



Japan Prime Realty Investment Corporation
Sixth Fiscal Period Results
(July 1, 2004 – December 31, 2004)

February 2005

This document contains a translation of selected information described in the Financial Report (*Kessan Tanshin*) dated February 17, 2005 and prepared under the timely disclosure requirements of the Tokyo Stock Exchange, as well as the Financial Statements and Performance Information Report written pursuant to the Investment Trust Law of Japan, for the period from July 1, 2004 to December 31, 2004 of Japan Prime Realty Investment Corporation (“JPR”).

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The financial statements of JPR have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions.

Many provisions of this document contain information that constitutes forward-looking statements. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.

Contact Information:

Tokyo Realty Investment Management, Inc.

Investor Relations Group

Takeshi Maki

+813-3516-1606

Japan Prime Realty Investment Corporation is listed on the Tokyo Stock Exchange with the securities code number 8955. (URL http://www.jpr-reit.co.jp/jpr_e/index.html)

Board of Directors Meeting: February 17, 2005

Payment of Dividends: March 9, 2005 (planned)

PERFORMANCE (July 1, 2004 – December 31, 2004)

(1) Business Results

(Amounts less than a million yen discarded)
(Millions of yen, yen for per unit information)

| | Operating Revenues | % Change | Net Operating Profits | % Change | Recurring Profits | % Change | Net Income | % Change |
|----------------------|--------------------|----------------|-----------------------|----------------|-------------------|---------------|--------------|---------------|
| Dec. 31, 2004 | 7,685 | (13.2%) | 3,469 | (13.3%) | 2,869 | (9.7%) | 2,868 | (9.7%) |
| June 30, 2004 | 6,790 | (5.8%) | 3,061 | (4.3%) | 2,615 | (6.0%) | 2,614 | (6.0%) |

(Yen)

| | EPU | Net Income/NAV | <Reference> (Annualized) | Recurring Profits/Total Assets | <Reference> (Annualized) | Recurring Profits/ Operating Revenues |
|----------------------|--------------|----------------|-----------------------------|--------------------------------|-----------------------------|--|
| Dec. 31, 2004 | 6,671 | 3.1% | (6.2%) | 1.5% | (3.0%) | 37.3% |
| June 30, 2004 | 6,080 | 2.9% | (5.7%) | 1.5% | (3.1%) | 38.5% |

Notes: 1. EPU is calculated based on the average number of investment units during the term, as follows

Fiscal period ended June 30, 2004: 430,000 units

Fiscal period ended Dec. 31, 2004: 430,000 units

2. Changes in accounting standards: No

3. Percentages for operating revenues, net operating profits, recurring profits and net income show changes from the previous fiscal period, are rounded to the nearest first decimal place

4. Net income/NAV and recurring profits/total assets are calculated based on the average of unitholders' equity (NAV) and total assets as of the beginning and end of the period

5. Annualized result =

For the period ended June 30, 2004:

Actual result/Actual investment days (182 days) x 365 days

For the period ended Dec. 31, 2004:

Actual result/Actual investment days (184 days) x 365 days

(2) Cash Distributions

(Millions of yen, yen for DPU)

| | DPU | Distribution Amount | Exceeding Profit Distribution Per Unit | Exceeding Profit Distribution Amount | Dividend Payout Ratio | Distribution/NAV |
|----------------------|--------------|---------------------|--|--------------------------------------|-----------------------|------------------|
| Dec. 31, 2004 | 6,671 | 2,868 | — | — | 100.0% | 3.1% |
| June 30, 2004 | 6,081 | 2,614 | — | — | 100.0% | 2.9% |

Note: Dividend payout ratio is rounded to the nearest first decimal place.

(3) Financial Position

(Millions of yen, yen for NAV per unit)

| | Total Assets | NAV | NAV Ratio | NAV Per Unit |
|----------------------|----------------|---------------|--------------|----------------|
| Dec. 31, 2004 | 198,673 | 91,982 | 46.3% | 213,912 |
| June 30, 2004 | 182,253 | 91,728 | 50.3% | 213,322 |

Note: Number of units outstanding at the end of the period

Fiscal period ended June 30, 2004: 430,000 units

Fiscal period ended Dec. 31, 2004: 430,000 units

Market Environment

Office Building Leasing

In the fiscal period ended December 31, 2004, vacancy rates in central business districts (CBDs) in Tokyo for leased office space fell to approximately 5% with increasing parity between supply and demand. Overall, lease rentals bottomed out as lease terms and conditions improved. In particular, lease rentals for prime locations appeared on the upswing owing to the decline in supply of high-specification large-sized buildings.

In other major cities, vacancy rates are improving particularly in principal cities including Osaka, Nagoya and Fukuoka. Despite these positive signs, lease rentals remain entrenched in an adjustment phase.

Retail Property Leasing

The Japanese macro economy exhibited signs of weaker growth in the six-month period ended December 31, 2004. Sales in the retail industry, which had also experienced a soft recovery, began to decline in the latter half of the year, with a drop in clothing and food sales at department stores, supermarkets, general merchandising stores and other shopping centers stemming from unusual weather patterns including typhoons and a mild winter.

Conditions in the retail property leasing market experienced little change from the previous fiscal period. Fueled by a drop in lease rentals for retail properties in CBDs, large-scale home appliance stores, home centers and shopping centers continued their shift from suburban areas to CBDs. In suburban areas, the focus on location and facilities also continued unabated, with signs of a recovery in lease rentals for certain properties with superior conditions.

