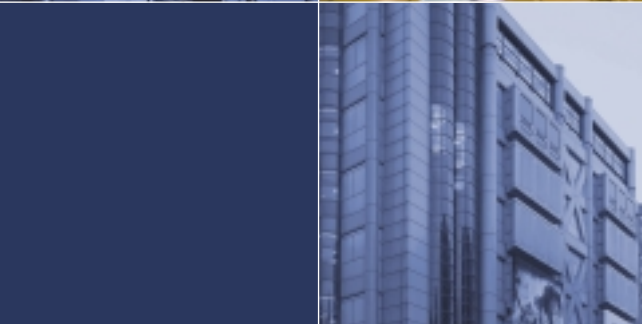


J P R

JAPAN PRIME REALTY INVESTMENT CORPORATION

*Fourth Fiscal Period Business Report*

*July 1, 2003–December 31, 2003*

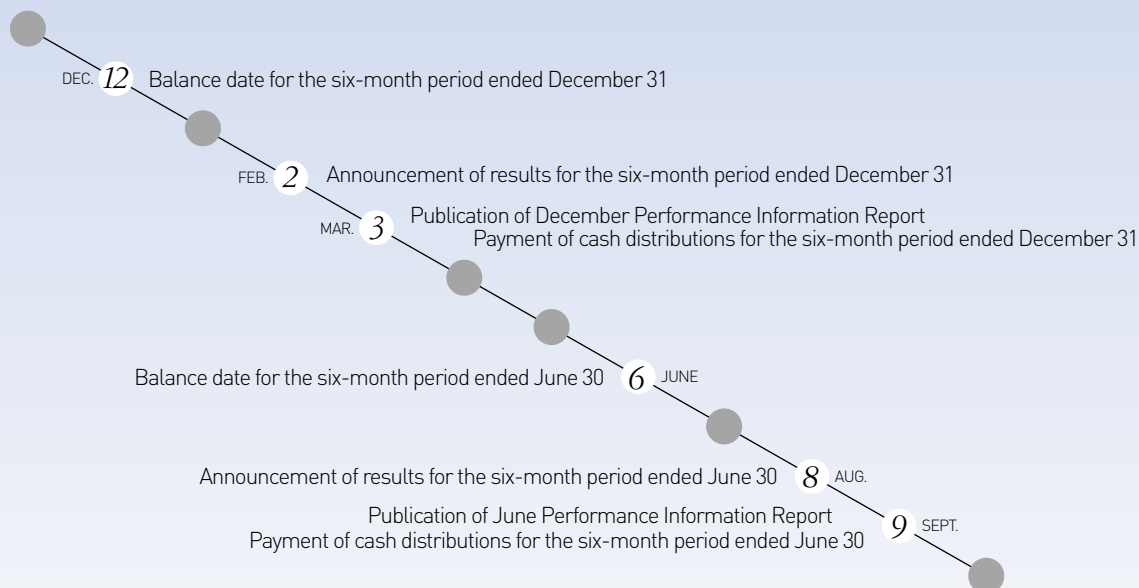


J P R

*Established on September 14, 2001, Japan Prime Realty Investment Corporation is a closed-end, corporate type fund that invests primarily in high-quality office buildings and retail properties located in Tokyo and other major cities in Japan.*

*With its geographically diverse portfolio, JPR's primary objective is to achieve sustainable growth and stable cash distributions to its investors.*

**ANNUAL SCHEDULE (PROVISIONAL)**



Note: Performance Information Report is prepared pursuant to the Investment Trust Law of Japan.

## TO OUR INVESTORS

Japan Prime Realty Investment Corporation (JPR) reported impressive increases in operating revenues and earnings for the six-month period ended December 31, 2003 (the Company's fourth fiscal period since it began operations). Operating revenues rose 22.0% compared with the previous fiscal period to ¥6,421 million, operating profits surged 30.6% to ¥2,934 million and net income grew 24.0% to ¥2,467 million. The fourth fiscal period cash distribution per unit is ¥5,738, or 99.9% of distributable income, compared with ¥6,873 for the third fiscal period. The amount of the cash distribution per unit was diluted by the issue of an additional 140,400 investment units during the fiscal period under review.

### *A Solid Performance Under Challenging Conditions*

Operating conditions for Japanese real estate investment trusts (J-REITs) were mixed in the period under review. In the market for leased office space, the pace of growth in vacancy rates showed signs of slowing in much of Greater Tokyo, owing to a drop in the supply of newly constructed office buildings. Overall demand remained weak, however, as corporate restructuring led to higher vacancy rates and lower



Hirohito Kaneko (left)  
*Executive Officer,  
Japan Prime Realty Investment  
Corporation*

Toshihiro Hagiwara (right)  
*President and CEO,  
Tokyo Realty Investment  
Management, Inc.*

rental rates. In the real estate market, asset sales continued to pick up as financial institutions dealt with non-performing loans and prepared for the introduction of asset impairment accounting.

Against this backdrop, JPR and its asset management company Tokyo Realty Investment Management, Inc. (TRIM) continued to successfully create a stable revenue stream and enhanced diversification of its portfolio by geographical location and type of use. To steadily expand its asset base and maintain profitability, JPR procured funds totaling ¥32,132 million through the issue

of additional investment units in July 2003, increasing unitholders equity to ¥89,114 million and reducing the balance of total interest-bearing liabilities by ¥17,034 million.

## Overview of the Fourth Fiscal Period

### *Acquisitions and Divestments*

The asset base was expanded during the

***The asset base was expanded during the fourth fiscal period through targeted investment in large-scale office buildings and retail properties.***

fourth fiscal period through targeted investment in large-scale office buildings and retail properties in central Tokyo, Osaka and Nagoya. JPR acquired the remaining 44.7% beneficial interest in the Kuraray Nissay Building, located in Osaka, for ¥5,000 million, and acquired unit ownership of the Gotanda First Building, located in Tokyo, for an investment of ¥2,920 million. In addition, the Company acquired the Nagoya Kowa Building, located in Nagoya, for ¥4,550 million, and co-ownership of the land and partial unit

ownership of the Fukuoka Building, located in central Tokyo, for ¥1,800 million.

When expanding its property portfolio, the Company strives to keep risk at a minimum by considering the tenant composition and geographical diversification of its property portfolio. JPR's target property portfolio is 80% office buildings and 20% commercial facilities. By geographic region, we target 60% of investment in Tokyo (including the central business dis-

tricts and the Greater Tokyo area), with the remaining 40% in other major cities in Japan. JPR plans to maintain these ratios while

expanding its asset base to ¥300,000 million by the end of 2006. The Company makes every effort to acquire additional prime properties at favorable terms and conditions based on highly reliable information from a broad variety of information sources.

Meanwhile, JPR sold the Yasuda-Life Tenroku Building on September 3, 2003 for ¥609 million, generating a profit of ¥171 million, the first J-REIT property sale by the Company. This was the result of efforts to improve the value of the property

## FINANCIAL HIGHLIGHTS

	All amounts in millions of yen unless otherwise stated	All amounts in millions of yen unless otherwise stated	All amounts in millions of U.S. dollars unless otherwise stated (*)
	4th period ended December 31, 2003	3rd period ended June 30, 2003	4th period ended December 31, 2003
Operating revenues	6,421	5,265	59.9
Operating expenses	3,487	3,018	32.5
Operating profits	2,934	2,246	27.4
Income before income taxes	2,468	1,991	23.0
Net income	2,467	1,990	23.0
Total assets	156,576	144,989	1,461.6
Interest-bearing liabilities	52,466	69,500	489.7
Total unitholders' equity	91,581	58,972	854.9
Unitholders' capital	89,114	56,982	831.8
Cash distributions	2,467	1,990	23.0
Dividend payout ratio	99.9%	100.0%	—
Number of units (units)	430,000	289,600	—
Unitholders' equity per unit (yen/U.S. dollars)	212,979	203,634	1,988.0
Cash distribution per unit (yen/U.S. dollars)	5,738	6,873	53.6
Funds from operations (FFO) per unit (yen/U.S. dollars)	8,391	9,962	78.3
Return on total assets (annualized)	3.2%	3.2%	—
Return on total unitholders' equity (annualized)	6.5%	6.8%	—
Equity ratio	58.5%	40.7%	—
Interest-bearing liabilities to total assets	33.5%	47.9%	—
Debt service coverage ratio (times)	11.0	10.0	—
Property net operating income (NOI)	4,298	3,606	40.1
NOI yield (annualized)	5.7%	5.8%	—
Property net cash flows (NCF)	3,651	3,311	34.1
NCF yield (annualized)	4.8%	5.3%	—
Number of properties	32	30	—
Number of tenants	357	324	—
Total leasable floor space (square meters)	218,734.67	201,808.72	—
Occupancy rate	92.7%	93.5%	—

(\*) The rate of ¥107.13=US\$1.00, the foreign exchange rate on December 30, 2003, has been used for translation.

through repairs and other improvements, which successfully raised the occupancy rate from 55% to 100% since it was acquired in November 2001. The Yasuda-Life Tenroku Building was sold in accordance with JPR's fundamental investment policy and after an examination of its impact on cash distributions, overall asset portfolio composition, and geographical spread. The Company also gave due consideration to changes in the current status

### *Cost Reductions and Property Management Strategy*

JPR worked to realign property management costs while maintaining a high level of services for tenants by reviewing the contracts for each office building. Specifically, JPR contracted with independent third parties to evaluate the capabilities of its property managers (PMs) in the period under review, proposing measures for improvement and providing feedback to

***JPR successfully reduced property management costs by 3.5%, outperforming its goal of 3%.***

each PM in order to further improve tenant satisfaction.

Although the overall occupancy rate of the portfolio fell from 93.5%

and forecasts for real estate revenues and asset values.

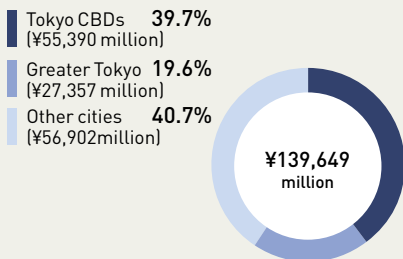
These acquisitions and divestments brought the total number of properties in JPR's portfolio to 32, with a total acquisition price of ¥139,649 million, leasable floor space of 218,734.67 square meters, and 357 tenants. JPR believes that these acquisitions and divestments helped to improve the balance and quality of its portfolio and to ensure a stable revenue stream.

in the previous fiscal period to 92.7% as of December 31, 2003, this was against an initial forecast of 91.5%. This better-than-expected result can be attributed to aggressive efforts to attract new tenants through renovations and repairs to improve competitiveness.

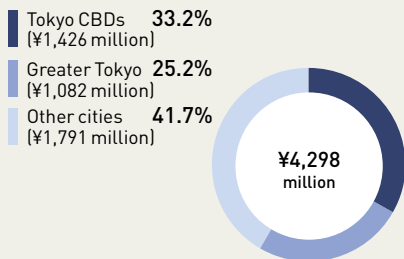
Moreover, during its third and fourth fiscal periods, JPR successfully reduced property management costs by 3.5% (on yearly contracts for properties held as of the second fiscal period), outperforming its goal of 3%.

# PORTFOLIO BREAKDOWN

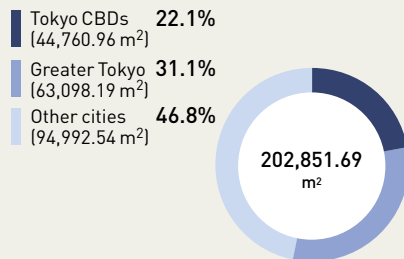
## Value Breakdown by Region



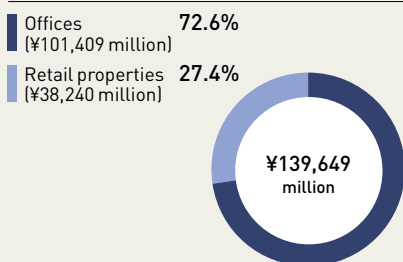
## NOI Breakdown by Region



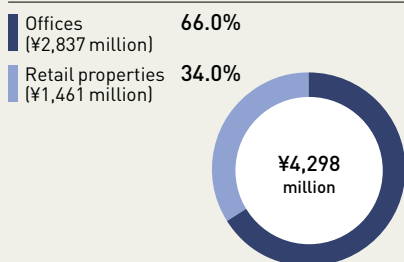
## Total Leased Floor Space by Region



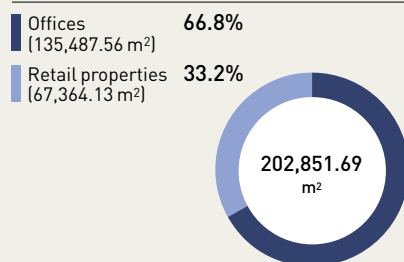
## Value Breakdown by Type



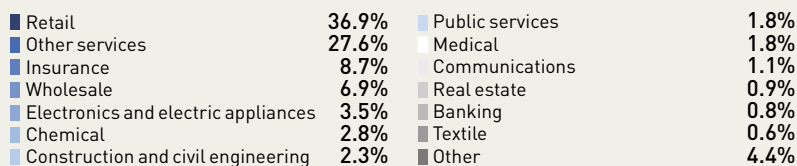
## NOI Breakdown by Type



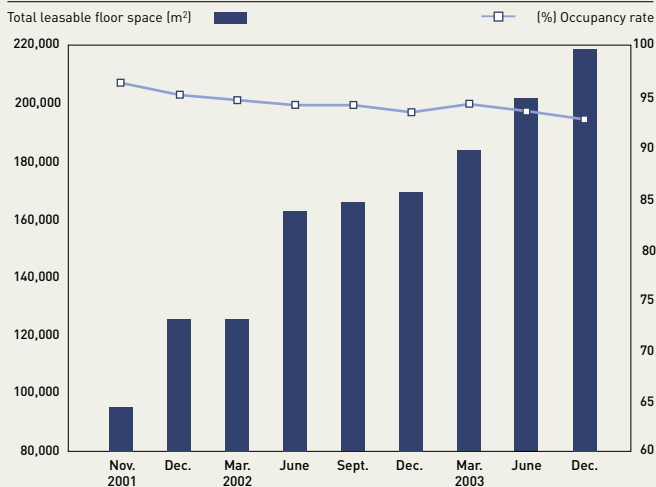
## Total Leased Floor Space by Type



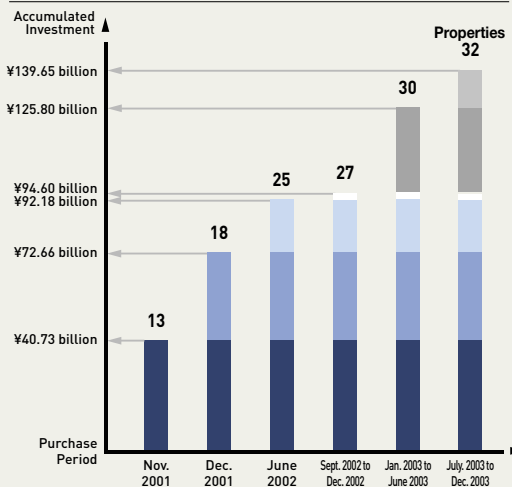
## Tenancy Industry Spread



## Total Leasable Floor Space and Occupancy Rate



## Portfolio Growth



Note: Accumulated investment does not include miscellaneous acquisition expenses, fixed assets tax, city-planning tax and consumption tax.

