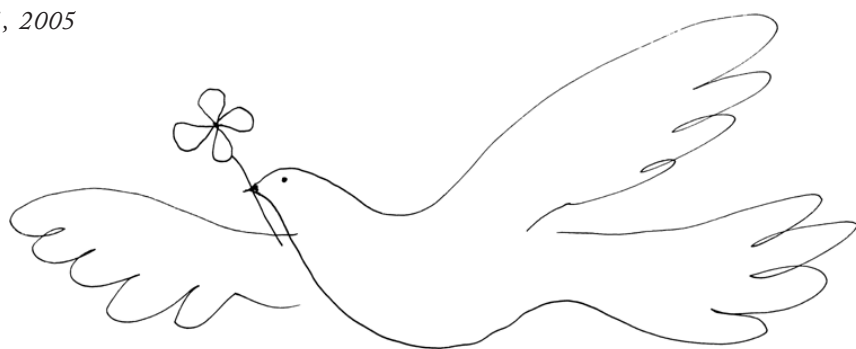
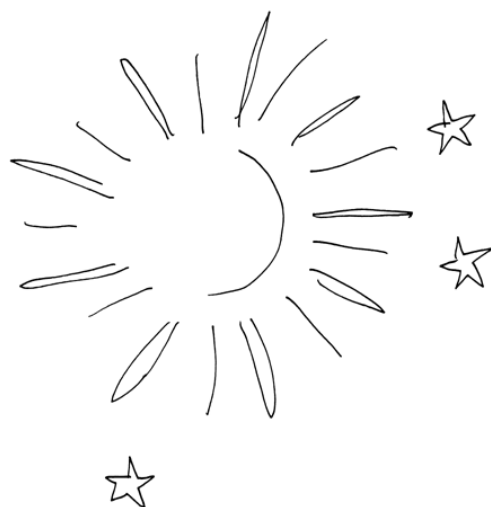


MARCH
2005
SEMIANNUAL
REPORT

For the period from October 1, 2004 to March 31, 2005



Japan Real Estate Investment Corporation

Profile

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

Note: Investment corporations, including Japan Real Estate Investment Corporation, are special legal entities incorporated and operated under the Investment Trust Law. Accordingly, the “shares” of such investment corporations, including the shares of the Company, are governed by the Investment Trust Law and represent the equity interests in such investment corporations, which may differ in certain material respects from the “shares” governed by the Commercial Code of Japan and representing the equity interests in Japanese ordinary corporations incorporated and operated under the Commercial Code of Japan. Investors and readers are specifically reminded to pay attention to such differences when reviewing this semiannual report and making any investment decision on or in respect of the “shares” of the Company. “Shareholders” of the Company may be construed accordingly. See “About J-REIT System” (pages 50–52) for more details. Each of the investors and readers should consult their own legal, tax and other advisors regarding all Japanese legal, tax and other consequences of an investment in the shares of the Company, with specific reference to their own legal, tax and other situation and any recent changes in applicable laws, guidelines or their interpretation.

THE STRENGTHS OF JAPAN REAL ESTATE INVESTMENT CORPORATION

- Steady growth — Total amount of acquisition prices achieved the goal of ¥300 billion (\$2.8 billion) one year ahead of schedule with the acquisition of the Nibancho Garden on April 1, 2005.
- Revenues and profits have increased for seven consecutive periods. Gross revenues for the seventh period achieved ¥10.7 billion, and operating profits reached ¥4.7 billion.
- Portfolio of 46 high-quality office buildings as of March 31, 2005 (the Nibancho Garden was acquired on April 1 and the Tenjin Crystal Building was acquired on June 1.)
- Acquisition of preferred capital contribution certificates as the first for a J-REIT
- Superior geographic and tenant diversity with a 97.6% occupancy rate (as of March 31, 2005)
- Collaboration with Mitsubishi Estate Co., Ltd., The Tokio Marine & Nichido Fire Insurance Co., Ltd., The Dai-ichi Mutual Life Insurance Company, and Mitsui & Co., Ltd.
- Highest issuer credit ratings of any office REIT in the world: A+ from Standard & Poor’s and A1 from Moody’s Investors Service. Moody’s Investors Service upgraded their rating from A2 to A1 on November 11, 2004, and R&I issued an AA issuer credit rating on December 20, 2004.
- Healthy financial strategy that supports strong growth through additional issues of shares and bonds

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Financial Highlights

For the Period from October 1, 2004 to March 31, 2005

	Millions of yen				Thousands of U.S. dollars (Note 1)
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from October 1, 2004 to March 31, 2005
Operating Revenues	10,747	10,151	9,560	8,965	100,082
Operating Profits	4,701	4,358	4,341	3,898	43,783
Income before Income Taxes	4,121	3,831	3,803	3,408	38,379
Net Income	4,120	3,830	3,802	3,407	38,370
Net Operating Income (NOI) (Note 2)	7,131	6,672	6,455	5,950	66,404
Funds from Operations (FFO) (Note 3)	5,762	5,488	5,301	4,801	53,655
FFO Multiple (Note 4)	19.7 times	20.8 times	20.4 times	15.2 times	19.7times
Cash Distribution	4,120	3,830	3,802	3,407	38,370
Number of Shares	260,400	260,400	260,400	225,400	260,400
Dividend per Share (Yen/U.S. dollars)	15,824	14,711	14,602	15,117	147.35

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.39 = US\$1.00, the foreign exchange rate on March 31, 2005, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

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

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

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

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

Top 10 Shareholders

Company	Shares	% of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	16,126	6.19%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	11,650	4.47%
Mitsubishi Estate Co., Ltd.	10,160	3.90%
The Chugoku Bank, Ltd.	9,295	3.57%
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,120	3.12%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	7,869	3.02%
The Yamanashi Chuo Bank, Ltd.	7,300	2.80%
The Joyo Bank, Ltd.	6,008	2.31%
The Dai-ichi Mutual Life Insurance Company	4,920	1.89%
The Bank of Ikeda, Ltd.	4,704	1.81%

Share Price Performance

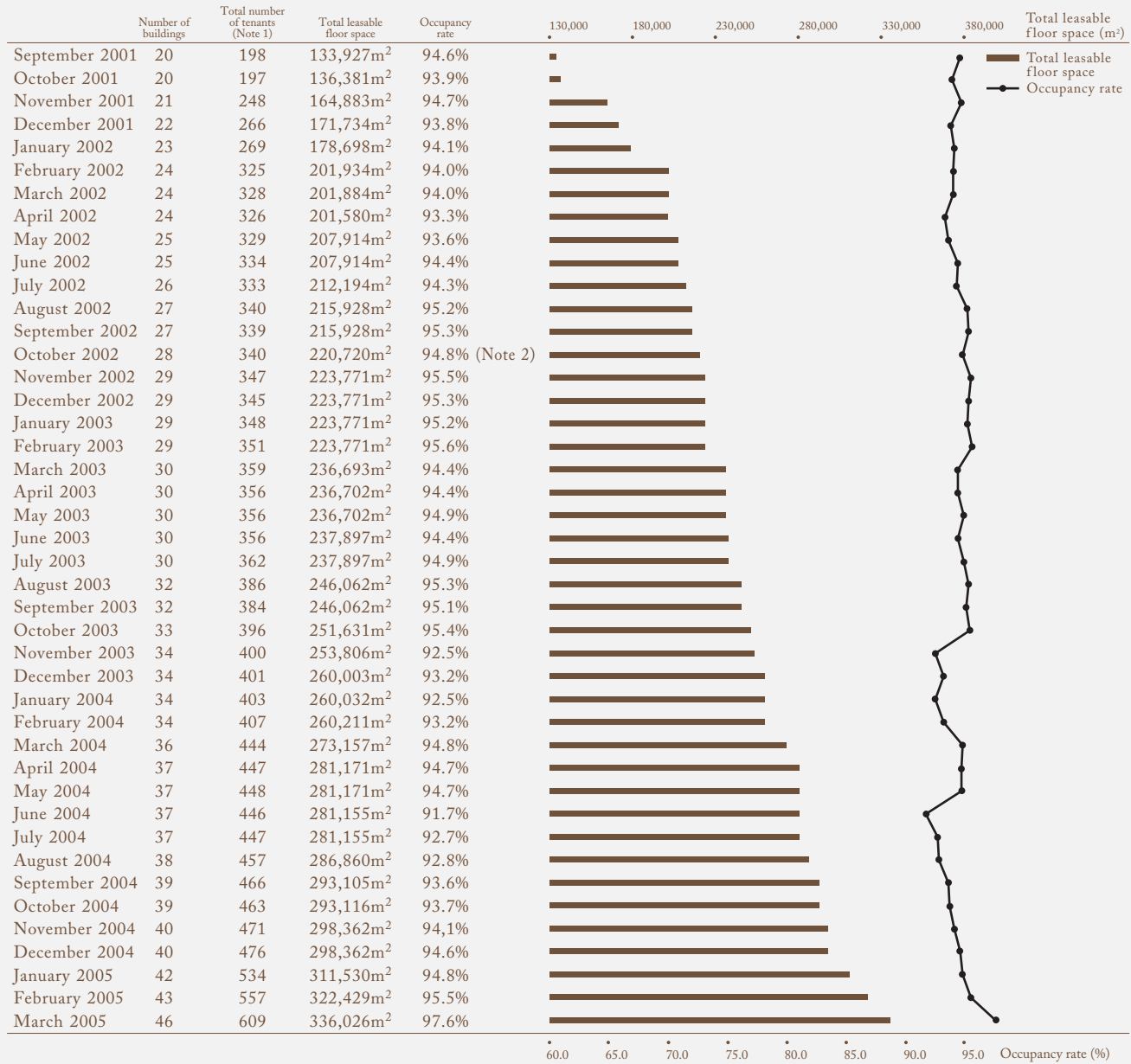


Additional Issue of Shares (As of April 26, 2005)

Issuance date:	April 26, 2005	Total amounts of offering price:	70,210 million yen
Subscription price:	826,000 yen	Starting date of the	
Number of shares issued:	85,000 shares	calculation of dividends:	April 1, 2005

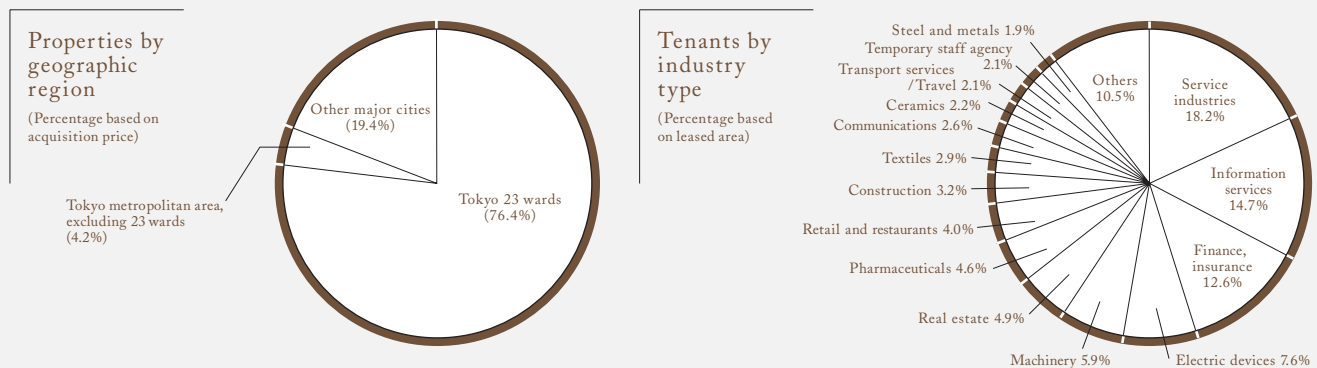
Portfolio Highlights

TRENDS IN THE STATE OF PORTFOLIO MANAGEMENT



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

PORTFOLIO BREAKDOWN



New Portfolio Properties

Properties acquired during the period ended March 31, 2005, on April 1, 2005 and June 1, 2005.

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

2. In "Leasing Conditions," the figures represent information of the portion owned by the Company.



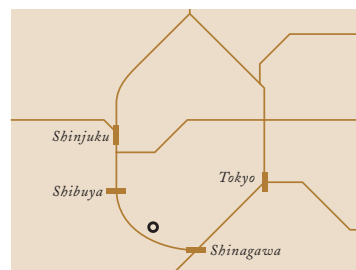
Higashi Gotanda 1Chome Building

Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥5,500 million (\$51.2 million)
Acquisition date:	November 1, 2004
Location:	Shinagawa-ku, Tokyo
Intended use:	Office space, retail stores
Site area:	1,539.95m ² (16,575.87ft ²)
Floor area of building:	6,460.39m ² (69,538.99ft ²)
Structure:	Above ground: 8 floors
Completion:	July 2004

Leasing Conditions (As of March 31, 2005)

Number of tenants:	4 tenants
Leasable floor space:	5,205m ² (56,026.10ft ²)
Leased area:	5,205m ² (56,026.10ft ²)
Occupancy rate:	100.0%



Property Acquisition Merits

This building is located a convenient four-minute walk from JR Gotanda Station, next to the developing business areas of Shinagawa and Osaki. It is a brand-new building offering OA floor, separate air-conditioning system and ample power supply. Characterized by its high-quality specifications, the Higashi Gotanda 1Chome Building appeal to a variety of tenant needs.



