May 25, 2006

JAPAN REAL ESTATE INVESTMENT CORPORATION
ANNOUNCEMENT OF NINTH FISCAL PERIOD RESULTS

1. Summary of Financial Results

In the ninth fiscal period (six months ended March 31, 2006), Japan Real Estate Investment Corporation ("JRE") recorded operating revenues of 13,962 million yen, up 6.4 percent from the previous period. Operating profits rose 1.5 percent to 6,319 million yen. After deducting expenses for interest payments on borrowings and other administrative costs, recurring profit increased 1.4 percent to 5,586 million yen and net income climbed 1.4 percent to 5,585 million yen.

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. For the period under review, we declared a cash dividend of 16,172 yen per unit.

2. Results of Operations

(1) Property Management and Acquisition

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

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

JRE maintained a high occupancy rate of 98.7% (as of March 31, 2006) by (1) acquiring top-level properties and upgrading building facilities through optimal refurbishment in order to maintain and improve functions; and (2) developing finely tuned building management policies from the perspective of tenants while undertaking vigorous sales activities. JRE is working to reduce costs with a view to further enhancing profit stability. In light of the recovery in the market for leased office space in central Tokyo, JRE has also undertaken concrete initiatives aimed at raising the level of rents. Concerning cost reductions, our basic policy is to lower maintenance costs and utility costs by five percent within the first three years of new property acquisition. Of the 39 properties acquired up to the end of the sixth fiscal period (six months ended September 2004), 31 properties are subject to this cost reduction program. We have already reduced costs of those properties by 13.3 percent per year, based on the results of our eighth and ninth fiscal periods (April 2005 to March 2006).

Regarding the property market, the view that land prices have bottomed out and signs of increasing land prices in central Tokyo, as well as the sound market for leased office space, have supported increased investment in real estate not only by Japanese Real Estate Investment Trusts (J-REITs), but also by such entities as private funds, pension funds and institutional investors. Accordingly, competition to acquire prime properties in urban centers has intensified.

In this sort of market environment, JRE uses its own information network to collect data on the sale of numerous properties. JRE makes acquisitions based upon meticulous examination of these data, and after determining optimal prices from many perspectives, including profit stability of the entire company and expected rates of return. During the period under review, JRE not only participated in fierce bidding competitions, but also focused on leveraging its own information network to engage in one-on-one transactions. As a result of the above factors, JRE's assets as of March 31, 2006 consisted of 52 office buildings with a total acquisition amount of 412,766 million yen, net leasable floor area of 400,090 m^2 (approximately 121,000 *tsubo*), and a total of 782 tenants.

(2) Finance Activities

Of the total acquisition price of 86,205 million yen for two properties acquired during the period under review, 84,500 million yen was covered by short-term loans. Meanwhile, cash on hand raised through the September 29, 2005 issue of 10,000 million yen worth of investment corporation bonds was used to repay 10,000 million yen in short-term loans on October 3, 2005. As a result of the above factors, on March 31, 2006, JRE had total interest-bearing debt of 196,500 million yen, including 90,500 million yen in short-term loans (up 74,500 million yen from the previous fiscal period), 24,000 million yen in the current portion of long-term borrowings (unchanged from the previous fiscal period), 27,000 million yen in long-term loans (unchanged from the previous fiscal period), and outstanding investment corporation bonds with a par value of 55,000 million yen (unchanged from the previous fiscal period).

JRE has received the following credit ratings.

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

3. Outlook

(1) Operating Environment

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

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

At the same time, tenants in the office market have increasingly stringent demands with respect to location, building quality and facilities, as well as for high-quality building management and value-added services. For these reasons, tenants have become more and more discriminating when selecting buildings. We anticipate that it will become even more important for suppliers to provide services that correctly and promptly reflect the needs of tenants, and to deliver added value that differentiates their buildings from the competition.

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

①Property Management

In accordance with the aforementioned, JRE operates with an awareness that conditions in the office building leasing market will remain uncertain, despite expectations of a full-fledged recovery. JRE adheres to the following management policies in order to maintain and improve earnings.