## Looking Ahead

### *Property Acquisition*

JPR is implementing measures to improve stability through diversification by region and type of use, and to increase investment efficiency through greater economies of scale, while maintaining its investment policy and healthy cash distributions.

The Company will consolidate efforts to expand its information channels regarding

***JPR will continue to enhance its research system capability to provide prompt data on trends according to property type and geographic location.***

the acquisition of new properties. To this end, JPR will continue to enhance its research system capability to provide prompt data on trends according to property type and geographic location. The Company also aims to concentrate investment on prime office buildings in Tokyo's CBDs and highly profitable properties in other areas.

The Company is furthering its acquisition strategy in the current six-month period, which will end June 30, 2004. Through the issue of unsecured corporate bonds and cash on hand, JPR acquired the

Doujima F Building on January 23, 2004, the Kawaguchi Center Building on February 13, 2004 and the SEF Building on March 1, 2004. The Company is also working to enhance its source of funds, to expand its relationships with a variety of financial institutions, and to reduce procurement costs.

### *Ongoing Strategy to Increase Value*

JPR invests a predetermined percentage of total assets in office buildings that have room for improvement in profitability and value. These properties, which we refer to as "value-enhanced properties," have either secure profitability and occupancy rates below 80%, or growth potential through renovation. JPR maintains a three-point plan, namely to strengthen leasing activities to increase occupancy rates, to raise market competitiveness through renovation and renewal, and to reduce costs by increasing building management efficiency. In this manner, the Company is focusing on a value-enhanced property strategy with the aim of improving profitability and securing stable earnings. Moreover, we are





### Gotanda First Building

Completed in 1989, the Gotanda First Building is an office building conveniently situated two minutes on foot from Gotanda Station, serviced by the Yamanote Line, Tokyu Ikegami Line, and the subway Toei Asakusa Line. Tenants include CMIC Co., Ltd., and NEC Lighting Ltd.

- Site Area (m<sup>2</sup>): 1,151.19
- Total Floor Space (m<sup>2</sup>): 10,553.34
- Structure/Floors: SRC/RC/S B2/11F
- Completed: July 1989

### Kuraray Nissay Building

Featuring shops, cinemas and parking facilities, the Kuraray Nissay Building—of which JPR increased its ownership to 100% in July, 2003—is centrally located in Osaka and only five minutes from JR Osaka Station. The Loft Co., Ltd. is the major tenant.



- Site Area (m<sup>2</sup>): 3,518.68
- Total Floor Space (m<sup>2</sup>): 17,897.56
- Structure/Floors: SRC B1/8F
- Completed: April 17, 1990



### Nagoya Kowa Building

The facility is comprised of two properties. Property 1 is primarily used as an office space and for shops while property 2 contains parking facilities for property 1. This location boasts close proximity to Sakae Station on the Higashiyama and Meijo subway lines. Major tenants include Giorgio Armani Japan and Novaresse Inc.

- Site Area (m<sup>2</sup>): 992.31
- Total Floor Space (m<sup>2</sup>): 7,260.65
- Structure/Floors: S B1/11F
- Completed: January 31, 2003 (Property 1),  
December 25, 1986 (Property 2)

### Fukuoka Building

This versatile building is used as an office building and includes a bank and parking lot. Conveniently located, it takes six minutes on foot from JR Tokyo station, and only two minutes from Kyobashi Station on the Ginza line.



- Site Area (m<sup>2</sup>): 1,302.17
- Total Floor Space (m<sup>2</sup>): 11,627.74
- Structure/Floors: SRC B2/10F
- Completed: May 31, 1990

considering the sale of existing properties to realize increases in property values.

This strategy led to the sale of the Yasuda-Life Tenroku Building in September 2003.

It is also being employed to increase the market value of the JPR Ikebukuro Building (formerly the Yasuda-Life Ikebukuro Building), which is being reinforced to better withstand earthquakes, receiving enhanced air-conditioning equipment and having its interior renovated.

***JPR, together with TRIM and its PMs, will continue to focus on improving the occupancy rates of the office buildings in its portfolio.***

These renovations should be completed in March 2004.

***Proactive Asset Management***


JPR, together with TRIM and its PMs, will continue to focus on improving the occupancy rates of the office buildings in its portfolio. JPR will also engage in activities to retain existing tenants in office buildings. Moreover, by inputting the comments and requests of existing tenants into a database and reflecting them in property management evaluations, JPR encourages PMs to improve their operations and tenant

services. JPR will continue to make every effort to improve cost performance through long-term maintenance and repair plans that consider the entire life cycle, and choosing building maintenance companies with high market competitiveness.


Based on a sound investment policy, JPR's ongoing goal is to secure stable medium- and long-term growth. Backed by a strong

financial position and future prospects, JPR is confident in its potential to grow into a more competitive position in the marketplace. The

Company is supported in these efforts by TRIM, an innovative asset management company working to maximize investment value. JPR looks forward to the continued support and understanding of all its investors.



Hirohito Kaneko, Executive Officer,  
Japan Prime Realty Investment Corporation



Toshihiro Hagiwara, President and CEO,  
Tokyo Realty Investment Management, Inc.

### Property Acquisitions

#### Doujima F Building

Located in the Kita-ku area of Osaka city a two-minute walk from Nishi-Umeda Station, Yotsubashi Subway Line, this office building replete with parking facilities houses the GEOS Corporation.

Location: **Osaka, Osaka**  
Acquisition Date: **January 23, 2004**  
Acquisition Price: **¥2,140 million**



#### Kawaguchi Center Building

On February 13, 2004 JPR acquired the Kawaguchi Center Building situated in Saitama Prefecture some three-minutes walk from Kawaguchi Station, JR Keihin Tohoku Line. Consisting primarily of office space and attendant parking facilities, major tenants in this property are Media Communications Co., Ltd. and the Japan Science and Technology Agency.

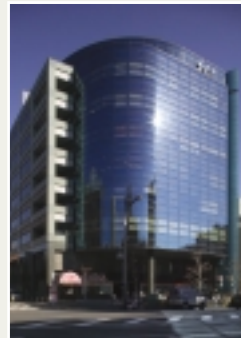
Location: **Kawaguchi-shi, Saitama**  
Acquisition Date: **February 13, 2004**  
Acquisition Price: **¥8,100 million**



#### SEF Building

Major tenants in this office space situated only four minutes on foot from Inaricho Station, Eidan Ginza Subway Line include Kubota Environmental Service Co., Ltd. and Bandai Visual Co., Ltd. Facilities include shops and parking area.

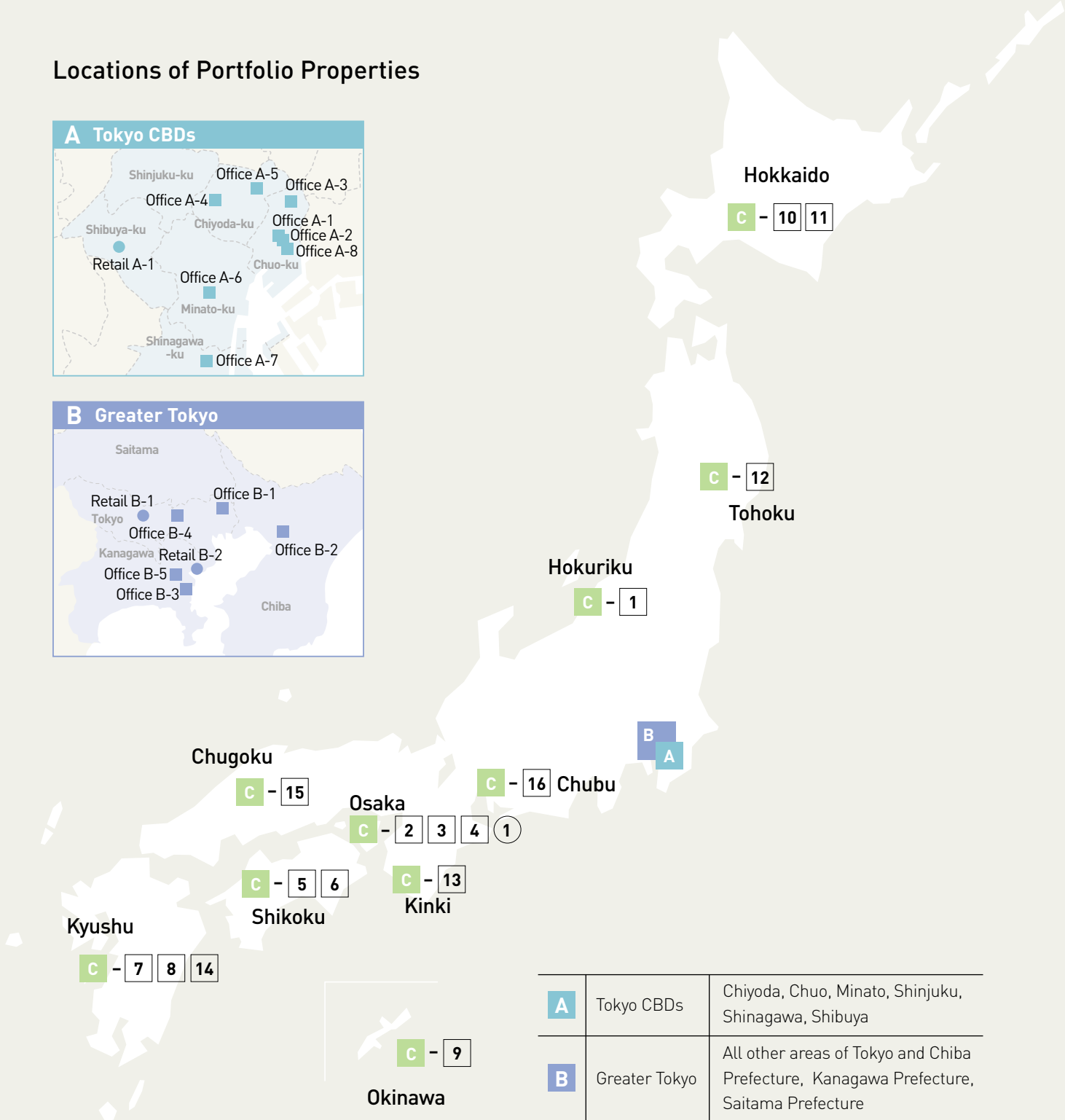
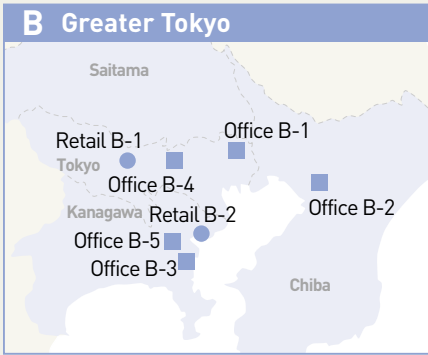
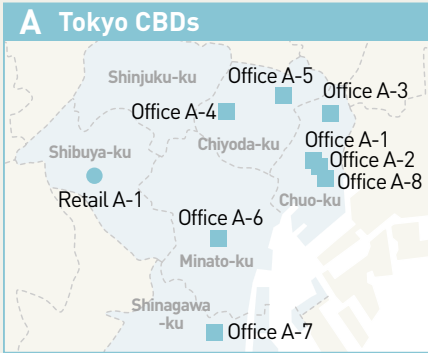
Location: **Taito-ku, Tokyo**  
Acquisition Date: **March 1, 2004**  
Acquisition Price: **¥3,250 million**



### Issue of Corporate Bonds

On January 29, 2004 JPR announced pricing of its Unsecured Corporate Bonds. The Company's three series of unsecured bonds, totaling ¥22.0 billion, were available for subscription from January 29, 2004. The bonds were rated at A-, A+, and A3 by Standard & Poors, Rating and Investment Information, Inc., and Moody's Investors Service, respectively.

Locations of Portfolio Properties



<b>A</b>	Tokyo CBDs	Chiyoda, Chuo, Minato, Shinjuku, Shinagawa, Shibuya
<b>B</b>	Greater Tokyo	All other areas of Tokyo and Chiba Prefecture, Kanagawa Prefecture, Saitama Prefecture
<b>C</b>	Other Cities	All other areas in Japan

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## A Tokyo CBDs

- A-1 Kanematsu Bldg.
- A-2 Kanematsu Bldg. Annex
- A-3 JPR Ningyo-cho Bldg.
- A-4 Shin-Kojimachi Bldg.
- A-5 Crest Yasuda Bldg.
- A-6 MS Shibaura Bldg.
- A-7 Gotanda First Bldg.
- A-8 Fukuoka Bldg.
- A-1 Jinnan 1-chome Bldg. (Retail)

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## B Greater Tokyo

- B-1 Arca East
- B-2 JPR Chiba Bldg.
- B-3 Asahi-Life Yokohama Nihon Odori Bldg.
- B-1 Tanashi ASTA (Retail)
- B-2 Tsurumi fuga 1 (Retail)
- B-4 JPR Ikebukuro Bldg.
- B-5 Shinyokohama 2nd Center Bldg.

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## C Other Cities—Hokkaido, Tohoku and Hokuriku

- C-10 North 33 Bldg.
- C-11 Park East Sapporo
- C-12 Sompo Japan Sendai Bldg.
- C-1 Niigata Ekinan Center Bldg.

