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JPR

Ninth Fiscal Period Business Report  
January 1, 2006 — June 30, 2006  
Japan Prime Realty Investment Corporation



## Corporate Profile

Established on September 14, 2001, Japan Prime Realty Investment Corporation (JPR or the Company) is a closed-end corporate type fund that focuses on a geographically diverse investment portfolio of office and retail properties. Through its investment activities, JPR has received high credit ratings from rating agencies, reflecting the Company's high-quality portfolio, earnings stability and sound financial standing. As of June 30, 2006, JPR had an investment portfolio totaling 209.2 billion yen on an acquisition basis, 462 tenants and 44 properties, and is recognized as one of the top ranked diversified REITs in Japan.

## Contents



<b>Investment Highlights</b> .....	<b>1</b>
<b>Message to Our Unitholders</b> .....	<b>2</b>
<b>Account Highlights</b> .....	<b>3</b>
<b>Investment Unit Status</b> .....	<b>4</b>
<b>New Acquisitions during the 9th Fiscal Period</b> .....	<b>5</b>
<b>Portfolio Topics</b> .....	<b>6</b>
<b>Property Portfolio</b> .....	<b>8</b>
<b>Overview of Portfolio Properties</b> .....	<b>14</b>
<b>Characteristics and Corporate History</b> .....	<b>21</b>
<b>Overview of the Asset Manager</b> .....	<b>23</b>
<b>Overview of Asset Management</b> .....	<b>25</b>
<b>Overview of Investment Corporation</b> .....	<b>31</b>
<b>Status of JPR's Assets under Management</b> .....	<b>32</b>
<b>Capital Expenditures of Owned Real Estate</b> .....	<b>36</b>
<b>Expenses and Liabilities</b> .....	<b>37</b>
<b>Acquisition and Sale during the 9th Fiscal Period</b> .....	<b>39</b>
<b>Overview of Accounting / Other</b> .....	<b>41</b>
<b>Balance Sheets</b> .....	<b>42</b>
<b>Statement of Income and Retained Earnings</b> .....	<b>44</b>
<b>Statement of Changes in Unitholders' Equity</b> .....	<b>45</b>
<b>Notes to Financial Statements</b> .....	<b>46</b>
<b>Report of Independent Auditors</b> .....	<b>51</b>
<b>Statements of Cash Flows (Information Only)</b> .....	<b>52</b>
<b>JPR Investment Policies (Reference)</b> .....	<b>54</b>
<b>Investor Information</b> .....	<b>64</b>

# Investment Highlights

## Selective Investments

- **Investment Results**
  - Portfolio size of 209.2 billion yen as of the end of June 2006 (based on acquisition price)
  - Prioritize prime locations and future potential for selective investments from a long-term perspective
  - Acquisition of superior new development-type properties through collaboration with sponsors
- **Establishment of Core Portfolio**
  - Strategic replacement of properties for a strong, quality core portfolio
  - Completion of the initial value-up strategy
  - Well designed portfolio with a core of six major cities where stability and growth is anticipated

## Sustainable Growth of Cash Flow

- **Stabilization of Cash Flow**
  - Tenant concentration: Downslide in share of the largest tenant (further reduction via sale of Tsurumi fuga 1)
  - Reduce top five properties concentration by acquisition price
- **Cash Flow Growth**
  - Growth in rental revenue of office buildings: Increase in new rental unit rates, renewal rent rates and occupancy rates
  - Undertaking of growth-type retail properties
- **Sound Financial Strategy Focused on Long-Term Stability**





## **Message to Our Unitholders**

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I am delighted with this opportunity to provide an overview of the asset management and financial results of Japan Prime Realty Investment Corporation (JPR) for its 9th fiscal period (January 1, 2006 to June 30, 2006).

First, the JPR portfolio grew to 44 properties, or 209.2 billion yen on an acquisition price basis, as of the end of June 30, 2006 due to the acquisition of two properties (totaling 6.56 billion yen on an acquisition price basis) including the JPR Jingumae 432. The funds required for these acquisitions were acquired within the credit limits set forth by lenders and we continue to maintain our stable financial standing.

As for our financial results, we posted operating revenues of 8,588 million yen and recurring profits of 3,450 million yen primarily due to the full-period operations of properties acquired during the previous period, partial contribution of properties acquired during the 9th fiscal period, enhanced occupancy of existing properties and our efforts to reduce expenses. These efforts and performance led to net income for the 9th fiscal period reaching 3,449 million yen.

As a result, the cash distribution per unit was set at 6,509 yen.

We expect the environment surrounding the real estate investment trust industry to continue being severe, particularly with regards to acquiring properties. We will continue to work with our asset manager, Tokyo Realty Investment Management, within these circumstances to realize stable growth over the medium to long-term while maintaining a consistent focus on compliance.

We ask for your continued understanding and support of our operations.

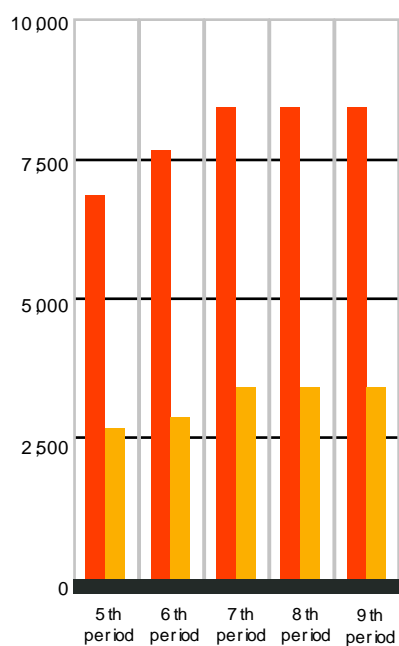
**Hirohito Kaneko**  
**Executive Officer**  
**Japan Prime Realty Investment Corporation**

# Account Highlights

(All amounts in millions of yen unless otherwise stated)

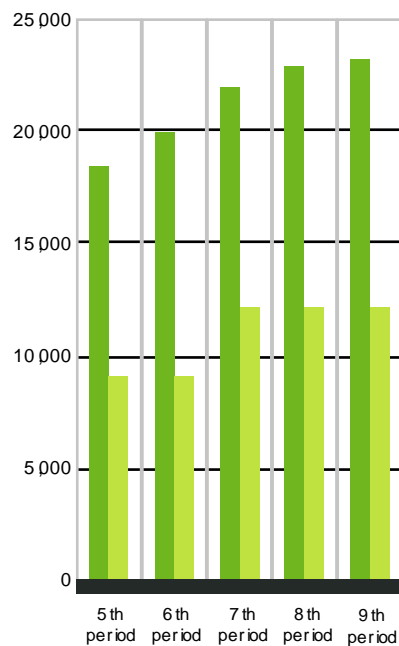
	5th period ended June 2004	6th period ended December 2004	7th period ended June 2005	8th period ended December 2005	9th period ended June 2006
Operating revenues	6,790	7,685	8,503	8,587	8,588
Recurring profits	2,615	2,869	3,377	3,399	3,450
Net income	2,614	2,868	3,376	3,398	3,449
Total cash distributions	2,614	2,868	3,376	3,397	3,449
Total assets	182,253	198,673	216,574	225,882	231,523
Total unitholders' equity	91,728	91,982	118,807	118,829	118,881
Equity ratio	50.3%	46.3%	54.9%	52.6%	51.3%
Unitholders' equity per unit (yen)	213,322	213,912	224,165	224,206	224,304
Cash distribution per unit (yen)	6,081	6,671	6,370	6,411	6,509

Operating Revenues and Net Income



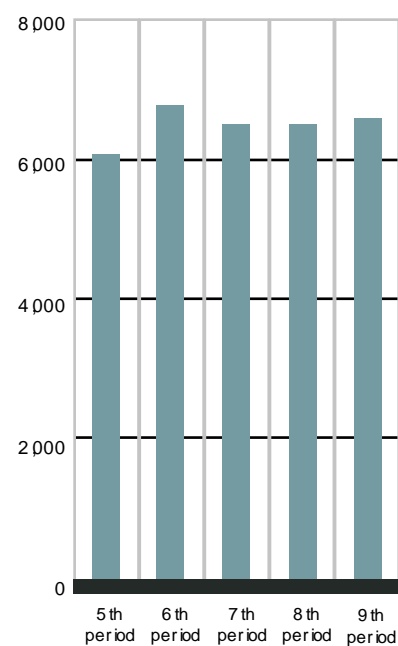
■ Operating revenues (in million yen)  
■ Net income (in million yen)

Total Assets and Total Unitholders' Equity



■ Total assets (in million yen)  
■ Total unitholders' equity (in million yen)

