228,223ft ²)	18,574m ²	(199,933ft ²)	68	521	(3.2%)
57.04651	1995	5,210	8,059m ²	(86,747ft ²)	7,953m ²	(85,609ft ²)	49	273	(1.7%)
100.0	1987	1,680	3,849m ²	(41,433ft ²)	3,121m ²	(33,600ft ²)	11	95	(0.6%)
100.0	1987	15,900	21,624m ²	(232,765ft ²)	19,994m ²	(215,219ft ²)	26	721	(4.4%)
100.0	1991	1,890	3,470m ²	(37,354ft ²)	3,470m ²	(37,354ft ²)	9	100	(0.6%)
100.0	1982	2,140	6,800m ²	(73,197ft ²)	6,598m ²	(71,020ft ²)	30	146	(0.9%)
100.0	1992	4,700	11,574m ²	(124,587ft ²)	11,574m ²	(124,587ft ²)	17	259	(1.6%)
100.0	1991	16,800	20,450m ²	(220,127ft ²)	20,450m ²	(220,127ft ²)	25	673	(4.1%)
100.0	1989	951	3,478m ²	(37,443ft ²)	3,279m ²	(35,299ft ²)	17	68	(0.4%)
27.7488	2005	5,400	9,965m ²	(107,269ft ²)	9,965m ²	(107,269ft ²)	40	297	(1.8%)
27.085	1994	1,780	5,477m ²	(58,964ft ²)	5,335m ²	(57,436ft ²)	12	148	(0.9%)
100.0	1992	1,510	4,000m ²	(43,057ft ²)	3,848m ²	(41,429ft ²)	19	95	(0.6%)
100.0	1993	4,970	5,602m ²	(60,304ft ²)	5,124m ²	(55,158ft ²)	24	199	(1.2%)
74.4844	1987	3,640	5,837m ²	(62,832ft ²)	5,256m ²	(56,584ft ²)	11	165	(1.0%)
		498,741	397,928m ²	(4,283,261ft ²)	389,112m ²	(4,188,373ft ²)	887	16,500	(100.0%)

Note: Total revenues from leasing operations include revenues of ¥ 1,051 million (6.4%) for Mitsubishi Soken Building transferred on March 28, 2007.