Real Estate

For the fiscal period under review, Japan's real estate market continued to attract investments, buoyed by a recovery in the Japanese macro economy, prospects of an improvement in the demand and supply of lease rental properties and other favorable conditions. Demand from overseas and domestic investment funds also increased, reflecting a lack of more attractive investment opportunities with low interest rates in Japan, and the relative international cost advantages of real estate markets in Japan amid a global capital surplus.

In Japan's property sales market, demand for prime properties particularly in CBDs in Tokyo continued to intensify. Underpinned by a variety of private real estate funds and the increase in publicly listed real estate investment trusts (J-REITs), the market experienced a significant increase in property market prices in comparison with their appraisal values. This trend was also evident for retail properties and real estate located in areas such as Osaka, Nagoya, Fukuoka and other cities.

Acquisitions

Under these circumstances, JPR strove to create a stable revenue stream, improve the balance of its portfolio, and to diversify its asset holdings across categories of geographical location and type of use. To this end, based on strict selection criteria, the Company acquired prime office buildings and commercial facilities that are expected to generate stable cash flows. In the fiscal period under review, JPR acquired the Shinjuku Square Tower on July 2, 2004 (co-ownership for an investment of ¥10,000 million), the SS Daikanyama on October 5, 2004 (for an investment of ¥2,160 million), the BYGS Shinjuku Building on November 9, 2004 (co-ownership for an investment of ¥2,900 million), the Shin-Kojimachi Building on November 12, 2004 (increase in co-ownership for an investment of ¥200 million), and the Across Shinkawa Building Annex on November 26, 2004 (co-ownership for an investment of ¥710 million). As a result of these acquisitions, JPR held 42 properties as of December 31, 2004, totaling ¥179,620 million on an acquisition price basis, with total leasable floor space of 273,330.52 m² and 496 tenants.

In line with the Company's focus on development properties, JPR also contracted to acquire the Cupo-la Main Building (1-1 Kawaguchi Redevelopment Project) on November 25, 2004 (for a planned investment of ¥2,100 million). The Cupo-la Main Building is currently under construction and scheduled for completion in March 2006. In addition, the Company executed a contract to acquire the Strasse Ichibancho on December 20, 2004 (for an investment of ¥4,200 million). JPR acquired the property on February 4, 2005.

Sales

In addition to those properties acquired during the fiscal period under review, the Company also undertook to sell a portion of its property holdings. The Company made a decision to dispose of the JPR Ikebukuro Building, the JPR Square Hakata East/West, and the JPR Park West Takamatsu on December 20, 2004, as a part of efforts to secure a portfolio capable of generating efficient cash flows and stable dividends consistent with JPR's value-enhanced property strategy and its selectivity within certain investment areas. Settlement for the three properties is scheduled in March 2005.

Note: As of January 1, 2005, JPR has decided to change the names of certain buildings within its property holdings to enhance its brand value. Brief details are as follows.

| New Name | Previous Name |
|------------------------------------|--|
| JPR Crest Takebashi Building | Crest Yasuda Building |
| JPR Ichigaya Building | Kenwa Building |
| JPR Shibuya Tower Records Building | Jinnan 1-chome Building |
| JPR Yokohama Nihon Odori Building | Asahi-Life Yokohama Nihon Odori Building |
| JPR Ueno East Building | SEF Building |
| JPR Park West Takamatsu | Asahi-Life Takamatsu 2nd Building |
| JPR Square Hakata East/West | Asahi-Life Fukuoka 3rd/4th Building |
| JPR Nagoya Sakae Building | Nagoya Kowa Building |
| JPR Umeda Loft Building | Kuraray Nissay Building |

Property Portfolio Asset Management

Occupancy Rate

Although office building leasing markets are weak in some regional areas, JPR undertakes renovations, repairs and maintenance of its property holdings and formulates strategies to attract and cultivate new tenants. In the fiscal period under review, the Company completed renovations to the common areas of the SK Hiroshima Building and the JPR Square Hakata East/West in an effort to improve customer satisfaction. As a result, the overall property portfolio occupancy rate stood at 95.1% as of December 31, 2004, up 1.9 percentage points from the end of the previous period.

Cost Reductions

Following changes to the scope of property management as well as other efforts including changes to management methods and the review of outsourcing commissions, JPR successfully reduced property management costs approximately 3% on an annual basis compared with the end of the previous period. This reduction was in connection with 25 properties held by the Company where property management was outsourced by property managers.

Value-Enhanced Properties

Renovations to the JPR Ikebukuro Building, which has been identified as a value-enhanced property, were completed during the previous period. Buoyed by a reduction in management costs and distinguished efforts to attract tenants, the Company has realized an increase in asset value. Accordingly, JPR has undertaken to sell the property in March 2005 as stated previously.

Funds Procurement

In its sixth fiscal period, JPR continued to adopt strategies aimed at ensuring a stable financial position. The Company worked to steadily expand its property portfolio and procured short-term funds for greater flexibility and long-term funds for improved stability. In the context of its long-term funds procurement, JPR issued corporate bonds with the aim of diversifying maturities of its interest-bearing debt. As a result of these efforts, the balance of total outstanding debt as of December 31, 2004 stood at ¥51,060 million, with the balance of unsecured corporate bonds totaling ¥42,000 million. In an effort to reduce exposure to the risk of potential increases in interest rates, 77.3% of total outstanding debt is long-term debt with fixed interest rates and a maturity of more than one year (average maturity 5.0 years, see Note 1).

The average interest rate during the fiscal period ended December 31, 2004 was 1.2% (see Note 2). The interest-bearing debt ratio was 51.1% (see Note 3), and the interest-bearing debt to total assets ratio was 46.8% (see Note 4).

Details of the Company's corporate bonds and corporate credit ratings are as follows.

