



Japan Prime Realty Investment Corporation  
**Fifth Fiscal Period Results**  
(January 1, 2004 – June 30, 2004)

August 2004

This document contains a translation of selected information described in the Financial Report (*Kessan Tanshin*) dated August 19, 2004 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 January 1, 2004 to June 30, 2004 of Japan Prime Realty Investment Corporation (“JPR”).

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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 First Section of the Tokyo Stock Exchange with the securities code number 8955. (URL [http://www.jpr-reit.co.jp/jpr\\_e/index.html](http://www.jpr-reit.co.jp/jpr_e/index.html))

Board of Directors Meeting: August 19, 2004

Payment of Dividends: September 8, 2004 (planned)

## PERFORMANCE (January 1, 2004 – June 30, 2004)

### (1) Business Results

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

	Operating Revenues	% Change	Net Operating Profits	% Change	Recurring Profits	% Change	Net Income	% Change
<b>Jun. 30, 2004</b>	<b>6,790</b>	<b>(5.8%)</b>	<b>3,061</b>	<b>(4.3%)</b>	<b>2,615</b>	<b>(6.0%)</b>	<b>2,614</b>	<b>(6.0%)</b>
Dec. 31, 2003	6,421	(22.0%)	2,933	(30.6%)	2,468	(24.0%)	2,467	(24.0%)

(Yen)

	EPU	Net Income/NAV	<Reference> (Annualized)	Recurring Profits/Total Assets	<Reference> (Annualized)	Recurring Profits/ Operating Revenues
<b>Jun. 30, 2004</b>	<b>6,080</b>	<b>2.9%</b>	<b>(5.7%)</b>	<b>1.5%</b>	<b>(3.1%)</b>	<b>38.5%</b>
Dec. 31, 2003	5,895	3.3%	(6.5%)	1.6%	(3.2%)	38.4%

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

Fiscal period ended Dec. 31, 2003: 418,502 units

Fiscal period ended Jun. 30, 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 Dec. 31, 2003:

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

For the period ended Jun. 30, 2004:

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

### (2) Cash Distributions

(Millions of yen, except DPS and exceeding profit distribution per unit)

	DPU	Distribution Amount	Exceeding Profit Distribution Per Unit	Exceeding Profit Distribution Amount	Dividend Payout Ratio	Distribution/NAV
<b>Jun. 30, 2004</b>	<b>6,081</b>	<b>2,614</b>	—	—	<b>100.0%</b>	<b>2.9%</b>
Dec. 31, 2003	5,738	2,467	—	—	99.9%	3.3%

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

### (3) Financial Position

(Millions of yen)

	Total Assets	NAV	NAV Ratio	NAV Per Unit
<b>Jun. 30, 2004</b>	<b>182,253</b>	<b>91,728</b>	<b>50.3%</b>	<b>213,322</b>
Dec. 31, 2003	156,576	91,581	58.5%	212,979

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

Fiscal period ended Dec. 31, 2003: 430,000 units

Fiscal period ended Jun. 30, 2004: 430,000 units

## FIFTH FISCAL PERIOD HIGHLIGHTS

### Market Environment

#### *Office Building Leasing*

In the fiscal period ended June 30, 2004, vacancy rates, primarily for large-sized properties in Tokyo's market for leased office space, began to improve, as concerns regarding the "Year 2003 Problem" waned. This was due to a concentration in supply of high-specification large-sized buildings in the area, as well as the drop in lease rentals, which attracted corporate tenants undergoing business restructure and integration-driven relocation. Initial signs that the decline in lease rentals had bottomed out further bolstered conditions, as well as an upswing in the operating environment and an easing of the concentration in supply of office space, prompting demands to meet corporate expansion relocation needs. Conditions for medium- and small-sized properties, however, remained harsh as the attraction toward large-sized buildings remained strong. As the market becomes increasingly selective in terms of location, scale and building age, smaller sized buildings are expected to experience difficult conditions for the foreseeable future.

In regional areas, vacancy rates remained high. Although conditions continue to be difficult, vacancy rates in Sapporo, Niigata, Osaka, Takamatsu and Fukuoka have shown signs of gradual improvement since the beginning of the year. Overall conditions, however, in regional areas continue to experience an adjustment phase. The recovery in corporate activity has not translated into increased demand for office space and companies continue to rationalize operations, relocate to smaller premises and reduce costs. As a result, property owners are forced to lower lease rentals in an effort to retain their tenant base.

#### *Retail Property Leasing*

Conditions in the retail property leasing market were characterized by an upswing, driven by export activity and the digital home appliance sector. Business results were significantly improved for manufacturing, department store and retail businesses. There were positive signs that consumer spending was on the rise, with retail sales at department stores, excluding corporate demand, increasing. Notwithstanding these positive factors, however, concerns remain with regard rising interest rates and the appreciation of the yen. As a result, the extent to which the market will recover is shrouded in uncertainty.