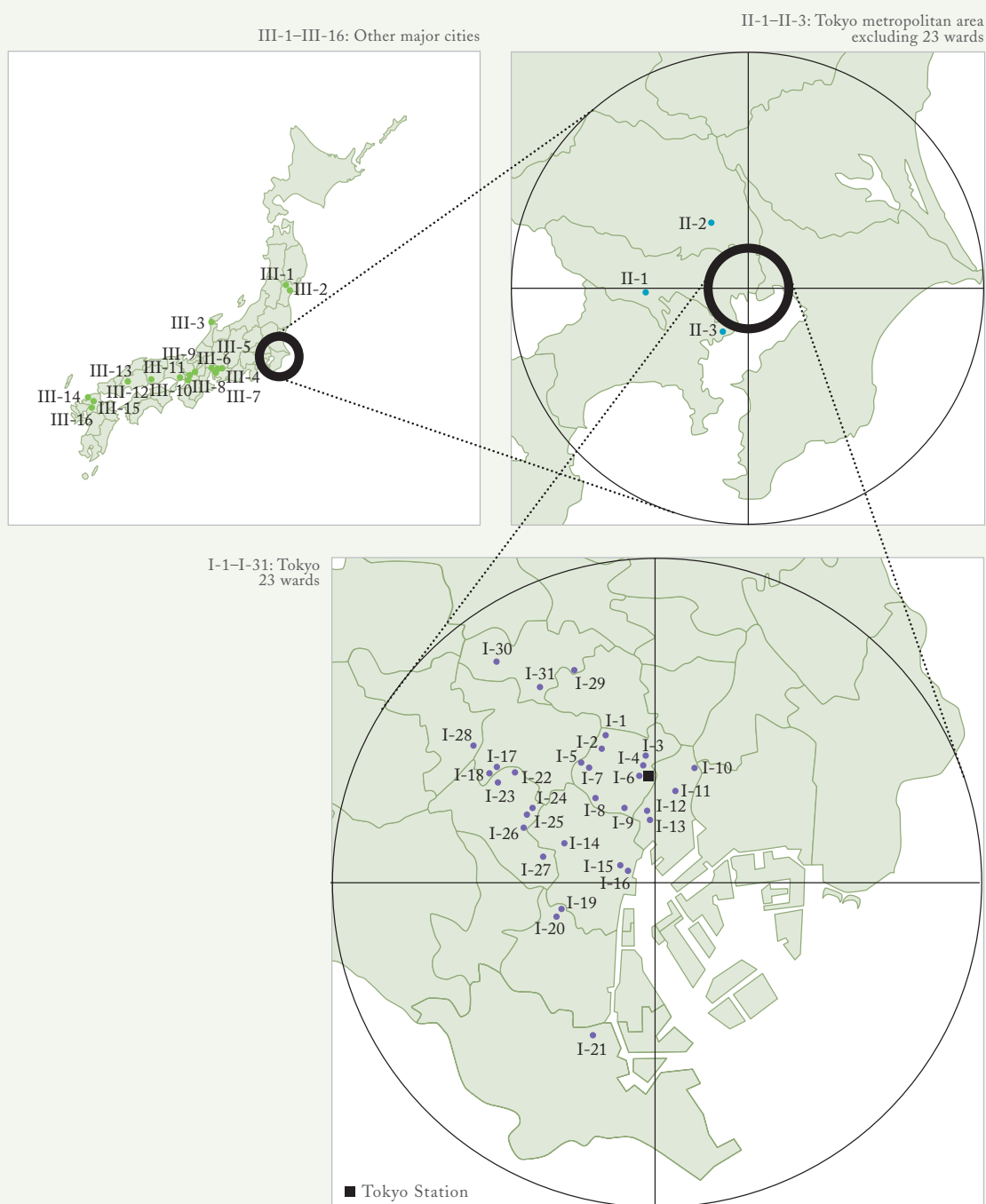
Major Tenants Roster

Rank	Name of tenant	Name of building	Leased space	Percent of total leased space
1	Banyu Pharmaceutical Co., Ltd.	Kitanomaru Square (also includes 1 other building)	17,014m ² (183,144ft ²)	4.4%
2	Mitsubishi UFJ Trust and Banking Corporation	Mitsubishi UFJ Trust and Banking Building	10,665m ² (114,802ft ²)	2.7%
3	Seven & i Holdings Co., Ltd.	Nibancho Garden	9,316m ² (100,282ft ²)	2.4%
4	Space Design, Inc.	Burex Kojimachi Building (also includes 1 other building)	8,774m ² (94,453ft ²)	2.3%
5	FAST RETAILING CO., LTD.	Kitanomaru Square	8,476m ² (91,245ft ²)	2.2%
6	Yamano Gakuen (Note 1)	Yoyogi 1Chome Building	7,772m ² (83,660ft ²)	2.0%
7	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes 7 other buildings)	7,660m ² (82,455ft ²)	2.0%
8	TOTO Ltd. (Note 2)	Midosuji Daiwa Building (also includes 1 other building)	6,906m ² (74,341ft ²)	1.8%
9	Toshiba Solutions Corporation	Takanawadai Building (also includes 2 other buildings)	5,331m ² (57,393ft ²)	1.4%
10	Asahi Kasei Pharma Corporation	MD Kanda Building	5,144m ² (55,371ft ²)	1.3%

Notes: 1. The lease agreement concluded with the tenant was terminated on April 30, 2007.

2. TOTO LTD. changed its Japanese name from Toto Kiki Kabushiki Gaisha to TOTO Kabushiki Gaisha (English name unchanged) on May 15, 2007.

Locations of Portfolio Properties



Overview of Portfolio Properties *As of March 31, 2007*

Note: Concerning real estate of which the Company is a 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 (11,332ft²)
Floor area of building : 6,722.02m² (72,355ft²)
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 (62,657ft²)
Floor area of building : 57,279.20m² (616,548ft²)
Structure : Above ground: 26 floors
Below ground: 2 floors
Completion : January 2006



MD Kanda Building

● I-3

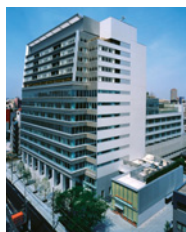
Location : Chiyoda-ku, Tokyo
Site area : 1,085.83m² (11,688ft²)
Floor area of building : 8,185.11m² (88,104ft²)
Structure : Above ground: 10 floors
Completion : February 1998



Kandabashi Park Building

● I-4

Location : Chiyoda-ku, Tokyo
Site area : 1,218.56m² (13,116ft²)
Floor area of building : 9,370.25m² (100,860ft²)
Structure : Above ground: 10 floors
Below ground: 1 floor
Completion : July 1993



Nibancho Garden

● I-5

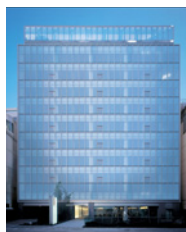
Location : Chiyoda-ku, Tokyo
Site area : 11,003.87m² (118,445ft²)
Floor area of building : 57,031.06m² (613,877ft²)
Structure : Above ground: 14 floors
Below ground: 2 floors
Completion : April 2004



Mitsubishi UFJ Trust and Banking Building

● I-6

Location : Chiyoda-ku, Tokyo
Site area : 8,100.39m² (87,192ft²)
Floor area of building : 108,171.67m² (1,164,349ft²)
Structure : Above ground: 29 floors
Below ground: 4 floors
Completion : February 2003



Burex Kojimachi Building

● I-7

Location : Chiyoda-ku, Tokyo
Site area : 967.67m² (10,416ft²)
Floor area of building : 6,526.64m² (70,252ft²)
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 (39,438ft²)
Floor area of building : 33,875.95m² (364,637ft²)
Structure : Above ground: 10 floors
Below ground: 3 floors
Completion : September 1966



Yurakucho Denki Building

● I-9

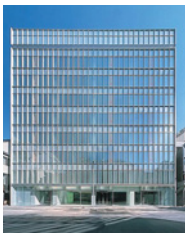
Location : Chiyoda-ku, Tokyo
 Site area : 5,749.91m² (61,891ft²)
 Floor area of building : 70,287.65m² (756,569ft²)
 Structure : Above ground: 20 floors
 Below ground: 4 floors
 Completion : September 1975



Kodenmachi Shin-Nihonbashi Building

● I-10

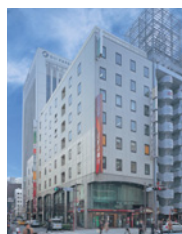
Location : Chuo-ku, Tokyo
 Site area : 773.28m² (8,324ft²)
 Floor area of building : 5,822.88m² (62,677ft²)
 Structure : Above ground: 9 floors
 Below ground: 1 floor
 Completion : November 1991



Burex Kyobashi Building

● I-11

Location : Chuo-ku, Tokyo
 Site area : 756.03m² (8,138ft²)
 Floor area of building : 5,470.54m² (58,884ft²)
 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 (12,048ft²)
 Floor area of building : 8,851.00m² (95,271ft²)
 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 (6,622ft²)
 Floor area of building : 4,104.71m² (44,183ft²)
 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 (10,649ft²)
 Floor area of building : 8,094.36m² (87,127ft²)
 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 (30,364ft²)
 Floor area of building : 16,235.10m² (174,753ft²)
 Structure : Above ground: 8 floors
 Below ground: 2 floors
 Completion : March 1984



Cosmo Kanasugibashi Building

● I-16

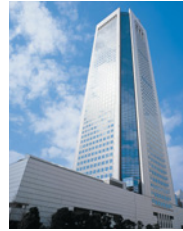
Location : Minato-ku, Tokyo
 Site area : 758.54m² (8,165ft²)
 Floor area of building : 5,420.93m² (58,350ft²)
 Structure : Above ground: 9 floors
 Below ground: 1 floor
 Completion : March 1992



Shinwa Building

● I-17

Location : Shinjuku-ku, Tokyo
 Site area : 822.00m² (8,848ft²)
 Floor area of building : 8,291.69m² (89,251ft²)
 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 (196,301ft²)
 Floor area of building : 232,996.81m² (2,507,954ft²)
 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 (15,244ft²)
 Floor area of building : 5,762.70m² (62,029ft²)
 Structure : Above ground: 13 floors
 Completion : January 1991



