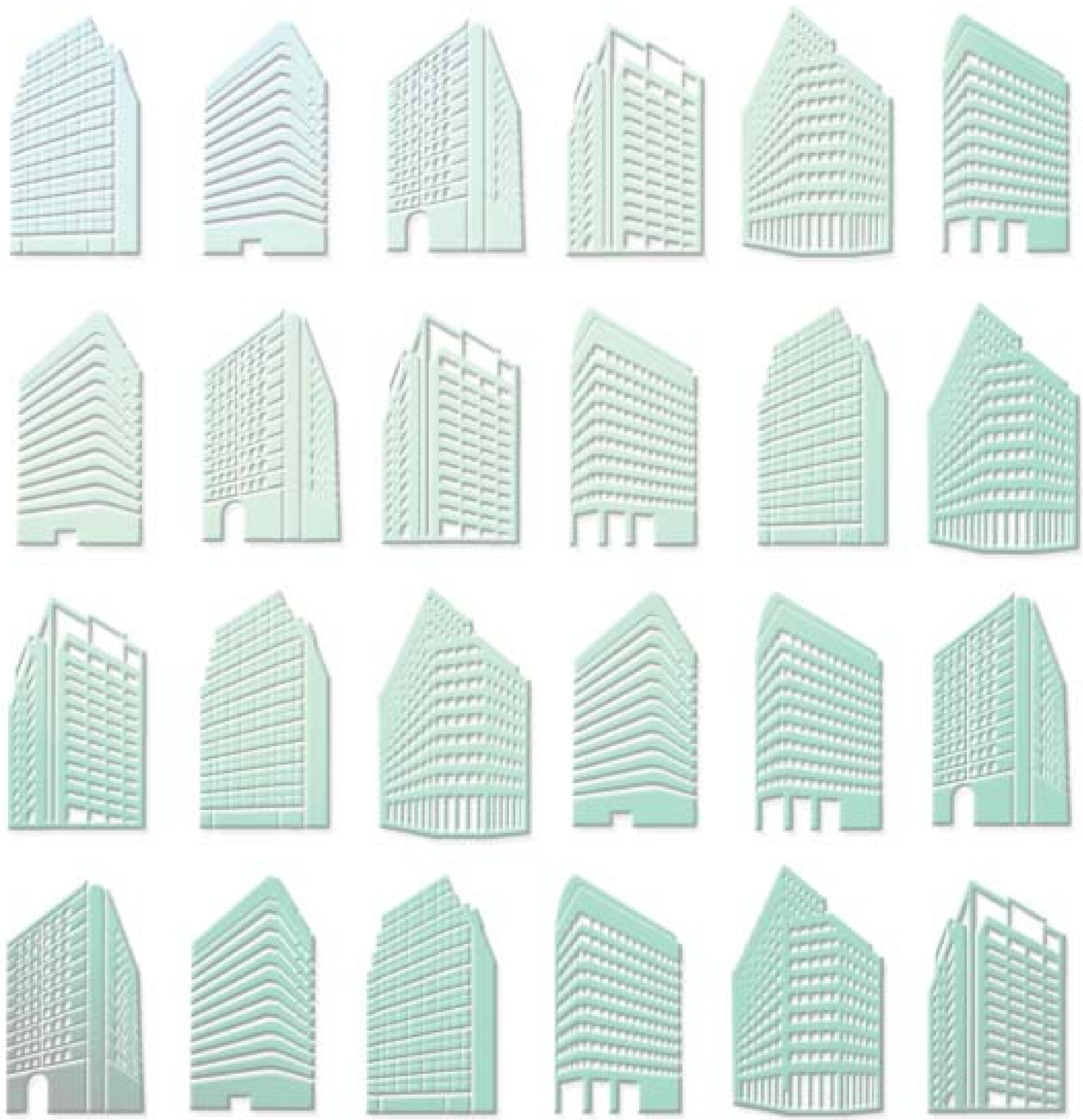
Japan Real Estate Investment Corporation

MARCH 2004 SEMIANNUAL REPORT

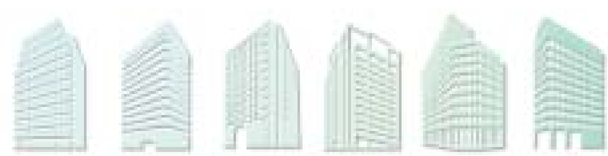
For the period from October 1, 2003 to March 31, 2004



Profile

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

Note: Investment corporations, including Japan Real Estate Investment Corporation, are special legal entities incorporated and operated under the Investment Trust Law. Accordingly, the "shares" of such investment corporations, including the shares of the Company, are governed by the Investment Trust Law and represent the equity interests in such investment corporations, which may differ in certain material respects from the "shares" governed by the Commercial Code of Japan and representing the equity interests in Japanese ordinary corporations incorporated and operated under the Commercial Code of Japan. Investors and readers are specifically reminded to pay attention to such differences when reviewing this semiannual report and making any investment decision on or in respect of the "shares" of the Company. "Shareholders" of the Company may be construed accordingly. See "About J-REIT System" (pages 46–48) for more details. Each of the investors and readers should consult their own legal, tax and other advisors regarding all Japanese legal, tax and other consequences of an investment in the shares of the Company, with specific reference to their own legal, tax and other situation and any recent changes in applicable laws, guidelines or their interpretation.



The Strengths of Japan Real Estate Investment Corporation

- Portfolio of 36 high-quality office buildings as of March 31, 2004 (One new property and additional ownership in one existing property were acquired on April 1, 2004.)
- Steady growth — Total amount of acquistion prices surpassed 218 billion yen, aiming to achieve the goal of 300 billion yen by March 31, 2006
- Superior geographic and tenant diversity with a 94.8% occupancy rate (as of March 31, 2004)
- Collaboration with Mitsubishi Estate Co., Ltd., The Tokio Marine and Fire Insurance Co., Ltd., The Dai-ichi Mutual Life Insurance Company, and Mitsui & Co., Ltd.
- Highest issuer credit ratings of any office REIT in the world: A+ from Standard & Poor's and A2 from Moody's Investors Service. At the same time, Moody's Investors Service changed their outlook rating from stable to positive on January 26, 2004
- Praise from investors — Awarded "Deal of the Year" 4th prize in Equity Finance by the "Nikkei Bonds & Financial Weekly" during 2002, following 3rd place in 2001
- Healthy financial strategy that supports strong growth through additional issues of shares and bonds

Contents

Financial Highlights

For the Period from October 1, 2003 to March 31, 2004

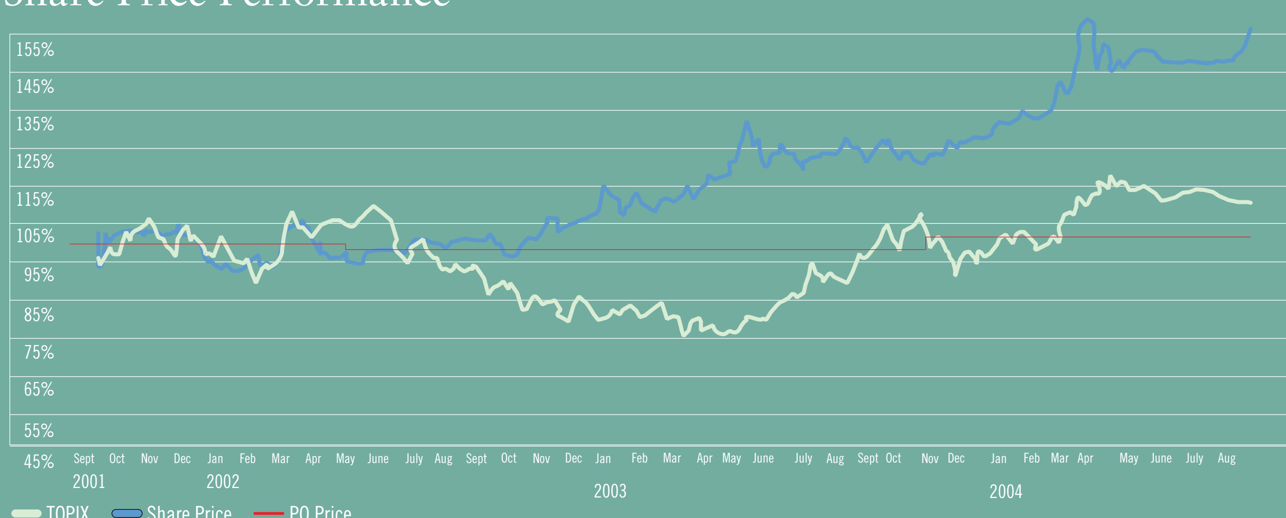
	Millions of yen				Thousands of U.S. dollars (Note 1)
	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from October 1, 2002 to March 31, 2003	For the period from April 1, 2002 to September 30, 2002	**For the period from October 1, 2003 to March 31, 2004**
Operating Revenues	**9,560**	8,965	8,500	7,910	**90,461**
Operating Profits	**4,341**	3,898	3,687	3,386	**41,075**
Income before Income Taxes	**3,803**	3,408	3,259	2,898	**35,986**
Net Income	**3,802**	3,407	3,258	2,897	**35,977**
Net Operating Income (NOI) (Note 2)	**6,455**	5,950	5,702	5,211	**61,080**
Funds from Operations (FFO) (Note 3)	**5,301**	4,801	4,568	4,091	**50,157**
FFO Multiple (Note 4)	**20.4 times**	15.2 times	14.6 times	14.1 times	**20.4 times**
Cash Distribution	**3,802**	3,407	3,258	2,897	**35,977**
Number of Shares	**260,400**	225,400	225,400	225,400	**260,400**
Dividend per Share (Yen/U.S. dollars)	**14,602**	15,117	14,455	12,853	**138.16**

Notes: 1. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.69 = US$1.00, the foreign exchange rate on March 31, 2004, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.
2. NOI = (Property-Related Revenues – Property-Related Expenses) + Depreciation
3. FFO = Net Income – Gains (Losses) from Sales of Specified Assets + Depreciation
4. FFO Multiple = Share Price at End of the Respective Term ÷ FFO per Share (Annualized)
(Annualized portion of the calculation given in note 4 assumes a fiscal period of 183 days for the period ended September 30, 2002, 182 days for the period ended March 31, 2003, 183 days for the period ended September 30, 2003 and 183 days for the period ended March 31, 2004.)

Top 10 Shareholders

Company	Shares	% of Total Shares Outstanding
Mitsubishi Estate Co., Ltd.	10,160	3.90%
The Chugoku Bank, Ltd.	8,995	3.45%
The Tokio Marine and Fire Insurance Co., Ltd.	8,120	3.12%
The Bank of Ikeda, Ltd.	7,766	2.98%
The Yamanashi Chuo Bank, Ltd.	7,300	2.80%
Japan Trustee Services Bank, Ltd. (Shintaku Acc.)	7,003	2.69%
Trust & Custody Services Bank, Ltd. (Toshin Acc.)	6,330	2.43%
The Chase Manhattan Bank, N.A. London	5,181	1.99%
The Joyo Bank, Ltd.	5,119	1.97%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	4,947	1.90%

Share Price Performance



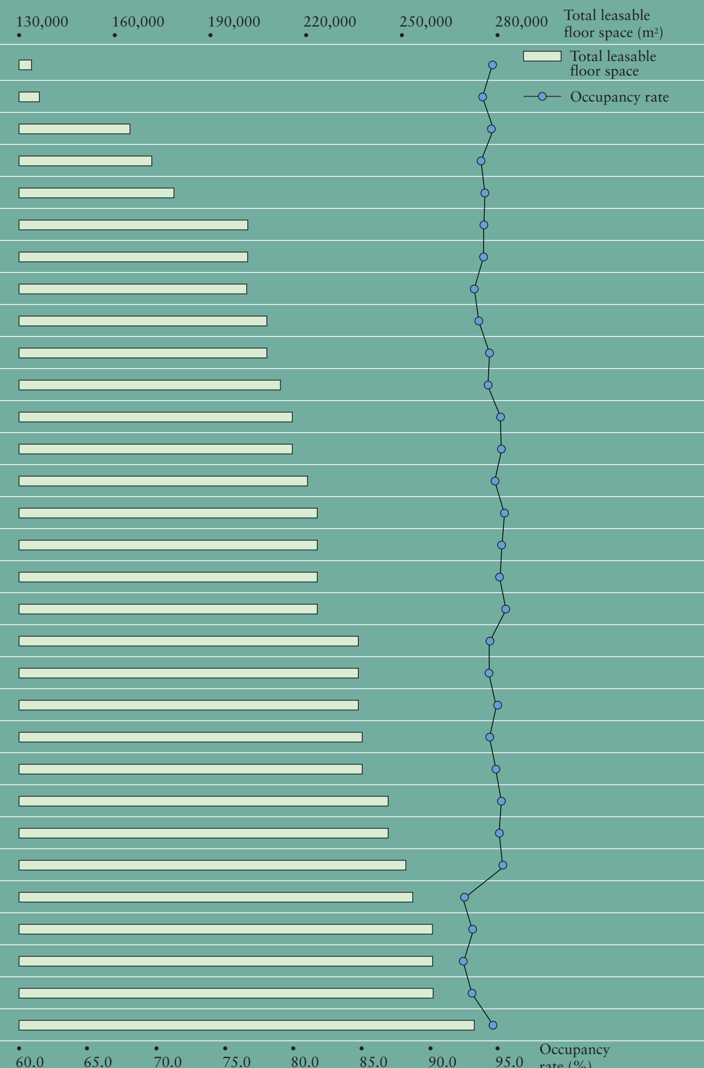
Additional Issues of Shares

Issuance date: October 25, 2003
Subscription price: 629,000 yen
Number of shares issued: 35,000 shares
Total amounts of issue price: 22,015 million yen
Starting date of the calculation of dividends: October 1, 2003

Portfolio Highlights

TRENDS IN THE STATE OF PORTFOLIO MANAGEMENT

	Number of buildings	Total number of tenants (Note 1)	Total leasable floor space	Occupancy rate
September 2001	20	198	133,927m²	94.6%
October 2001	20	197	136,381m²	93.9%
November 2001	21	248	164,883m²	94.7%
December 2001	22	266	171,734m²	93.8%
January 2002	23	269	178,698m²	94.1%
February 2002	24	325	201,934m²	94.0%
March 2002	24	328	201,884m²	94.0%
April 2002	24	326	201,580m²	93.3%
May 2002	25	329	207,914m²	93.6%
June 2002	25	334	207,914m²	94.4%
July 2002	26	333	212,194m²	94.3%
August 2002	27	340	215,928m²	95.2%
September 2002	27	339	215,928m²	95.3%
October 2002	28	340	220,720m²	94.8% (Note 2)
November 2002	29	347	223,771m²	95.5%
December 2002	29	345	223,771m²	95.3%
January 2003	29	348	223,771m²	95.2%
February 2003	29	351	223,771m²	95.6%
March 2003	30	359	236,693m²	94.4%
April 2003	30	356	236,702m²	94.4%
May 2003	30	356	236,702m²	94.9%
June 2003	30	356	237,897m²	94.4%
July 2003	30	362	237,897m²	94.9%
August 2003	32	386	246,062m²	95.3%
September 2003	32	384	246,062m²	95.1%
October 2003	33	396	251,631m²	95.4%
November 2003	34	400	253,806m²	92.5%
December 2003	34	401	260,003m²	93.2%
January 2004	34	403	260,032m²	92.5%
February 2004	34	407	260,211m²	93.2%
March 2004	36	444	273,157m²	94.8%

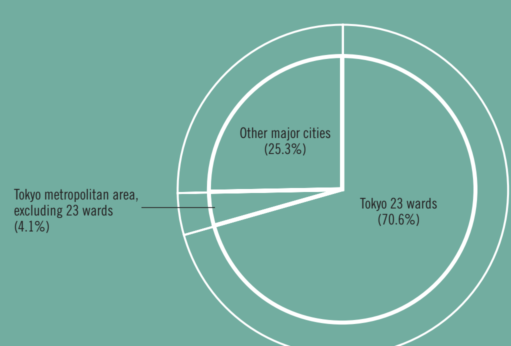


Notes: 1. In the event that the same tenant occupies several buildings, the tenant is calculated as one tenant in the total number of tenants.
2. Occupancy rate of "Genki Medical Plaza" is not considered in the calculation of October 2002, because the property was acquired at the end of that month, and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

PORTFOLIO BREAKDOWN

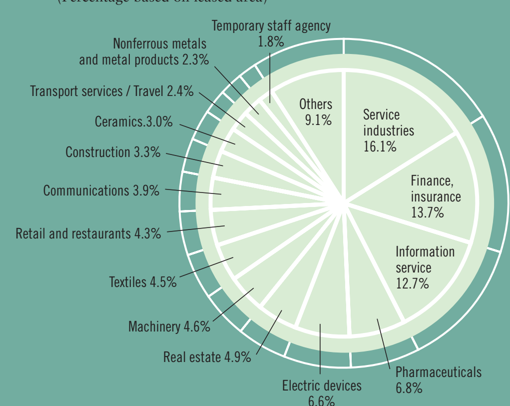
Properties by geographic region

(Percentage based on acquisition price)



Tenants by industry type

(Percentage based on leased area)



New Portfolio Properties

Properties acquired during the period ended March 31, 2004 and on April 1, 2004

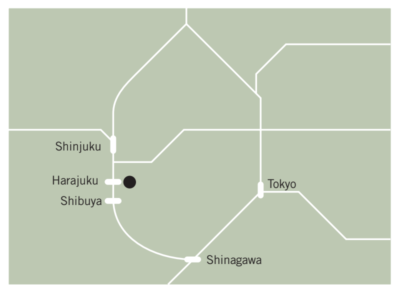
Jingumae Media Square Building

Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥12,200 million ($115.4 million)
Acquisition date:	October 9, 2003
Location:	Shibuya-ku, Tokyo
Intended use:	Office Space, Retail Stores
Site area:	2,261.68m² (24,344.50ft²)
Floor area of building:	9,420.42m² (101,400.46ft²)
Structure:	Above ground: 9 floors Below ground: 2 floors
Completion:	March 1998

Leasing Conditions (As of March 31, 2004)

Number of tenants:	7 tenants
Leasable floor space:	5,558m² (59,825.76ft²)
Leased area:	5,074m² (54,616.03ft²)
Occupancy rate:	91.3%



Property Acquisition Merits

This new building faces Meiji-dori, one of Tokyo's major streets in the Harajuku area. The Harajuku area offers the most attractive market for the apparel / music / PR and retail industries, and has a low probability for new supply of office space.