(i) Strengthen relationships of trust with existing tenants

As of March 31, 2006, JRE had contracts with 12 property management companies. Most of these companies were already managing their respective buildings before they were acquired by JRE, and so have built relationships of trust with their tenants. Strengthening these relationships by anticipating tenants' needs and providing tailored services helps to increase tenant satisfaction, prevent cancellation of contracts, reduce turnover, and curb demands for reduced rents. In addition, we are endeavoring to raise rent levels for those tenants whose rents are significantly below market.

(ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above, JRE actively seeks the most appropriate tenants for each property, based on its location and features, in order to fill current and anticipated vacancies as rapidly as possible. We are also working to uncover additional demand for office floor space among our existing tenants.

(iii) Stabilize revenues

With the aim of stabilizing revenues, JRE is gradually shifting to fixed-term and long-term leasing agreements with its large-scale tenants.

(iv) Reduce property administration costs

JRE has introduced sound competitive principles for its twelve property management companies to follow. These companies are also revamping their management systems and cost structures. Regarding the properties held by JRE as of the end of the fiscal period, our target is to reduce the sum of property administration costs and utility costs by five percent within three years of acquisition.

②Property Acquisition

JRE has adopted the following policies for acquiring properties in order to improve earnings through steady asset expansion and growth.

(i) To access important information quickly, JRE is enhancing its property information channels, including strengthening its relationship with building owners with whom it has previously conducted business. We are also working to develop new channels.

(ii) In its acquisition activities, JRE will continue to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues. We will also take business conditions into account when selecting properties. With regard to the structure of buildings, we require buildings to meet or exceed new earthquake-resistance standards, and we are targeting properties capable of maintaining a competitive edge over the medium and long terms.

(iii) JRE's general target for regional diversity of property ownership, in accordance with its acquisition policies, is for 70 percent or more of properties to be located within the Tokyo metropolitan area, with the remaining 30 percent or less located in regional urban centers.

The appropriate timing for property acquisition cannot be ascertained in advance. When funding property acquisition, therefore, JRE's policy is to take out short-term loans at the time of purchase and later select various options for capital procurement, including corporate unit issues, according to trends in financial markets. When affecting a loan, our policy is to minimize funding costs by negotiating with several qualified institutional investors before settling on a lender.

(2) Performance Forecasts

For the 10th Fiscal Period (April 1, 2006 to September 30, 2006), JRE forecasts operating revenues of 15,230 million yen, recurring profits of 5,490 million yen and net income of 5,490 million yen. We plan to declare a dividend of 15,890 yen per unit.

Our forecasts for the 11th Fiscal Period (October 1, 2006 to March 31, 2007) are operating revenues of 16,200 million yen, recurring profits of 5,990 million yen, net income of 5,990 million yen, and cash dividends of 17,300 yen per unit.

The above estimates for the 10th and 11th periods are based on conservative assumptions of the portfolio consisting of 52 properties as of March 31, 2006, and the acquisition of additional shares in both the Sanno Grand Building on April 3, 2006 and the Sendai Honcho Honma Building on June 28, 2006. Estimates are subject to change in accordance with the acquisition or sale of other properties. These estimates are also based on 345,400 investment units outstanding as of March 31, 2006.

After March 31, 2006, JRE acquired additional share of co-ownership in the Sanno Grand Building and plans to acquire additional share of co-ownership in the Sendai Honcho Honma Building, as described below.

1. Sanno Grand Building (additional share)

Transaction Summary:

Asset acquired: Real estate (ownership rights in land and building; share of co-ownership for both land and building: 49%)*[1]

Acquisition Price: 10,700 million yen

Date of acquisition: April 3, 2006

Property Summary:

Location: 2-14-2 Nagatacho, Chiyoda-ku, Tokyo

Use: Offices

Land Area: 3,663.93 m^2 (total land area for the building site)

Floor area: 33,875.95 m^2 (total floor space for the entire building)

Structure: Steel-framed reinforced concrete structure with flat roof, 10 floors above ground and three floors below ground

Completion date: September 1966.

