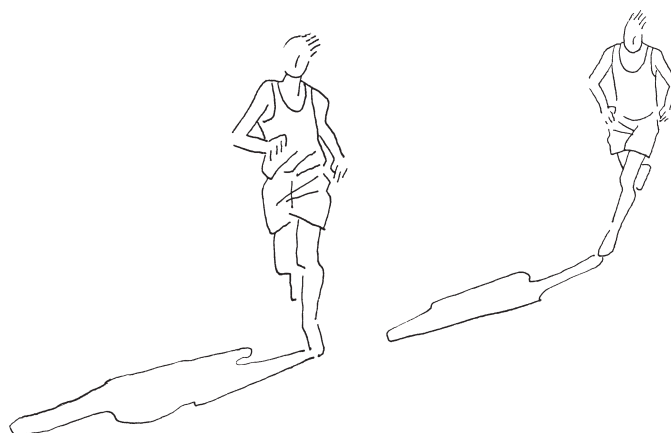
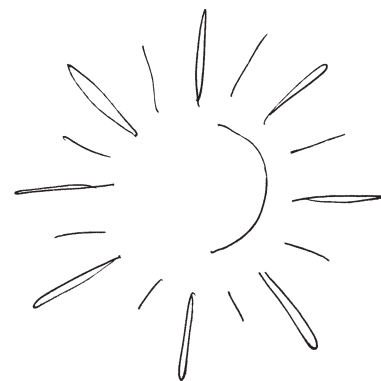


SEPTEMBER
2006
SEMIANNUAL
REPORT

For the period from April 1 to September 30, 2006



Japan Real Estate Investment Corporation

FINANCIAL HIGHLIGHTS

For the Period from April 1, 2006 to September 30, 2006

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from April 1, 2006 to September 30, 2006
Operating Revenues	15,570	13,962	13,119	10,747	10,151	132,063
Operating Profits	7,041	6,319	6,226	4,701	4,358	59,726
Income before Income Taxes	5,977	5,586	5,510	4,121	3,831	50,697
Net Income	5,976	5,585	5,509	4,120	3,830	50,688
Net Operating Income (NOI) (Note 2)	10,740	9,578	8,978	7,131	6,672	91,098
Funds from Operations (FFO) (Note 3)	8,257	7,945	7,526	5,762	5,488	70,038
FFO Multiple (Note 4)	21.0 times	22.1 times	21.1 times	19.7 times	20.8 times	21.0 times
Cash Distribution	5,976	5,585	5,509	4,120	3,830	50,688
Number of Units	345,400	345,400	345,400	260,400	260,400	345,400
Dividend per Unit (Yen/U.S. dollars)	17,302	16,172	15,951	15,824	14,711	146.75

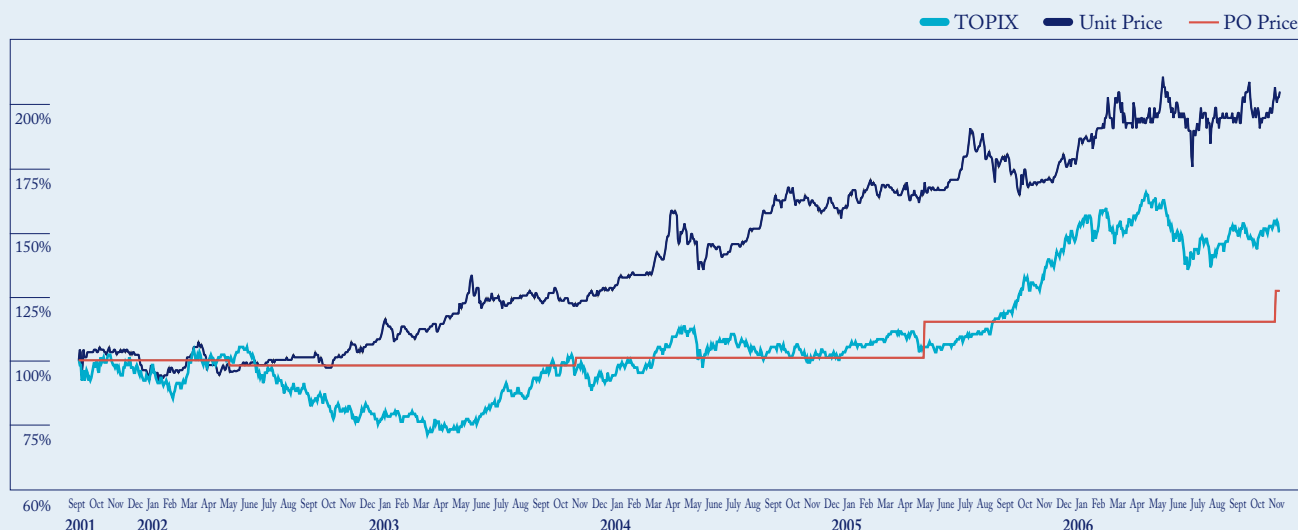
Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.90 = US\$1.00, the foreign exchange rate on September 30, 2006, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.
 2. NOI = (Property-Related Revenues – Property-Related Expenses) + Depreciation
 3. FFO = Net Income – Gains (Losses) from Sales of Specified Assets + Depreciation
 4. FFO Multiple = Unit Price at End of the Respective Term ÷ FFO per Unit (Annualized)
 (Annualized portion of the calculation given in note 4 assumes a fiscal period of 183 days for the period ended September 30, 2004, 182 days for the period ended March 31, 2005, 183 days for the period ended September 30, 2005, 182 days for the period ended March 31, 2006, and 183 days for the period ended September 30, 2006.)

TOP 10 UNITHOLDERS

As of September 30, 2006

Company	Units	% of Total Units Outstanding
NikkoCiti Trust and Banking Corporation (Toshin Acc.)	26,330	7.62%
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	21,015	6.08%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	14,656	4.24%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	13,358	3.87%
Mitsubishi Estate Co., Ltd.	10,160	2.94%
The Chugoku Bank, Ltd.	9,495	2.75%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	8,120	2.35%
The Bank of Ikeda, Ltd.	7,900	2.29%
The Yamanashi Chuo Bank, Ltd.	7,300	2.11%
The Joyo Bank, Ltd.	5,438	1.57%

UNIT PRICE PERFORMANCE



PORTFOLIO HIGHLIGHTS

TRENDS IN THE STATE OF PORTFOLIO MANAGEMENT

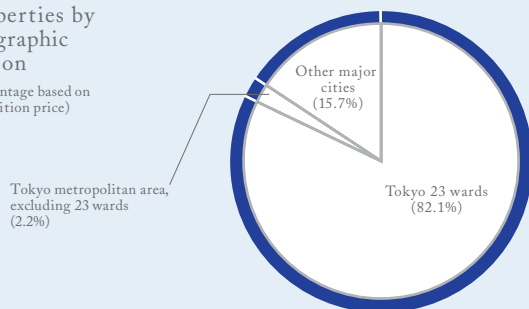


Note: In the event that the same tenant occupies several buildings, the tenant is calculated as one tenant in the total number of tenants.

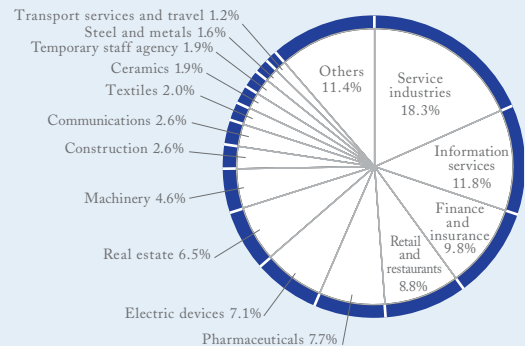
PORTFOLIO BREAKDOWN

As of September 30, 2006

Properties by geographic region
(Percentage based on acquisition price)



Tenants by industry type
(Percentage based on leased area)



NEW PORTFOLIO PROPERTIES

PROPERTIES ACQUIRED DURING THE PERIOD ENDED SEPTEMBER 30, 2006

Notes: 1. In "Property Summary," concerning real estate and other assets of which the Company is a partial owner through co-ownership or sectional ownership, the figures for "Site area" and "Floor area of building" represent total site area and total floor space for the entire building.
2. In "Leasing Conditions," the figures represent information of the portion owned by the Company, unless otherwise stated.



Sanno Grand Building (Additional share acquisition)

Property Summary

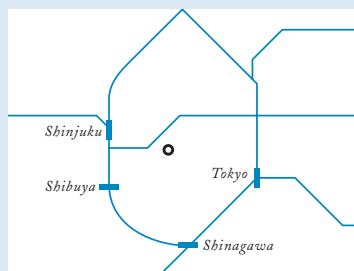
Type of specified asset:	Ownership (Note)
Acquisition price:	¥10,700 million (\$91 million)
Acquisition date:	April 3, 2006
Location:	Chiyoda-ku, Tokyo
Intended use:	Office space, retail stores
Site area:	3,663m ² (39,438ft ²)
Floor area of building:	33,875m ² (364,637ft ²)
Structure:	Above ground: 10 floors Below ground: 3 floors
Completion:	September 1966

Note: Ownership (Share of co-ownership for both land and building: 49.0%)
* With this additional share acquisition, the share of co-ownership in this property for the Company became 99.0%.

Leasing Conditions (As of September 30, 2006) (Note)

Number of tenants:	52 tenants
Leasable floor space:	20,926m ² (225,251ft ²)
Leased area:	20,652m ² (222,302ft ²)
Occupancy rate:	98.7%

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



Property Acquisition Merits

Located in front of Akasaka-Mitsuke Station, this property has very convenient access to several subway lines. It is also a landmark building in the Akasaka area. Large-scale renewal work has brought the building up to the latest standards for earthquake-proof construction and interior specifications. This additional share acquisition raised JRE's share of co-ownership to 99.0%, enabling JRE to manage the property more effectively.



Sendai Honcho Honma Building (Additional share acquisition)

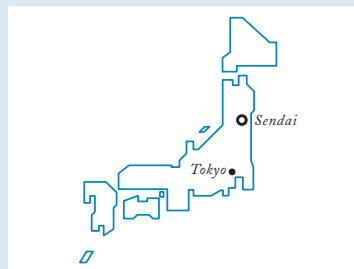
Property Summary

Type of specified asset:	Trust beneficiary right in trust of real estate
Acquisition price:	¥250 million (\$2 million)
Acquisition date:	June 28, 2006
Location:	Sendai, Miyagi Prefecture
Intended use:	Office space, retail stores
Site area:	1,437m ² (15,473ft ²)
Floor area of building:	8,247m ² (88,775ft ²)
Structure:	Above ground: 11 floors
Completion:	November 1991

Note: Land: Ownership (Share of co-ownership: 31.864% of 1 out of 3 lots)
Building: Compartmentalized building units and co-ownership of compartmentalized building units (Ownership of building: 6.61%)
* On June 28, 2006, the Company set up an additional trust fund after the acquisition which enabled it to control a 100% trust beneficiary rights thereof.

Leasing Conditions (As of September 30, 2006)

Number of tenants:	17 tenants
Leasable floor space:	6,241m ² (67,185ft ²)
Leased area:	6,162m ² (66,335ft ²)
Occupancy rate:	98.7%



Property Acquisition Merits

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



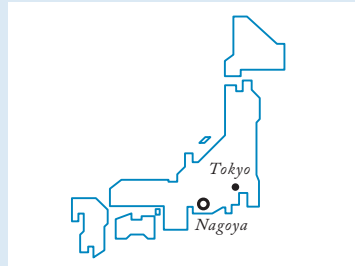
Hirokoji Tokio Marine Nichido Building

Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥1,680 million (\$14 million)
Acquisition date:	September 22, 2006
Location:	Nagoya, Aichi Prefecture
Intended use:	Office space, retail stores
Site area:	786m ² (8,469ft ²)
Floor area of building:	6,445m ² (69,374ft ²)
Structure:	Above ground: 9 floors Below ground: 2 floors
Completion:	September 1987

Leasing Conditions (As of September 30, 2006)

Number of tenants:	11 tenants
Leasable floor space:	3,849m ² (41,433ft ²)
Leased area:	3,121m ² (33,600ft ²)
Occupancy rate:	81.1%



Property Acquisition Merits

Located in Fushimi, one of Nagoya's main business districts, and facing Hirokoji Street, the main avenue running east-to-west in central Nagoya, this property offers convenient access to Fushimi Station (a five-minute walk) on the Higashiyama and Tsurumai subway lines. Robust export industries, rising capital investment and employment growth underpin a strong office building market.