Ebisu Neonato

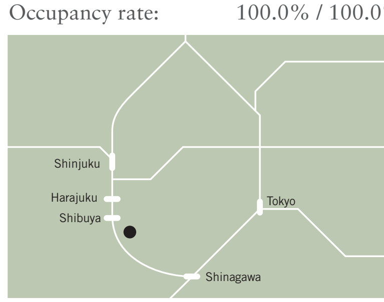
Property Summary

Type of specified asset:	Ownership (Note)
Acquisition price:	¥3,740 million ($35.4 million) / ¥360 million ($3.4 million)
Acquisition date:	November 14, 2003 / April 1, 2004
Location:	Shibuya-ku, Tokyo
Intended use:	Office Space
Site area:	5,005.70m² (53,880.85ft²)
Floor area of building:	36,598.38m² (393,941.30ft²)
Structure:	Above ground: 18 floors Below ground: 2 floors
Completion:	October 1994

Note: 12.3% co-ownership in land and ownership of the 3rd and 4th floors of the building in two transactions

Leasing Conditions (As of March 31, 2004 / April 1, 2004)

Number of tenants:	3 tenants / 1 tenant
Leasable floor space:	2,225m² (23,949.68ft²) / 237m² (2,551.04ft²)
Leased area:	2,225m² (23,949.68ft²) / 237m² (2,551.04ft²)
Occupancy rate:	100.0% / 100.0%



Property Acquisition Merits

Ebisu is a commercial, retail and entertainment area in metropolitan Tokyo. Located in Ebisu, with direct access to JR Ebisu Station by pedestrian deck, this building offers strong competitiveness with its high-quality construction and first-class facilities.

Sakaisujihonmachi Building (Note)

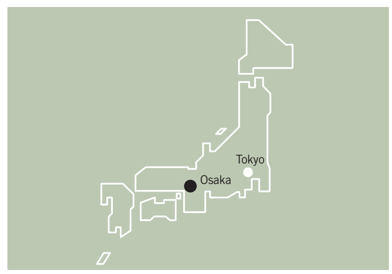
Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥2,264 million ($21.4 million) / ¥1,900 million ($18.0 million)
Acquisition date:	September 25, 2001 / December 26, 2003
Location:	Osaka, Osaka Prefecture
Intended use:	Office Space
Site area:	2,036.22m^2 (21,917.67ft^2)
Floor area of building:	17,145.59m^2 (184,553.42ft^2)
Structure:	Above ground: 13 floors Below ground: 2 floors
Completion:	October 1992

Leasing Conditions (As of March 31, 2004)

Number of tenants:	7 tenants
Leasable floor space:	11,574m^2 (124,581.38ft^2)
Leased area:	8,877m^2 (95,551.14ft^2)
Occupancy rate:	76.7%

Note: On July 1, 2004, "Fukusuke Sakaisujihonmachi Building" was renamed to "Sakaisujihonmachi Building."



Property Acquisition Merits

A relatively new building, the Sakaisujihonmachi Building delivers a host of merits. It has a prominent interior and exterior design, and boasts high construction and facility specifications including separated air conditioning, high ceilings and is close to transport.

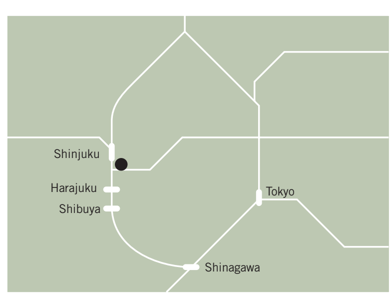
Nippon Brunswick Building

Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥6,670 million ($63.1 million)
Acquisition date:	March 24, 2004
Location:	Shibuya-ku, Tokyo
Intended use:	Office Space
Site area:	1,497.52m^2 (16,119.16ft^2)
Floor area of building:	11,957.38m^2 (128,708.04ft^2)
Structure:	Above ground: 9 floors Below ground: 2 floors
Completion:	March 1974

Leasing Conditions (As of March 31, 2004)

Number of tenants:	16 tenants
Leasable floor space:	7,347m^2 (79,082.37ft^2)
Leased area:	6,549m^2 (70,492.78ft^2)
Occupancy rate:	89.1%



Property Acquisition Merits

The Nippon Brunswick Building is situated in close proximity to Shinjuku Station, a terminal for a number of leading transportation lines. Despite being 30 years old, the building has sufficient durability against earthquakes and has recently undergone extensive fittings renovation.

NHK Hiroshima Broadcasting Center Building

Property Summary

Type of specified asset:	Ownership and joint leasehold interest
Acquisition price:	¥1,320 million ($12.5 million)
Acquisition date:	March 25, 2004
Location:	Hiroshima, Hiroshima Prefecture
Intended use:	Office Space
Site area:	3,296.46m^2 (35,482.77ft^2)
Floor area of building:	35,217.28m^2 (379,075.28ft^2)
Structure:	Above ground: 23 floors
	Below ground: 2 floors
Completion:	August 1994

Leasing Conditions (As of March 31, 2004)

Number of tenants:	15 tenants
Leasable floor space:	5,470m^2 (58,878.53ft^2)
Leased area:	5,470m^2 (58,878.53ft^2)
Occupancy rate:	100.0%

Property Acquisition Merits

Located in the business district in the center of Hiroshima, this building is a landmark for its location, size and artistic exterior. It boasts high-integrity specifications to meet the needs of a wide variety of tenants.

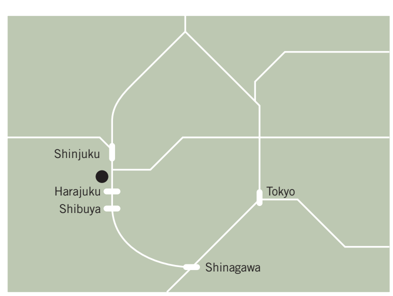
Yoyogi 1chome Building

Property Summary

Type of specified asset:	Ownership
Acquisition price:	¥8,700 million ($82.3 million)
Acquisition date:	April 1, 2004
Location:	Shibuya-ku, Tokyo
Intended use:	Office Space
Site area:	1,755.75m^2 (18,898.72ft^2)
Floor area of building:	10,778.10m^2 (116,014.39ft^2)
Structure:	Above ground: 14 floors
	Below ground: 1 floor
Completion:	October 2003

Leasing Conditions (As of April 1, 2004)

Number of tenants:	1 tenant
Leasable floor space:	7,772m^2 (83,657.03ft^2)
Leased area:	7,772m^2 (83,657.03ft^2)
Occupancy rate:	100.0%

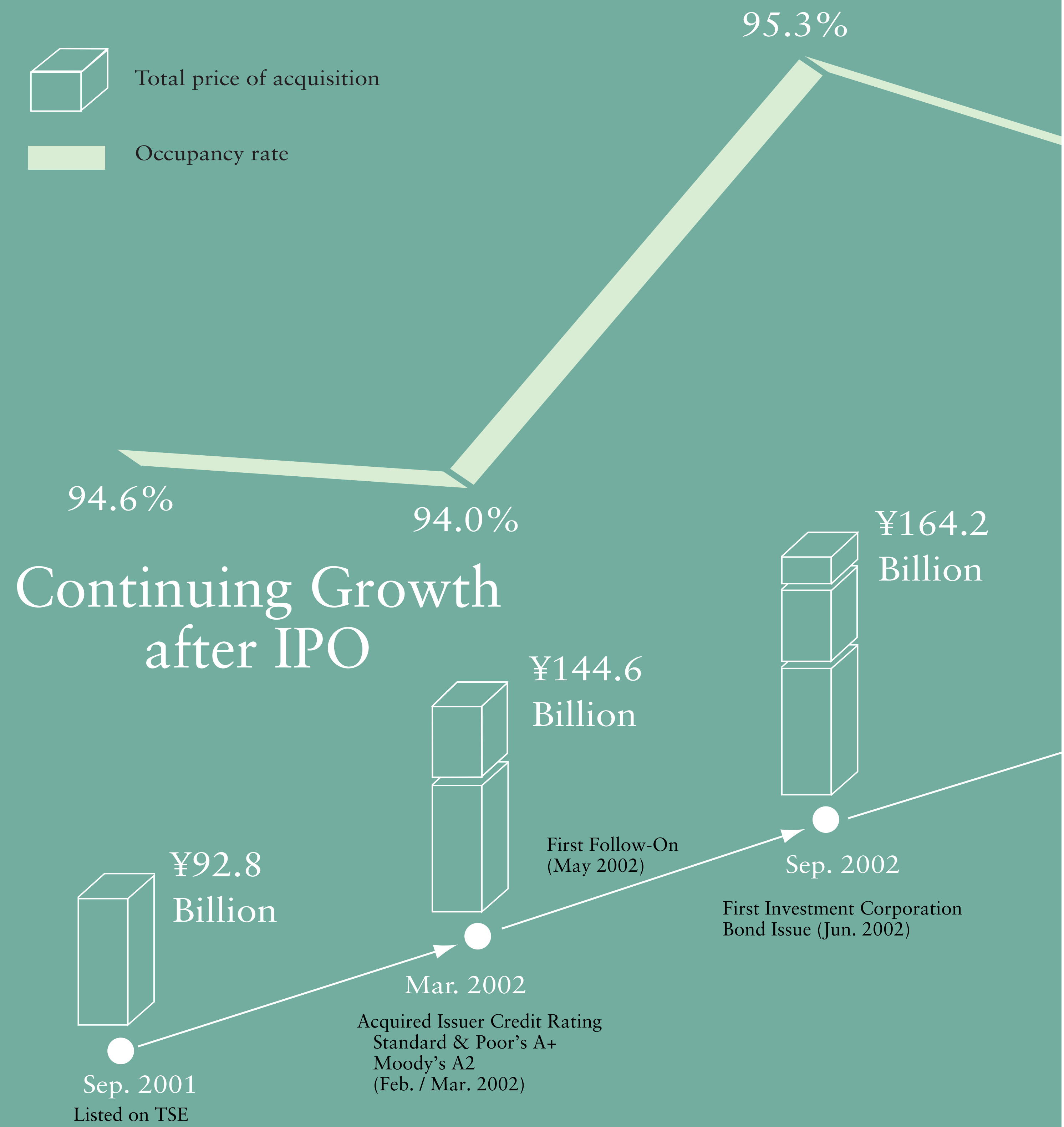


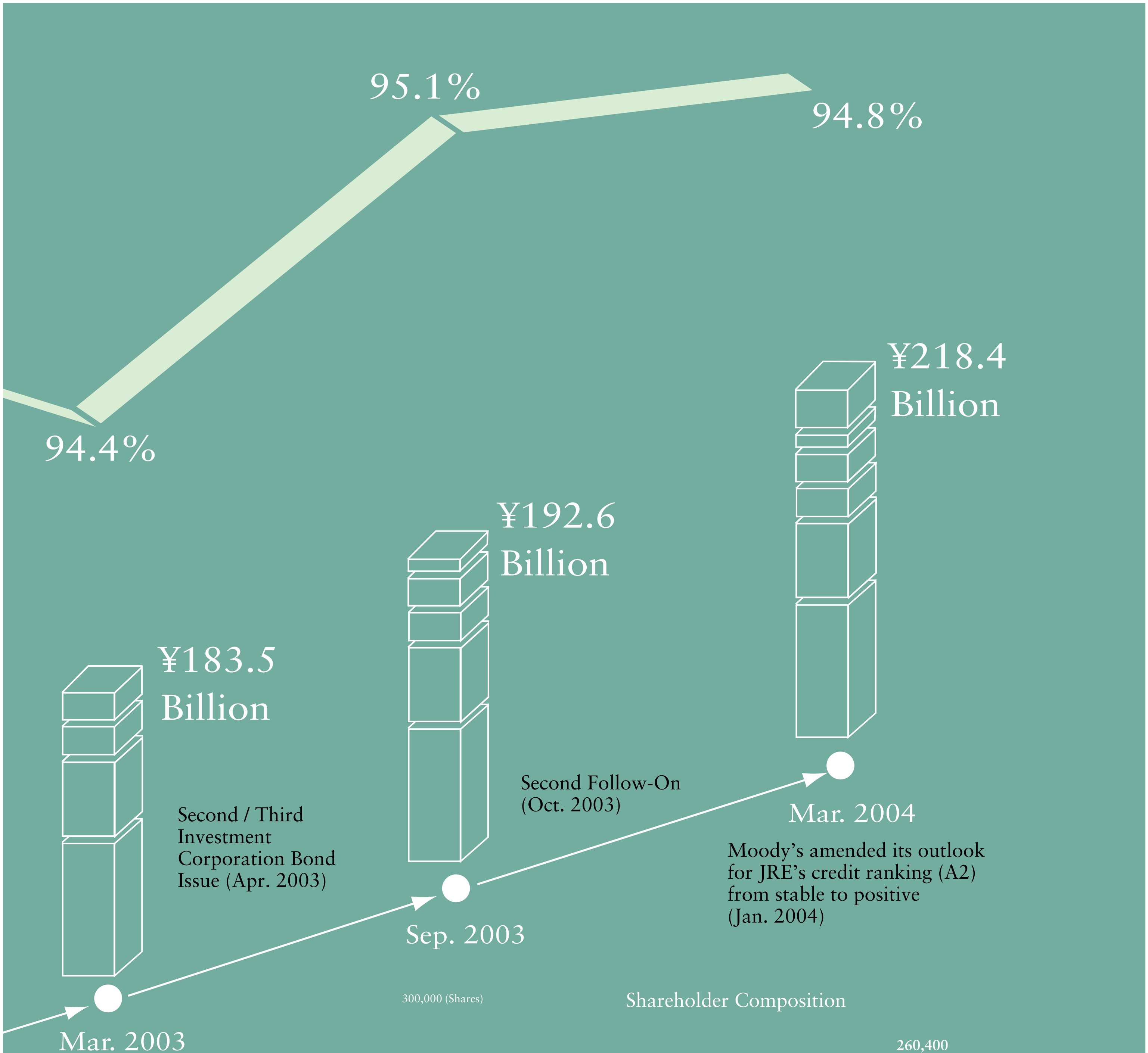
Property Acquisition Merits

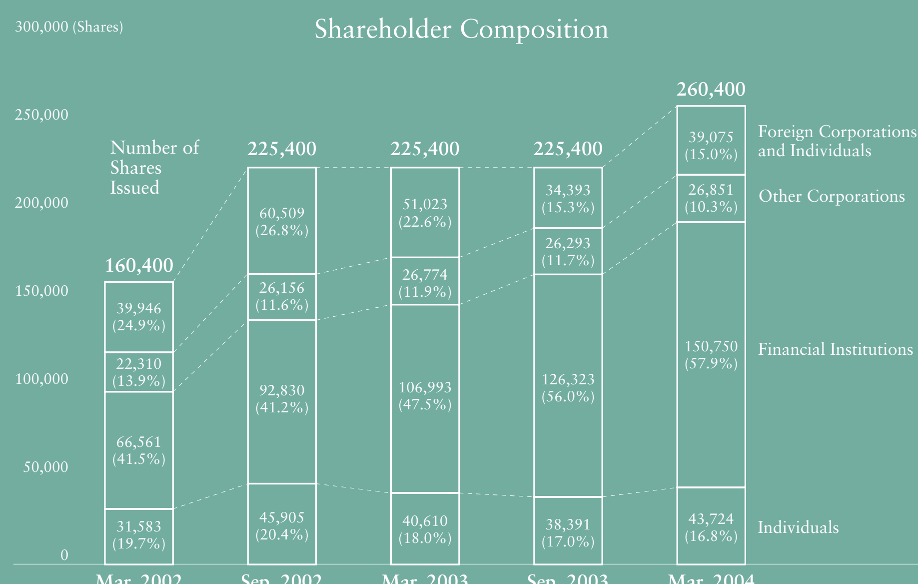
The Yoyogi 1chome Building is located in Yoyogi, a stable market with expected demand from the preparatory school industry. It is also a link to Shinjuku, a core business area. It is a brand-new building completed in October 2003 and as such offers superior specifications.