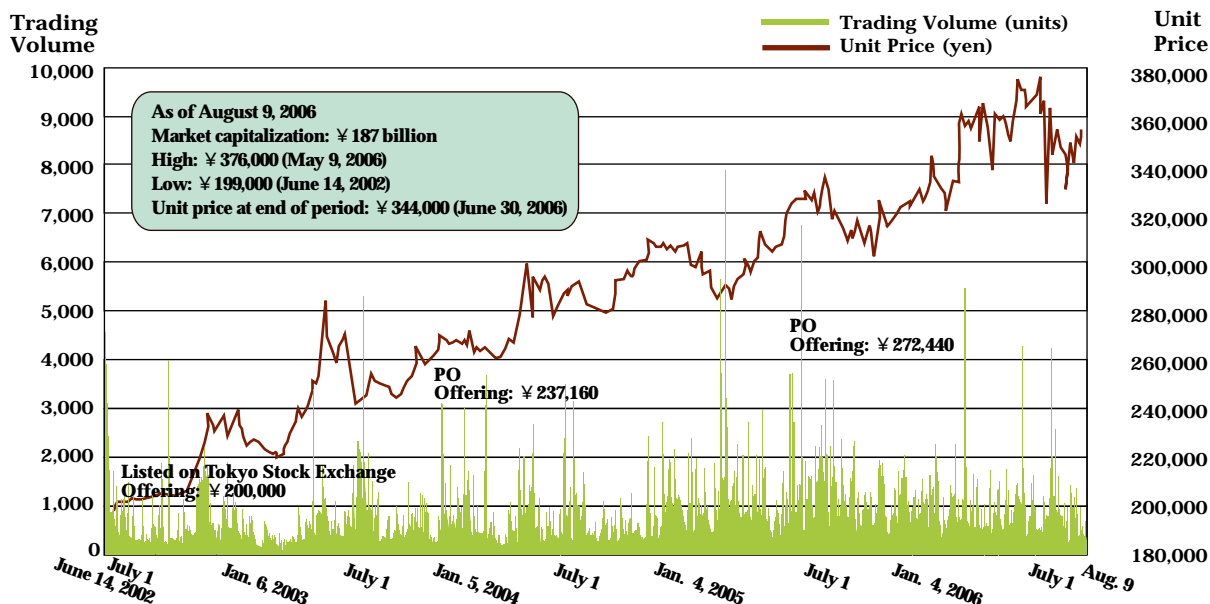
Cash Distribution per Unit



■ Cash distribution (yen)

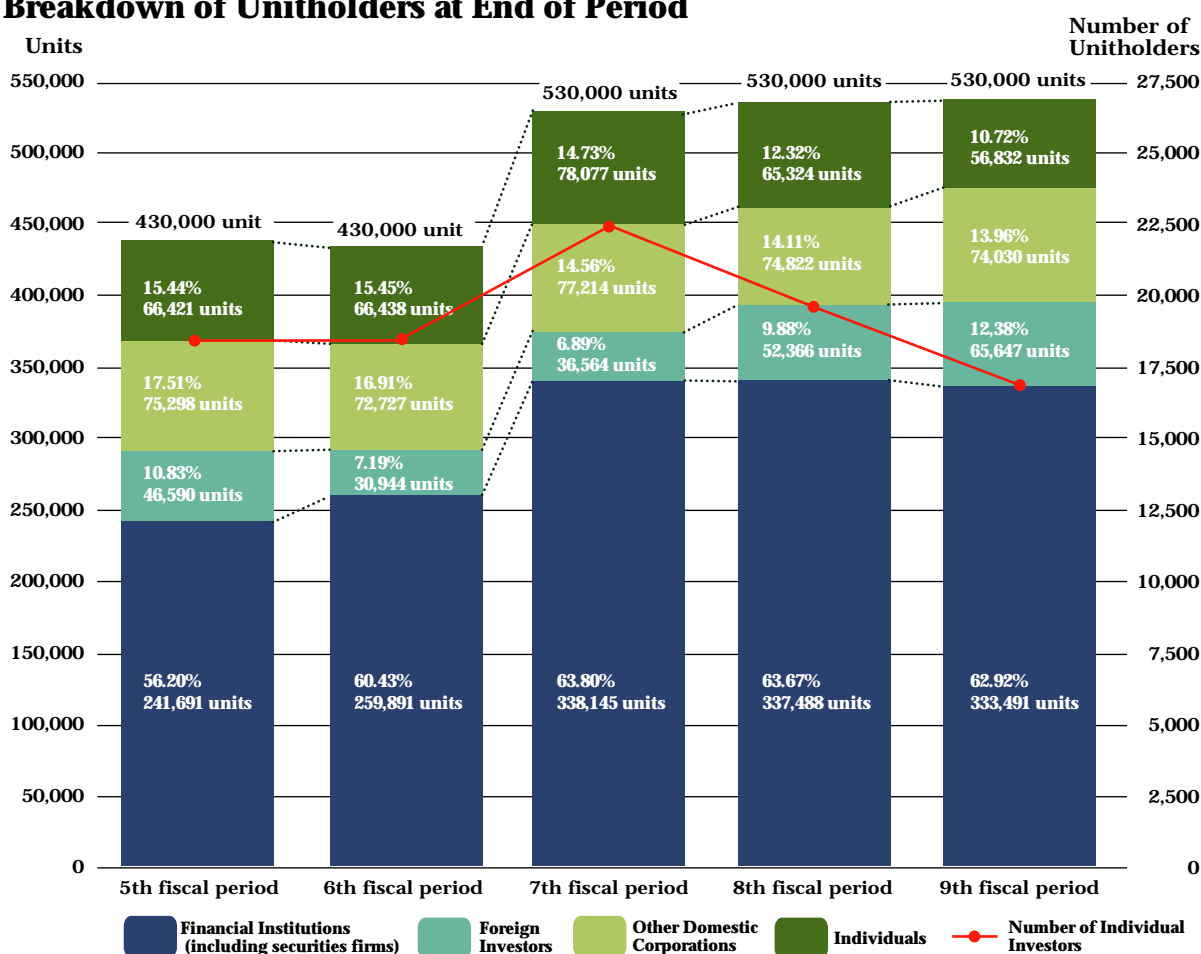
# Investment Unit Status

## Historical Unit Price



(Note) Unit prices are based on closing prices.

## Breakdown of Unitholders at End of Period



(Note) The composition ratio is rounded to two decimal places.

## New Acquisitions during the 9th Fiscal Period

JPR Jingumae 432

(Retail) **A 3**



Location  
Shibuya Ward, Tokyo

Acquisition Date  
March 24, 2006

Acquisition Price  
¥ 4,460 million

Site Area  
218.21m<sup>2</sup>

Total Floor Space  
1,066.81m<sup>2</sup>

Structure Floors  
S/SRC B1/7F

Completed  
February 2006

Cupo-la Main Building

(Retail) **B 3**



Location  
Kawaguchi City, Saitama

Acquisition Date  
March 31, 2006

Acquisition Price  
¥ 2,100 million

Site Area  
15,008.28m<sup>2</sup>

Total Floor Space  
48,321.96m<sup>2</sup>

Structure Floors  
S/RC/SRC B2/10F

Completed  
January 2006

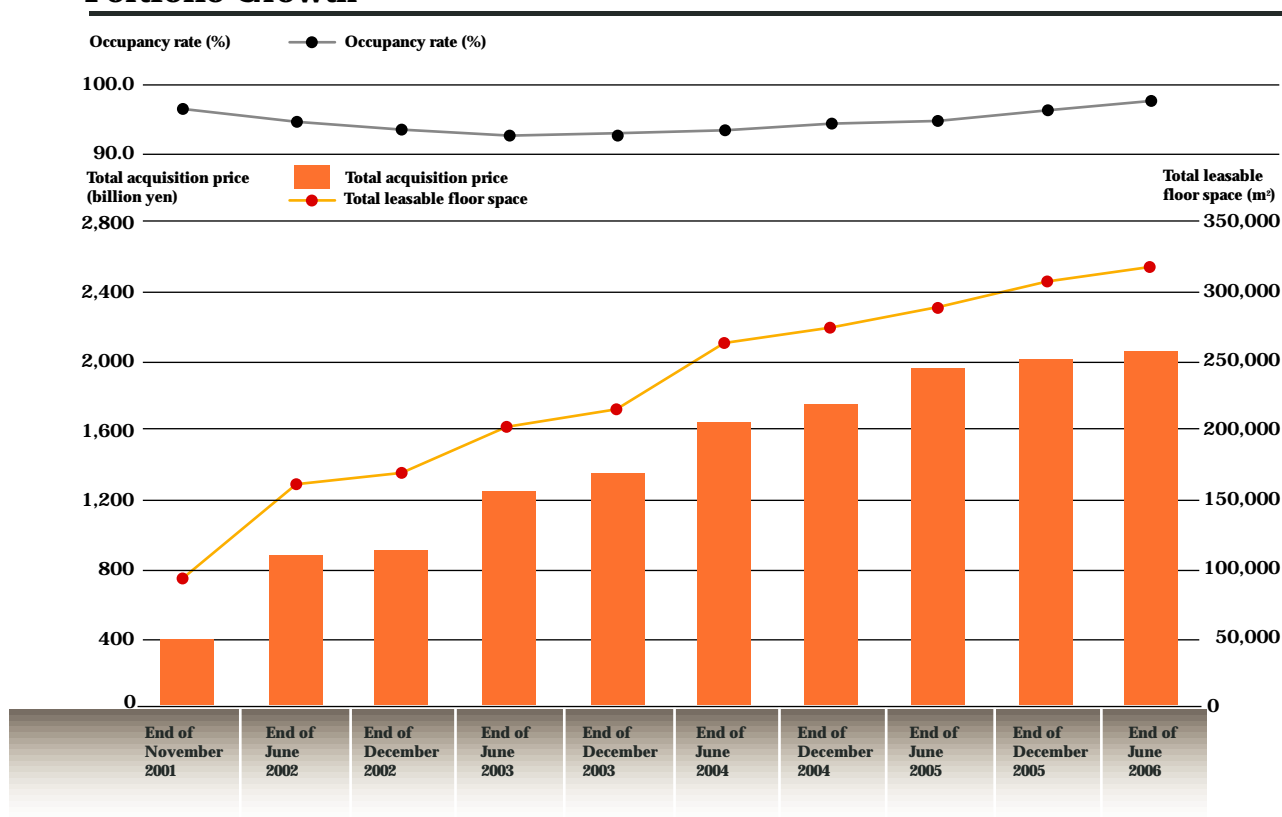
Type of ownership

Land Co-ownership  
(JPR percentage share of the total site area is 7.3%)

Building Unit ownership  
(parts of each floor between the 1st and 3rd floors)

# Portfolio Topics

## Portfolio Growth



Total acquisition price (billion yen)	40.73	92.18	94.59	125.79	139.64	163.65	179.62	197.65	202.66	209.22
Total leasable floor space (m²)	94,935.49	162,739.50	168,987.78	201,808.72	218,734.67	256,329.13	273,330.52	281,408.97	308,205.26	315,156.84
Occupancy rate (%)	96.3	94.1	93.4	93.5	92.7	93.2	95.1	95.4	97.2	98.0
Properties	13	25	27	30	32	38	42	42	42	44
Total number of tenants	133	281	311	324	357	437	496	459	441	462

(Note 1) When a single tenant leases multiple rooms in the same property, the tenant is counted as one. If the leased rooms are in multiple buildings, the tenant is counted in plural.