Rents in the retail property leasing market experienced little change from the previous fiscal period and remain strong in major upmarket commercial districts, buoyed by a willingness on the part of retailers to open new stores in these areas. In addition, rents continue to fare comparatively well amid the growing shift from suburban to urban areas by large-scale home appliance stores, home centers and shopping centers. In suburban areas, roadside store rents are on the decline with mounting pressure for further rental reductions at the time of new contracts and renewals in line with the drop in retail store sales.

*Real Estate*

As in the previous fiscal period, property sales continue to pick up owing to corporate restructure and moves to dispose of non-performing loans prior to the introduction in fiscal 2005 of asset-impairment accounting. Demand from overseas investment funds and the increasing influence of Japan's real estate investment trust (J-REIT) market has raised the level of competition for prime real estate with concerns over an increase in property prices.

**Acquisitions**

Under these circumstances, JPR strove to create a stable revenue stream, improve the balance of its portfolio, and to diversify its asset holdings by geographical location and type of use. To this end, based on strict selection criteria the Company acquired prime office buildings that are expected to generate stable cash flow. In the fiscal period under review, JPR acquired the Doujima F Building on January 23, 2004 (for an investment of ¥2,140 million), the Kawaguchi Center Building on February 13, 2004 (proprietary and co-ownership for an investment of ¥8,100 million), the SEF Building (for an investment of ¥3,250 million) on March 1, 2004, the Kenwa Building on May 28, 2004 (for an investment of ¥5,100 million), the Oval Court Ohsaki Mark West on June 1, 2004 (partial ownership of land and unit ownership of the building for an investment of ¥3,500 million), and the Semba Fukuoka Building on June 11, 2004 (for an investment of ¥1,920 million).

As a result of these acquisitions, JPR held 38 properties as of June 30, 2004, totaling ¥163,650 million on an acquisition price basis, with total leasable floor space of 256,329.13 m<sup>2</sup> and 437 tenants.

**Doujima F Building**

Location	2-42-1, Sonezakisinchi, Kita-ku, Osaka-shi, Osaka
Acquisition Date	January 23, 2004
Acquisition Price	¥2,140 million (excluding acquisition costs, property tax, and city planning tax)
Type of Ownership	Full ownership
Total Site Area	668.11 m <sup>2</sup>
Total Floor Area	5,696.01 m <sup>2</sup>
Total Leasable Floor Space	3,941.27 m <sup>2</sup>
Type of Structure	SRC B2/9F
Completion Date	October 1993

**Kawaguchi Center Building**

Location	4-1-8, Honcho, Kawaguchi-shi, Saitama Prefecture
Acquisition Date	February 13, 2004
Acquisition Price	¥8,100 million (excluding acquisition costs, property tax, and city planning tax)
Type of Ownership	Land: Proprietary and co-ownership Bldg.: Unit ownership
Total Site Area	4,524.61 m <sup>2</sup>

Total Floor Area	28,480.85 m <sup>2</sup>
Total Leasable Floor Space	15,478.43 m <sup>2</sup>
Type of Structure	S, SRC B2/15F
Completion Date	February 1994

**SEF Building**

Location	1-3-5 Matsugaya, Taito-ku, Tokyo
Acquisition Date	March 1, 2004
Acquisition Price	¥3,250 million (excluding acquisition costs, property tax, and city planning tax)
Type of Ownership	Land: Full ownership Bldg.: Full ownership
Total Site Area	1,242.97 m <sup>2</sup>
Total Floor Area	8,490.44 m <sup>2</sup>
Total Leasable Floor Space	6,512.44 m <sup>2</sup>
Type of Structure	SRC B1/8F
Completion Date	October 1992

**Kenwa Building**

Location	4-7-15 Kudan-minami, Chiyoda-ku, Tokyo
Acquisition Date	May 28, 2004
Acquisition Price	¥5,100 million (excluding acquisition costs, property tax, and city planning tax)
Type of Ownership	Land: Full ownership Bldg.: Full ownership
Total Site Area	1,058.04 m <sup>2</sup>
Total Floor Area	5,888.82 m <sup>2</sup>
Total Leasable Floor Space	4,181.50 m <sup>2</sup>
Type of Structure	SRC B1/9F
Completion Date	March 1989

**Oval Court Ohsaki Mark West**

Location	2-17-1, Higashi-gotanda, Shinagawa-ku, Tokyo
Acquisition Date	June 1, 2004
Acquisition Price	¥3,500 million (excluding acquisition costs, property tax, and city planning tax)
Type of Ownership	Land: Partial ownership Building: Unit ownership
Total Site Area	4,006.00 m <sup>2</sup>
Total Floor Area	28,575.80 m <sup>2</sup>
Total Leasable Floor Space	4,088.42 m <sup>2</sup>
Type of Structure	SRC B2/17F
Completion Date	June 2001