PROPERTIES SOLD

As of June 28, 2006



**Niigata Ishizuecho
Nishi-Bandaibashi
Building**

Location : Niigata, Niigata Prefecture
 Site area : 957m² (10,311ft²)
 Floor area of building : 6,410m² (69,000ft²)
 Structure : Above ground: 8 floors
 Below ground: 1 floor
 Completion : November 1984



JAL Sales Building

Location : Meguro-ku, Tokyo
 Site area : 1,401m² (15,086ft²)
 Floor area of building : 5,269m² (56,721ft²)
 Structure : Above ground: 6 floors
 Below ground: 1 floor
 Completion : September 1991



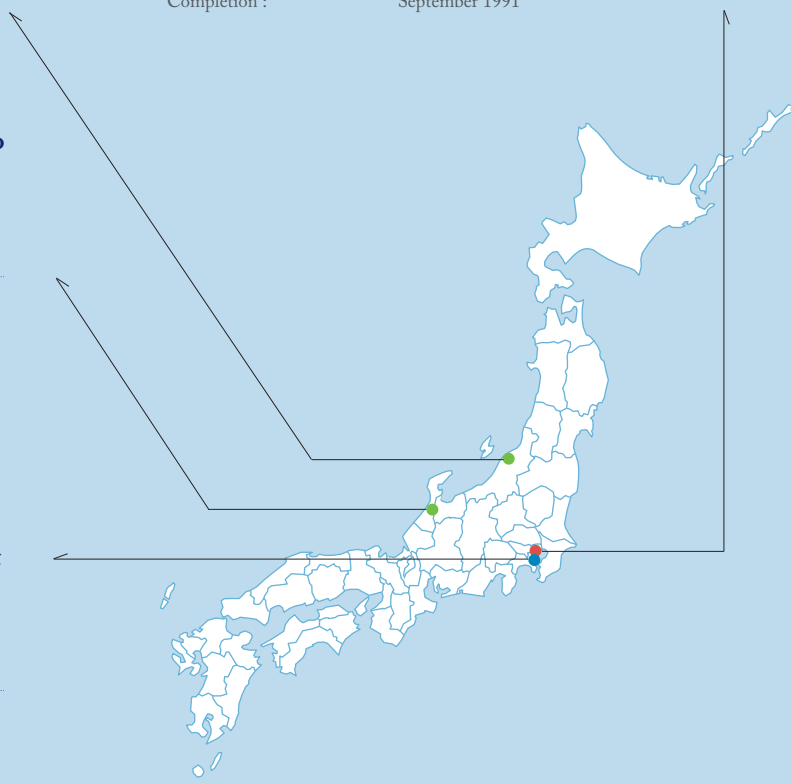
**Kanazawa Minamicho
Building**

Location : Kanazawa, Ishikawa Prefecture
 Site area : 887m² (9,549ft²)
 Floor area of building : 5,163m² (55,576ft²)
 Structure : Above ground: 9 floors
 Completion : March 1987



**Shin-Yokohama First
Building**

Location : Yokohama, Kanagawa Prefecture
 Site area : 1,528m² (16,447ft²)
 Floor area of building : 10,403m² (111,981ft²)
 Structure : Above ground: 10 floors
 Below ground: 2 floors
 Completion : April 1992



(Millions of yen)				
Name	Date of sales	Appraisal value (End of March 2006)	Sales price	Profits or losses from sales
JAL Sales Building	June 28 , 2006	1,490	2,593	1,272
Shin-Yokohama First Building	June 28 , 2006	1,640	1,755	-1,178
Niigata Ishizuecho Nishi-Bandaibashi Building	June 28 , 2006	729	1,490	454
Kanazawa Minamicho Building	June 28 , 2006	985	1,165	-147
Total		4,844	7,003	400

SUBSEQUENT EVENTS

ADDITIONAL ISSUE OF UNITS

Issuance date:	October 24, 2006	Aggregate amount of issue price:	¥65,207 million (\$553 million)
Issue price:	¥1,009,400 (\$8,561)	Commencement date	
Number of units issued:	64,600 units	for the calculation of cash dividends:	October 1, 2006

Note: With the procurement of funds from the issue of units, the Company repaid short-term loans of ¥4,500 million (\$38 million) on October 31, 2006 and ¥58,000 million (\$492 million) on November 24, 2006.

PROPERTIES ACQUIRED AFTER THE PERIOD ENDED SEPTEMBER 30, 2006

Notes: 1. In "Property Summary," concerning real estate and other assets of which the Company is a partial owner through co-ownership or sectional ownership, the figures for "Site area" and "Floor area of building" represent total site area and total floor space for the entire building.
2. In "Leasing Conditions," the figures represent information of the portion owned by the Company, unless otherwise stated.



Nishiki Park Building

Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥3,850 million (\$33 million)/ ¥1,300 million (\$11 million)
Acquisition date:	October 2, 2006 / November 1, 2006
Location:	Nagoya, Aichi Prefecture
Intended use:	Office space, retail stores, residence
Site area:	2,170m ² (23,363ft ²)
Floor area of building:	25,091m ² (270,087ft ²)
Structure:	Above ground: 22 floors Below ground: 4 floors
Completion:	August 1995

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

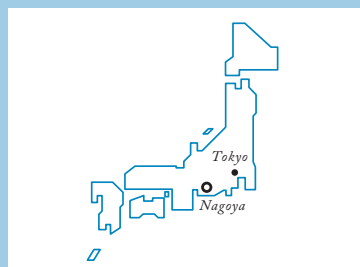
Building: Share of co-ownership of compartmentalized building units (60.93025% share of co-ownership of 13,296.06m² of the office/shop spaces from the first floor to the twentieth floor and 90% share of co-ownership of 999.50m² of the residential space from the twenty-first floor to the twenty-second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

*Ownership of building : 57.04651%

Leasing Conditions (As of November 1, 2006) (Note)

Number of tenants:	48 tenants
Leasable floor space:	8,059m ² (86,747ft ²)
Leased area:	7,959m ² (85,671ft ²)
Occupancy rate:	98.8 %

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



Property Acquisition Merits

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

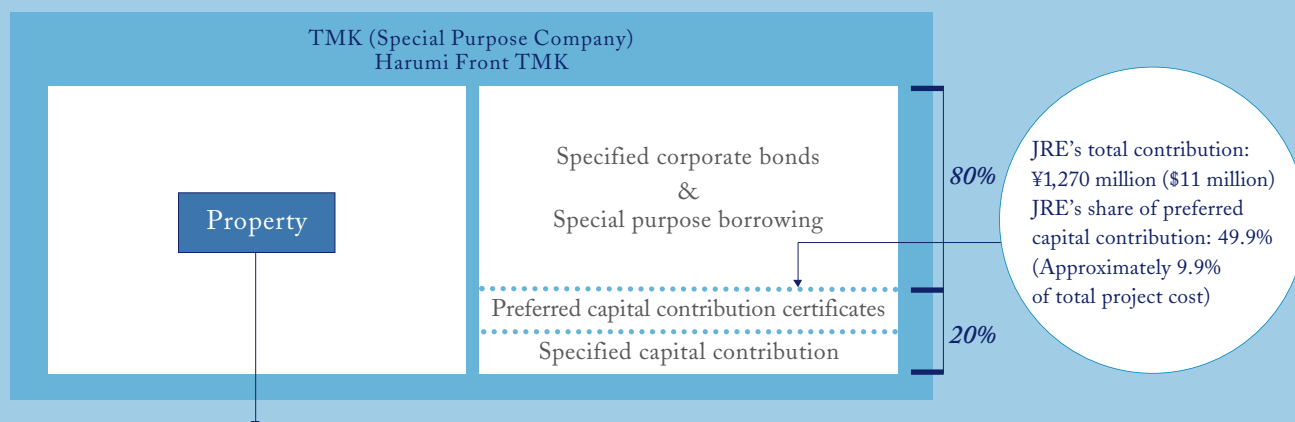
SUMMARY OF PREFERRED CAPITAL CONTRIBUTION CERTIFICATES ADDITIONALLY ACQUIRED

Type of assets acquired: Preferred capital contribution certificates of 5,360 units
 Acquisition price: ¥268 million (\$2.3 million)
 Acquisition date: November 24, 2006

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

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

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



Summary of Property held by TMK

Property Summary

Name of development	
Project:	Harumi Center Building
Location:	2-5-24, Harumi, Chuo-ku, Tokyo
Site area:	4,664m ² (50,210ft ²)
Total project area:	27,365m ² (294,563ft ²)
Leasable floor space:	20,812m ² (224,022ft ²)
Intended use:	Office space, retail stores, parking area
Total project cost:	¥12,821 million (\$109 million)
Construction	
Commencement:	May 2005
Completion:	November 2006

HISTORY AFTER IPO

Since listing on the Tokyo Stock Exchange (“TSE”) as the first J-REIT in Japan, the Company has established a firm track record over the past 10 fiscal periods. As the Company concluded its 10th fiscal period ended September 30, 2006, the total acquisition price for properties reached ¥418,693 million. Throughout its history, the Company has sustained stable management while realizing steady growth and taking the initiative as a J-REIT pioneer. During the fiscal period under review, the Company accelerated efforts to streamline and strengthen its portfolio. In addition to acquiring quality properties, the Company sold properties for the first time ever in its history, disposing of four during the 10th fiscal period.

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 (until then) of
units since listing of J-REIT
(total subscription of ¥70,210 million (\$596 million))

Feb. and Mar. 2002

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

Jun. 2002

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

Apr. 2003

Second/Third Investment Corporation Bond Issue

Nov. 2004

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

Dec. 2004

R&I issued an AA issuer credit rating.