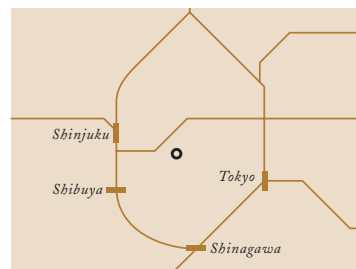
Sanno Grand Building

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥10,200million (\$95.0 million)
Acquisition date:	January 31, 2005
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space
Site area:	3,663.93m ² (39,438.18ft ²)
Floor area of building:	33,875.95m ² (364,637.34ft ²)
Structure:	Above ground: 10 floors Below ground: 3 floors
Completion:	September 1966
Note:	Co-ownership 50.00%

Leasing Conditions (As of March 31, 2005)

Number of tenants:	48 tenants
Leasable floor space:	10,666m ² (114,807.76ft ²)
Leased area:	10,136m ² (109,102.89ft ²)
Occupancy rate:	95.0%



Property Acquisition Merits

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



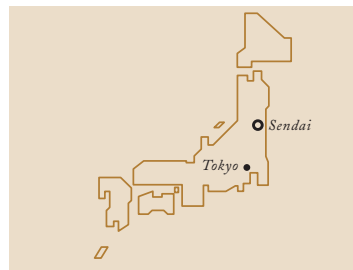
Jozenji Park Building

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥1,000 million (\$9.3 million)
Acquisition date:	January 31, 2005
Location:	Sendai, Miyagi Prefecture
Intended use:	Office space
Site area:	1,566.68m ² (16,863.59ft ²)
Floor area of building:	7,648.33m ² (82,325.86ft ²)
Structure:	Above ground: 8 floors Below ground: 1 floor
Completion:	January 1993
Note:	Co-ownership 50.00%

Leasing Conditions (As of March 31, 2005)

Number of tenants:	18 tenants
Leasable floor space:	2,518m ² (27,103.50ft ²)
Leased area:	2,343m ² (25,219.82ft ²)
Occupancy rate:	93.1%



Property Acquisition Merits

Located within three-minute walking distance of Koutoudaiko Station on the Nanboku Line and facing Jozenji-Dori, one of the main roads in Sendai City, this property has a high degree of convenience and visibility. Special office demand is expected due to its close proximity to government and public offices.



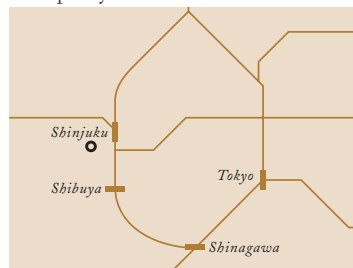
Harmony Tower

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥8,500 million (\$79.2 million)
Acquisition date:	February 28, 2005
Location:	Nakano-ku, Tokyo
Intended use:	Office space, retail stores
Site area:	10,020.52m ² (107,859.88ft ²)
Floor area of building:	72,729.31m ² (782,851.02ft ²)
Structure:	Above ground: 29 floors Below ground: 2 floors
Completion:	March 1997
Note:	Land: Co-ownership Building: Compartmentalized building units/ Co-ownership of compartmentalized building units *Ownership of the building: 29.253305%

Leasing Conditions (As of March 31, 2005)

Number of tenants:	17 tenants
Leasable floor space:	10,929 m ² (117,638.66ft ²)
Leased area:	10,929 m ² (117,638.66ft ²)
Occupancy rate:	100.0%



Property Acquisition Merits

This tower is highly distinctive and offers convenient transportation access to several subway lines from Nakano Sakaue Station. Built in 1997, this relatively new 29-story building is located in Nakano Sakaue, an increasingly popular office building area adjacent to Nishi-Shinjuku.



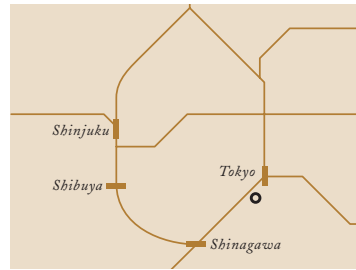
Ginza Sanwa Building

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥16,830 million (\$156.7 million)
Acquisition date:	March 10, 2005
Location:	Chuo-ku, Tokyo
Intended use:	Office space, bank, retail stores
Site area:	1,119.27m ² (12,047.71ft ²)
Floor area of building:	8,851.00m ² (95,271.28 ft ²)
Structure:	Above ground: 9 floors Below ground: 2 floors
Completion:	October 1982
Note:	Land: Ownership and Co-ownership Building: Co-ownership of compartmentalized building units *Ownership of the building: 70.95%

Leasing Conditions (As of March 31, 2005)

Number of tenants:	12 tenants
Leasable floor space:	4,329m ² (46,596.92ft ²)
Leased area:	4,204m ² (45,251.44ft ²)
Occupancy rate:	97.1%



Property Acquisition Merits

This property is located close to the Ginza 4-chome crossing in the center of Japan's famous Ginza shopping district. Transportation is also extremely convenient with the subway and the JR train station within a short walk. The property is unique within the area, known for tightly crammed buildings, in terms of its size and scale.



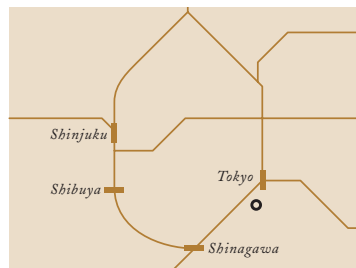
Ryoshin Ginza East Mirror Building

Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥5,353.5 million (\$49.9 million)
Acquisition date:	March 15, 2005
Location:	Chuo-ku, Tokyo
Intended use:	Office space
Site area:	615.21m ² (6,622.06ft ²)
Floor area of building:	4,104.71m ² (44,182.69ft ²)
Structure:	Above ground: 8 floors Below ground: 1 floor
Completion:	October 1998

Leasing Conditions (As of March 31, 2005)

Number of tenants:	6 tenants
Leasable floor space:	2,875m ² (30,946.21ft ²)
Leased area:	2,121m ² (22,830.23ft ²)
Occupancy rate:	73.8%



Property Acquisition Merits

Located in Ginza, this property is a relatively new office building in an area with few large and medium-scale office buildings. It is a high-grade office building with a discernibly sleek profile and landmark status, complemented by a luxurious entrance and interior facilities.



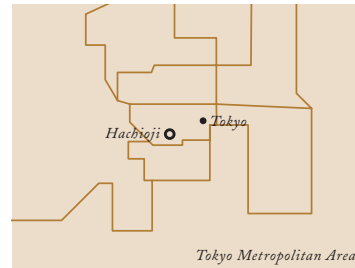
Hachioji Dai-ichi-Seimei Building

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥3,300 million (\$30.7 million)
Acquisition date:	March 31, 2005
Location:	Hachioji, Tokyo
Intended use:	Office space, retail stores
Site area:	2,989.33m ² (32,176.85ft ²)
Floor area of building:	18,329.98m ² (197,302.07ft ²)
Structure:	Above ground: 12 floors Below ground: 1 floor
Completion:	July 1996
Note:	Land: Ownership and Co-ownership Building: Co-ownership (50.6611%)

Leasing Conditions (As of March 31, 2005)

Number of tenants:	32 tenants
Leasable floor space:	6,336m ² (68,200.07ft ²)
Leased area:	5,700m ² (61,354.23ft ²)
Occupancy rate:	90.0%



Property Acquisition Merits

Situated among a nexus of transportation routes, this building is strategically located within a one-minute walk of Keio Hachioji Station and within four minutes of JR Hachioji Station. The office building features a strong balance of facility specifications and a large parking facility.



Nibancho Garden

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥14,700 million (\$136.9 million)
Acquisition date:	April 1, 2005
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space, retail stores, residences
Site area:	11,003.87m ² (118,444.56ft ²)
Floor area of building:	57,031.06m ² (613,876.63ft ²)
Structure:	Above ground: 14 floors Below ground: 2 floors
Completion:	April 2004
Note:	Land: Ownership (7 lots: 3,554.33m ²) Building: Co-ownership of compartmentalized building units *Ownership of the building 31.345%

Leasing Conditions (As of April 1, 2005)

Number of tenants:	Office area: 1 tenant / Residences: 1 tenant
Leasable floor space:	Office area: 9,316m ² (100,276.49ft ²) Residences: 1,686m ² (18,147.94ft ²)
Leased area:	Office area: 9,316m ² (100,276.49ft ²) Residences: 1,686m ² (18,147.94ft ²)
Occupancy rate:	Office area: 100.0% / Residences: 100.0%



Property Acquisition Merits

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



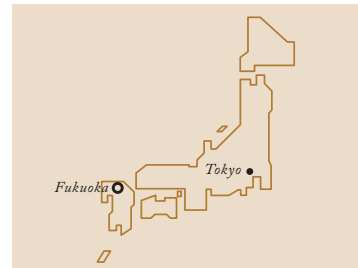
Tenjin Crystal Building

Property Summary

Type of specified asset: Ownership
 Acquisition price: ¥5,000 million (\$46.6 million)
 Acquisition date: June 1, 2005
 Location: Fukuoka, Fukuoka Prefecture
 Intended use: Office space, retail stores, parking area
 Site area: 1,835.17m² (19,753.59ft²)
 Floor area of building: 10,432.04m² (112,289.44ft²)
 Structure: Above ground: 14 floors
 Below ground: 1 floor
 Completion: August 1993

Leasing Conditions (As of June 1, 2005)

Number of tenants: 24 tenants
 Leasable floor space: 5,640m² (60,708.40ft²)
 Leased area: 5,492m² (59,115.34ft²)
 Occupancy rate: 97.4%

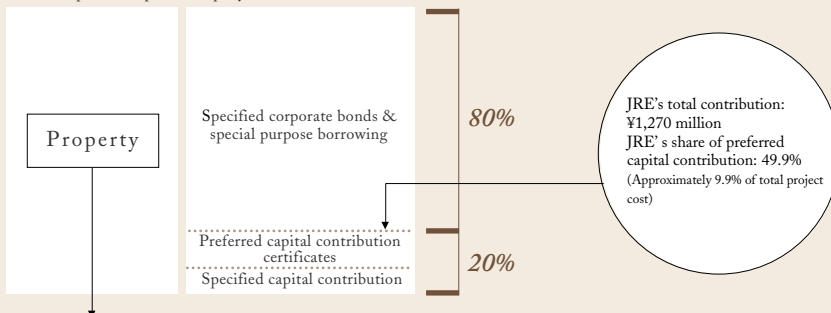


Property Acquisition Merits

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

Acquisition of preferred capital contribution certificates

TMK(Special Purpose Company) Harumi Front TMK



SUMMARY OF PROPERTY TO BE HELD BY TMK

Name of development project: Harumi Center Building (tentative)
 Location: 2-5-23, Harumi, Chuo-ku, Tokyo
 Site area: 4,664.63 m²
 Total project area: 27,494.17 m²
 Leasable floor space: 20,778 m²
 Intended use: office space, retail stores, parking area
 Total project cost: ¥12,821 million (planned)
 Construction schedule
 Commencement: May 2005
 Completion: November 2006 (planned)



*Since the Harumi Center Building (tentative name) is currently under construction, an outlook chart is shown above.
 *The above overview is a plan or schedule, and is subject to change in the future.

- First acquisition of preferred capital contribution certificates by a J-REIT
- Concurrent acquisition of rights granting priority to purchase subject properties after completion of construction (preferential purchasing rights)

SUMMARY OF PREFERRED CAPITAL CONTRIBUTION CERTIFICATES ACQUIRED

Acquisition price: ¥956 million
 Acquisition date: March 29, 2005
 Seller: Harumi Front TMK

*Note: The Company plans to underwrite certificates as follows:
 November 24, 2005: ¥46 million
 November 24, 2006: ¥268 million

History after IPO

Since listing on the Tokyo Stock Exchange (“TSE”) as the first J-REIT in Japan, JRE has established a firm track record over the past seven fiscal periods. While sustaining stable management, JRE has realized steady growth and taken the initiative as a J-REIT pioneer. The size of our portfolio in terms of assets had reached ¥305.2 billion as of April 1, 2005, achieving approximately one year ahead of schedule our target of expanding asset size (total acquisition price) to ¥300 billion (\$2.8 billion) by March 2006.

