INVESTMENT CORPORATION

November 18, 2005

JAPAN REAL ESTATE INVESTMENT CORPORATION
ANNOUNCEMENT OF EIGHTH FISCAL PERIOD RESULTS

1. Summary of Financial Results

In the eighth fiscal period (six months ended September 30, 2005), Japan Real Estate Investment Corporation ("JRE") recorded operating revenues of 13,119 million yen, up 22.1 percent from the previous period. Operating profits rose 32.4 percent to 6,226 million yen. After deducting expenses for interest payments on borrowings, fees for the issue of additional investment units and other administrative costs, recurring profit increased 33.7 percent to 5,510 million yen and net income advanced 33.7 percent to 5,509 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 15,951 yen per unit.

2. Results of Operations

(1) Property Management and Acquisition

During the period under review, the Japanese economy remained on track for a recovery, with inventory adjustments in IT-related fields primarily coming to a finish, strong capital investment and resilient consumer spending. A number of uncertainties, however, including steep crude oil prices, slowed down the pace of the economic recovery.

The market for leased office space received support from a recovery in corporate performance, while improved vacancy rates led to signs of an improvement in rents at some office buildings in central Tokyo. In areas surrounding metropolitan Tokyo and in regional urban centers, however, overall business conditions remained difficult in spite of signs of improvements in the balance of supply and demand, and time is still needed for a full-fledged recovery.

JRE attained a record occupancy rate of 98.6% (as of September 30, 2005) 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. Our basic policy is to lower property management fees and utility expensed by 5 percent within the first three years of new property acquisition. Of the total number of properties acquired up to the end of the sixth fiscal period (six months ended September 2004), thirty-nine properties are subject to this cost reduction program. We have already reduced costs of those properties by 12.9 percent per year, based on the results of our seventh and eighth fiscal periods (October 2004 to September 2005).

Regarding the property market, bad-debt write-offs by financial institutions and the adoption of asset-impairment accounting have helped sustain active property sales. At the same time, in addition to Japanese Real Estate Investment Trusts (J-REITs), such entities as private funds, pension funds and institutional investors are stepping up their acquisition of real estate, and competition to acquire prime properties in urban centers intensified.

In this sort of market environment, JRE uses its own information network to collect data on the sales of numerous properties. We have made acquisitions based on meticulous examination of these data, and after determining optimal prices from many perspectives, including profit stability of the entire company and expected 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 September 30, 2005 consisted of 50 office buildings with a total value of 326,560 million yen, net rentable floor area of 364,610 m^2 (approximately 110,000 *tsubo*), and a total of 742 tenants.

(2) Finance Activities

Flexible funding procurement is important in the property acquisition business. Raising equity and constructing a sound financial foundation helps to assure capacity to receive loans and to further expand investment assets. While issuing additional investment units is indispensable to JRE's growth, it must be done after careful consideration of financial market environments and acquisition plans, and optimal timing and scale of the issue is essential.

During the fiscal period under review, JRE issued additional investment units through a third follow-on. Through the issue of 85,000 additional investment units, JRE raised 68,024 million yen on April 26, 2005. As of September 30, 2005, JRE's total outstanding investment units numbered 345,400, with a total unitholder capital of 201,472 million yen.

In addition, with the aim of diversifying fund procurement methods, in July 2005 JRE registered its intention to conduct a public issue of investment corporation bonds with a maximum limit of 100 billion yen. After this, based upon an assessment of risks related to future interest rates and further fund procurements, and based upon the earlier registration, on September 29, 2005 JRE became the first J-REIT to issue 20-year investment corporation bonds for a value of 10 billion yen.

Overview of Issue Registration

Maximum limit of issue	Within 100 billion yen
Date of issue registration	July 28, 2005
Planned period of issue	From August 5, 2005 to August 4, 2007

Overview of 20-Year Investment Corporation Bonds

Name of Investment Corporation Bond	Japan Real Estate Investment Corporation Fourth Unsecured Bond (No finance-related special covenants, such as negative pledge)
Total amount of the bond issue	10 billion yen
Issue date	September 29, 2005
Maturity	20 years
Coupon rate on the bond	2.56% per annum
Subscription method	Public offering
Secured mortgage or guarantee	There is no secured mortgage or guarantee on the bond.