Mar. 2005

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

Sep. 2005

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

133,927m²
(126,748m²)
198 Tenants

201,884m²
(189,815m²)
328 Tenants

215,928m²
(205,796m²)
339 Tenants

Period Ended
Sep. 2001

Period Ended
Mar. 2002

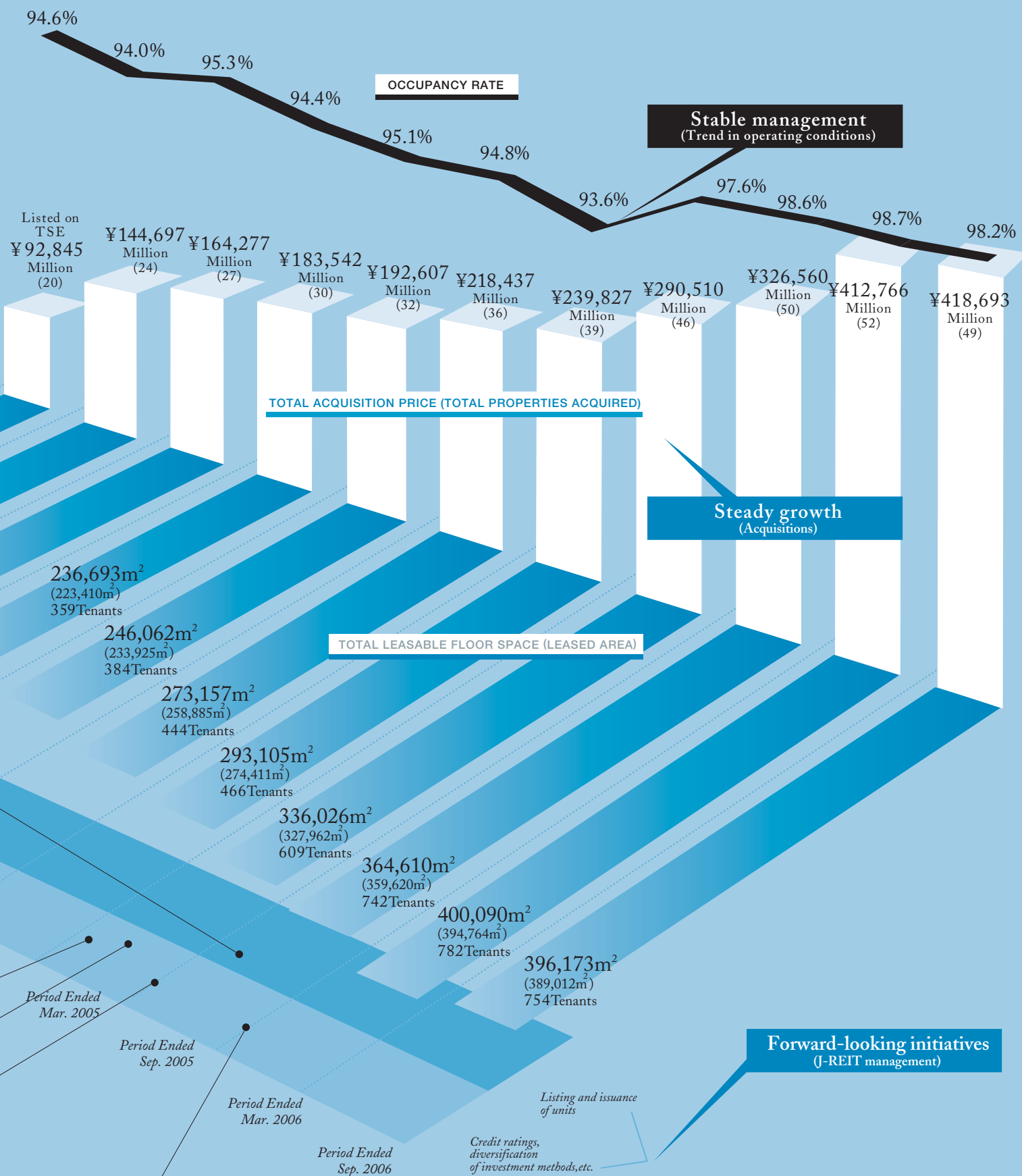
Period Ended
Sep. 2002

Period Ended
Mar. 2003

Period Ended
Sep. 2003

Period Ended
Mar. 2004

Period Ended
Sep. 2004



TO OUR UNITHOLDERS



In this fifth year since public listing, our goal is to achieve continued stable operations.



Kazuhiko Arahata

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

FINANCIAL RESULTS AND OUTLOOK

In the wake of improved corporate earnings and employment conditions in the 10th fiscal period (six months ended September 30, 2006), the Japanese economy showed a moderate but steady business recovery. Under these circumstances, the Company continued to achieve increases in revenues and profits, and we are pleased to report another satisfactory fiscal period for our unitholders. In the 10th fiscal period, the Company recorded operating revenues of ¥15,570 million (\$132 million)*, up 11.5% from the previous period. Operating profits rose 11.4% to ¥7,041 million (\$60 million). After deducting expenses for interest payments on loans and other non-operating expenses, income before income taxes increased 7.0% to ¥5,977 million (\$51 million), and net income climbed 7.0% to ¥5,976 million (\$51 million). As a result, the Company declared a cash dividend of ¥17,302 (\$146.75) per unit for the half year.

In the fiscal period under review, the Company acquired three properties for a total acquisition amount of ¥12,630 million (\$107 million), including additional acquisitions of shares in existing properties, and also sold four properties for a total sale price of ¥7,003 million (\$59 million). As a result, the Company's properties as of September 30, 2006 consisted of 49 office buildings with a total acquisition amount of ¥418,693 million (\$3,551 million) and total leasable floor area of 396,173 m² (approximately 4,264,370 ft²), with a total of 754 tenants.

Since September 30, 2006, the Company has been continually focused on the advancement of REIT operations. With respect to external growth, we acquired compartmentalized building units of the Nishiki Park Building, a new property, on two separate occasions, and also acquired additional preferred capital contribution certificates issued by the Harumi Front Special Purpose Company for the third time.

With respect to our financial strategy, on October 2, 2006, the Company decided to issue 64,600 new investment units through public offering with the goal of raising funds to cover repayment of loans and for the acquisition of properties and for other purposes. As a result, the Company raised ¥63,211 million (\$536 million) on October 24, 2006. Consequently, the loan to value ratio* declined to the low 30% range, and we continue to maintain a solid financial position.

* Loan to value ratio: Interest-bearing debt/Total assets

For the 11th fiscal period (October 1, 2006 to March 31, 2007), the Company forecasts operating revenues of ¥16,430 million (\$139 million), income before income taxes of ¥6,780 million (\$58 million) and net income of ¥6,780 million (\$58 million). The Company plans to declare a cash dividend of ¥16,530 (\$140.20) per unit.

Our forecasts for the 12th fiscal period (April 1, 2007 to September 30, 2007) are operating revenues of ¥16,540 million (\$140 million), income before income taxes of ¥6,820 million (\$58 million), net income of ¥6,820 million (\$58 million), and a cash dividend of ¥16,600 (\$140.80) per unit.

Despite expectations for moderate expansion of the Japanese economy, uncertainties remain overall concerning the impact of the U.S. economy on Japanese markets, increases in interest rates, and the impact of rising crude oil and raw material prices on corporate earnings.

In the market for leased office space, vacancy rates in central Tokyo and certain other regional urban centers are demonstrating marked improvement, and rent levels are expected to rise for some office buildings. On the other hand, selection of property by tenants is becoming more competitive in terms of location, building quality and features, and trends toward a bipolarization of the market are likely to grow stronger.

At the same time, tenants in the office market have

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

increasingly stringent demands with respect to high-quality building management and value-added services. Consequently, tenants have become increasingly selective when leasing office space. We anticipate that it will become even more important for suppliers to provide services that accurately and promptly reflect the needs of tenants, and to deliver added value that differentiates their buildings from the competition.

In the real estate market, the Company expects that entities such as private funds, pension funds, and institutional investors, in addition to J-REITs, will continue to actively invest in real estate. Accordingly, we anticipate that competition to acquire prime properties in urban centers will intensify. Therefore, to produce steady results that extend into the future, the Company adheres to the following management policies with respect to financial strategy and internal and external growth. In this fifth year since public listing, our goal is to achieve continued stable operations.

* Gain on sale of properties accounted for ¥400 million (\$3.4 million) of total operating revenues.

MANAGEMENT POLICIES

Financial Strategy

The greatest challenge facing us in terms of financial strategy is maintaining our sound financial position built up over the years. As the Japanese economy recovers, interest rates are eventually expected to rise. As rising interest rates lead to ballooning interest payments, it is imperative that we work to prevent resulting major economic damage. In other words, it is essential to limit the range of impact that higher interest rates will have on earnings, while also delaying their impact. To that end, our policy is to retain a low percentage of interest-bearing debt at the longest term fixed interest rate possible.

In addition, because of the excellent ratings the Company has obtained from rating agencies, it is able to obtain low-interest loans at favorable terms. It is extremely important for a REIT to be able to expeditiously raise funds

in order not to miss opportunities to acquire prime properties that become available. In February 2006, we acquired Kitanomaru Square for ¥81,555 million (\$692 million), with ¥80,000 million (\$679 million) of the financing procured from bank loans. At that time, we were able to keep the interest rate down to a very low 0.2745% and obtain the bank loans unsecured. This is primarily the result of our conservative financial strategy and its implementation. Moreover, property sellers have a great deal of confidence in the Company's ability to pay the contract price, as JRE is already a recognized name in the real estate market.

External Growth

The following is an explanation of our policies concerning external growth. Diversification of investment is vital to sound asset management. Five years ago we began to manage assets valued at approximately ¥90,000 million (\$763 million). To create greater diversification against risk, we considered that at least ¥300,000 million (\$2,545 million) in aggregate property acquisitions would be necessary, and therefore, placed a premium on increasing asset volume until that amount was reached. To achieve this, we focused primarily on leveraging our information network, including sponsor companies. As a result, we were able to steadily accumulate assets at relatively reasonable prices and have now expanded our asset base to ¥420,000 million (\$3,562 million), far exceeding our initial target. Fortunately, competition for the acquisition of property was not as fierce then as it is today, and this was a supporting factor.

However, aggressive investing continues in today's real estate market, and competition for the acquisition of prime real estate is intensifying. Therefore, when we do participate in bids, we are almost never the first bidder, and this makes it extremely difficult to promote external growth.

Consequently, having achieved the necessary minimum diversification of real estate risk, the Company no



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

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

longer goes out of its way to acquire new properties. That is not to say that we are putting a stop to growth in scale; our policy, to the extent possible, is to carefully select prime properties mainly through one-on-one transactions rather than through direct competition such as bidding.

In addition, we will take steps to enhance the quality of our portfolio by selling off properties as necessary. As a start, in the 10th period, we sold properties for the first time. The gain on the sale amounted to ¥400 million (\$3.4 million), or a dividend increase of about ¥1,160 (\$9.84) per unit. However, because our dividend policy is based on rental income, the gain on the sale was simply the end result of the sale. Due to unforeseeable changes in the rental market and other factors, acquisitions do not always produce the expected return. After having acquired properties, should a better understanding of the market lead us to determine that continuously holding them is not in the future best interest of our unitholders, we will sell them in order to further raise the quality of our portfolio.

Internal Growth

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

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

The market, however, began to change two years ago,

and occupancy rates increased following an overall rebound in corporate earnings. In addition, rent levels for new tenants began to increase one and a half years ago, thus making it possible for the Company to raise rents with existing tenants beginning from this year. As a result of these changes, from the 8th period, the Company has been able to increase revenue through existing properties alone, without new property acquisitions. Given these conditions, the Company plans to promote internal growth through a two-pronged approach of renting vacant office space at as high a price as possible, and negotiating rent increases with existing tenants.

Since the launch of the J-REIT market over five years ago, 40 investment corporations have sprung up and the market continues to mature. Considering this, the Company, a J-REIT pioneer, is proud of the great impact and huge success it has enjoyed over the past five years. Meanwhile, as the market grows and competition intensifies, the J-REIT market is facing its next stage of development. The Company shall become the market leader in the next stage as well, mobilizing all of its know-how and enthusiasm to fulfill its mandate from unitholders to increase unitholder value. I thank all of our unitholders for their unwavering support and understanding.