History after IPO

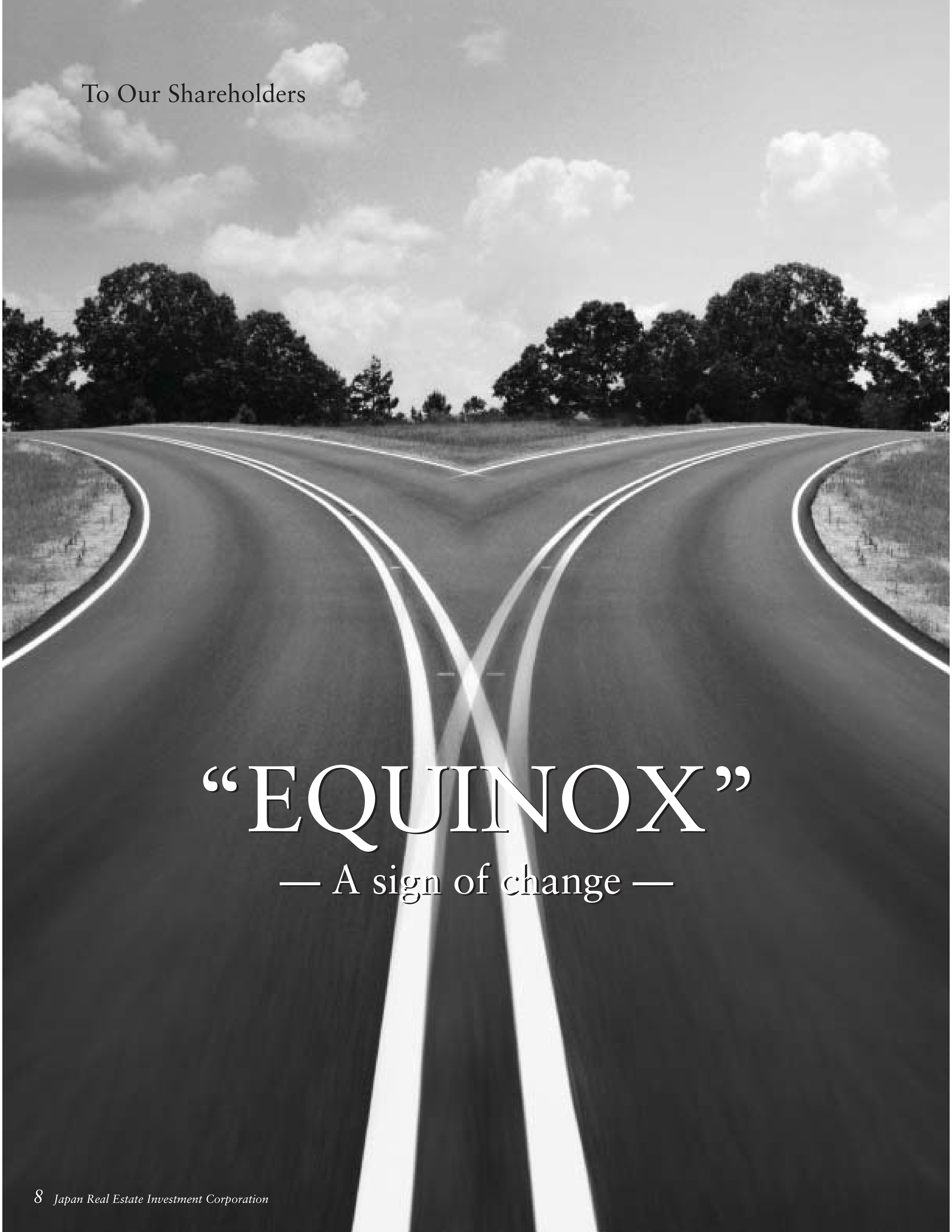
Continuing Growth after IPO




94.4%
95.1%
94.8%
¥183.5
Billion
¥192.6
Billion
¥218.4
Billion
Second / Third
Investment
Corporation Bond
Issue (Apr. 2003)
Second Follow-On
(Oct. 2003)
Moody's amended its outlook
for JRE's credit ranking (A2)
from stable to positive
(Jan. 2004)
Mar. 2003
Sep. 2003
Mar. 2004


Shareholder Composition
300,000 (Shares)
250,000
200,000
150,000
100,000
50,000
0
Number of
Shares
Issued
160,400
225,400
225,400
225,400
260,400
39,946
(24.9%)
22,310
(13.9%)
66,561
(41.5%)
31,583
(19.7%)
60,509
(26.8%)
26,156
(11.6%)
92,830
(41.2%)
45,905
(20.4%)
51,023
(22.6%)
26,774
(11.9%)
106,993
(47.5%)
40,610
(18.0%)
34,393
(15.3%)
26,293
(11.7%)
126,323
(56.0%)
38,391
(17.0%)
39,075
(15.0%)
26,851
(10.3%)
150,750
(57.9%)
43,724
(16.8%)
Foreign Corporations
and Individuals
Other Corporations
Financial Institutions
Individuals
Mar. 2002
Sep. 2002
Mar. 2003
Sep. 2003
Mar. 2004

To Our Shareholders



"EQUINOX"

— A sign of change —

We feel that we are entering a new phase, a time of change we think of as an "equinox."

Japan Real Estate Investment Corporation's ("JRE") fifth period, the six months to March 31, 2004, was also our fifth consecutive period of growth. Solid investments, careful attention to market information and skillful management has allowed us to build a strong portfolio. JRE is distinguished by its expertise founded on experience.

Having built a solid base of 36 properties, with operating revenue in excess of ¥9 billion, we feel that we are entering a new phase, a time of change we think of as an "equinox." We have acquired some exciting new properties and expanded our financing with an additional public offering, to which our shareholders have responded favorably. I would like to highlight some of the major achievements during the fifth period, and discuss our strategies and forecasts for the sixth period and beyond.

OVERVIEW OF FIFTH PERIOD

Our fifth consecutive period of rising revenue and profit

The general economy showed signs of an export-led economic recovery, urged along by greater business confidence in the United States and around the world. Domestic demand also picked up, as a recovery in corporate capital investment led to a measured improvement in market sentiment.

JRE has achieved continuous growth in revenues and profits over five consecutive periods since IPO. Full contributions have been realized from properties acquired in the fourth period, and we have already received substantial contributions from properties acquired during the fifth period.

In the six months to March 31, 2004 JRE recorded gross revenues of ¥9.6 billion ($90.5 million), up 6.6 percent from the previous period. Operating profits rose 11.4 percent, to ¥4.3 billion ($41.1 million), and net income was up 11.6 percent, to ¥3.8 billion ($36.0 million). In line with our policy of distributing dividends of close to 100 percent of taxable income, I am pleased to report that we were able to provide our shareholders with a cash dividend of ¥14,602 ($138.16) per share, ¥400 above our original estimate of ¥14,200 (US$134.36).

New acquisitions

The property market is growing increasingly competitive, making a solid and far-reaching information network an indispensable means for collecting data on property sales. JRE has its own information network based on its history of actual property purchases. Meticulous examination and skillful use of the information we have accumulated has given us an edge in not only locating and acquiring preferred properties, but determining optimal prices that ensure profit stability and an expected rate of return from the entire portfolio.

We made five new acquisitions during the fifth period namely the Jingumae Media Square Building, Ebisu Neonato, an increase in our investment in the Sakaisujihonmachi Building, the Nippon Brunswick Building, and the NHK Hiroshima Broadcasting Center Building (Total; ¥25.8 billion, $244.4 million). Three of these properties are located in business districts earmarked for potential growth in central Tokyo, and the remaining two are in prime locations in important urban centers, which will quickly make them important elements of our portfolio. Details on these buildings and their respective merits are presented in the new portfolio properties section. As of March 31, 2004, JRE's assets consisted of 36 office buildings, with a total value of ¥218.4 billion ($2,066.8 million), total leasable floor space of 273,157 m^2 (2,940,235 ft^2), and a total of 444 tenants.

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

Property management initiatives

JRE's fifth period overcame the peak of the so-called "Year 2003 Problem," an excessive supply of newly constructed office buildings in central Tokyo. An economic upturn and JRE's attractive portfolio did much to ease the negative effects of this phenomenon. However, demand for office floor space in regional urban centers was weak as companies continue to integrate and downsize offices.

Despite the cancellation of the lease agreement with Nippon Ericsson K.K., JRE's third largest tenant, we were able to achieve an occupancy rate of 94.8% (as of March 31, 2004). This was accomplished by (1) acquiring top-level properties and upgrading building facilities through optimal refurbishment in order to maintain and improve functions; (2) developing finely tuned building management policies from the perspective of tenants while undertaking structured marketing activities; and (3) raising its emphasis on fixed-term and long-term lease contracts.

With reference to the second point in particular, it is our basic policy to lower property management fees and utility expenses by 5% within the first three years of new property acquisition. Our goal is to reduce costs and further enhance profit stability. Despite being midway through the program period, we have already reduced the costs of 27 properties acquired before our fourth fiscal period by 10% per year.

The real estate market overall has seen an increase in supply from bad-debt write-offs by financial institutions and the adoption of asset-impairment accounting (which will become mandatory in 2006). Private funds, pension funds, and qualified institutional investors are beginning to turn their attention to the acquisition of real estate in the face of changing management conditions. Though competition is growing, we are confident that our experience, information network and appeal to tenants will allow us to remain a leader in the market.

In light of recent increases in demand, JRE believes that now is the time when its true acquisition capabilities will be demonstrated.

Rating upgrade from Moody's

On January 26, 2004, Moody's Investors Service amended its outlook for JRE's issuer credit rating and rating for unsecured long-term debt (A2) from stable to positive. We are proud that our achievements have been recognized in this way, taking it as outside confirmation that the conduct of our business is on the right track.

JRE's issuer credit ratings:

Ratings Agency	Rating	Outlook
Standard & Poor's	Long-term: A+; Short-term: A-1	Stable
Moody's Investors Service	A2	Positive

Additional public offering

During its fifth period JRE became the first J-REIT to make a second follow-on. The second offer of 35,000 shares, made on October 25, 2003, generated approximately ¥21.3 billion ($201.5 million), increasing the number of issued shares to 260,400, with a total value of ¥133.4 billion ($1,262.6 million).

Flexible capital procurement is necessary when acquiring property. By increasing capital and establishing a sound financial base, we can ensure ample borrowing reserves to further expand our operating asset base. While issuing additional shares is vital for the further growth of JRE, we consider the appropriate timing and scale of such issues, taking into account financial market conditions and our own plans for property acquisitions.

To ensure flexibility in capital procurement, JRE took out a short-term loan of ¥12.0 billion ($113.5 million), to finance its purchase of the Jingumae Media Square Building. This temporarily raised short-term borrowings to approximately ¥19.0 billion ($179.8 million). Following the additional share issue, however, we repaid ¥14.0 billion ($132.5 million) of such borrowings. We then borrowed ¥13.0 billion ($123.0 million) in March 2004 to acquire the Nippon Brunswick Building and the Yoyogi 1chome Building. This figure included a ¥4.0 billion ($37.8 million) floating-rate short-term loan, taken out to ensure flexibility, and a ¥9.0 billion ($85.2 million) fixed-rate long-term loan. JRE is conscious of maintaining balance in fixed and floating rate interest-bearing debt and an acceptable debt maturity profile to minimize the risks of interest rate fluctuation and the potential need for refinancing.

We expect interest rates to rise, and place high priority on long-term loans with fixed interest rates when procuring capital. On March 31, 2004, JRE had total borrowings of ¥42.0 billion ($397.4 million) (¥33.0 billion ($312.2 million) in long-term loans) and outstanding corporate bonds valued at ¥45.0 billion ($425.8 million).

OUTLOOK FOR THE SIXTH PERIOD

Operating environment

Based on expectations for an interest rate hike in the U.S. along with a recovery in the economy, the Japanese economy is gradually exiting from a period of prolonged deflation, reflected in expectations for an increase in long-term interest rates. Although the picture remains cloudy overall, the economy appears to have bottomed. In the office building market, occupancy rates are showing signs of improving in central Tokyo, and demand seems to have bottomed for office floor space in other urban centers.

Tenants are also making more stringent demands not only with respect to location, building quality, and facilities, but also for high-quality building management. For these reasons, tenants have become more and more discriminating when selecting buildings. JRE is focusing on providing services that correctly and promptly reflect the needs of tenants and deliver added value that differentiates its buildings from the competition.

In the real estate market, properties will continue being sold to settle non-performing loans and for asset impairment accounting purposes, due to the ongoing deflationary climate. In light of recent increases in demand, JRE believes that now is the time when its true acquisition capabilities will be demonstrated.

Property management policies

Although we expect the office building rental market to soften overall, JRE is adopting the following management policies in order to maintain and improve earnings.

Strengthen relationships of trust with existing tenants

As of March 31, 2004, JRE had contracts with nine 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.

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.

Reduce management costs

JRE has introduced sound competitive principles for its nine property management companies to follow. Those companies are also revamping their management systems and cost structures. Our target for properties owned as of March 31, 2004, is to reduce the sum of property management fees and utility expenses by 5 percent within three years of acquisition.

New property acquisition

JRE has set a number of policy guidelines for acquiring properties in order to improve earnings through steady asset expansion and growth. Adherence to these policies has underpinned our success, and will be the foundation for future growth.

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.

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-resistant standards, and we are targeting properties capable of maintaining a competitive edge over the medium and long terms.

JRE's general target for regional diversity of property ownership, in accordance with its acquisition policies, is for 60 percent to 80 percent of properties to be located within the Tokyo metropolitan area, with the remaining 20 percent to 40 percent located in regional urban centers. It is possible, however, that future trends in office demand may prompt JRE to temporarily depart from these ratios and increase the proportion of its holdings in the greater Tokyo area.

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 share issues, according to trends in financial markets. When effecting a loan, our policy is to minimize funding costs by negotiating with several qualified institutional investors before settling on a lender.

JRE is currently considering the acquisition of additional properties, based on rigorous evaluations of potential, assessments of return, and suitability to the overall portfolio. Once acquisition decisions have been made, these will be announced via press release.

Performance forecasts

We expect our strong performance to continue during the six-month period from April 1 to September 30, 2004. We forecast operating revenues of ¥9.9 billion ($93.7 million), and net income of ¥3.8 billion ($36.0 million). We expect to declare a cash dividend of ¥14,600 ($138.14) per share.

Our forecasts for the seventh fiscal period (October 1, 2004, to March 31, 2005) are operating revenues of ¥9.7 billion ($91.8 million), net income of ¥3.7 billion ($35.0 million), and cash dividends of ¥14,300 ($135.30) per share.

These estimates are based on the following conservative assumption. First, the Company maintains a portfolio of the 36 properties as of March 31, 2004, together with the Yoyogi 1chome Building and the additional co-ownership in Ebisu Neonato acquired as of April 1, 2004 and excludes any other additional acquisition.

Second, we consider probable maximum losses (PMLs), primarily the maximum risk of decreasing revenues due to rent reductions or a possible fall in occupancy rates to 91.3% by the end of the sixth fiscal period for termination of contracts, including already confirmed declines, as well as the gradual leasing of vacant space over time.

JRE, as one of the first and most successful J-REITs, has become the benchmark for those that have followed. Though competition in the real estate market is increasing, JRE has adhered to a basic formula of utilizing a far-reaching information network to find the best properties, paying careful attention to client needs and providing them with added value, and exercising skillful management to maintain a first-rate portfolio. Although in the beginning the J-REIT market was criticized for having conflicts of interest between shareholders of real estate investment corporations and sponsors of asset management companies, our approach to collaborating with sponsors has become strategically important as the operating environment reaches a period of equinox. As we come through our "equinox" period, realizing even greater expansion, we will continue to work diligently to ensure that JRE is the standard by which all J-REITs are judged.