Unsecured Corporate Bonds***Fourth Series of Unsecured Corporate Bonds***

| | | | |
|--------------------------------------|---|--------------------|-------------------------------|
| Name of the Bond Issue: | Japan Prime Realty Investment Corporation's Fourth Series of Unsecured Bonds (The unsecured bonds rank pari passu in right of payment with all other unsecured indebtedness. Private placement with transfer restrictions to qualified institutional investors.) | | |
| Total Issue Amount: | ¥10,000 million | Subscription Date: | October 21, 2004 |
| Interest Rate: | 0.92% p.a. | Payment Date: | November 4, 2004 |
| Collateral: | Unsecured, unguaranteed | Issue Price: | ¥100 with a par value of ¥100 |
| Maturity Date and Redemption Method: | Principal redemption in full on November 4, 2009. Bonds may be redeemed at any time from the day immediately following the payment date. | | |

Fifth Series of Unsecured Corporate Bonds

| | | | |
|--------------------------------------|--|--------------------|-------------------------------|
| Name of the Bond Issue: | Japan Prime Realty Investment Corporation's Fifth Series of Unsecured Bonds (The unsecured bonds rank pari passu in right of payment with all other unsecured indebtedness. Private placement with transfer restrictions to qualified institutional investors.) | | |
| Total Issue Amount: | ¥5,000 million | Subscription Date: | October 21, 2004 |
| Interest Rate: | 1.44% p.a. | Payment Date: | November 4, 2004 |
| Collateral: | Unsecured, unguaranteed | Issue Price: | ¥100 with a par value of ¥100 |
| Maturity Date and Redemption Method: | Principal redemption in full on November 4, 2011. Bonds may be redeemed at any time from the day immediately following the payment date. | | |

Sixth Series of Unsecured Corporate Bonds

| | | | |
|--------------------------------------|---|--------------------|-------------------------------|
| Name of the Bond Issue: | Japan Prime Realty Investment Corporation's Sixth Series of Unsecured Bonds (The unsecured bonds rank pari passu, in right of payment with all other unsecured indebtedness. Private placement with transfer restrictions to qualified institutional investors.) | | |
| Total Issue Amount: | ¥5,000 million | Subscription Date: | October 21, 2004 |
| Interest Rate: | 2.00% p.a. | Payment Date: | November 4, 2004 |
| Collateral: | Unsecured, unguaranteed | Issue Price: | ¥100 with a par value of ¥100 |
| Maturity Date and Redemption Method: | Principal redemption in full on November 4, 2014. Bonds may be redeemed at any time from the day immediately following the payment date. | | |

Details of Corporate Bonds and Corporate Credit Ratings as of December 31, 2004

| Ratings Agency | Corporate Credit Rating | Corporate Bonds (Bond Issues One through Six) |
|--|--|--|
| Standard & Poor's | Long-term: A- (Stable) Short-term: A-2 (Stable) | A- |
| Moody's Investor Service | A3 (Stable) | A3 |
| Rating and Investment Information, Inc. | Long-term preferred debt rating: A+ | A+ |

Notes:

1. Average maturity of long-term interest-bearing debt, which is interest-bearing debt with a maturity of more than one year, is calculated using the weighted average of each debt over the number of years to repayment starting at the end of the fiscal period ended December 31, 2004. The balance of outstanding long-term interest-bearing debt stood at ¥71,960 million as of December 31, 2004.
2. Average interest rate is the weighted-average interest rate of outstanding debt as of December 31, 2004.
3. Interest-bearing debt ratio (%) = Interest-bearing debt / (Interest-bearing debt + Total unitholders' equity) x 100
Total unitholders' equity was ¥89,110 million as of December 31, 2004.
4. Interest-bearing debt to total assets ratio (%) = Interest-bearing debt / Period-end total assets x 100
Total assets as of December 31, 2004 were ¥198,670 million.

FORECASTS FOR SEVENTH FISCAL PERIOD ENDING JUNE 30, 2005

(Millions of yen, yen for DPU and exceeding profit distribution per unit)

| | Operating Revenues | Net Operating Profits | Recurring Profits | Net Income | DPU (excluding exceeding profit distribution per unit) | Exceeding Profit Distribution Per Unit |
|--|--------------------|-----------------------|-------------------|------------|--|--|
| Seventh Fiscal Period Ending June 30, 2005 | 8,216 | 3,675 | 3,075 | 3,074 | 5,800 | - |

Reference: Estimated EPU for the fiscal period: ¥

The above-mentioned forecasts are based on “Assumptions for the Seventh Fiscal Period Forecast (from January 1, 2005 to June 30, 2005)” in this Financial Report. In addition, based on an average month-end occupancy rate of 97.1% and the premise that “Assumptions for the Seventh Fiscal Period Forecast” will carry through for the duration of the eighth fiscal period, forecasts for the eighth fiscal period ending December 31, 2005 are as follows.

(Millions of yen, yen for DPU and exceeding profit distribution per unit)

| | Operating Revenues | Net Operating Profits | Recurring Profits | Net Income | DPU (excluding exceeding profit distribution per unit) | Exceeding Profit Distribution Per Unit |
|---|--------------------|-----------------------|-------------------|------------|--|--|
| Eighth Fiscal Period Ending December 31, 2005 | 7,637 | 3,266 | 2,704 | 2,703 | 5,100 | - |

The aforementioned forecasts are based on assumptions and information available to management as of the date of this report. As a result, actual net income and distributions will be subject to changes in market conditions. Accordingly, the forecasts do not guarantee any cash distribution amounts.