Taketo Yamazaki
Executive Director of Japan Real Estate Investment Corporation

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

THE PORTFOLIO OF JAPAN REAL ESTATE INVESTMENT CORPORATION

As of September 30, 2006

PROPERTIES ROSTER

Number	Name of building	Location	Type of specified asset	Acquisition date	Acquisition price (¥ millions)
Tokyo 23 wards					
●I- 1	Genki Medical Plaza	Iidabashi, Chiyoda-ku	Ownership	10/31/2002	5,000 (1.2%)
●I- 2	Kitanomaru Square	Kudan-Kita, Chiyoda-ku	Ownership	2/24/2006	81,555 (19.5%)
●I- 3	MD Kanda Building	Kanda-Mitoshirocho, Chiyoda-ku	Ownership	5/31/2002	9,520 (2.3%)
●I- 4	Kandabashi Park Building	Kanda-Nishikicho, Chiyoda-ku	Ownership	8/15/2002	4,810 (1.1%)
●I- 5	Mitsubishi Soken Building	Otemachi, Chiyoda-ku	Trust	9/25/2001	27,267 (6.5%)
●I- 6	Nibancho Garden	Nibancho, Chiyoda-ku	Ownership	4/1/2005	14,700 (3.5%)
●I- 7	Burex Kojimachi Building	Kojimachi, Chiyoda-ku	Ownership	7/29/2005	7,000 (1.7%)
●I- 8	Sanno Grand Building	Nagatacho, Chiyoda-ku	Ownership	1/31/2005	10,200
				4/3/2006	10,700
				total	20,900 (5.0%)
●I- 9	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Ownership	8/1/2003	7,200 (1.7%)
●I-10	Kodenmacho Shin-Nihonbashi Building	Nihonbashi-Kodenmacho, Chuo-ku	Trust	9/25/2001	3,173 (0.8%)
●I-11	Burex Kyobashi Building	Kyobashi, Chuo-ku	Ownership	7/22/2002	5,250 (1.3%)
●I-12	Ginza Sanwa Building	Ginza, Chuo-ku	Ownership	4/1/2005	16,830 (4.0%)
●I-13	Ryoshin Ginza East Mirror Building	Ginza, Chuo-ku	Ownership	3/15/2005	5,353 (1.3%)
●I-14	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Ownership	3/14/2003	7,680 (1.8%)
●I-15	Shiba 2Chome Daimon Building	Shiba, Minato-ku	Trust	9/10/2001	4,859 (1.2%)
●I-16	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	9/25/2001	2,808 (0.7%)
●I-17	Shinwa Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/1/2004	7,830 (1.9%)
●I-18	Tokyo Opera City Building	Nishi-Shinjuku, Shinjuku-ku	Ownership	9/13/2005	9,350 (2.2%)
●I-19	Takanawadai Building	Higashi-Gotanda, Shinagawa-ku	Trust	9/25/2001	2,738 (0.7%)
●I-20	Higashi-Gotanda 1Chome Building	Higashi-Gotanda, Shinagawa-ku	Ownership	11/1/2004	5,500 (1.3%)
●I-21	Omori-Eki Higashiguchi Building	Omori-Kita, Ota-ku	Trust	9/10/2001	5,123 (1.2%)
●I-22	Nippon Brunswick Building	Sendagaya, Shibuya-ku	Ownership	3/24/2004	6,670 (1.6%)
●I-23	Yoyogi 1Chome Building	Yoyogi, Shibuya-ku	Ownership	4/1/2004	8,700 (2.1%)
●I-24	da Vinci Harajuku	Jingumae, Shibuya-ku	Ownership	11/22/2002	4,885 (1.2%)
●I-25	Jingumae Media Square Building	Jingumae, Shibuya-ku	Ownership	10/9/2003	12,200 (2.9%)
●I-26	Shibuya Cross Tower	Shibuya, Shibuya-ku	Ownership	11/30/2001	34,600 (8.3%)
●I-27	Ebisu Neonato	Ebisu, Shibuya-ku	Ownership	11/14/2003	3,740
				4/1/2004	360
				total	4,100 (1.0%)
●I-28	Harmony Tower	Honcho, Nakano-ku	Ownership	2/28/2005	8,500 (2.0%)
●I-29	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	9/25/2001	3,541 (0.8%)
●I-30	Ikebukuro 2Chome Building	Ikebukuro, Toshima-ku	Trust	9/25/2001	1,728 (0.4%)
●I-31	Ikebukuro YS Building	Minami-Ikebukuro, Toshima-ku	Ownership	8/2/2004	4,500 (1.1%)
Tokyo metropolitan area excluding 23 wards					
●II-1	Hachioji First Square	Hachioji, Tokyo	Ownership	3/31/2005	3,300 (0.8%)
●II-2	Saitama Urawa Building	Saitama, Saitama Prefecture	Ownership	9/25/2001	1,232
				10/11/2001	1,342
				total	2,574 (0.6%)
●II-3	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	9/25/2001	3,375 (0.8%)
Other major cities					
●III- 1	Jozenji Park Building	Sendai, Miyagi Prefecture	Ownership	1/31/2005	1,000 (0.2%)
●III- 2	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	9/25/2001	2,924
				6/28/2006	250
				total	3,174 (0.8%)
●III- 3	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Ownership	2/28/2002	2,880
				3/3/2003	1,700
				total	4,580 (1.1%)
●III- 4	Hirokoji Tokio Marine Nichido Building	Nagoya, Aichi Prefecture	Ownership	9/22/2006	1,680 (0.4%)
●III- 5	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Ownership	9/10/2001	14,533 (3.5%)
●III- 6	Nagoya Misono Building	Nagoya, Aichi Prefecture	Ownership	8/8/2003	1,865 (0.4%)
●III- 7	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Ownership	12/20/2001	2,650 (0.6%)
●III- 8	Sakaisujihonmachi Building	Osaka, Osaka Prefecture	Ownership	9/25/2001	2,264
				12/26/2003	1,900
				total	4,164 (1.0%)
●III- 9	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	9/25/2001	6,934
				2/28/2002	7,380
				total	14,314 (3.4%)
●III-10	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	9/25/2001	1,436 (0.3%)
●III-11	Lit City Building	Okayama, Okayama Prefecture	Ownership	2/01/2006	4,650 (1.1%)
●III-12	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Ownership	3/25/2004	1,320 (0.3%)
●III-13	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Ownership	9/25/2001	1,550 (0.4%)
●III-14	Tenjin Crystal Building	Fukuoka, Fukuoka Prefecture	Ownership	6/1/2005	5,000 (1.2%)
●III-15	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	9/10/2001	3,657 (0.9%)
				total	418,693 (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	Revenues from leasing operations (¥ millions)	
100.0	1985	6,210	4,791m ²	(51,577ft ²)	4,791m ²	(51,577ft ²)	1	221	(1.5%)
100.0	2006	82,700	25,678m ²	(276,402ft ²)	25,678m ²	(276,402ft ²)	5	643	(4.2%)
100.0	1998	9,680	6,269m ²	(67,480ft ²)	6,269m ²	(67,480ft ²)	2	293	(1.9%)
56.76	1993	5,210	3,687m ²	(39,695ft ²)	3,687m ²	(39,695ft ²)	7	172	(1.1%)
100.0	1970	33,000	18,006m ²	(193,819ft ²)	18,006m ²	(193,819ft ²)	4	1,062	(7.0%)
31.345	2004	16,100	9,316m ²	(100,282ft ²)	9,316m ²	(100,282ft ²)	1	490	(3.2%)
100.0	2005	6,930	4,495m ²	(48,384ft ²)	4,495m ²	(48,384ft ²)	1	162	(1.1%)
99.0	1966	25,100	20,926m ²	(225,251ft ²)	20,652m ²	(222,302ft ²)	52	969	(6.4%)
10.78	1975	7,610	4,694m ²	(50,531ft ²)	4,694m ²	(50,531ft ²)	15	283	(1.9%)
100.0	1991	3,420	3,897m ²	(41,950ft ²)	3,897m ²	(41,950ft ²)	5	154	(1.0%)
100.0	2002	6,240	4,279m ²	(46,068ft ²)	4,279m ²	(46,068ft ²)	1	150	(1.0%)
70.95	1982	17,300	4,329m ²	(46,604ft ²)	4,329m ²	(46,604ft ²)	13	371	(2.4%)
100.0	1998	4,650	2,875m ²	(30,949ft ²)	2,875m ²	(30,949ft ²)	8	134	(0.9%)
100.0	1982	8,770	4,898m ²	(52,724ft ²)	4,898m ²	(52,724ft ²)	7	293	(1.9%)
100.0	1984	6,930	9,643m ²	(103,799ft ²)	9,539m ²	(102,678ft ²)	24	311	(2.1%)
100.0	1992	3,470	4,062m ²	(43,726ft ²)	4,062m ²	(43,726ft ²)	8	133	(0.9%)
100.0	1989	8,270	6,197m ²	(66,707ft ²)	6,197m ²	(66,707ft ²)	9	267	(1.8%)
8.368	1996	11,300	9,242m ²	(99,489ft ²)	9,024m ²	(97,137ft ²)	108	471	(3.1%)
100.0	1991	2,730	4,067m ²	(43,783ft ²)	4,067m ²	(43,783ft ²)	1	114	(0.8%)
100.0	2004	6,700	5,205m ²	(56,035ft ²)	4,540m ²	(48,878ft ²)	3	217	(1.4%)
100.0	1989	5,460	7,708m ²	(82,972ft ²)	7,708m ²	(82,972ft ²)	19	252	(1.7%)
100.0	1974	8,090	7,347m ²	(79,085ft ²)	7,298m ²	(78,556ft ²)	18	332	(2.2%)
100.0	2003	10,100	7,772m ²	(83,660ft ²)	7,772m ²	(83,660ft ²)	1	283	(1.9%)
100.0	1987	6,080	3,109m ²	(33,470ft ²)	3,109m ²	(33,470ft ²)	4	199	(1.3%)
100.0	1998	15,100	5,558m ²	(59,832ft ²)	4,606m ²	(49,586ft ²)	8	361	(2.4%)
100.0	1976	43,300	29,819m ²	(320,978ft ²)	29,726m ²	(319,969ft ²)	51	1,485	(9.8%)
12.29939	1994	5,370	2,462m ²	(26,511ft ²)	2,462m ²	(26,511ft ²)	3	151	(1.0%)
29.253305	1997	11,800	10,929m ²	(117,646ft ²)	10,929m ²	(117,646ft ²)	17	419	(2.8%)
100.0	1987	3,480	7,114m ²	(76,580ft ²)	7,114m ²	(76,580ft ²)	9	186	(1.2%)
100.0	1990	1,540	2,186m ²	(23,532ft ²)	2,186m ²	(23,532ft ²)	9	71	(0.5%)
100.0	1989	5,150	5,797m ²	(62,401ft ²)	5,797m ²	(62,401ft ²)	8	202	(1.3%)
50.6611	1996	3,300	6,344m ²	(68,290ft ²)	6,260m ²	(67,387ft ²)	39	166	(1.1%)
100.0	1990	2,550	4,510m ²	(48,550ft ²)	4,510m ²	(48,550ft ²)	16	135	(0.9%)
100.0	1990	3,360	6,831m ²	(73,537ft ²)	6,379m ²	(68,671ft ²)	12	162	(1.1%)
50.0	1993	1,070	2,518m ²	(27,106ft ²)	2,400m ²	(25,842ft ²)	17	68	(0.5%)
100.0	1991	3,450	6,241m ²	(67,185ft ²)	6,162m ²	(66,335ft ²)	17	151	(1.0%)
89.0	1991	5,610	21,202m ²	(228,223ft ²)	20,076m ²	(216,096ft ²)	68	541	(3.6%)
100.0	1987	1,680	3,849m ²	(41,433ft ²)	3,121m ²	(33,600ft ²)	11	4	(0.0%)
100.0	1987	15,900	21,624m ²	(232,765ft ²)	20,890m ²	(224,864ft ²)	28	731	(4.8%)
100.0	1991	1,890	3,470m ²	(37,354ft ²)	3,470m ²	(37,354ft ²)	9	96	(0.6%)
100.0	1982	2,140	6,800m ²	(73,197ft ²)	6,800m ²	(73,197ft ²)	33	143	(0.9%)
100.0	1992	4,610	11,574m ²	(124,587ft ²)	11,574m ²	(124,587ft ²)	17	254	(1.7%)
100.0	1991	15,900	20,450m ²	(220,127ft ²)	20,450m ²	(220,127ft ²)	25	670	(4.4%)
100.0	1989	951	3,478m ²	(37,443ft ²)	3,279m ²	(35,299ft ²)	17	68	(0.4%)
27.7488	2005	5,220	9,965m ²	(107,269ft ²)	9,965m ²	(107,269ft ²)	40	288	(1.9%)
27.085	1994	1,550	5,477m ²	(58,964ft ²)	5,335m ²	(57,436ft ²)	12	148	(1.0%)
100.0	1992	1,480	4,000m ²	(43,057ft ²)	3,688m ²	(39,697ft ²)	17	97	(0.6%)
100.0	1993	4,970	5,600m ²	(60,283ft ²)	5,122m ²	(55,137ft ²)	23	219	(1.4%)
74.4844	1987	3,580	5,860m ²	(63,078ft ²)	5,507m ²	(59,279ft ²)	12	175	(1.2%)
		467,001	396,173m ²	(4,264,370ft ²)	389,012m ²	(4,187,289ft ²)	754	15,169	(100.0%)