Sep. 2001

Listed on TSE as first J-REIT

Sep. 2001

IPO

May 2002

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

Oct. 2003

Second Follow-On

Apr. 2005

Third Follow-On
Largest additional issue of shares since listing of J-REIT
(total subscription of more than ¥70 billion)

Feb. and Mar. 2002

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

June 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

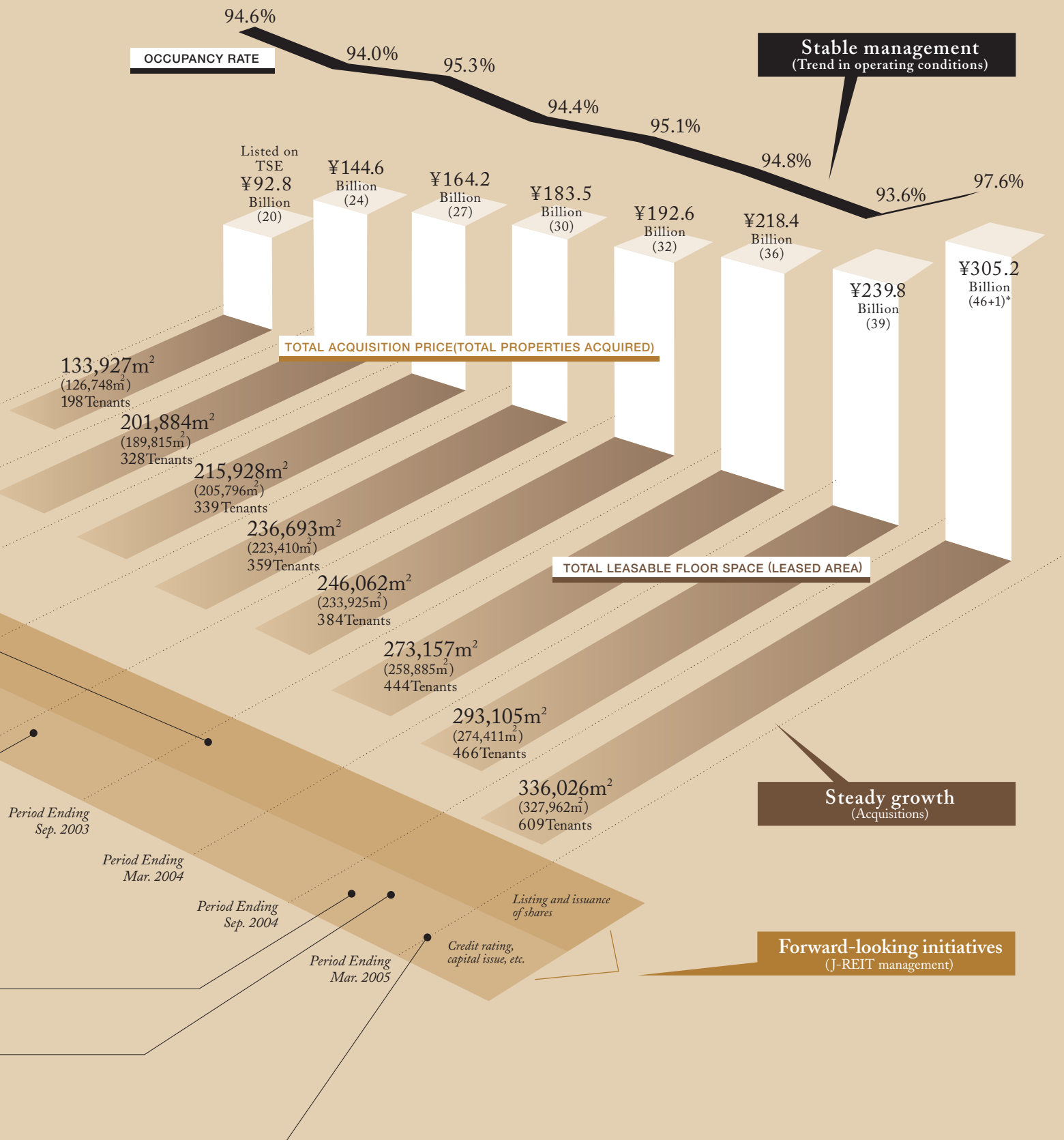
Acquisition of preferred capital contribution certificates
(First for a J-REIT)

Period Ending
Sep. 2001

Period Ending
Mar. 2002

Period Ending
Sep. 2002

Period Ending
Mar. 2003



* Total acquisition price and total properties acquired for the period ended March 2005 include the Nibancho Garden, which was acquired on April 1, 2005.

To Our Shareholders

A sepia-toned photograph of a snow-capped mountain peak. A lone climber is visible on the slope, and another figure is near the summit. The text "First Summit" is overlaid in white serif font.

“First Summit”

JRE surmounted its “First Summit,” achieving a total amount of acquisition prices in excess of ¥300 billion (\$2.8 billion) almost one year ahead of schedule.

Japan Real Estate Investment Corporation’s (“JRE”) seventh fiscal period, the six months ended March 31, 2005, marked yet another stage of growth in revenues and profits. JRE surmounted its “First Summit,” achieving a total amount of acquisition prices in excess of ¥300 billion (\$2.8 billion) almost one year ahead of schedule with the acquisition of the Nibancho Garden on April 1, 2005.

During the period under review, the Japanese economy remained on track for a recovery, as capital investment was on an uptrend amid higher corporate earnings, and resilient consumer spending supported by ongoing improvement in employment conditions, despite signs of the economy heading toward a landing with inventory adjustments in IT-related fields.

In the market for leased office space, there were signs of a decline in vacancy rates as the balance of supply and demand turned favorable and this led to an increase in rents at some office buildings in central Tokyo. In regional urban centers, however, despite signs of progress in some major cities such as Nagoya, overall business conditions remained difficult.

Regarding the property market, bad-debt write-offs by financial institutions and the adoption of asset-impairment accounting have helped sustain active property sales. At the same time, in the face of difficult fund-management conditions stemming from low interest rates, such entities as private funds, pension funds, and institutional investors are stepping up their acquisition of real estate, in addition to Japanese Real Estate Investment Trusts (J-REITs).

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

OVERVIEW OF THE SEVENTH PERIOD

JRE has enjoyed seven consecutive periods of steady growth in revenues and profits, owing to its 4S growth strategy that emphasizes Sincerity, Stability, Soundness and Strength of will.

JRE recorded operating revenues of ¥10.7 billion (\$100.1 million), up 5.9 percent from the previous period. Operating profits rose 7.9 percent, to ¥4.7 billion (\$43.8 million). After deducting expenses for interest payments on borrowings, asset management fees and other administrative costs, income before income taxes increased 7.6 percent, to ¥4.1 billion (\$38.4 million) and net income advanced 7.6 percent to ¥4.1 billion (\$38.4 million).

JRE’s policy with regard to profit appropriation is to distribute dividends of approximately 100 percent of taxable income, in order to enjoy the tax benefit available under Article 67-15 of the Special Taxation Measures Law of Japan applicable to J-REITs.

As a new framework for acquiring prime properties, JRE acquired preferred capital contribution certificates—a first for a J-REIT.

For the period under review, we declared a cash dividend of ¥15,824 (\$147.35) per share.

As of March 31, 2005, JRE's total asset balance was ¥322.4 billion (\$3,001.8 million) and its net worth was ¥137.6 billion (\$1,281.0 million), or ¥528,299 (\$4,919.44) per share. On its balance sheet, JRE had interest-bearing debt of ¥159.0 billion (\$1,480.6 million).

ACQUISITIONS AND MANAGEMENT

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

During the period under review, JRE concentrated on leveraging its own information network and engaging in one-on-one transactions to avoid participating in fierce bidding competitions. As of March 31, 2005, JRE's assets consisted of 46 office buildings, with a total amount of acquisition prices of ¥290.5 billion (\$2,705.2 million), net rentable floor area of 336,026 m² (3,616,950 ft²), and a total of 609 tenants.

As a new framework for acquiring prime properties, JRE acquired preferred capital contribution certificates—a first for a J-REIT—on March 29, 2005. The certificates were issued by the Harumi Front Special Purpose Company for the development of the Harumi Center Building (tentative name). On March 24, 2005, JRE and Harumi Front Special Purpose Company signed a preferred capital contribution certificates underwriting agreement for the three issues of certificates, including the acquisition of the aforementioned certificates. In accordance with the underwriting agreement, JRE has obtained the right (preemptive purchase right) to be the first to acquire real estate and other assets in the Harumi Center Building.

JRE maintained a high occupancy rate of 97.6 percent (as of March 31, 2005) by (1) acquiring top-level properties and upgrading building facilities through optimal refurbishment in order to maintain and improve functions; (2) developing finely tuned building management policies from the perspective of tenants while undertaking vigorous sales activities; and (3) raising its emphasis on fixed-term and long-term rent contracts.



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

RYOICHI KAKEHASHI

JRE is working to reduce costs with a view to further enhancing profit stability. Our basic policy is to lower property management fees and utility expenses by 5 percent within the first three years of new property acquisition.

Of the total number of properties acquired up to the end of the fifth fiscal period (six months ended March 31, 2004), twenty-nine properties are subject to this cost reduction program. Despite being midway through the program period, we have already reduced costs of those properties by 12.6 percent per year, based on the results of our sixth and seventh fiscal periods (April 2004 to March 2005).

FUND-RAISING ACTIVITIES

During the fiscal period under review, JRE raised funds through borrowings to acquire properties. The acquisition price of the eight properties JRE purchased during the fiscal period under review and on April 1, 2005, totaled ¥65.4 billion (\$608.8 million). Of this amount, ¥55.0 billion (\$512.2 million) was raised through short-term loans with the intention of repayment with funds from the additional issue of shares. On March 31, 2005, JRE had total amount of interest-bearing debt of ¥159.0 billion (\$1,480.6 million), including ¥63.0 billion (\$586.6 million) in short-term loans (up ¥53.0 billion/\$493.5 million from the previous fiscal period), ¥51.0 billion (\$474.9 million) in long-term loans (up ¥7.0 billion/\$65.2 million from the previous fiscal period), and outstanding investment corporation bonds balance of ¥45.0 billion (\$419.0 million) (unchanged from previous fiscal period).

CREDIT RATINGS

JRE has received the following credit ratings. On November 11, 2004, Moody's Investors Service raised its rating on JRE's issuer credit rating and rating for unsecured investment corporation bonds from A2 to A1. On December 20, 2004, JRE received a new issuer credit rating of 'AA' from Rating and Investment Information, Inc.

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

To our shareholders, I extend my sincere gratitude for your continuing confidence and support.

OUTLOOK FOR EIGHTH PERIOD AND BEYOND

Operating Environment

Despite expectations for a recovery in the Japanese economy after a prolonged weak period, there are some concerns relating to high crude oil prices and the impact on the global economy. Accordingly, optimism is untenable at this time.

In the office building leasing market, though vacancy rates are improving in central Tokyo, conditions remain severe in regional urban centers, except for some major cities such as Nagoya. These trends toward a bipolarization of the market are likely to grow stronger.

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

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

NEW PROPERTY ACQUISITION

Nibancho Garden was acquired for ¥14.7 billion (\$136.9 million) on April 1, 2005. Completed in April 2004, the property offers a mixture of offices, retail stores and residences. Occupancy rates were 100% for the offices, the retail stores and the residences at the time of acquisition.

In addition, the Tenjin Crystal Building was purchased on June 1, 2005, for ¥5.0 billion (\$46.6 million). Located in Fukuoka City, the building's high-grade appearance guides a steady stream of customers to on-site retailers, who appreciate the latest in facilities. Its occupancy rate was 97.4% at the time of acquisition.

PERFORMANCE FORECASTS

In the six-month period from April 1, 2005, to September 30, 2005, we forecast operating revenues of ¥12.8 billion (\$119.2 million), income before income taxes of ¥5.4 billion (\$50.3 million), and net income of ¥5.4 billion (\$50.3 million). We plan to declare a dividend of ¥15,800 (\$147.13) per share.

These estimates are based on conservative assumptions of the portfolio of 46 properties as of March 31, 2005, and the Nibancho Garden newly acquired on April 1, 2005. These estimates are also based on 345,400 shares outstanding, representing the 260,400 shares outstanding as of March



31, 2005, and the additional issue of 85,000 shares decided by the Board of Directors on April 4, 2005, to raise capital in the amount of ¥68.0 billion (\$633.4 million) based on the issue price.

Under the same scenario, our forecasts for the ninth fiscal period (October 1, 2005 to March 31, 2006) are operating revenues of ¥12.8 billion (\$119.2 million), income before income taxes of ¥5.4 billion (\$50.3 million), net income of ¥5.4 billion (\$50.3 million), and cash dividends of ¥15,900 (\$148.06) per share. Actual figures for operating revenues, income before income taxes, net income and cash dividends may vary due to changes in business conditions and foreign exchange rates for dollar translations.

As I close, I would like to acknowledge the trustworthy professionals, who have committed much of their lives to JRE. I thank you all for your continued dedication to our corporation's success. And to our shareholders, I extend my sincere gratitude for your continuing confidence and support.

We have devoted all our efforts to realizing a strong financial base, targeting a "2/3" equity to asset ratio in the 4th period, and have acquired some exciting new properties, based on the premise of entering a new phase of "Equinox" in the 5th period. Guided by the keyword "Slow Ahead" in the 6th period, we have moved steadily forward and have surmounted the "First Summit" in the 7th period, achieving a total amount of acquisition prices in excess of ¥300 billion, one year ahead of schedule with the acquisition of the Nibancho Garden on April, 2005.

We will continue to press ahead with the aim of accomplishing our next aggressive goals, not only in 2005, but also in all ensuing periods. JRE is committed to adopting a proactive stance, not waiting for opportunities to present themselves.

JRE is ready for the future. We ask for your continued support and understanding as we take significant strides forward.