Through the issue of additional investment units, JRE repaid 59,000 million yen in short-term loans in May 2005. In addition, JRE secured short-term loans of 3,000 million yen on July 29, 2005 in relation to the acquisition of the Burex Kojimachi Building, and of 9,000 million yen on September 13, 2005 in relation to the acquisition of the Tokyo Opera City Building.

As a result of the above factors, on September 30, 2005 JRE had total interest bearing debt of 122,000 million yen, including 16,000 million yen in short-term loans (down 47,000 million yen from the previous fiscal period), 24,000 million yen in the current portion of long-term borrowings (up 24,000 million yen from the previous fiscal period), 27,000 million yen in long-term loans (down 24,000 million yen from the previous fiscal period), and outstanding investment corporation bonds with a par value of 55,000 million yen (up 10,000 million yen 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) General Meeting of Investors Held

JRE held its third general unitholders’ meeting on May 10, 2005. At the meeting, the Corporation’s proposals for amendments to the Articles of Incorporation and for the election of executive directors and supervisory directors were passed in their original form with a majority approval by the unitholders.

3. Outlook

(1) Operating Environment

Despite expectations for a sustained recovery in the Japanese economy, uncertainties remain concerning further increases in crude oil prices and the direction of the U.S. and Chinese economies.

In the office building leasing market, vacancy rates in central Tokyo are improving and a portion of office buildings have seen increases in rents, and the overall market continues to show signs of recovery. At the same time, when the overall market is viewed on a nationwide level, 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.

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

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

① **Property Management**

In accordance with the aforementioned, we are projecting that conditions in the office building leasing market will remain uncertain, despite expectation for full-fledged recovery. JRE is adopting the following management policies in order to maintain and improve earnings.

(i) Strengthen relationships of trust with existing tenants

As of September 30, 2005, JRE had contracts with eleven 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 increase tenant satisfaction, prevent cancellation of contracts, reduce turnover, and curb demands for reduced rents.

(ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above, JRE actively seeks the best tenants for each property, based on 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 management costs

JRE has introduced sound competitive principles for its eleven property management companies to follow. Those 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 management fees and utility expenses by 5 percent within three years of acquisition.

② **Property 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

Based on investment conditions, in the six-month period from October 1, 2005 to March 31, 2006 (the 9th Fiscal Period) we forecast operating revenues of 13,820 million yen, recurring profits of 5,510 million yen and net income for the period of 5,510 million yen. We plan to declare a dividend of 15,950 yen per unit.

Our forecasts for the 10th fiscal period (April 1, 2006 to September 30, 2006) are operating revenues of 14,700 million yen, recurring profit of 5,300 million yen, net income of 5,300 million yen, and cash dividends of 15,300 yen per unit.

The above estimates in the 9th and 10th periods are based on conservative assumptions of the portfolio of 50 properties as of September 30, 2005, and the

Kitanomaru Square on February 24, 2006 and Sanno Grand Building (additional share) on April 3, 2006. These estimates are also based on 345,000 investment units outstanding as of September 30, 2005.

As of September 30, 2005, JRE plans to acquire the properties, as described below.

1. Kitanomaru Square

Transaction Summary:
Asset to be acquired: Trust beneficiary right in trust of real estate
Acquisition price: 81,555.5 million yen
Scheduled date of acquisition: February 24, 2006
Property Summary
Location: 1-13-12 Kudan Kita, Chiyoda-ku, Tokyo
Use: Offices, apartment complex, shops, parking lot
Land Area: 5,821.03 m^2
Floor Area: 58,969.18 m^2
Structure: Steel-framed and partially steel-reinforced concrete structure, 26 floors above ground and two floors below ground
Completion date: End of January 2006 (projected)
Tenants: Offices and shops: 5, Residences: To be determined
Leasable floor space: Offices and Shops: 25,637 m^2, Residences: 11,694 m^2
Leased area: Offices and shops: 25,637 m^2, Residences: To be determined
Occupancy rate: Offices and shops: 100%, Residences: To be determined

Notes:
1. The figures for the total number of tenants, leasable area, leased area and occupancy rates are projected by the acquisition date of February 24, 2006. The figures for the leasable area and leased area are based on the plan at the time of receipt of the certificate of confirmation. The figures are based on the data provided from the seller.