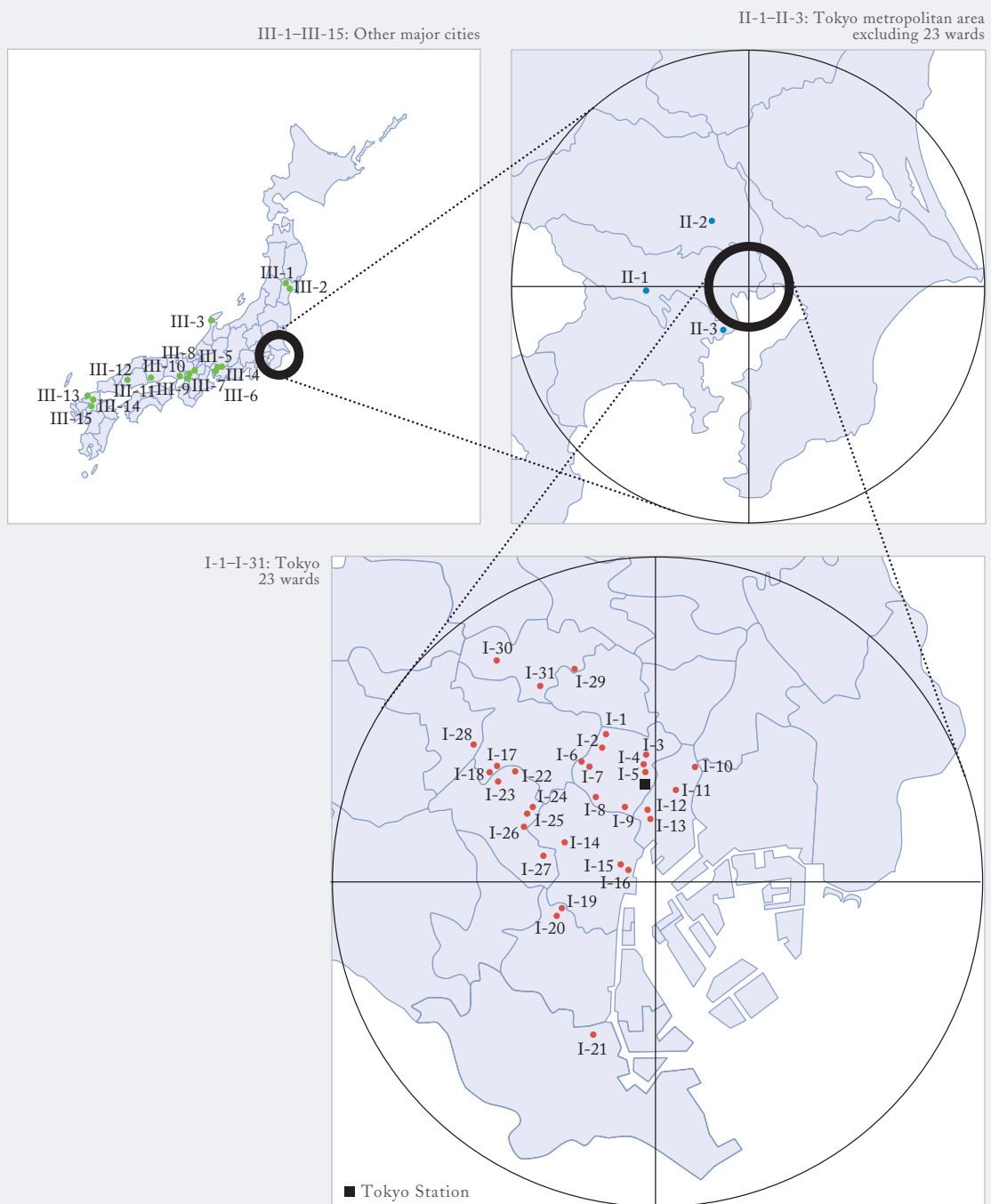
Note : Total revenues from leasing operations include revenues for the period from four properties sold on June 28, 2006.

MAJOR TENANTS ROSTER

Rank	Name of tenant	Name of building	Leased area	Percent of total leased area
1	Banyu Pharmaceutical Co., Ltd.	Kitanomaru Square (also includes 1 other building)	17,014m ² (183,144ft ²)	4.4%
2	Mitsubishi Research Institute Inc.	Mitsubishi Soken Building	14,529m ² (156,399ft ²)	3.7%
3	Seven & i Holdings Co., Ltd.	Nibancho Garden	9,316m ² (100,282ft ²)	2.4%
4	Space Design, Inc.	Burex Kojimachi Building (also includes 1 other building)	8,774m ² (94,453ft ²)	2.3%
5	FAST RETAILING CO., LTD.	Kitanomaru Square	8,476m ² (91,245ft ²)	2.2%
6	Yamano Gakuen (Note)	Yoyogi 1Chome Building	7,772m ² (83,660ft ²)	2.0%
7	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes 7 other buildings)	7,660m ² (82,455ft ²)	2.0%
8	TOTO Ltd.	Midosuji Daiwa Building (also includes 1 other building)	6,906m ² (74,341ft ²)	1.8%
9	Toshiba Solutions Corporation	Takanawadai Building (also includes 2 other buildings)	5,331m ² (57,393ft ²)	1.4%
10	Asahi Kasei Pharma Corporation	MD Kanda Building	5,144m ² (55,371ft ²)	1.3%

Note: The lease agreement concluded with the tenant shall be terminated on April 30, 2007.

LOCATIONS OF PORTFOLIO PROPERTIES



OVERVIEW OF PORTFOLIO PROPERTIES As of September 30, 2006

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



Genki Medical Plaza

● I-1

Location : Chiyoda-ku, Tokyo
Site area : 1,052m² (11,332ft²)
Floor area of building : 6,722m² (72,355ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : September 1985



Kitanomaru Square

● I-2

Location : Chiyoda-ku, Tokyo
Site area : 5,821m² (62,657ft²)
Floor area of building : 57,279m² (616,548ft²)
Structure : Above ground: 26 floors
Below ground: 2 floors
Completion : January 2006



MD Kanda Building

● I-3

Location : Chiyoda-ku, Tokyo
Site area : 1,085m² (11,688ft²)
Floor area of building : 8,185m² (88,104ft²)
Structure : Above ground: 10 floors
Completion : February 1998



Kandabashi Park Building

● I-4

Location : Chiyoda-ku, Tokyo
Site area : 1,218m² (13,116ft²)
Floor area of building : 9,370m² (100,860ft²)
Structure : Above ground: 10 floors
Below ground: 1 floor
Completion : July 1993



Mitsubishi Soken Building

● I-5

Location : Chiyoda-ku, Tokyo
Site area : 3,441m² (37,042ft²)
Floor area of building : 26,372m² (283,875ft²)
Structure : Above ground: 15 floors
Below ground: 2 floors
Completion : July 1970



Nibancho Garden

● I-6

Location : Chiyoda-ku, Tokyo
Site area : 11,003m² (118,445ft²)
Floor area of building : 57,031m² (613,877ft²)
Structure : Above ground: 14 floors
Below ground: 2 floors
Completion : April 2004



Burex Kojimachi Building

● I-7

Location : Chiyoda-ku, Tokyo
Site area : 967m² (10,416ft²)
Floor area of building : 6,526m² (70,252ft²)
Structure : Above ground: 11 floors
Below ground: 1 floor
Completion : January 2005



Sanno Grand Building

● I-8

Location : Chiyoda-ku, Tokyo
Site area : 3,663m² (39,438ft²)
Floor area of building : 33,875m² (364,637ft²)
Structure : Above ground: 10 floors
Below ground: 3 floors
Completion : September 1966



Yurakucho Denki Building

● I-9

Location : Chiyoda-ku, Tokyo
Site area : 5,749m² (61,891ft²)
Floor area of building : 70,287m² (756,569ft²)
Structure : Above ground: 20 floors
Below ground: 4 floors
Completion : September 1975



Kodenmachi Shin-Nihonbashi Building

● I-10

Location : Chuo-ku, Tokyo
Site area : 773m² (8,324ft²)
Floor area of building : 5,822m² (62,677ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : November 1991



Burex Kyobashi Building

● I-11

Location : Chuo-ku, Tokyo
Site area : 756m² (8,138ft²)
Floor area of building : 5,470m² (58,884ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : February 2002



Ginza Sanwa Building

● I-12

Location: Chuo-ku, Tokyo
Site area: 1,119m² (12,048ft²)
Floor area of building: 8,851m² (95,271ft²)
Structure: Above ground: 9 floors
Below ground: 2 floors
Completion: October 1982



Ryoshin Ginza East Mirror Building

● I-13

Location: Chuo-ku, Tokyo
Site area: 615m² (6,622ft²)
Floor area of building: 4,104m² (44,183ft²)
Structure: Above ground: 8 floors
Below ground: 1 floor
Completion: October 1998



Aoyama Crystal Building

● I-14

Location : Minato-ku, Tokyo
Site area : 989m² (10,649ft²)
Floor area of building : 8,094m² (87,127ft²)
Structure : Above ground: 10 floors
Below ground: 4 floors
Completion : December 1982



Shiba 2Chome Daimon Building

● I-15

Location : Minato-ku, Tokyo
Site area : 2,820m² (30,364ft²)
Floor area of building : 16,235m² (174,753ft²)
Structure : Above ground: 8 floors
Below ground: 2 floors
Completion : March 1984



Cosmo Kanasugibashi Building

● I-16

Location : Minato-ku, Tokyo
Site area : 758m² (8,165ft²)
Floor area of building : 5,420m² (58,350ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : March 1992



Shinwa Building

● I-17

Location : Shinjuku-ku, Tokyo
 Site area : 822m² (8,848ft²)
 Floor area of building : 8,291m² (89,251ft²)
 Structure : Above ground: 10 floors
 Below ground: 1 floor
 Completion : November 1989



Tokyo Opera City Building

● I-18

Location : Shinjuku-ku, Tokyo
 Site area : 18,236m² (196,301ft²)
 Floor area of building : 232,996m² (2,507,954ft²)
 Structure : Above ground: 54 floors
 Below ground: 4 floors
 Completion : July 1996



Takanawadai Building

● I-19

Location : Shinagawa-ku, Tokyo
 Site area : 1,416m² (15,244ft²)
 Floor area of building : 5,762m² (62,029ft²)
 Structure : Above ground: 13 floors
 Completion : January 1991



Higashi-Gotanda 1Chome Building

● I-20

Location : Shinagawa-ku, Tokyo
 Site area : 1,539m² (16,576ft²)
 Floor area of building : 6,460m² (69,539ft²)
 Structure : Above ground: 8 floors
 Completion : July 2004



Omori-Eki Higashiguchi Building

● I-21

Location : Ota-ku, Tokyo
 Site area : 2,199m² (23,673ft²)
 Floor area of building : 14,095m² (151,721ft²)
 Structure : Above ground: 11 floors
 Below ground: 2 floors
 Completion : July 1989