**Assumptions for the Seventh Fiscal Period Forecast
(January 1, 2005 to June 30, 2005)**

| Item | Assumption |
|--|---|
| Calculation period | From January 1, 2005 to June 30, 2005 (181 days) |
| Properties owned | As of December 31, 2004, the Company owned 42 properties. Assumptions are also based on the acquisition of the Strasse Ichibancho on February 4, 2005 and the sale of the JPR Ikebukuro Building, the JPR Park West Takamatsu, and the JPR Square Hakata East/West planned for March 16, 2005. The average month-end occupancy rate for the period is forecast at 94.4%. Actual number of properties owned may change due to the subsequent acquisition or sale of properties. |
| Investment units issued | Calculations are based on 530,000 investment units, comprising 430,000 investment units issued and outstanding as of December 31, 2004, an additional issue of 95,000 investment units and a secondary offering (over-allotment option) of 5,000 investment units (upper limit) by way of third-party allotment. |
| Interest-bearing debt ratio | A portion of the proceeds procured through the additional issue of investment units in February 2005 was utilized in the acquisition of the Strasse Ichibancho and the repayment of short-term debt totaling ¥21,100 million. In addition, with the planned secondary offering (over allotment option) of 5,000 investment units (upper limit) by way of third-party allotment in March 2005, the interest-bearing debt ratio is expected to fall to 38.4% based on current assumptions. The following formula is used to calculate the interest-bearing debt ratio: $\text{Interest-bearing debt ratio} = \frac{\text{Interest-bearing debt}}{(\text{Interest-bearing debt} + \text{Total unitholders' equity})} \times 100$ |
| Operating costs and expenses | Property tax and urban planning tax applicable to the acquisitions of the Strasse Ichibancho after January 1, 2005 are included in the acquisition price of the property and are not charged as operating expenses. (However, property tax and urban planning tax charged to the owner on January 1, 2006 are accounted for as operating expenses after the fiscal period ending June 30, 2006.) |
| Profit and loss on sale of real estate | Forecasts include an estimate for profit and loss in connection with the planned sale of three properties on March 16, 2005. |
| Cash distributions | Forecasts assume the distribution of an amount of net income available for distribution, divided by total units outstanding and limited to the amount of unappropriated profits. Amounts less than ¥1 are discarded. Forecasts also assume that there will be no distribution in excess of profit, in accordance with corporate policy. |

Balance Sheets (as of December 31, 2004 and June 30, 2004)**Assets**

(Yen in Thousands)

| Item | End of Sixth Period (as of December 31, 2004) | End of Fifth Period (as of June 30, 2004) | % Change |
|---|---|--|---------------|
| Current Assets: | | | |
| Cash and bank deposits | 5,243,711 | 4,228,269 | |
| Entrusted cash and deposits | 13,535,018 | 13,771,668 | |
| Rental receivables | 158,642 | 148,578 | |
| Prepaid expenses | 131,630 | 148,559 | |
| Deferred tax assets | 31 | 40 | |
| Consumption tax refundable | — | 372,947 | |
| Other current assets | 420,401 | 59,533 | |
| Total Current Assets | 19,489,436 | 18,729,596 | 4.1% |
| Fixed Assets: | | | |
| Property and equipment: | | | |
| Buildings | 5,585,912 | 4,352,438 | |
| Entrusted buildings | 70,859,636 | 65,375,374 | |
| Structures | 2,763 | — | |
| Entrusted structures | 32,951 | 8,790 | |
| Machinery and equipment | 55,081 | 40,122 | |
| Entrusted machinery and equipment | 1,235,628 | 1,189,927 | |
| Tools, furniture and fixtures | 289 | 289 | |
| Entrusted tools, furniture and fixtures | 15,633 | 12,397 | |
| Land | 9,510,751 | 4,750,735 | |
| Entrusted land | 97,804,383 | 92,389,190 | |
| Construction in progress | 4,250 | — | |
| Entrusted construction in progress | 3,213 | 1,869 | |
| Less: accumulated depreciation | (6,128,729) | (4,737,067) | |
| Total Property and Equipment | 178,981,765 | 163,384,068 | 9.5% |
| Intangible Assets: | | | |
| Other intangible assets | 3,744 | — | |
| Total Intangible Assets | 3,744 | — | — |
| Investments and Other Assets: | | | |
| Deposits | 10,100 | 10,100 | |
| Long-term prepaid expenses | 3,051 | 4,449 | |
| Total Investments and Other Assets | 13,151 | 14,549 | (9.6%) |
| Total Fixed Assets | 178,998,660 | 163,398,617 | 9.5% |
| Deferred Assets: | | | |
| Corporate bond issuance costs | 185,490 | 125,393 | |
| Total Deferred Assets | 185,490 | 125,393 | 47.9% |
| Total Assets | 198,673,587 | 182,253,608 | 9.0% |

Balance Sheets (as of December 31, 2004 and June 30, 2004)**Liabilities**

(Yen in Thousands)

| Item | End of Sixth Period (as of December 31, 2004) | End of Fifth Period (as of June 30, 2004) | % Change |
|--|---|--|----------------|
| Current Liabilities: | | | |
| Trade accounts payable | 793,746 | 890,323 | |
| Short-term debt | 21,100,000 | 25,200,000 | |
| Accounts payable | 449,144 | 352,921 | |
| Accrued expenses | 182,659 | 139,994 | |
| Accrued income taxes | 975 | 929 | |
| Accrued consumption taxes | 37,940 | — | |
| Rents received in advance | 812,366 | 766,493 | |
| Total Current Liabilities | 23,376,834 | 27,350,664 | (14.5%) |
| Long-Term Liabilities: | | | |
| Corporate bonds | 42,000,000 | 22,000,000 | |
| Long-term debt | 29,966,000 | 29,966,000 | |
| Leasehold and security deposits received | 1,241,283 | 901,523 | |
| Entrusted leasehold and security deposits received | 10,107,066 | 10,306,735 | |
| Total Long-Term Liabilities | 83,314,350 | 63,174,258 | 31.9% |
| Total Liabilities | 106,691,185 | 90,524,923 | 17.9% |
| | | | |
| Unitholders' Equity: | | | |
| Unitholders' capital | | | |
| 5,000,000 units authorized | | | |
| 430,000 units issued and outstanding | 89,113,803 | 89,113,803 | |
| Retained earnings | 2,868,599 | 2,614,881 | |
| Total Unitholders' Equity | 91,982,402 | 91,728,685 | 0.3% |
| Total Liabilities and Unitholders' Equity | 198,673,587 | 182,253,608 | 9.0% |