Ryoichi Kakehashi

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

The Portfolio of Japan Real Estate Investment Corporation

As of March 31, 2005

PROPERTIES ROSTER

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)	
Tokyo 23 wards						
●I- 1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Ownership	10/31/2002	5,000	(1.7%)
●I- 2	MD Kanda Building	Kandamitoshirocho, Chiyoda-ku	Ownership	5/31/2002	9,520	(3.3%)
●I- 3	Kandabashi Park Building	Kandanishikicho, Chiyoda-ku	Ownership	8/15/2002	4,810	(1.7%)
●I- 4	Mitsubishi Soken Building	Otemachi, Chiyoda-ku	Trust	9/25/2001	27,267	(9.4%)
●I- 5	Sanno Grand Building	Nagatacho, Chiyoda-ku	Ownership	1/31/2005	10,200	(3.5%)
●I- 6	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Ownership	8/1/2003	7,200	(2.5%)
●I- 7	Kodenmachi Shin-Nihonbashi Building	Nihonbashikodenmachi, Chuo-ku	Trust	9/25/2001	3,173	(1.1%)
●I- 8	Burex Kyobashi Building	Kyobashi, Chuo-ku	Ownership	7/22/2002	5,250	(1.8%)
●I- 9	Ginza Sanwa Building	Ginza, Chuo-ku	Ownership	3/10/2005	16,830	(5.8%)
●I- 10	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Ownership	3/15/2005	5,353	(1.8%)
●I- 11	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Ownership	3/14/2003	7,680	(2.6%)
●I- 12	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	9/10/2001	4,859	(1.7%)
●I- 13	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	9/25/2001	2,808	(1.0%)
●I- 14	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/1/2004	7,830	(2.7%)
●I- 15	Takanawadai Building	Higashi-Gotanda, Shinagawa-ku	Trust	9/25/2001	2,738	(0.9%)
●I- 16	Higashi Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Ownership	11/1/2004	5,500	(1.9%)
●I- 17	JAL Travel Building	Shimomeguro, Meguro-ku	Trust	9/10/2001	1,362	(0.5%)
●I- 18	Omori-Eki Higashiguchi Building	Omori Kita, Ota-ku	Trust	9/10/2001	5,123	(1.8%)
●I- 19	Nippon Brunswick Building	Sendagaya, Shibuya-ku	Ownership	3/24/2004	6,670	(2.3%)
●I- 20	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Ownership	4/1/2004	8,700	(3.0%)
●I- 21	da Vinci Harajuku	Jingumae, Shibuya-ku	Ownership	11/22/2002	4,885	(1.7%)
●I- 22	Jingumae Media Square Building	Jingumae, Shibuya-ku	Ownership	10/9/2003	12,200	(4.2%)
●I- 23	Shibuya Cross Tower	Shibuya, Shibuya-ku	Ownership	11/30/2001	34,600	(11.9%)
●I- 24	Ebisu Neonato	Ebisu, Shibuya-ku	Ownership	11/14/2003	3,740	
				4/1/2004	360	
				total	4,100	(1.4%)
●I- 25	Harmony Tower	Honcho, Nakano-ku	Ownership	2/28/2005	8,500	(2.9%)
●I- 26	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	9/25/2001	3,541	(1.2%)
●I- 27	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	9/25/2001	1,728	(0.6%)
●I- 28	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Ownership	8/2/2004	4,500	(1.5%)
Tokyo metropolitan area excluding 23 wards						
●II- 1	Hachioji Dai-ichi-Seimei Building	Hachioji, Tokyo	Ownership	3/31/2005	3,300	(1.1%)
●II- 2	Saitama Urawa Building	Saitama, Saitama Prefecture	Ownership	9/25/2001	1,232	
				10/11/2001	1,342	
				total	2,574	(0.9%)
●II- 3	Shin-Yokohama First Building	Yokohama, Kanagawa Prefecture	Ownership	1/28/2002	3,000	(1.0%)
●II- 4	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	9/25/2001	3,375	(1.2%)
Other major cities						
●III-1	Jozenji Park Building	Sendai, Miyagi Prefecture	Ownership	1/31/2005	1,000	(0.3%)
●III-2	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	9/25/2001	2,924	(1.0%)
●III-3	Niigata Ishizuecho Nishi-Bandaibashi Building	Niigata, Niigata Prefecture	Trust	9/25/2001	1,010	(0.3%)
●III-4	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Ownership	2/28/2002	2,880	
				3/3/2003	1,700	
				total	4,580	(1.6%)
●III-5	Kanazawa Minamicho Building	Kanazawa, Ishikawa Prefecture	Trust	9/25/2001	1,331	(0.5%)
●III-6	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Ownership	9/10/2001	14,533	(5.0%)
●III-7	Nagoya Misono Building	Nagoya, Aichi Prefecture	Ownership	8/8/2003	1,865	(0.6%)
●III-8	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Ownership	12/20/2001	2,650	(0.9%)
●III-9	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Ownership	9/25/2001	2,264	
				12/26/2003	1,900	
				total	4,164	(1.4%)
●III-10	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	9/25/2001	6,934	
				2/28/2002	7,380	
				total	14,314	(4.9%)
●III-11	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	9/25/2001	1,436	(0.5%)
●III-12	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Ownership	3/25/2004	1,320	(0.5%)
●III-13	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Ownership	9/25/2001	1,550	(0.5%)
●III-14	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	9/10/2001	3,657	(1.3%)
				total	290,510	(100.0%)

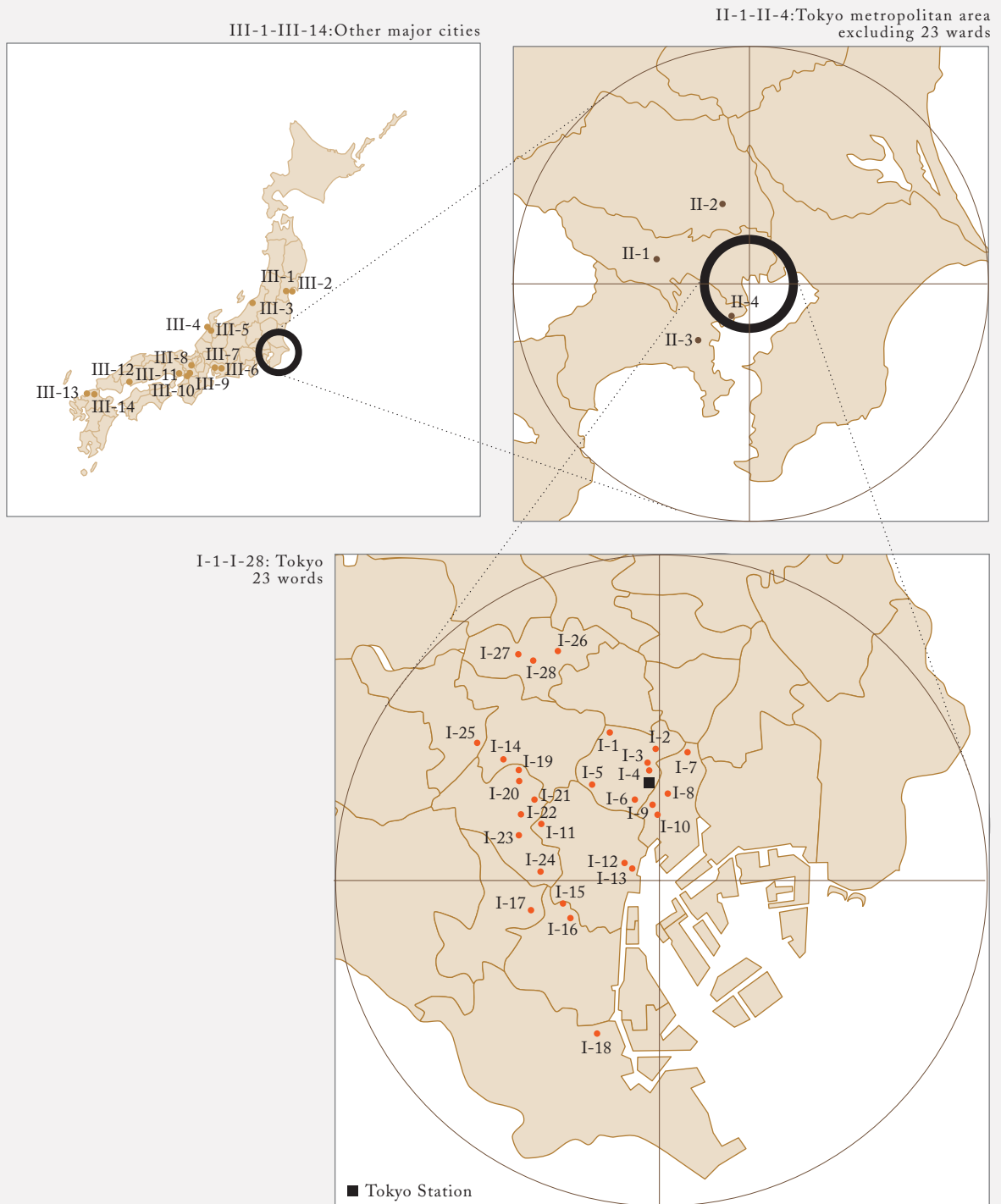
Percentage of ownership of the building (%)	Completion	Appraisal value at the end of period (¥ millions)	Total leasable floor space		Leased area		Total number of tenants	Revenue from leasing operations (¥ millions)	
100	1985	5,890	4,791m ²	(51,570ft ²)	4,791m ²	(51,570ft ²)	1	222	(2.1%)
100	1998	8,140	6,269m ²	(67,479ft ²)	6,269m ²	(67,479ft ²)	2	291	(2.7%)
56.76	1993	4,890	3,687m ²	(39,686ft ²)	3,687m ²	(39,686ft ²)	7	173	(1.6%)
100	1970	30,400	18,006m ²	(193,815ft ²)	18,006m ²	(193,815ft ²)	4	1,062	(9.9%)
50.00	1966	10,300	10,666m ²	(114,808 ft ²)	10,136m ²	(109,103 ft ²)	48	155	(1.4%)
10.78	1975	7,030	4,694m ²	(50,526ft ²)	4,694m ²	(50,526ft ²)	15	282	(2.6%)
100	1991	3,240	3,897m ²	(41,947ft ²)	3,897m ²	(41,947ft ²)	5	159	(1.5%)
100	2002	5,450	4,279m ²	(46,059ft ²)	4,279m ²	(46,059ft ²)	1	150	(1.4%)
70.95	1982	16,900	4,329m ²	(46,597 ft ²)	4,204m ²	(45,251 ft ²)	12	40	(0.4%)
100	1998	4,410	2,875m ²	(30,946ft ²)	2,121m ²	(22,830ft ²)	6	8	(0.1%)
100	1982	7,720	4,916m ²	(52,915ft ²)	4,916m ²	(52,915ft ²)	9	262	(2.4%)
100	1984	5,410	9,643m ²	(103,796ft ²)	9,643m ²	(103,796ft ²)	28	316	(2.9%)
100	1992	3,020	4,062m ²	(43,723ft ²)	3,880m ²	(41,764ft ²)	7	133	(1.2%)
100	1989	7,800	6,197m ²	(66,704ft ²)	6,197m ²	(66,704ft ²)	9	228	(2.1%)
100	1991	2,530	4,067m ²	(43,777ft ²)	4,067m ²	(43,777ft ²)	1	69	(0.6%)
100	2004	5,710	5,205m ²	(56,026 ft ²)	5,205m ²	(56,026 ft ²)	4	113	(1.1%)
100	1991	1,460	3,383m ²	(36,414ft ²)	3,383m ²	(36,414ft ²)	1	86	(0.8%)
100	1989	5,200	7,708m ²	(82,968ft ²)	7,708m ²	(82,968ft ²)	19	251	(2.3%)
100	1974	7,180	7,347m ²	(79,082ft ²)	7,250m ²	(78,038ft ²)	17	329	(3.1%)
100	2003	8,850	7,772m ²	(83,657ft ²)	7,772m ²	(83,657ft ²)	1	283	(2.6%)
100	1987	5,370	3,109m ²	(33,465ft ²)	3,109m ²	(33,465ft ²)	5	193	(1.8%)
100	1998	13,110	5,558m ²	(59,826ft ²)	5,558m ²	(59,826ft ²)	9	345	(3.2%)
100	1976	35,500	29,828m ²	(321,066ft ²)	29,828m ²	(321,066ft ²)	53	1,490	(13.9%)
12.30	1994	4,350	2,462m ²	(26,501ft ²)	2,462m ²	(26,501ft ²)	3	143	(1.3%)
29.253305	1997	8,670	10,929 m ²	(117,639 ft ²)	10,929 m ²	(117,639 ft ²)	17	67	(0.6%)
100	1987	3,410	7,114m ²	(76,574ft ²)	6,477m ²	(69,718ft ²)	10	166	(1.6%)
100	1990	1,420	2,186m ²	(23,530ft ²)	2,186m ²	(23,530ft ²)	7	73	(0.7%)
100	1989	4,460	5,797m ²	(62,398ft ²)	5,797m ²	(62,398ft ²)	8	189	(1.8%)
50.6611	1996	3,300	6,336m ²	(68,200ft ²)	5,700m ²	(61,354ft ²)	32	0	(0.0%)
100	1990	2,360	4,510m ²	(48,545ft ²)	4,419m ²	(47,566ft ²)	15	132	(1.2%)
100	1992	1,620	6,925m ²	(74,540ft ²)	5,613m ²	(60,418ft ²)	6	72	(0.7%)
100	1990	3,150	6,831m ²	(73,528ft ²)	6,379m ²	(68,663ft ²)	11	177	(1.7%)
50.00	1993	1,000	2,518m ²	(27,104ft ²)	2,343m ²	(25,220 ft ²)	18	21	(0.2%)
93.39	1991	2,930	5,829m ²	(62,743ft ²)	5,758m ²	(61,979ft ²)	15	146	(1.4%)
100	1984	741	4,383m ²	(47,178ft ²)	4,234m ²	(45,574ft ²)	10	83	(0.8%)
89.00	1991	5,420	21,343m ²	(229,734ft ²)	20,126m ²	(216,634ft ²)	66	520	(4.8%)
100	1987	992	3,782m ²	(40,709ft ²)	3,230m ²	(34,767ft ²)	14	73	(0.7%)
100	1987	15,000	21,641m ²	(232,942ft ²)	21,641m ²	(232,942ft ²)	32	767	(7.1%)
100	1991	1,860	3,470m ²	(37,351ft ²)	3,470m ²	(37,351ft ²)	7	103	(1.0%)
100	1982	2,020	6,800m ²	(73,195ft ²)	6,800m ²	(73,195ft ²)	33	131	(1.2%)
100	1992	4,170	11,574m ²	(124,581ft ²)	11,197m ²	(120,523ft ²)	17	140	(1.3%)
100	1991	13,800	20,450m ²	(220,122ft ²)	20,450m ²	(220,122ft ²)	25	659	(6.1%)
100	1989	949	3,478m ²	(37,437ft ²)	3,478m ²	(37,437ft ²)	17	73	(0.7%)
27.085	1994	1,390	5,477m ²	(58,954ft ²)	5,401m ²	(58,136ft ²)	12	80	(0.8%)
100	1992	1,340	4,000m ²	(43,056ft ²)	4,000m ²	(43,056ft ²)	20	99	(0.9%)
76.18	1987	3,480	5,882m ²	(63,313ft ²)	5,249m ²	(56,500ft ²)	10	168	(1.6%)
—	—	293,342	336,026m ²	(3,616,950ft ²)	327,962m ²	(3,530,150ft ²)	609	10,747	(100.0%)