**Semba Fukuoka Building**

Location	2-6-12 Hakataekimae, Hakata-ku, Fukuoka-shi, Fukuoka
Acquisition Date	June 11, 2004
Acquisition Price	¥1,920 million (excluding acquisition costs, property tax, and city planning tax)
Type of Ownership	Land: Full ownership Building: Full ownership
Total Site Area	680.63 m <sup>2</sup>
Total Floor Area	3,874.81 m <sup>2</sup>
Total Leasable Floor Space	3,349.57 m <sup>2</sup>
Type of Structure	SRC 8F
Completion Date	June 1993

**Property Portfolio Asset Management***Occupancy Rate*

JPR formulates strategies for each building within its existing portfolio and actively implements a variety of measures to attract and cultivate new tenants. At the same time, JPR undertake renovation, repairs and maintenance, in an effort to distinguish our portfolio from that of competitors. In particular, JPR upgraded air conditioning facilities at the JPR Takamatsu Building and the Asahi-Life Takamatsu 2<sup>nd</sup> Building and completed renovations to the common areas of the Asahi-Life Fukuoka 3<sup>rd</sup>/4<sup>th</sup> Building during the fiscal period under review with the aim of enhancing competitiveness. Amid continued difficult conditions in the market for office buildings in major cities in regional areas, the property portfolio occupancy rate stood at 93.2% as of June 30, 2004, up 0.5 of a percentage point from the end of the previous period.

*Cost Reductions*

Following changes to the scope of building administration, JPR successfully reduced building management costs at the JPR Ikebukuro Building by approximately 30% and at the MS Shibaura Building by approximately 10%. As a part of efforts to consolidate property management companies, property management of the Asahi-Life Yokohama Nihon Odori Building and the Tsurumi fuga 1 Building was transferred to Tokyo Tatemono Co., Ltd. As a result, JPR reduced property management expenses.

*Value-Enhanced Properties*

Consistent with JPR's endeavors to increase profitability, renovations to the JPR Ikebukuro Building, which began during the third fiscal period, were completed at the end of March 2004. While the occupancy rate as of June 30, 2004 stood at 76.8%, we are making aggressive efforts to attract new tenants.

In addition, of the six properties identified as value-enhanced properties, excluding the JPR Ikebukuro Building, the occupancy rates of three buildings improved by more than 10% compared with the end of the previous fiscal period.

## Funds Procurement

In its fifth 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 in an effort to promote medium- and long-term stability and mobility. In addition, JPR issued corporate bonds and established a commitment line to further diversify its source of funds. As a result of these efforts, the balance of total outstanding debt as of June 30, 2004 stood at ¥55,160 million, with the balance of corporate bonds totaling ¥22,000 million. In an effort to reduce exposure to the risk of potential increases in interest rates, 67.3% of this amount is long-term interest-bearing debt with a maturity of more than one year (average maturity 4.9 years, see Note 1). The average interest rate during the fiscal period ended June 30, 2004 was 1.2% (see Note 2). The interest-bearing debt ratio was 46.4% (see Note 3), and the interest-bearing debt to total assets ratio was 42.3% (see Note 4).

Details of the Company's corporate bonds and corporate credit ratings are as follows. JPR also maintains a commitment line limit of ¥4,000 million. As of June 30, 2004, the facility is unutilized.

## Unsecured Corporate Bonds

### *First Series of Unsecured Corporate Bonds*

Name of the Bond Issue:	Japan Prime Realty Investment Corporation's First Series of Unsecured Bonds (The unsecured bonds rank pari passu at least equally 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:	January 29, 2004
Interest Rate:	0.84% p.a.	Payment Date:	February 12, 2004
Collateral:	Unsecured, unguaranteed	Issue Price:	¥100 with a par value of ¥100
Maturity Date and Redemption Method:	Principal redemption in full on February 12, 2008. Bonds may be redeemed at any time from the day immediately following the payment date.		

### *Second Series of Unsecured Corporate Bonds*

Name of the Bond Issue:	Japan Prime Realty Investment Corporation's Second Series of Unsecured Bonds (The unsecured bonds rank pari passu at least equally in right of payment with all other unsecured indebtedness. Private placement with transfer restrictions to qualified institutional investors.)		
Total Issue Amount:	¥7,000 million	Subscription Date:	January 29, 2004
Interest Rate:	1.38% p.a.	Payment Date:	February 12, 2004
Collateral:	Unsecured, unguaranteed	Issue Price:	¥100 with a par value of ¥100
Maturity Date and Redemption Method:	Principal redemption in full on February 12, 2010. Bonds may be redeemed at any time from the day immediately following the payment date.		



***Third Series of Unsecured Corporate Bonds***

Name of the Bond Issue:	Japan Prime Realty Investment Corporation's Third Series of Unsecured Bonds (The unsecured bonds rank pari passu at least equally 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:	January 29, 2004
Interest Rate:	2.32% p.a.	Payment Date:	February 12, 2004
Collateral:	Unsecured, unguaranteed	Issue Price:	¥100 with a par value of ¥100
Maturity Date and Redemption Method:	Principal redemption in full on February 12, 2014. Bonds may be redeemed at any time from the day immediately following the payment date.		