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## C Other Cities—Chubu, Osaka, Kinki, Chugoku and Shikoku

- C-16 Nagoya Kowa Bldg.
- C-2 Meiji Yasuda-Life Osaka Umeda Bldg.
- C-3 Yasuda-Life Tenroku Bldg.
- C-4 Tokyo Tatemono Honmachi Bldg.
- C-13 Sompo Japan Wakayama Bldg.
- C-15 SK Hiroshima Bldg.
- C-5 Asahi-Life Takamatsu 2nd Bldg.
- C-6 JPR Takamatsu Bldg.
- C-1 Kuraray Nissay Bldg. (Retail)

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## C Other Cities—Kyushu and Okinawa

- C-7 JPR Hakata Bldg.
  - C-8 Asahi-Life Fukuoka 3rd and 4th Bldg.
  - C-14 Tenjin 121 Bldg.
  - C-9 JPR Naha Bldg.
-

Region	Type	No.	Name	Location	Completed	Acquired
Tokyo CBDs	Office	A-1	Kanematsu Bldg.	Chuo-ku, Tokyo	1993. 2	2001.12.27
	Office	A-2	Kanematsu Bldg. Annex	Chuo-ku, Tokyo	1993. 2	2001.12.27
	Office	A-3	JPR Ningyo-cho Bldg.	Chuo-ku, Tokyo	1989.12	2001.11.16
	Office	A-4	Shin-Kojimachi Bldg.	Chiyoda-ku, Tokyo	1984.10	2001.11.16 2002.11.21 (Total)
	Office	A-5	Crest Yasuda Bldg.	Chiyoda-ku, Tokyo	1999. 9	2002. 6.21
	Office	A-6	MS Shibaura Bldg.	Minato-ku, Tokyo	1988. 2	2003. 3.28
	Office	A-7	Gotanda First Bldg.	Shinagawa-ku, Tokyo	1989. 7	2003. 7.23
	Office	A-8	Fukuoka Bldg.	Chuo-ku, Tokyo	1990. 5	2003.10.15
	Retail	A-1	Jinnan 1-chome Bldg.	Shibuya-ku, Tokyo	1992. 2	2003. 6.30
<b>Total</b>						
Greater Tokyo	Office	B-1	Arca East	Sumida-ku, Tokyo	1997. 3	2001.11.16
	Office	B-2	JPR Chiba Bldg.	Chiba, Chiba	1991. 1	2001.12.13
	Office	B-3	Asahi-Life Yokohama Nihon Odori Bldg.	Yokohama, Kanagawa	1989.10	2001.11.16
	Office	B-4	JPR Ikebukuro Bldg.	Toshima-ku, Tokyo	1980.10	2002. 6.21
	Office	B-5	Shinyokohama 2nd Center Bldg.	Yokohama, Kanagawa	1991. 8	2002. 9.25
	Retail	B-1	Tanashi ASTA	Nishitokyo, Tokyo	1995. 2	2001.11.16
	Retail	B-2	Tsurumi fuga 1	Yokohama, Kanagawa	1985. 9	2001.11.16
<b>Total</b>						
Other Cities	Office	C-1	Niigata Ekinan Center Bldg.	Niigata, Niigata	1996. 3	2001.11.16
	Office	C-2	Meiji Yasuda-Life Osaka Umeda Bldg.	Osaka, Osaka	2000. 6	2001.12.25
	Office	C-3	Yasuda-Life Tenroku Bldg.	Osaka, Osaka	1991. 6	2001.11.16
	Office	C-4	Tokyo Tatemono Honmachi Bldg.	Osaka, Osaka	1970. 2	2001.11.16
	Office	C-5	Asahi-Life Takamatsu 2nd Bldg.	Takamatsu, Kagawa	1981. 8	2001.11.16
	Office	C-6	JPR Takamatsu Bldg.	Takamatsu, Kagawa	1982. 9	2001.12.18
	Office	C-7	JPR Hakata Bldg.	Fukuoka, Fukuoka	1985. 6	2001.11.16
	Office	C-8	Asahi-Life Fukuoka 3rd and 4th Bldg.	Fukuoka, Fukuoka	1984. 2 (3rd) 1986.10 (4th)	2001.11.16
	Office	C-9	JPR Naha Bldg.	Naha, Okinawa	1991.10	2001.11.16
	Office	C-10	North 33 Bldg.	Sapporo, Hokkaido	1992. 2	2002. 6.18
	Office	C-11	Park East Sapporo	Sapporo, Hokkaido	1985.11	2002. 6.18
	Office	C-12	Sompo Japan Sendai Bldg.	Sendai, Miyagi	1997.12	2002. 6.26
	Office	C-13	Sompo Japan Wakayama Bldg.	Wakayama, Wakayama	1996. 7	2002. 6.26
	Office	C-14	Tenjin 121 Bldg.	Fukuoka, Fukuoka	2000. 7	2002. 6.21
	Office	C-15	SK Hiroshima Bldg.	Hiroshima, Hiroshima	1989.12	2002.10. 4
	Office	C-16	Nagoya Kowa Bldg.	Nagoya-shi, Aichi	building 2003. 1 parking 1986.12	2003. 9. 1
Retail	C-1	Kuraray Nissay Bldg.	Osaka, Osaka	1990. 4	2003. 5.15	
<b>Total</b>						
<b>Total</b>						

Note 1: Acquisition price does not include miscellaneous expenses of acquisition (real estate agent's fee and consumption tax)

Note 2: Percentages and ratios are rounded to the first decimal point

Acquisition Price (millions of yen)	% of total	Appraisal Value (millions of yen)	Ownership (%)	Site Area (m <sup>2</sup> )	Total Leasable Floor Space (m <sup>2</sup> ) (JPR's portion)	Total Leased Floor Space (m <sup>2</sup> ) (JPR's portion)	Occupancy Rate	# of Tenants	Rental Revenue (thousands of yen)	% of total
16,276	11.6%	14,100	79.4%	1,751.13	7,958.58	7,757.74	97.5%	11	411,689	6.6%
2,874	2.1%	2,500	79.4%	679.06	2,291.13	2,291.13	100.0%	1	104,309	1.7%
2,100	1.5%	1,870	100.0%	550.06	2,784.78	2,784.78	100.0%	4	105,200	1.7%
1,670	1.2%	1,526	49.0%		2,105.44	1,725.02	81.9%	7	67,091	1.1%
550	0.4%	654	21.0%	657.80	901.36	901.36	100.0%	3	31,467	0.5%
(2,220)	(1.6%)	(2,180)			(3,006.80)		(87.3%)	(10)	(98,558)	(1.6%)
4,000	2.9%	3,250	100.0%	636.90	3,265.34	3,265.34	100.0%	9	100,841	1.6%
11,200	8.0%	11,700	36.0%	8,992.18	14,429.08	12,467.70	86.4%	6	570,232	9.1%
2,920	2.1%	2,920	61.8%	1,151.19	4,240.98	4,240.98	100.0%	4	130,125	2.1%
1,800	1.3%	1,800	14.3%	1,302.17	1,250.06	1,250.06	100.0%	1	27,466	0.4%
12,000	8.6%	12,000	100.0%	1,010.47	8,076.85	8,076.85	100.0%	1	345,576	5.5%
<b>55,390</b>	<b>39.7%</b>	<b>52,320</b>		<b>17,130.96</b>	<b>47,303.60</b>	<b>44,760.96</b>	<b>94.6%</b>	<b>47</b>	<b>1,893,996</b>	<b>30.3%</b>
5,880	4.2%	5,900	41.1%	3,755.01	7,050.10	6,017.59	85.4%	4	354,111	5.7%
2,350	1.7%	2,181	100.0%	1,382.35	5,558.06	4,923.77	88.6%	27	161,247	2.6%
2,927	2.1%	2,816	100.0%	1,100.59	6,066.54	5,748.33	94.8%	10	145,375	2.3%
2,040	1.5%	2,110	100.0%	772.77	4,597.35	3,531.96	76.8%	6	99,227	1.6%
920	0.6%	1,020	50.0%	841.71	2,640.80	2,176.23	82.4%	9	73,318	1.2%
10,200	7.3%	10,840	42.1% (land) 52.9% (building)	12,326.30	31,121.71	31,121.71	100.0%	1	672,182	10.7%
3,040	2.2%	3,188	64.4%	1,962.18	9,578.60	9,578.60	100.0%	1	153,279	2.4%
<b>27,357</b>	<b>19.6%</b>	<b>28,055</b>		<b>22,140.91</b>	<b>66,613.16</b>	<b>63,098.19</b>	<b>94.7%</b>	<b>58</b>	<b>1,658,739</b>	<b>26.5%</b>
2,140	1.5%	2,086	52.7%	2,706.99	5,206.82	5,206.82	100.0%	16	136,216	2.2%
8,300	5.9%	8,600	33.3%	5,999.33	9,588.16	9,588.16	100.0%	20	393,185	6.3%
—	—%	—	—	—	—	—	—	—	21,953	0.4%
4,150	3.0%	4,210	64.3%	1,432.64	7,210.25	7,106.76	98.6%	10	262,630	4.2%
872	0.6%	740	100.0%	579.99	2,518.30	1,930.10	76.6%	20	53,007	0.9%
2,130	1.5%	1,330	100.0%	1,407.78	5,032.29	3,426.37	68.1%	20	96,434	1.5%
2,900	2.1%	2,700	100.0%	1,214.63	6,571.89	6,077.04	92.5%	27	160,456	2.6%
2,873	2.1%	2,730	100.0%	2,500.86	8,439.77	7,691.27	91.1%	15	194,243	3.1%
1,560	1.1%	1,580	100.0%	959.87	3,947.07	3,841.57	97.3%	14	121,493	1.9%
3,700	2.6%	3,130	100.0%	1,382.12	6,643.01	4,506.66	67.8%	18	115,118	1.8%
2,150	1.5%	2,070	100.0%	1,808.26	7,646.76	5,936.29	77.6%	24	115,462	1.9%
3,150	2.3%	3,200	100.0%	1,895.67	7,047.24	6,937.29	98.4%	9	206,707	3.3%
1,670	1.2%	1,670	100.0%	1,128.45	4,892.17	4,892.17	100.0%	16	130,990	2.1%
2,810	2.0%	2,660	52.2%	1,164.39	3,292.02	2,199.40	66.8%	9	94,133	1.5%
947	0.7%	925	100.0%	502.41	2,732.29	2,135.81	78.2%	15	58,532	0.9%
4,550	3.3%	4,605	100.0%	992.31	5,461.90	4,929.86	90.3%	18	127,772	2.0%
13,000	9.3%	12,600	100.0%	3,518.68	18,586.97	18,586.97	100.0%	1	410,329	6.6%
<b>56,902</b>	<b>38.0%</b>	<b>54,836</b>		<b>29,194.38</b>	<b>104,817.91</b>	<b>94,992.54</b>	<b>90.6%</b>	<b>252</b>	<b>2,697,660</b>	<b>43.2%</b>
<b>139,649</b>	<b>100.0%</b>	<b>135,211</b>		<b>68,466.25</b>	<b>218,734.67</b>	<b>202,851.69</b>	<b>92.7%</b>	<b>357</b>	<b>6,250,395</b>	<b>100.0%</b>

# OVERVIEW OF PORTFOLIO PROPERTIES

(As of December 31, 2003)

## Tokyo CBDs

Chuo-ku, Tokyo  
Kanematsu Bldg.

**A - 1**



Acquisition Price (millions of yen):	16,276
% of Total:	11.6%
Site Area (m <sup>2</sup> ):	1,751.13
Total Floor Space (m <sup>2</sup> ):	14,995.09
Structure/Floors:	S/RC/SRC B2/13F
Completed:	February 1993

Chuo-ku, Tokyo  
Kanematsu Bldg. Annex

**A - 2**



Acquisition Price (millions of yen):	2,874
% of Total:	2.1%
Site Area (m <sup>2</sup> ):	679.06
Total Floor Space (m <sup>2</sup> ):	4,351.46
Structure/Floors:	SRC B1/8F
Completed:	February 1993

Chuo-ku, Tokyo  
JPR Ningyo-cho Bldg.

**A - 3**



Acquisition Price (millions of yen):	2,100
% of Total:	1.5%
Site Area (m <sup>2</sup> ):	550.06
Total Floor Space (m <sup>2</sup> ):	4,117.70
Structure/Floors:	SRC/RC B1/8F
Completed:	December 1989

Note 1: Acquisition price does not include miscellaneous expenses (real estate agent's fee and consumption tax)

Note 2: Percentages and ratios are rounded to the first decimal point

Note 3: Abbreviations under "Structure/Floors" indicate S: Steel-frame, RC: Reinforced concrete, and SRC: Steel-frame reinforced concrete



Chiyoda-ku, Tokyo  
**Shin-Kojimachi Bldg.**

**A - 4**

Acquisition Price (millions of yen):	2,220
% of Total:	1.6%
Site Area (m <sup>2</sup> ):	657.80
Total Floor Space (m <sup>2</sup> ):	5,152.98
Structure/Floors:	SRC B1/9F
Completed:	October 1984



Chiyoda-ku, Tokyo  
**Crest Yasuda Bldg.**

**A - 5**

Acquisition Price (millions of yen):	4,000
% of Total:	2.9%
Site Area (m <sup>2</sup> ):	636.90
Total Floor Space (m <sup>2</sup> ):	4,790.68
Structure/Floors:	SRC B1/9F
Completed:	September 1999



Minato-ku, Tokyo  
**MS Shibaura Bldg.**

**A - 6**

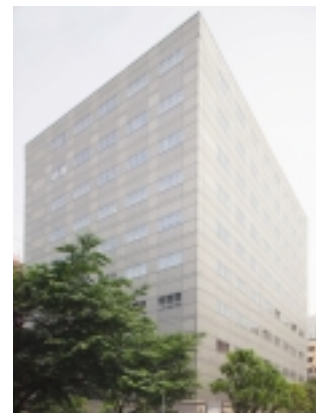
Acquisition Price (millions of yen):	11,200
% of Total:	8.0%
Site Area (m <sup>2</sup> ):	8,992.18
Total Floor Space (m <sup>2</sup> ):	31,020.21
Structure/Floors:	SRC/RC/S B2/13F
Completed:	February 1988



Shinagawa-ku, Tokyo  
**Gotanda First Bldg.**

**A - 7**

Acquisition Price (millions of yen):	2,920
% of Total:	2.1%
Site Area (m <sup>2</sup> ):	1,151.19
Total Floor Space (m <sup>2</sup> ):	10,553.34
Structure/Floors:	SRC/RC B2/11F
Completed:	July 1989



Chuo-ku, Tokyo  
**Fukuoka Bldg.**

**A - 8**

Acquisition Price (millions of yen):	1,800
% of Total:	1.3%
Site Area (m <sup>2</sup> ):	1,302.17
Total Floor Space (m <sup>2</sup> ):	11,627.74
Structure/Floors:	SRC B2/10F
Completed:	May 1990



Shibuya-ku, Tokyo  
**Jinnan 1-chome Bldg.**

**A - 1 (Retail)**

Acquisition Price (millions of yen):	12,000
% of Total:	8.6%
Site Area (m <sup>2</sup> ):	1,010.47
Total Floor Space (m <sup>2</sup> ):	8,449.56
Structure/Floors:	SRC/S B3/8F
Completed:	February 1992



## Greater Tokyo

Sumida-ku, Tokyo  
Arca East

**B - 1**

Acquisition Price (millions of yen):	5,880
% of Total:	4.2%
Site Area (m <sup>2</sup> ):	3,755.01
Total Floor Space (m <sup>2</sup> ):	34,281.86
Structure/Floors:	S/SRC B3/19F
Completed:	March 1997



Nishitokyo, Tokyo  
Tanashi ASTA

**B - 1** (Retail)



Acquisition Price (millions of yen):	10,200
% of Total:	7.3%
Site Area (m <sup>2</sup> ):	12,326.30
Total Floor Space (m <sup>2</sup> ):	80,675.27
Structure/Floors:	SRC B2/17F
Completed:	February 1995

Chiba, Chiba  
JPR Chiba Bldg.