Statements of Income and Retained Earnings (July 1, 2004 – December 31, 2004 and January 1, 2004 – June 30, 2004)

(Yen in Thousands)

| Item | Sixth Fiscal Period (July 1, 2004 – Dec. 31, 2004) | Fifth Fiscal Period (Jan. 1, 2004 – June 30, 2004) | %Change |
|---|--|--|---------|
| Operating Revenues | 7,685,733 | 6,790,657 | 13.2% |
| Real estate rental revenues | 7,685,733 | 6,790,657 | |
| Operating Expenses | 4,216,528 | 3,729,107 | 13.1% |
| Real estate rental expenses | 3,672,910 | 3,268,801 | |
| Asset management fees | 317,710 | 293,872 | |
| Administrative service and custodian fees | 65,678 | 64,529 | |
| Directors' fees | 5,700 | 5,700 | |
| Trust fees | 50,222 | 42,439 | |
| Other operating expenses | 104,306 | 53,766 | |
| Operating Profits | 3,469,204 | 3,061,549 | 13.3% |
| Non-Operating Revenues | 13,873 | 109,340 | (87.3%) |
| Interest income | 117 | 113 | |
| Management association settlement income | — | 106,677 | |
| Other non-operating revenues | 13,755 | 2,548 | |
| Non-Operating Expenses | 613,522 | 555,135 | 10.5% |
| Interest expense | 319,171 | 294,763 | |
| Loan arrangement fees | 40,163 | 95,807 | |
| Interest expense on corporate bonds | 190,870 | 113,262 | |
| Amortization of corporate bond issuance costs | 42,113 | 25,078 | |
| Other non-operating expenses | 21,202 | 26,223 | |
| Recurring Profits | 2,869,556 | 2,615,754 | 9.7% |
| Income Before Income Taxes | 2,869,556 | 2,615,754 | |
| Income taxes | 999 | 952 | |
| Deferred taxes | 9 | 16 | |
| Net Income | 2,868,547 | 2,614,785 | 9.7% |
| Retained Earnings Brought Forward | 51 | 96 | (46.3%) |
| Retained Earnings at End of Period | 2,868,599 | 2,614,881 | 9.7% |

Statements of Cash Flows (July 1, 2004 – December 31, 2004 and January 1, 2004 – June 30, 2004)

(Yen in Thousands)

| Item | Sixth Fiscal Period (July 1, 2004 – Dec. 31, 2004) | Fifth Fiscal Period (Jan. 1, 2004 – June 30, 2004) |
|--|--|--|
| Cash Flows from Operating Activities: | | |
| Income before income taxes | 2,869,556 | 2,615,754 |
| Depreciation | 1,391,662 | 1,200,523 |
| Amortization of corporate bond issuance costs | 42,113 | 25,078 |
| Interest income | (117) | (113) |
| Interest expense | 510,042 | 408,025 |
| Increase in rent receivables | (10,063) | (43,008) |
| Decrease (Increase) in consumption tax refundable | 372,947 | (372,947) |
| Increase in prepaid expenses | 16,928 | (31,220) |
| Decrease in trade accounts payables | (96,576) | (88,743) |
| Increase (Decrease) in accounts payable | 102,063 | (12,603) |
| Increase (Decrease) in accrued taxes | 37,940 | (56,859) |
| Increase in rents received in advance | 45,873 | 211,223 |
| Payment for long-term prepaid expenses | — | (3,900) |
| Change in other current assets/liabilities | (359,129) | (51,194) |
| Subtotal | 4,923,239 | 3,800,013 |
| Interest received | 117 | 113 |
| Interest paid | (467,377) | (278,964) |
| Income taxes paid | (953) | (1,049) |
| Net cash provided by operating activities | 4,455,027 | 3,520,113 |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | (6,015,462) | (3,420,184) |
| Purchases of entrusted property and equipment | (10,973,897) | (21,941,191) |
| Purchases of intangible assets | (4,084) | — |
| Payment for leasehold and security deposits received | (158,769) | (25,262) |
| Proceeds from leasehold and security deposits received | 498,529 | 442,706 |
| Payment for entrusted leasehold and security deposits received | (655,840) | (1,272,811) |
| Proceeds from entrusted leasehold and security deposits received | 456,172 | 1,488,653 |
| Net cash used in investing activities | (16,853,352) | (24,728,089) |
| Cash Flows from Financing Activities: | | |
| Proceeds from short-term debt | 34,300,000 | 25,200,000 |
| Repayment of short-term debt | (38,400,000) | (12,900,000) |
| Proceeds from long-term debt | — | 1,000,000 |
| Repayment of long-term debt | — | (10,600,000) |
| Proceeds from issuance of corporate bonds | 20,000,000 | 22,000,000 |
| Payments for bond issuance costs | (102,211) | (150,472) |
| Distributions to unitholders | (2,620,670) | (2,452,630) |
| Net cash provided by financing activities | 13,177,117 | 22,096,897 |
| Net change in cash and cash equivalents | 778,791 | 888,921 |
| Cash and cash equivalents at beginning of period | 17,999,938 | 17,111,016 |
| Cash and cash equivalents at end of period | 18,778,729 | 17,999,938 |