Higashi-Gotanda 1Chome Building

● I-20

Location : Shinagawa-ku, Tokyo
 Site area : 1,539.95m² (16,576ft²)
 Floor area of building : 6,460.39m² (69,539ft²)
 Structure : Above ground: 8 floors
 Completion : July 2004



Omori-Eki Higashiguchi Building

● I-21

Location : Ota-ku, Tokyo
 Site area : 2,199.30m² (23,673ft²)
 Floor area of building : 14,095.34m² (151,721ft²)
 Structure : Above ground: 11 floors
 Below ground: 2 floors
 Completion : July 1989



Nippon Brunswick Building

● I-22

Location : Shibuya-ku, Tokyo
 Site area : 1,497.52m² (16,119ft²)
 Floor area of building : 11,957.38m² (128,708ft²)
 Structure : Above ground: 9 floors
 Below ground: 2 floors
 Completion : March 1974



Yoyogi 1Chome Building

● I-23

Location : Shibuya-ku, Tokyo
 Site area : 1,755.75m² (18,899ft²)
 Floor area of building : 10,778.10m² (116,014ft²)
 Structure : Above ground: 14 floors
 Below ground: 1 floor
 Completion : October 2003



da Vinci Harajuku

● I-24

Location : Shibuya-ku, Tokyo
 Site area : 839.66m² (9,038ft²)
 Floor area of building : 4,359.20m² (46,922ft²)
 Structure : Above ground: 7 floors
 Below ground: 2 floors
 Completion : December 1987



Jingumae Media Square Building

● I-25

Location : Shibuya-ku, Tokyo
Site area : 2,261.68m² (24,344ft²)
Floor area of building : 9,420.42m² (101,400ft²)
Structure : Above ground: 9 floors
Below ground: 2 floors
Completion : March 1998



Shibuya Cross Tower

● I-26

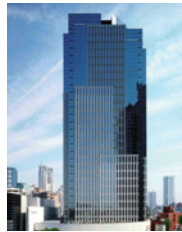
Location : Shibuya-ku, Tokyo
Site area : 5,153.45m² (55,471ft²)
Floor area of building : 61,862.33m² (665,880ft²)
Structure : Above ground: 32 floors
Below ground: 3 floors
Completion : April 1976



Ebisu Neonato

● I-27

Location : Shibuya-ku, Tokyo
Site area : 5,005.70m² (53,881ft²)
Floor area of building : 36,598.38m² (393,941ft²)
Structure : Above ground: 18 floors
Below ground: 2 floors
Completion : October 1994



Harmony Tower

● I-28

Location : Nakano-ku, Tokyo
Site area : 10,020.52m² (107,860ft²)
Floor area of building : 72,729.31m² (782,851ft²)
Structure : Above ground: 29 floors
Below ground: 2 floors
Completion : March 1997



Otsuka Higashi-Ikebukuro Building

● I-29

Location : Toshima-ku, Tokyo
Site area : 2,121.39m² (22,834ft²)
Floor area of building : 9,531.28m² (102,594ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : November 1987



Ikebukuro 2Chome Building

● I-30

Location : Toshima-ku, Tokyo
Site area : 397.26m² (4,276ft²)
Floor area of building : 3,157.51m² (33,987ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : May 1990



Ikebukuro YS Building

● I-31

Location : Toshima-ku, Tokyo
Site area : 1,384.56m² (14,903ft²)
Floor area of building : 7,464.64m² (80,349ft²)
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 (32,177ft²)
Floor area of building : 18,329.98m² (197,302ft²)
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 (16,502ft²)
Floor area of building : 6,258.59m² (67,367ft²)
Structure : Above ground: 8 floors
Completion : March 1990



Kawasaki Isago Building

● II-3

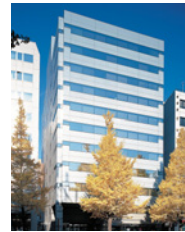
Location : Kawasaki, Kanagawa Prefecture
Site area : 1,594.50m² (17,163ft²)
Floor area of building : 9,623.83m² (103,590ft²)
Structure : Above ground: 12 floors
Below ground: 1 floor
Completion : December 1990



Jozenji Park Building

● III-1

Location : Sendai, Miyagi Prefecture
Site area : 1,566.68m² (16,864ft²)
Floor area of building : 7,648.33m² (82,326ft²)
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 (15,473ft²)
Floor area of building : 8,247.50m² (88,775ft²)
Structure : Above ground: 11 floors
Completion : November 1991



Kanazawa Park Building

● III-3

Location : Kanazawa, Ishikawa Prefecture
Site area : 6,642.71m² (71,501ft²)
Floor area of building : 43,481.20m² (468,027ft²)
Structure : Above ground: 12 floors
Below ground: 2 floors
Completion : October 1991



Nishiki Park Building

● III-4

Location : Nagoya, Aichi Prefecture
Site area : 2,170.45m² (23,363ft²)
Floor area of building : 25,091.91m² (270,087ft²)
Structure : Above ground: 22 floors
Below ground: 4 floors
Completion : August 1995



Hirokoji Tokio Marine Nichido Building

● III-5

Location : Nagoya, Aichi Prefecture
Site area : 786.79m² (8,469ft²)
Floor area of building : 6,445.08m² (69,374ft²)
Structure : Above ground: 9 floors
Below ground: 2 floors
Completion : September 1987



Nagoya Hirokoji Building

● III-6

Location : Nagoya, Aichi Prefecture
Site area : 4,095.81m² (44,087ft²)
Floor area of building : 33,377.73m² (359,275ft²)
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 (8,665ft²)
 Floor area of building : 5,348.00m² (57,565ft²)
 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 (15,840ft²)
 Floor area of building : 9,701.04m² (104,421ft²)
 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 (21,918ft²)
 Floor area of building : 17,145.59m² (184,553ft²)
 Structure : Above ground: 13 floors
 Below ground: 2 floors
 Completion : October 1992



Midosuji Daiwa Building

● III-10

Location : Osaka, Osaka Prefecture
 Site area : 3,044.65m² (32,772ft²)
 Floor area of building : 31,213.27m² (335,977ft²)
 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 (8,703ft²)
 Floor area of building : 4,894.09m² (52,679ft²)
 Structure : Above ground: 10 floors
 Completion : September 1989