(Note 2) Each sectional owner of Shinjuku Square Tower leases its portions to Shinjuku Square Tower Management Co., Ltd. collectively, and the firm subleases them to sub-lessees.

Accordingly, the leasable floor space of the building is calculated by multiplying the total contracted areas of offices, shops and warehouses which the company rents and can sublease to sub-lessees by 39.70457%, the rent allocation ratio of JPR.

The subleased areas used to calculate the occupancy rate are the subleased areas to sub-lessees multiplied by the rent allocation ratio. Each figure has been rounded to the second decimal point.

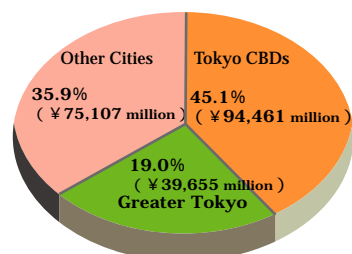
Moreover, the number of sub-lessees of the Shinjuku Square Tower is regarded as the number of tenants.



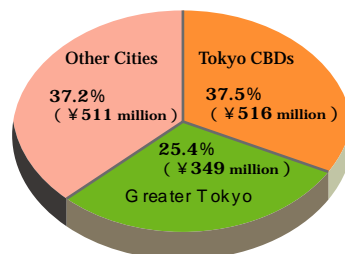
## Portfolio Diversification by Region

■ Tokyo CBDs
 ■ Greater Tokyo
 ■ Other cities

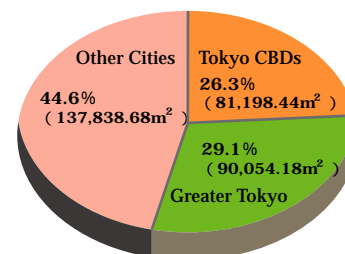
Value breakdown by acquisition price



Value breakdown by monthly rental revenue at period end



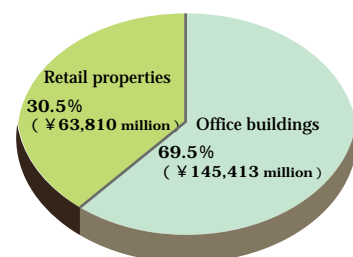
Value breakdown by leased floor space at period end



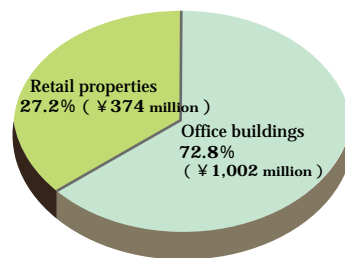
## Portfolio Diversification by Asset Class

■ Office buildings
 ■ Retail properties

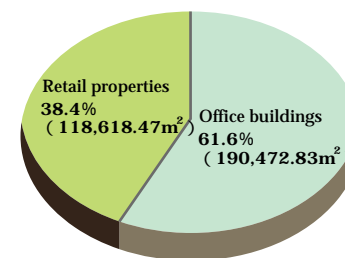
Value breakdown by acquisition price



Value breakdown by monthly rental revenue at period end



Value breakdown by leased floor space at period end



## Major Tenants

#	Tenant	Property	Leased floor area at period end (m <sup>2</sup> )	Percentage of total leased floor area at period end
1	The Seiyu, Ltd.	Tanashi ASTA, Tsurumi fuga 1	40,700.31	13.2%
2	ABC Development Corporation	Housing Design Center Kobe	35,444.13	11.5%
3	The Loft Co., Ltd.	JPR Umeda Loft Bldg.	18,586.97	6.0%
4	Shinjuku Square Tower Management Co., Ltd.	Shinjuku Square Tower	10,982.03	3.6%
5	TOWER RECORDS JAPAN INC.	JPR Shibuya Tower Records Bldg.	8,076.85	2.6%
6	UFJ Central Leasing Co., Ltd.	UFJ Central Leasing Head Office Bldg.	7,123.07	2.3%
7	Sompo Japan Insurance Inc.	Kawaguchi Center Bldg., Sompo Japan Sendai Bldg., Sompo Japan Wakayama Bldg.	6,432.52	2.1%
8	The Maruetsu, Inc.	Cupo-la Main Building	5,963.00	1.9%
9	Iwatani International Corporation	Tokyo Tatemono Honmachi Bldg.	5,959.86	1.9%
10	Benetton Japan Co., Ltd.	Benetton Shinsaibashi Bldg.	5,303.98	1.7%

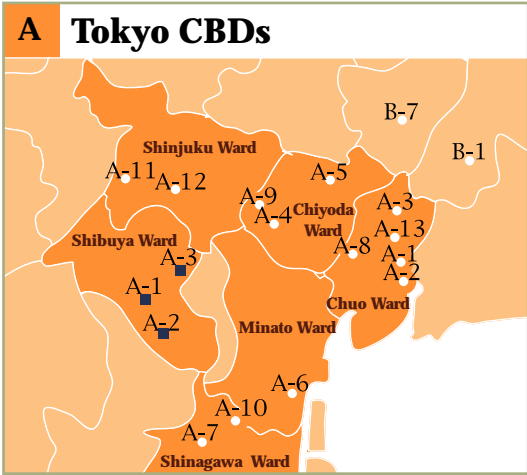
(Note) Areas of co-ownership buildings indicate those of portions owned by JPR.

# Property Portfolio

## A Tokyo CBDs

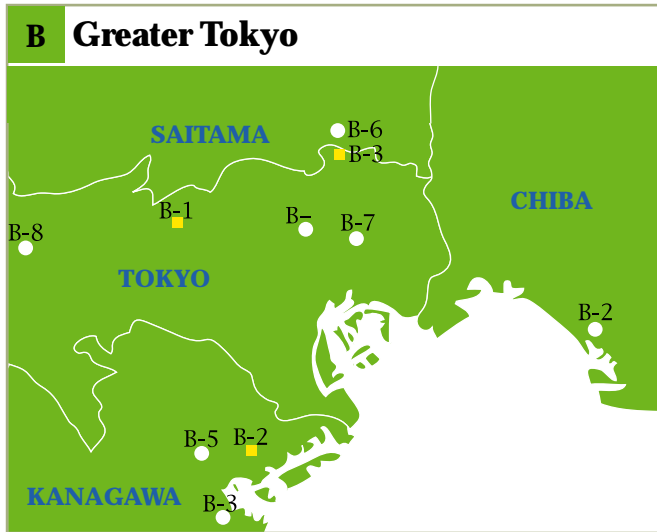
- **A-1** Kanematsu Bldg.
- **A-2** Kanematsu Bldg. Annex
- **A-3** JPR Ningyo-cho Bldg.
- **A-4** Shin-Kojimachi Bldg.
- **A-5** JPR Crest Takebashi Bldg.
- **A-6** MS Shibaura Bldg.
- **A-7** Gotanda First Bldg.
- **A-8** Fukuoka Bldg.
- **A-9** JPR Ichigaya Bldg.
- **A-10** Oval Court Ohsaki Mark West
- **A-11** Shinjuku Square Tower
- **A-12** BYGS Shinjuku Bldg.
- **A-13** Across Shinkawa Bldg. Annex
- **A-1** JPR Shibuya Tower Records Bldg.
- **A-2** JPR Daikanyama
- **A-3** JPR Jingumae 432

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



## B Greater Tokyo

- **B-1** Arca East
- **B-2** JPR Chiba Bldg.
- **B-3** JPR Yokohama Nihon Odori Bldg.
- **B-5** Shinyokohama 2nd Center Bldg.
- **B-6** Kawaguchi Center Bldg.
- **B-7** JPR Ueno East Bldg.
- **B-8** Tachikawa Business Center Bldg.
- **B-1** Tanashi ASTA
- **B-2** Tsurumi fuga 1
- **B-3** Cupo-la Main Building



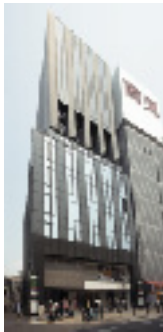
## C Other Cities

- C-1 Niigata Ekinan Center Bldg.
- C-2 Meiji Yasuda Life Osaka Umeda Bldg.
- C-4 Tokyo Tatemono Honmachi Bldg.
- C-6 JPR Takamatsu Bldg.
- C-7 JPR Hakata Bldg.
- C-9 JPR Naha Bldg.
- C-10 NORTH 33 Bldg.
- C-12 Sompo Japan Sendai Bldg.
- C-13 Sompo Japan Wakayama Bldg.
- C-14 Tenjin 121 Bldg.
- C-16 JPR Nagoya Sakae Bldg.
- C-17 Dojima F Bldg.
- C-18 Semba Fukuoka Bldg.
- C-19 UFJ Central Leasing Head Office Bldg.
- C-1 JPR Umeda Loft Bldg.
- C-2 Strasse Ichibancho
- C-3 Benetton Shinsaibashi Bldg.
- C-4 Housing Design Center Kobe



## Acquisitions in the 10th and 11th Fiscal Periods

Chayamachi Grande Building



Property Acquired in the 10th Fiscal Period

10th C 5	
Location	Osaka City, Osaka
Acquisition date	August 30, 2006
Acquisition price	¥ 6,000 million
Site area	592.45m <sup>2</sup>
Gross total floor area	3,219.36m <sup>2</sup>
Structure	S/SRC
Floors	9F
Completion date	June 1994

Retail

Rise Arena Building

(Higashi-Ikebuku 4-chome Redevelopment Project)



Property to be Acquired in the 11th Fiscal Period

11th B -	
Location	Toshima Ward, Tokyo
Acquisition date	March 2007 (planned)
Acquisition price	¥ 5,467 million (planned)
Site area	9,377.28m <sup>2</sup>
Gross total floor area	37,596.19m <sup>2</sup>
Structure	S/SRC/RC
Floors	B2/15F
Completion	January 2007 (planned)
Type of ownership:	
Land	Co-ownership (15.9% of the total site)
Building	Unit ownership (10F — 12F) Co-ownership (9F [partial])

Office

(Note) The image of the property is based on architectural designs and plans. The actual property may differ from the image provided following construction completion.