Subsequent Events

| Sixth Fiscal Period (July 1, 2004 – Dec. 31, 2004) | Fifth Fiscal Period (Jan. 1, 2004 – June 30, 2004) |
|---|--|
| <p><Primary Offering for the Issue of New Investment Units> Payment in connection with new investment units, the issue and pricing of which were approved at Board of Directors meetings held on January 13, 2005 and January 24, 2005, respectively, was completed on February 1, 2005, terms and conditions briefly as follows. As a result, unitholders' capital totaled ¥114,115,618,600, while the number of investment units issued and outstanding was 525,000 as of February 2, 2005.</p> <p>Number of new investment units issued: 95,000</p> <p>Purchase (public offering) price: ¥272,440 per investment unit Gross proceeds: ¥25,881,800,000</p> <p>Purchase (underwriting) price: ¥263,177 per investment unit Gross proceeds: ¥25,001,815,000</p> <p>Payment date: February 1, 2005 Delivery date: February 2, 2005</p> <p>Starting date of computation for cash distribution: January 1, 2005</p> <p><Secondary Offering (Over-Allotment Option) — the “Greenshoe Option” by way of Third-Party Allotment> JPR resolved to undertake a secondary offering (over-allotment option) by way of third-party allotment at Board of Directors meetings held on January 13, 2005 and January 24, 2005, brief details as follows. JPR also proved the granting of an option (the “Greenshoe Option”) by way of third-party allotment to Mizuho Securities Co., Ltd. The greenshoe option may be exercised by no later than February 25, 2005.</p> | <p>There were no subsequent events of a material nature.</p> |

| | |
|--|------------------------------|
| Number of investment units to be issued: | 5,000 (maximum) |
| Purchase price: | ¥263,177 per investment unit |
| Gross proceeds: | ¥1,315,885,000 (maximum) |
| Third-party allottee: | Mizuho Securities Co., Ltd. |
| Payment date: | March 1, 2005 |
| Delivery date: | March 2, 2005 |
| Starting date of computation for cash distribution: | January 1, 2005 |

Reference

1. Acquisitions

Strasse Ichibancho

| | |
|----------------------------|---|
| Location | 3-9-18, Ichibancho, Aoba-ku, Sendai-shi, Miyagi |
| Type of Ownership | Full ownership of land; Full ownership of building. |
| Total Site Area | 648.81 m ² |
| Total Floor Area | 3,445.80 m ² |
| Type of Structure | RC·S B1/8F |
| Completion | October 2002 |
| Number of Tenants | 1 |
| Total Leasable Floor Space | 2,861.91 m ² |
| Total Leased Floor Space | 2,861.91 m ² |
| Occupancy Rate | 100% |
| Acquisition Price | ¥4,200 million |
| Type of Asset | Beneficiary interest |
| Acquisition Date | February 4, 2005 |

Real estate portfolio after property acquisition (as of December 31, 2004)