MAJOR TENANTS ROSTER

Rank	Name of tenant	Name of building	Leased area	Percent of total leased area
1	Mitsubishi Research Institute, Inc. (Note)	Mitsubishi Soken Building	14,529m ² (156,389ft ²)	4.4%
2	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes 8 other buildings)	10,824m ² (116,508ft ²)	3.3%
3	Yamano Gakuen	Yoyogi 1Chome Building	7,772m ² (83,657ft ²)	2.4%
4	TOTO Ltd.	Midosuji Daiwa Building (also includes 1 other building)	6,669m ² (71,784ft ²)	2.0%
5	Toshiba Solutions Corporation	Takanawadai Building (also includes 2 other buildings)	5,331m ² (57,382ft ²)	1.6%

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

LOCATIONS OF PORTFOLIO PROPERTIES



Overview of Portfolio Properties As of March 31, 2005

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



Genki Medical Plaza

● I-1

Location : Chiyoda-ku, Tokyo
Site area : 1,052.80m² (11,332.23ft²)
Floor area of building : 6,722.02m² (72,355.15ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : September 1985



MD Kanda Building

● I-2

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



Kandabashi Park Building

● I-3

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



Mitsubishi Soken Building

● I-4

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



Sanno Grand Building

● I-5

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



Yurakucho Denki Building

● I-6

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



Kodenchacho Shin-Nihonbashi Building

● I-7

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



Burex Kyobashi Building

● I-8

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



Ginza Sanwa Building

● I-9

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



Ryoshin Ginza East Mirror Building

● I-10

Location: Chuo-ku, Tokyo
 Site Area: 615.21m² (6,622.06ft²)
 Floor area of building: 4,104.71m² (44,182.69ft²)
 Structure: Above ground: 8 floors
 Below ground: 1 floor
 Completion: October 1998



Aoyama Crystal Building

● I-11

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



Shiba 2Chome Daimon Building

● I-12

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



Cosmo Kanasugibashi Building

● I-13

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



Shinwa Building

● I-14

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



Takanawadai Building

● I-15

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



Higashi Gotanda 1Chome Building

● I-16

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



JAL Travel Building

● I-17

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



Omori-Eki Higashiguchi Building

● I-18

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



Nippon Brunswick Building

● I-19

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



Yoyogi 1Chome Building

● I-20

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



da Vinci Harajuku

● I-21

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



Jingumae Media Square Building

● I-22

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



Shibuya Cross Tower

● I-23

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



Ebisu Neonato

● I-24

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



Harmony Tower

● I-25

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



Otsuka Higashi-Ikebukuro Building

● I-26

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



Ikebukuro 2Chome Building

● I-27

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



Ikebukuro YS Building

● I-28

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



Hachioji Dai-ichi-Seimei Building

● II-1

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



Saitama Urawa Building

● II-2

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



Shin-Yokohama First Building

● II-3

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



Kawasaki Isago Building

● II-4

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



Jozenji Park Building

● III-1

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



Sendai Honcho Honma Building

● III-2

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



Niigata Ishizuecho Nishi-Bandaibashi Building

● III-3

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



Kanazawa Park Building

● III-4

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



Kanazawa Minamicho Building

● III-5

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



Nagoya Hirokoji Building

● III-6

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



Nagoya Misono Building

● III-7

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



Kyoto Shijo Kawaramachi Building

● III-8

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



Sakaisujihonmachi Building

● III-9

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



Midosuji Daiwa Building

● III-10

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



Kobe Itomachi Building

● III-11

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



NHK Hiroshima Broadcasting Center Building

● III-12

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



Tosei Tenjin Building

● III-13

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



Hinode Tenjin Building

● III-14

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

The Company's Investment Policies

(1) INVESTMENT POLICIES

(i) Basic investment policies

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

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

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

I. Real estate assets:

1. Real estate
 2. Leaseholds of real estate
 3. Surface rights
 4. Trust beneficiary rights in trust of real estate, leaseholds of land, and surface rights. These assets referred to herein include beneficiary certificates of comprehensive trusts over real estate and moneys incidental thereto, but do not include marketable securities as defined in Article 3, Item 1 of the Cabinet Order of Law on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended, the “Cabinet Order”)
 5. Trust beneficiary rights in monetary trusts that are invested in real estate, leaseholds of real estate, and surface rights (except for marketable securities)
 6. Equity interests in anonymous partnership relating to a contract that (i) either party makes a contribution to the other party for purposes of management of the assets described in any of the items listed in 1. through 5. above, (ii) the other party manages the contribution as investments principally in any of such assets, and (iii) its profits are distributed (hereinafter referred to as “anonymous partnership equity interest”)
- #### II. Marketable securities, value of which derives principally from real estate assets (the “real estate related securities”) are as follows:
1. Preferred Securities (as defined in Article 2, Paragraph 9 of Asset Liquidation Law, Law No. 105 of 1998, as amended, the “Asset Liquidation Law”) issued by a special purpose company under such Law whose objective is to invest more than half of its assets in real estate assets
 2. Beneficiary certificates (as defined in Article 2, Paragraph 12 of the Investment Trust Law) issued by an investment trust whose objective is to invest more than half of its assets in real estate assets
 3. Certificates for shares (as defined in Article 2, Paragraph 22 of the Investment Trust Law) issued by an investment corporation under such Law whose objective is to invest more than half of its assets in real estate assets
 4. Beneficiary certificates of a special purpose trust (as defined in Article 2, Paragraph 13 under the Asset Liquidation Law), whose objective is to invest more than half of its assets in real estate assets (except for the trust beneficiary rights referred to in 4. and 5. of I. above)

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

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

- A. In accordance with the Ministerial Ordinance of the Ministry of Finance, the Company shall make investment so that at least 75% of its total assets are invested in real estate, leaseholds of real estate, surface rights, trust beneficiary rights (limited to trusts in real estate, surface rights or leaseholds of land), and anonymous partner equity interests (limited to anonymous partner contracts for investment of received assets in real estate, surface rights, or leaseholds of real estate).
- B. It is the Company's asset investment policy to make an investment, so that the ratio (the “specified real estate ratio”) of the aggregate value of the specified real estate to the aggregate value of the specified assets is at least 75%. The specified real estate shall mean, among the specified assets, the real estate, leaseholds of real estate, surface rights or the trust beneficiary rights of real estate, leaseholds of land and surface rights.

- C. The Company shall principally invest in office buildings which are located in Tokyo and other major metropolitan areas of Japan, including those as such designated by the relevant Cabinet Order.
- D. The Company shall make investment decisions only after it conducts thorough and sufficient due diligence investigations of the relevant real estate assets and becomes fully aware of the investment value in light of the investment climate.
- E. The Company shall invest principally in real estate and trust beneficiary rights in trust of real estate, but may invest in other real estate assets (meaning any asset listed in “I. Real estate assets” above, but excluding the real estate and the trust beneficiary rights in trust of the real estate) and real estate related securities in addition to those described above in light of investment climate at that time and/or the size of the assets.

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

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

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

- A. In order to manage the portfolio of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds with a view to utilizing the proceeds thereof toward acquisitions of specified assets, capital improvements of the real estate for lease and the underlying real estate of the trust beneficiary rights and working capital.
- B. The Company shall not make total borrowings, including loans and issuance of corporate bonds, in excess of an aggregate of ¥1 trillion.
- C. The Company may borrow only from qualified institutional investors (the “qualified institutional investors”) referred to in Article 2, Paragraph 3, Item 1 of the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended).

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

The asset management company, J-Rea, has internally established the asset management guidelines (the “Asset Management Guidelines”), as the internal guidelines with regard to investment and management by the Company of its portfolio real estate assets, based on the Basic investment policies outlined in section (i), ① through ④ above and in accordance with the asset management agreement (the “Asset Management Agreement”) concluded between the Company and the asset management company dated May 18, 2001, as amended on August 3, 2001 and April 1, 2003. Accordingly, the asset management company manages the portfolio real estate assets in compliance with such Asset Management Guidelines, with the aim of managing the assets of the Company in an appropriate manner.

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

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

makes an acquisition decision, the Company shall promptly make a public announcement thereof.

① Guidelines for acquisition of portfolio real estate assets

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

A. Geographic portfolio composition

1. The basic geographical diversification is to make investment of approximately 60–80% of the funds in real estate located in the greater Tokyo metropolitan area and the approximately remaining 20–40% of the funds in cities in other parts of Japan.
2. It is, however, possible that the funds are invested in different investment allocation percentages as outlined above, if a relatively high rate of return is expected from such investment even though supply and demand are balanced and steady.
3. During the course of expansion of the asset base of the Company, the portfolio composition may tentatively deviate from the investment allocation percentages as outlined above.

B. Property type portfolio composition

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

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

C. Building size and age in portfolio composition

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

D. Due diligence conducted at the time of acquisition

1. Acquisition of the real property

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

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

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

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

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

E. Targeted capitalization rate

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

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

F. Investment in real estate related securities

1. The asset management company primarily invests assets in real estate and trust beneficiary rights entrusted in real estate. However, in the event that investment is made in real estate related securities, the following points constitute the primary criteria.
 - a. Real estate related securities for which the possibility of acquiring the real estate at the conclusion of the investment period has been confirmed are assumed to be targets for investment.
 - b. The total value of real estate related securities to be held shall not exceed 10% of total assets.
 - c. Due diligence will be conducted concerning the investment schemes for investment in real estate related securities, and real estate being considered for investment will be judged for profitability and eligibility in accordance with points A-E above.
 - d. Concerning investment in securities of real estate development initiatives, only development projects with high reliability will be considered as targets for investment. Due diligence will be conducted concerning development plans, with consideration of risks related to project completion and handover, and risks related to securing of tenants after completion of construction.

② Guidelines for management of portfolio real estate assets

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

A. Policy for maintenance and management

Concerning the Company's real estate assets, for purposes of internal growth, the asset management company will ensure to make ongoing and scheduled capital expenditures and management for the existing facilities and equipment of real estate owned by the Company with proper repairs and maintenance to enhance tenant satisfaction, the competitiveness of the property, and revenues (by increasing rental rates over time and the occupancy rate), and at the same time minimize the relevant expenses (by reducing outsourced maintenance costs and reduction of water, gas and electricity costs, and so forth). To achieve these goals, the asset management company will outsource property management operations to the optimal property management companies suited to the particular characteristics of each property. In addition, the asset management company will make effective use of the multiple property management companies by applying competitive principles as suitable.

1. Selection of property management companies

Regarding the outsourcing of maintenance services, the property management company needs close links with other companies, including asset management companies, general administration trustees and asset custodian companies from the stage of investigating the acquisition of a property. Property management companies will therefore be selected as trustees based upon factors including the general strength and record of candidate companies, suitability to the particular features of the property, as well as their understanding and familiarity with the Company's management procedures.

2. Evaluation of property management companies

To promote stable operational management and to ensure appropriate supervision over assets by the property management companies, the asset management company conducts evaluations of all trustee property management companies after the end of each fiscal period. These evaluations work to grasp the trustees' abilities and characteristics, and to enhance those abilities and characteristics.

External third-party institutions (evaluation consultants with specialized knowledge) are employed, and conduct evaluations in concert with the asset management company based upon the following items.

- Leasing ability
- Building maintenance (cost management) ability
- Repair and construction work ability
- Reporting ability
- External evaluation (CS evaluation, etc.)

In the event that improvements according to the asset management company's guidance, which are based upon evaluation results, cannot be seen, and it is judged that continued management of the subject property by the current property management trustee company is not appropriate, changing of trustees will be investigated.

B. Insurance policy

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

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

③ Guidelines for disposal of portfolio real estate assets

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

(iii) Financing guidelines

The Company has stipulated the following financial guidelines.

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

Borrowing and repayment of funds in the near term will be based on the following points.

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

(2) INVESTMENT ASSETS

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

① Real estate assets and real estate related securities

② Other specified assets

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

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

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

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

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

③ The Company may invest in trademark rights under the Trademark Law (Law No. 127 of 1959), exclusive license or ordinary use rights thereof, and the right to use sources of hot springs as set forth in the Hot Springs Law (Law No. 125 of 1948) and facilities related to such hot springs, as well as in the specified assets as set forth in items ① and ② above. This is provided, however that investments may be made when deemed necessary or useful for the Basic policies outlined in section (i), ① of (1) of the Investment Policies above.