2. For the residential space, a master lease agreement will be concluded between a property management company, which has experience in luxurious condominium rental business.

2. Sanno Grand Building (additional share)

Transaction Summary:

Asset to be acquired: Real estate (ownership rights in land and building; share of co-ownership for both land and building: 49%)
Acquisition Price: 10,700 million yen
Scheduled 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: 49
Leasable area: 21,146 m^2
Leased area : 20,428 m^2
Occupancy rate: 96.6%

Notes:

1. As of November 18, 2005, JRE held 50% joint equity in this asset; the acquisition detailed above will increase JRE's holding to 99.0%.
2. The total number of tenants, leasable area and leased area are the actual figures for the entire building as of September 30, 2005.

Funds raised by JRE through the September 29, 2005 issue of 10 billion yen in investment corporation bonds were utilized to repay short-term loans of 10 billion yen on October 3, 2005.

In addition, in order to finance the repayment of existing short-term loans due on October 31, 2005, JRE secured a new loan of 2 billion yen on the same date with maturity of October 31, 2006.

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Income Statement for the 8th Period

In millions of yen

Item	8th Period (183 days) 46 existing properties	8th Period (183 days) Newly acquired properties*	8th Period (183 days) Total	7th Period (182 days)	Change	% Change
Operating Revenue	12,392	727	13,119	10,747	2,372	22.1%
Rental revenue	12,349	727	13,076	10,708		
Other rental revenues	43	0	43	39		
Operating Expenses	4,005	135	4,140	3,616	524	14.5%
Property management fees	1,471	83	1,554	1,277		
Utility charges	977	34	1,012	855		
Property and other taxes	1,035	0	1,035	937		
Insurance expenses	31	1	33	27		
Maintenance expenses	458	15	474	471		
Other operating expenses	30	0	30	46		
NOI	8,387	591	8,978	7,131	1,847	25.9%
Depreciation and amortization	1,798	218	2,017	1,641		
Operating Profit	6,588	373	6,961	5,489	1,472	26.8%
Administrative expenses			735	787	△ 52	△ 6.6%
Asset management fees			392	476		
Other administrative expenses			342	310		
Net Operatng Profit			6,226	4,701	1,524	32.4%
Non-Operating Revenue			11	5	6	130.1%
Interest received			0	0		
Other non-operating revenues			11	5		
Non-Operating Expenses			727	585	142	24.3%
Interest expenses			328	315		
Bond interest expenses			249	248		
Deferred bond-issuance cost			9	—		
Additional unit-issuance cost			116	—		
Other non-operating expenses			23	21		
Recurring Profit			5,510	4,121	1,388	33.7%
Gross Income			5,510	4,121	1,388	33.7%
Taxes			0	1		
Net Income			5,509	4,120	1,388	33.7%
Retained Earnings			5,509	4,120		
FFO (Net Income＋Depreciation)			7,526	5,762	1,764	30.6%
Dividends per Unit			15,951	15,824		

* Newly acquired properties are Nibancho Garden, Tenjin Crystal Building, Burex Kojimachi Building and Tokyo Opera City Building.

Balance Sheet for the 8th Period

In millions of yen

Item	8th Period-end (Sep 30, 05)	7th Period-end (Mar 31, 05)	Change	Reason for Change
Current Assets				
Cash and entrusted cash	26,939	29,361	△ 2,422	
Other current assets	988	657	331	
Total current assets	27,928	30,019	△ 2,090	
Fixed Assets				
Property and equipment				
Buildings	108,655	90,409	18,246	Increased due to acquisition of four buildings including Nibancho Garden and capital expenditure.
Structures	851	576	274	
Machinery and equipment	1,750	1,556	193	
Land	224,595	206,679	17,915	
Accumulated depreciation	△ 11,788	△ 9,783	△ 2,004	
Total Property and equipment	324,064	289,439	34,624	
Intangible Assets				
Leasehold rights, etc.	2,941	1,912	1,028	Increased due to acquisition of Tokyo Opera City Building.
Total Intangible Assets	2,941	1,912	1,028	
Investments and Others				
Investments in securities	958	956	2	
Long-term prepaid expenses, etc.	26	31	△ 5	
Total Investments and Others	984	987	△ 3	
Total Fixed Assets	327,989	292,339	35,650	
Deferred Assets				
Issuance cost of investment corporation bonds	49	–	49	Increased due to issuance of investment corporation bonds.
Total Deferred Assets	49	–	49	
Total Assets	355,968	322,358	33,609	