Nippon Brunswick Building

● I-22

Location : Shibuya-ku, Tokyo
 Site area : 1,497m² (16,119ft²)
 Floor area of building : 11,957m² (128,708ft²)
 Structure : Above ground: 9 floors
 Below ground: 2 floors
 Completion : March 1974



Yoyogi 1Chome Building

● I-23

Location : Shibuya-ku, Tokyo
 Site area : 1,755m² (18,899ft²)
 Floor area of building : 10,778m² (116,014ft²)
 Structure : Above ground: 14 floors
 Below ground: 1 floor
 Completion : October 2003



da Vinci Harajuku

● I-24

Location : Shibuya-ku, Tokyo
 Site area : 839m² (9,038ft²)
 Floor area of building : 4,359m² (46,922ft²)
 Structure : Above ground: 7 floors
 Below ground: 2 floors
 Completion : December 1987



Jingumae Media Square Building

● I-25

Location : Shibuya-ku, Tokyo
Site area : 2,261m² (24,344ft²)
Floor area of building : 9,420m² (101,400ft²)
Structure : Above ground: 9 floors
Below ground: 2 floors
Completion : March 1998



Shibuya Cross Tower

● I-26

Location : Shibuya-ku, Tokyo
Site area : 5,153m² (55,471ft²)
Floor area of building : 61,862m² (665,880ft²)
Structure : Above ground: 32 floors
Below ground: 3 floors
Completion : April 1976



Ebisu Neonato

● I-27

Location : Shibuya-ku, Tokyo
Site area : 5,005m² (53,881ft²)
Floor area of building : 36,598m² (393,941ft²)
Structure : Above ground: 18 floors
Below ground: 2 floors
Completion : October 1994



Harmony Tower

● I-28

Location : Nakano-ku, Tokyo
Site area : 10,020m² (107,860ft²)
Floor area of building : 72,729m² (782,851ft²)
Structure : Above ground: 29 floors
Below ground: 2 floors
Completion : March 1997



Otsuka Higashi-Ikebukuro Building

● I-29

Location : Toshima-ku, Tokyo
Site area : 2,121m² (22,834ft²)
Floor area of building : 9,531m² (102,594ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : November 1987



Ikebukuro 2Chome Building

● I-30

Location : Toshima-ku, Tokyo
Site area : 397m² (4,276ft²)
Floor area of building : 3,157m² (33,987ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : May 1990



Ikebukuro YS Building

● I-31

Location : Toshima-ku, Tokyo
Site area : 1,384m² (14,903ft²)
Floor area of building : 7,464m² (80,349ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : December 1989



Hachioji First Square

● II-1

Location : Hachioji, Tokyo
Site area : 2,989m² (32,177ft²)
Floor area of building : 18,329m² (197,302ft²)
Structure : Above ground: 12 floors
Below ground: 1 floor
Completion : July 1996



Saitama Urawa Building

● II-2

Location : Saitama, Saitama Prefecture
Site area : 1,533m² (16,502ft²)
Floor area of building : 6,258m² (67,367ft²)
Structure : Above ground: 8 floors
Completion : March 1990



Kawasaki Isago Building

● II-3

Location : Kawasaki, Kanagawa Prefecture
Site area : 1,594m² (17,163ft²)
Floor area of building : 9,623m² (103,590ft²)
Structure : Above ground: 12 floors
Below ground: 1 floor
Completion : December 1990



Jozenji Park Building

● III-1

Location : Sendai, Miyagi Prefecture
Site area : 1,566m² (16,864ft²)
Floor area of building : 7,648m² (82,326ft²)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : January 1993



Sendai Honcho Honma Building

● III-2

Location : Sendai, Miyagi Prefecture
Site area : 1,437m² (15,473ft²)
Floor area of building : 8,247m² (88,775ft²)
Structure : Above ground: 11 floors
Completion : November 1991



Kanazawa Park Building

● III-3

Location : Kanazawa, Ishikawa Prefecture
Site area : 6,642m² (71,501ft²)
Floor area of building : 43,481m² (468,027ft²)
Structure : Above ground: 12 floors
Below ground: 2 floors
Completion : October 1991



Hirokoji Tokio Marine Nichido Building

● III-4

Location : Nagoya, Aichi Prefecture
Site area : 786m² (8,469ft²)
Floor area of building : 6,445m² (69,374ft²)
Structure : Above ground: 9 floors
Below ground: 2 floors
Completion : September 1987



Nagoya Hirokoji Building

● III-5

Location : Nagoya, Aichi Prefecture
Site area : 4,095m² (44,087ft²)
Floor area of building : 33,377m² (359,275ft²)
Structure : Above ground: 18 floors
Below ground: 2 floors
Completion : May 1987



Nagoya Misono Building

● III-6

Location : Nagoya, Aichi Prefecture
Site area : 805m² (8,665ft²)
Floor area of building : 5,348m² (57,565ft²)
Structure : Above ground: 7 floors
Below ground: 1 floor
Completion : September 1991



Kyoto Shijo Kawaramachi Building

● III-7

Location : Kyoto, Kyoto Prefecture
Site area : 1,471m² (15,840ft²)
Floor area of building : 9,701m² (104,421ft²)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : November 1982



Sakaisujihonmachi Building

● III-8

Location : Osaka, Osaka Prefecture
Site area : 2,036m² (21,918ft²)
Floor area of building : 17,145m² (184,553ft²)
Structure : Above ground: 13 floors
Below ground: 2 floors
Completion : October 1992



Midosuji Daiwa Building

● III-9

Location : Osaka, Osaka Prefecture
Site area : 3,044m² (32,772ft²)
Floor area of building : 31,213m² (335,977ft²)
Structure : Above ground: 15 floors
Below ground: 2 floors
Completion : September 1991



Kobe Itomachi Building

● III-10

Location : Kobe, Hyogo Prefecture
Site area : 808m² (8,703ft²)
Floor area of building : 4,894m² (52,679ft²)
Structure : Above ground: 10 floors
Completion : September 1989



Lit City Building

● III-11

Location : Okayama, Okayama Prefecture
Site area : 7,596m² (81,767ft²)
Floor area of building : 52,653m² (566,754ft²)
Structure : Above ground: 20 floors
Below ground: 2 floors
Completion : June 2005



NHK Hiroshima Broadcasting Center Building

● III-12

Location : Hiroshima, Hiroshima Prefecture
Site area : 3,296m² (35,483ft²)
Floor area of building : 35,217m² (379,075ft²)
Structure : Above ground: 23 floors
Below ground: 2 floors
Completion : August 1994



Tosei Tenjin Building

● III-13

Location : Fukuoka, Fukuoka Prefecture
Site area : 1,221m² (13,146ft²)
Floor area of building : 5,588m² (60,155ft²)
Structure : Above ground: 8 floors
Completion : March 1992



Tenjin Crystal Building

● III-14

Location : Fukuoka, Fukuoka Prefecture
Site area : 1,835m² (19,754ft²)
Floor area of building : 10,432m² (112,289ft²)
Structure : Above ground: 14 floors
Below ground: 1 floor
Completion : August 1993



Hinode Tenjin Building

● III-15

Location :	Fukuoka, Fukuoka Prefecture
Site area :	1,452m ² (15,631ft ²)
Floor area of building :	12,527m ² (134,840ft ²)
Structure :	Above ground: 10 floors Below ground: 2 floors
Completion :	August 1987



FINANCIAL SECTION

SELECTED FINANCIAL DATA	p. 25
BALANCE SHEETS	p. 26
STATEMENTS OF INCOME	p. 28
STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY	p. 28
STATEMENTS OF CASH FLOWS	p. 29
NOTES TO FINANCIAL STATEMENTS	p. 30
REPORT OF INDEPENDENT AUDITORS	p. 39

SELECTED FINANCIAL DATA

	Millions of yen					Thousands of U.S. dollars (Note 1)
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2005 to September 30, 2005	For the period from October 1, 2004 to March 31, 2005	For the period from April 1, 2004 to September 30, 2004	For the period from April 1, 2006 to September 30, 2006
Operating Revenues	¥15,570	¥ 13,962	¥ 13,119	¥ 10,747	¥ 10,151	132,063
Operating Expenses	8,528	7,643	6,893	6,046	5,792	72,336
Operating Profits	7,041	6,319	6,226	4,701	4,358	59,726
Income before Income Taxes	5,977	5,586	5,510	4,121	3,831	50,697
Net Income	5,976	5,585	5,509	4,120	3,830	50,688
Total Assets	441,163	433,552	355,968	322,358	257,372	3,741,842
Interest-Bearing Liabilities	202,500	196,500	122,000	159,000	99,000	1,717,557
Total Unitholders' Equity	207,449	207,058	206,982	137,569	137,279	1,759,534
Unitholders' Capital	201,472	201,472	201,472	133,448	133,448	1,708,845
Number of Units	345,400	345,400	345,400	260,400	260,400	345,400
Total Unitholders' Equity per Unit (Yen/U.S. dollars)	600,605	599,475	599,254	528,299	527,185	5,094.19
Cash Distribution	5,976	5,585	5,509	4,120	3,830	50,688
Dividend Payout Ratio	99.9%	99.9%	100.0%	99.9%	100.0%	99.9%
Dividend Per Unit (Yen/U.S. dollars)	17,302	16,172	15,951	15,824	14,711	146.75
Net Operating Income (NOI)	10,740	9,578	8,978	7,131	6,672	91,098
Funds from Operations (FFO)	8,257	7,945	7,526	5,762	5,488	70,038
Return on Assets (ROA) (Note 2)	1.4%	1.4%	1.6%	1.4%	1.5%	1.4%
	(2.7% annualized)	(2.8% annualized)	(3.2% annualized)	(2.9% annualized)	(3.0% annualized)	(2.7% annualized)
Return on Equity (ROE) (Note 3)	2.9%	2.7%	2.8%	3.0%	2.8%	2.9%
	(5.8% annualized)	(5.4% annualized)	(5.6% annualized)	(6.0% annualized)	(5.6% annualized)	(5.8% annualized)
EOP Equity Ratio (Note 4)	47.0%	47.8%	58.1%	42.7%	53.3%	47.0%
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	45.9%	45.3%	34.3%	49.3%	38.5%	45.9%
FFO Multiple	21.0 times	22.1 times	21.1 times	19.7 times	20.8 times	21.0 times
Debt Service Coverage Ratio (Note 6)	9.5 times	12.3 times	14.0 times	11.2 times	12.7 times	9.5 times

Notes 1: Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.90 = US\$1.00, the foreign exchange rate on September 30, 2006, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

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

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

(Annualized portions of the calculations given in notes 2 and 3 above assume a fiscal period of 183 days for the period ended September 30, 2004, 182 days for the period ended March 31, 2005, 183 days for the period ended September 30, 2005, 182 days for the period ended March 31, 2006 and 183 days for the period ended September 30, 2006.)