Executive Director of Japan Real Estate Investment Corporation
YONEICHIRO BABA (Left)
CEO & President of Japan Real Estate Asset Management Co., Ltd.
RYOICHI KAKEHASHI (Right)

Thank you for your continued support of JRE.

Yoneichiro Baba

Executive Director of Japan Real Estate Investment Corporation
YONEICHIRO BABA

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

The Portfolio of Japan Real Estate Investment Corporation

As of March 31, 2004

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	(2.3%)
I- 2	MD Kanda Building	Kandamitoshirocho, Chiyoda-ku	Ownership	5/31/2002	9,520	(4.4%)
I- 3	Kandabashi Park Building	Kandanishikicho, Chiyoda-ku	Ownership	8/15/2002	4,810	(2.2%)
I- 4	Mitsubishi Soken Building	Otemachi, Chiyoda-ku	Trust	9/25/2001	27,267	(12.5%)
I- 5	Yurakucho Denki Building	Yurakucho, Chiyoda-ku	Ownership	8/1/2003	7,200	(3.3%)
I- 6	Kodenmacho Shin-Nihonbashi Building	Nihonbashikodenmacho, Chuo-ku	Trust	9/25/2001	3,173	(1.5%)
I- 7	Burex Kyobashi Building	Kyobashi, Chuo-ku	Ownership	7/22/2002	5,250	(2.4%)
I- 8	Aoyama Crystal Building	Kita-Aoyama, Minato-ku	Ownership	3/14/2003	7,680	(3.5%)
I- 9	Shiba 2chome Daimon Building	Shiba, Minato-ku	Trust	9/10/2001	4,859	(2.2%)
I- 10	Cosmo Kanasugibashi Building	Shiba, Minato-ku	Trust	9/25/2001	2,808	(1.3%)
I- 11	Takanawadai Building	Higashi-Gotanda, Shinagawa-ku	Trust	9/25/2001	2,738	(1.3%)
I- 12	JAL Travel Building	Shimo Meguro, Meguro-ku	Trust	9/10/2001	1,362	(0.6%)
I- 13	Omori-Eki Higashiguchi Building	Omori Kita, Ota-ku	Trust	9/10/2001	5,123	(2.3%)
I- 14	Nippon Brunswick Building	Sendagaya, Shibuya-ku	Ownership	3/24/2004	6,670	(3.1%)
I- 15	da Vinci Harajuku	Jingumae, Shibuya-ku	Ownership	11/22/2002	4,885	(2.2%)
I- 16	Jingumae Media Square Building	Jingumae, Shibuya-ku	Ownership	10/9/2003	12,200	(5.6%)
I- 17	Shibuya Cross Tower	Shibuya, Shibuya-ku	Ownership	11/30/2001	34,600	(15.8%)
I- 18	Ebisu Neonato	Ebisu, Shibuya-ku	Ownership	11/14/2003	3,740	(1.7%)
I- 19	Otsuka Higashi-Ikebukuro Building	Higashi-Ikebukuro, Toshima-ku	Trust	9/25/2001	3,541	(1.6%)
I- 20	Ikebukuro 2chome Building	Ikebukuro, Toshima-ku	Trust	9/25/2001	1,728	(0.8%)
Tokyo metropolitan area excluding 23 wards						
II- 1	Saitama Urawa Building	Saitama, Saitama Prefecture	Ownership	9/25/2001	1,232	
				10/11/2001	1,342	
				total	2,574	(1.2%)
II- 2	Shin-Yokohama First Building (Note 1)	Yokohama, Kanagawa Prefecture	Ownership	1/28/2002	3,000	(1.4%)
II- 3	Kawasaki Isago Building	Kawasaki, Kanagawa Prefecture	Trust	9/25/2001	3,375	(1.5%)
Other major cities						
III-1	Sendai Honcho Honma Building	Sendai, Miyagi Prefecture	Trust	9/25/2001	2,924	(1.3%)
III-2	Niigata Ishizuecho Nishi-Bandaibashi Building	Niigata, Niigata Prefecture	Trust	9/25/2001	1,010	(0.5%)
III-3	Kanazawa Park Building	Kanazawa, Ishikawa Prefecture	Ownership	2/28/2002	2,880	
				3/3/2003	1,700	
				total	4,580	(2.1%)
III-4	Kanazawa Minamicho Building	Kanazawa, Ishikawa Prefecture	Trust	9/25/2001	1,331	(0.6%)
III-5	Nagoya Hirokoji Building	Nagoya, Aichi Prefecture	Ownership	9/10/2001	14,533	(6.7%)
III-6	Nagoya Misono Building	Nagoya, Aichi Prefecture	Ownership	8/8/2003	1,865	(0.9%)
III-7	Kyoto Shijo Kawaramachi Building	Kyoto, Kyoto Prefecture	Ownership	12/20/2001	2,650	(1.2%)
III-8	Sakaisujihonmachi Building (Note 2)	Osaka, Osaka Prefecture	Ownership	9/25/2001	2,264	
				12/26/2003	1,900	
				total	4,164	(1.9%)
III-9	Midosuji Daiwa Building	Osaka, Osaka Prefecture	Trust	9/25/2001	6,934	
				2/28/2002	7,380	
				total	14,314	(6.6%)
III-10	Kobe Itomachi Building	Kobe, Hyogo Prefecture	Trust	9/25/2001	1,436	(0.7%)
III-11	NHK Hiroshima Broadcasting Center Building	Hiroshima, Hiroshima Prefecture	Ownership	3/25/2004	1,320	(0.6%)
III-12	Tosei Tenjin Building	Fukuoka, Fukuoka Prefecture	Ownership	9/25/2001	1,550	(0.7%)
III-13	Hinode Tenjin Building	Fukuoka, Fukuoka Prefecture	Trust	9/10/2001	3,657	(1.7%)
				total	218,437	(100.0%)

MAJOR TENANTS ROSTER

Rank	Name of tenant	Name of building	Leased area
1	Mitsubishi Research Institute, Inc. (Note 1)	Mitsubishi Soken Building	14,529m^2 (156,389ft^2)
2	The Dai-ichi Mutual Life Insurance Company	Midosuji Daiwa Building (also includes 7 other buildings)	10,341m^2 (111,309ft^2)
3	TOTO Ltd.	Midosuji Daiwa Building (also includes 2 other buildings)	7,302m^2 (78,598ft^2)
4	N.I. Teijin Shoji Co., Ltd. (Note 2)	Sakaisujihonmachi Building	5,636m^2 (60,665ft^2)
5	Center for Health Care & Public Concern (Note 3)	Genki Medical Plaza	4,791m^2 (51,570ft^2)
6	Casio Computer Co., Ltd.	Midosuji Daiwa Building	4,418m^2 (47,555ft^2)

Notes: 1. Lease with this tenant is a fixed-term lease for the period from February 1, 2001 to March 31, 2011. This tenant has agreed not to terminate the contract during the lease period.
2. The contract with N.I. Teijin Shoji Co., Ltd. was terminated as of May 31, 2004.
3. Lease with this tenant is a fixed-term lease for the period from November 1, 2002 to October 31, 2017. This tenant has agreed not to terminate the contract during the lease period.

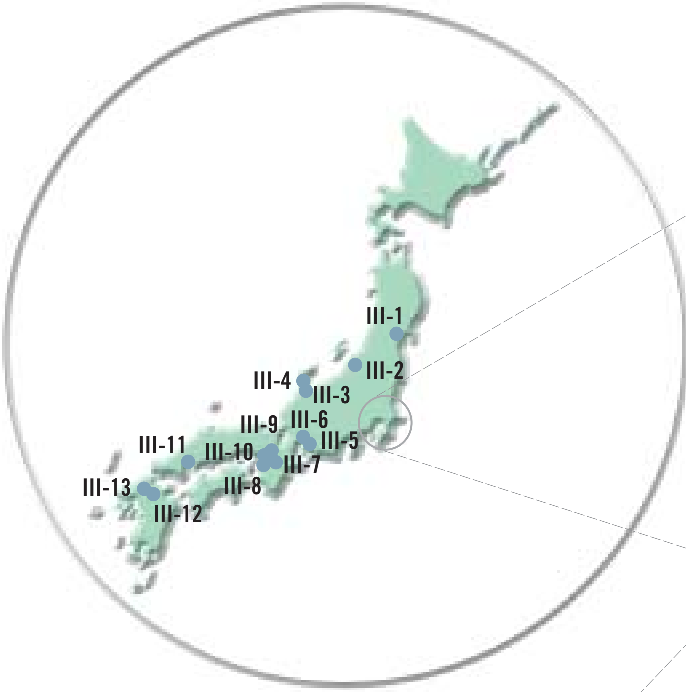
Percentage of ownership of the building (%)	Completion	Appraisal value at the end of period (¥ millions)	Total leasable floor space		Leased area		Total number of tenants	Revenue from leasing operations (¥ millions)	
100	1985	5,510	4,791m^2	(51,570ft^2)	4,791m^2	(51,570ft^2)	1	221	(2.3%)
100	1998	8,110	6,269m^2	(67,479ft^2)	6,269m^2	(67,479ft^2)	3	370	(3.9%)
56.76	1993	4,940	3,687m^2	(39,686ft^2)	3,687m^2	(39,686ft^2)	7	195	(2.0%)
100	1970	30,400	18,006m^2	(193,815ft^2)	18,006m^2	(193,815ft^2)	4	1,002	(10.5%)
10.78	1975	6,780	4,694m^2	(50,526ft^2)	4,123m^2	(44,380ft^2)	13	277	(2.9%)
100	1991	3,240	3,897m^2	(41,947ft^2)	3,897m^2	(41,947ft^2)	5	160	(1.7%)
100	2002	5,110	4,279m^2	(46,059ft^2)	4,279m^2	(46,059ft^2)	1	150	(1.6%)
100	1982	7,170	4,916m^2	(52,915ft^2)	4,916m^2	(52,915ft^2)	9	249	(2.6%)
100	1984	5,110	9,643m^2	(103,796ft^2)	9,215m^2	(99,189ft^2)	30	300	(3.1%)
100	1992	2,840	4,062m^2	(43,723ft^2)	4,062m^2	(43,723ft^2)	7	135	(1.4%)
100	1991	2,830	4,091m^2	(44,035ft^2)	4,091m^2	(44,035ft^2)	1	140	(1.5%)
100	1991	1,390	3,383m^2	(36,414ft^2)	3,383m^2	(36,414ft^2)	1	95	(1.0%)
100	1989	5,180	7,708m^2	(82,968ft^2)	7,661m^2	(82,462ft^2)	18	273	(2.9%)
100	1974	6,930	7,347m^2	(79,082ft^2)	6,549m^2	(70,493ft^2)	16	11	(0.1%)
100	1987	5,010	3,051m^2	(32,841ft^2)	3,051m^2	(32,841ft^2)	6	189	(2.0%)
100	1998	12,410	5,558m^2	(59,826ft^2)	5,074m^2	(54,616ft^2)	7	312	(3.3%)
100	1976	34,100	29,796m^2	(320,721ft^2)	29,747m^2	(320,194ft^2)	53	1,461	(15.3%)
11.11	1994	3,760	2,225m^2	(23,950ft^2)	2,225m^2	(23,950ft^2)	3	83	(0.9%)
100	1987	3,370	7,114m^2	(76,574ft^2)	7,114m^2	(76,574ft^2)	10	181	(1.9%)
100	1990	1,490	2,186m^2	(23,530ft^2)	1,941m^2	(20,893ft^2)	6	77	(0.8%)
100	1990	2,390	4,510m^2	(48,545ft^2)	4,421m^2	(47,587ft^2)	14	140	(1.5%)
100	1992	1,700	6,925m^2	(74,540ft^2)	5,036m^2	(54,207ft^2)	4	142	(1.5%)
100	1990	3,110	6,831m^2	(73,528ft^2)	6,831m^2	(73,528ft^2)	10	191	(2.0%)
93.39	1991	2,970	5,829m^2	(62,743ft^2)	5,573m^2	(59,987ft^2)	11	163	(1.7%)
100	1984	771	4,383m^2	(47,178ft^2)	4,198m^2	(45,187ft^2)	10	83	(0.9%)
89.00	1991	5,460	21,343m^2	(229,734ft^2)	20,202m^2	(217,452ft^2)	65	535	(5.6%)
100	1987	1,090	3,782m^2	(40,709ft^2)	2,951m^2	(31,764ft^2)	13	71	(0.7%)
100	1987	14,600	21,590m^2	(232,393ft^2)	20,967m^2	(225,687ft^2)	33	761	(8.0%)
100	1991	1,840	3,470m^2	(37,351ft^2)	3,470m^2	(37,351ft^2)	7	107	(1.1%)
100	1982	2,130	6,800m^2	(73,195ft^2)	5,619m^2	(60,482ft^2)	27	136	(1.4%)
100	1992	4,560	11,574m^2	(124,581ft^2)	8,877m^2	(95,551ft^2)	7	226	(2.4%)
100	1991	13,500	20,449m^2	(220,111ft^2)	18,892m^2	(203,352ft^2)	20	758	(7.9%)
100	1989	999	3,478m^2	(37,437ft^2)	3,277m^2	(35,273ft^2)	13	69	(0.7%)
27.085	1994	1,350	5,470m^2	(58,879ft^2)	5,470m^2	(58,879ft^2)	15	6	(0.1%)
100	1992	1,400	4,080m^2	(43,917ft^2)	3,755m^2	(40,418ft^2)	19	94	(1.0%)
76.18	1987	3,600	5,924m^2	(63,765ft^2)	5,248m^2	(56,489ft^2)	8	180	(1.9%)
—	—	217,150	273,157m^2	(2,940,235ft^2)	258,885m^2	(2,786,612ft^2)	444	9,560	(100.0%)

Notes: 1. On March 1, 2004, "Ericsson Shin-Yokohama Building" was renamed to "Shin-Yokohama First Building."
2. On July 1, 2004, "Fukusuke Sakaisujihonmachi Building" was renamed to "Sakaisujihonmachi Building."

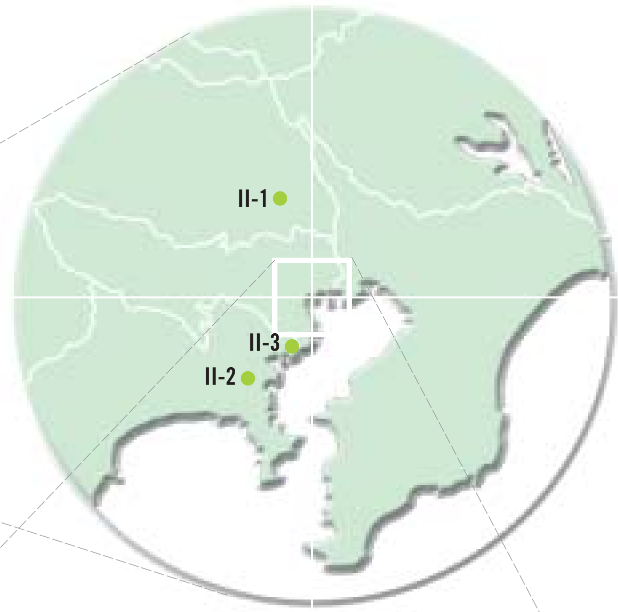
Percent of total leased area
5.6%
4.0%
2.8%
2.2%
1.9%
1.7%