**Corporate Credit Ratings**

Ratings Date	Ratings Agency	Rating	
October 29, 2003	Standard & Poor's	Long-term corporate credit rating:	A-
		Short-term corporate credit rating:	A-2
		Outlook:	Stable
January 16, 2004	Rating and Investment Information, Inc.	Long-term preferred debt rating:	A+
January 23, 2004	Moody's Investor Service	Long-term corporate credit rating:	A3
		Outlook:	Stable

***First, Second and Third Series of Unsecured Bonds***

Ratings Date	Ratings Agency	Rating
January 29, 2004	Standard & Poor's	A-
	Rating and Investment Information, Inc.	A+
	Moody's Investor Service	A3

## 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 June 30, 2004. The balance of outstanding long-term interest-bearing debt stood at ¥51,960 million as of June 30, 2004.
2. Average interest rate is the weighted-average interest rate of outstanding debt as of June 30, 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 June 30, 2004.
4. Interest-bearing debt to total assets ratio (%) = Interest-bearing debt / Period-end total assets x 100  
Total assets as of June 30, 2004 were ¥182,250 million.

**FORECASTS FOR SIXTH FISCAL PERIOD ENDING DECEMBER 31, 2004**

(Millions of yen, except 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
Sixth Fiscal Period Ending December 31, 2004	7,488	3,256	2,581	2,580	6,000	-

Reference: Estimated EPU for the fiscal period: ¥6,000

The above-mentioned forecasts are based on “Assumptions for the Sixth Fiscal Period Forecast (from July 1, 2004 to December 31, 2004)” in this Financial Report. In addition, based on an average month-end occupancy rate of 94.7% and the premise that “Assumptions for the Sixth Fiscal Period Forecast” will carry through for the duration of the seventh fiscal period, forecasts for the seventh fiscal period ending June 30, 2005 are as follows.

(Millions of yen, except 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	7,426	3,133	2,452	2,451	5,700	-

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 Sixth Fiscal Period Forecast  
(July 1- December 31, 2004)**

Item	Assumption
Calculation period	From July 1, 2004 to December 31, 2004 (184 days)
Properties owned	As of June 30, 2004, the Company owned 38 properties. The Company purchased the Shinjuku Square Tower on July 2, 2004 for a total of 39 properties. The average monthly occupancy rate for the period is forecast at 93.4%. Actual number of properties owned may change due to the subsequent acquisition or sale of properties.
Investment units issued	Calculations are based on 430,000 investment units issued and outstanding as of June 30, 2004
Interest-bearing debt ratio	As of June 30, 2004, the interest-bearing debt ratio was approximately 46.4% (unitholders' equity of ¥89,100 million, short-term debt of ¥25,200 million, long-term debt of ¥29,966 million, and corporate bonds of ¥22,000 million). In the ensuing period, together with cash on hand, the Company procured short-term debt of ¥10,500 million to assist in the acquisition of the Shinjuku Square Tower (acquisition price ¥10,000 million). The interest-bearing debt ratio is 49.6% after this transaction.  The following formula is used to calculate the interest-bearing debt ratio:  Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Unitholders' equity) x 100

Operating costs and expenses	Property tax and urban planning tax applicable to the acquisitions of the Doujima F Building, the Kawaguchi Center Building, the SEF Building, the Kenwa Building, the Oval Court Ohsaki Mark West, and the Semba Fukuoka Building, and the intended purchase of the Shinjuku Square Tower after July 1, 2004 are included in the acquisition prices for each property and are not charged as operating expenses. (However, property tax and urban planning tax charged to the owner on January 1, 2005 are accounted for as operating expenses in the fiscal period ending June 30, 2005.)
Cash distributions	Forecasts assume the distribution of an amount in excess of 90% of net income available for distribution, limited to the amount of profit. Forecasts also assume that there will be no distribution in excess of profit, in accordance with corporate policy.

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

(JPY in Thousands)