Location Category	Asset Class	No.	Name	Location	Completed	Acquired	
Tokyo CBDs	Office	A-1	Kanematsu Bldg.	Chuo Ward, Tokyo	1993. 2	2001.12	
	Office	A-2	Kanematsu Bldg. Annex	Chuo Ward, Tokyo	1993. 2	2001.12	
	Office	A-3	JPR Ningyo-cho Bldg.	Chuo Ward, Tokyo	1989.12	2001.11	
	Office	A-4	Shin-Kojimachi Bldg.	Chiyoda Ward, Tokyo	1984.10	2001.11, 2004.11	
	Office	A-5	JPR Crest Takebashi Bldg.	Chiyoda Ward, Tokyo	1999. 9	2002. 6	
	Office	A-6	MS Shibaura Bldg.	Minato Ward, Tokyo	1988. 2	2003. 3	
	Office	A-7	Gotanda First Bldg.	Shinagawa Ward, Tokyo	1989. 7	2003. 7	
	Office	A-8	Fukuoka Bldg.	Chuo Ward, Tokyo	1990. 5	2003.10, 2005. 4	
	Office	A-9	JPR Ichigaya Bldg.	Chiyoda Ward, Tokyo	1989. 3	2004. 5	
	Office	A-10	Oval Court Ohsaki Mark West	Shinagawa Ward, Tokyo	2001. 6	2004. 6	
	Office	A-11	Shinjuku Square Tower	Shinjuku Ward, Tokyo	1994.10	2004. 7	
	Office	A-12	BYGS Shinjuku Bldg.	Shinjuku Ward, Tokyo	1985. 4	2004.11, 2005. 4	
	Office	A-13	Across Shinkawa Bldg. Annex	Chuo Ward, Tokyo	1994. 6	2004.11	
	Retail	A-1	JPR Shibuya Tower Records Bldg.	Shibuya Ward, Tokyo	1992. 2	2003. 6	
	Retail	A-2	JPR Daikanyama	Shibuya Ward, Tokyo	2002. 7	2004.10	
	Retail	A-3	JPR Jingumae 432	Shibuya Ward, Tokyo	2006. 2	2006. 3	
<b>Total</b>							
Greater Tokyo	Office	B-1	Arca East	Sumida Ward, Tokyo	1997. 3	2001.11	
	Office	B-2	JPR Chiba Bldg.	Chiba City, Chiba	1991. 1	2001.12	
	Office	B-3	JPR Yokohama Nihon Odori Bldg.	Yokohama City, Kanagawa	1989.10	2001.11	
	Office	B-5	Shinyokohama 2nd Center Bldg.	Yokohama City, Kanagawa	1991. 8	2002. 9	
	Office	B-6	Kawaguchi Center Bldg.	Kawaguchi City, Saitama	1994. 2	2004. 2	
	Office	B-7	JPR Ueno East Bldg.	Taito Ward, Tokyo	1992.10	2004. 3	
	Office	B-8	Tachikawa Business Center Bldg.	Tachikawa City, Tokyo	1994.12	2005. 9	
	Retail	B-1	Tanashi ASTA	Nishitokyo City, Tokyo	1995. 2	2001.11	
	Retail	B-2	Tsurumi fuga 1	Yokohama City, Kanagawa	1985. 9	2001.11	
	Retail	B-3	Cupo-la Main Building	Kawaguchi City, Saitama	2006. 1	2006. 3	
<b>Total</b>							

Notes: (1) Acquisition price does not include miscellaneous expenses of acquisition (real estate transaction brokerage fee and consumption tax).

(2) Percentages and ratios are rounded to the first decimal point.

(3) The ratio of proprietary ownership is shown on the deed for the land.

(4) Cupo-la Main Building is leased to single tenants.

JPR was unable to obtain the tenants' approval to disclose rental information.

	Acquisition price (1) (millions of yen)	Percentage of Total (2)	Ownership (3) (%)	Site Area (m <sup>2</sup> )	Total Leasable Floor Space (m <sup>2</sup> ) (JPR's portion)	Occupancy Rate (2)	No. of Tenants	Rental revenue (thousands of yen)	Percentage of Total (2)
	16,276	7.8	79.4	1,751.13	7,994.02	100.0	10	439,467	5.1
	2,874	1.4	79.4	679.06	2,291.13	100.0	1	102,721	1.2
	2,100	1.0	100.0	550.06	2,788.98	100.0	4	98,477	1.2
	2,420	1.2	77.3	657.8	3,319.33	84.8	10	118,801	1.4
	4,000	1.9	100.0	636.9	3,265.34	100.0	9	127,045	1.5
	11,200	5.4	36.0	8,992.18	14,429.09	100.0	8	529,991	6.2
	2,920	1.4	61.8	1,551.19	4,243.58	100.0	2	132,815	1.6
	2,920	1.4	21.8	1,302.17	1,937.40	100.0	2	102,489	1.2
	5,100	2.4	100.0	1,058.04	4,186.09	100.0	9	182,763	2.1
	3,500	1.7	27.1	4,006.00	4,088.44	100.0	4	170,518	2.0
	10,000	4.8	29.3	8,409.52	10,982.03	98.8	25	277,465	3.2
	11,821	5.6	75.0	3,522.46	11,357.50	98.3	25	449,609	5.3
	710	0.3	100.0	858.48	1,253.39	100.0	4	46,245	0.5
	12,000	5.7	100.0	1,010.47	8,076.85	100.0	1	345,576	4.0
	2,160	1.0	100.0	277.12	653.99	100.0	4	47,132	0.6
	4,460	2.1	100.0	218.21	1,027.33	100.0	5	49,237	0.6
	94,461	45.1	—	35,480.79	81,894.49	99.0	123	—	—
	5,880	2.8	41.1	3,755.01	7,022.76	100.0	6	253,745	3.0
	2,350	1.1	100.0	1,382.35	5,562.97	89.5	26	135,338	1.6
	2,927	1.4	100.0	1,100.59	6,066.53	97.5	11	138,288	1.6
	920	0.4	50.0	841.71	2,641.19	100.0	15	74,231	0.9
	8,100	3.9	86.5	4,524.61	15,461.98	98.0	37	486,763	5.7
	3,250	1.6	100.0	1,242.97	6,512.45	90.9	8	188,623	2.2
	888	0.4	16.9	2,047.22	1,747.13	100.0	4	56,899	0.7
	10,200	4.9	42.1	12,326.30	31,121.71	100.0	1	596,400	7.0
	3,040	1.5	64.4	1,962.18	9,578.60	100.0	1	145,200	1.7
	2,100	1.0	7.3	15,008.28	5,963.00	100.0	1	(Note 4)	(Note 4)
	39,655	19.0	—	44,191.22	91,678.32	98.2	110	—	—

	Asset Class	No.	Name	Location	Completed	Acquired	
Other Cities	Office	C-1	Niigata Ekinan Center Bldg.	Niigata City, Niigata	1996. 3	2001.11	
	Office	C-2	Meiji Yasuda Life Osaka Umeda Bldg.	Osaka City, Osaka	2000. 6	2001.12	
	Office	C-4	Tokyo Tatemono Honmachi Bldg.	Osaka City, Osaka	1970. 2	2001.11	
	Office	C-6	JPR Takamatsu Bldg.	Takamatsu City, Kagawa	1982. 9	2001.12	
	Office	C-7	JPR Hakata Bldg.	Fukuoka City, Fukuoka	1985. 6	2001.11	
	Office	C-9	JPR Naha Bldg.	Naha City, Okinawa	1991.10	2001.11	
	Office	C-10	NORTH 33 Bldg.	Sapporo City, Hokkaido	1992. 2	2002. 6	
	Office	C-12	Sompo Japan Sendai Bldg.	Sendai City, Miyagi	1997.12	2002. 6	
	Office	C-13	Sompo Japan Wakayama Bldg.	Wakayama City, Wakayama	1996. 7	2002. 6	
	Office	C-14	Tenjin 121 Bldg.	Fukuoka City, Fukuoka	2000. 7	2002. 6	
	Office	C-16	JPR Nagoya Sakae Bldg.	Nagoya City, Aichi	Ⓑ2003.1 Ⓘ1986.12	2003. 9	
	Office	C-17	Dojima F Bldg.	Osaka City, Osaka	1993.10	2004. 1	
	Office	C-18	Semba Fukuoka Bldg.	Fukuoka City, Fukuoka	1993. 2	2004. 6	
	Office	C-19	UFJ Central Leasing Head Office Bldg.	Nagoya City, Aichi	1991. 3	2005. 3	
	Retail	C-1	JPR Umeda Loft Bldg.	Osaka City, Osaka	1990. 4	2003.5_7	
	Retail	C-2	Strasse Ichibancho	Sendai City, Miyagi	2002.10	2005. 2	
	Retail	C-3	Benetton Shinsaibashi Bldg.	Osaka City, Osaka	2003. 2	2005. 5	
	Retail	C-4	Housing Design Center Kobe	Kobe City, Hyogo	1994. 6	2005. 9	
Total							
Total					Ⓑ Building Ⓘ Parking		

Notes: (1) Acquisition price does not include miscellaneous expenses of acquisition (real estate transaction brokerage fee and consumption tax).