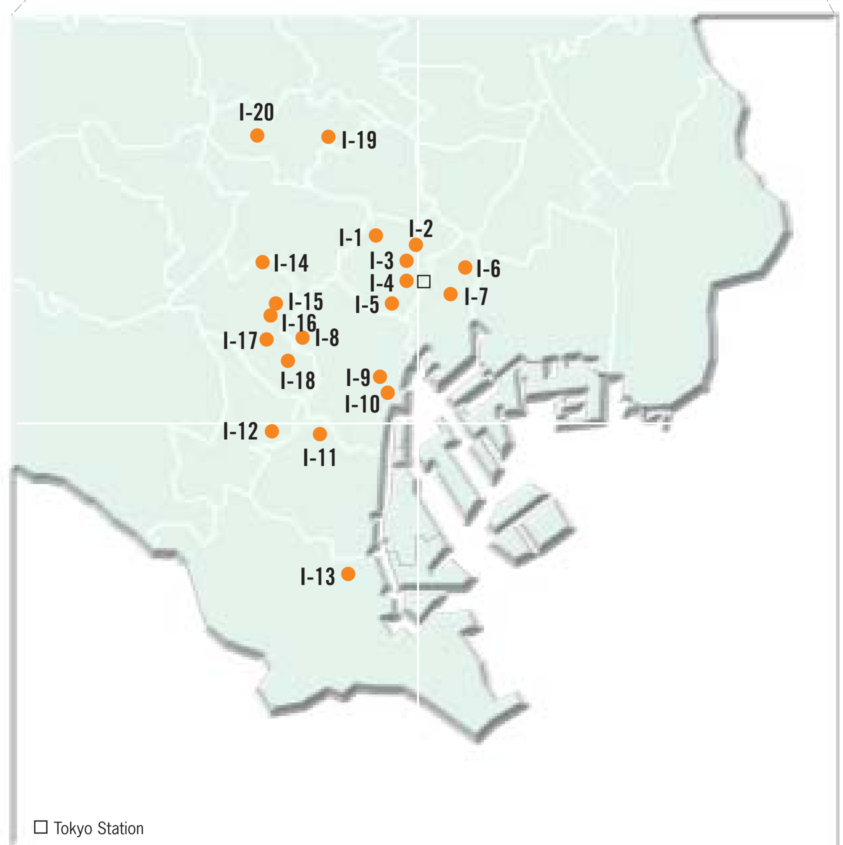
LOCATIONS OF PORTFOLIO PROPERTIES

III-1 – III-13 : Other major cities



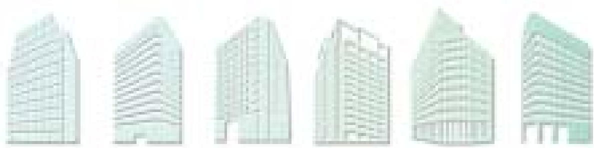
II-1 – II-3 : Tokyo metropolitan area excluding 23 wards





I-1 – I-20 : Tokyo 23 wards

Overview of Portfolio Properties



PROPERTY PORTFOLIO As of March 31, 2004

Genki Medical Plaza

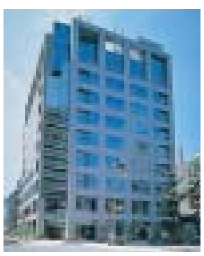
● I-1

Location : Chiyoda-ku, Tokyo
Site area : 1,052.80m^2 (11,332.23ft^2)
Floor area of building : 6,722.02m^2 (72,355.15ft^2)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : September 1985

MD Kanda Building

● I-2

Location : Chiyoda-ku, Tokyo
Site area : 1,085.83m^2 (11,687.77ft^2)
Floor area of building : 8,185.11m^2 (88,103.71ft^2)
Structure : Above ground: 10 floors
Completion : February 1998



Kandabashi Park Building

● I-3

Location : Chiyoda-ku, Tokyo
Site area : 1,218.56m^2 (13,116.46ft^2)
Floor area of building : 9,370.25m^2 (100,860.43ft^2)
Structure : Above ground: 10 floors
Below ground: 1 floor
Completion : July 1993

Mitsubishi Soken Building

● I-4

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

Yurakucho Denki Building

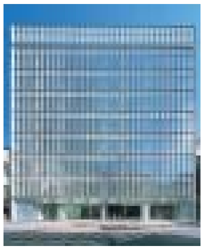
● I-5

Location : Chiyoda-ku, Tokyo
Site area : 5,749.91m^2 (61,891.46ft^2)
Floor area of building : 70,287.65m^2 (756,569.24ft^2)
Structure : Above ground: 20 floors
Below ground: 4 floors
Completion : September 1975

Kodenmacho Shin-Nihonbashi Building

● I-6

Location : Chuo-ku, Tokyo
Site area : 773.28m^2 (8,323.51ft^2)
Floor area of building : 5,822.88m^2 (62,676.90ft^2)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : November 1991



Burex Kyobashi Building

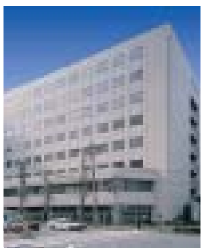
● I-7

Location : Chuo-ku, Tokyo
Site area : 756.03m^2 (8,137.83ft^2)
Floor area of building : 5,470.54m^2 (58,884.35ft^2)
Structure : Above ground: 8 floors
Below ground: 1 floor
Completion : February 2002

Aoyama Crystal Building

● I-8

Location : Minato-ku, Tokyo
Site area : 989.30m^2 (10,648.73ft^2)
Floor area of building : 8,094.36m^2 (87,126.88ft^2)
Structure : Above ground: 10 floors
Below ground: 4 floors
Completion : December 1982



Shiba 2chome Daimon Building

● I-9

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

Cosmo Kanasugibashi Building

● I-10

Location : Minato-ku, Tokyo
Site area : 758.54m^2 (8,164.85ft^2)
Floor area of building : 5,420.93m^2 (58,350.35ft^2)
Structure : Above ground: 9 floors
Below ground: 1 floor
Completion : March 1992

Takanawadai Building

● I-11

Location : Shinagawa-ku, Tokyo
Site area : 1,416.17m^2 (15,243.51ft^2)
Floor area of building : 5,762.70m^2 (62,029.13ft^2)
Structure : Above ground: 13 floors
Completion : January 1991

JAL Travel Building

● I-12

Location : Meguro-ku, Tokyo
Site area : 1,401.52m^2 (15,085.82ft^2)
Floor area of building : 5,269.58m^2 (56,721.23ft^2)
Structure : Above ground: 6 floors
Below ground: 1 floor
Completion : September 1991

Omori-Eki Higashiguchi Building

● I-13

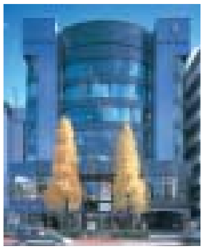
Location : Ota-ku, Tokyo
Site area : 2,199.30m^2 (23,673.05ft^2)
Floor area of building : 14,095.34m^2 (151,720.83ft^2)
Structure : Above ground: 11 floors
Below ground: 2 floors
Completion : July 1989

Nippon Brunswick Building

● I-14

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

da Vinci Harajuku



● I-15

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

Jingumae Media Square Building

● I-16

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

Shibuya Cross Tower

● I-17

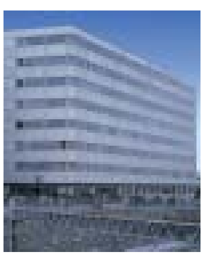
Location :	Shibuya-ku, Tokyo
Site area :	5,153.45m^2 (55,471.22ft^2)
Floor area of building :	61,862.33m^2 (665,879.93ft^2)
Structure :	Above ground: 32 floors
	Below ground: 3 floors
Completion :	April 1976

Ebisu Neonato

● I-18

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

Otsuka Higashi-Ikebukuro Building



● I-19

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

Ikebukuro 2chome Building

● I-20

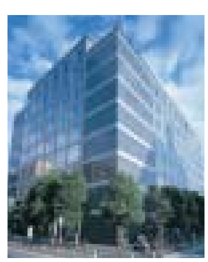
Location :	Toshima-ku, Tokyo
Site area :	397.26m^2 (4,276.07ft^2)
Floor area of building :	3,157.51m^2 (33,987.12ft^2)
Structure :	Above ground: 9 floors
	Below ground: 1 floor
Completion :	May 1990

Saitama Urawa Building

● Ⅱ-1

Location :	Saitama, Saitama Prefecture
Site area :	1,533.06m^2 (16,501.70ft^2)
Floor area of building :	6,258.59m^2 (67,366.84ft^2)
Structure :	Above ground: 8 floors
Completion :	March 1990

Shin-Yokohama First Building (Note)



Note: On March 1, 2004, "Ericsson Shin-Yokohama Building" was renamed to "Shin-Yokohama First Building."

● Ⅱ-2

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

Kawasaki Isago Building

II-3

Location :	Kawasaki, Kanagawa Prefecture
Site area :	1,594.50m^2 (17,163.04ft^2)
Floor area of building :	9,623.83m^2 (103,589.94ft^2)
Structure :	Above ground: 12 floors
	Below ground: 1 floor
Completion :	December 1990

Sendai Honcho Honma Building

III-1

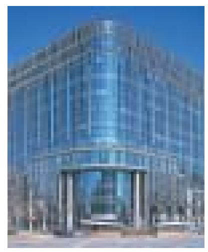
Location :	Sendai, Miyagi Prefecture
Site area :	1,437.47m^2 (15,472.78ft^2)
Floor area of building :	8,247.50m^2 (88,775.27ft^2)
Structure :	Above ground: 11 floors
Completion :	November 1991

Niigata Ishizuecho Nishi-Bandaibashi Building

III-2

Location :	Niigata, Niigata Prefecture
Site area :	957.90m^2 (10,310.74ft^2)
Floor area of building :	6,410.33m^2 (69,000.15ft^2)
Structure :	Above ground: 8 floors
	Below ground: 1 floor
Completion :	November 1984

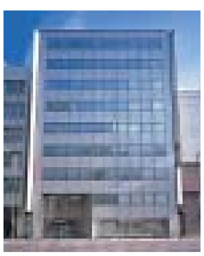
Kanazawa Park Building



III-3

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

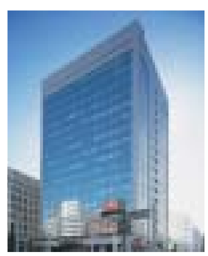
Kanazawa Minamicho Building



III-4

Location :	Kanazawa, Ishikawa Prefecture
Site area :	887.17m^2 (9,549.41ft^2)
Floor area of building :	5,163.19m^2 (55,576.06ft^2)
Structure :	Above ground: 9 floors
Completion :	March 1987

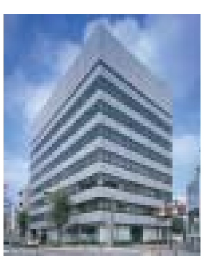
Nagoya Hirokoji Building



III-5

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

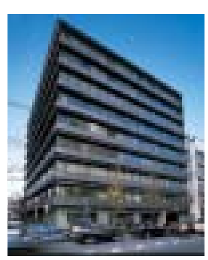
Nagoya Misono Building



III-6

Location :	Nagoya, Aichi Prefecture
Site area :	805.04m^2 (8,665.37ft^2)
Floor area of building :	5,348.00m^2 (57,565.34ft^2)
Structure :	Above ground: 7 floors
	Below ground: 1 floor
Completion :	September 1991

Kyoto Shijo Kawaramachi Building



III-7

Location :	Kyoto, Kyoto Prefecture
Site area :	1,471.57m^2 (15,839.83ft^2)
Floor area of building :	9,701.04m^2 (104,421.02ft^2)
Structure :	Above ground: 9 floors
	Below ground: 1 floor
Completion :	November 1982

Sakaisujihonmachi Building (Note)

Note: On July 1, 2004, "Fukusuke Sakaisujihonmachi Building" was renamed to "Sakaisujihonmachi Building."

● Ⅲ-8

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

Midosuji Daiwa Building

● Ⅲ-9

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

Kobe Itomachi Building

● Ⅲ-10

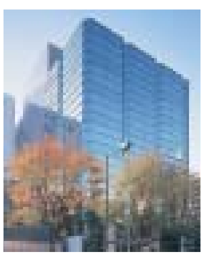
Location :	Kobe, Hyogo Prefecture
Site area :	808.55m^2 (8,703.15ft^2)
Floor area of building :	4,894.09m^2 (52,679.50ft^2)
Structure :	Above ground: 10 floors
Completion :	September 1989

NHK Hiroshima Broadcasting Center Building

● Ⅲ-11

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

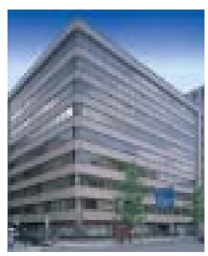
Tosei Tenjin Building



● Ⅲ-12

Location :	Fukuoka, Fukuoka Prefecture
Site area :	1,221.31m^2 (13,146.06ft^2)
Floor area of building :	5,588.57m^2 (60,154.81ft^2)
Structure :	Above ground: 8 floors
Completion :	March 1992

Hinode Tenjin Building



● Ⅲ-13

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

The Company's Investment Policies

(1) INVESTMENT POLICIES

(i) Basic investment policies

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

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

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

I. Real estate assets:
1. Real estate
2. Leaseholds of real estate
3. Surface rights
4. Trust beneficiary rights in trust of real estate, leaseholds of land, and surface rights. These assets referred to herein include beneficiary certificates of comprehensive trusts over real estate and moneys incidental thereto, but do not include marketable securities as defined in Article 3, Item 1 of the Cabinet Order of Law on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended, the "Cabinet Order")
5. Trust beneficiary rights in monetary trusts that are invested in real estate, leaseholds of real estate, and surface rights (except for marketable securities)
6. Equity interests in anonymous partnership relating to a contract that (i) either party makes a contribution to the other party for purposes of management of the assets described in any of the items listed in 1. through 5. above, (ii) the other party manages the contribution as investments principally in any of such assets, and (iii) its profits are distributed (hereinafter referred to as "anonymous partnership equity interest")

II. Marketable securities, value of which derives principally from real estate assets (the "real estate related securities") are as follows:
1. Preferred Securities (as defined in Article 2, Paragraph 8 of Asset Liquidation Law, Law No. 105 of 1998, as amended, the "Asset Liquidation Law") issued by a special purpose company under such Law whose objective is to invest more than half of its assets in real estate assets
2. Beneficiary certificates (as defined in Article 2, Paragraph 12 of the Investment Trust Law) issued by an investment trust whose objective is to invest more than half of its assets in real estate assets
3. Certificates for shares (as defined in Article 2, Paragraph 22 of the Investment Trust Law) issued by an investment corporation under such Law whose objective is to invest more than half of its assets in real estate assets
4. Beneficiary certificates of a special purpose trust (as defined in Article 2, Paragraph 12 under the Asset Liquidation Law), whose objective is to invest more than half of its assets in real estate assets (except for the trust beneficiary rights referred to in 4. and 5. of I. above)

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

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

A. In accordance with the Ministerial Ordinance of the Ministry of Finance, the Company shall make an investment so that at least 75% of its total assets is invested in real estate, leaseholds of real estate, surface rights, trust beneficiary rights (that entrust solely in real estate, leaseholds of land and surface rights), and anonymous partnership equity interests (that invest solely in real estate, leaseholds of real estate and surface rights). Anonymous partnership equity interests are equity invested under a contract such that one of the parties makes a deposit for the purpose of management of assets by the second party, and the second party invests and manages the deposited funds in the said assets, distributing the profits generated by that management.

B. It is the Company's asset investment policy to make an investment, so that the ratio (the "specified real estate ratio") of the aggregate value of the specified real estate to the aggregate value of the specified assets is at least 75%. The specified real estate shall mean, among the specified assets, the real estate, leaseholds of real estate, surface rights or the trust beneficiary rights of real estate, leaseholds of land and surface rights.

C. It is the Company's asset investment policy that the ratio of the aggregate value of the real estate to that of the specified assets acquired during any fiscal period (commencing on April 1, 2002) must be at least one half of the specified real estate ratio. The policy set under this point shall be applied as long as the said requirements related to exceptions to standard taxation under the real estate acquisition tax exist.

D. The Company shall principally invest in office buildings which are located in Tokyo and other major metropolitan areas of Japan, including those as such designated by the relevant Cabinet Order.

E. The Company shall make investment decisions only after it conducts thorough and sufficient due diligence investigations of the relevant real estate assets and becomes fully aware of the investment value in light of the investment climate.

F. The Company shall invest principally in real estate and trust beneficiary rights in trust of real estate, but may invest in other real estate assets (meaning any asset listed in "I. Real estate assets" above, but excluding the real estate and the trust beneficiary rights in trust of the real estate) and real estate related securities in addition to those described above in light of investment climate at that time and/or the size of the assets.

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

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

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

A. In order to manage the portfolio of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds with a view to utilizing the proceeds thereof toward acquisitions of specified assets, capital improvements of the real estate for lease and the underlying real estate of the trust beneficiary rights and working capital.

B. The Company shall not make total borrowings, including loans and issuance of corporate bonds, in excess of an aggregate of ¥1 trillion.

C. The Company may borrow only from qualified institutional investors (the "qualified institutional investors") referred to in Article 2, Paragraph 3, Item 1 of the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended).