Item	End of Fifth Period (as of June 30, 2004)	End of Fourth Period (as of Dec. 31, 2003)	% Change
<b>Current Assets:</b>			
Cash and bank deposits	4,228,269	4,149,910	
Entrusted cash and deposits	13,771,669	12,961,107	
Rental receivables	148,578	105,570	
Prepaid expenses	148,559	117,338	
Deferred tax assets	40	57	
Consumption tax refundable	372,948	—	
Other current assets	59,534	643	
<b>Total Current Assets</b>	<b>18,729,597</b>	<b>17,334,625</b>	<b>8.0%</b>
<b>Fixed Assets:</b>			
<b>Property and equipment:</b>			
Buildings	4,352,438	2,540,669	
Entrusted buildings	65,375,375	55,442,091	
Entrusted structures	8,790	7,381	
Machinery and equipment	40,122	11,227	
Entrusted machinery and equipment	1,189,928	1,054,813	
Tools, furniture and fixtures	289	290	
Entrusted tools, furniture and fixtures	12,398	8,781	
Land	4,750,736	3,171,216	
Entrusted land	92,389,190	80,524,150	
Entrusted construction in progress	1,869	2,444	
Less: accumulated depreciation	(4,737,067)	(3,538,923)	
<b>Total Property and Equipment</b>	<b>163,384,068</b>	<b>139,224,139</b>	<b>17.4%</b>
<b>Investments and Other Assets:</b>			
Deposits	10,100	10,100	
Long-term prepaid expenses	4,450	7,322	
<b>Total Investments and Other Assets</b>	<b>14,550</b>	<b>17,422</b>	<b>(16.5%)</b>
<b>Total Fixed Assets</b>	<b>163,398,618</b>	<b>139,241,561</b>	<b>17.3%</b>
<b>Deferred Assets:</b>			
Corporate bond issuance costs	125,393	—	
<b>Total Deferred Assets</b>	<b>125,393</b>	<b>—</b>	
<b>Total Assets</b>	<b>182,253,608</b>	<b>156,576,186</b>	<b>16.4%</b>

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

(JPY in Thousands)

Item	End of Fifth Period (as of June 30, 2004)	End of Fourth Period (as of Dec. 31, 2003)	% Change
<b>Current Liabilities:</b>			
Trade accounts payable	890,323	979,067	
Short-term debt	25,200,000	12,900,000	
Accounts payable	352,922	350,816	
Accrued expenses	139,995	10,934	
Accrued income taxes	930	1,027	
Accrued consumption taxes	—	56,860	
Rents received in advance	766,494	555,270	
<b>Total Current Liabilities</b>	<b>27,350,664</b>	<b>14,853,974</b>	<b>84.1%</b>
<b>Long-Term Liabilities:</b>			
Corporate bonds	22,000,000	—	
Long-term debt	29,966,000	39,566,000	
Leasehold and security deposits received	901,524	484,079	
Entrusted leasehold and security deposits received	10,306,735	10,090,893	
<b>Total Long-Term Liabilities</b>	<b>63,174,259</b>	<b>50,140,972</b>	<b>26.0%</b>
<b>Total Liabilities</b>	<b>90,524,923</b>	<b>64,994,946</b>	<b>39.3%</b>
<b>Unitholders' Equity:</b>			
Unitholders' capital			
5,000,000 units authorized			
430,000 units issued and outstanding	89,113,804	89,113,804	
Retained earnings	2,614,881	2,467,436	
<b>Total Unitholders' Equity</b>	<b>91,728,685</b>	<b>91,581,240</b>	<b>0.2%</b>
<b>Total Liabilities and Unitholders' Equity</b>	<b>182,253,608</b>	<b>156,576,186</b>	<b>16.4%</b>

**Statements of Income and Retained Earnings (January 1, 2004 – June 30, 2004)**

(JPY in Thousands)

Item	Fifth Fiscal Period (Jan. 1, 2004 – June 30, 2004)	Fourth Fiscal Period (Jul. 1, 2003 – Dec. 31, 2003)	%Change
<b>Operating Revenues</b>	6,790,658	6,421,099	5.8%
Real estate rental revenues	6,790,658	6,250,395	
Gain on sale of real estate	—	170,704	
<b>Operating Expenses</b>	3,729,108	3,487,138	6.9%
Real estate rental expenses	3,268,801	2,996,386	
Asset management fees	293,872	276,344	
Administrative service and custodian fees	64,529	75,607	
Directors' fees	5,700	5,700	
Trust fees	42,440	38,689	
Other operating expenses	53,766	94,412	
<b>Operating Profits</b>	3,061,550	2,933,961	4.3%
<b>Non-Operating Revenues</b>	109,341	1,329	8,123.3%
Interest income	114	103	
Management association settlement income	106,678	—	
Other non-operating revenues	2,549	1,226	
<b>Non-Operating Expenses</b>	555,137	466,923	18.9%
Interest expense	294,764	350,649	
Loan arrangement fees	95,808	30,704	
Interest expense on corporate bonds	113,262	—	
Amortization of corporate bond issuance costs	25,079	—	
New unit issuance costs	—	82,023	
Other non-operating expenses	26,224	3,547	
<b>Recurring Profits</b>	2,615,754	2,468,367	6.0%
<b>Income Before Income Taxes</b>	2,615,754	2,468,367	
Income Taxes	953	1,047	
Deferred Taxes	16	(38)	
<b>Net Income</b>	2,614,785	2,467,358	6.0%
<b>Retained Earnings Brought Forward</b>	96	78	22.6%
<b>Retained Earnings at End of Period</b>	2,614,881	2,467,436	6.0%