Lit City Building

● III-12

Location : Okayama, Okayama Prefecture
 Site area : 7,596.44m² (81,767ft²)
 Floor area of building : 52,653.19m² (566,754ft²)
 Structure : Above ground: 20 floors
 Below ground: 2 floors
 Completion : June 2005



NHK Hiroshima Broadcasting Center Building

● III-13

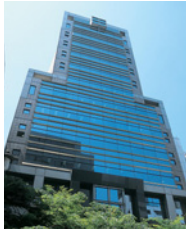
Location : Hiroshima, Hiroshima Prefecture
 Site area : 3,296.46m² (35,483ft²)
 Floor area of building : 35,217.28m² (379,075ft²)
 Structure : Above ground: 23 floors
 Below ground: 2 floors
 Completion : August 1994



Tosei Tenjin Building

● III-14

Location : Fukuoka, Fukuoka Prefecture
 Site area : 1,221.31m² (13,146ft²)
 Floor area of building : 5,588.57m² (60,155ft²)
 Structure : Above ground: 8 floors
 Completion : March 1992



Tenjin Crystal Building

● III-15

Location : Fukuoka, Fukuoka Prefecture
Site area : 1,835.17m² (19,754ft²)
Floor area of building : 10,432.04m² (112,289ft²)
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 (15,631ft²)
Floor area of building : 12,527.07m² (134,840ft²)
Structure : Above ground: 10 floors
Below ground: 2 floors
Completion : August 1987



Financial Section

Selected Financial Data	p.25
Balance Sheets	p.26
Statements of Income and Retained Earnings	p.28
Statements of Changes in	
Unitholders' Equity	p.28
Statements of Cash Flows	p.29
Notes to Financial Statements	p.30
Report of Independent Auditors	p.39

Selected Financial Data

	Millions of yen					Thousands of U.S. dollars (Note 1)
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	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 October 1, 2006 to March 31, 2007
Operating Revenues	¥ 16,960	¥ 15,570	¥ 13,962	¥ 13,119	¥ 10,747	\$ 143,668
Operating Expenses	8,655	8,528	7,643	6,893	6,046	73,321
Operating Profits	8,304	7,041	6,319	6,226	4,701	70,347
Income before Income Taxes	7,184	5,977	5,586	5,510	4,121	60,861
Net Income	7,183	5,976	5,585	5,509	4,120	60,852
Total Assets	443,973	441,163	433,552	355,968	322,358	3,760,893
Interest-Bearing Liabilities	140,000	202,500	196,500	122,000	159,000	1,185,938
Total Unitholders' Equity	271,867	207,449	207,058	206,982	137,569	2,302,987
Unitholders' Capital	264,683	201,472	201,472	201,472	133,448	2,242,134
Number of Units	410,000	345,400	345,400	345,400	260,400	410,000
Total Unitholders' Equity per Unit (Yen/U.S. dollars)	663,091	600,605	599,475	599,254	528,299	5,617.04
Cash Distribution	7,183	5,976	5,585	5,509	4,120	60,852
Dividend Payout Ratio	100.0%	99.9%	99.9%	100.0%	99.9%	100.0%
Dividend Per Unit (Yen/U.S. dollars)	17,521	17,302	16,172	15,951	15,824	148.42
Net Operating Income (NOI)	11,759	10,740	9,578	8,978	7,131	99,616
Funds from Operations (FFO)	9,441	8,257	7,945	7,526	5,762	79,983
Return on Assets (ROA) (Note 2)	1.6%	1.4%	1.4%	1.6%	1.4%	1.6%
	(3.2% annualized)	(2.7% annualized)	(2.8% annualized)	(3.2% annualized)	(2.9% annualized)	(3.2% annualized)
Return on Equity (ROE) (Note 3)	2.7%	2.9%	2.7%	2.8%	3.0%	2.7%
	(5.5% annualized)	(5.8% annualized)	(5.4% annualized)	(5.6% annualized)	(6.0% annualized)	(5.5% annualized)
EOP Equity Ratio (Note 4)	61.2%	47.0%	47.8%	58.1%	42.7%	61.2%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	31.5%	45.9%	45.3%	34.3%	49.3%	31.5%
FFO Multiple	33.8 times	21.0 times	22.1 times	21.1 times	19.7 times	33.8 times
Debt Service Coverage Ratio (Note 6)	10.5 times	9.5 times	12.3 times	14.0 times	11.2 times	10.5 times

Notes 1: Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥118.05 = US\$1.00, the foreign exchange rate on March 31, 2007, 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 portion of the calculation given in note 4 assumes a fiscal period of 182 days for the period ended March 31, 2005, 183 days for the period ended September 30, 2005, 182 days for the period ended March 31, 2006, 183 days for the period ended September 30, 2006 and 182 days for the period ended March 31, 2007.)

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 March 31, 2007 and September 30, 2006

	Thousands of yen		U.S. dollars (Note 1)
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
ASSETS			
Current Assets:			
Cash and bank deposits	¥ 13,877,640	¥ 21,102,952	\$ 117,557,309
Rental receivables	143,310	105,628	1,213,979
Consumption tax refundable	165,977	—	1,405,992
Other receivables	870,936	—	7,377,692
Other current assets	584,592	295,905	4,952,072
Total current assets	15,642,456	21,504,486	132,507,045
Property and Equipment, at Cost:			
Land	293,773,646	291,407,261	2,488,552,700
Buildings and structures	145,028,118	137,049,167	1,228,531,284
Machinery and equipment	2,125,142	2,070,922	18,002,058
Tools, furniture and fixtures	91,060	90,752	771,376
Construction in progress	1,052,672	1,071,673	8,917,175
Subtotal	442,070,640	431,689,778	3,744,774,592
Less accumulated depreciation	(18,089,037)	(16,023,048)	(153,231,995)
Net property and equipment	423,981,603	415,666,730	3,591,542,597
Investments and Other Assets:			
Investment securities	1,272,797	1,004,797	10,781,852
Deposits	21,974	12,974	186,147
Long-term prepaid expenses	2,365	3,307	20,037
Leasehold rights	2,204,134	2,112,906	18,671,197
Easement	828,095	828,095	7,014,785
Deferred investment corporation bond issuance costs	19,944	29,916	168,945
Total Assets	¥443,973,371	¥441,163,214	\$3,760,892,604