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

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

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

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

❶ Guidelines for acquisition of portfolio real estate assets

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

A. Geographic portfolio composition

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

B. Property type portfolio composition

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

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

C. Building size and age in portfolio composition

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

D. Due diligence conducted at the time of acquisition

1. Acquisition of the real property

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

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

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

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

Type of Research	Details of Research	Source Materials
Economic Analysis	— Supply and demand conditions for office buildings in the location under consideration including a future outlook; analysis of market rental rates — Frontage condition, access to major roads and public transportation — Level of discount rate and capitalization rate — Analysis of the current operating costs of the building and room for reduction — Reflection of inspection of the physical conditions of building, legal due diligence, economic analysis of the current building operation — Evaluation of dispositions	real estate appraisal reports, market reports, on-site inspection
Physical Inspection	— Searching the boundary with neighboring properties and status of the over boundary — The level of maintenance for the building and facilities and its state of deterioration — Medium- and long-term estimated repairs and capital expenditure — Building and facility specifications (room layout, ceiling height, heat, ventilation and air-conditioning (HVAC) systems, electrical supply, etc.) — Earthquake resistance capability of the building — Investigation for existence of toxic substances within the building or within the property site — Whether or not there has been any actual damage to the building as a result of natural disasters, such as typhoons, earthquakes, etc.	documents from the seller, engineering reports, seismic report, on-site inspection
Legal Research	— Research into ownership and other rights and mortgages — Research into lease contracts — Certification of the property boundary line, agreement regarding the boundary — Research into the level of compliance with legal requirements for construction and management of the building — Research into management rules, agreements among the owners, and leasehold agreements in cases where the building and land are not owned by a single owner — Research into existence and substance of any agreements with the owners in the neighborhood regarding the countermeasures against defective television radiation acceptance, etc.	documents from the seller, engineering reports, on-site inspection
Research on the State of Property Management	— Investigation into the operations of the property management company and compliance with building management manual — Research into whether or not there have been any suggestions and/or complaints made by tenants against the building management — Tenant composition — Research into the existence of any rules or stipulations governing building management in cases where the property is not owned by a single owner	documents from the seller, on-site inspection

E. Targeted capitalization rate

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

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

❷ Guidelines for management of portfolio real estate assets

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

A. Policy for maintenance and management

For purposes of internal growth, the asset management company will ensure to make ongoing and scheduled capital expenditures and management for the existing facilities and equipment of real estate owned by the Company with proper repairs and maintenance to enhance tenant satisfaction, the competitiveness of the property, and revenues (by increasing rental rates over time and the occupancy rate), and at the same time minimize the relevant expenses (by reducing outsourced maintenance costs and reduction of water, gas and electricity costs, and so forth). The asset management company will make effective use of the multiple property management companies in order to achieve these goals.

B. Insurance policy

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

*1. The Company will carry comprehensive casualty insurance to compensate for financial losses due to damages and accidents except for earthquakes, floods, tidal waves and wars. This type of insurance can also include a special provision that compensates for corporate profits.

*2. Liability insurance covers the Company from possible financial losses arising from legal claims with regard to physical harm or financial damage to third parties that results from possession, use, occupancy or management of the building.

❸ Guidelines for disposal of portfolio real estate assets

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

(iii) Financing guidelines

The Company has stipulated the following financial guidelines in its Asset Management Guidelines.

❶ In order to manage the assets of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds for purposes of making acquisitions of specified assets, capital improvements for the existing portfolio real estate assets and working capital.

❷ The Company shall not make total borrowings, including loans and issuance of corporate bonds, in excess of an aggregate of ¥1 trillion.

❸ The Company shall borrow only from qualified institutional investors.

❹ In principle, the Company shall not borrow funds (including corporate bonds) in excess of 65% of the total value of its total assets (the “debt ratio”), and will seek to maintain an even lower debt ratio.

❺ The Company shall seek to borrow funds at the most favorable possible terms in consideration of the economic climate at the time of borrowing, with a view to reducing the future effects of refinancing and achieving the lowest possible financing costs . The Company will compare terms presented from several qualified institutional investors, such as ratio of fixed interest loan, borrowing periods, requirement of collateral for borrowing and so forth, to achieve the best possible terms. However, the financing costs may fluctuate due to changes in unforeseeable economic conditions in instances where penalties, which may arise from prepayment of borrowings, will be determined by the interest rate environment at that time.

❻ The Company may establish lines of credit facility in advance, including a maximum line of credit facilities and a commitment line or future loan agreements to finance timely in need of capital whenever it becomes necessary to acquire additional specified assets.

❼ The Company may use its properties as collateral for borrowing funds.

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

❶ As a flexible response is required when borrowing funds for the additional acquisition of specific assets, short-term borrowing will be the main means for procuring the necessary funds.

❷ Short-term borrowing procured for the additional acquisition of specified assets shall be converted to long-term fixed-interest borrowing or corporate bonds as appropriate, with reference to the finance environment, to achieve low and stable fund procurement costs.

(2) INVESTMENT ASSETS

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

❶ Real estate assets and real estate related securities

❷ Other specified assets

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

o. Negotiable certificates of deposit issued by foreign entities denominated in Japanese yen
p. Trust beneficiary certificates of loan receivables, as set forth in Article 2, Paragraph 2, Item 1 of the Securities and Exchange Law
q. Rights against a foreign entity which are of the same nature as the rights in item p. above

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

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

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

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

(3) DISTRIBUTION POLICY

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

(i) In connection with the total cash amount to be distributed to shareholders, accounting profits will be calculated in accordance with the generally accepted accounting principles in Japan (Japanese GAAP).

(ii) In making cash distributions to the extent of accounting profits, the Company will distribute profits as cash distributions in excess of 90% of the taxable income as defined in Article 67-15 of the Special Taxation Measures Law of Japan.

(iii) At the appropriate discretion of the board of directors, the Company may, in accordance with Article 136, Paragraph 1 of the Investment Trust Law, make distributions in excess of accounting profits based on the Cash Distribution Statement approved pursuant to Article 131, Paragraph 1 of the Investment Trust Law.

(iv) The Company is allowed to make distributions in excess of accounting profits to the extent of the amount equivalent to the aggregate of the amount of depreciation for the current period and the amount of accounting profits. However, in cases where cash distributions for the relevant period do not exceed 90% of the "distributable amount" stipulated by Article 39-32-3 of the Cabinet Order of Enforcement of the Special Taxation Measures Law of Japan, the Company may make distributions in excess of accounting profits to the extent of 91% of such distributable amount.

(v) Distributions need to be made in cash in proportion to the number of shares registered on the final records of shareholders (including the records of beneficial shareholders) as of the close of each fiscal period.

(vi) In the event that the Company issues additional shares during a business period, the value of the dividends in connection with those shares may be calculated on a daily pro-rated basis, as determined by the board of directors.

(vii) Besides the above provisions, the Company shall comply with the rules on investment trusts and investment corporations (established on March 16, 2001, as amended) stipulated by the Investment Trusts Association of Japan.

(viii) If investors need to calculate a gain or loss upon distribution in excess of accounting profits, the Company will not make distributions in excess of accounting profits to the shareholders. However, the Company will be able to make distributions in excess of accounting profits in the following three cases pursuant to clauses (i) through (vii) above.

1. Due to changes of the tax codes or other reasons, it becomes no longer necessary for an individual investor to calculate a gain or loss upon distribution in excess of accounting profits for the period.
2. Due to changes of the tax codes or other reasons, the board of directors determines that it is appropriate to make distributions in excess of accounting profits since it would become a common practice for an investor to file an individual tax return to report a gain or loss upon payouts.
3. The board of directors determines that it is necessary to make distributions in excess of accounting profits to meet the distribution requirements.

(4) INVESTMENT RESTRICTIONS

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

❶ The Company shall not seek to invest aggressively in the marketable securities and monetary claims described in (2) Investment Assets above, but rather make investment to secure stability and liquidity (Article 26 of the Articles of Incorporation).

❷ The Company shall limit its trading activity in financial derivatives to the extent of hedging the interest rate volatility risks, with regard to its debts and other risks (Article 26 of the Articles of Incorporation).

❸ In order to manage the portfolio of the Company in an efficient and stable manner, the Company may make borrowings or issue corporate bonds (not in excess of ¥1 trillion) with a view to utilizing the proceeds thereof toward acquisitions of specified assets, capital improvements of the real estate for lease and the underlying real estate of trust beneficiary rights and working capital (Article 30 of the Articles of Incorporation).

❹ The Company shall borrow only from qualified institutional investors (Article 30 of the Articles of Incorporation).

Financial Section

Financial Overview of Japan Real Estate Investment Corporation

1. SELECTED FINANCIAL DATA

	Millions of yen				Thousands of U.S. dollars (Note 1)
	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from October 1, 2002 to March 31, 2003	For the period from April 1, 2002 to September 30, 2002	**For the period from October 1, 2003 to March 31, 2004**
Operating Revenues	**¥ 9,560**	¥ 8,965	¥ 8,500	¥ 7,910	**$ 90,461**
Operating Expenses	**5,219**	5,067	4,812	4,523	**49,386**
Operating Profits	**4,341**	3,898	3,687	3,386	**41,075**
Income before Income Taxes	**3,803**	3,408	3,259	2,898	**35,986**
Net Income	**3,802**	3,407	3,258	2,897	**35,977**
Total Assets	**244,523**	209,581	200,022	185,397	**2,313,595**
Interest-Bearing Liabilities	**87,000**	76,000	66,800	54,000	**823,162**
Total Shareholders' Equity	**137,250**	115,559	115,410	115,049	**1,298,618**
Shareholders' Capital	**133,448**	112,152	112,152	112,152	**1,262,640**
Number of Shares	**260,400**	225,400	225,400	225,400	**260,400**
Total Shareholders' Equity per Share (Yen/U.S. dollars)	**527,077**	512,688	512,026	510,424	**4,987**
Cash Distribution	**3,802**	3,407	3,258	2,897	**35,977**
Dividend Payout Ratio	**99.9%**	99.9%	99.9%	99.9%	**99.9%**
Dividend Per Share (Yen/U.S. dollars)	**14,602**	15,117	14,455	12,853	**138.16**
Net Operating Income (NOI)	**6,455**	5,950	5,702	5,211	**61,080**
Funds from Operations (FFO)	**5,301**	4,801	4,568	4,091	**50,157**
Return on Assets (ROA) (Note 2)	**1.6% (3.2% annualized)**	1.7% (3.3% annualized)	1.7% (3.4% annualized)	1.6% (3.2% annualized)	**1.6% (3.2% annualized)**
Return on Equity (ROE) (Note 3)	**2.8% (5.7% annualized)**	3.0% (5.9% annualized)	2.8% (5.7% annualized)	2.7% (5.4% annualized)	**2.8% (5.7% annualized)**
EOP Equity Ratio (Note 4)	**56.1%**	55.1%	57.7%	62.1%	**56.1%**
EOP Interest-Bearing Debt Ratio on Total Assets (Note 5)	**35.6%**	36.3%	33.4%	29.1%	**35.6%**
FFO Multiple	**20.4 times**	15.2 times	14.6 times	14.1 times	**20.4 times**
Debt Service Coverage Ratio (Note 6)	**13.9 times**	12.6 times	14.5 times	13.9 times	**13.9 times**

Note 1: Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.69=US$1.00, the foreign exchange rate on March 31, 2004, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.
Note 2: ROA = Income before Income Taxes 4 Average of Total Assets during the period
Note 3: ROE = Net Income 4 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, 2002, 182 days for the period ended March 31, 2003, 183 days for the period ended September 30, 2003 and 183 days for the period ended March 31, 2004.)
Note 4: EOP Equity Ratio = (Net Worth at end of period 4 Total Assets at end of period) x 100
Note 5: EOP Interest-Bearing Debt Ratio on Total Assets = (Interest-Bearing Debt at end of period 4 Total Assets at end of period) x 100
Note 6: Debt Service Coverage Ratio = Net Income before Interest, Taxes, Depreciation and Amortization 4 Interest Expenses

2. CASH DISTRIBUTION

The cash distribution for the period from October 1, 2003 to March 31, 2004 consisted of almost all taxable income for the period, qualifying the Company for special tax treatment as stipulated in Article 67-15 of the Special Taxation Measures Law of Japan. The dividend per share was ¥14,602 ($138.16). With 260,400 shares outstanding, the cash distribution totaled ¥3,802,360 thousand ($35,976,543). Retained earnings carried forward totaled ¥145,925 ($1,381).

(From October 1, 2003 to March 31, 2004)	(Thousands of yen)	(U.S. dollars)
Net income	3,802,382	35,976,742
Retained earnings of beginning of period	125	1,181
Distribution	3,802,360	35,976,543
(Dividend per share : ¥14,602)		
Retained earnings carried forward	145	1,381

3. PAID-IN CAPITAL

The Company was established with funding from Mitsubishi Estate Co., Ltd. (160 shares), The Tokio Marine and Fire Insurance Co., Ltd. (120 shares) and The Dai-ichi Mutual Life Insurance Company (120 shares), each share representing ¥500,000 ($4,731). Additional 160,000 shares were issued in an initial public offering at ¥525,000 ($4,967) each (acceptance price of ¥506,625 ($4,793)). An additional 65,000 shares were issued on May 8, 2002, at ¥490,980 ($4,645) per share (acceptance price of ¥475,268 ($4,497)).

In the period, an additional 35,000 shares were issued on October 25, 2003, at ¥629,000 ($5,951) per share (acceptance price of ¥608,456 ($5,757)).

		Common shares outstanding		Paid-in capital			
		Increase	Balance	Increase		Balance	
Issue date	Remarks			(¥ millions)	(U.S. $ thousands)	(¥ millions)	(U.S. $ thousands)
May 11, 2001	Private placement	400	400	200	1,892	200	1,892
September 8, 2001	Additional share issue (Initial Public Offering)	160,000	160,400	81,060	766,960	81,260	768,853
May 8, 2002	Additional share issue	65,000	225,400	30,892	292,293	112,152	1,061,146
October 25, 2003	Additional share issue	35,000	260,400	21,295	201,495	133,448	1,262,641

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

Month	High	Low
September 2001	¥550,000	¥491,000
(September 10, 2001 to September 28, 2001)		
October 2001	¥551,000	¥534,000
November 2001	¥549,000	¥536,000
December 2001	¥542,000	¥485,000
January 2002	¥510,000	¥480,000
February 2002	¥531,000	¥499,000
March 2002	¥560,000	¥527,000
April 2002	¥524,000	¥495,000
May 2002	¥527,000	¥497,000
June 2002	¥525,000	¥512,000
July 2002	¥528,000	¥518,000
August 2002	¥534,000	¥520,000
September 2002	¥540,000	¥505,000
October 2002	¥543,000	¥508,000
November 2002	¥563,000	¥531,000
December 2002	¥609,000	¥552,000
January 2003	¥609,000	¥560,000

Month	High	Low
February 2003	¥595,000	¥569,000
March 2003	¥603,000	¥573,000
April 2003	¥641,000	¥591,000
May 2003	¥699,000	¥631,000
June 2003	¥660,000	¥626,000
July 2003	¥657,000	¥630,000
August 2003	¥665,000	¥640,000
September 2003	¥678,000	¥636,000
October 2003	¥655,000	¥634,000
November 2003	¥669,000	¥639,000
December 2003	¥678,000	¥656,000
January 2004	¥707,000	¥678,000
February 2004	¥715,000	¥692,000
March 2004	¥840,000	¥714,000
April 2004	¥830,000	¥748,000
May 2004	¥771,000	¥702,000
June 2004	¥765,000	¥735,000
July 2004	¥795,000	¥753,000

4. OVERVIEW OF BORROWINGS

The following is a list of the Company's borrowings showing amounts and lending institutions as of March 31, 2004.

Category	Lender	Balance (¥ millions)	Balance (U.S.$ thousands)	Average interest rate (%)	Due	Use of funds	Remarks
Short-term debt	The Chugoku Bank, Ltd.	3,000	28,385	0.54929	June 15, 2004	Purchase of real estate	Unsecured/Unguaranteed/ Senior/Floating rate
	The Yamanashi Chuo Bank, Ltd.	2,000	18,923	0.54929	June 15, 2004		
	The Chugoku Bank, Ltd.	2,000	18,923	0.415	March 24, 2005		
	The Hachijuni Bank, Ltd.	2,000	18,923	0.415	March 24, 2005		
	Subtotal	9,000	85,155				
Long-term debt	The Bank of Tokyo Mitsubishi, Ltd.	6,000	56,770	1.12	Anticipated date for principal repayment: June 23, 2006 Final date for principal repayment: June 23, 2008	Purchase of real estate trust beneficiary rights	Secured/Unguaranteed/ Senior/Fixed rate
	Mizuho Corporate Bank, Ltd.	6,000	56,770	1.12			
	The Sumitomo Trust & Banking Co., Ltd.	5,200	49,200	1.12			
	The Mitsubishi Trust & Banking Co., Ltd.	5,200	49,200	1.12			
	Sompo Japan Insurance, Inc.	1,600	15,139	1.12			
	The Iyo Bank, Ltd.	2,000	18,923	1.0575	March 24, 2009	Purchase of real estate	Unsecured/Unguaranteed/ Senior/Fixed rate
	The Dai-ichi Mutual Life Insurance Company	5,000	47,308	1.015	March 30, 2009		
	The Taiyo Life Insurance Company	2,000	18,923	1.47125	March 30, 2011		
	Subtotal	33,000	312,234				
Total		42,000	397,389				

5. BONDS ISSUED BY THE COMPANY

Our past corporate bond issues are as follows, as of March 31, 2004.