**B - 2**

Acquisition Price (millions of yen):	2,350
% of Total:	1.7%
Site Area (m <sup>2</sup> ):	1,382.35
Total Floor Space (m <sup>2</sup> ):	9,072.57
Structure/Floors:	S/SRC B1/13F
Completed:	January 1991



Yokohama, Kanagawa  
Tsurumi fuga 1

**B - 2** (Retail)



Acquisition Price (millions of yen):	3,040
% of Total:	2.2%
Site Area (m <sup>2</sup> ):	1,962.18
Total Floor Space (m <sup>2</sup> ):	13,543.32
Structure/Floors:	SRC B2/7F
Completed:	September 1985

Yokohama, Kanagawa  
Asahi-Life Yokohama Nihon Odori Bldg.

**B - 3**

Acquisition Price (millions of yen):	2,927
% of Total:	2.1%
Site Area (m <sup>2</sup> ):	1,100.59
Total Floor Space (m <sup>2</sup> ):	9,146.52
Structure/Floors:	SRC B1/11F
Completed:	October 1989



Toshima-ku, Tokyo  
JPR Ikebukuro Bldg.

**B - 4**

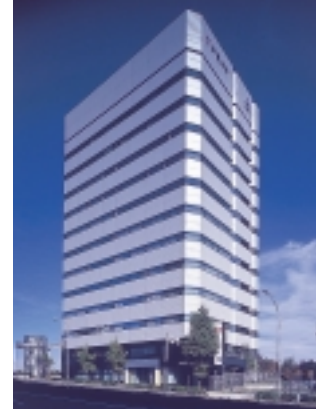
Acquisition Price (millions of yen):	2,040
% of Total:	1.5%
Site Area (m <sup>2</sup> ):	772.77
Total Floor Space (m <sup>2</sup> ):	6,468.08
Structure/Floors:	SRC B1/9F
Completed:	October 1980



Yokohama, Kanagawa  
Shinyokohama 2nd Center Bldg.

**B - 5**

Acquisition Price (millions of yen):	920
% of Total:	0.6%
Site Area (m <sup>2</sup> ):	841.71
Total Floor Space (m <sup>2</sup> ):	7,781.93
Structure/Floors:	S/SRC B2/12F
Completed:	August 1991



Other Cities — Hokkaido, Tohoku and Hokuriku

Sapporo, Hokkaido  
North 33 Bldg.

**C - 10**

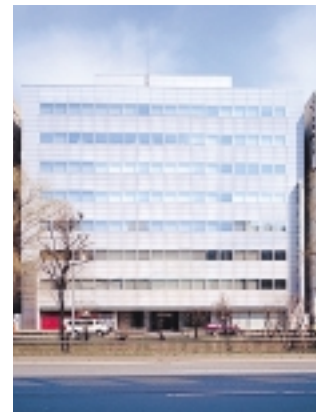
Acquisition Price (millions of yen):	3,700
% of Total:	2.6%
Site Area (m <sup>2</sup> ):	1,382.12
Total Floor Space (m <sup>2</sup> ):	10,568.23
Structure/Floors:	SRC B1/12F
Completed:	February 1992



Sapporo, Hokkaido  
Park East Sapporo

**C - 11**

Acquisition Price (millions of yen):	2,150
% of Total:	1.5%
Site Area (m <sup>2</sup> ):	1,808.26
Total Floor Space (m <sup>2</sup> ):	10,865.75
Structure/Floors:	SRC B1/8F
Completed:	November 1985



Sendai, Miyagi  
Sompo Japan Sendai Bldg.

**C - 12**

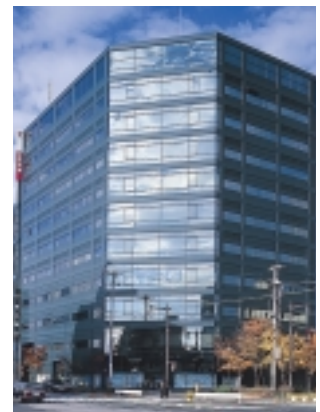
Acquisition Price (millions of yen):	3,150
% of Total:	2.3%
Site Area (m <sup>2</sup> ):	1,895.67
Total Floor Space (m <sup>2</sup> ):	10,783.52
Structure/Floors:	SRC B1/12F
Completed:	December 1997



Niigata, Niigata  
Niigata Ekinan Center Bldg.

**C - 1**

Acquisition Price (millions of yen):	2,140
% of Total:	1.5%
Site Area (m <sup>2</sup> ):	2,706.99
Total Floor Space (m <sup>2</sup> ):	19,950.42
Structure/Floors:	S/SRC B1/10F
Completed:	March 1996



## Other Cities — Osaka

Osaka, Osaka

**Meiji Yasuda-Life Osaka Umeda Bldg.**

**C - 2**



Acquisition Price (millions of yen):	8,300
% of Total:	5.9%
Site Area (m <sup>2</sup> ):	5,999.33
Total Floor Space (m <sup>2</sup> ):	52,982.94
Structure/Floors:	S/SRC B2/31F
Completed:	June 2000

Osaka, Osaka

**Yasuda-Life Tenroku Bldg.**

**C - 3**



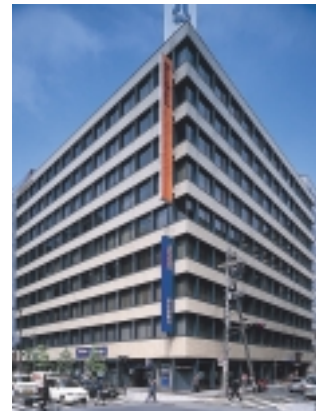
Acquisition Price (millions of yen):	418
% of Total:	—%
Site Area (m <sup>2</sup> ):	642.06
Total Floor Space (m <sup>2</sup> ):	3,851.23
Structure/Floors:	SRC B1/8F
Completed:	June 1991

Note: JPR sold the Yasuda-Life Tenroku Building on September 3, 2003 for ¥609 million.

Osaka, Osaka

**Tokyo Tatemono Honmachi Bldg.**

**C - 4**



Acquisition Price (millions of yen):	4,150
% of Total:	3.0%
Site Area (m <sup>2</sup> ):	1,432.64
Total Floor Space (m <sup>2</sup> ):	14,619.52
Structure/Floors:	SRC B3/9F
Completed:	February 1970

Osaka, Osaka

**Kuraray Nissay Bldg.**

**C - 1 (Retail)**



Acquisition Price (millions of yen):	13,000
% of Total:	9.3%
Site Area (m <sup>2</sup> ):	3,518.68
Total Floor Space (m <sup>2</sup> ):	17,897.56
Structure/Floors:	SRC B1/8F
Completed:	April 1990

## Other Cities — Chubu, Kinki, Chugoku and Shikoku

Wakayama, Wakayama

**C - 13**

### Sompo Japan Wakayama Bldg.

Acquisition Price (millions of yen):	1,670
% of Total:	1.2%
Site Area (m <sup>2</sup> ):	1,128.45
Total Floor Space (m <sup>2</sup> ):	6,715.07
Structure/Floors:	S 9F
Completed:	July 1996



Hiroshima, Hiroshima

**C - 15**

### SK Hiroshima Bldg.

Acquisition Price (millions of yen):	947
% of Total:	0.7%
Site Area (m <sup>2</sup> ):	502.41
Total Floor Space (m <sup>2</sup> ):	4,268.70
Structure/Floors:	SRC B1/9F
Completed:	December 1989



Takamatsu, Kagawa

**C - 5**

### Asahi-Life Takamatsu 2nd Bldg.

Acquisition Price (millions of yen):	872
% of Total:	0.6%
Site Area (m <sup>2</sup> ):	579.99
Total Floor Space (m <sup>2</sup> ):	3,471.55
Structure/Floors:	SRC 8F
Completed:	August 1981



Takamatsu, Kagawa

**C - 6**

### JPR Takamatsu Bldg.

Acquisition Price (millions of yen):	2,130
% of Total:	1.5%
Site Area (m <sup>2</sup> ):	1,407.78
Total Floor Space (m <sup>2</sup> ):	7,409.08
Structure/Floors:	SRC B1/10F
Completed:	September 1982 March 1984 (extension)



Nagoya-shi, Aichi

**C - 16**

### Nagoya Kowa Bldg.

Acquisition Price (millions of yen):	4,550
% of Total:	3.3%
Site Area (m <sup>2</sup> ):	992.31
Total Floor Space (m <sup>2</sup> ):	7,261.65
Structure/Floors:	S B1/11F
Parking:	S 1F
Completed:	
Building:	January 2003
Parking:	December 1986



## Other Cities — Kyushu and Okinawa

### Fukuoka, Fukuoka JPR Hakata Bldg.

**C - 7**

Acquisition Price (millions of yen):	2,900
% of Total:	2.1%
Site Area (m <sup>2</sup> ):	1,214.63
Total Floor Space (m <sup>2</sup> ):	9,791.91
Structure/Floors:	S/RC B1/12F
Completed:	June 1985



### Fukuoka, Fukuoka Asahi-Life Fukuoka 3rd and 4th Bldg.

**C - 8**

Acquisition Price (millions of yen):	2,873
% of Total:	2.1%
Site Area (m <sup>2</sup> ):	2,500.86
Total Floor Space (m <sup>2</sup> ):	7,683.01 (3rd)
Structure/Floors:	SRC B1/10F (3rd)
Completed:	February 1984 (3rd)



Total Floor Space (m <sup>2</sup> ):	3,723.68 (4th)
Structure/Floors:	SRC 7F (4th)
Completed:	October 1986 (4th)



### Fukuoka, Fukuoka Tenjin 121 Bldg.

**C - 14**

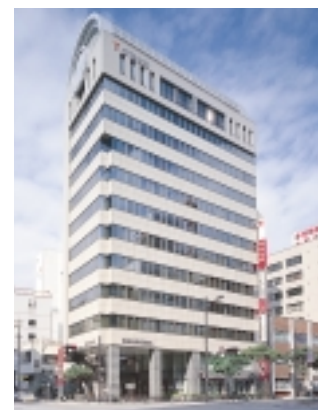
Acquisition Price (millions of yen):	2,810
% of Total:	2.0%
Site Area (m <sup>2</sup> ):	1,164.39
Total Floor Space (m <sup>2</sup> ):	8,690.95
Structure/Floors:	S/SRC 13F
Completed:	July 2000



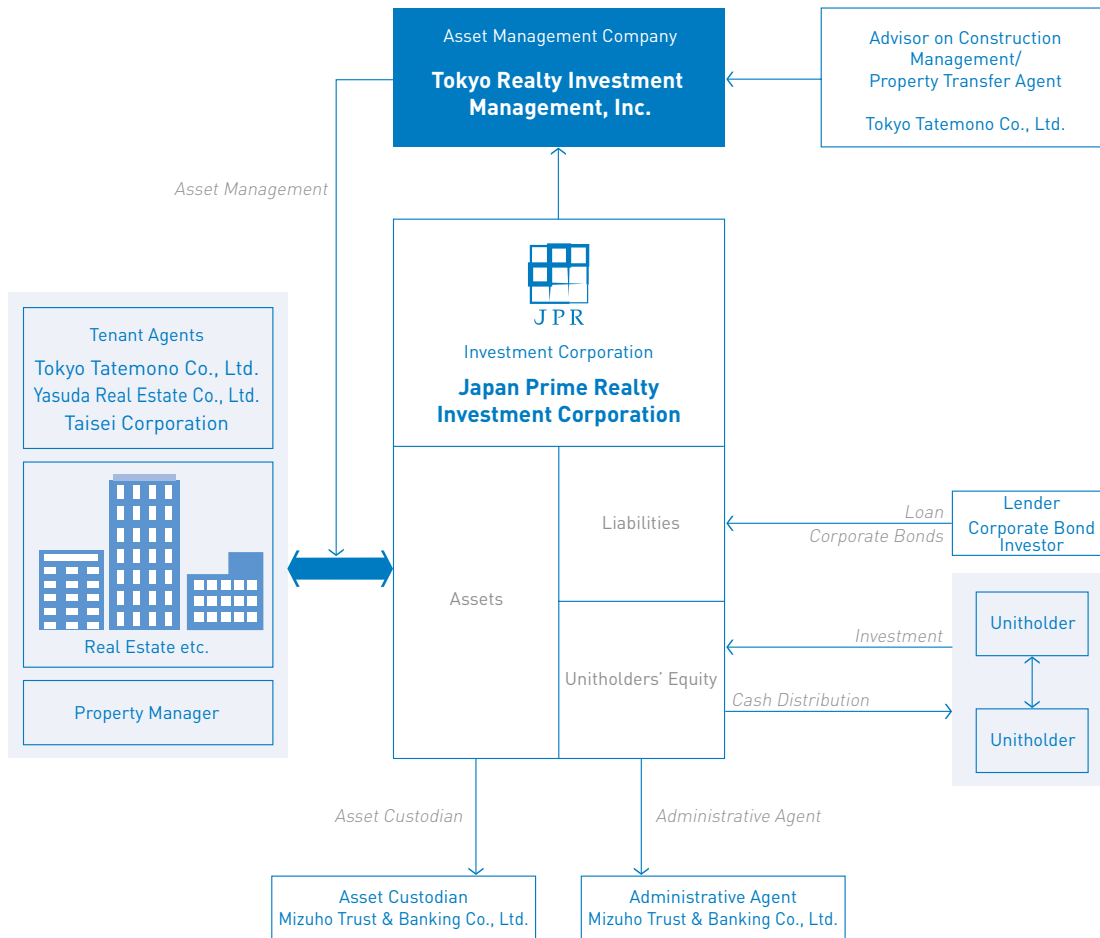
### Naha, Okinawa JPR Naha Bldg.