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

	Thousands of yen		U.S. dollars (Note 1)
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
LIABILITIES			
Current Liabilities:			
Trade accounts payable	¥ 1,430,707	¥ 749,064	\$ 12,119,508
Other payables	951,396	981,513	8,059,263
Short-term loans	—	64,500,000	—
Current portion of long-term loan	6,000,000	6,000,000	50,825,921
Current portion of investment corporation bond	25,000,000	25,000,000	211,774,672
Accrued expenses	542,238	645,360	4,593,298
Accrued income taxes	48	655	412
Accrued consumption taxes	—	522,577	—
Rent received in advance	2,102,606	2,425,067	17,811,154
Other current liabilities	2,814	3,531	23,838
Total current liabilities	36,029,812	100,827,770	305,208,066
Long-Term Liabilities:			
Investment corporation bonds	30,000,000	30,000,000	254,129,606
Long-term loans	79,000,000	77,000,000	669,207,963
Deposits received from tenants	27,075,888	25,886,360	229,359,497
Total long-term liabilities	136,075,888	132,886,360	1,152,697,065
Total Liabilities	172,105,700	233,714,131	1,457,905,132
UNITHOLDERS' EQUITY			
Unitholders' capital	264,683,960	201,472,860	2,242,134,350
Authorized: 2,000,000 units			
Issued: 410,000 units as of March 31, 2007 and 345,400 units as of September 30, 2006			
Retained earnings	7,183,711	5,976,223	60,853,123
Total unitholders' equity	271,867,671	207,449,083	2,302,987,472
Total Liabilities and Unitholders' Equity	¥443,973,371	¥441,163,214	\$3,760,892,604

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

Statements of Income and Retained Earnings

For the six months ended March 31, 2007 and September 30, 2006

	Thousands of yen		U.S. dollars (Note 1)
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenues	¥16,397,656	¥15,066,744	\$138,904,335
Non-rental revenues	103,116	102,638	873,500
Gain on sale of properties	—	400,799	—
Gain on exchange of properties	459,256	—	3,890,354
Total operating revenues	16,960,029	15,570,182	143,668,188
Operating Expenses:			
Property-related expenses	7,918,008	7,511,891	67,073,344
Asset management fees	452,640	653,512	3,834,311
Administrative service fees	162,210	249,067	1,374,083
Other operating expenses	122,726	113,984	1,039,613
Total operating expenses	8,655,585	8,528,456	73,321,352
Operating profits	8,304,444	7,041,725	70,346,836
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	36,064	4,730	305,501
Other non-operating revenues	1,363	3,059	11,549
Non-Operating Expenses:			
Interest expense	666,198	646,283	5,643,361
Interest expense on investment corporation bonds	376,539	376,500	3,189,665
Amortization of investment corporation bond issuance costs	9,972	9,972	84,473
Unit issuance costs	79,620	—	674,466
Other non-operating expenses	24,951	39,629	211,368
Income before Income Taxes	7,184,588	5,977,131	60,860,554
Income Taxes:			
Current	989	1,006	8,380
Deferred	0	0	7
Net Income	7,183,598	5,976,124	60,852,167
Retained Earnings brought forward	112	99	956
Retained Earnings at end of period	¥ 7,183,711	¥ 5,976,223	\$ 60,853,123

Statements of Changes in Unitholders' equity

For the six months ended March 31, 2007 and September 30, 2006

	Units	Thousands of yen		
		Unitholders' capital	Retained earnings	Total
Balance as of March 31, 2006	345,400	¥201,472,860	¥ 5,585,907	¥207,058,767
Cash dividends paid	—	—	(5,585,808)	(5,585,808)
Net income	—	—	5,976,124	5,976,124
Balance as of September 30, 2006	345,400	¥201,472,860	¥ 5,976,223	¥207,449,083
Public offering	64,600	63,211,100	—	63,211,100
Cash dividends paid	—	—	(5,976,110)	(5,976,110)
Net income	—	—	7,183,598	7,183,598
Balance as of March 31, 2007	410,000	¥264,683,960	¥ 7,183,711	¥271,867,671
U.S. dollars (Note 1)				
	Units	Unitholders' capital	Retained earnings	Total
Balance as of September 30, 2006	345,400	\$1,706,673,952	\$ 50,624,512	\$1,757,298,464
Public offering	64,600	535,460,398	—	535,460,398
Cash dividends paid	—	—	(50,623,556)	(50,623,556)
Net income	—	—	60,852,167	60,852,167
Balance as of March 31, 2007	410,000	\$2,242,134,350	\$ 60,853,123	\$2,302,987,472