| Area | Type | Property Name | Location | Acquired | Acquisition Price (yen in millions) | % of Total | Appraisal Value as of Dec. 31, 2004 (yen in millions) |
|-----------------|---------------------------------|-------------------------------------|----------------------|------------------------|-------------------------------------|---------------|---|
| Tokyo CBDs | Office | Kanematsu Bldg. | Chuo-ku, Tokyo | Dec. 2001 | 16,276 | 9.1% | 12,700 |
| | Office | Kanematsu Bldg. Annex | Chuo-ku, Tokyo | Dec. 2001 | 2,874 | 1.6% | 2,480 |
| | Office | JPR Ningyo-cho Bldg. | Chuo-ku, Tokyo | Nov. 2001 | 2,100 | 1.2% | 1,870 |
| | Office | Shin-Kojimachi Bldg. | Chiyoda-ku, Tokyo | Nov. 2001 | 1,670 | 0.9% | 2,410 |
| | | | | Nov. 2002 | 550 | 0.3% | |
| | | | | Nov. 2004 | 200 | 0.1% | |
| | | | | | 2,420 | 1.3% | |
| | Office | JPR Crest Takebashi Bldg. | Chiyoda-ku, Tokyo | Jun. 2002 | 4,000 | 2.2% | 3,220 |
| | Office | MS Shibaura Bldg. | Minato-ku, Tokyo | Mar. 2003 | 11,200 | 6.2% | 11,300 |
| | Office | Gotanda First Bldg. | Shinagawa-ku, Tokyo | Jul. 2003 | 2,920 | 1.6% | 2,810 |
| | Office | Fukuoka Bldg. | Chuo-ku, Tokyo | Oct. 2003 | 1,800 | 1.0% | 1,798 |
| | Office | JPR Ichigaya Bldg. | Chiyoda-ku, Tokyo | May. 2004 | 5,100 | 2.8% | 5,080 |
| | Office | Oval Court Ohsaki Mark West | Shinagawa-ku, Tokyo | Jun. 2004 | 3,500 | 2.0% | 3,680 |
| | Office | Shinjuku Square Tower | Shinjuku-ku, Tokyo | Jul. 2004 | 10,000 | 5.6% | 9,670 |
| | Office | BYGS Shinjuku Bldg. | Shinjuku-ku, Tokyo | Nov. 2004 | 2,900 | 1.6% | 2,910 |
| Office | Across Shinkawa Bldg. Annex | Chuo-ku, Tokyo | Nov. 2004 | 710 | 0.4% | 730 | |
| Retail | JPR Shibuya Tower Records Bldg. | Shibuya-ku, Tokyo | Jun. 2003 | 12,000 | 6.7% | 12,700 | |
| Retail | SS Daikanyama | Shibuya-ku, Tokyo | Oct. 2004 | 2,160 | 1.2% | 2,080 | |
| Subtotal | | | | | 79,960 | 44.5% | 75,438 |
| Greater Tokyo | Office | Arca East | Sumida-ku, Tokyo | Nov. 2001 | 5,880 | 3.3% | 5,450 |
| | Office | JPR Chiba Bldg. | Chiba, Chiba | Dec. 2001 | 2,350 | 1.3% | 1,988 |
| | Office | JPR Yokohama Nihon Odori Bldg. | Yokohama, Kanagawa | Nov. 2001 | 2,927 | 1.6% | 2,490 |
| | Office | JPR Ikebukuro Bldg. | Toshima-ku, Tokyo | Jun. 2002 | 2,040 | 1.2% | 2,200 |
| | Office | Shinyokohama 2nd Center Bldg. | Yokohama, Kanagawa | Sep. 2002 | 920 | 0.5% | 1,020 |
| | Office | Kawaguchi Center Bldg. | Kawaguchi, Saitama | Feb. 2004 | 8,100 | 4.5% | 8,600 |
| | Office | JPR Ueno East Bldg. | Taito-ku, Tokyo | Mar. 2004 | 3,250 | 1.8% | 3,320 |
| | Retail | Tanashi ASTA | Nishitokyo, Tokyo | Nov. 2001 | 10,200 | 5.7% | 10,930 |
| | Retail | Tsurumi fuga 1 | Yokohama, Kanagawa | Nov. 2001 | 3,040 | 1.7% | 3,280 |
| Subtotal | | | | | 38,707 | 21.6% | 39,278 |
| Other Cities | Office | Niigata Ekinan Center Bldg. | Niigata, Niigata | Nov. 2001 | 2,140 | 1.2% | 2,057 |
| | Office | Meiji Yasuda-Life Osaka Umeda Bldg. | Osaka, Osaka | Dec. 2001 | 8,300 | 4.6% | 8,630 |
| | Office | Tokyo Tatemono Honmachi Bldg. | Osaka, Osaka | Nov. 2001 | 4,150 | 2.3% | 3,990 |
| | Office | JPR Park West Takamatsu | Takamatsu, Kagawa | Nov. 2001 | 872 | 0.5% | 742 |
| | Office | JPR Takamatsu Bldg. | Takamatsu, Kagawa | Dec. 2001 | 2,130 | 1.2% | 1,340 |
| | Office | JPR Hakata Bldg. | Fukuoka, Fukuoka | Nov. 2001 | 2,900 | 1.6% | 2,660 |
| | Office | JPR Square Hakata East/West | Fukuoka, Fukuoka | Nov. 2001 | 2,873 | 1.6% | 2,600 |
| | Office | JPR Naha Bldg. | Naha, Okinawa | Nov. 2001 | 1,560 | 0.9% | 1,490 |
| | Office | North 33 Bldg. | Sapporo, Hokkaido | Jun. 2002 | 3,700 | 2.1% | 2,790 |
| | Office | Park East Sapporo | Sapporo, Hokkaido | Jun. 2002 | 2,150 | 1.2% | 1,690 |
| | Office | Sompo Japan Sendai Bldg. | Sendai, Miyagi | Jun. 2002 | 3,150 | 1.7% | 3,170 |
| | Office | Sompo Japan Wakayama Bldg. | Wakayama, Wakayama | Jun. 2002 | 1,670 | 0.9% | 1,680 |
| | Office | Tenjin 121 Bldg. | Fukuoka, Fukuoka | Jun. 2002 | 2,810 | 1.6% | 2,590 |
| | Office | SK Hiroshima Bldg. | Hiroshima, Hiroshima | Oct. 2002 | 947 | 0.5% | 836 |
| | Office | JPR Nagoya Sakae Bldg. | Nagoya, Aichi | Sep. 2003 | 4,550 | 2.5% | 4,655 |
| | Office | Dojima F Bldg. | Osaka, Osaka | Jan. 2004 | 2,140 | 1.2% | 2,130 |
| | Office | Semba Fukuoka Bldg. | Fukuoka, Fukuoka | Jun. 2004 | 1,920 | 1.1% | 1,960 |
| | Retail | JPR Umeda Loft Bldg. | Osaka, Osaka | May. 2003 Jul. 2003 | 8,000 5,000 13,000 | 7.2% | 11,800 |
| Subtotal | | | | | 60,962 | 33.9% | 56,810 |
| Total | | | | | 179,629 | 100.0% | 171,526 |

Real estate portfolio after property acquisition (as of December 31, 2004)