Tenants: 51

Leasable area: 20,935 m^2 *[2]

Leased area: 20,471 m^2 *[2]

Occupancy rate: 97.8%*[2]

Notes:

1. As of March 31, 2006, JRE held 50% co-ownership in this asset; the acquisition detailed above increased JRE’s share to 99.0%.
2. Figures for leasable area, leased area and occupancy rate are for 99.0% co-ownership of the property as of April 3, 2006.

2. Sendai Honcho Honma Building (additional share)

Transaction Summary:

Asset to be acquired: Real estate (land: share of co-ownership rights; building: compartmentalized ownership rights)*[1]

Acquisition Price: 250 million yen

Scheduled date of acquisition: June 28, 2006

Property Summary:

Location: 2-1-29 Honcho, Aoba-ku, Sendai, Miyagi Prefecture

Use: Offices, retail shops

Land Area: 1,437.47 m^2 (total land area for the building site)

Floor area: 8,247.50 m^2 (total floor space for the entire building)

Structure: Steel-framed reinforced concrete structure with flat roof, 11 floors above ground

Completion date: November 1991.

Tenants: 1*[2]

Leasable area: 412 m^2 *[2]

Leased area: 412 m^2 *[2]

Occupancy rate: 100.0%*[2]

Notes:

1. As of May 25, 2006, JRE owns trust beneficiary rights (share of ownership: 93.39%) of such trust that incorporates the above property as its fiduciary estate. On June 28, 2006, JRE plans to set up an additional trust fund after acquisition of the aforementioned property, which enables it to control 100% of trust beneficiary rights.
2. The total number of tenants, leasable area, leased area and occupancy rate are estimates for the portion of the building to be acquired as of June 28, 2006.

In addition, in order to finance the purchase of the additional share in the Sanno Grand Building on April 3, 2006, JRE secured a new loan of 10,000 million yen on the same date, with a principal repayment date of April 4, 2011.

Income Statement for the 9th Period

In millions of yen, except for dividend per unit

Item	9th Period (182 days) 50 existing properties	9th Period Newly acquired properties*	9th Period Total	8th Period (183 days)	Change	% Change
Operating Revenues	13,809	153	13,962	13,119	843	6.4%
Rental revenues	13,756	142	13,899	13,076		
Other rental revenues	52	11	63	43		
Operating Expenses	4,317	67	4,384	4,140	243	5.9%
Property management fees	1,622	61	1,684	1,554		
Utility charges	1,065	3	1,068	1,012		
Property and other taxes	1,035	0	1,035	1,035		
Insurance expenses	34	0	35	33		
Repair expenses	526	1	528	474		
Other operating expenses	32	0	32	30		
NOI	9,492	85	9,578	8,978	599	6.7%
Depreciation and amortization	2,190	169	2,359	2,017		
Operating Profits	7,301	△ 83	7,218	6,961	256	3.7%
Administrative expenses			898	735	163	22.2%
Asset management fees			571	392		
Other administrative expenses			327	342		
Net Operatng Profits			6,319	6,226	92	1.5%
Non-Operating Revenues			2	11	△ 8	△ 75.9%
Interest received			0	0		
Other non-operating revenues			2	11		
Non-Operating Expenses			735	727	7	1.0%
Interest expenses			327	328		
Bond interest expenses			376	249		
Deferred bond-issuance cost			9	9		
Additional unit-issuance cost			0	116		
Other non-operating expenses			20	23		
Recurring Profits			5,586	5,510	76	1.4%
Gross Income			5,586	5,510	76	1.4%
Taxes			1	0		
Net Income			5,585	5,509	76	1.4%
Retained Earnings			5,585	5,509		
FFO (Net Income＋Depreciation)			7,945	7,526	419	5.6%
Dividend per Unit			16,172	15,951		

* Newly acquired properties are Lit City Building and Kitanomaru Square.