**Statements of Cash Flows (January 1, 2004 – June 30, 2004)**

(JPY in Thousands)

Item	Fifth Fiscal Period (Jan. 1, 2004 – June 30, 2004)	Fourth Fiscal Period (Jul. 1, 2003 – Dec. 31, 2003)
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	2,615,754	2,468,367
Depreciation	1,200,523	1,044,355
Amortization of corporate bond issuance costs	25,079	—
Interest income	(114)	(103)
Interest expense	408,026	350,649
Increase in rent receivables	(43,008)	(41,796)
Decrease (Increase) in consumption tax refundable	(372,948)	127,735
Increase in prepaid expenses	(31,221)	(11,708)
Increase (Decrease) in trade accounts payables	(88,743)	206,818
Increase (Decrease) in accounts payable	(12,603)	18,563
Increase (Decrease) in accrued taxes	(56,860)	56,860
Increase in rents received in advance	211,224	24,026
Decrease in tangible fixed trust assets	—	418,919
Payment for long-term prepaid expenses	(3,900)	—
Change in other current assets/liabilities	(51,195)	59,176
<b>Subtotal</b>	<b>3,800,014</b>	<b>4,721,861</b>
Interest received	114	103
Interest paid	(278,965)	(372,078)
Income taxes paid	(1,050)	(968)
<b>Net cash provided by operating activities</b>	<b>3,520,113</b>	<b>4,348,918</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(3,420,184)	(4,721,223)
Purchases of entrusted property and equipment	(21,941,192)	(10,454,938)
Payment for leasehold and security deposits received	(25,262)	(11,629)
Proceeds from leasehold and security deposits received	442,706	373,594
Payment for entrusted leasehold and security deposits received	(1,272,811)	(5,997,449)
Proceeds from entrusted leasehold and security deposits received	1,488,654	1,361,052
<b>Net cash used in investing activities</b>	<b>(24,728,089)</b>	<b>(19,450,593)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	25,200,000	6,130,000
Repayment of short-term debt	(12,900,000)	(22,730,000)
Proceeds from long-term debt	1,000,000	—
Repayment of long-term debt	(10,600,000)	(434,000)
Proceeds from issuance of corporate bonds	22,000,000	—
Payments for bond issuance costs	(150,472)	—
Proceeds from issue of investment units	—	32,131,804
Distributions to unitholders	(2,452,631)	(1,988,940)
<b>Net cash provided by financing activities</b>	<b>22,096,897</b>	<b>13,108,864</b>
<b>Net change in cash and cash equivalents</b>	<b>888,921</b>	<b>(1,992,811)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>17,111,017</b>	<b>19,103,828</b>
<b>Cash and cash equivalents at end of period</b>	<b>17,999,938</b>	<b>17,111,017</b>

## **Subsequent Events**

There were no subsequent events of a material nature.



## Reference

### 1 . Acquisitions

#### Shinjuku Square Tower

Location	6-22-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Type of Ownership	Co-ownership of land ; Unit ownership of building.
Total Site Area	8,409.52 m <sup>2</sup> (Net area to be acquired by JPR: 2,463.57 m <sup>2</sup> )
Total Floor Area	78,796.00 m <sup>2</sup>
Type of Structure	S, RC, SRC B4/30F
Completion	October 1994
Number of Tenants	1
Total Leasable Floor Space	27,659.37 m <sup>2</sup>
Total Leased Floor Space	27,659.37 m <sup>2</sup>
Occupancy Rate	100%
Acquisition Price	¥10,000 million
Type of Asset	Beneficiary interest
Acquisition Date	July 2, 2004