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

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

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

BALANCE SHEETS

As of September 30, 2006 and March 31, 2006

	Thousands of yen		U.S. dollars (Note 1)
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
ASSETS			
Current Assets:			
Cash and bank deposits	¥ 21,102,952	¥ 17,485,196	\$ 178,990,269
Rental receivables	105,628	74,566	895,914
Consumption tax refundable	—	1,001,998	—
Other current assets	295,905	220,423	2,509,798
Total current assets	21,504,486	18,782,184	182,395,981
Property and Equipment, at Cost:			
Land	291,407,261	283,232,146	2,471,647,681
Buildings and structures	137,049,167	138,304,737	1,162,418,726
Machinery and equipment	2,070,922	2,178,032	17,565,076
Tools, furniture and fixtures	90,752	50,736	769,741
Construction in progress	1,071,673	1,149,831	9,089,686
Subtotal	431,689,778	424,915,484	3,661,490,910
Less accumulated depreciation	(16,023,048)	(14,148,305)	(135,903,717)
Net property and equipment	415,666,730	410,767,178	3,525,587,194
Investments and Other Assets:			
Investment securities	1,004,797	1,004,797	8,522,456
Deposits	12,974	12,974	110,048
Long-term prepaid expenses	3,307	4,196	28,056
Leasehold rights	2,112,906	2,112,906	17,921,179
Easement	828,095	828,095	7,023,710
Deferred investment corporation bond issuance costs	29,916	39,888	253,740
Total Assets	¥441,163,214	¥433,552,222	\$3,741,842,364

The accompanying notes form an integral part of these financial statements

	Thousands of yen		U.S. dollars (Note 1)
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
LIABILITIES			
Current Liabilities:			
Trade accounts payable	¥ 749,064	¥ 684,600	\$ 6,353,386
Other payables	981,513	846,563	8,324,965
Short-term loans	64,500,000	90,500,000	547,073,791
Current portion of long-term loan	6,000,000	24,000,000	50,890,585
Current portion of investment corporation bond	25,000,000	—	212,044,105
Accrued expenses	645,360	319,537	5,473,792
Accrued income taxes	655	1,010	5,562
Accrued consumption taxes	522,577	—	4,432,377
Rent received in advance	2,425,067	2,608,745	20,568,851
Other current liabilities	3,531	295,916	29,957
Total current liabilities	100,827,770	119,256,373	855,197,373
Long-Term Liabilities:			
Investment corporation bonds	30,000,000	55,000,000	254,452,926
Long-term loans	77,000,000	27,000,000	653,095,844
Deposits received from tenants	25,886,360	25,237,080	219,562,009
Total long-term liabilities	132,886,360	107,237,080	1,127,110,779
Total Liabilities	233,714,131	226,493,454	1,982,308,152
UNITHOLDERS' EQUITY			
Unitholders' capital	201,472,860	201,472,860	1,708,845,293
Authorized: 2,000,000 units			
Issued: 345,400 units			
Retained earnings	5,976,223	5,585,907	50,688,920
Total unitholders' equity	207,449,083	207,058,767	1,759,534,212
Total Liabilities and Unitholders' Equity	¥441,163,214	¥433,552,222	\$3,741,842,364

The accompanying notes form an integral part of these financial statements

STATEMENTS OF INCOME

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

	Thousands of yen		U.S. dollars (Note 1)
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2006 to September 30, 2006
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenues	¥15,066,744	¥13,899,176	\$127,792,574
Non-rental revenues	102,638	63,749	870,553
Gain on sale of properties	400,799	—	3,399,489
Total operating revenues	15,570,182	13,962,925	132,062,615
Operating Expenses:			
Property-related expenses	7,511,891	6,744,815	63,714,091
Asset management fees	653,512	571,457	5,542,941
Administrative service fees	249,067	230,858	2,112,534
Other operating expenses	113,984	96,623	966,790
Total operating expenses	8,528,456	7,643,754	72,336,356
Operating profits	7,041,725	6,319,170	59,726,259
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	4,730	44	40,126
Other non-operating revenues	3,059	2,795	25,953
Non-Operating Expenses:			
Interest expense	646,283	327,838	5,481,623
Interest expense on investment corporation bonds	376,500	376,500	3,193,384
Amortization of investment corporation bond issuance costs	9,972	9,972	84,580
Other non-operating expenses	39,629	20,845	336,131
Income before Income Taxes	5,977,131	5,586,853	50,696,620
Income Taxes:			
Current	1,006	1,018	8,535
Deferred	0	(2)	5
Net Income	5,976,124	5,585,837	50,688,080

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

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

	Units	Thousands of yen		
		Unitholders' capital	Retained earnings	Total
Balance as of September 30, 2005	345,400	¥201,472,860	¥ 5,509,545	¥ 206,982,405
Cash dividends paid	—	—	(5,509,475)	(5,509,475)
Net income	—	—	5,585,837	5,585,837
Balance as of March 31, 2006	345,400	¥201,472,860	¥ 5,585,907	¥ 207,058,767
Cash dividends paid	—	—	(5,585,808)	(5,585,808)
Net income	—	—	5,976,124	5,976,124
Balance as of September 30, 2006	345,400	¥201,472,860	¥ 5,976,223	¥ 207,449,083
		U.S. dollars (Note 1)		
	Units	Unitholders' capital	Retained earnings	Total
Balance as of March 31, 2006	345,400	\$1,708,845,293	\$ 47,378,353	\$1,756,223,646
Cash dividends paid	—	—	(47,377,513)	(47,377,513)
Net income	—	—	50,688,080	50,688,080
Balance as of September 30, 2006	345,400	\$1,708,845,293	\$ 50,688,920	\$1,759,534,212

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS

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

	Thousands of yen		U.S. dollars (Note 1)
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2006 to September 30, 2006
Cash Flows from Operating Activities			
Income before income taxes	¥ 5,977,131	¥ 5,586,853	\$ 50,696,620
Depreciation and amortization	2,682,161	2,359,942	22,749,464
Loss on retirement of property and equipment	13,497	—	114,485
Amortization of investment corporation bond issuance costs	9,972	9,972	84,580
Interest income	(4,730)	(44)	(40,126)
Interest expense	1,022,783	704,338	8,675,007
Changes in assets and liabilities			
Rental receivables and other receivables	(31,062)	10,806	(263,462)
Consumption tax refundable	1,001,998	(747,914)	8,498,714
Corporate tax refundable	(318)	—	(2,703)
Prepaid expenses	32,954	(21,561)	279,511
Proceeds from sale of tangible fixed asset	2,896,040	—	24,563,529
Proceeds from sales of tangible fixed assets in trust	3,537,856	—	30,007,267
Trade accounts payable	64,463	302,131	546,767
Other payables	134,949	(81,800)	1,144,609
Accrued expenses	523,755	(109)	4,442,369
Rent received in advance	(183,677)	185,777	(1,557,910)
Long-term prepaid expenses	888	6,712	7,538
Other long-term liabilities	—	(294,000)	—
Other	(378,812)	371,976	(3,212,997)
Subtotal	17,299,851	8,393,082	146,733,263
Interest received	3,347	44	28,396
Interest paid	(698,139)	(687,120)	(5,921,452)
Income taxes paid	(1,360)	(972)	(11,539)
Net cash provided by operating activities	16,603,699	7,705,033	140,828,668
Cash Flows from Investing Activities			
Purchases of property and equipment	(14,049,415)	(88,698,937)	(119,163,826)
Purchases of investment securities	—	(46,000)	—
Proceeds from deposits	—	2,134	—
Proceeds from lease deposits received	1,839,514	3,256,479	15,602,330
Repayment of lease deposits	(1,190,234)	(663,616)	(10,095,289)
Repayment of bank deposits	(2,000,000)	—	(16,963,528)
Net cash used in investing activities	(15,400,134)	(86,149,940)	(130,620,313)
Cash Flows from Financing Activities			
Proceeds from short-term loans	2,000,000	86,500,000	16,963,528
Repayment of short-term loans	(52,000,000)	(12,000,000)	(441,051,739)
Proceeds from long-term loans	56,000,000	—	474,978,796
Dividends to unitholders	(5,585,808)	(5,509,475)	(47,377,513)
Net cash provided by financing activities	414,191	68,990,524	3,513,072
Net increase (decrease) in Cash and Cash Equivalents	1,617,756	(9,454,382)	13,721,427
Cash and Cash Equivalents at beginning of Period	17,485,196	26,939,578	148,305,313
Cash and Cash Equivalents at end of Period	¥ 19,102,952	¥ 17,485,196	\$ 162,026,741

The accompanying notes form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

September 30, 2006 and March 31, 2006

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

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

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

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

On May 8, 2002, the Company completed a second public offering of 65,000 units at a price of ¥490,980, generating gross proceeds of ¥31,913 million. The proceeds from the offering of the units, net of underwriters’ discount, were ¥30,892 million.

On October 25, 2003, the Company completed a third public offering of 35,000 units at a price of ¥629,000, generating gross proceeds of ¥22,015 million. The proceeds from the offering of the units, net of underwriters’ discount, were ¥21,295 million.

On April 26, 2005, the Company completed a fourth public offering of 85,000 units at a price of ¥826,000, generating gross proceeds of ¥70,210 million. The proceeds from the offering of the units, net of underwriters’ discount, were ¥68,024 million. As of September 30, 2006, the Company had total unitholders’ equity of ¥201,472 million with 345,400 outstanding units.

At September 30, 2006, the Company owned a portfolio of 49 office properties concerning an aggregate of approximately 396,173 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 basically a translation of the audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.90=US\$1.00, the foreign exchange rate on September 30, 2006, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

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

Certain amounts previously reported have been reclassified to conform to the current period’s presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Security

Non-marketable security classified as other security is carried at cost. Cost of security sold is determined by the moving average method.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation. The costs of land, buildings and building improvements include the purchase price of property, legal fees and acquisition costs. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings	2-61 years
Structures	5-50 years
Machinery and equipment	3-18 years
Tools, furniture and fixtures	3-15 years

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

On August 9, 2002, the Business Accounting Deliberation Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires the recognition of an impairment loss on certain assets, such as fixed assets, intangible assets and investments, individually or as a group, as the difference between the carrying amount and the fair value of the asset or present value using a discounted cash flow model. The standard requires that an assessment for the impairment be carried out on an asset whenever events or changes in circumstances indicate that the carried amount may not be recoverable.

Deferred charges

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

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

New unit issuance costs are charged to income as incurred. The underwriters' commissions of the public offering are not recognized as new unit issuance costs in the financial statements since such costs are not payable by the Company under the so-called "spread method". Under the spread method, the difference between the offering price (the price paid by the unitholder) and the purchase price (the price received by the Company) is directly paid to the underwriters. The difference incurred at the fourth offering on April 26, 2005 was ¥2,185 million (\$18,537 thousand).

Revenue recognition

Revenues from leasing of office space are recognized as rental revenues over the lease contract period.

Taxes on property and equipment

Property and equipment is subject to property taxes and city planning taxes on a calendar year basis. These taxes are generally charged to income during the period. The sellers of the properties are 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 pays the amount equivalent to the property taxes to the sellers applicable to the period since acquisition and includes the amount equivalent to the taxes in the purchase price of each property and capitalized as cost of the property.

Consumption taxes

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

Cash and cash equivalents

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

3. INVESTMENT SECURITIES

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

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Other securities			
Non-listed stock	¥1,004,797	¥1,004,797	\$8,522,456

4. PROPERTY AND EQUIPMENT

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

	Thousands of yen				U.S. dollars	
	As of September 30, 2006		As of March 31, 2006		As of September 30, 2006	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥236,459,083	¥236,459,083	¥226,564,681	¥226,564,681	\$2,005,590,187	\$2,005,590,187
Buildings and structures	114,263,592		113,767,762		969,156,850	
Accumulated depreciation	(10,841,440)	103,422,152	(9,082,161)	104,685,600	(91,954,543)	877,202,308
Machinery and equipment	1,487,554		1,533,824		12,617,087	
Accumulated depreciation	(412,445)	1,075,108	(379,413)	1,154,411	(3,498,268)	9,118,819
Tools, furniture and fixtures	81,041		41,110		687,373	
Accumulated depreciation	(7,575)	73,466	(3,531)	37,578	(64,250)	623,123
Construction in progress	1,071,673	1,071,673	1,149,831	1,149,831	9,089,686	9,089,686
Land in trust	54,948,178	54,948,178	56,667,464	56,667,464	466,057,494	466,057,494
Buildings and structures in trust	22,785,575		24,536,975		193,261,876	
Accumulated depreciation	(4,450,618)	18,334,957	(4,355,725)	20,181,249	(37,749,093)	155,512,783
Machinery and equipment in trust	583,367		644,207		4,947,989	
Accumulated depreciation	(308,567)	274,800	(325,218)	318,989	(2,617,194)	2,330,795
Tools, furniture and fixtures in trust	9,711		9,626		82,368	
Accumulated depreciation	(2,401)	7,309	(2,254)	7,371	(20,368)	61,999
Total		¥415,666,730		¥410,767,178		\$3,525,587,194

5. SHORT-TERM LOANS

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

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Unsecured loan from a bank with variable interest, due on June 15, 2006	¥ —	¥ 2,000,000	\$ —
Unsecured loan from a trust bank with variable interest, due on September 13, 2006	—	2,000,000	—
Unsecured loan from a bank with variable interest, due on October 31, 2006	—	2,000,000	—
Unsecured loan from a trust bank with variable interest, due on February 1, 2007	4,500,000	4,500,000	38,167,939
Unsecured loan from a bank with variable interest, due on June 15, 2007	2,000,000	—	16,963,528
Unsecured loans from banks and trust banks with variable interest, due on February 23, 2007	58,000,000	80,000,000	491,942,324
Total	¥64,500,000	¥90,500,000	\$547,073,791

The weighted average interest rates applicable to the short-term loans at September 30, 2006 and March 31, 2006 were 0.31042% and 0.27255%, respectively, per annum.