**C - 9**

Acquisition Price (millions of yen):	1,560
% of Total:	1.1%
Site Area (m <sup>2</sup> ):	959.87
Total Floor Space (m <sup>2</sup> ):	5,780.71
Structure/Floors:	S/SRC 12F
Completed:	October 1991



## REIT STRUCTURE AND EXTERNAL SERVICE PROVIDERS



Tokyo Tatemono Co., Ltd. performs agency services for the signing of real estate leasing contracts (“general tenant agency services”) under a commission from the owners of real estate, in order to provide uniform tenant recruitment and sales services for the Company. Tokyo Tatemono also has been commissioned by TRIM to undertake “property transfer services.” Tokyo Tatemono also provides advice on rental operations

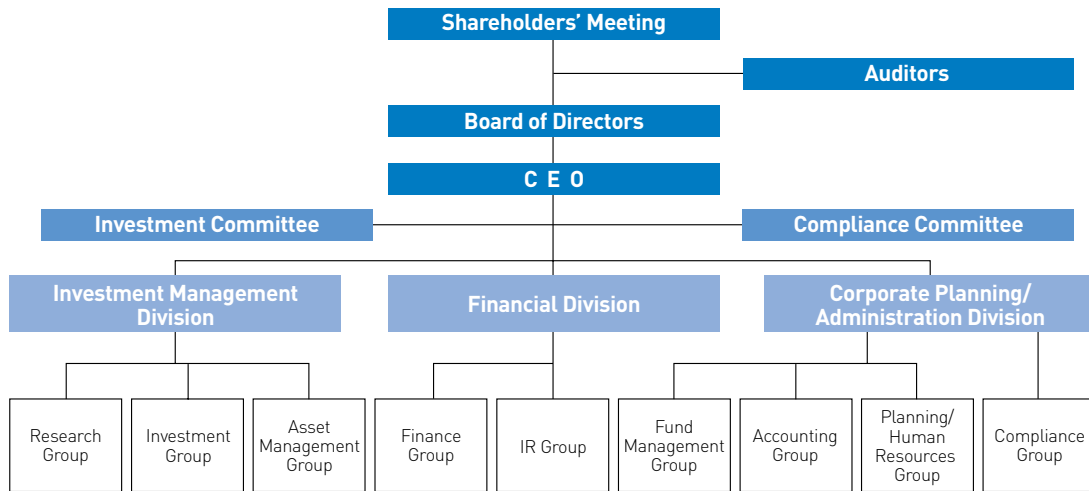
management and construction planning management work (“leasing management/construction management services” or “LM /CM services”) to TRIM. Yasuda Real Estate Co., Ltd. and Taisei Corporation provide general tenant agency services for real estate, as commissioned by the trustees.

**Tokyo Realty Investment Management, Inc.**

Tokyo Realty Investment Management, Inc. (“TRIM”) concluded the asset management contract with JPR on September 27, 2001. Based on the contract, TRIM provides asset management services as a REIT Management Company under the Investment Trust Law.

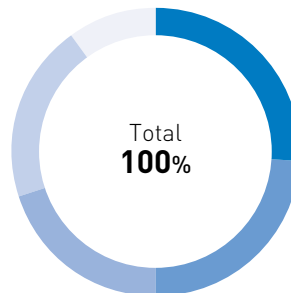
TRIM is assigned to provide (1) services regarding asset management for JPR (including all decision-

making in connection with the acquisition or leasing of properties and acting as an agent or broker of such transactions based on relevant judgement), (2) services regarding funding by JPR, (3) reporting to JPR and (4) any other services related to or affiliated with the above (the above services are collectively called “Asset Management Service” or “AM Service”).



**Shareholders in TRIM** (As of December 31, 2003)

- Tokyo Tatemono Co., Ltd. **26%**
- Meiji Yasuda-Life Insurance Company\* **24%**
- Taisei Corporation **20%**
- Yasuda Real Estate Co., Ltd. **20%**
- Sompo Japan Insurance Inc. **10%**



Note: The Yasuda Mutual Life Insurance Company and Meiji Life Insurance Company merged on January 1, 2004 to form Meiji Yasuda-Life Insurance Company.



### ***Decision-Making Process of Investment Management***

The "Investment Committee" is set as a committee to make investment decisions as well as its sub-organizations, the "Investment Subcommittee" and the "Fund Management Subcommittee." Members of these organizations include the CEO, CIO, CFO, CAO, Fund Manager, Research Manager, Asset Manager and Investment Management Manager.

The "Investment Committee" is a committee which formulates fundamental investment policy for the medium and long term within two fiscal periods, while the "Investment Subcommittee" or "Management Subcommittee" has charge of decisions on issues regarding acquisitions, dispositions and management of individual assets respectively. The Board of Directors is given the final authorization on acquisitions or dispositions of individual assets of a certain amount.

### ***Measures to Prevent Conflicts of Interest***

TRIM has established the "Compliance Committee" and "Compliance Subcommittee." The "Compliance Subcommittee" oversees the aforementioned committees and determines whether their decision-making activities strictly adhere to laws and regulations.

TRIM has rules in place governing transactions with "related parties" so as to avoid conflicts of interest. The Compliance Committee serves to prevent transactions with conflicts of interest based on the advice of an outside attorney who is a special member of the committee. Related parties are defined as specific parties with which transactions have been made or to which commissions or other payments have been made in the relevant term. These include the following parties, which have an investment in TRIM or employees serving as directors or staff at TRIM: Tokyo Tatemono Co., Ltd., The Meiji Yasuda-Life Insurance Company, Yasuda Real Estate Co., Ltd., Taisei Corporation, Sampo Japan Insurance Inc. (formerly The Yasuda Fire & Marine Insurance Co., Ltd.) and their affiliates.

Such measures include:

a) Acquisitions of property or assets from interested parties

The "investment amount" for any real estate or real estate in trust property must be the appraised value or less (deemed to be the purchase price only, exclusive of taxes and acquisition costs, etc.). Prior approval of the Board of Directors of the Company is required. For other designated assets, the investment amount must be at market prices for assets for which market prices are available, otherwise at the appraised value or less.

b) Sales of property or assets to interested parties

The "sales price" for any real estate or real estate in trust property must be the appraised value or more (deemed to be sales price only, exclusive of taxes and selling costs, etc.). Prior approval of the Board of Directors of the Company is required. For other designated assets, the sales price must be at market prices for assets for which market prices are available, otherwise at the appraised value or more.

c) Leasing of properties to interested parties

Properties may be leased to interested parties provided that leasing is done under appropriate terms and conditions as determined from the viewpoint of market trends and standard leasing terms for the property.

d) Property management commissions to interested parties

Commissions are based on the Property Management Standards. Prior approval of the Board of Directors of the Company is required.

e) Trading/leasing intermediation fees paid to interested parties

Trading intermediation fees are limited to up to 3% of the trading price. Prior approval of the Board of Directors of the Company is required. Leasing intermediation fees are limited to the amount equivalent to the contracted rent for one month.

f) Commissioning of construction work to interested parties

Commissions of construction work worth ¥10 million or more require a comparison against third-party estimates and proposals. Prior approval of the Board of Directors of the Company is required.

g) Borrowings from interested parties

Terms of borrowings must be at market levels. Prior approval of the Board of Directors of the Company is required.

**RESULTS OF OPERATIONS**

The table below is a summary of business results for the periods ended December 31, 2003 and June 30, 2003.

	thousands of yen		U.S. dollars
	4th Period (July 1, 2003– Dec. 31, 2003)	3rd Period (Jan. 1, 2003– June 30, 2003)	4th Period (July 1, 2003– Dec. 31, 2003)
<b>OPERATING REVENUES</b>	<b>¥6,421,099</b>	<b>¥5,264,525</b>	<b>\$59,937,448</b>
Real estate rental revenues	6,250,395	—	58,344,024
Rental revenues	—	4,898,820	—
Non-rental revenues	—	365,705	—
Gain on sale of real estate	170,704	—	1,593,424
<b>OPERATING EXPENSES</b>	<b>3,487,138</b>	<b>3,018,056</b>	<b>32,550,527</b>
<b>OPERATING PROFITS</b>	<b>2,933,961</b>	<b>2,246,469</b>	<b>27,386,921</b>
<b>NON-OPERATING REVENUES</b>	<b>1,329</b>	<b>80,719</b>	<b>12,412</b>
<b>NON-OPERATING EXPENSES</b>	<b>466,923</b>	<b>335,842</b>	<b>4,358,478</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,468,367</b>	<b>1,991,346</b>	<b>23,040,855</b>
<b>NET INCOME</b>	<b>¥2,467,358</b>	<b>¥1,990,377</b>	<b>\$23,031,436</b>

The Company's property portfolio as of December 31, 2003, comprised 32 properties, an increase over the third fiscal period ended June 30, 2003 of two properties, reflecting three acquisitions and one divestment. During the period under review, the Company purchased the Gotanda First Building (unit ownership, investment of ¥2,920 million) on July 23, the Nagoya Kowa Building (investment of ¥4,550 million) on September 1, and the Fukuoka Building (co-ownership of the land and partial unit ownership of the building, investment of ¥1,800 million). Another highlight during the six-month period was the increase in ownership in the Kuraray Nissay Building to 100%. In the area of divestitures, JPR sold its interest in the Yasuda-Life Tenroku Building for ¥600 million on September 3, 2003 securing a healthy capital gain. Although not currently a major strategy in the Company's overall business activities, the sale of the Yasuda-Life Tenroku Building is a prime example of JPR's efforts to enhance value through effective renovation and upgrade of select properties within its portfolio and

to generate an additional revenue source through sale.

Operating revenues for the six months ended December 31, 2003 rose 22.0%, or ¥1,157 million, to ¥6,421 million and comprised mainly real estate rental revenues and a ¥171 million gain on sale of real estate (the Yasuda-Life Tenroku Building). Operating expenses, including real estate rental expenses of ¥2,996 million, totaled ¥3,487 million, an increase of 15.5% from the third fiscal period. As a result, operating profits increased 30.6%, to ¥2,934 million from ¥2,246 million in the previous period. In non-operating revenues and expenses, the Company recorded new unit issuance costs and interest expense rose as a result of an increase in borrowings for the acquisition of new properties. Non-operating revenues decreased substantially due to the absence of administrative cooperative account revenues. Nevertheless, income before income taxes increased 24.0% to ¥2,468 million and net income also rose 24.0% to ¥2,467 million.

**CASH DISTRIBUTIONS**

The cash distribution per unit for the period ended December 31, 2003, was ¥5,738. The amount of the cash distribution per unit was affected by the issue of an additional 140,400

investment units during the fiscal period under review. With 430,000 units outstanding, total cash distributions were ¥2,467 million.

	thousands of yen except per unit data	
	Cash distributions for the period ended Dec. 31, 2003	Cash distributions for the period ended June 30, 2003
Net income	¥2,467,358	¥1,990,377
Total cash distributions	2,467,340	1,990,421
Cash distribution per unit	5,738	6,873

## CAPITALIZATION

### Paid-In Capital

For the fourth fiscal period, ended December 31, 2003, the Company reported net income of ¥2,467 million and total unitholders' equity of ¥91,581 million, with 430,000 units outstanding. (See page 35 and Notes to Financial Statements)

### Market Price

The Company was listed on the Tokyo Stock Exchange in June 2002 under the securities code 8955. The high and low closing prices for the periods indicated in the table below were:

Month	High	Low
June 2002	202,000	199,000
July 2002	203,000	200,000
Aug. 2002	205,000	202,000
Sept. 2002	205,000	203,000
Oct. 2002	219,000	203,000
Nov. 2002	240,000	215,000
Dec. 2002	240,000	225,000
Jan. 2003	239,000	220,000
Feb. 2003	227,000	219,000
Mar. 2003	229,000	217,000
Apr. 2003	249,000	227,000
May 2003	283,000	246,000
June 2003	271,000	222,000
July 2003	255,000	234,000
Aug. 2003	251,000	241,000
Sept. 2003	254,000	240,000
Oct. 2003	265,000	251,000
Nov. 2003	270,000	260,000
Dec. 2003	268,000	260,000

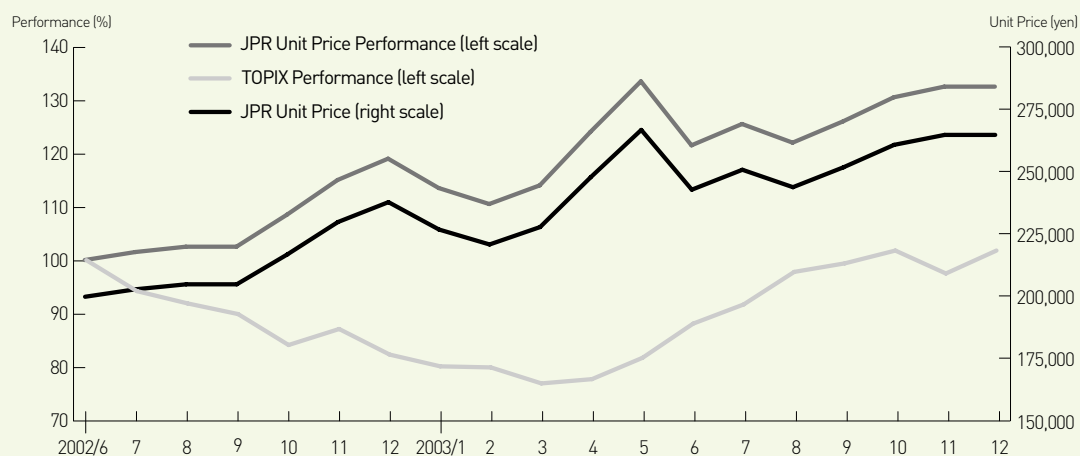
### Equity and Debt Financing

In its fourth fiscal period, JPR procured funds totaling ¥32.13 billion through the issue of 140,400 additional investment units, and continued with efforts to enhance borrowing capacity and to reinforce its financial position. Based on its fundamental policy to secure financial stability, the Company procured funds with the aim of steadily expanding its property portfolio. As a result, the balance of total outstanding debt as of December 31, 2003 stood at ¥52.47 billion, down from ¥69.5 billion at the previous period-end. In an effort to reduce exposure to the risk of potential increases in interest rates, 75.4% of this amount is fixed interest long-term debt with a maturity of more than one year (average maturity 4.6 years). The average interest rate during the fiscal period ended December 31, 2003 was 1.3%. The interest-bearing debt ratio was 37.1%, and the interest-bearing liabilities to total assets ratio was 33.5%. The Company considers itself to be well positioned to increase borrowings as required.