In millions of yen

Item	8th Period-end (Sep 30, 05)	7th Period-end (Mar 31, 05)	Change	Reason for Change
Liabilities				
Current Liabilities				
Short-term borrowing	16,000	63,000	△ 47,000	Decreased due to repayment of short-term borrowing.
Current portion of long-term borrowing	24,000	–	24,000	Transfer from long-term borrowing.
Rent received in advance	2,422	2,460	△ 37	
Other current liabilities	1,624	1,745	△ 121	
Total Current Liabilities	44,047	67,206	△ 23,159	
Long-term Liabilities				
Investment Corporation Bonds	55,000	45,000	10,000	Increased due to issuance of investment corporation bonds.
Long-term borrowing	27,000	51,000	△ 24,000	Transfer to short-term borrowing.
Deposits from tenants	22,644	20,994	1,649	
Other Long-term liabilities	294	588	△ 294	
Total Long-term Liabilities	104,938	117,582	△ 12,644	
Total Liabilities	148,985	184,789	△ 35,803	
Unitholder Equity				
Unitholder capital	201,472	133,448	68,024	Increased due to issuance of additional units.
Retained earnings	5,509	4,120	1,388	
Total Unitholder Equity	206,982	137,569	69,413	
Total Liabilities and Unitholder Equity	355,968	322,358	33,609	