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

Statements of Cash Flows

For the six months ended March 31, 2007 and September 30, 2006

	Thousands of yen		U.S. dollars (Note 1)
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007
Cash Flows from Operating Activities			
Income before income taxes	¥ 7,184,588	¥ 5,977,131	\$ 60,860,554
Depreciation and amortization	2,717,648	2,682,161	23,021,167
Loss on retirement of property and equipment	—	13,497	—
Amortization of investment corporation bond issuance costs	9,972	9,972	84,473
New unit issuance costs	79,620	—	674,466
Interest income	(36,064)	(4,730)	(305,501)
Interest expense	1,042,738	1,022,783	8,833,026
Gain on exchange of properties	(459,256)	—	(3,890,354)
Rental receivables	(37,681)	(31,062)	(319,204)
Other receivables	(870,936)	—	(7,377,692)
Consumption tax refundable	(165,977)	1,001,998	(1,405,992)
Corporate tax refundable	(5,796)	(318)	(49,101)
Prepaid expenses	(23,632)	32,954	(200,192)
Decrease due to sale of tangible fixed asset	—	2,896,040	—
Decrease due to sales of tangible fixed assets in trust	—	3,537,856	—
Trade accounts payable	681,643	64,463	5,774,196
Other payables	(148,384)	134,949	(1,256,962)
Accrued expenses	(522,714)	523,755	(4,427,906)
Rent received in advance	(322,460)	(183,677)	(2,731,561)
Long-term prepaid expenses	942	888	7,984
Other	(179,789)	(378,812)	(1,522,995)
Subtotal	8,944,460	17,299,851	75,768,406
Interest received	35,054	3,347	296,949
Interest paid	(1,145,723)	(698,139)	(9,705,405)
Income taxes paid	(1,596)	(1,360)	(13,523)
Net cash provided by operating activities	7,832,195	16,603,699	66,346,426
Cash Flows from Investing Activities			
Purchases of property and equipment	(10,534,991)	(14,049,415)	(89,241,776)
Purchases of intangible assets	(91,227)	—	(772,790)
Purchases of investment securities	(268,000)	—	(2,270,224)
Payments of deposits	(9,000)	—	(76,239)
Proceeds from lease deposits received	4,119,969	1,839,514	34,900,204
Repayment of lease deposits	(2,930,441)	(1,190,234)	(24,823,730)
Payments of time deposits	(4,573,000)	(2,000,000)	(38,737,823)
Proceeds from time deposits	4,000,000	—	33,883,947
Net cash used in investing activities	(10,286,691)	(15,400,134)	(87,138,430)
Cash Flows from Financing Activities			
Proceeds from short-term loans	—	2,000,000	—
Repayment of short-term loans	(64,500,000)	(52,000,000)	(546,378,653)
Proceeds from long-term loans	2,000,000	56,000,000	16,941,974
Proceeds from issuance of units	63,211,100	—	535,460,398
Payment of new unit issuance costs	(78,805)	—	(667,560)
Dividends to unitholders	(5,976,110)	(5,585,808)	(50,623,556)
Net cash (used in) provided by financing activities	(5,343,816)	414,191	(45,267,398)
Net (decrease) increase in Cash and Cash Equivalents	(7,798,312)	1,617,756	(66,059,402)
Cash and Cash Equivalents at beginning of Period	19,102,952	17,485,196	161,820,862
Cash and Cash Equivalents at end of Period	¥ 11,304,640	¥ 19,102,952	\$ 95,761,460

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

March 31, 2007 and September 30, 2006

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 units at a price of ¥525,000, generating gross proceeds of ¥84,000 million.

On October 24, 2006, the Company completed a fifth public offering of 64,600 units at a price of ¥1,009,400 generating gross proceeds of ¥65,207 million. As of March 31, 2007, the Company had total unitholders' capital of ¥264,683 million (\$2,242,134 thousand) with 410,000 outstanding units.

At March 31, 2007, the Company owned a portfolio of 50 office properties concerning an aggregate of approximately 397,928 square meters of leasable space.

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 Corporation Law of Japan, 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 ¥118.05=US\$1.00, the foreign exchange rate on March 31, 2007, 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.

As permitted under the Japanese Securities and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sum of the individual amounts.

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 repairing expenses are charged to income as incurred. Significant renewals and betterments are capitalized. The Company has adopted the accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs and (2) the present value of future cash flows arising ongoing utilization of the asset and from disposal after asset use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are grouped at the lowest level for which there is identifiable cash flows that are independent of cash flows of other groups of assets.

Deferred charges

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

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

New unit issuance costs are charged to income as incurred. The underwriters' commissions of the public offering are not recognized as new unit 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 unitholder) and the purchase price (the price received by the Company) is directly paid to the underwriters. The difference incurred at the fifth offering on October 24, 2006 was ¥1,996 million (\$16,909 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 income 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, 2007 and September 30, 2006 are summarized as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
Other securities			
Non-listed stock	¥1,272,797	¥1,004,797	\$10,781,852

4. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2007 and September 30, 2006 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2007		As of September 30, 2006		As of March 31, 2007	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥264,010,556	¥264,010,556	¥236,459,083	¥236,459,083	\$2,236,429,954	\$2,236,429,954
Buildings and structures	124,338,793		114,263,592		1,053,272,285	
Accumulated depreciation	(13,112,423)	111,226,369	(10,841,440)	103,422,152	(111,075,171)	942,197,114
Machinery and equipment	1,545,124		1,487,554		13,088,727	
Accumulated depreciation	(475,115)	1,070,009	(412,445)	1,075,108	(4,024,694)	9,064,033
Tools, furniture and fixtures	81,349		81,041		689,112	
Accumulated depreciation	(14,916)	66,432	(7,575)	73,466	(126,359)	562,753
Construction in progress	1,052,672	1,052,672	1,071,673	1,071,673	8,917,175	8,917,175
Land in trust	29,763,090	29,763,090	54,948,178	54,948,178	252,122,746	252,122,746
Buildings and structures in trust	20,689,324		22,785,575		175,258,999	
Accumulated depreciation	(4,157,577)	16,531,747	(4,450,618)	18,334,957	(35,218,786)	140,040,213
Machinery and equipment in trust	580,018		583,367		4,913,331	
Accumulated depreciation	(326,314)	253,703	(308,567)	274,800	(2,764,209)	2,149,122
Tools, furniture and fixtures in trust	9,711		9,711		82,263	
Accumulated depreciation	(2,688)	7,022	(2,401)	7,309	(22,776)	59,487
Total		¥423,981,603		¥415,666,730		\$3,591,542,597

The compressed amount of tangible assets with governments grants under the Corporation Tax Law of Japan is ¥50 million (\$424 thousand) at March 31, 2007 and September 30, 2006.

The compressed amount of land acquired with exchange transaction under the Corporation Tax Law of Japan is ¥14,431 million (\$122,252 thousand) at March 31, 2007.

5. SHORT-TERM LOANS

Short-term loans at March 31, 2007 and September 30, 2006 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
	Unsecured loan from a bank with variable interest, original due on June 15, 2007	¥ 0 (*)	¥ 2,000,000
Unsecured loan from a trust bank with variable interest, original due on February 1, 2007	0 (*)	4,500,000	0
Unsecured loans from banks and trust banks with variable interest, original due on February 23, 2007	0 (*)	58,000,000	0
Total	¥ 0	¥64,500,000	\$ 0

(*) Since the Company made early extinguishments of short-term loans in this fiscal period, there was no outstanding loan balances as of March 31, 2007.

The weighted average interest rate applicable to the short-term loans at September 30, 2006 was 0.31042% per annum.

The Company has commitment lines of ¥25,000 million (\$211,775 thousand) with four financial institutions to reduce a refinancing risk.