(2) Percentages and ratios are rounded to the first decimal point.

(3) The ratio of proprietary ownership is shown on the deed for the land.

(4) The Benetton Shinsaibashi Building and the Housing Design Center Kobe are leased to single tenants.

JPR was unable to obtain the tenants' approval to disclose rental information.

	Acquisition price (1) (millions of yen)	Percentage of Total (2)	Ownership (3) (%)	Site Area (m <sup>2</sup> )	Total Leasable Floor Space (m <sup>2</sup> ) (JPR's portion)	Occupancy Rate (2)	No. of tenants	Rental Revenue (thousands of yen)	Percentage of Total (2)
	2,140	1.0	52.7	2,706.99	5,205.82	100.0	11	133,168	1.6
	8,300	4.0	33.3	5,999.33	9,600.62	98.5	27	358,652	4.2
	4,150	2.0	64.3	1,432.64	7,210.25	97.3	9	251,550	2.9
	2,130	1.0	100.0	1,407.78	5,037.06	80.5	28	88,009	1.0
	2,900	1.4	100.0	1,214.63	6,581.15	81.5	26	144,595	1.7
	1,560	0.7	100.0	959.87	3,947.69	95.3	16	101,315	1.2
	3,700	1.8	100.0	1,382.12	6,642.98	95.5	23	168,978	2.0
	3,150	1.5	100.0	1,895.67	7,118.60	97.1	15	197,319	2.3
	1,670	0.8	100.0	1,128.45	4,874.91	95.1	17	114,903	1.3
	2,810	1.3	52.2	1,164.39	3,292.02	91.5	14	109,757	1.3
	4,550	2.2	100.0	992.31	5,461.90	100.0	21	218,083	2.5
	2,140	1.0	100.0	668.11	3,941.40	100.0	11	118,205	1.4
	1,920	0.9	100.0	680.63	3,349.57	100.0	6	82,344	1.0
	4,137	2.0	100.0	1,610.38	7,123.07	100.0	1	190,710	2.2
	13,000	6.2	100.0	3,518.68	18,586.97	100.0	1	402,413	4.7
	4,200	2.0	100.0	648.81	2,861.91	100.0	1	128,388	1.5
	5,430	2.6	100.0	609.31	5,303.98	100.0	1	(Note 4)	(Note 4)
	7,220	3.5	100.0	3,994.47	35,444.13	100.0	1	(Note 4)	(Note 4)
	75,107	35.9	—	32,014.57	141,584.03	97.4	229	—	—
	209,223	100.0	—	111,686.58	315,156.84	98.0	462	8,552,819	100.0

# Overview of Portfolio Properties (as of June 30, 2006)

## Tokyo CBDs

### Kanematsu Bldg. A 1



Chuo Ward, Tokyo

Acquisition Price  
¥ 16,276 million  
Percentage of Total  
7.8%  
Site Area  
1,751.13m<sup>2</sup>  
Total Floor Space  
14,995.09m<sup>2</sup>  
Structure / Floors  
S/RC/SRC B2/13F  
Completed  
February 1993

### Kanematsu Bldg. Annex A 2



Chuo Ward, Tokyo

Acquisition Price  
¥ 2,874 million  
Percentage of Total  
1.4%  
Site Area  
679.06m<sup>2</sup>  
Total Floor Space  
4,351.46m<sup>2</sup>  
Structure / Floors  
SRC B1/8F  
Completed  
February 1993

### JPR Ningyo-cho Bldg. A 3



Chuo Ward, Tokyo

Acquisition Price  
¥ 2,100 million  
Percentage of Total  
1.0%  
Site Area  
550.06m<sup>2</sup>  
Total Floor Space  
4,117.70m<sup>2</sup>  
Structure / Floors  
SRC/RC B1/8F  
Completed  
December 1989

### Shin-Kojimachi Bldg. A 4



Chiyoda Ward, Tokyo

Acquisition Price  
¥ 2,420 million  
Percentage of Total  
1.2%  
Site Area  
657.80m<sup>2</sup>  
Total Floor Space  
5,152.98m<sup>2</sup>  
Structure / Floors  
SRC B1/9F  
Completed  
October 1984

### JPR Crest Takebashi Bldg. A 5



Chiyoda Ward, Tokyo

Acquisition Price  
¥ 4,000 million  
Percentage of Total  
1.9%  
Site Area  
636.90m<sup>2</sup>  
Total Floor Space  
4,790.68m<sup>2</sup>  
Structure / Floors  
SRC B1/9F  
Completed  
September 1999

### MS Shibaura Bldg. A 6



Minato Ward, Tokyo

Acquisition Price  
¥ 11,200 million  
Percentage of Total  
5.4%  
Site Area  
8,992.18m<sup>2</sup>  
Total Floor Space  
31,020.21m<sup>2</sup>  
Structure / Floors  
SRC/RC/S B2/13F  
Completed  
February 1988



### Gotanda First Bldg.

**A 7**



Shinagawa Ward, Tokyo

Acquisition Price  
¥ 2,920 million  
Percentage of Total  
1.4%  
Site Area  
1,551.19m<sup>2</sup>  
Total Floor Space  
10,553.34m<sup>2</sup>  
Structure / Floors  
SRC/RC B2/11F  
Completed

July 1989

### Fukuoka Bldg.

**A 8**



Chuo Ward, Tokyo

Acquisition Price  
¥ 2,920 million  
Percentage of Total  
1.4%  
Site Area  
1,302.17m<sup>2</sup>  
Total Floor Space  
11,627.74m<sup>2</sup>  
Structure / Floors  
SRC B2/10F  
Completed

May 1990

### JPR Ichigaya Bldg.

**A 9**



Chiyoda Ward, Tokyo

Acquisition Price  
¥ 5,100 million  
Percentage of Total  
2.4%  
Site Area  
1,058.04m<sup>2</sup>  
Total Floor Space  
5,888.82m<sup>2</sup>  
Structure / Floors  
SRC B1/9F  
Completed

March 1989

### Oval Court Ohsaki Mark West

**A 10**



Shinagawa Ward, Tokyo

Acquisition Price  
¥ 3,500 million  
Percentage of Total  
1.7%  
Site Area  
4,006.00m<sup>2</sup>  
Total Floor Space  
28,575.80m<sup>2</sup>  
Structure / Floors  
S/SRC B2/17F  
Completed

June 2001

### Shinjuku Square Tower

**A 11**



Shinjuku Ward, Tokyo

Acquisition Price  
¥ 10,000 million  
Percentage of Total  
4.8%  
Site Area  
8,409.52m<sup>2</sup>  
Total Floor Space  
78,796.00m<sup>2</sup>  
Structure / Floors  
S/RC/SRC B4/30F  
Completed

October 1994

### BYGS Shinjuku Bldg.

**A 12**



Shinjuku Ward, Tokyo

Acquisition Price  
¥ 11,821 million  
Percentage of Total  
5.6%  
Site Area  
3,522.46m<sup>2</sup>  
Total Floor Space  
25,733.10m<sup>2</sup>  
Structure / Floors  
SRC B2/14F  
Completed

April 1985

**Across Shinkawa Bldg. Annex** **A 13**



**Chuo Ward, Tokyo**

Acquisition Price  
..... **¥ 710 million**

Percentage of Total  
..... **0.3%**

Site Area  
..... **858.48m<sup>2</sup>**

Total Floor Space  
..... **5,535.90m<sup>2</sup>**

Structure / Floors  
..... **S/SRC B2/10F**

Completed  
**June 1994**

**JPR Shibuya Tower Records Bldg. (Retail)** **A 1**



**Shibuya Ward, Tokyo**

Acquisition Price  
..... **¥ 12,000 million**

Percentage of Total  
..... **5.7%**

Site Area  
..... **1,010.47m<sup>2</sup>**

Total Floor Space  
..... **8,449.56m<sup>2</sup>**

Structure / Floors  
..... **SRC/S B3/8F**

Completed  
**February 1992**

**Greater Tokyo**

**JPR Daikanyama (Retail)** **A 2**



**Shibuya Ward, Tokyo**

Acquisition Price  
..... **¥ 2,160 million**

Percentage of Total  
..... **1.0%**

Site Area  
..... **277.12m<sup>2</sup>**

Total Floor Space  
..... **668.09m<sup>2</sup>**

Structure / Floors  
..... **RC B2/2F**

Completed  
**July 2002**

**Arca East** **B 1**



**Sumida Ward, Tokyo**

Acquisition Price  
..... **¥ 5,880 million**

Percentage of Total  
..... **2.8%**

Site Area  
..... **3,755.01m<sup>2</sup>**

Total Floor Space  
..... **34,281.86m<sup>2</sup>**

Structure / Floors  
..... **S/SRC B3/19F**

Completed  
**March 1997**

**JPR Chiba Bldg.** **B 2**



**Chiba City, Chiba**

Acquisition Price  
..... **¥ 2,350 million**

Percentage of Total  
..... **1.1%**

Site Area  
..... **1,382.35m<sup>2</sup>**

Total Floor Space  
..... **9,072.57m<sup>2</sup>**

Structure / Floors  
..... **S/SRC B1/13F**

Completed  
**January 1991**

**JPR Yokohama Nihon Odori Bldg.** **B 3**



**Yokohama City, Kanagawa**

Acquisition Price  
..... **¥ 2,927 million**

Percentage of Total  
..... **1.4%**

Site Area  
..... **1,100.59m<sup>2</sup>**

Total Floor Space  
..... **9,146.52m<sup>2</sup>**

Structure / Floors  
..... **SRC B1/11F**

Completed  
**October 1989**

**Shinyokohama 2nd Center Bldg. B 5**



Yokohama City, Kanagawa

Acquisition Price  
¥920 million  
Percentage of Total  
0.4%  
Site Area  
841.71m<sup>2</sup>  
Total Floor Space  
7,781.93m<sup>2</sup>  
Structure / Floors  
S/SRC B2/12F  
Completed  
August 1991