| Area | Type | Property Name | Leasable Area | # of Tenants | Occupancy | Rental Revenue (yen in thousands) | % of Total |
|-----------------|---------------------------------|-------------------------------------|--------------------------------|--------------|--------------|-----------------------------------|---------------|
| Tokyo CBDs | Office | Kanematsu Bldg. | 7,976.30m ² | 10 | 97.5% | 385,136 | 5.0% |
| | Office | Kanematsu Bldg. Annex | 2,291.13m ² | 1 | 100.0% | 106,114 | 1.4% |
| | Office | JPR Ningyo-cho Bldg. | 2,788.98m ² | 4 | 100.0% | 95,637 | 1.2% |
| | Office | Shin-Kojimachi Bldg. | 2,105.44m ² | 7 | 100.0% | 63,602 | 0.8% |
| | | | 901.36m ² | 3 | 100.0% | 30,659 | 0.4% |
| | | | 312.53m ² | 1 | 100.0% | 3,055 | 0.0% |
| | | | 3,319.33m ² | 11 | 100.0% | 97,316 | 1.2% |
| | Office | JPR Crest Takebashi Bldg. | 3,265.34m ² | 9 | 100.0% | 125,100 | 1.6% |
| | Office | MS Shibaura Bldg. | 14,429.09m ² | 7 | 100.0% | 496,099 | 6.5% |
| | Office | Gotanda First Bldg. | 4,243.58m ² | 2 | 100.0% | 138,083 | 1.8% |
| | Office | Fukuoka Bldg. | 1,250.06m ² | 1 | 100.0% | 64,667 | 0.8% |
| | Office | JPR Ichigaya Bldg. | 4,181.66m ² | 9 | 100.0% | 196,400 | 2.6% |
| | Office | Oval Court Ohsaki Mark West | 4,088.44m ² | 2 | 100.0% | 170,375 | 2.2% |
| | Office | Shinjuku Square Tower | 10,982.03m ² | 17 | 84.4% | 265,420 | 3.5% |
| | Office | BYGS Shinjuku Bldg. | 3,787.78m ² | 22 | 87.7% | 42,972 | 0.6% |
| Office | Across Shinkawa Bldg. Annex | 1,246.72m ² | 5 | 100.0% | 7,354 | 0.1% | |
| Retail | JPR Shibuya Tower Records Bldg. | 8,076.85m ² | 1 | 100.0% | 345,576 | 4.5% | |
| Retail | SS Daikanyama | 653.99m ² | 1 | 100.0% | 24,977 | 0.3% | |
| Subtotal | | | 72,581.28m² | 102 | 96.7% | 2,561,235 | 33.3% |
| Greater Tokyo | Office | Arca East | 7,050.10m ² | 4 | 93.2% | 321,686 | 4.2% |
| | Office | JPR Chiba Bldg. | 5,561.68m ² | 29 | 95.8% | 142,934 | 1.9% |
| | Office | JPR Yokohama Nihon Odori Bldg. | 6,082.25m ² | 10 | 91.0% | 140,462 | 1.8% |
| | Office | JPR Ikebukuro Bldg. | 4,605.76m ² | 7 | 91.8% | 104,270 | 1.4% |
| | Office | Shinyokohama 2nd Center Bldg. | 2,640.80m ² | 11 | 90.2% | 68,465 | 0.9% |
| | Office | Kawaguchi Center Bldg. | 15,478.43m ² | 38 | 98.7% | 503,889 | 6.6% |
| | Office | JPR Ueno East Bldg. | 6,512.45m ² | 8 | 86.4% | 164,313 | 2.1% |
| | Retail | Tanashi ASTA | 31,121.71m ² | 1 | 100.0% | 635,400 | 8.2% |
| Retail | Tsurumi fuga 1 | 9,578.60m ² | 1 | 100.0% | 145,200 | 1.9% | |
| Subtotal | | | 88,631.78m² | 109 | 96.6% | 2,226,622 | 29.0% |
| Other Cities | Office | Niigata Ekinan Center Bldg. | 5,206.82m ² | 14 | 100.0% | 130,620 | 1.7% |
| | Office | Meiji Yasuda-Life Osaka Umeda Bldg. | 9,600.79m ² | 21 | 91.8% | 360,817 | 4.7% |
| | Office | Tokyo Tatemono Honmachi Bldg. | 7,210.25m ² | 10 | 98.6% | 250,747 | 3.3% |
| | Office | JPR Park West Takamatsu | 2,496.02m ² | 23 | 80.3% | 43,914 | 0.6% |
| | Office | JPR Takamatsu Bldg. | 5,023.53m ² | 26 | 86.2% | 91,236 | 1.2% |
| | Office | JPR Hakata Bldg. | 6,581.15m ² | 26 | 89.3% | 153,878 | 2.0% |
| | Office | JPR Square Hakata East/West | 8,447.48m ² | 14 | 80.7% | 172,582 | 2.2% |
| | Office | JPR Naha Bldg. | 3,947.69m ² | 15 | 87.3% | 96,929 | 1.3% |
| | Office | North 33 Bldg. | 6,642.98m ² | 23 | 96.0% | 171,000 | 2.2% |
| | Office | Park East Sapporo | 7,648.62m ² | 23 | 90.9% | 117,962 | 1.5% |
| | Office | Sompo Japan Sendai Bldg. | 7,050.84m ² | 10 | 95.3% | 188,734 | 2.5% |
| | Office | Sompo Japan Wakayama Bldg. | 4,891.36m ² | 16 | 93.6% | 117,168 | 1.5% |
| | Office | Tenjin 121 Bldg. | 3,292.02m ² | 13 | 96.6% | 104,926 | 1.4% |
| | Office | SK Hiroshima Bldg. | 2,738.06m ² | 15 | 70.4% | 55,430 | 0.7% |
| | Office | JPR Nagoya Sakae Bldg. | 5,461.90m ² | 20 | 100.0% | 221,395 | 2.9% |
| | Office | Dojima F Bldg. | 3,941.40m ² | 9 | 84.9% | 123,693 | 1.6% |
| | Office | Semba Fukuoka Bldg. | 3,349.57m ² | 6 | 100.0% | 94,426 | 1.2% |
| Retail | JPR Umeda Loft Bldg. | 18,586.97m ² | 1 | 100.0% | 402,411 | 5.2% | |
| Subtotal | | | 112,117.45m² | 285 | 92.8% | 2,897,876 | 37.7% |
| Total | | | 273,330.52m² | 496 | 95.1% | 7,685,733 | 100.0% |