The unused amount of such commitment lines was ¥25,000 million (\$211,775 thousand) at March 31, 2007.

6. INVESTMENT CORPORATION BONDS INCLUDING CURRENT PORTION OF INVESTMENT CORPORATION BOND

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

	As of March 31, 2007		As of September 30, 2006		As of March 31, 2007
	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%	\$ 211,774,672
Unsecured bonds due on April 30, 2008	10,000,000	0.69%	10,000,000	0.69%	84,709,869
Unsecured bonds due on April 30, 2010	10,000,000	0.98%	10,000,000	0.98%	84,709,869
Unsecured bonds due on September 29, 2025	10,000,000	2.56%	10,000,000	2.56%	84,709,869
Subtotal	¥ 55,000,000	—	¥ 55,000,000	—	\$ 465,904,278
Less: current portion of investment corporation bond	(25,000,000)	—	(25,000,000)	—	(211,774,672)
Total	¥ 30,000,000	—	¥ 30,000,000	—	\$ 254,129,606

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

Long-term loans at March 31, 2007 and September 30, 2006 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
0.90875% unsecured loan from a bank, due on June 15, 2007	¥ 3,000,000	¥ 3,000,000	\$ 25,412,961
0.78375% unsecured loan from a bank, due on August 31, 2007	3,000,000	3,000,000	25,412,961
1.0575% unsecured loan from a bank, due on March 24, 2009	2,000,000	2,000,000	16,941,974
1.015% unsecured loan from an insurance company, due on March 30, 2009	5,000,000	5,000,000	42,354,934
1.47125% unsecured loan from an insurance company, due on March 30, 2011	2,000,000	2,000,000	16,941,974
1.50125% unsecured loan from an insurance company, due on August 31, 2011	5,000,000	5,000,000	42,354,934
1.33125% unsecured loan from another financial institution, due on November 1, 2011	5,000,000	5,000,000	42,354,934
1.63% unsecured loan from a trust bank, due on April 4, 2011	10,000,000	10,000,000	84,709,869
1.73% unsecured loan from a trust bank, due on June 1, 2011	22,000,000	22,000,000	186,361,711
1.65925% unsecured loans from banks, trust banks, and an insurance company, due on June 23, 2011	24,000,000	24,000,000	203,303,685
1.55% unsecured loan from an insurance company, due on October 29, 2012	2,000,000	2,000,000	16,941,974
1.2875% unsecured loan from a bank, due on December 15, 2009	2,000,000	—	16,941,974
Subtotal	¥85,000,000	¥83,000,000	\$720,033,884
Less: current portion of long-term loan	(6,000,000)	(6,000,000)	(50,825,921)
Total	¥79,000,000	¥77,000,000	\$669,207,963

8. UNITHOLDERS' EQUITY

The Company is required to maintain net assets of at least ¥50 million (\$424 thousand), as required pursuant to the Investment Trust Law.

9. INCOME TAXES

At March 31, 2007 and September 30, 2006, 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, 2007 and September 30, 2006 were as follows:

	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.38%)
Others	0.00%	0.01%
Effective tax rate	0.01%	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 ¥7,183 million (\$60,853 thousand) subsequent to March 31, 2007 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.

10. PER UNIT INFORMATION

The following table summarizes information about net assets per unit and net income per unit at March 31, 2007 and September 30, 2006, and for the periods then ended:

	Yen		U.S. dollars
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007
Net assets at period end per unit	¥663,091	¥600,605	\$5,617
Net income per unit	¥ 17,876	¥ 17,302	\$ 151

Net income per unit is computed by dividing net income by the weighted average number of units outstanding during each period. Diluted net income per unit has not been presented since no warrants or convertible bonds were outstanding during the period.

11. RELATED PARTY TRANSACTIONS

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

	Thousands of yen		U.S. dollars
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007
Purchase of the properties	¥48,559,000	¥12,380,000	\$411,342,651
Sale of the properties	41,900,000	—	354,934,350
Property management expenses	1,053,304	950,817	8,922,531
Utilities expenses	98,148	68,267	831,417
Casualty insurance	34,318	1,200	290,711
Other rental expenses	6,154	4,301	52,137
Interest expense	25,305	25,444	214,362
Repairing expenses	742,868	248,712	6,292,827

12. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six months ended March 31, 2007 and September 30, 2006.

	Thousands of yen		U.S. dollars
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007
Property-Related Revenues	¥16,500,773	¥15,169,382	\$139,777,834
Rental Revenues	16,397,656	15,066,744	138,904,335
Rental revenues	12,594,800	11,069,700	106,690,386
Common service charges	2,289,212	2,481,982	19,391,885
Parking revenues	492,917	483,014	4,175,499
Other rental revenues	1,020,726	1,032,046	8,646,564
Non-Rental Revenues	103,116	102,638	873,500
Cancellation charges	40,915	38,736	346,596
Other miscellaneous revenues	62,200	63,901	526,903
Property-Related Expenses	7,918,008	7,511,891	67,073,344
Property management expenses	1,815,942	1,766,740	15,382,821
Utilities expenses	1,133,868	1,198,307	9,604,981
Property and other taxes	1,241,021	1,271,584	10,512,673
Casualty insurance	38,437	38,909	325,601
Repairing expenses	916,973	513,335	7,767,671
Depreciation	2,717,648	2,682,161	23,021,167
Other rental expenses	54,117	40,852	458,430
Profits	¥ 8,582,765	¥ 7,657,491	\$ 72,704,490

13. BREAKDOWN OF GAIN ON SALE OF PROPERTIES

For the six months ended March 31, 2007 and September 30, 2006.

	Thousands of yen		U.S. dollars	
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007	
JAL Sales Building				
Revenue from sale of property	¥ —	¥ 2,593,000	\$ —	
Cost of property		1,253,829		—
Other sales expenses		66,725		—
Gain on sale of property	¥ —	¥ 1,272,445	\$ —	
Shin-Yokohama First Building				
Revenue from sale of property	¥ —	¥ 1,755,277	\$ —	
Cost of property		2,896,040		—
Other sales expenses		37,505		—
Loss on sale of property	¥ —	¥(1,178,268)	\$ —	
Niigata Ishizuecho Nishi-Bandaibashi Building				
Revenue from sale of property	¥ —	¥ 1,490,000	\$ —	
Cost of property		996,531		—
Other sales expenses		39,150		—
Gain on sale of property	¥ —	¥ 454,318	\$ —	
Kanazawa Minamicho Building				
Revenue from sale of property	¥ —	¥ 1,165,000	\$ —	
Cost of property		1,287,494		—
Other sales expenses		25,200		—
Loss on sale of property	¥ —	¥ (147,694)	\$ —	

14. BREAKDOWN OF GAIN ON EXCHANGE OF PROPERTIES

For the six months ended March 31, 2007 and September 30, 2006.