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

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

(3) DISTRIBUTION POLICY

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

- (i) In connection with the total cash amount to be distributed to shareholders, accounting profits will be calculated in accordance with the generally accepted accounting principles in Japan (Japanese GAAP).
- (ii) In making cash distributions to the extent of accounting profits, the Company will distribute profits as cash distributions in excess of 90% of the taxable income as defined in Article 67-15 of the Special Taxation Measures Law of Japan.
- (iii) At the appropriate discretion of the board of directors, the Company may, in accordance with Article 136, Paragraph 1 of the Investment Trust Law, make distributions in excess of accounting profits based on the Cash Distribution Statement approved pursuant to Article 131, Paragraph 1 of the Investment Trust Law.
- (iv) The Company is allowed to make distributions in excess of accounting profits to the extent of the amount equivalent to the aggregate of the amount of depreciation for the current period and the amount of accounting profits. However, in cases where cash distributions for the relevant period do not exceed 90% of the “distributable amount” stipulated by Article 39-32-3 of the Cabinet Order of Enforcement of the Special Taxation Measures Law of Japan, the Company may make distributions in excess of accounting profits to the extent of 91% of such distributable amount.
- (v) Distributions need to be made in cash in proportion to the number of shares registered on the final records of shareholders (including the records of beneficial shareholders) as of the close of each fiscal period.
- (vi) In the event that the Company issues additional shares during a business period, the value of the dividends in connection with those shares may be calculated on a daily pro-rated basis, as determined by the board of directors.
- (vii) Besides the above provisions, the Company shall comply with the rules on investment trusts and investment corporations (established on March 16, 2001, as amended) stipulated by the Investment Trusts Association of Japan.
- (viii) If investors need to calculate a gain or loss upon distribution in excess of accounting profits, the Company will not make distributions in excess of accounting profits to the shareholders. However, the Company will be able to make distributions in excess of accounting profits in the following three cases pursuant to clauses (i) through (vii) above.
 - 1. Due to changes of the tax codes or other reasons, it becomes no longer necessary for an individual investor to calculate a gain or loss upon distribution in excess of accounting profits for the period.
 - 2. Due to changes of the tax codes or other reasons, the board of directors determines that it is appropriate to make distributions in excess of accounting profits since it would become a common practice for an investor to file an individual tax return to report a gain or loss upon payouts.
 - 3. The board of directors determines that it is necessary to make distributions in excess of accounting profits to meet the distribution requirements.

(4) INVESTMENT RESTRICTIONS

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

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



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Financial Overview of Japan Real Estate Investment Corporation

1. SELECTED FINANCIAL DATA

	Millions of yen				Thousands of U.S. dollars (Note 1)
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from October 1, 2004 to March 31, 2005
Operating Revenues	¥ 10,747	¥ 10,151	¥ 9,560	¥ 8,965	\$100,082
Operating Expenses	6,046	5,792	5,219	5,067	56,299
Operating Profits	4,701	4,358	4,341	3,898	43,783
Income before Income Taxes	4,121	3,831	3,803	3,408	38,379
Net Income	4,120	3,830	3,802	3,407	38,370
Total Assets	322,358	257,372	244,523	209,581	3,001,757
Interest-Bearing Liabilities	159,000	99,000	87,000	76,000	1,480,584
Total Shareholders' Equity	137,569	137,279	137,250	115,559	1,281,023
Shareholders' Capital	133,448	133,448	133,448	112,152	1,242,651
Number of Shares	260,400	260,400	260,400	225,400	260,400
Total Shareholders' Equity per Share (Yen/U.S. dollars)	528,299	527,185	527,077	512,688	4,919.44
Cash Distribution	4,120	3,830	3,802	3,407	38,370
Dividend Payout Ratio	99.9%	99.9%	99.9%	99.9%	99.9%
Dividend Per Share (Yen/U.S. dollars)	15,824	14,711	14,602	15,117	147.35
Net Operating Income (NOI)	7,131	6,672	6,455	5,950	66,404
Funds from Operations (FFO)	5,762	5,488	5,301	4,801	53,655
Return on Assets (ROA) (Note 2)	1.4%	1.5%	1.6%	1.7%	1.4%
	(2.9% annualized)	(3.0% annualized)	(3.2% annualized)	(3.3% annualized)	(2.9% annualized)
Return on Equity (ROE) (Note 3)	3.0%	2.8%	2.8%	3.0%	3.0%
	(6.0% annualized)	(5.6% annualized)	(5.7% annualized)	(5.9% annualized)	(6.0% annualized)
EOP Equity Ratio (Note 4)	42.7%	53.3%	56.1%	55.1%	42.7%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	49.3%	38.5%	35.6%	36.3%	49.3%
FFO Multiple	19.7 times	20.8 times	20.4 times	15.2 times	19.7 times
Debt Service Coverage Ratio (Note 6)	11.2 times	12.7 times	13.9 times	12.6 times	11.2 times

Note 1: Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.39 = US\$1.00, the foreign exchange rate on March 31, 2005, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

Note 2: ROA = Income before Income Taxes ÷ Average of Total Assets during the period

Note 3: ROE = Net Income ÷ Average of Net Worth during the period

(Annualized portions of the calculations given in notes 2 and 3 above assume a fiscal period of 183 days for the period ended September 30, 2003, 183 days for the period ended March 31, 2004, 183 days for the period ended September 30, 2004 and 182 days for the period ended March 31, 2005.)

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

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

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

2. CASH DISTRIBUTION

The cash distribution for the period from October 1, 2004 to March 31, 2005 consisted of almost all taxable income for the period, qualifying the Company for special tax treatment as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. The dividend per share was ¥15,824 (\$147.35). With 260,400 shares outstanding, the cash distribution totaled ¥4,120,569 thousand (\$38,370,142). Retained earnings carried forward totaled ¥110,740 (\$1,031).

(From October 1, 2004 to March 31, 2005)	(Thousands of yen)	(U.S. dollars)
Net income	4,120,591	38,370,347
Retained earnings brought forward	89	827
Distribution (Dividend per share : ¥15,824)	4,120,569	38,370,142
Retained earnings carried forward	110	1,031

3. PAID-IN CAPITAL

The Company was established with funding from Mitsubishi Estate Co., Ltd. (160 shares), The Tokio Marine & Nichido Fire Insurance Co., Ltd. (120 shares) and The Dai-ichi Mutual Life Insurance Company (120 shares), each share representing ¥500,000 (\$4,655). Additional 160,000 shares were issued in an initial public offering at ¥25,000 (\$4,888) each (acceptance price of ¥506,625 (\$4,717)). An additional 65,000 shares were issued on May 8, 2002, at ¥490,980 (\$4,571) per share (acceptance price of ¥475,268 (\$4,425)) and an additional 35,000 shares were issued on October 25, 2003, at ¥629,000 (\$5,857) per share (acceptance price of ¥608,456 (\$5,665)).

Issue date	Remarks	Common shares outstanding		Paid-in capital			
		Increase	Balance	Increase		Balance	
				(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
May 11, 2001	Private placement	400	400	200	1,862	200	1,862
September 8, 2001	Additional share issue (Initial Public Offering)	160,000	160,400	81,060	754,818	81,260	756,681
May 8, 2002	Additional share issue	65,000	225,400	30,892	287,661	112,152	1,044,343
October 25, 2003	Additional share issue	35,000	260,400	21,295	198,295	133,448	1,242,648

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

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

4. OVERVIEW OF BORROWINGS

The following is a list of the Company's borrowings showing amounts and lending institutions as of March 31, 2005.

Category	Lender	Balance		Average interest rate (%)	Due	Use of funds	Remarks
		(Millions of yen)	(Thousands of U.S. dollars)				
Short-term debt	The Yamanashi Chuo Bank, Ltd.	2,000	18,623	0.42832	June 15, 2005	Repayment of existing short-term loans	Unsecured/Unguaranteed/Senior/Floating rate
	The Daishi Bank, Ltd.	2,000	18,623	0.26	October 29, 2005		
	The Mitsubishi Trust & Banking Corporation	11,000	102,430	0.325	May 31, 2005	Purchase of real estate	
	The Mitsubishi Trust & Banking Corporation	8,000	74,494	0.3241	May 11, 2005		
	The Chugoku Bank, Ltd.	3,000	27,935	0.295	May 18, 2005		
	The Daishi Bank, Ltd.	3,000	27,935	0.295	May 18, 2005		
	The Hachijuni Bank, Ltd.	2,000	18,623	0.295	May 18, 2005		
	The Kagoshima Bank, Ltd.	2,000	18,623	0.295	May 18, 2005		
	The Joyo Bank, Ltd.	2,000	18,623	0.295	May 18, 2005		
	The Iyo Bank, Ltd.	2,000	18,623	0.295	May 18, 2005		
	The Mitsubishi Trust & Banking Corporation	5,000	46,559	0.2883	May 11, 2005		
	The Chugoku Bank, Ltd.	2,000	18,623	0.2883	May 24, 2005	Repayment of existing short-term loans	
	The Hachijuni Bank, Ltd.	2,000	18,623	0.2883	May 24, 2005		
	Shinsei Bank, Ltd.	14,000	130,365	0.2883	May 11, 2005	Purchase of real estate	
	National Mutual Insurance Federation of Agricultural Cooperatives	3,000	27,935	0.2883	May 18, 2005		
Subtotal		63,000	586,646				

Category	Lender	Balance		Average interest rate (%)	Due	Use of funds	Remarks
		(Millions of yen)	(Thousands of U.S. dollars)				
Long-term debt	The Bank of Tokyo-Mitsubishi, Ltd.	6,000	55,871	1.12	Anticipated date for principal repayment: June 23, 2006	Purchase of real estate trust beneficiary rights	Secured/Unguaranteed/Senior/Fixed rate
	Mizuho Corporate Bank, Ltd.	6,000	55,871	1.12			
	The Sumitomo Trust & Banking Co., Ltd.	5,200	48,421	1.12	Final date for principal repayment: June 23, 2008		
	The Mitsubishi Trust & Banking Corporation	5,200	48,421	1.12			
	Sompo Japan Insurance, Inc.	1,600	14,898	1.12			
	The Iyo Bank, Ltd.	2,000	18,623	1.0575	March 24, 2009	Purchase of real estate	Unsecured/Unguaranteed/Senior/Fixed rate
	The Dai-ichi Mutual Life Insurance Company	5,000	46,559	1.015	March 30, 2009		
	The Taiyo Life Insurance Company	2,000	18,623	1.47125	March 30, 2011		
	The Chugoku Bank, Ltd.	3,000	27,935	0.90875	June 15, 2007	Repayment of existing short-term loans	
	The Bank of Fukuoka, Ltd.	3,000	27,935	0.78375	August 31, 2007	Purchase of real estate	
	Mitsui Life Insurance Co., Ltd.	5,000	46,559	1.50125	August 31, 2011		
	Mitsui Life Insurance Co., Ltd.	2,000	18,623	1.55	October 29, 2012	Repayment of existing short-term loans	
	National Mutual Insurance Federation of Agricultural Cooperatives	5,000	46,559	1.33125	November 1, 2011	Purchase of real estate	
	Subtotal	51,000	474,904				
Total	114,000	1,061,551					

5. BONDS ISSUED BY THE COMPANY

Our past investment corporation bond issues are as follows, as of March 31, 2005.

First issue of investment corporation bonds

Total principal amount of bonds	¥25 billion (\$233 million)
Issue price	¥100 (\$0.93) (par value)
Interest Rate	1.32% annually
Closing Date	June 21, 2002
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on June 21, 2007 Cancellation upon repurchase may be made at any time.

Second issue of investment corporation bonds

Total principal amount of bonds	¥10 billion (\$93 million)
Issue price	¥100 (\$0.93) (par value)
Interest Rate	0.69% annually
Closing Date	April 30, 2003
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on April 30, 2008 Cancellation upon repurchase may be made at any time.

Third issue of investment corporation bonds

Total principal amount of bonds	¥10 billion (\$93 million)
Issue price	¥100 (\$0.93) (par value)
Interest Rate	0.98% annually
Closing Date	April 30, 2003
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on April 30, 2010 Cancellation upon repurchase may be made at any time.

6. CAPITAL EXPENDITURES FOR EXISTING PROPERTIES

a. PLANNED CAPITAL EXPENDITURES

The following table represents the main capital expenditures planned for renovations of existing properties, as of March 31, 2005. The total expected construction amount includes portions that will be accounted for as ordinary expenses.

Property (Location)	Objective	Estimated duration	Expected construction amounts		Planned payment for the period under review	Previously paid total
			Total (Millions of yen)	Total (Thousands of U.S. dollars)		
Nagoya Hirokoji Building (Nagoya, Aichi Prefecture)	Functional maintenance (BEMS* work)	From November 2004 to April 2005	187	1,741	—	—
Nippon Brunswick Building (Shibuya-ku, Tokyo)	Improve profitability (renewal of common areas [first phase])	From May 2005 to September 2005	113	1,052	—	—
Nippon Brunswick Building (Shibuya-ku, Tokyo)	Improve profitability (renewal of common areas [second phase])	From November 2005 to March 2006	90	838	—	—
Shibuya Cross Tower (Shibuya-ku, Tokyo)	Functional maintenance (first phase work on upgrading heating equipment)	From April 2005 to March 2006	482	4,488	—	—
Ikebukuro YS Building (Toshima-ku, Tokyo)	Functional maintenance (air conditioner renewal work [first phase])	From October 2005 to March 2006	105	977	—	—

*Building Energy Management System

b. CAPITAL EXPENDITURES DURING THE PERIOD ENDED MARCH 31, 2005

The following table represents the main capital expenditures for acquired properties during the period under review. Capital expenditures amounted to ¥706 million (\$6,574 thousand), with repairs and maintenance adding ¥471 million (\$4,385 thousand) throughout the term for a total of ¥1,178 million (\$10,969 thousand).

Capital expenditures during the fiscal period under review were mainly for upgrading rooms for rent and other facilities in the Takanawadai Building. Other real estate and related work included regular maintenance and refurbishments of toilets and lighting.