First issue of corporate bonds	
Total principal amount of bonds	¥25 billion (U.S.$ 237 million)
Issue price	¥100 (U.S.$ 0.95) (par value)
Interest Rate	1.32% annually
Closing Date	June 21, 2002
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on June 21, 2007 Cancellation upon repurchase may be made at any time.

Second issue of corporate bonds	
Total principal amount of bonds	¥10 billion (U.S.$ 95 million)
Issue price	¥100 (U.S.$ 0.95) (par value)
Interest Rate	0.69% annually
Closing Date	April 30, 2003
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on April 30, 2008 Cancellation upon repurchase may be made at any time.

Third issue of corporate bonds	
Total principal amount of bonds	¥10 billion (U.S.$ 95 million)
Issue price	¥100 (U.S.$ 0.95) (par value)
Interest Rate	0.98% annually
Closing Date	April 30, 2003
Guaranty	Unsecured/unguaranteed
Redemption method/date	Principal redeemed in full on April 30, 2010 Cancellation upon repurchase may be made at any time.

6. CAPITAL EXPENDITURES FOR EXISTING PROPERTIES

a. PLANNED CAPITAL EXPENDITURES

The following table represents the main capital expenditures planned for renovations of existing properties, as of March 31, 2004. The total expected construction amount includes portions that will be accounted for as ordinary expenses.

			Expected construction amounts (Millions of yen)			
			Total			
Property (Location)	Objective	Estimated duration	(Millions of yen)	(Thousands of U.S. dollars)	Planned payment for the period under review	Previously paid total
Shibuya Cross Tower (Shibuya-ku, Tokyo)	Functional maintenance (Drainage-related equipment works for toilets on standard floors, and in common corridors)	From July 2003 to May 2004 (finished)	369	3,491	—	—
Takanawadai Building (Shinagawa-ku, Tokyo)	Upgrading (Interior finishing of rentable area)	From October 2004 to October 2004	30	284	—	—

b. CAPITAL EXPENDITURES DURING THE PERIOD ENDED MARCH 31, 2004

The following table represents the main capital expenditures for acquired properties during the period under review. Capital expenditures amounted to ¥1,219 million (U.S.$11,534 thousand), with repairs and maintenance adding ¥365 million (U.S.$3,453 thousand) throughout the term for a total of ¥1,585 million (U.S.$14,997 thousand).

The main capital expenditures in the period under review were for "Lending-related works" on Shin-Yokohama First Building and other works, as listed below. Other works on properties include regular replacement works and upgrading of toilets and other common facilities.

		Construction amounts	
Property (Location)	Objective	(Millions of yen)	(Thousands of U.S. dollars)
Shin-Yokohama First Building (Yokohama, Kanagawa prefecture)	Upgrading (Interior finishing of rentable area)	69	653
Niigata Ishizuecho Nishi-Bandaibashi Building (Niigata, Niigata prefecture)	Upgrading (Refurbishment of toilets on all floors).	28	265
Kyoto Shijo Kawaramachi Building (Kyoto, Kyoto prefecture)	Upgrading (Renewal of common areas)	100	946
Other properties		1,022	9,670
Total		1,219	11,534

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

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

	(Millions of yen)				(Thousands of U.S. dollars)
	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	For the period from October 1, 2002 to March 31, 2003	For the period from April 1, 2002 to September 30, 2002	**For the period from October 1, 2003 to March 31, 2004**
Reserve balance at the beginning of the period	**181**	316	1,104	719	**1,713**
Amount accumulated	**729**	695	145	838	**6,898**
Withdrawal from reserves	**756**	830	933	453	**7,153**
Amount carried forward	**155**	181	316	1,104	**1,467**

Balance Sheets

As of March 31, 2004 and September 30, 2003

	Thousands of yen		U.S. dollars (Note 1)
	As of March 31, 2004	As of September 30, 2003	**As of March 31, 2004**
ASSETS			
Current Assets:			
Cash and bank deposits	**¥ 24,779,461**	¥ 15,377,753	**$ 234,454,166**
Rental receivables	**72,787**	69,703	**688,683**
Consumption tax refundable	**109,734**	—	**1,038,265**
Other current assets	**482,937**	961,941	**4,569,369**
Total current assets	**25,444,919**	16,409,397	**240,750,483**
Property and Equipment, at Cost:			
Land	**153,254,024**	135,687,541	**1,450,033,346**
Buildings and structures	**69,093,823**	60,439,152	**653,740,405**
Machinery and equipment	**1,250,776**	1,195,302	**11,834,383**
Tools, furniture and fixtures	**13,887**	9,002	**131,392**
Construction in progress	**5,500**	—	**52,039**
	223,618,010	197,330,997	**2,115,791,565**
Less accumulated depreciation	**(6,496,834)**	(4,998,158)	**(61,470,659)**
Net property and equipment	**217,121,176**	192,332,839	**2,054,320,906**
Investments and Other Assets:			
Deposits	**14,234**	14,234	**134,677**
Long-term prepaid expenses	**31,453**	38,082	**297,597**
Leasehold rights	**1,083,336**	725,600	**10,250,131**
Easement	**828,095**	—	**7,835,134**
Deferred corporate bond issuance costs	**—**	61,125	**—**
Other	**599**	525	**5,662**
Total Assets	**¥244,523,812**	¥209,581,802	**$2,313,594,590**

The accompanying notes form an integral part of these financial statements

	Thousands of yen		U.S. dollars
	As of March 31, 2004	As of September 30, 2003	**As of March 31, 2004**
LIABILITIES			
Current Liabilities:			
Trade accounts payable	¥ **958,026**	¥ 224,753	$ **9,064,496**
Other payables	**565,076**	696,484	**5,346,539**
Short-term loans	**9,000,000**	7,000,000	**85,154,698**
Accrued expenses	**243,398**	268,299	**2,302,944**
Accrued consumption taxes	**—**	13,024	**—**
Accrued income taxes	**997**	1,123	**9,434**
Rent received in advance	**1,582,154**	1,444,695	**14,969,763**
Other current liabilities	**9,403**	3,938	**88,969**
Total current liabilities	**12,359,054**	9,652,316	**116,936,843**
Long-Term Liabilities:			
Corporate bonds	**45,000,000**	45,000,000	**425,773,489**
Long-term loans	**33,000,000**	24,000,000	**312,233,892**
Deposits from tenants	**16,913,871**	15,369,570	**160,032,837**
Total long-term liabilities	**94,913,871**	84,369,570	**898,040,218**
Total Liabilities	**107,272,925**	94,021,886	**1,014,977,061**
SHAREHOLDERS' EQUITY			
Shareholders' capital	**133,448,380**	112,152,420	**1,262,639,606**
Retained earnings	**3,802,507**	3,407,496	**35,977,923**
Total shareholders' equity	**137,250,887**	115,559,916	**1,298,617,529**
Total Liabilities and Shareholders' Equity	**¥244,523,812**	¥209,581,802	**$2,313,594,590**

The accompanying notes form an integral part of these financial statements

Statements of Income and Retained Earnings

For the six months ended March 31, 2004 and September 30, 2003

	Thousands of yen		U.S. dollars (Note 1)
	For the Period from October 1, 2003 to March 31, 2004	For the Period from April 1, 2003 to September 30, 2003	**For the Period from October 1, 2003 to March 31, 2004**
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenues	**¥9,461,852**	¥8,951,557	**$89,524,575**
Non-rental revenues	**98,920**	14,217	**935,949**
	9,560,772	8,965,774	**90,460,524**
Operating Expenses:			
Property-related expenses	**4,603,885**	4,409,254	**43,560,286**
Asset management fees	**325,666**	393,650	**3,081,334**
Administrative service fees	**186,469**	161,423	**1,764,296**
Other operating expenses	**103,561**	103,032	**979,852**
	5,219,581	5,067,359	**49,385,768**
Operating profits	**4,341,191**	3,898,415	**41,074,756**
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	**99**	109	**940**
Other non-operating revenues	**128**	4,028	**1,208**
Non-Operating Expenses:			
Interest expense	**163,980**	177,251	**1,551,518**
Interest expense on corporate bonds	**248,500**	236,811	**2,351,216**
Amortization of corporate bond issuance costs	**61,125**	61,125	**578,342**
New share issuance costs	**49,183**	—	**465,353**
Other non-operating expenses	**15,225**	18,831	**144,052**
Income before Income Taxes	**3,803,405**	3,408,534	**35,986,423**
Income Taxes:			
Current	**1,017**	1,144	**9,621**
Deferred	**6**	(8)	**60**
Net Income	**3,802,382**	3,407,398	**35,976,742**
Retained Earnings brought forward	**125**	99	**1,181**
Retained Earnings at end of period	**¥3,802,507**	¥3,407,497	**$35,977,923**

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows (Unaudited)

For the six months ended March 31, 2004 and September 30, 2003

	Thousands of yen		U.S. dollars (Note 1)
	For the Period from October 1, 2003 to March 31, 2004	For the Period from April 1, 2003 to September 30, 2003	**For the Period from October 1, 2003 to March 31, 2004**
Cash Flows from Operating Activities			
Income before income taxes	**¥ 3,803,405**	¥ 3,408,534	**$ 35,986,423**
Depreciation and amortization	**1,498,676**	1,393,642	**14,179,925**
Amortization of corporate bond issuance costs	**61,125**	61,125	**578,342**
New share issuance costs	**49,183**	—	**465,353**
Interest income	**(99)**	(109)	**(940)**
Interest expense	**412,480**	414,062	**3,902,734**
Rental receivables and other receivables	**(3,084)**	18,798	**(29,180)**
Consumption tax refundable	**(109,734)**	59,328	**(1,038,265)**
Prepaid expenses	**(23,367)**	19,256	**(221,086)**
Other current assets	**2,364**	(2,364)	**22,368**
Trade accounts payable	**733,274**	(257,859)	**6,937,967**
Other payables	**(131,409)**	50,076	**(1,243,343)**
Accrued expenses	**(24,089)**	24,089	**(227,926)**
Consumption tax payable	**(13,024)**	13,024	**(123,225)**
Rent received in advance	**137,459**	109,253	**1,300,588**
Other current liabilities	**5,465**	(7,283)	**51,710**
Long-term prepaid expenses	**6,629**	9,557	**62,718**
Subtotal	**6,405,254**	5,313,129	**60,604,163**
Interest received	**99**	109	**940**
Interest paid	**(413,245)**	(358,625)	**(3,909,970)**
Income taxes paid	**(1,142)**	(996)	**(10,809)**
Net cash provided by operating activities	**5,990,966**	4,953,617	**56,684,324**
Cash Flows from Investing Activities			
Purchases of property and equipment	**(25,787,014)**	(11,088,956)	**(243,987,260)**
Purchases of intangible assets	**(1,185,904)**	(72)	**(11,220,590)**
Payments of deposits	**—**	(134)	**—**
Proceeds from lease deposits received	**2,529,171**	1,096,068	**23,930,084**
Repayment of lease deposits	**(984,870)**	(861,811)	**(9,318,480)**
Net cash used in investing activities	**(25,428,617)**	(10,854,905)	**(240,596,246)**
Cash Flows from Financing Activities			
Proceeds from short-term borrowings	**16,000,000**	5,000,000	**151,386,129**
Repayment of short-term loans	**(14,000,000)**	(15,800,000)	**(132,462,863)**
Proceeds from long-term loans	**9,000,000**	—	**85,154,698**
Proceeds from corporate bond	**—**	20,000,000	**—**
Payments of corporate bond issuance costs	**—**	(122,250)	**—**
Proceeds from issuance of new shares	**21,295,960**	—	**201,494,560**
Payment of new share issuance costs	**(49,183)**	—	**(465,352)**
Dividends to shareholders	**(3,407,418)**	(3,258,131)	**(32,239,742)**
Net cash provided by financing activities	**28,839,359**	5,819,619	**272,867,430**
Net Increase in Cash and Cash Equivalents	**9,401,708**	(81,669)	**88,955,508**
Cash and Cash Equivalents at beginning of Period	**15,377,753**	15,459,422	**145,498,658**
Cash and Cash Equivalents at end of Period	**¥24,779,461**	¥15,377,753	**$234,454,166**

The accompanying notes form an integral part of these financial statements

Statements of Changes in Shareholders' Equity

For the six months ended March 31, 2004 and September 30, 2003

	Shares	Shareholders' equity	
		Thousands of yen	U.S. dollars
Balance as of March 31, 2003	225,400	¥115,410,675	
Cash dividends paid	—	(3,258,157)	
Net income	—	3,407,398	
Balance as of September 30, 2003	225,400	115,559,916	$1,093,385,529
Public offering	35,000	21,295,960	201,494,560
Cash dividends paid	—	(3,407,371)	(32,239,302)
Net income	—	3,802,382	35,976,742
Balance as of March 31, 2004	**260,400**	**¥137,250,887**	**$1,298,617,529**

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

March 31, 2004 and September 30, 2003

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 and Fire Insurance Co., Ltd. ("TM"), 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, TM and DL under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law.

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

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

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

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

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

At March 31, 2004, the Company owned a portfolio of 36 office properties containing an aggregate of approximately 273,000 square meters of net rentable area.

Basis of presenting financial statements

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

The accompanying financial statements are a translation of the audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include information that might not be required under Japanese GAAP but is presented herein as additional information.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.69=US$1.00, the foreign exchange rate on March 31, 2004, has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

Buildings..........2-61 years
Structures..........5-49 years
Machinery and equipment..........3-18 years
Tools, furniture and fixtures..........3-15 years

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

Deferred charges

Deferred charges include bond issuance costs and new share issuance costs. Bond issuance costs are amortized using the straight-line method over one year. New share issuance costs are charged to operations as incurred. The underwriters' commissions of the public offering are not recognized as new share 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 shareholder) and the purchase price (the price received by the Company) is directly paid to the underwriters.

Revenue recognition

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

Taxes on property and equipment

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

Consumption taxes

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

Cash and cash equivalents

The statements of cash flows are provided for information purposes only since they are not required to be prepared by the Investment Trust Law, the Japanese Commercial Code, the Securities and Exchange Law of Japan or the related regulations. Cash and cash equivalents consists of cash on hand, deposits placed with bank and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, with original maturity of three months or less.

3. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2004 and September 30, 2003 consisted of the following:

	Thousands of yen				U.S. dollars	
	As of March 31, 2004		As of September 30, 2003		**As of March 31, 2004**	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	**¥96,586,560**	**¥96,586,560**	¥77,793,726	¥77,793,726	**$913,866,588**	**$913,866,588**
Buildings and structures	**44,861,830**		35,456,373		**424,466,181**	
Accumulated depreciation	**3,560,614**	**41,301,216**	2,532,504	32,923,869	**33,689,229**	**390,776,952**
Machinery and equipment	**606,568**		523,699		**5,739,125**	
Accumulated depreciation	**160,635**	**445,933**	114,308	409,391	**1,519,867**	**4,219,258**
Tools, furniture and fixtures	**6,431**		3,822		**60,844**	
Accumulated depreciation	**1,000**	**5,431**	665	3,157	**9,459**	**51,385**
Construction in progress	**5,500**	**5,500**	—	—	**52,039**	**52,039**
Land in trust	**56,667,464**	**56,667,464**	57,893,815	57,893,815	**536,166,758**	**536,166,758**
Buildings and structures in trust	**24,231,993**		24,982,779		**229,274,224**	
Accumulated depreciation	**2,586,742**	**21,645,251**	2,194,044	22,788,735	**24,474,804**	**204,799,420**
Machinery and equipment in trust	**644,208**		671,603		**6,095,258**	
Accumulated depreciation	**187,174**	**457,034**	156,263	515,340	**1,770,969**	**4,324,289**
Tools, furniture and fixtures in trust	**7,456**		5,180		**70,548**	
Accumulated depreciation	**669**	**6,787**	374	4,806	**6,331**	**64,217**
Total		**¥217,121,176**		¥192,332,839		**$2,054,320,906**

4. SHORT-TERM LOANS

Short-term loans at March 31, 2004 and September 30, 2003 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2004	As of September 30, 2003	**As of March 31, 2004**
Unsecured loan from a bank with variable interest, due on October 31, 2003	¥ —	¥2,000,000	$ —
Unsecured loan from banks with variable interest, due on June 15, 2004	**5,000,000**	5,000,000	**47,308,166**
Unsecured loans from banks with variable interest, due on March 24, 2005	**4,000,000**	—	**37,846,532**
	¥9,000,000	¥7,000,000	**$85,154,698**

The weighted average interest rates applicable to the bank loans at March 31, 2004 and September 30, 2003 were 0.48961% and 0.54605%, respectively, per annum.