**Kawaguchi Center Bldg. B 6**



Kawaguchi City, Saitama

Acquisition Price  
¥8,100 million  
Percentage of Total  
3.9%  
Site Area  
4,524.61m<sup>2</sup>  
Total Floor Space  
28,420.85m<sup>2</sup>  
Structure / Floors  
S/SRC B2/15F  
Completed  
February 1994

**JPR Ueno East Bldg. B 7**



Taito Ward, Tokyo

Acquisition Price  
¥3,250 million  
Percentage of Total  
1.6%  
Site Area  
1,242.97m<sup>2</sup>  
Total Floor Space  
8,490.44m<sup>2</sup>  
Structure / Floors  
S/SRC B1/8F  
Completed  
October 1992

**Tachikawa Business Center Bldg. B 8**



Tachikawa City, Tokyo

Acquisition Price  
¥888 million  
Percentage of Total  
0.4%  
Site Area  
2,047.22m<sup>2</sup>  
Total Floor Space  
14,706.36m<sup>2</sup>  
Structure / Floors  
S/SRC B1/12F  
Completed  
December 1994

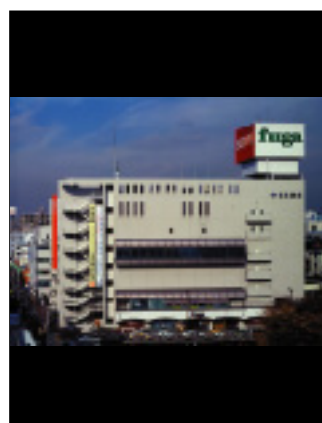
**Tanashi ASTA (Retail) B 1**



Nishitokyo City, Tokyo

Acquisition Price  
¥10,200 million  
Percentage of Total  
4.9%  
Site Area  
12,326.30m<sup>2</sup>  
Total Floor Space  
80,675.27m<sup>2</sup>  
Structure / Floors  
SRC B2/17F  
Completed  
February 1995

**Tsurumi fuga 1 (Retail) B 2**



Yokohama, Kanagawa

Acquisition Price  
¥3,040 million  
Percentage of Total  
1.5%  
Site Area  
1,962.18m<sup>2</sup>  
Total Floor Space  
13,543.32m<sup>2</sup>  
Structure / Floors  
SRC B2/7F  
Completed  
September 1985

Other Cities

Niigata Ekinan Center Bldg. **C 1**



Niigata City, Niigata

Acquisition Price  
¥2,140 million  
Percentage of Total  
1.0%  
Site Area  
2,706.99m<sup>2</sup>  
Total Floor Space  
19,950.42m<sup>2</sup>  
Structure / Floors  
S/SRC B1/10F  
Completed  
March 1996

Meiji Yasuda Life Osaka Umeda Bldg. **C 2**



Osaka City, Osaka

Acquisition Price  
¥8,300 million  
Percentage of Total  
4.0%  
Site Area  
5,999.33m<sup>2</sup>  
Total Floor Space  
52,982.94m<sup>2</sup>  
Structure / Floors  
S/SRC B2/31F  
Completed  
June 2000

Tokyo Tatemono Honmachi Bldg. **C 4**



Osaka City, Osaka

Acquisition Price  
¥4,150 million  
Percentage of Total  
2.0%  
Site Area  
1,432.64m<sup>2</sup>  
Total Floor Space  
14,619.52m<sup>2</sup>  
Structure / Floors  
SRC B3/9F  
Completed  
February 1970

JPR Takamatsu Bldg. **C 6**



Takamatsu City, Kagawa

Acquisition Price  
¥2,130 million  
Percentage of Total  
1.0%  
Site Area  
1,407.78m<sup>2</sup>  
Total Floor Space  
7,409.08m<sup>2</sup>  
Structure / Floors  
SRC B1/10F  
Completed  
September 1982

JPR Hakata Bldg. **C 7**



Fukuoka City, Fukuoka

Acquisition Price  
¥2,900 million  
Percentage of Total  
1.4%  
Site Area  
1,214.63m<sup>2</sup>  
Total Floor Space  
9,828.73m<sup>2</sup>  
Structure / Floors  
Building S/RC B1/12F  
Parking S 1F  
Completed  
Building June 1985  
Parking November 2003

JPR Naha Bldg. **C 9**



Naha City, Okinawa

Acquisition Price  
¥1,560 million  
Percentage of Total  
0.7%  
Site Area  
959.87m<sup>2</sup>  
Total Floor Space  
5,780.71m<sup>2</sup>  
Structure / Floors  
SRC/S 12F  
Completed  
October 1991

**NORTH 33 Bldg.****C 10**

Sapporo City, Hokkaido

Acquisition Price  
¥ 3,700 million

Percentage of Total  
1.8%

Site Area  
1,382.12m<sup>2</sup>

Total Floor Space  
10,568.23m<sup>2</sup>

Structure / Floors  
SRC B1/12F

Completed  
February 1992

**Sompo Japan Sendai Bldg.****C 12**

Sendai City, Miyagi

Acquisition Price  
¥ 3,150 million

Percentage of Total  
1.5%

Site Area  
1,895.67m<sup>2</sup>

Total Floor Space  
10,783.52m<sup>2</sup>

Structure / Floors  
SRC B1/12F

Completed  
December 1997

**Sompo Japan Wakayama Bldg.****C 13**

Wakayama City, Wakayama

Acquisition Price  
¥ 1,670 million

Percentage of Total  
0.8%

Site Area  
1,128.45m<sup>2</sup>

Total Floor Space  
6,715.07m<sup>2</sup>

Structure / Floors  
S 9F

Completed  
July 1996

**Tenjin 121 Bldg.****C 14**

Fukuoka City, Fukuoka

Acquisition Price  
¥ 2,810 million

Percentage of Total  
1.3%

Site Area  
1,164.39m<sup>2</sup>

Total Floor Space  
8,690.95m<sup>2</sup>

Structure / Floors  
S/SRC 13F

Completed  
July 2000

**JPR Nagoya Sakae Bldg.****C 16**

Nagoya City, Aichi

Acquisition Price  
¥ 4,550 million

Percentage of Total  
2.2%

Site Area  
992.31m<sup>2</sup>

Total Floor Space  
7,340.18m<sup>2</sup>

Structure / Floors  
Building S B1/11F  
Parking S 1F

Completed  
Building January 2003  
Parking December 1986

**Dojima F Bldg.****C 17**

Osaka City, Osaka

Acquisition Price  
¥ 2,140 million

Percentage of Total  
1.0%

Site Area  
668.11m<sup>2</sup>

Total Floor Space  
5,696.01m<sup>2</sup>

Structure / Floors  
SRC B2/9F

Completed  
October 1993

**Semba Fukuoka Bldg.****C 18**

Fukuoka City, Fukuoka

Acquisition Price	¥ 1,920 million
Percentage of Total	0.9%
Site Area	680.63m <sup>2</sup>
Total Floor Space	3,874.81m <sup>2</sup>
Structure / Floors	SRC 8F
Completed	

February 1993

**UFJ Central Leasing Head Office Bldg.****C 19**

Nagoya City, Aichi

Acquisition Price	¥ 4,137 million
Percentage of Total	2.0%
Site Area	1,610.38m <sup>2</sup>
Total Floor Space	10,201.44m <sup>2</sup>
Structure / Floors	SRC B1/9F
Completed	

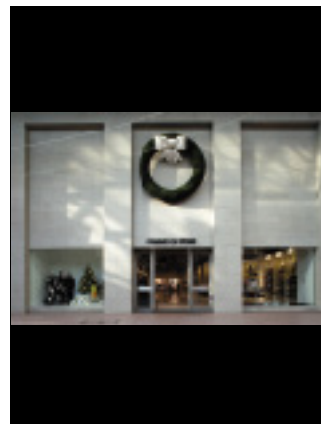
March 1991

**JPR Umeda Loft Bldg. (Retail)****C 1**

Osaka City, Osaka

Acquisition Price	¥ 13,000 million
Percentage of Total	6.2%
Site Area	3,518.68m <sup>2</sup>
Total Floor Space	17,897.56m <sup>2</sup>
Structure / Floors	SRC B1/8F
Completed	

April 1990

**Strasse Ichibancho (Retail)****C 2**

Sendai City, Miyagi

Acquisition Price	¥ 4,200 million
Percentage of Total	2.0%
Site Area	648.81m <sup>2</sup>
Total Floor Space	3,445.80m <sup>2</sup>
Structure / Floors	RC/S B1/8F
Completed	

October 2002

**Benetton Shinsaibashi Bldg. (Retail)****C 3**

Osaka City, Osaka

Acquisition Price	¥ 5,430 million
Percentage of Total	2.6%
Site Area	609.31m <sup>2</sup>
Total Floor Space	5,303.98m <sup>2</sup>
Structure / Floors	S B2/10F
Completed	

February 2003

**Housing Design Center Kobe (Retail)****C 4**

Kobe City, Hyogo

Acquisition Price	¥ 7,220 million
Percentage of Total	3.5%
Site Area	3,994.47m <sup>2</sup>
Total Floor Space	33,877.71m <sup>2</sup>
Structure / Floors	SRC/S B2/11F
Completed	