	Thousands of yen		U.S. dollars	
	For the period from October 1, 2006 to March 31, 2007	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2006 to March 31, 2007	
Mitsubishi Soken Building				
Revenue from sale of property	¥41,900,000	¥ —	\$354,934,350	
Cost of property	26,826,706	—	227,248,675	
Other sales expenses	182,100	—	1,542,568	
Advanced depreciation	14,431,937	—	122,252,753	
Gain on exchange of properties	¥ 459,256	¥ —	\$ 3,890,354	

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents a reconciliation of cash and cash equivalents at March 31, 2007 and September 30, 2006:

	Thousands of yen		U.S. dollars
	March 31, 2007	September 30, 2006	March 31, 2007
Cash and deposits with banks	¥ 9,129,721	¥13,478,743	\$ 77,337,750
Cash and deposits with banks held in trust	4,747,919	7,624,208	40,219,560
Time deposits with maturities of more than three months	(2,573,000)	(2,000,000)	(21,795,849)
Cash and cash equivalents	¥11,304,640	¥19,102,952	\$ 95,761,460

The Company entered into a contract of exchange of fixed assets with MEC on March 12, 2007 and the transaction was executed on March 28, 2007. The non-cash transaction occurred from this exchange was as follows:

	Thousands of yen	U.S. dollars
	March 31, 2007	March 31, 2007
The amount of fixed assets acquired	¥44,700,000	\$378,653,113
The amount of fixed assets rendered	41,900,000	354,934,350
Net cash paid	¥ 2,800,000	\$ 23,718,763

16. LEASES

The Company owns office buildings under leases and earns rent income. As of March 31, 2007 and September 30, 2006, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2007	As of September 30, 2006	As of March 31, 2007
Due within one year	¥ 8,338,164	¥ 8,387,902	\$ 70,632,481
Due after one year	28,762,327	27,072,595	243,645,297
Total	¥37,100,491	¥35,460,498	\$314,277,778

17. SUBSEQUENT EVENTS

Issuance of Investment Corporation Bonds

Based on the approval by the Board of Directors' meeting held on June 1, 2007, the Company issued investment corporation bonds.

- (1) Name
 - (i) Japan Real Estate Investment Corporation Fifth Unsecured Bond
(hereinafter, "the Fifth Bond")
 - (ii) Japan Real Estate Investment Corporation Sixth Unsecured Bond
(hereinafter, "the Sixth Bond")
- (2) Total amount of the bond issue
 - The Fifth Bond: 10 billion yen
 - The Sixth Bond: 15 billion yen
- (3) Payment amount
100 yen per face value of 100 yen
- (4) Redemption price
100 yen per face value of 100 yen
- (5) Yield on the bonds
 - The Fifth Bond: 1.67%
 - The Sixth Bond: 1.91%
- (6) Secured mortgage or guarantee
There is no secured mortgage or guarantee on the bonds. There are no assets reserved as security for the bonds.
- (7) Redemption method and dates
 - (i) Final redemption date
 - The Fifth Bond: June 18, 2012
 - The Sixth Bond: June 18, 2014
 - (ii) Redemption by purchase may be accomplished anytime from the date following the payment date
- (8) Interest payment dates
June 18 and December 18 of every year
- (9) Finance-related special covenants
No finance-related special covenants are attached to the bonds.
- (10) Use of the fund
Scheduled future redemptions of the existing investment corporation bonds

Appropriation of retained earnings

On May 17, 2007, the Board of Directors resolved to effect the payment of a cash distribution of ¥17,521 per unit aggregating ¥7,183 million (\$60,852 thousand) to unitholders at the record date of March 31, 2007.

Report of Independent Auditors

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

We have audited the accompanying balance sheets of Japan Real Estate Investment Corporation as of March 31, 2007 and September 30, 2006, and the related statements of income and retained earnings, changes in unitholders' equity, and cash flows for the six-month periods then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Real Estate Investment Corporation at March 31, 2007 and September 30, 2006, 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 17, Subsequent Events, the Company issued investment corporation bonds.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended March 31, 2007 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.

July 27, 2007



Corporate Data

As of March 31, 2007

Executives

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

Paid-in Capital

¥264,683,960,000

Number of Units Issued

410,000

Number of Unitholders

14,219

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.

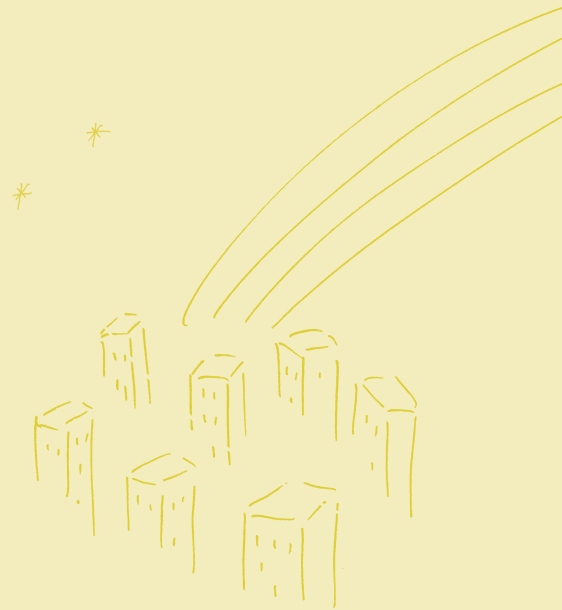
Planning Department, Manager

Toshiya Kobayashi

Tel: 81-3-3211-7921

Fax: 81-3-3212-8886

E-mail: toshiya-kobayashi@j-rea.co.jp



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

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

<http://www.j-re/english/>