Balance Sheet for the 9th Period

In millions of yen

Item	9th Period-end (Mar 31, 06)	8th Period-end (Sep 30, 05)	Change	Reason for Change
Current Assets				
Cash and entrusted cash	17,485	26,939	△ 9,454	
Other current assets	1,296	988	308	
Total current assets	18,782	27,928	△ 9,146	
Fixed Assets				
Property and equipment				
Buildings	137,926	108,665	29,261	Increased due to acquisition of Lit City Building and Kitanomaru Square and capital expenditure
Structures	1,537	851	686	
Machinery and equipment	2,219	1,740	478	
Land	283,232	224,595	58,636	
Accumulated depreciation	△ 14,148	△ 11,788	△ 2,359	
Total Property and equipment	410,767	324,064	86,703	
Intangible Assets				
Leasehold rights, etc.	2,941	2,941	0	
Total Intangible Assets	2,941	2,941	0	
Investments and Others				
Investments in securities	1,004	958	46	Inceased due to investment in preferred capital contribution certificates (#2)
Long-term prepaid expenses, etc.	17	26	△ 8	
Total Investments and Others	1,021	984	37	
Total Fixed Assets	414,730	327,989	86,740	
Deferred Assets				
Issuance cost of investment corporation bonds	39	49	△ 9	
Total Deferred Assets	39	49	△ 9	
Total Assets	433,552	355,968	77,583	

In millions of yen

Item	9th Period-end (Mar 31, 06)	8th Period-end (Sep 30, 05)	Change	Reason for Change
Liabilities				
Current Liabilities				
Short-term borrowings	90,500	16,000	74,500	Increased due to short-term borrowings
Current portion of long-term borrowings	24,000	24,000	0	
Rent received in advance	2,608	2,422	185	
Other current liabilities	2,147	1,624	522	
Total Current Liabilities	119,256	44,047	75,208	
Lont-term Liabilities				
Investment corporation bonds	55,000	55,000	0	
Long-term borrowings	27,000	27,000	0	
Deposits from tenants	25,237	22,644	2,592	Increased due to acquisition of properties
Other Long-term liabilities	0	294	△ 294	
Total Long-term Liabilities	107,237	104,938	2,298	
Total Liabilities	226,493	148,985	77,507	
Unitholders' Equity				
Unitholders' capital	201,472	201,472	0	
Retained earnings	5,585	5,509	76	
Total Unitholders' Equity	207,058	206,982	76	
Total Liabilities and Unitholders' Equity	433,552	355,968	77,583	

Property Data

(In millions of yen) (In thousands of yen)