5. LONG-TERM LOANS

Long-term loans at March 31, 2004 and September 30, 2003 consisted of the following:

	Thousands of yen		U.S. dollars
	As of March 31, 2004	As of September 30, 2003	**As of March 31, 2004**
1.120% secured loans from banks, trust banks, and an insurance company, due on June 23, 2006	**¥24,000,000**	¥24,000,000	**$227,079,194**
1.0575% unsecured loan from a bank, due on March 24, 2009	**2,000,000**	—	**18,923,266**
1.015% unsecured loan from an insurance company, due on March 30, 2009	**5,000,000**	—	**47,308,166**
1.47125% unsecured loan from an insurance company, due on March 30, 2011	**2,000,000**	—	**18,923,266**
	¥33,000,000	¥24,000,000	**$312,233,892**

The weighted average interest rates applicable to the loans at March 31, 2004 and September 30, 2003 were 1.122% and 1.120%, respectively, per annum.

6. SECURED ASSETS

At March 31, 2004 and September 30, 2003, the following assets were pledged as collateral for the following loans:

	Thousands of yen		U.S. dollars
Pledged assets:	**As of March 31, 2004**	As of September 30, 2003	**As of March 31, 2004**
Bank deposits	**¥ 7,863,049**	¥ 7,812,232	**$ 74,397,280**
Land and leasehold rights	**47,765,093**	47,765,093	**451,935,785**
Buildings and structures	**16,956,351**	17,124,219	**160,434,774**
Machinery and equipment	**387,604**	419,326	**3,667,362**
Tools, furniture and fixtures	**6,787**	4,807	**64,217**
Total	**¥72,978,884**	¥73,125,677	**$690,499,418**

Loans secured by the pledged assets:	Thousands of yen As of March 31, 2004	Thousands of yen As of September 30, 2003	U.S. dollars As of March 31, 2004
Long-term loans	**¥24,000,000**	¥24,000,000	**$227,079,194**

7. SHAREHOLDERS' EQUITY

The Company is required to maintain net assets of at least ¥50 million ($473 thousand), as required pursuant to the Investment Trust Law.

8. INCOME TAXES

At March 31, 2004, the Company's deferred tax assets consist mainly of the enterprise tax, which is not deductible for tax purposes. The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the six months ended March 31, 2004 and September 30, 2003 were as follows:

	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003
Statutory tax rate	**39.39%**	39.39%
Deductible dividend distribution	**(39.38%)**	(39.38%)
Others	**0.02%**	0.02%
Effective tax rate	**0.03%**	0.03%

The Company is subject to Japanese corporate income taxes on all of its taxable income. However, under the Special Taxation Measures Law of Japan, or the STML, an investment corporation is allowed to deduct dividends of accounting profits, or dividend distributions, paid to investors from its taxable income if certain tax requirements are satisfied. Such tax requirements include dividend distributions in excess of 90% of its taxable income for the fiscal period as stipulated by Article 67-15 of the STML. Based on the distribution policy provided by Article 33-2 of the Articles of Incorporation, the Company made a dividend distribution of approximately 100% of retained earnings in the amount of ¥3,802 million ($35,977 thousand) subsequent to March 31, 2004 and treated it as tax deductible dividend. The Company will not distribute the dividends in excess of accounting profit under Article 33-3 of the Articles of Incorporation.

9. PER SHARE INFORMATION

The following table summarizes information about net assets per share and net income per share at March 31, 2004 and September 30, 2003, and for the periods then ended:

	Yen For the period from October 1, 2003 to March 31, 2004	Yen For the period from April 1, 2003 to September 30, 2003	U.S. dollars For the period from October 1, 2003 to March 31, 2004
Net assets at period end per share	**¥527,077**	¥512,688	**$4,987**
Net income per share	**¥ 14,864**	¥ 15,117	**$ 141**

In calculating the net assets per share, the amount of the net assets is adjusted for the cash distribution declared in the subsequent period.

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

10. RELATED PARTY TRANSACTIONS

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

	Thousands of yen		U.S. dollars
	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	**For the period from October 1, 2003 to March 31, 2004**
Property management fees	**¥595,242**	¥591,674	**$5,631,961**
Utilities	**65,199**	70,848	**616,885**
Insurance	**50,637**	632	**479,110**
Other operating expenses	**3,813**	4,859	**36,079**
Repair and maintenance	**¥121,775**	¥175,601	**$1,152,186**

11. BREAKDOWN OF PROPERTY-RELATED REVENUES AND EXPENSES

For the six months ended March 31, 2004 and September 30, 2003

	Thousands of yen		U.S. dollars
	For the period from October 1, 2003 to March 31, 2004	For the period from April 1, 2003 to September 30, 2003	**For the period from October 1, 2003 to March 31, 2004**
Property-Related Revenues	**¥9,560,772**	¥8,965,774	**$90,460,524**
Rental Revenues	**9,461,852**	8,951,557	**89,524,575**
Rental revenues	**6,866,542**	6,452,935	**64,968,698**
Common area charges	**1,608,498**	1,548,432	**15,219,019**
Parking revenues	**361,680**	334,268	**3,422,086**
Other rental revenues	**625,132**	615,922	**5,914,772**
Non-Rental Revenues	**98,920**	14,217	**935,949**
Cancellation charges	**4,829**	9,957	**45,692**
Other miscellaneous revenues	**94,091**	4,260	**890,257**
Property-Related Expenses	**4,603,885**	4,409,254	**43,560,286**
Property management fees	**1,127,376**	1,095,849	**10,666,822**
Utilities expenses	**779,507**	777,288	**7,375,414**
Property and other taxes	**791,908**	797,787	**7,492,746**
Casualty insurance	**24,540**	22,594	**232,188**
Repairs and maintenance	**365,636**	289,340	**3,459,514**
Depreciation	**1,498,676**	1,393,642	**14,179,925**
Other rental expenses	**16,242**	32,754	**153,677**
Profits	**¥4,956,887**	¥4,556,520	**$46,900,238**

12. LEASES

The Company leases office buildings and earns rent income. As of March 31, 2004 and September 30, 2003, the future lease revenues under the non-cancelable operating leases are as follows:

	Thousands of yen		U.S. dollars
	As of March 31, 2004	As of September 30, 2003	**As of March 31, 2004**
Due within one year	**¥ 5,283,438**	¥ 3,973,850	**$ 49,989,954**
Due after one year	**23,611,592**	21,383,783	**223,404,220**
Total	**¥28,895,030**	¥25,357,633	**$273,394,174**

13. SUBSEQUENT EVENTS

Appropriation of retained earnings

On May 18, 2004, the Board of Directors resolved to effect the payment of a cash distribution of ¥14,602 per share aggregating ¥3,802 million ($35,977 thousand) to shareholders at the record date of March 31, 2004.

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Japan Real Estate Investment Corporation as of March 31, 2004 and September 30, 2003, the related statements of income and retained earnings, and changes in shareholders' equity for the six months ended March 31, 2004 and September 30, 2003, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently 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, expressed in yen, referred to above present fairly, in all material respects, the financial position of Japan Real Estate Investment Corporation at March 31, 2004 and September 30, 2003, and the results of its operations for the six months ended March 31, 2004 and September 30, 2003 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended March 31, 2004 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.

Shin Nihon & Co.

Shin Nihon & Co.

Tokyo, Japan
May 18, 2004

About J-REIT System

J-REIT STRUCTURE AND RELATED ORGANIZATIONS

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

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

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

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

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

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

4) Asset Management Company: Real estate trust fund manager.

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

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

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

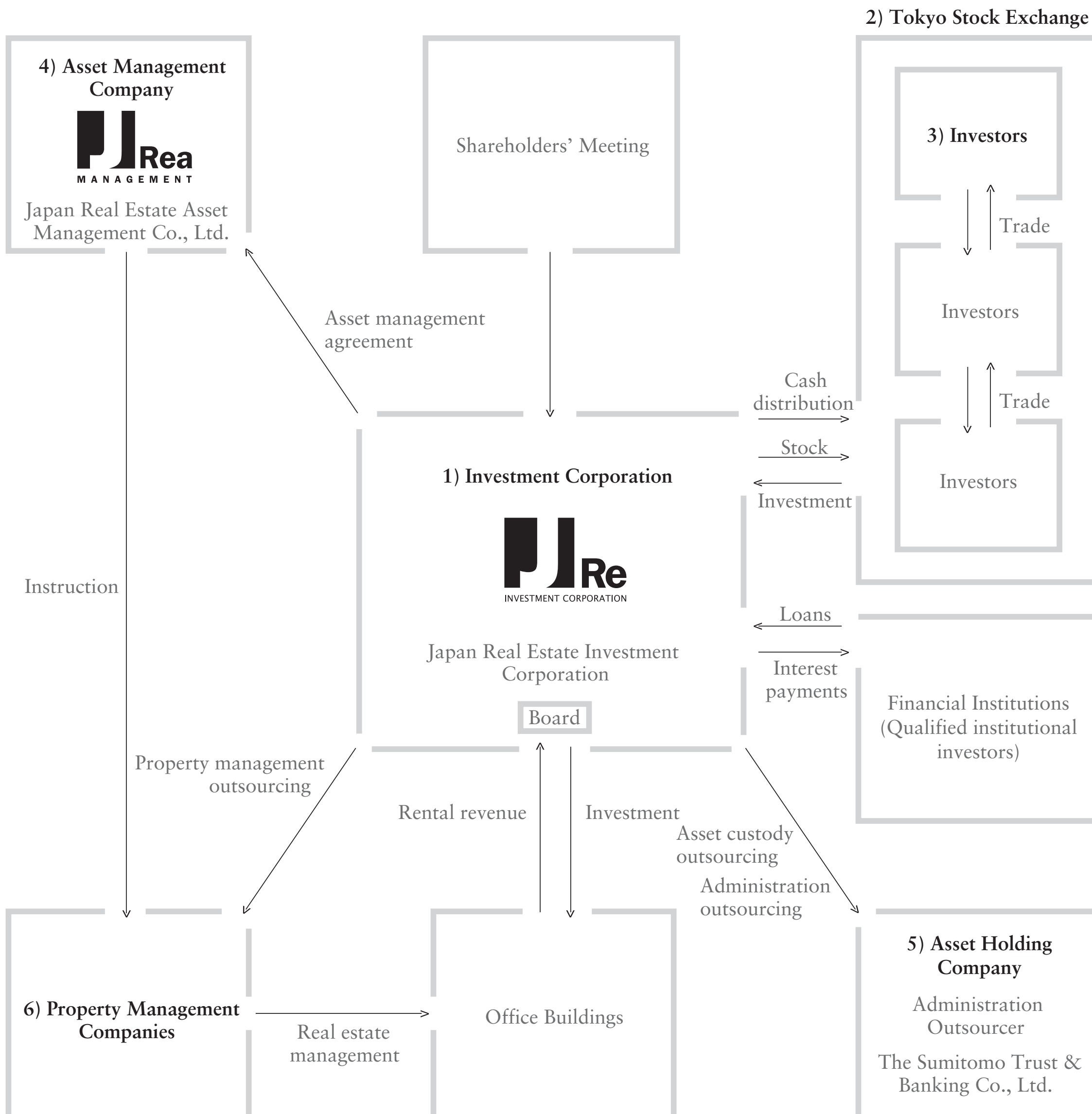
5) Asset Holding Company/Administration Outsourcer

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

6) Property Management Companies

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

ORGANIZATIONAL STRUCTURE OF JAPAN REAL ESTATE INVESTMENT CORPORATION



ROLE OF SHAREHOLDERS IN THE J-REIT SYSTEM

Set out below, in further detail, is the role shareholders of the investment corporation play in the J-REIT system. In particular, we would like to present a description of certain principal rights of the shareholders of an investment corporation under the Investment Trust Law, which is in effect as of March 31, 2004. This summary does not purport to be a comprehensive description of all of the rights of the shareholders under Japanese law that may be relevant to an investment decision on the shares of the Company.

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

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

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

Other Rights of Shareholders —
In addition to the rights set out above, shareholders have the following rights:

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

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

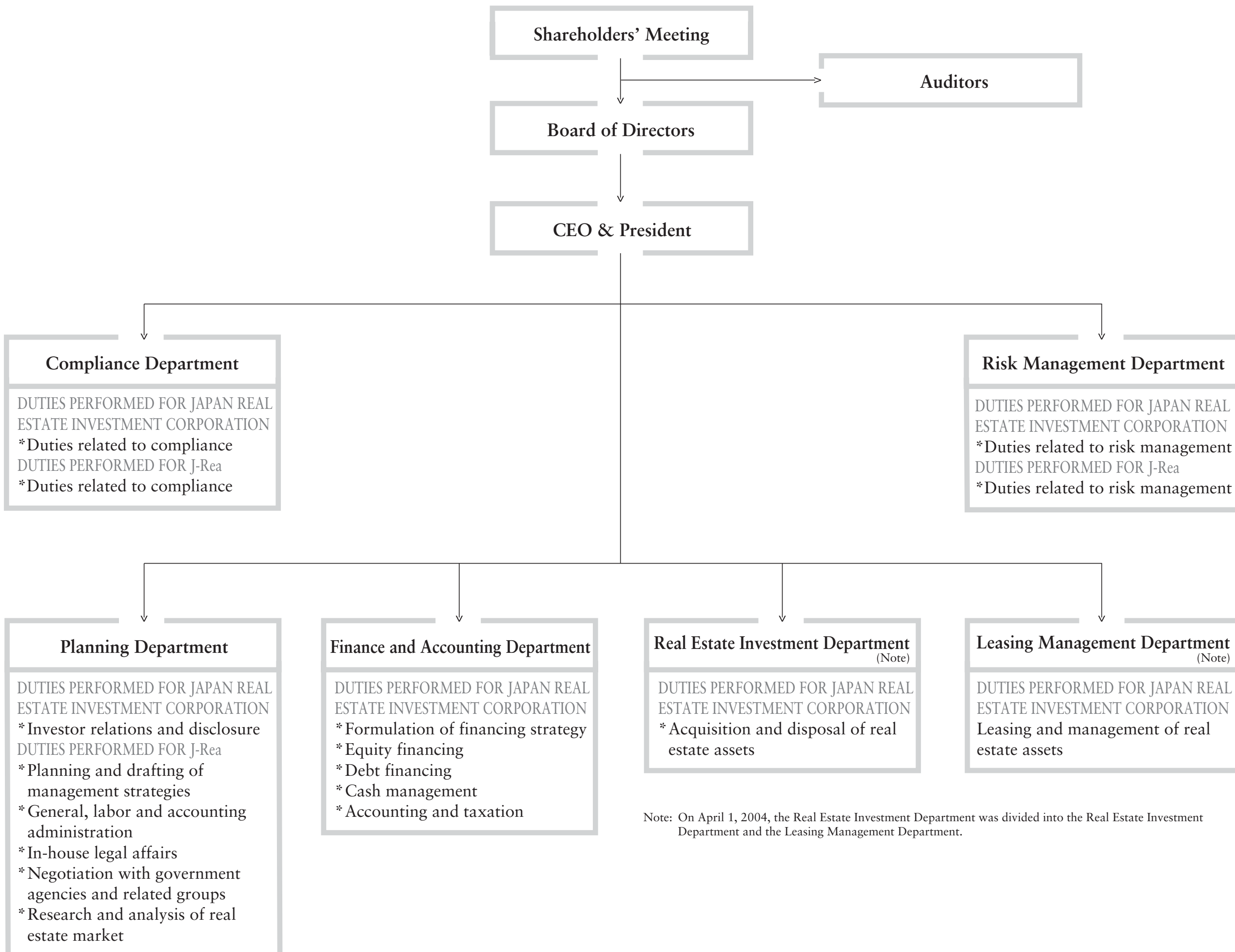
No Redemption/Repurchase of Shares — As an investment corporation is a closed-end J-REIT, shareholders are not entitled to request for redemption/repurchase of their shares from an investment corporation.

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

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

Profile of J-Rea (Asset Management Company)

ORGANIZATION



Note: On April 1, 2004, the Real Estate Investment Department was divided into the Real Estate Investment Department and the Leasing Management Department.

PRINCIPAL SHAREHOLDERS

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

Corporate Data

As of March 31, 2004

Executives

Executive Director:	Yoneichiro Baba
Supervisory Directors:	Tsunaya Kawamura
	Kenji Kusakabe

Paid-in Capital

¥133,448,380,000

Number of Shares Issued

260,400

Number of Shareholders

16,794

Stock Listing

Tokyo Stock Exchange

Securities Code

8952

Transfer Agent

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

Auditors

Shin Nihon & Co.
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

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