### Credit Ratings

On October 29, 2003, Standard & Poors assigned its "A-" long-term and "A-2" short-term corporate credit ratings on JPR and assessed the Company's outlook as "stable." In addition, on January 23, 2004, Moody's Investor Service assigned its "A3" long-term corporate credit rating on JPR and assessed the Company's outlook as "stable."

### Investment performance of JPR since its IPO on June 14, 2002



## Borrowings

Category	Lender	Drawdown Date	Balance as of Dec. 31, 2003 (thousands of yen)	Balance as of Jun. 30, 2003 (thousands of yen)	Average Interest Rate	Repayment Date	Repayment Method	Remarks		
Short-Term Borrowings	Aozora Bank, Ltd.	Sept. 25, 2002	¥ —	¥ 1,930,000	0.579%	Sept. 25, 2003	Principal lump sum repayment on maturity	Secured/ Unguaranteed/ Non-subordinated		
		Sept. 30, 2002								
		Mar. 28, 2003	3,770,000	3,770,000	0.935%	Mar. 27, 2004				
		May 15, 2003	—	8,000,000	0.929%	May 14, 2004				
		Sep. 1, 2003	2,400,000	—	0.829%	Feb. 27, 2004				
	Resona Bank, Ltd.	Oct. 15, 2003	1,800,000	—	0.838%	Mar. 27, 2004				
		Mar. 28, 2003	3,000,000	3,000,000	0.935%	Mar. 27, 2004				
		Sep. 25, 2003	1,930,000	—	0.849%	Mar. 27, 2004				
	Mizuho Corporate Bank, Ltd.	Jun. 30, 2003	—	12,800,000	0.810%	Jul. 31, 2003				
	Total		¥12,900,000	¥29,500,000						
Long-Term Borrowings	The Chuo Mitsui Trust and Banking Company, Limited	Dec. 27, 2001	10,000,000	10,000,000	1.234%	Dec. 27, 2006	Principal lump sum repayment on maturity	Secured/ Unguaranteed/ Non-subordinated		
	Sumitomo Life Insurance Company	Dec. 27, 2001	10,000,000	10,000,000	1.234%	Dec. 27, 2006				
	Resona Bank, Ltd.	Jun. 19, 2002	2,000,000	2,000,000	1.295%	Dec. 27, 2006				
	Aozora Bank, Ltd.	Jun. 19, 2002	3,000,000	3,000,000	1.295%	Dec. 27, 2006				
	Meiji Yasuda-Life Insurance Company	Dec. 27, 2001	4,783,000	5,000,000	1.700%	Dec. 26, 2008				
		Jun. 21, 2002	4,783,000	5,000,000	2.050%	Jun. 21, 2011				
		Mar. 28, 2003	5,000,000	5,000,000	1.750%	Mar. 28, 2013				
	Total		¥39,566,000	¥40,000,000						
Total Borrowings Balance		¥52,466,000	¥69,500,000							

## MAJOR TENANTS

The following table shows JPR's top ten tenants by leased floor space as of December 31, 2003. The Company has contracted a special type of long-term lease agreement with its largest tenant, Seiyu, for 20-year periods in the two buildings it occupies, until February 2015 (Tanashi ASTA) and December 2005 (Tsurumi fuga 1). Ordinary building leases in Japan are contracted for relatively short periods (generally two years), and renew automatically unless either party gives notice to the contrary. Such leases also typically allow the tenant to terminate the lease before expiry of the term, without penalty, with six months prior written notice. The

leases with Seiyu, however, prohibit termination by the tenant before expiry of the term, and contain provisions requiring payment of damages equivalent to the rental amount for the remainder of the contract period should the lease be broken. JPR continues to strengthen its portfolio by broadening its tenant base and increasing the percentage of long-term lease contracts. Specifically, in July 2003, the Company signed a long-term lease with Tower Records Japan Inc. (following acquisition of the Jinnan 1-chome Building). This followed the contract with The Loft, Co., Ltd. (in connection acquisition of the Kuraray Nissay Building).

#	Tenant	Industry	Property	Leased Floor Space (m <sup>2</sup> )	%
1	The Seiyu, Ltd.	Retail	Tanashi ASTA	40,700.31	20.2
			Tsurumi fuga 1		
2	The Loft Co., Ltd.	Retail	Kuraray Nissay Bldg.	18,586.97	9.2
3	TOWER RECORDS JAPAN INC.		Jinnan 1-chome Bldg.	8,076.85	4.0
4	Sompo Japan Insurance Inc.	Casualty Insurance	Sompo Japan Sendai Bldg.	6,701.25	3.3
			Sompo Japan Wakayama Bldg.		
5	Iwatani International Corporation	Wholesale	Tokyo Tatemono Honmachi Bldg.	5,959.86	2.9
6	Tohmatsu & Co.	Accounting Firm	MS Shibaura Bldg.	5,884.10	2.9
			JPR Ikebukuro Bldg.		
			Meiji Yasuda-Life Osaka Umeda Bldg.		
			JPR Naha Bldg.		
7	Meiji Yasuda Life Insurance Company	Life Insurance	Niigata Ekinan Center Bldg.	5,395.29	2.7
			Shinyokohama 2nd Center Bldg.		
8	Japan Future Information Technology & Systems Co., Ltd.	Other Services	Arca East	3,993.50	2.0
9	Mitsubishi Electric Information Systems Corporation	Electronics and Electric Appliances	MS Shibaura Bldg.	3,922.74	1.9
10	Kanematsu Electronics Ltd.		Kanematsu Bldg.	3,094.50	1.5
		Kanematsu Bldg. Annex			

## CAPITAL EXPENDITURES

### Planned Capital Expenditures

Principal capital expenditures during the period under review relating to repair and renovation of properties and entrusted properties in the Company's portfolio as of December 31,

2003 are outlined in the following table. The estimated construction amount includes the portion classified as expenses in the financial statements.

Property	Details	Projected Construction Period	Projected Construction Costs (millions of yen)		
			Total Cost	Amount Paid During the Fourth Fiscal Period	Amount Paid to Date
Asahi-Life Takamatsu 2nd Building	Air-cooling package upgrade for all floors	Jan. 2004–Jun. 2004	¥130	—	—
JPR Ikebukuro Building	Upgrade: renovation of first floor common area; renovation of sixth floor common and designated areas; upgrade of individual air-conditioning systems; design control work; other maintenance and repairs	Jan. 2004–Apr. 2004	95	—	—
JPR Takamatsu Building	Air-cooling upgrade	Jan. 2004–Jun. 2004	30	—	—
MS Shibaura Building	Installation of emergency power generator	Jan. 2004–Jun. 2004	20	—	—
Asahi-Life Fukuoka 3rd and 4th Building	Renovation of interior common areas	Jan. 2004–Jun. 2004	20	—	—

### Capital Expenditures During the Period Under Review

Capital expenditures undertaken during the period under review are outlined in the following table. Principal expenditures included earthquake proofing (including design) to improve safety and comply with new earthquake resistance standards, renovations aimed at maintaining and improving

tenant satisfaction, as well as renovation of common areas and construction of IT-ready floors in order to attract new tenants. Along with the following, the Company recorded additional repairs and maintenance expenses totaling ¥193 million.

Property	Details	Period	Total (millions of yen)
JPR Ikebukuro Bldg.	Renovation of first floor hall, and second to fourth and seventh to ninth floor common and leasable areas; upgrade of air-conditioning system and individual adjustment; designer's supervision; other upgrades and improvements	July 2003–Dec. 2003	¥348
JPR Takamatsu Bldg.	Renovation of common areas; earth-quake proofing; upgrade of air-conditioning system	Aug. 2003–Dec. 2003	64
JPR Hakata Bldg.	Expansion of mechanical parking facility	Mar. 2003–Nov. 2003	54
Park East Sapporo	Renovation of restrooms on all floors	Aug. 2003–Dec. 2003	35
Shin-Kojimachi Bldg.	Renovations: fifth floor, designated areas of the seventh floor, fifth floor common areas	Aug. 2003–Dec. 2003	27
Other Capital Expenditures	Renovations to common areas; installation of OA, parking, air-conditioning and fire prevention facilities		119
		Total	647

## SUBSEQUENT EVENTS

Events and other notable items occurring subsequent to December 31, 2003 (the end of the period under review), included the issuance of unsecured corporate bonds and the acquisition of three properties. Payment for the issuance of unsecured corporate bonds was completed on February 12, 2004. Funds raised from the issuance of unsecured corporate bonds are allocated mainly for the repayment of short-term

and long-term debt.

JPR also acquired three properties after December 31, 2003. The Doujima F Building in Osaka was acquired on January 23, 2004, the Kawaguchi Center Building in Saitama was acquired on February 13, 2004, and the SEF Building in Tokyo was acquired on March 1, 2004.

# FINANCIAL STATEMENTS

## BALANCE SHEETS

(As of December 31, 2003 and June 30, 2003)

	thousands of yen		U.S. dollars (Note 2)
	End of 4th Period (as of Dec. 31, 2003)	End of 3rd Period (as of Jun. 30, 2003)	End of 4th Period (as of Dec. 31, 2003)
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and bank deposits	¥ 17,111,017	¥ 19,103,828	\$ 159,721,992
Rental receivables	105,570	63,774	985,442
Consumption tax refundable	—	127,735	—
Other current assets	118,038	160,065	1,101,817
Total current assets	17,334,625	19,455,402	161,809,251
<b>PROPERTY AND EQUIPMENT AT COST:</b>			
Land	83,695,367	73,603,296	781,250,508
Buildings and structures	57,990,142	53,389,709	541,306,278
Machinery and equipment	1,066,039	1,015,212	9,950,893
Tools, furniture and fixtures	9,071	8,584	84,670
Construction in progress	2,444	16,882	22,818
	142,763,063	128,033,683	1,332,615,167
Less accumulated depreciation	(3,538,924)	(2,518,883)	(33,033,918)
Net property and equipment	139,224,139	125,514,800	1,299,581,249
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Deposits	10,100	10,100	94,278
Long-term prepaid expenses	7,322	9,177	68,342
<b>TOTAL ASSETS</b>	<b>¥156,576,186</b>	<b>¥144,989,479</b>	<b>\$1,461,553,120</b>

The accompanying notes form an integral part of these financial statements.

	thousands of yen		U.S. dollars (Note 2)
	End of 4th Period (as of Dec. 31, 2003)	End of 3rd Period (as of Jun. 30, 2003)	End of 4th Period (as of Dec. 31, 2003)
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable	¥ 979,067	¥ 772,249	\$ 9,139,055
Accounts payable	350,816	330,772	3,274,674
Short-term debt	12,900,000	29,500,000	120,414,450
Accrued expenses	10,934	32,363	102,064
Accrued income taxes	1,027	948	9,587
Accrued consumption taxes	56,860	—	530,753
Rent received in advance	555,270	531,244	5,183,146
Total current liabilities	14,853,974	31,167,576	138,653,729
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt	39,566,000	40,000,000	369,326,986
Deposits received from tenants	10,574,972	14,849,404	98,711,585
Total long-term liabilities	50,140,972	54,849,404	468,038,571
<b>TOTAL LIABILITIES</b>	<b>64,994,946</b>	<b>86,016,980</b>	<b>606,692,300</b>
<b>UNITHOLDERS' EQUITY</b>			
Unitholders' capital	89,113,804	56,982,000	831,828,653
Retained earnings	2,467,436	1,990,499	23,032,167
<b>TOTAL UNITHOLDERS' EQUITY</b>	<b>91,581,240</b>	<b>58,972,499</b>	<b>854,860,820</b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	<b>¥156,576,186</b>	<b>¥144,989,479</b>	<b>\$1,461,553,120</b>

## STATEMENTS OF INCOME AND RETAINED EARNINGS

(For the six-month periods ended December 31, 2003 and June 30, 2003)

	thousands of yen		U.S. dollars (Note 2)
	4th Period (Jul. 1, 2003– Dec. 31, 2003)	3rd Period (Jan. 1, 2003– Jun. 30, 2003)	4th Period (Jul. 1, 2003– Dec. 31, 2003)
<b>OPERATING REVENUES:</b>	¥6,421,099	¥5,264,525	\$59,937,448
Real estate rental revenues	6,250,395	—	58,344,024
Rental revenues	—	4,898,820	—
Non-rental revenues	—	365,705	—
Gain on sale of real estate	170,704	—	1,593,424
<b>OPERATING EXPENSES:</b>	3,487,138	3,018,056	32,550,527
Real estate rental expenses	2,996,386	—	27,969,621
Rental expenses	—	2,553,300	—
Asset management fees	276,344	243,468	2,579,525
Administrative service fees	75,607	51,077	705,749
Other operating expenses	138,801	170,211	1,295,632
<b>OPERATING PROFITS</b>	2,933,961	2,246,469	27,386,921
<b>NON-OPERATING REVENUES:</b>	1,329	80,719	12,412
Interest income	103	91	965
Other non-operating revenues	1,226	80,628	11,447
<b>NON-OPERATING EXPENSES:</b>	466,923	335,842	4,358,478
Interest expense	350,649	320,685	3,273,122
Loan arrangement fees	30,704	15,147	286,611
Other non-operating expenses	85,570	10	798,745
<b>INCOME BEFORE INCOME TAXES</b>	2,468,367	1,991,346	23,040,855
<b>INCOME TAXES:</b>			
Current	1,047	965	9,779
Deferred	(38)	4	(360)
<b>NET INCOME</b>	¥2,467,358	¥1,990,377	\$23,031,436
<b>RETAINED EARNINGS BROUGHT FORWARD</b>	78	122	731
<b>RETAINED EARNINGS AT END OF PERIOD</b>	¥2,467,436	¥1,990,499	\$23,032,167

The accompanying notes form an integral part of these financial statements.