Property Data

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

Area		Name	8th Period Appraisal Value (Sep 30, 05)	7th Period Appraisal Value (Mar 30, 05)	8th Period Book Value (Sep 30, 05)	Acquisition Price	Year Built	Rentable Area (m^2) (Sep 30, 05)	Occupancy Rate Sep 30, 05)
Tokyo Metropolitan Area	23 Wards	Genki Medical Plaza	6,200	5,890	5,202	5,000,000	1985	4,791	100.0%
		MD Kanda Building	8,460	8,140	9,327	9,520,000	1998	6,269	100.0%
		Kandabashi Park Building	4,920	4,890	4,725	4,810,000	1993	3,687	100.0%
		Mitsubishi Soken Building	30,400	30,400	26,972	27,267,000	1970	18,006	100.0%
		Sanno Grand Building	10,900	10,300	10,612	10,200,000	1966	10,573	96.6%
		Yurakucho Denki Building	7,230	7,030	7,580	7,200,000	1975	4,694	100.0%
		Kodenmacho Shin-Nihonbashi Building	3,320	3,240	2,986	3,173,000	1991	3,897	100.0%
		Burex Kyobashi Building	5,940	5,450	5,251	5,250,000	2002	4,279	100.0%
		Ginza Sanwa Building	16,900	16,900	17,059	16,830,000	1982	4,329	100.0%
		Ryoshin Ginza East Mirror Building	4,540	4,410	5,550	5,353,500	1998	2,875	100.0%
		Aoyama Crystal Building	7,920	7,720	7,674	7,680,000	1982	4,916	100.0%
		Shiba 2Chome Daimon Building	5,900	5,410	5,002	4,859,000	1984	9,643	99.1%
		Cosmo Kanasugibashi Building	3,110	3,020	2,671	2,808,000	1992	4,062	100.0%
		Shinwa Building	7,830	7,800	7,902	7,830,000	1989	6,197	100.0%
		Takanawadai Building	2,590	2,530	2,616	2,738,000	1991	4,067	100.0%
		Higashi Gotanda 1Chome Building	6,130	5,710	5,501	5,500,000	2004	5,205	100.0%
		JAL Travel Building	1,480	1,460	1,275	1,362,000	1991	3,383	100.0%
		Omori-Eki Higashiguchi Building	5,390	5,200	4,731	5,123,000	1989	7,708	100.0%
		Nippon Brunswick Building	7,570	7,180	6,688	6,670,000	1974	7,347	99.3%
		Yoyogi 1Chome Building	9,300	8,850	8,660	8,700,000	2003	7,772	100.0%
		da Vinci Harajuku	5,660	5,370	4,986	4,885,000	1987	3,109	100.0%
		Jingumae Media Square Building	13,480	13,110	12,219	12,200,000	1998	5,558	100.0%
		Shibuya Cross Tower	38,100	35,500	35,894	34,600,000	1976	29,828	99.5%
		Ebisu Neonato	4,450	4,350	4,025	4,100,000	1994	2,462	100.0%
		Harmony Tower	9,100	8,670	8,853	8,500,000	1997	10,929	100.0%
		Otsuka Higashi-Ikebukuro Building	3,410	3,410	3,314	3,541,000	1987	7,114	94.6%
		Ikebukuro 2Chome Building	1,450	1,420	1,665	1,728,000	1990	2,186	100.0%
		Ikebukuro YS Building	4,580	4,460	4,522	4,500,000	1989	5,797	100.0%
	Excluding 23 Wards	Hachioji Dai-ichi-Seimei Building	3,300	3,300	3,313	3,300,000	1996	6,336	95.3%
		Saitama Urawa Building	2,360	2,360	2,481	2,574,000	1990	4,510	100.0%
		Shin-Yokohama First Building	1,640	1,620	2,963	3,000,000	1992	6,925	92.9%
		Kawasaki Isago Building	3,210	3,150	3,071	3,375,000	1990	6,831	95.1%
Other Major Cities		Jozenji Park Building	1,040	1,000	1,047	1,000,000	1993	2,518	95.3%
		Sendai Honcho Honma Building	3,030	2,930	2,724	2,924,000	1991	5,829	98.7%
		Niigata Ishizuecho Nishi-Bandaibashi Building	729	741	1,003	1,010,000	1984	4,383	96.6%
		Kanazawa Park Building	5,420	5,420	4,537	4,580,000	1991	21,343	96.1%
		Kanazawa Minamicho Building	985	992	1,292	1,331,000	1987	3,794	95.5%
		Nagoya Hirokoji Building	15,300	15,000	14,258	14,533,000	1987	21,631	99.1%
		Nagoya Misono Building	1,860	1,860	1,759	1,865,000	1991	3,470	100.0%
		Kyoto shijo Kawaramachi Building	2,020	2,020	2,944	2,650,000	1982	6,800	100.0%
		Sakaisujihonmachi Building	4,230	4,170	4,138	4,164,000	1992	11,574	97.9%
		Midosuji Daiwa Building	14,100	13,800	13,844	14,314,000	1991	20,450	100.0%
		Kobe Itomachi Building	945	949	1,365	1,436,000	1989	3,478	92.3%
		NHK Hiroshima Broadcasting Center Building	1,480	1,390	1,334	1,320,000	1994	5,477	98.6%
		Tosei Tenjin Building	1,340	1,340	1,460	1,550,000	1992	4,000	98.1%
		Hinode Tenjin Building	3,480	3,480	3,476	3,657,000	1987	5,860	96.5%
Subtotal			302,729	293,342	290,492				
Properties acquired in the 8th Period		Nibancho Garden	15,100	-	14,791	14,700,000	2004	9,316	100.0%
		Burex Kojimachi Building	6,880	-	7,120	7,000,000	2005	4,495	100.0%
		Tokyo Opera City Building	9,350	-	9,426	9,350,000	1996	9,244	96.0%
		Tenjin Crystal Building	4,970	-	5,174	5,000,000	1993	5,640	98.7%
Total (50 properties)			**339,029**	**293,342**	**327,005**	**326,560,500**		**364,610**	**98.6%**

	Name	Appraisal Value (before acquisition)			Acquisition Price	Year Built	Rentable Area (m^2)	Occupancy Rate
Properties to be acquired in the 9th and the 10th Periods	Kitanomaru Square	80,200	-	-	81,555,500	2006	25,637	100.0%
	Sanno Grand Building (additional share)	10,700	-	-	10,700,000	1966	10,361	96.6%
Total		**90,900**			**92,255,500**		**35,998**	-

* The figures in the rentable areas of Nibancho Garden and Kitanomaru Square are for offices. Both properties respectively have 1,686㎡ (Occupancy rate: 100%) and 11,694㎡ (Occupancy rate: to be determined) for the rentable areas for residence.

*The rentable area and occupancy rate of Kitanomaru Square are projections as of the acquisition date. Those of Sanno Grand building (additional share) are the actual figures as of September 30, 2005.