Property (Location)	Objective	Estimated duration	Construction amounts	
			(Millions of yen)	(Thousands of U.S. dollars)
Takanawadai Building (Shinagawa-ku, Tokyo)	Upgrades rooms for rent	From October 2004 to October 2004	23	214
Other properties			683	6,359
Total			706	6,574

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

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

	(Millions of yen)				(Thousands of U.S. dollars)
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from October 1, 2004 to March 31, 2005
Reserve balance at the beginning of the period	225	155	181	316	2,095
Amount accumulated	840	824	729	695	7,821
Withdrawal from reserves	734	754	756	830	6,834
Amount carried forward	331	225	155	181	3,082

Balance Sheets

As of March 31, 2005 and September 30, 2004

	Thousands of yen		U.S. dollars (Note1)
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005
ASSETS			
Current Assets:			
Cash and bank deposits	¥ 29,361,925	¥ 16,847,448	\$273,413,957
Rental receivables	35,275	62,552	328,475
Consumption tax refundable	422,203	38,222	3,931,495
Other current assets	200,129	251,197	1,863,574
Total current assets	30,019,532	17,199,419	279,537,501
Property and Equipment, at Cost:			
Land	206,679,886	167,381,398	1,924,572,918
Buildings and structures	90,980,987	77,567,710	847,201,665
Machinery and equipment	1,538,663	1,400,385	14,327,803
Tools, furniture and fixtures	18,142	17,114	168,936
Construction in progress	5,500	5,500	51,215
	299,233,178	246,372,107	2,786,322,537
Less accumulated depreciation	(9,783,957)	(8,149,448)	(91,106,779)
Net property and equipment	289,439,221	238,222,659	2,695,215,758
Investments and Other Assets:			
Investment security	956,000	—	8,902,132
Deposits	14,234	14,234	132,545
Long-term prepaid expenses	17,622	24,336	164,098
Leasehold rights	1,083,390	1,083,390	10,088,372
Easement	828,095	828,095	7,711,103
Other	599	599	5,573
Total Assets	¥322,358,693	¥257,372,732	\$3,001,757,082

The accompanying notes form an integral part of these financial statements

	Thousands of yen		U.S. dollars (Note1)
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005
LIABILITIES			
Current Liabilities:			
Trade accounts payable	¥ 708,285	¥ 251,066	\$ 6,595,448
Other payables	714,368	718,385	6,652,093
Short-term loans	63,000,000	10,000,000	586,646,801
Accrued expenses	306,935	257,710	2,858,135
Accrued income taxes	998	941	9,295
Rent received in advance	2,460,927	2,195,608	22,915,790
Other current liabilities	15,177	4,836	141,324
Total current liabilities	67,206,690	13,428,546	625,818,886
Long-Term Liabilities:			
Investment corporation bonds	45,000,000	45,000,000	419,033,430
Long-term loans	51,000,000	44,000,000	474,904,554
Deposits from tenants	20,994,943	16,782,973	195,501,838
Other	588,000	882,000	5,475,370
Total long-term liabilities	117,582,943	106,664,973	1,094,915,192
Total Liabilities	184,789,633	120,093,519	1,720,734,078
SHAREHOLDERS' EQUITY			
Shareholders' capital	133,448,380	133,448,380	1,242,651,830
Retained earnings	4,120,680	3,830,833	38,371,174
Total shareholders' equity	137,569,060	137,279,213	1,281,023,004
Total Liabilities and Shareholders' Equity	¥322,358,693	¥257,372,732	\$3,001,757,082

The accompanying notes form an integral part of these financial statements

Statements of Income and Retained Earnings

For the six months ended March 31, 2005 and September 30, 2004

	Thousands of yen		U.S. dollars (Note1)
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2004 to March 31, 2005
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenues	¥10,708,353	¥10,104,095	\$ 99,714,619
Non-rental revenues	39,522	47,033	368,025
	10,747,875	10,151,128	100,082,644
Operating Expenses:			
Property-related expenses	5,258,142	5,135,869	48,963,050
Asset management fees	476,958	362,571	4,441,363
Administrative service fees	176,673	194,627	1,645,156
Other operating expenses	134,242	99,199	1,250,037
	6,046,015	5,792,266	56,299,606
Operating profits	4,701,860	4,358,862	43,783,038
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	81	84	757
Other non-operating revenues	5,037	2,334	46,901
Non-Operating Expenses:			
Interest expense	315,062	221,578	2,933,814
Interest expense on investment corporation bonds	248,500	248,500	2,313,996
Other non-operating expenses	21,813	59,554	203,120
Income before Income Taxes	4,121,603	3,831,648	38,379,766
Income Taxes:			
Current	1,015	958	9,446
Deferred	(3)	3	(27)
Net Income	4,120,591	3,830,687	38,370,347
Retained Earnings brought forward	89	146	827
Retained Earnings at end of period	¥ 4,120,680	¥ 3,830,833	\$ 38,371,174

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

For the six months ended March 31, 2005 and September 30, 2004

	Thousands of yen		U.S. dollars (Note1)
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2004 to March 31, 2005
Cash Flows from Operating Activities			
Income before income taxes	¥ 4,121,603	¥ 3,831,648	\$ 38,379,766
Depreciation and amortization	1,641,471	1,657,320	15,285,141
Loss on retirement of property and equipment	12,844	2,321	119,598
Interest income	(81)	(84)	(757)
Interest expense	563,562	470,078	5,247,810
Change in assets and liabilities			
Rental receivables and other receivables	27,277	10,235	254,001
Consumption tax refundable	(383,982)	71,513	(3,575,581)
Prepaid expenses	(19,063)	1,737	(177,515)
Other current assets	(21,682)	—	(201,897)
Trade accounts payable	457,219	(706,960)	4,257,554
Other payables	(4,017)	153,309	(37,405)
Rent received in advance	265,319	613,454	2,470,609
Other current liabilities	(357,534)	877,433	(3,329,305)
Long-term prepaid expenses	6,713	7,118	62,510
Subtotal	6,309,649	6,989,122	58,754,529
Interest received	81	84	756
Interest paid	(514,337)	(455,767)	(4,789,433)
Income taxes paid	(957)	(1,014)	(8,912)
Net cash provided by operating activities	5,794,436	6,532,425	53,956,940
Cash Flows from Investing Activities			
Purchases of property and equipment	(52,705,185)	(22,531,125)	(490,782,988)
Purchases of intangible assets	—	(54)	—
Purchases of investment security	(956,000)	—	(8,902,132)
Proceeds from lease deposits received	4,989,274	1,613,366	46,459,396
Repayment of lease deposits	(777,304)	(1,744,264)	(7,238,144)
Net cash used in investing activities	(49,449,215)	(22,662,077)	(460,463,868)
Cash Flows from Financing Activities			
Proceeds from short-term borrowings	61,000,000	6,000,000	568,023,093
Repayment of short-term borrowings	(8,000,000)	(5,000,000)	(74,494,832)
Proceeds from long-term borrowings	7,000,000	11,000,000	65,182,978
Dividends to shareholders	(3,830,744)	(3,802,361)	(35,671,333)
Net cash provided by financing activities	56,169,256	8,197,639	523,039,906
Net Increase (decrease) in Cash and Cash Equivalents	12,514,477	(7,932,013)	116,532,978
Cash and Cash Equivalents at beginning of Period	16,847,448	24,779,461	156,880,979
Cash and Cash Equivalents at end of Period	¥ 29,361,925	¥ 16,847,448	\$ 273,413,957

The accompanying notes form an integral part of these financial statements

Statements of Changes in Shareholders' Equity

For the six months ended March 31, 2005 and September 30, 2004

	Shares	Thousands of yen	U.S. dollars (Note1)
Balance as of March 31, 2004	260,400	137,250,887	
Cash dividends paid	—	(3,802,361)	
Net income	—	3,830,687	
Balance as of September 30, 2004	260,400	¥137,279,213	\$1,278,323,990
Cash dividends paid	—	(3,830,744)	(35,671,333)
Net income	—	4,120,591	38,370,347
Balance as of March 31, 2005	260,400	¥137,569,060	\$1,281,023,004

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

March 31, 2005 and September 30, 2004

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

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

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

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

On June 21, 2002, the Company issued ¥25,000 million of unsecured investment corporation bond due June 2007 with an interest rate of 1.32% to the qualified investors.

On April 30, 2003, the Company issued ¥10,000 million of unsecured investment corporation bond due April 2008 with an interest rate of 0.69% to the qualified investors and ¥10,000 million of unsecured investment corporation bond due April 2010 with an interest rate of 0.98% to the qualified investors.

On October 25, 2003, the Company completed a third public offering of 35,000 shares at a price of ¥629,000, generating gross proceeds of ¥22,015 million. The proceeds from the offering of the shares, net of underwriters' discount, were ¥21,296 million. As of March 31, 2005, September 30 and March 31, 2004, the Company had total shareholders' equity of ¥133,448 million with 260,400 shares.

At March 31, 2005, the Company owned a portfolio of 46 office properties concerning an aggregate of approximately 336,026 square meters of leasable area.

Basis of presenting financial statements

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

The accompanying financial statements are a translation of the audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements

issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.39=US\$1.00, the foreign exchange rate on March 31, 2005, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	5-49 years
Machinery and equipment.....	3-18 years
Tools, furniture and fixtures	3-15 years

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

Revenue recognition

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

Taxes on property and equipment

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

Consumption taxes

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

Cash and cash equivalents

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

3. INVESTMENT SECURITY

Investment security recorded at cost at March 31, 2005 is summarized as follows:

	Thousands of yen	U.S. dollars
	As of March 31, 2005	As of March 31, 2005
Other securities		
Non-listed stock	¥956,000	\$8,902,132

4. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2005 and September 30, 2004 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2005		As of September 30, 2004		As of March 31, 2005	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥150,012,421	¥150,012,421	¥110,713,933	¥110,713,933	\$1,396,893,761	\$1,396,893,761
Buildings and structures	66,547,731		53,247,662		619,682,749	
Accumulated depreciation	5,764,875	60,782,856	4,644,484	48,603,178	53,681,669	566,001,080
Machinery and equipment	894,455		756,177		8,329,035	
Accumulated depreciation	256,051	638,404	207,184	548,993	2,384,306	5,944,729
Tools, furniture and fixtures	8,516		7,488		79,296	
Accumulated depreciation	1,917	6,599	1,391	6,097	17,864	61,432
Construction in progress	5,500	5,500	5,500	5,500	51,215	51,215
Land in trust	56,667,465	56,667,465	56,667,465	56,667,465	527,679,157	527,679,157
Buildings and structures in trust	24,433,256		24,320,048		227,518,916	
Accumulated depreciation	3,502,182	20,931,074	3,071,981	21,248,067	32,611,804	194,907,112
Machinery and equipment in trust	644,208		644,208		5,998,768	
Accumulated depreciation	257,472	386,736	223,370	420,838	2,397,540	3,601,228
Tools, furniture and fixtures in trust	9,626		9,626		89,640	
Accumulated depreciation	1,460	8,166	1,038	8,588	13,596	76,044
Total		¥289,439,221		¥238,222,659		\$2,695,215,758

5. SHORT-TERM LOANS

Short-term loans at March 31, 2005 and September 30, 2004 consisted of the following:

	Thousands of yen		U.S. dollars	
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005	
Unsecured loans from banks and trust banks with variable interest, due on October 29, 2004	¥ —	¥ 4,000,000	\$ —	
Unsecured loans from banks with variable interest, due on March 24, 2005	—	4,000,000	—	
Unsecured loans from a bank and a trust bank with variable interest, due on May 11, 2005	27,000,000	—	251,420,058	
Unsecured loans from banks and another financial institution with variable interest, due on May 18, 2005	17,000,000	—	158,301,518	
Unsecured loans from banks with variable interest, due on May 24, 2005	4,000,000	—	37,247,416	
Unsecured loan from a trust bank with variable interest, due on May 31, 2005	11,000,000	—	102,430,393	
Unsecured loan from a bank with variable interest, due on June 15, 2005	2,000,000	2,000,000	18,623,708	
Unsecured loan from a bank with variable interest, due on October 29, 2005	2,000,000	—	18,623,708	
	¥63,000,000	¥10,000,000	\$586,646,801	

The weighted average interest rates applicable to the bank loans at March 31, 2005 and September 30, 2004 were 0.30442% and 0.45014%, respectively, per annum.

6. LONG-TERM LOANS

Long-term loans at March 31, 2005 and September 30, 2004 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005
1.120% secured loans from banks, trust banks, and an insurance company, due on June 23, 2006	¥24,000,000	¥24,000,000	\$223,484,496
0.90875% unsecured loan from a bank, due on June 15, 2007	3,000,000	3,000,000	27,935,562
0.78375% unsecured loan from a bank, due on August 31, 2007	3,000,000	3,000,000	27,935,562
1.0575% unsecured loan from a bank, due on March 24, 2009	2,000,000	2,000,000	18,623,708
1.015% unsecured loan from an insurance company, due on March 30, 2009	5,000,000	5,000,000	46,559,270
1.47125% unsecured loan from an insurance company, due on March 30, 2011	2,000,000	2,000,000	18,623,708
1.50125% unsecured loan from an insurance company, due on August 31, 2011	5,000,000	5,000,000	46,559,270
1.55% unsecured loan from an insurance company, due on October 29, 2012	2,000,000	—	18,623,708
1.33125% unsecured loan from another financial institution, due on November 1, 2011	5,000,000	—	46,559,270
	¥51,000,000	¥44,000,000	\$474,904,554

The weighted average interest rates applicable to the loans at March 31, 2005 and September 30, 2004 were 1.136% and 1.116%, respectively, per annum.