**STATEMENTS OF CASH FLOWS (Unaudited)**

(For the six-month periods ended December 31, 2003 and June 30, 2003)

	thousands of yen		U.S. dollars (Note 2)
	4th Period (Jul. 1, 2003– Dec. 31, 2003)	3rd Period (Jan. 1, 2003– Jun. 30, 2003)	4th Period (Jul. 1, 2003– Dec. 31, 2003)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 2,468,367	¥ 1,991,346	\$ 23,040,855
Depreciation	1,044,355	894,606	9,748,486
Interest income	(103)	(91)	(964)
Interest expense	350,649	320,685	3,273,122
Increase in rental receivables	(41,796)	(3,681)	(390,143)
Decrease (increase) in consumption tax refundable	127,735	(127,735)	1,192,337
Increase in prepaid expenses	(11,708)	(6,788)	(109,284)
Increase in trade accounts payable	206,818	338,243	1,930,532
Increase in accounts payable	18,563	86,155	173,276
Increase (decrease) in accrued consumption taxes	56,860	(41,770)	530,753
Increase in rent received in advance	24,026	192,008	224,274
Decrease in deposits received from tenants	—	(38,189)	—
Decrease in entrusted fixed properties	418,920	—	3,910,385
Change in other current assets/liabilities	59,176	(46,198)	552,372
Subtotal	4,721,862	3,558,591	44,076,001
Interest received	103	91	964
Interest paid	(372,079)	(295,619)	(3,473,150)
Income taxes paid	(968)	(840)	(9,037)
Net cash provided by operating activities	4,348,918	3,262,223	40,594,778
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(4,721,223)	(35,874)	(44,070,039)
Purchases of entrusted property and equipment	(10,454,938)	(32,139,384)	(97,591,132)
Payment of leasehold and security deposits received	(11,629)	(21,338)	(108,553)
Proceeds from leasehold and security deposits received	373,594	15,256	3,487,297
Payment of entrusted leasehold and security deposits received	(5,997,449)	(369,597)	(55,982,905)
Proceeds from entrusted leasehold and security deposits received	1,361,052	7,686,629	12,704,678
Net cash used in investing activities	(19,450,593)	(24,864,308)	(181,560,654)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings	6,130,000	27,570,000	57,220,200
Repayment of short-term borrowings	(22,730,000)	(2,000,000)	(212,172,127)
Proceeds from long-term borrowings	—	5,000,000	—
Repayment of long-term borrowings	(434,000)	—	(4,051,153)
Proceeds from issuance of units	32,131,804	—	299,932,825
Distributions to unitholders	(1,988,940)	(2,021,948)	(18,565,673)
Net cash provided by financing activities	13,108,864	28,548,052	122,364,072
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,992,811)	6,945,967	(18,601,804)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	19,103,828	12,157,861	178,323,796
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	¥17,111,017	¥19,103,828	\$159,721,992

The accompanying notes form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(For the six-month periods ended December 31, 2003 and June 30, 2003)

	unitholders' equity		
	shares	thousands of yen	U.S. dollars (Note 2)
BALANCE AS OF DECEMBER 31, 2002	289,600	¥58,983,838	
Cash distributions paid	—	(2,001,716)	
Net income	—	1,990,377	
BALANCE AS OF JUNE 30, 2003	289,600	58,972,499	\$550,476,049
Cash distributions paid		(1,990,421)	(18,579,490)
Public offering	140,400	32,131,804	299,932,825
Net income		2,467,358	23,031,436
BALANCE AS OF DECEMBER 31, 2003	430,000	¥91,581,240	\$854,860,820

The accompanying notes form an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

(December 31, 2003 and June 30, 2003)

### 1. ORGANIZATION

Japan Prime Realty Investment Corporation (the "Company"), an externally managed real estate investment corporation, was incorporated on September 14, 2001 under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. The Company was formed to invest primarily in real estate in Japan.

The Company was originally formed by Tokyo Tatemono Co., Ltd., Taisei Corporation, and Tokyo Realty Investment Management, Inc. ("TRIM"), and commenced its operation on November 16, 2001 by acquiring 13 properties. TRIM, a licensed asset management company, provides professional asset management services of office and retail properties to the Company. TRIM is currently owned 26% by Tokyo Tatemono Co., Ltd., 24% by Meiji Yasuda Life Insurance

Company, 20% by Yasuda Real Estate Co., Ltd., 20% by Taisei Corporation, and 10% by Sompo Japan Insurance Inc.

On June 14, 2002, the Company raised ¥25,862 million through an initial public offering and was listed on the Tokyo Stock Exchange (Securities code: 8955).

On July 14, and August 9, 2003, the Company raised ¥32,132 million (\$299,933 thousand) through a second offering (unitholders' capital as of December 31, 2003: ¥89,114 million [\$831,829 thousand]).

As of December 31, 2003, the Company owned a portfolio of 32 properties containing an aggregate of approximately 218,734.67 square meters of leasable area, and leased its office space to 357 tenants. The occupancy rate is 92.7%.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 and applied 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 may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying financial statements are a translation of the financial statements of the Company, which were prepared in accordance with Japanese GAAP and were pre-

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

The Company's accounting period ends at the end of June and December. The Company's fourth accounting period began on July 1, 2003 and ended on December 31, 2003.

Amounts in U.S. dollars are included solely for the

convenience of readers outside Japan. The rate of ¥107.13=US\$1.00, the foreign exchange rate on December 30, 2003, 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.

#### 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 of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as follows:

Buildings .....	3–64 years
Structures .....	10–20 years
Machinery and equipment .....	3–15 years
Tools, furniture and fixtures .....	5–15 years

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

#### 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 gen-

erally charged to expenses 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 registered owner 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 is included in the current assets and the excess of amounts withheld over payments is 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 and the related regulations. Cash and cash equivalents consist 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 maturities of three months or less.

### 3. REAL ESTATE

Real estate at December 31, 2003 and June 30, 2003 consisted of the following:

	thousands of yen				U.S. dollars	
	As of December 31, 2003		As of June 30, 2003		As of December 31, 2003	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥ 3,171,216	¥ 3,171,216	¥ 331,677	¥ 331,677	\$ 29,601,572	\$ 29,601,572
Buildings	2,540,669		658,986		23,715,756	
Accumulated depreciation	48,126	2,492,543	18,912	640,074	449,233	23,266,523
Machinery and equipment	11,227		11,227		104,795	
Accumulated depreciation	2,237	8,990	1,398	9,829	20,875	83,920
Tools, furniture and fixtures	290		289		2,702	
Accumulated depreciation	44	246	17	272	405	2,297
Entrusted land	80,524,151	80,524,151	73,271,619	73,271,619	751,648,936	751,648,936
Entrusted buildings and structures	55,449,473		52,730,723		517,590,522	
Accumulated depreciation	3,292,514	52,156,959	2,356,525	50,374,198	30,733,821	486,856,701
Entrusted machinery and equipment	1,054,812		1,003,985		9,846,098	
Accumulated depreciation	195,453	859,359	141,823	862,162	1,824,448	8,021,650
Entrusted tools, furniture and fixtures	8,781		8,295		81,968	
Accumulated depreciation	550	8,231	208	8,087	5,136	76,832
Entrusted construction in progress	2,444	2,444	16,882	16,882	22,818	22,818
Total		¥139,224,139		¥125,514,800		\$1,299,581,249

#### 4. SHORT-TERM DEBT

Short-term debt at December 31, 2003 and June 30, 2003 consisted of the following:

	As of December 31, 2003		As of June 30, 2003		As of December 31, 2003
	Amount (thousands of yen)	Weighted-average interest rate	Amount (thousands of yen)	Weighted-average interest rate	Amount (U.S. dollars)
Secured loans from a bank due on September 25, 2003	¥ —	0.579%	¥ 1,930,000	0.584%	\$ —
Secured loans from banks due on March 27, 2004	6,770,000	0.935%	6,770,000	0.939%	63,194,250
Secured loans from a bank due on May 14, 2004	—	0.929%	8,000,000	0.929%	—
Secured loans from a bank due on July 31, 2003	—	0.810%	12,800,000	0.810%	—
Secured loans from a bank due on February 27, 2004	2,400,000	0.829%	—	—	22,402,689
Secured loans from a bank due on March 27, 2004	1,800,000	0.838%	—	—	16,802,016
Secured loans from a bank due on March 27, 2004	1,930,000	0.849%	—	—	18,015,495
Total	¥12,900,000		¥29,500,000		\$120,414,450

#### 5. LONG-TERM DEBT

Long-term debt at December 31, 2003 and June 30, 2003 consisted of the following:

	As of December 31, 2003		As of June 30, 2003		As of December 31, 2003
	Amount (thousands of yen)	Weighted-average interest rate	Amount (thousands of yen)	Weighted-average interest rate	Amount (U.S. dollars)
Secured loans from a trust bank and an insurance company due on December 27, 2006	¥20,000,000	1.234%	¥20,000,000	1.234%	\$186,689,070
Secured loans from banks due on December 27, 2006	5,000,000	1.295%	5,000,000	1.295%	46,672,267
Secured loans from an insurance company due on December 26, 2008	4,783,000	1.700%	5,000,000	1.700%	44,646,691
Secured loans from an insurance company due on June 21, 2011	4,783,000	2.050%	5,000,000	2.050%	44,646,691
Secured loans from an insurance company due on March 28, 2013	5,000,000	1.750%	5,000,000	1.750%	46,672,267
Total	¥39,566,000		¥40,000,000		\$369,326,986

#### 6. SECURED ASSETS

At December 31, 2003 and June 30, 2003, the following assets were pledged as collateral for the following debt:

Pledged assets:

	thousands of yen		U.S. dollars
	As of December 31, 2003	As of June 30, 2003	As of December 31, 2003
Cash and bank deposits	¥ 9,604,410	¥ 17,614,344	\$ 89,651,916
Land	54,633,535	73,157,065	509,974,191
Buildings and structures	41,624,667	50,892,478	388,543,519
Machinery and equipment	785,308	871,991	7,330,416
Tools, furniture and fixtures	7,995	8,359	74,632
Construction in progress	1,625	16,882	15,173
Total	¥106,657,540	¥142,561,119	\$995,589,847

Debt secured by the pledged assets:

	thousands of yen		U.S. dollars
	As of December 31, 2003	As of June 30, 2003	As of December 31, 2003
Short-term debt	¥12,900,000	¥29,500,000	\$120,414,450
Medium- and long-term debt	39,566,000	40,000,000	369,326,986
Total	¥52,466,000	¥69,500,000	\$489,741,436

## 7. UNITHOLDERS' EQUITY

Under the Investment Trust Law and the related regulations, the appropriations of retained earnings and the declaration of a cash distribution for the current accounting period are made by the resolution of the Board of Directors at a meeting

held subsequent to the close of the accounting period. As such, the retained earnings of unitholders' equity at December 31, 2003 included cash distribution of ¥2,467,340 thousand (\$23,031,270) subsequently made.

## 8. INCOME TAXES

At December 31, 2003, the Company's deferred tax assets consisted mainly of the accrued enterprise tax, which is not deductible until paid for tax purposes. The reconciliation of tax rate difference between the adjusted statutory tax rates and the effective tax rates for the six-month periods ended December 31, 2003 and June 30, 2003 were as follows:

	For the period from July 1, 2003 to December 31, 2003	For the period from January 1, 2003 to June 30, 2003
Statutory tax rate	39.39%	39.39%
Deductible dividends distribution	(39.37%)	(39.37%)
Others	0.02%	0.03%
Effective tax rate	0.04%	0.05%

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 accounting period as stipulated by Article 67-15 of the STML. Based on the distribution policy provided by the Articles of Incorporation, the Company made a dividend distribution of approximately 100% of retained earnings in the amount of ¥2,467,340 thousand (\$23,031,270) at December 31, 2003 and treated it as tax deductible dividend. The Company will not distribute the dividends in excess of accounting profit under the Articles of Incorporation.

## 9. PER UNIT INFORMATION

The following table summarizes information about net assets per unit and net income per unit at June 30, 2003 and December 31, 2003, and for the six-month periods then ended:

	yen		U.S. dollars
	For the period from July 1, 2003 to December 31, 2003	For the period from January 1, 2003 to June 30, 2003	For the period from July 1, 2003 to December 31, 2003
Net assets at period-end per unit	¥212,979	¥203,634	\$1,988
Net income per unit	5,895	6,872	55

In calculating the net assets per unit, the amount of the net assets included the cash distribution declared in the subsequent period.

Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during each period. The weighted-average number of units used in

the calculation was 418,502 units for the six months ended December 31, 2003 and 289,600 units for the six months ended June 30, 2003. Diluted net income per unit has not been presented since no warrants and convertible bonds were issued during the period.