## Real estate portfolio after property acquisition (as of June 30, 2004)

Area	Type	Property Name	Location	Acquired	Acquisition Price (yen in millions)	% of Total	Appraisal Value as of June 30, 2004 (yen in millions)
Tokyo CBDs	Office	Kanematsu Bldg.	Chuo-ku, Tokyo	Dec. 2001	16,276	9.9%	12,700
	Office	Kanematsu Bldg. Annex	Chuo-ku, Tokyo	Dec. 2001	2,874	1.8%	2,480
	Office	JPR Ningyocho Bldg.	Chuo-ku, Tokyo	Nov. 2001	2,100	1.3%	1,850
	Office	Shin-Kojimachi Bldg.	Chiyoda-ku, Tokyo	Nov. 2001 Nov. 2002	1,670	1.0%	2,140
					550	0.3%	
					2,220	1.4%	
	Office	Crest Yasuda Bldg.	Chiyoda-ku, Tokyo	Jun. 2002	4,000	2.4%	3,250
	Office	MS Shibaura Bldg.	Minato-ku, Tokyo	Mar. 2003	11,200	6.8%	11,300
	Office	Gotanda First Bldg.	Shinagawa-ku, Tokyo	Jul. 2003	2,920	1.8%	2,870
	Office	Fukuoka Bldg.	Chuo-ku, Tokyo	Oct. 2003	1,800	1.1%	1,798
	Office	Kenwa Bldg.	Chiyoda-ku, Tokyo	May. 2004	5,100	3.1%	5,080
Office	Oval Court Ohsaki Mark West	Shinagawa-ku, Tokyo	Jun. 2004	3,500	2.1%	3,400	
Retail	Jinnan 1-chome Bldg.	Shibuya-ku, Tokyo	Jun. 2003	12,000	7.3%	12,100	
<b>Subtotal</b>					<b>63,990</b>	<b>39.1%</b>	<b>58,968</b>
Greater Tokyo	Office	Arca East	Sumida-ku, Tokyo	Nov. 2001	5,880	3.6%	5,760
	Office	JPR Chiba Bldg.	Chiba, Chiba	Dec. 2001	2,350	1.4%	2,085
	Office	Asahi-Life Yokohama Nihon Odori Bldg.	Yokohama, Kanagawa	Nov. 2001	2,927	1.8%	2,650
	Office	JPR Ikebukuro Bldg.	Toshima-ku, Tokyo	Jun. 2002	2,040	1.2%	2,150
	Office	Shinyokohama 2nd Center Bldg.	Yokohama, Kanagawa	Sep. 2002	920	0.6%	1,020
	Office	Kawaguchi Center Bldg.	Kawaguchi, Saitama	Feb. 2004	8,100	4.9%	8,180
	Office	SEF Bldg.	Taito-ku, Tokyo	Mar. 2004	3,250	2.0%	3,330
	Retail	Tanashi ASTA	Nishitokyo, Tokyo	Nov. 2001	10,200	6.2%	10,830
	Retail	Tsurumi fuga 1	Yokohama, Kanagawa	Nov. 2001	3,040	1.9%	3,173
<b>Subtotal</b>					<b>38,707</b>	<b>23.7%</b>	<b>39,178</b>
Other Cities	Office	Niigata Ekinan Center Bldg.	Niigata, Niigata	Nov. 2001	2,140	1.3%	2,035
	Office	Meiji Yasuda-Life Osaka Umeda Bldg.	Osaka, Osaka	Dec. 2001	8,300	5.1%	8,570
	Office	Tokyo Tatemono Honmachi Bldg.	Osaka, Osaka	Nov. 2001	4,150	2.5%	3,990
	Office	Asahi-Life Takamatsu 2nd Bldg.	Takamatsu, Kagawa	Nov. 2001	872	0.5%	741
	Office	JPR Takamatsu Bldg.	Takamatsu, Kagawa	Dec. 2001	2,130	1.3%	1,330
	Office	JPR Hakata Bldg.	Fukuoka, Fukuoka	Nov. 2001	2,900	1.8%	2,660
	Office	Asahi-Life Fukuoka 3rd/4th Bldg.	Fukuoka, Fukuoka	Nov. 2001	2,873	1.8%	2,610
	Office	JPR Naha Bldg.	Naha, Okinawa	Nov. 2001	1,560	1.0%	1,470
	Office	North 33 Bldg.	Sapporo, Hokkaido	Jun. 2002	3,700	2.3%	2,910
	Office	Park East Sapporo	Sapporo, Hokkaido	Jun. 2002	2,150	1.3%	1,850
	Office	Sompo Japan Sendai Bldg.	Sendai, Miyagi	Jun. 2002	3,150	1.9%	3,180
	Office	Sompo Japan Wakayama Bldg.	Wakayama, Wakayama	Jun. 2002	1,670	1.0%	1,620
	Office	Tenjin 121 Bldg.	Fukuoka, Fukuoka	Jun. 2002	2,810	1.7%	2,590
	Office	SK Hiroshima Bldg.	Hiroshima, Hiroshima	Oct. 2002	947	0.6%	862
	Office	Nagoya Kowa Bldg.	Nagoya, Aichi	Sep. 2003	4,550	2.8%	4,597
	Office	Doujima F Bldg.	Osaka, Osaka	Jan. 2004	2,140	1.3%	2,150
	Office	Semba Fukuoka Bldg.	Fukuoka, Fukuoka	Jun. 2004	1,920	1.2%	1,950
	Retail	Kuraray Nissay Bldg.	Osaka, Osaka	May. 2003 Jul. 2003	8,000	7.9%	11,800
5,000							
13,000							
<b>Subtotal</b>					<b>60,962</b>	<b>37.2%</b>	<b>56,915</b>
<b>Total</b>					<b>163,659</b>	<b>100.0%</b>	<b>155,061</b>