June 1994

# Characteristics and Corporate History

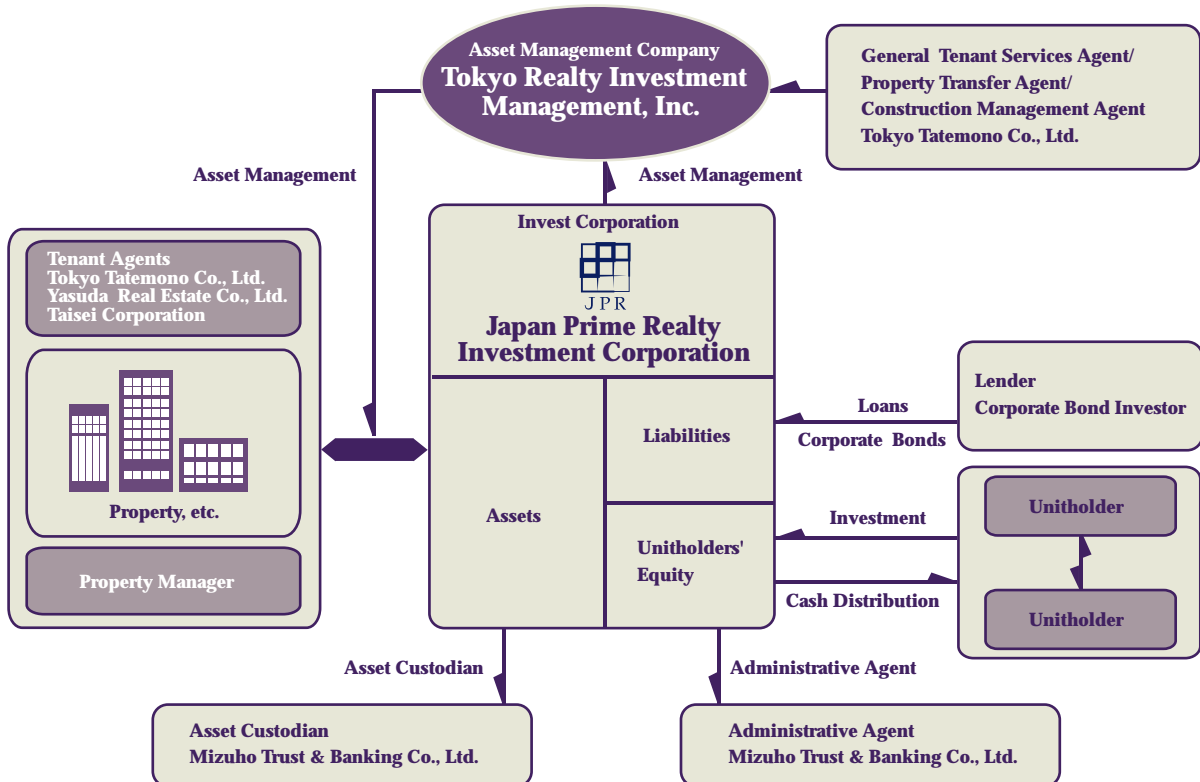
## The Objective and Basic Characteristics of JPR

The fundamental investment policy of JPR consists of our investment strategy based on the basic concept of “investing in urban commercial real estate.” JPR’s investment targets are primarily comprised of superior office buildings (urban work facilities), retail properties located in thriving commercial areas, the land on which they are located and asset-backed securities that have such real estate as their primary investment. JPR makes investments in properties in which we are convinced that the benefits of portfolio management can be demonstrated after carefully considering the risks and returns of the investment and JPR also diversifies its investment geographically by not limiting itself to Tokyo alone but by also considering assets in other major cities.

## Corporate History

Date	Description
September 6, 2001	The founder (Tokyo Realty Investment Management, Inc.) filed for establishment of the Investment Corporation under the Investment Trust Law
September 14, 2001	Japan Prime Realty Investment Corporation was established
November 16, 2001	Started asset management (acquisition of 13 real estate in trust with underlying trust assets of 11 office buildings and 2 commercial properties) (¥40,730 million in total value)
January 22, 2002	Investment unit split (2.5 units for 1 exiting unit)
June 14, 2002	Listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange

## Investment Corporation Structure



## Members of the Board (As of June 30, 2006)



### Executive Officer

#### **Hirohito Kaneko**

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

### Supervising Officer

#### **Sosuke Yasuda**

- Jun. 23, 2006** Outside Auditor, Nomura Research Institute, Ltd. (currently held position)  
**Jun. 28, 2005** Outside Auditor, Mitsui Sumitomo Insurance Company, Limited (currently held position)  
**Sep. 14, 2001** Supervising Officer, Japan Prime Realty Investment Corporation  
**Oct. 1, 1999** Director and Senior Partner (currently held position), Tokyo Hokuto & Co.  
(Tokyo Akasaka Audit Co. merged with Hokuto Audit Co.)  
**Jul. 2, 1993** Senior Partner, Tokyo Akasaka Audit Co.  
**Feb. 16, 1983** Representative of Tokyo Akasaka CPA Joint Office  
**Jun. 27, 1980** Sosuke Yasuda Tax Accountant Office (currently held position)  
**Dec. 1, 1975** Masamitsu Serizawa Accounting Firm  
**Apr. 1, 1968** Main Store, KK Ohgiya
- 

### Supervising Officer

#### **Shigeru Sugimoto**

- Jan. 24, 2006** Representative Director (currently held position) of SAKURA Holdings Corporation  
(former Sakura Holdings Co., Ltd.)  
**Sep. 14, 2001** Supervising Officer, Japan Prime Realty Investment Corporation  
**Jun. 1, 2001** Auditor, Moriimoto Co., Ltd. (currently held position)  
**Oct. 2, 1999** Representative Director of Tokyo SPC Services (currently held position)  
**Jun. 24, 1998** Senior Partner (currently held position) of Horwath Sakura & Co.  
(former Sakura Audit Corporation)  
**Dec. 1, 1996** Horwath International  
**Dec. 22, 1995** Representative Partner, Sakura Audit Corporation  
**Jul. 1, 1988** Representative Director of Sakura & Co. (currently held position)  
**Nov. 1, 1985** Ohta Showa Audit Corporation  
**Apr. 1, 1982** Housing and Urban Development Public Corporation (currently Urban Renaissance Agency)

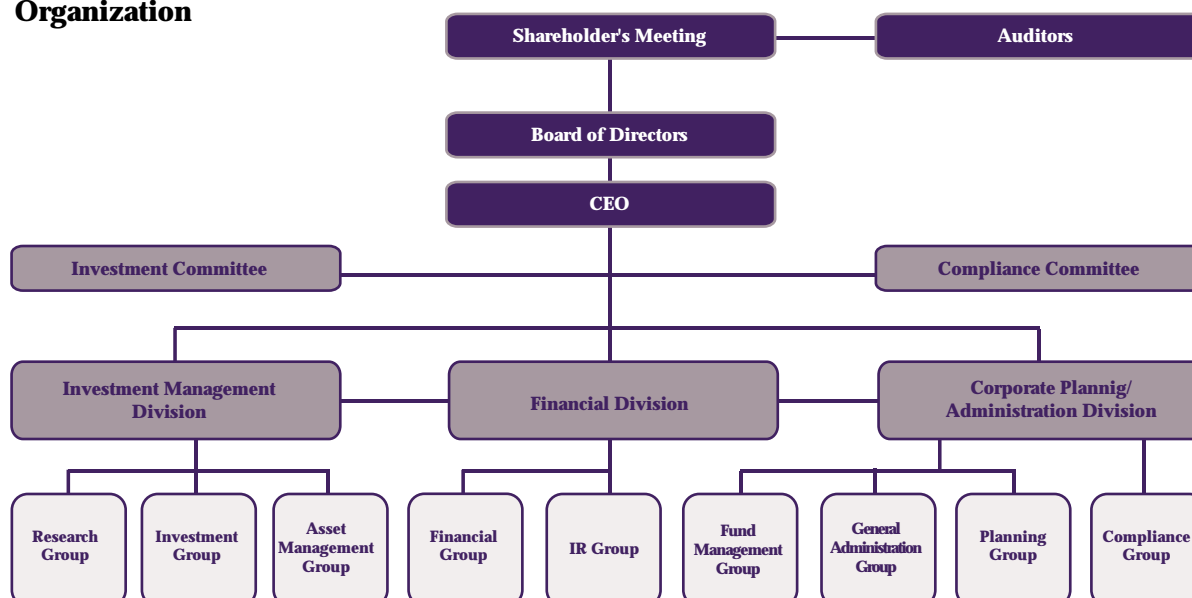


# Overview of the Asset Manager

## Corporate Profile

Name	Tokyo Realty Investment Management, Inc. (TRIM)
Core Business	Asset management for investment corporation
Capitalization	350 million yen
Shareholders	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%)
History Organization	April 28, 2000 Founded October 13, 2000 Approved for real estate transaction service March 16, 2001 Approved as discretionary transaction agent April 23, 2001 Approved as comprehensive real estate investment advisor June 20, 2001 Approved for asset management of investment corporation
Services	(1) Asset management for JPR (including all decision-making in connection with the acquisition/disposition or leasing of properties and acting as an agent or broker of such transactions based on relevant evaluation and judgment), (2) Funding by JPR, (3) Reporting to JPR, and (4) Any other services related to or affiliated with the above.

## Organization



### TRIM's Decision-Making Process of Investment Management

The Investment Committee is a committee to make investment decisions along with its sub-organizations, the Investment Subcommittee and the Fund Management Subcommittee. Members of these committees and subcommittees include the CEO, CIO, CFO, CAO, Fund Manager, Research Manager, Asset Manager, Investment Management Manager, and other related Group managers.