7. SECURED ASSETS

At March 31, 2005 and September 30, 2004, the following assets were pledged as collateral for the following loans:

	Thousands of yen		U.S. dollars
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005
Pledged assets:			
Bank deposits	¥ 7,854,568	¥ 8,054,808	\$ 73,140,588
Land and leasehold rights	47,765,093	47,765,093	444,781,573
Buildings and structures	16,398,223	16,636,468	152,697,854
Machinery and equipment	327,143	356,326	3,046,306
Tools, furniture and fixtures	8,166	8,589	76,045
Total	¥72,353,193	¥72,821,284	\$673,742,366

	Thousands of yen		U.S. dollars
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005
Loans secured by the pledged assets:			
Long-term loans	¥24,000,000	¥24,000,000	\$223,484,496

8. SHAREHOLDERS' EQUITY

The Company is required to maintain net assets of at least ¥50 million (\$465 thousand), as required pursuant to the Investment Trust Law.

9. INCOME TAXES

At March 31, 2005, and September 30, 2004, 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, 2005 and September 30, 2004 were as follows:

	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.38%)
Others	0.01%	0.02%
Effective tax rate	0.02%	0.03%

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 approximately 100% of retained earnings in the amount of ¥4,120 million (\$38,370 thousand) subsequent to March 31, 2005 and treated it as tax deductible dividend. The Company will not distribute the dividends in excess of accounting profit under Article 32-3 of the Articles of Incorporation.

10. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at March 31, 2005 and September 30, 2004, and for the periods then ended:

	Yen		U.S. dollars
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2004 to March 31, 2005
Net assets at period end per share	¥528,299	¥527,185	\$4,919
Net income per share	¥ 15,824	¥ 14,711	\$ 147

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

11. RELATED PARTY TRANSACTIONS

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

	Thousands of yen		U.S. dollars
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2004 to March 31, 2005
Property management fees	¥657,950	¥665,649	\$6,126,736
Utilities	65,528	74,188	610,188
Insurance	57,278	1,133	533,365
Other operating expenses	1,889	7,385	17,587
Repair and maintenance	¥198,557	¥276,685	\$1,848,931

12. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six months ended March 31, 2005 and September 30, 2004

	Thousands of yen		U.S. dollars
	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from October 1, 2004 to March 31, 2005
Property-Related Revenues	¥10,747,875	¥10,151,128	\$100,082,644
Rental Revenues	10,708,353	10,104,095	99,714,619
Rental revenues	7,785,264	7,315,510	72,495,236
Common area charges	1,791,597	1,695,221	16,683,091
Parking revenues	412,547	397,299	3,841,580
Other rental revenues	718,945	696,065	6,694,712
Non-Rental Revenues	39,522	47,033	368,025
Cancellation charges	20,540	15,088	191,267
Other miscellaneous revenues	18,982	31,945	176,758
Property-Related Expenses	5,258,142	5,135,869	48,963,050
Property management fees	1,277,345	1,234,174	11,894,453
Utilities expenses	855,487	878,772	7,966,171
Property and other taxes	937,696	936,742	8,731,687
Casualty insurance	27,864	27,130	259,463
Repairs and maintenance	471,973	363,595	4,394,940
Depreciation	1,641,471	1,657,320	15,285,141
Other rental expenses	46,306	38,136	431,195
Profits	¥ 5,489,733	¥ 5,015,259	\$ 51,119,594

13. LEASES

The Company owns office buildings under leases and earns rent income. As of March 31, 2005 and September 30, 2004, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2005	As of September 30, 2004	As of March 31, 2005
Due within one year	¥ 6,297,045	¥ 5,832,804	\$ 58,637,161
Due after one year	20,166,472	22,169,112	187,787,247
Total	¥26,463,517	¥28,001,916	\$246,424,408

14. SUBSEQUENT EVENTS

Issuance of additional shares

Based on the approval by the Board of Directors' meeting held on April 4, 2005, the Company completed a public offering of 85,000 additional shares on April 26, 2005, at an offer price of ¥826,000 (\$7,691) per share, or ¥70,210 million (\$653,785 thousand) in total. The proceeds from the public offering, net of underwriters' discount, were ¥68,024 million (\$633,434 thousand) at an issue price of ¥800,288 (\$7,452). As a result of the issuance of additional shares, the Company has shareholders' capital of ¥201,472 million (\$1,876,086 thousand) with 345,400 shares at April 26, 2005.

Appropriation of retained earnings

On May 18, 2005, the Board of Directors resolved to effect the payment of a cash distribution of ¥15,824 per share aggregating ¥4,120 million (\$38,370 thousand) to shareholders at the record date of March 31, 2005.

Report of Independent Auditors

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

We have audited the accompanying balance sheets of Japan Real Estate Investment Corporation as of March 31, 2005 and September 30, 2004, the related statements of income and retained earnings, changes in shareholders' equity and cash flows for the six months ended March 31, 2005 and September 30, 2004, 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, 2005 and September 30, 2004 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

June 24, 2005

About J-REIT System

J-REIT STRUCTURE AND RELATED ORGANIZATIONS

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

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

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

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

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

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

4) Asset Management Company: Real estate trust fund manager

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

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

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

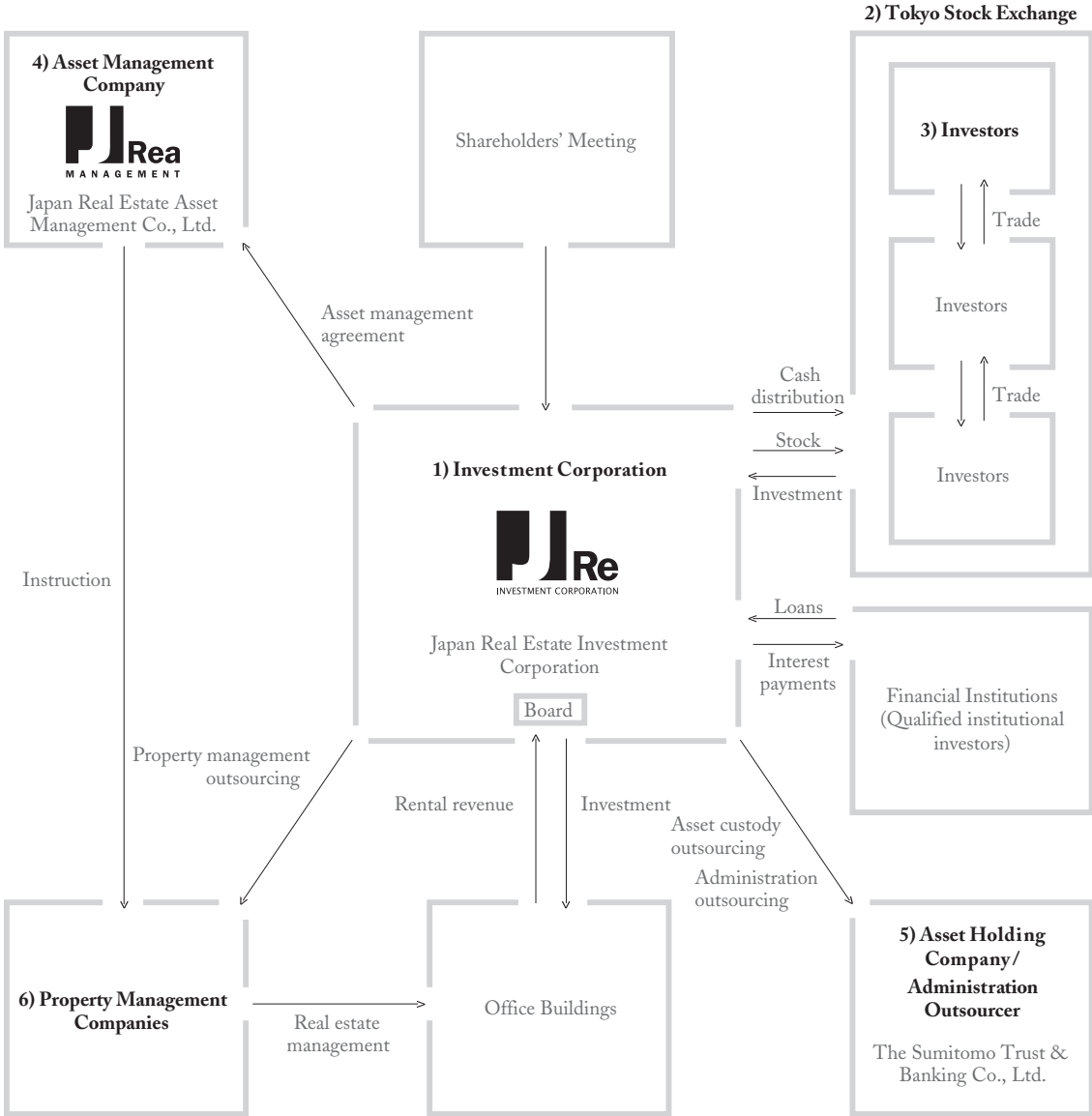
5) Asset Holding Company/Administration Outsourcer

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

6) Property Management Companies

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

ORGANIZATIONAL STRUCTURE OF JAPAN REAL ESTATE INVESTMENT CORPORATION



ROLE OF SHAREHOLDERS IN THE J-REIT SYSTEM

Set out below, in further detail, is the role shareholders of the investment corporation play in the J-REIT system. In particular, we would like to present a description of certain principal rights of the shareholders of an investment corporation under the Investment Trust Law, which is in effect as of March 31, 2005. This summary does not purport to be a comprehensive description of all of the rights of the shareholders under Japanese law that may be relevant to an investment decision on the shares of the Company.

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

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

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

Other Rights of Shareholders —

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

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

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

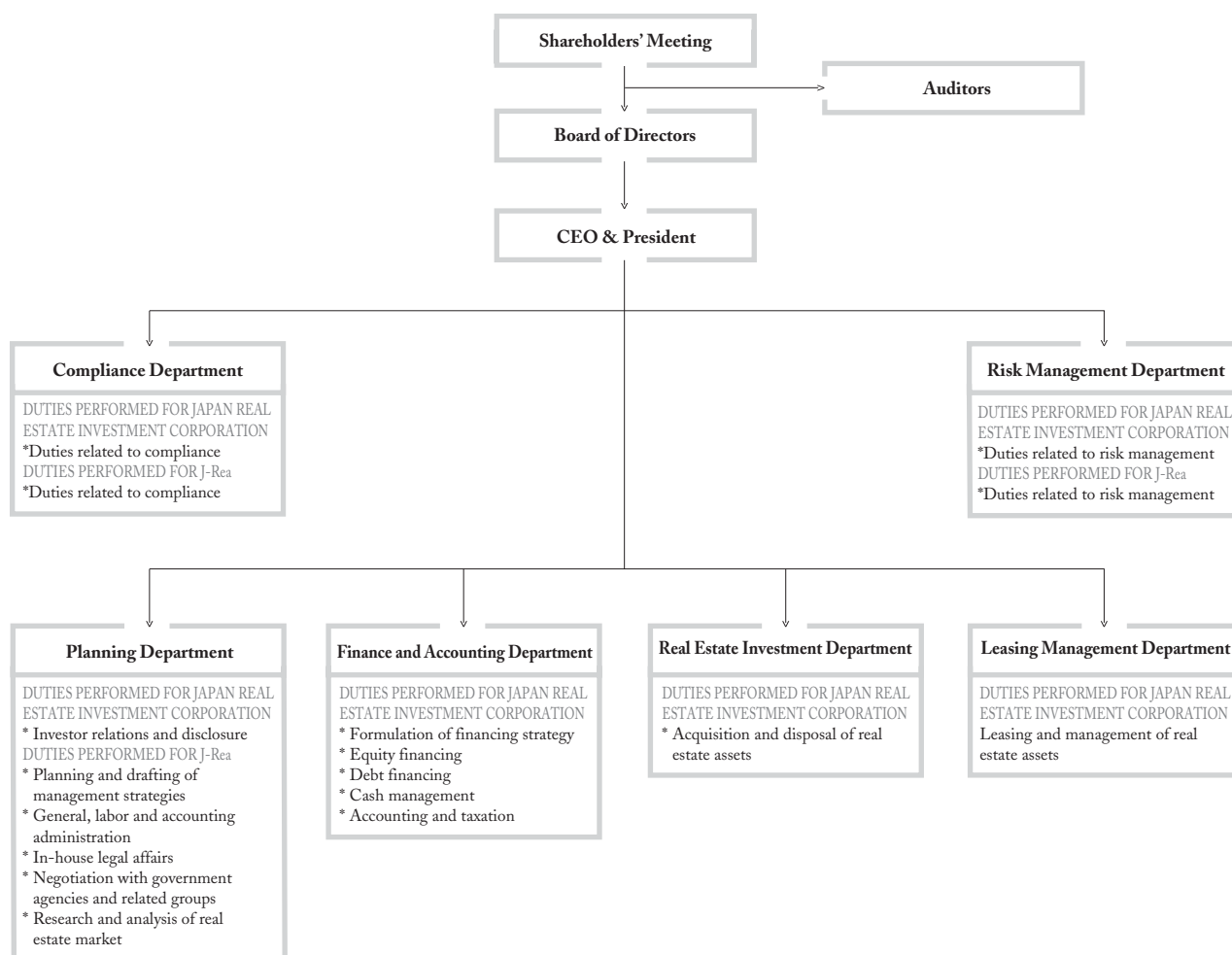
No Redemption/Repurchase of Shares — As an investment corporation is a closed-end J-REIT, shareholders are not entitled to request for redemption/repurchase of their shares from an investment corporation.

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

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

Profile of J-Rea (Asset Management Company)

ORGANIZATION



PRINCIPAL SHAREHOLDERS

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

Corporate Data

As of March 31, 2005

Executives (As of May 11, 2005)

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

Paid-in Capital

¥133,448,380,000

Number of Shares Issued

260,400

Number of Shareholders

15,219

Stock Listing

Tokyo Stock Exchange

Securities Code

8952

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 :

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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.co.jp>