Area		Name	9th Period Appraisal Value (Mar 30, 06)	8th Peiod Appraisal Value (Sep 30, 05)	Amount of Difference	9th Period Book Value (Mar 31, 06)	9th Period Appraisal Value-Book Value	Acquisition Price
Tokyo Metropolitan Area	23 Wards	Genki Medical Plaza	6,210	6,200	10	5,189	1,020	5,000,000
		MD Kanda Building	9,080	8,460	620	9,281	-201	9,520,000
		Kandabashi Park Building	5,010	4,920	90	4,702	307	4,810,000
		Mitsubishi Soken Building	31,000	30,400	600	26,928	4,071	27,267,000
		Nibancho Garden	15,800	15,100	700	14,688	1,111	14,700,000
		Burex Kojimachi Building	6,880	6,880	0	7,069	-189	7,000,000
		Sanno Grand Building	11,400	10,900	500	10,738	661	10,200,000
		Yurakucho Denki Building	7,350	7,230	120	7,631	-281	7,200,000
		Kodenmacho Shin-Nihonbashi Building	3,400	3,320	80	2,963	436	3,173,000
		Burex Kyobashi Building	6,060	5,940	120	5,213	846	5,250,000
		Ginza Sanwa Building	17,300	16,900	400	17,115	184	16,830,000
		Ryoshin Ginza East Mirror Building	4,650	4,540	110	5,519	-869	5,353,500
		Aoyama Crystal Building	8,290	7,920	370	7,642	647	7,680,000
		Shiba 2Chome Daimon Building	6,650	5,900	750	4,991	1,658	4,859,000
		Cosmo Kanasugibashi Building	3,360	3,110	250	2,651	708	2,808,000
		Shinwa Building	8,180	7,830	350	7,876	303	7,830,000
		Tokyo Opera City Building	10,400	9,350	1,050	9,351	1,048	9,350,000
		Takanawadai Building	2,650	2,590	60	2,594	55	2,738,000
		Higashi-Gotanda 1Chome Building	6,520	6,130	390	5,454	1,065	5,500,000
		JAL Sales Building	1,490	1,480	10	1,260	229	1,362,000
		Omori-Eki Higashiguchi Building	5,390	5,390	0	4,674	715	5,123,000
		Nippon Brunswick Building	7,910	7,570	340	6,793	1,116	6,670,000
		Yoyogi 1Chome Building	9,620	9,300	320	8,582	1,037	8,700,000
		da Vinci Harajuku	5,900	5,660	240	4,975	924	4,885,000
		Jingumae Media Square Building	14,090	13,480	610	12,162	1,927	12,200,000
		Shibuya Cross Tower	41,600	38,100	3,500	37,127	4,472	34,600,000
		Ebisu Neonato	5,000	4,450	550	3,985	1,014	4,100,000
		Harmony Tower	10,400	9,100	1,300	8,822	1,577	8,500,000
		Otsuka Higashi-Ikebukuro Building	3,410	3,410	0	3,298	111	3,541,000
		Ikebukuro 2Chome Building	1,510	1,450	60	1,656	-146	1,728,000
		Ikebukuro YS Building	5,010	4,580	430	4,488	521	4,500,000
	Excluding 23 Wards	Hchioji First Square	3,300	3,300	0	3,299	0	3,300,000
		Saitama Urawa Building	2,420	2,360	60	2,459	-39	2,574,000
		Shin-Yokohama First Building	1,640	1,640	0	2,917	-1,277	3,000,000
		Kawasaki Isago Building	3,290	3,210	80	3,032	257	3,375,000
Other Major Cities		Jozenji Park Building	1,060	1,040	20	1,042	17	1,000,000
		Sendai Honcho Honma Building	3,150	3,030	120	2,700	449	2,924,000
		Niigata Ishizuecho Nishi-Bandaibashi Building	729	729	0	999	-270	1,010,000
		Kanazawa Park Building	5,480	5,420	60	4,475	1,004	4,580,000
		Kanazawa Minamicho Building	985	985	0	1,291	-306	1,331,000
		Nagoya Hirokoji Building	15,900	15,300	600	14,203	1,696	14,533,000
		Nagoya Misono Building	1,890	1,860	30	1,724	165	1,865,000
		Kyoto Shijo Kawaramachi Building	2,090	2,020	70	2,920	-830	2,650,000
		Sakaisujihonmachi Building	4,400	4,230	170	4,106	293	4,164,000
		Midosuji Daiwa Building	14,600	14,100	500	13,753	846	14,314,000
		Kobe Itomachi Building	945	945	0	1,359	-414	1,436,000
		NHK Hiroshima Broadcasting Center Building	1,490	1,480	10	1,316	173	1,320,000
		Tosei Tenjin Building	1,360	1,340	20	1,444	-84	1,550,000
		Tenjin Crystal Building	4,970	4,970	0	5,121	-151	5,000,000
		Hinode Tenjin Building	3,490	3,480	10	3,461	28	3,657,000
Subtotal			354,709	339,029	15,680	327,062	27,646	326,560,500
Properties Acquired in the 9th Period		Lit City Building	4,890	—	—	4,681	208	4,650,000
		Kitanomaru Square	80,200	—	—	81,963	-1,763	81,555,500
Total (52 properties)			**439,799**	**—**	**—**	**413,708**	**26,090**	**412,766,000**

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

* Hachioji Dai-ichi-Seimei Building and JAL Travel Building were renamed to Hachioji First Square and JAL Sales Building respectively on April 1, 2006 and May 1, 2006. The new names are used in this material.