## Real estate portfolio after property acquisition (as of June 30, 2004)

Area	Type	Property Name	Leasable Area	# of Tenants	Occupancy	Rental Revenue (yen in thousands)	% of Total
Tokyo CBDs	Office	Kanematsu Bldg.	7,958.58㎡	10	97.5%	389,214	5.7%
	Office	Kanematsu Bldg. Annex	2,291.13㎡	1	100.0%	102,843	1.5%
	Office	JPR Ningyocho Bldg.	2,788.98㎡	3	86.4%	93,389	1.4%
	Office	Shin-Kojimachi Bldg.	2,105.44㎡	7	81.9%	62,189	0.9%
			901.36㎡	3	100.0%	30,421	0.4%
			3,006.80㎡	10	87.3%	92,610	1.4%
	Office	Crest Yasuda Bldg.	3,265.34㎡	9	100.0%	122,321	1.8%
	Office	MS Shibaura Bldg.	14,429.08㎡	6	86.4%	499,472	7.4%
	Office	Gotanda First Bldg.	4,240.98㎡	3	100.0%	146,897	2.2%
	Office	Fukuoka Bldg.	1,250.06㎡	1	100.0%	64,667	1.0%
	Office	Kenwa Bldg.	4,181.66㎡	9	100.0%	35,096	0.5%
	Office	Oval Court Ohsaki Mark West	4,088.44㎡	2	100.0%	29,262	0.4%
Retail	Jinnan 1-chome Bldg.	8,076.85㎡	1	100.0%	345,576	5.1%	
<b>Subtotal</b>			<b>55,577.90㎡</b>	<b>55</b>	<b>94.7%</b>	<b>1,921,347</b>	<b>28.3%</b>
Greater Tokyo	Office	Arca East	7,050.10㎡	5	100.0%	299,273	4.4%
	Office	JPR Chiba Bldg.	5,558.06㎡	27	88.8%	143,724	2.1%
	Office	Asahi-Life Yokohama Nihon Odori Bldg.	6,066.54㎡	10	90.1%	139,962	2.1%
	Office	JPR Ikebukuro Bldg.	4,597.35㎡	6	76.8%	103,338	1.5%
	Office	Shinyokohama 2nd Center Bldg.	2,640.80㎡	10	86.1%	66,518	1.0%
	Office	Kawaguchi Center Bldg.	15,478.43㎡	38	100.0%	380,170	5.6%
	Office	SEF Bldg.	6,512.45㎡	9	92.0%	127,656	1.9%
	Retail	Tanashi ASTA	31,121.71㎡	1	100.0%	672,182	9.9%
	Retail	Tsurumi fuga 1	9,578.60㎡	1	100.0%	153,278	2.3%
<b>Subtotal</b>			<b>88,604.04㎡</b>	<b>107</b>	<b>96.4%</b>	<b>2,086,101</b>	<b>30.7%</b>
Other Cities	Office	Niigata Ekinan Center Bldg.	5,206.82㎡	15	89.7%	126,881	1.9%
	Office	Meiji Yasuda-Life Osaka Umeda Bldg.	9,600.08㎡	21	94.4%	365,458	5.4%
	Office	Tokyo Tatemono Honmachi Bldg.	7,210.25㎡	10	98.6%	249,199	3.7%
	Office	Asahi-Life Takamatsu 2nd Bldg.	2,518.30㎡	19	63.7%	51,109	0.8%
	Office	JPR Takamatsu Bldg.	5,032.33㎡	22	80.1%	83,140	1.2%
	Office	JPR Hakata Bldg.	6,581.10㎡	27	85.6%	152,639	2.2%
	Office	Asahi-Life Fukuoka 3rd/4th Bldg.	8,447.48㎡	14	79.0%	182,669	2.7%
	Office	JPR Naha Bldg.	3,947.38㎡	14	82.4%	106,831	1.6%
	Office	North 33 Bldg.	6,642.98㎡	24	89.3%	141,368	2.1%
	Office	Park East Sapporo	7,647.76㎡	22	72.5%	115,658	1.7%
	Office	Sompo Japan Sendai Bldg.	7,056.39㎡	9	96.9%	199,529	2.9%
	Office	Sompo Japan Wakayama Bldg.	4,892.17㎡	14	95.0%	123,019	1.8%
	Office	Tenjin 121 Bldg.	3,292.02㎡	12	77.9%	96,312	1.4%
	Office	SK Hiroshima Bldg.	2,732.29㎡	16	86.5%	58,089	0.9%
	Office	Nagoya Kowa Bldg.	5,461.90㎡	19	95.3%	208,711	3.1%
	Office	Doujima F Bldg.	3,941.40㎡	10	92.2%	109,748	1.6%
	Office	Semba Fukuoka Bldg.	3,349.57㎡	6	100.0%	10,421	0.2%
	Retail	Kuraray Nissay Bldg.	18,586.97㎡	1	100.0%	402,411	5.9%
<b>Subtotal</b>			<b>112,147.19㎡</b>	<b>275</b>	<b>89.8%</b>	<b>2,783,192</b>	<b>41.0%</b>
<b>Total</b>			<b>256,329.13㎡</b>	<b>437</b>	<b>93.2%</b>	<b>6,790,657</b>	<b>100.0%</b>