## 10. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions:

	thousands of yen		U.S. dollars
	For the period from July 1, 2003 to December 31, 2003	For the period from January 1, 2003 to June 30, 2003	For the period from July 1, 2003 to December 31, 2003
Property management fees	¥143,777	¥118,707	\$1,342,077
Commissions for property acquisitions	—	56,000	—
Leasing commissions	27,895	4,512	260,388
Outsourced property operation	333,982	262,742	3,117,537
Repairs and maintenance	99,223	364,770	926,191

## 11. BREAKDOWN OF OPERATING REVENUES AND EXPENSES

For the six-month periods ended December 31, 2003 and June 30, 2003.

	thousands of yen		U.S. dollars
	For the period from July 1, 2003 to December 31, 2003	For the period from January 1, 2003 to June 30, 2003	For the period from July 1, 2003 to December 31, 2003
Real Estate Rental Revenues	¥6,250,395	¥ —	\$58,344,024
Property-Related Revenues	—	5,264,525	—
Rental Revenues	5,754,165	4,898,820	53,711,995
Rental revenues	4,584,941	3,795,176	42,797,919
Common area charges	992,892	929,753	9,268,109
Parking revenues	153,359	149,986	1,431,526
Other rental revenues	22,973	23,905	214,441
Non-Rental Revenues	496,230	365,705	4,632,029
Incidental income	462,939	344,583	4,321,287
Cancellation charges	—	3,905	—
Other miscellaneous revenues	33,290	17,217	310,742
Real Estate Rental expenses	2,996,386	—	27,969,622
Property-Related Expenses	—	2,553,300	—
Property management fees	128,900	125,111	1,203,209
Utilities expenses	513,937	379,307	4,797,319
Property and other taxes	424,885	425,826	3,966,073
Casualty insurance	36,271	34,194	338,570
Repairs and maintenance	188,291	116,158	1,757,591
Depreciation	1,044,355	894,606	9,748,487
Other rental expenses	659,747	578,098	6,158,373
Profits	3,254,009	2,711,225	30,374,402

	thousands of yen		U.S. dollars
	For the period from July 1, 2003 to December 31, 2003	For the period from January 1, 2003 to June 30, 2003	For the period from July 1, 2003 to December 31, 2003
Proceeds from sale of real estate	¥609,335	¥—	\$5,687,806
Cost of real estate	418,920	—	3,910,384
Other related sales expenses	19,711	—	183,997
Gain on sale of real estate	170,704	—	1,593,425

## 12. LEASES

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

	thousands of yen		U.S. dollars
	As of December 31, 2003	As of June 30, 2003	As of December 31, 2003
Due within one year	¥ 3,010,179	¥ 2,276,148	\$ 28,098,379
Due after one year	21,794,572	17,379,292	203,440,413
Total	24,804,751	19,655,440	231,538,792

## 13. SUBSEQUENT EVENTS

### ISSUANCE OF CORPORATE BONDS

Pursuant to a resolution of the Board of Directors' meeting held on January 28, 2004, the Company undertook an issue of corporate bonds as follows. The issuance payments were completed on February 12, 2004.

#### (1) FIRST SERIES OF CORPORATE BONDS

Name of the bond	Japan Prime Realty Investment Corporation's First Series 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 billion
Issue price	¥100 with a par value of ¥100
Coupon rate	0.84% per annum
Subscription date	January 29, 2004
Payment date	February 12, 2004
Collateral	Unsecured, Unguaranteed
Maturity date and redemption method	Principal will be redeemed in full on February 12, 2008. Bonds may be redeemed at any time from the day immediately following the payment date.
Use of proceeds	Repayment of existing debt and other

#### (2) SECOND SERIES OF CORPORATE BONDS

Name of the bond	Japan Prime Realty Investment Corporation's Second Series 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 amount	¥7 billion
Issue price	¥100 with a par value of ¥100
Coupon rate	1.38% per annum
Subscription date	January 29, 2004
Payment date	February 12, 2004
Collateral	Unsecured, Unguaranteed
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.
Use of proceeds	Repayment of existing debt and other

#### (3) THIRD SERIES OF CORPORATE BONDS

Name of the bond	Japan Prime Realty Investment Corporation's Third Series 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 billion
Issue price	¥100 with a par value of ¥100
Coupon rate	2.32% per annum
Subscription date	January 29, 2004
Payment date	February 12, 2004
Collateral	Unsecured, Unguaranteed
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.
Use of proceeds	Repayment of existing debt and other

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Unitholders of Japan Prime Realty Investment Corporation

We have audited the accompanying balance sheets of Japan Prime Realty Investment Corporation as of December 31, 2003 and June 30, 2003, the related statements of income and retained earnings, and changes in unitholders' equity for the six-month periods ended December 31, 2003 and June 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, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Prime Realty Investment Corporation at December 31, 2003 and June 30, 2003, and the results of its operations for the six-month periods ended December 31, 2003 and June 30, 2003 in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying financial statements with respect to the six-month period ended December 31, 2003 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 2 to the financial statements.



Shin Nihon & Co.

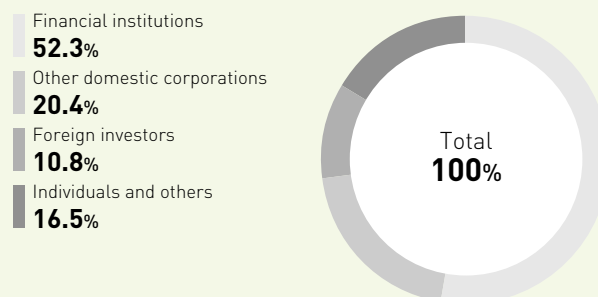
Tokyo, Japan  
February 16, 2004

*See Note 2 to the financial statements, which explains the basis of presentation of the financial statements of Japan Prime Realty Investment Corporation under Japanese accounting principles and practices.*

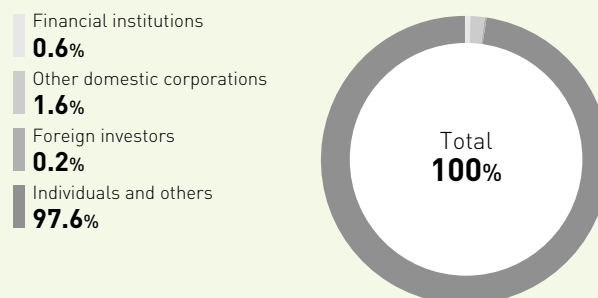


## Breakdown of Unitholders (As of December 31, 2003)

### By Number of Units Held



### By Composition



## Major Unitholders (As of December 31, 2003)

	Units	(%)
Tokyo Tatemono Co., Ltd.	39,300	9.1
Japan Trustee Services Bank, Ltd.	37,264	9.1
Meiji Yasuda-Life Insurance Company	34,000	7.9
Goldman Sachs International	24,893	5.8
Kawasaki Gakuen	19,700	4.6
The Hiroshima Bank, Ltd.	12,199	2.8
The Bank of Ikeda, Ltd.	8,988	2.1
The Daisan Bank, Ltd.	8,722	2.0
The Joyo Bank, Ltd.	8,093	1.9
Aozora Bank, Ltd.	7,574	1.8

## MEMBERS OF THE BOARD (As of December 31, 2003)

### Name *Title*

Biography

\*Number of Investment Units Held

#### Japan Prime Realty Investment Corporation

##### **Hirohito Kaneko** *Executive Officer* \*0

Dec. 19, 2001	Executive Officer of Japan Prime Realty Investment Corporation
Apr. 1, 1979	Representative Counsel (currently on service) of Hirohito Kaneko Law Office
Apr. 1, 1977	Bar admission (Tokyo Bar Association) Shigeru Yamada Law Office

##### **Sosuke Yasuda** *Supervising Officer* \*0

Sept. 14, 2001	Supervising Officer, Japan Prime Realty Investment Corporation
Oct. 1, 1999	Director and Senior Partner (currently on service), Tokyo Hokuto & Co., (Tokyo Akasaka Audit Co. and Hokuto Audit Co. merged)
July 2, 1993	Senior Partner, Tokyo Akasaka Audit Co.
Feb. 16, 1983	Representative of Tokyo Akasaka CPA Joint Office
June 27, 1980	Sosuke Yasuda Tax Accountant Office (currently on service)
Dec. 1, 1975	Masamitsu Serizawa Accounting Firm
Apr. 1, 1968	Main Store, KK Ohgiya

##### **Shigeru Sugimoto** *Supervising Officer* \*0

Sept. 14, 2001	Supervising Officer, Japan Prime Realty Investment Corporation
June 1, 2001	Auditor, Morimoto Co., Ltd. (currently on service)
Oct. 2, 1999	Representative Director of Tokyo SPC Services (currently on service)
June 24, 1998	Senior Partner (currently on service) of Horwath Sakura & Co. (ex- Sakura Audit Corporation)
Dec. 1, 1996	Horwath International
Dec. 22, 1995	Sakura Audit Corporation
July 1, 1988	Representative Director of Sakura & Co. (currently on service)
Nov. 1, 1985	Ohta Showa Audit Corporation
Apr. 1, 1982	Housing and Urban Development Public Corporation

#### Tokyo Realty Investment Management, Inc.

##### **Toshihiro Hagiwara** *President and CEO* \*0

Jan. 23, 2001	President, Tokyo Realty Investment Management, Inc.
Apr. 1, 1999	Director and Head of Osaka Branch Office
Jan. 1, 1998	Head of Development Business Department of Kinshicho Project (Tokyo) and led negotiations for city planning of large-scale development of more than 28,000m <sup>2</sup>
Mar. 28, 1992	Director of Secretary's Office and Human Resources
Apr. 20, 1989	Planning of redevelopment scheme connecting Akihabara and Okachimachi (Tokyo) for JR East Urban Development Corporation (Joint Venture of Japan Railway East)
July 1, 1985	Property management and acquisition businesses of Building Department
Apr. 1, 1968	Tokyo Tatemono Co., Ltd.

##### **Takeshi Maki** *Director and Chief Financial Officer* \*0

July 1, 2001	Director and Chief Financial Officer, Tokyo Realty Investment Management, Inc.
Apr. 1, 2000	General Manager of Pension Management Department
Apr. 1, 1991	Manager of International Investment Department in charge of investments in overseas real estate and financing activities
Oct. 1, 1989	Investment Banking Division of Paine Webber Japan Inc. in Tokyo, where he was involved with M&A and IPO businesses
Oct. 23, 1983	New York representative office of Yasuda Life
Apr. 1, 1973	Finance Department of The Yasuda Mutual Life Insurance Company

##### **Yukio Furuya** *Director and Chief Investment Officer* \*0

Jan. 23, 2000	Director and Chief Investment Officer of Tokyo Realty Investment Management, Inc.
Apr. 1, 1999	Group leader of the Sales Planning Group Structured a system of property management services
Jan. 1, 1998	Tenant-leasing team leader
June 1, 1993	Took charge of tenant leasing
Nov. 1, 1990	Tokyo Tatemono of America
Apr. 1, 1981	Tokyo Tatemono Co., Ltd. Involved in real estate investment, leasing to tenants and appraisals of real estate

##### **Shuichi Yoneta** *Director and Chief Administrative Officer* \*0

Jan. 23, 2001	Director and Chief Administrative Officer of Tokyo Realty Investment Management, Inc.
Apr. 1, 1998	Manager of Real Estate Planning Group of Real Estate Department At the same time, responsible for internal rules, regulations and legal matters
Apr. 1, 1981	The Yasuda Mutual Life Insurance Company

**Head Office**

9-9 Yaesu 1-Chome, Chuo-ku, Tokyo 103-8285, Japan  
 Tel: +81-3-3231-1051  
 Fax: +81-3-3274-7775

**Date of Establishment**

September 14, 2001

**Listing**

Tokyo Stock Exchange (Securities Code: 8955)

**Fiscal Period Ends**

June 30 and December 31 of each year

**General Meeting of Unitholders**

More than once every two years

**Cash Distribution Payment Eligibility**

Unitholders of record as of June 30 and December 31 of each year

**Transfer Agent**

Mizuho Trust & Banking Co., Ltd.  
 2-1 Yaesu 1-chome, Chuo-ku, Tokyo

**Location of Records**

Mizuho Trust & Banking Co., Ltd.  
 2-1 Yaesu 1-chome, Chuo-ku, Tokyo  
 Main Branch, Stock Transfer Agency Division

**Mailing Address**

Mizuho Trust & Banking Co., Ltd.  
 1-17-7 Saga, Koto-ku, Tokyo 135-8722  
 Stock Transfer Agency Division  
 +81-3-5213-5213 (Representative)  
 Mizuho Trust & Banking Co., Ltd.  
 (All branches nationwide)  
 Mizuho Investors Securities Co., Ltd.  
 (Head Office and all branches nationwide)

**Telephone Agents**

**Note:** On March 12, 2003, Mizuho Trust & Banking Co., Ltd. merged with Mizuho Asset Trust & Banking Co., Ltd., to establish a new trust and banking entity under the name of Mizuho Trust & Banking Co., Ltd. As a result, Mizuho Trust & Banking's main branch changed its address on the same date.

**Website**

[http://www.jpr-reit.co.jp/jpr\\_e/index.html](http://www.jpr-reit.co.jp/jpr_e/index.html)

**Performance**

Trends in occupancy rate by area and purpose; trends in investment conditions. Updated monthly.

**FAQ**

Answers to commonly asked questions by our unitholders and investors are found here.



**English page**

This Website has been created specifically for our English-speaking readers.

**Investor Relations**

News releases are posted here as appropriate, as well as information useful to unitholders and investors in evaluating the status of JPR, including financial statements and other legally mandated reports.



This document contains a translation of selected information described in the Financial Report [Kessan Tanshin] dated February 17, 2004 prepared under the timely disclosure requirements of the Tokyo Stock Exchange, as well as the Financial Statements and Performance Information Report prepared pursuant to the Investment Trust Law of Japan, for the period from July 1, 2003 to December 31, 2003 of Japan Prime Realty Investment Corporation ("JPR").

This English language document was prepared solely for the convenience of and reference by non-Japanese investors and is not intended to constitute a disclosure document. The Japanese language Financial Report, Financial Statements and Performance Information Report for the aforementioned period should be referred to as the originals of this document.

English translations for legal, accounting, tax and business concepts used herein may not convey precisely identical concepts of the equivalent Japanese terms. The figures presented in the financial statements may differ from the Company's Financial Report [Kessan Tanshin] due to rounding. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English documents contained herein, the original Japanese documents will govern the meaning and interpretation. Neither JPR, Tokyo Realty Investment Management, Inc. nor any of their respective directors, officers, employees, partners, unitholders, agents or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English translations or the selection of the portion(s) of any document(s) translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by JPR, Tokyo Realty Investment Management, Inc. or any of their respective directors, officers, employees, partners, unitholders, agents or affiliates.

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 constitute 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.