Since the period ended September 30, 2006, the Company has committed credit lines of ¥25,000 million (\$212,044 thousand) with certain financial institutions to reduce a refinancing risk. The unused amount of such committed credit lines was ¥25,000 million (\$212,044 thousand) at September 30, 2006.

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

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

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2006
	Amount (thousands of yen)	Interest rate (%)	Amount (thousands of yen)	Interest rate (%)	Amount (U.S. dollars)
Unsecured bonds due on June 21, 2007	¥25,000,000	1.32%	¥25,000,000	1.32%	\$212,044,105
Unsecured bonds due on April 30, 2008	10,000,000	0.69%	10,000,000	0.69%	84,817,642
Unsecured bonds due on April 30, 2010	10,000,000	0.98%	10,000,000	0.98%	84,817,642
Unsecured bonds due on September 29, 2025	10,000,000	2.56%	10,000,000	2.56%	84,817,642
Subtotal	¥55,000,000	—	¥55,000,000	—	\$466,497,031
Less: current portion of investment corporation bond	(25,000,000)	—	—	—	(212,044,105)
Total	¥30,000,000	—	¥55,000,000	—	\$254,452,926

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

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

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
1.120% secured loans from banks, trust banks, and an insurance company, due on June 23, 2006	¥ —	¥ 24,000,000	\$ —
0.90875% unsecured loan from a bank, due on June 15, 2007	3,000,000	3,000,000	25,445,293
0.78375% unsecured loan from a bank, due on August 31, 2007	3,000,000	3,000,000	25,445,293
1.0575% unsecured loan from a bank, due on March 24, 2009	2,000,000	2,000,000	16,963,528
1.015% unsecured loan from an insurance company, due on March 30, 2009	5,000,000	5,000,000	42,408,821
1.47125% unsecured loan from an insurance company, due on March 30, 2011	2,000,000	2,000,000	16,963,528
1.50125% unsecured loan from an insurance company, due on August 31, 2011	5,000,000	5,000,000	42,408,821
1.33125% unsecured loan from another financial institution, due on November 1, 2011	5,000,000	5,000,000	42,408,821
1.63% unsecured loan from a trust bank, due on April 4, 2011	10,000,000	—	84,817,642
1.73% unsecured loan from a trust bank, due on June 1, 2011	22,000,000	—	186,598,813
1.65925% unsecured loans from banks, trust banks, and an insurance company, due on June 23, 2011	24,000,000	—	203,562,341
1.55% unsecured loan from an insurance company, due on October 29, 2012	2,000,000	2,000,000	16,963,528
Subtotal	¥ 83,000,000	¥ 51,000,000	\$ 703,986,429
Less: current portion of long-term loan	(6,000,000)	(24,000,000)	(50,890,585)
Total	¥ 77,000,000	¥ 27,000,000	\$ 653,095,844

8. PLEDGED ASSETS

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

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Pledged assets:			
Bank deposits	¥ —	¥ 8,000,492	\$ —
Land and leasehold rights	—	47,765,093	—
Buildings and structures	—	15,824,731	—
Machinery and equipment	—	268,777	—
Tools, furniture and fixtures	—	7,371	—
Total	¥ —	¥71,866,465	\$ —

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

9. UNITHOLDERS' EQUITY

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

10. INCOME TAXES

At September 30, 2006 and March 31, 2006, the Company's deferred tax assets consist mainly of the enterprise tax, which is not deductible for tax purposes. The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended September 30, 2006 and March 31, 2006 were as follows:

	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006
Statutory tax rate	39.39%	39.39%
Deductible dividend distribution	(39.38%)	(39.38%)
Others	0.01%	0.01%
Effective tax rate	0.02%	0.02%

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan, or the STML, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its taxable income for the fiscal period as stipulated by Article 67-15 of the STML. Based on the distribution policy provided by Article 32-2 of the Articles of Incorporation, the Company made a dividend distribution of 100% of retained earnings in the amount of ¥5,976 million (\$50,688 thousand) subsequent to September 30, 2006 and treated it as tax deductible dividend. The Company will not distribute the dividends in excess of accounting profit under Article 32-3 of the Articles of Incorporation.

11. PER UNIT INFORMATION

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

	Yen		U.S. dollars
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2006 to September 30, 2006
Net assets at period end per unit	¥600,605	¥599,475	\$5,094
Net income per unit	¥ 17,302	¥ 16,172	\$ 147

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

12. RELATED PARTY TRANSACTIONS

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

	Thousands of yen		U.S. dollars
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2006 to September 30, 2006
Purchase of the properties	¥12,380,000	¥ —	\$105,004,241
Property management fees	950,817	889,415	8,064,610
Utilities	68,267	61,530	579,029
Insurance	1,200	68,022	10,184
Other operating expenses	4,301	4,042	36,488
Interest expense	25,444	—	215,814
Repair and maintenance	248,712	395,331	2,109,520

13. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

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

	Thousands of yen		U.S. dollars
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2006 to September 30, 2006
Property-Related Revenues	¥15,169,382	¥13,962,925	\$128,663,127
Rental Revenues	15,066,744	13,899,176	127,792,574
Rental revenues	11,069,700	10,216,646	93,890,592
Common area charges	2,481,982	2,286,350	21,051,591
Parking revenues	483,014	462,239	4,096,814
Other rental revenues	1,032,046	933,939	8,753,576
Non-Rental Revenues	102,638	63,749	870,553
Cancellation charges	38,736	38,350	328,558
Other miscellaneous revenues	63,901	25,398	541,995

Property-Related Expenses	7,511,891	6,744,815	63,714,091
Property management fees	1,766,740	1,684,379	14,985,075
Utilities expenses	1,198,307	1,068,682	10,163,759
Property and other taxes	1,271,584	1,035,497	10,785,280
Casualty insurance	38,909	35,242	330,019
Repairs and maintenance	513,335	528,519	4,353,992
Depreciation	2,682,161	2,359,942	22,749,464
Other rental expenses	40,852	32,551	346,501
Profits	¥ 7,657,491	¥ 7,218,110	\$ 64,949,036

14. BREAKDOWN OF GAIN ON SALE OF PROPERTIES

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

	Thousands of yen		U.S. dollars
	For the period from April 1, 2006 to September 30, 2006	For the period from October 1, 2005 to March 31, 2006	For the period from April 1, 2006 to September 30, 2006
JAL Sales Building			
Revenue from sale of property	¥ 2,593,000	¥ —	\$21,993,215
Cost of property	1,253,829	—	10,634,689
Other sales expenses	66,725	—	565,946
Gain on sale of property	¥ 1,272,445	¥ —	\$10,792,580
Shin-Yokohama First Building			
Revenue from sale of property	¥ 1,755,277	¥ —	\$14,887,846
Cost of property	2,896,040	—	24,563,529
Other sales expenses	37,505	—	318,113
Loss on sale of property	¥(1,178,268)	¥ —	\$ (9,993,796)
Niigata Ishizuecho Nishi-Bandaibashi Building			
Revenue from sale of property	¥ 1,490,000	¥ —	\$12,637,829
Cost of property	996,531	—	8,452,349
Other sales expenses	39,150	—	332,061
Gain on sale of property	¥ 454,318	¥ —	\$ 3,853,419
Kanazawa Minamicho Building			
Revenue from sale of property	¥ 1,165,000	¥ —	\$ 9,881,255
Cost of property	1,287,494	—	10,920,229
Other sales expenses	25,200	—	213,740
Loss on sale of property	¥ (147,694)	¥ —	\$ (1,252,714)

15. LEASES

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

	Thousands of yen		U.S. dollars
	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
Due within one year	¥ 8,387,902	¥ 8,482,390	\$ 71,144,211
Due after one year	27,072,595	31,833,988	229,623,375
Total	¥35,460,498	¥40,316,379	\$300,767,587

16. SUBSEQUENT EVENTS

Issuance of additional units

Based on the approval by the Board of Directors' meeting held on October 2, 2006, the Company completed a public offering of 64,600 additional units on October 24, 2006, at an offering price of ¥1,009,400 (\$8,561) per unit, or ¥65,207 million (\$553,072 thousand) in total. The proceeds from public offering, net of underwriters' discount, were ¥63,211 million (\$536,142 thousand) at an issue price of ¥978,500 (\$8,299). As a result of the issuance of additional units, the Company has unitholders' capital of ¥264,683 million (\$2,244,987 thousand) with 410,000 units at October 24, 2006.

Early repayment of loans

On November 13, 2006, the Company resolved to repay the following existing short-term loans on November 24, 2006 before their due date:

- (1) Total amount of loans: ¥58,000 million (\$491,942 thousand)
- (2) Lenders:
 - The Bank of Tokyo-Mitsubishi UFJ, Ltd.: ¥16,000 million (\$135,708 thousand)
 - Mizuho Corporate Bank, Ltd.: ¥16,000 million (\$135,708 thousand)
 - The Sumitomo Trust & Banking Co., Ltd.: ¥16,000 million (\$135,708 thousand)
 - Shinsei Bank, Limited: ¥10,000 million (\$84,818 thousand)
- (3) Interest rate: 0.2745% (from February 23, 2006, through November 23, 2006)
- (4) Start of the loan period: February 23, 2006
- (5) Planned due: February 23, 2007

Appropriation of retained earnings

On November 17, 2006, the Board of Directors resolved to effect the payment of a cash distribution of ¥17,302 per unit aggregating ¥5,976 million (\$50,688 thousand) to unitholders at the record date of September 30, 2006.

Report of Independent Auditors

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

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

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Real Estate Investment Corporation at March 31, 2006 and September 30, 2006, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 16, Subsequent Events, the Company completed a public offering, and resolved to repay the existing short-term loans before their due date.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended September 30, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

December 21, 2006



CORPORATE DATA

As of September 30, 2006

Executives

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

Paid-in Capital

¥201,472,860,000

Number of Units Issued

345,400

Number of Unitholders

14,248

Stock Listing

Tokyo Stock Exchange

Securities Code

8952

Type of Investment Corporation

Closed-end corporate type fund

Transfer Agent

The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4chome, Chuo-ku, Osaka 540-8639, Japan

Auditors

Ernst & Young ShinNihon
Hibiya Kokusai Bldg.
2-3, Uchisaiwaicho 2chome, Chiyoda-ku, Tokyo 100-0011, Japan

Incorporation

May 11, 2001

Executive Office

Japan Real Estate Investment Corporation
3-1, Marunouchi 3chome, Chiyoda-ku, Tokyo 100-0005, Japan

For further information, please contact :

Japan Real Estate Asset Management Co., Ltd.

Planning Department, Manager

Toshiya Kobayashi

Tel: 81-3-3211-7921

Fax: 81-3-3212-8886

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

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