The Investment Committee formulates long-term fundamental investment policies within two fiscal periods, while the Investment Subcommittee is in charge of decisions on issues regarding acquisitions and dispositions. The Fund Management Committee is responsible for issues regarding the management of individual assets. The Board of Directors is given the final authorization on acquisitions and dispositions of individual assets of a certain amount.

## Directors of Tokyo Realty Investment Management, Inc.

### President and CEO Toshihiro Hagiwara

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

### Director and Chief Administrative Officer Kazuo Kitami

<b>Oct. 1, 2004</b>	Director and Chief Administrative Officer, Tokyo Realty Investment Management, Inc.
<b>Apr. 1, 1997</b>	Manager, Credit Assessment Dept. 2 of the Management and Administration Division; Responsible for loan administration and credit administration involved in the bulk sale of non-performing loans and participated in self-assessment and formulation of the insurance investigation manual; Manager, Loan Administration between August 2000 and March 2003, responsible for loan-related accounting
<b>Apr. 1, 1995</b>	Manager of Real Estate Development and responsible for overall operations
<b>Sep. 1, 1989</b>	Manager of Real Estate Development Dept. of the Real Estate Division; Involved in real estate investment activities, property leasing and property management
<b>Mar. 1, 1977</b>	Asset Management Division (Loans, Real Estate and Other), engaged in loan front office operations and participated in the establishment of a leasing subsidiary
<b>Apr. 1, 1975</b>	Joined the Yasuda Mutual Life Insurance Company (currently Meiji Yasuda Life Insurance Company)

### Director and Chief Investment Officer Seiji Miwa

<b>Mar. 30, 2006</b>	Director and Chief Investment Officer
<b>Oct. 1, 2004</b>	General Manager, Investment Management Division (responsible for Asset Management Group)
<b>Jul. 1, 2003</b>	Joined Tokyo Realty Investment Management, Inc.
<b>Jan. 1, 2000</b>	Engaged in activities relating to the establishment of a J-REIT; Appointed Group Leader, responsible for preparations for the establishment of an asset manager and Japan Prime Realty Investment Corporation; Appointed a member of a J-REIT project team responsible for the acquisition of assets for the Tokyo Tatemono Group and growing the portfolio up to the public listing; During this period, assumed responsibility for the development of real estate investment structures including real estate syndications and structured finance; Participated in forming structures for investment and development using SPCs
<b>Jul. 1, 1998</b>	Manager, Investment Service Department (currently the Investment Management Division); responsible for the securitization of serviced apartments, establishment of Takanawa Apartments Inc. (SPC), which was Japan's first real estate securitization project, the formulation of securitization plans, the issuance of real estate securities and obtaining a credit rating from Standard & Poor's for the issuance of qualified bonds.
<b>Apr. 1, 1991</b>	Assistant Manager, Development Department 1
<b>Apr. 1, 1989</b>	Assigned to Development Department 1
<b>Apr. 1, 1983</b>	Joined Tokyo Tatemono Co., Ltd.

### Director and Chief Financial Officer Yasuo Furuya

<b>Jun. 9, 2006</b>	Director and Chief Financial Officer
<b>Apr. 28, 2006</b>	Chief Financial Officer
<b>Apr. 1, 2006</b>	Tokyo Realty Investment Management, Inc.
<b>Jan. 1, 2004</b>	Group Manager, Risk Management of Meiji Yasuda Life Insurance Company
<b>Apr. 1, 2000</b>	Manager, Investment Risk Management Department
<b>Oct. 21, 1998</b>	Manager, Investment Planning & Research Department
<b>Apr. 1, 1997</b>	Manager, Investment Administration Department
<b>Apr. 1, 1995</b>	Manager, Investment Planning & Research Department
<b>Apr. 1, 1984</b>	Following completion of outside assignment, transferred to the asset management operations of The Yasuda Mutual Life Insurance Company; Spent eight years in securities investment operations engaged in interest rate analysis, as well as the establishment of bond investment and asset management companies; Undertook activities related to variable insurance securities management and oversaw securities investment activities as Chief Bond Trader; Later, gained further experience in stock market investment operations.
<b>Apr. 1, 1983</b>	Joined the Medium and Small Business Research Institute
<b>Apr. 1, 1980</b>	Joined the Yasuda Mutual Life Insurance Company (currently Meiji Yasuda Life Insurance Company)

# Overview of Asset Management

## (1) Operational Performance of JPR

	Unit	5th Fiscal Period (Jan. 1, 2004 - June 30, 2004)	6th Fiscal Period (July 1, 2004 - Dec. 31, 2004)	7th Fiscal Period (Jan. 1, 2005 - June 30, 2005)	8th Fiscal Period (July 1, 2005 - Dec. 31, 2005)	9th Fiscal Period (Jan. 1, 2006 - June 30, 2006)
Operating Performance	Operating Revenues	6,790	7,685	8,503	8,587	8,588
	Real estate rental revenues	6,790	7,685	7,801	8,372	8,552
	Gain on sale of real estate	—	—	702	214	—
	Dividends received	—	—	—	—	35
	Operating Expenses	3,729	4,216	4,548	4,602	4,564
	Real estate rental expenses	3,268	3,672	3,768	4,044	4,013
	Loss on sale of real estate	—	—	235	—	—
	Operating Profits	3,061	3,469	3,954	3,984	4,024
Recurring Profits	2,615	2,869	3,377	3,399	3,450	
Net Income	2,614	2,868	3,376	3,398	3,449	
Assets, etc.	Total Assets	182,253	198,673	216,574	225,882	231,523
	(% Change)	(+16.4)	(+9.0)	(+9.0)	(+4.3)	(+2.5)
	Interest-bearing Debt	77,166	93,066	83,666	90,966	97,466
	Total Unitholders' Equity	91,728	91,982	118,807	118,829	118,881
	(% Change)	(+0.2)	(+0.3)	(+29.2)	(+0.0)	(+0.0)
Unitholders' Capital	89,113	89,113	115,431	115,431	115,431	
Cash Distribution per Unit, etc.	Total Cash Distributions	2,614	2,868	3,376	3,397	3,449
	Dividend payment ratio	100.0	99.9	100.0	99.9	100.0
	Number of Units Outstanding	430,000	430,000	530,000	530,000	530,000
	Total Unitholders' Equity per Unit	213,322	213,912	224,165	224,206	224,304
	Cash Distribution per Unit	6,081	6,671	6,370	6,411	6,509
	Exceeding profit distribution amount	—	—	—	—	—
Financial Indices	Recurring Profits on Total Assets (Note 1)	1.5	1.5	1.6	1.5	1.5
	Annualized (Note 10)	3.1	3.0	3.3	3.0	3.0
	Return on Total Unitholders' Equity (Note 2-1)	2.9	3.1	3.2	2.9	2.9
	Annualized (Note 10)	5.7	6.2	6.5	5.7	5.9
	Total unitholders' equity at beginning of period (Note 2-2)	91,581	91,728	91,982	118,807	118,829
	Unitholders' Equity Ratio at End of Period (Note 3)	50.3	46.3	54.9	52.6	51.3
	(Year-on-year increase/decrease)	(-8.2)	(-4.0)	(+8.6)	(-2.3)	(-1.3)
	Interest-Bearing Debt to Total Assets at End of Period (Note 4)	42.3	46.8	38.6	40.3	42.1
	DSCR (Note 5)	10.4	9.4	9.3	9.6	9.7
	Net income before interest and amortization	4,224	4,771	4,878	5,261	5,585
	Interest paid (Notes)	408	510	524	545	574
	NOI from Leasing (Note 7)	4,722	5,404	5,476	5,860	6,100
Annualized NOI yield (Notes 9 and 10)	5.8	6.0	5.4	5.6	5.9	
NCF from Leasing (Note 8)	4,253	4,939	5,119	5,381	5,785	
Annualized NCF yield (Notes 9 and 10)	5.2	5.5	5.1	5.2	5.6	
Reference Information	Properties Owned (Note 11)	38	42	42	42	44
	Number of Tenants	437	496	459	441	462
	Total Leasable Floor Space	256,329.13	273,330.52	281,408.97	308,205.26	315,156.84
	Occupancy Rate	93.2	95.1	95.4	97.2	98.0

(Note 1) Recurring profit/(total assets at beginning of period + total assets at end of period)/2

(Notes 2-1 and 2-2) Net income/(total unitholders' equity at beginning of period + total unitholders' equity at end of period)/2

(Note 3) Total unitholders' equity at end of period/total assets at end of period x 100

(Note 4) Interest-bearing debt / total assets at end of period x 100

(Note 5) Net income before interest and amortization (excluding gain or loss on sale of real estate)/interest paid

(Note 6) Interest paid in this table includes interest on corporate bonds.

(Note 7) (Real estate rental revenues - real estate rental expenses) + depreciation

(Note 8) NOI from leasing - capital expenditures

(Note 9) Annualized NOI from leasing/purchase price of property (5th fiscal period: ¥163.65 billion, 6th fiscal period: ¥179.62 billion, 7th fiscal period: ¥203.43 billion, 8th fiscal period: ¥205.76 billion and 9th fiscal period: ¥209.22 billion)

Annualized NCF from leasing/purchase price of property

(Note 10) Annualization is based on 365 days for a year and calculated by using the following management days:

5th fiscal period: 182 days, 6th fiscal period: 184 days, 7th fiscal period: 181 days, 8th fiscal period: 184 days and 9th fiscal period: 181 days

(Note 11) The following properties are counted as one for respective purchases in different fiscal periods: Shin-Kojimachi Bldg. (1st, 2nd and 6th fiscal periods), Fukuoka Bldg. (4th and 7th fiscal periods), BYGS Shinjuku Bldg. (6th and 7th fiscal periods) and JPR Umeda Loft Bldg. (3rd and 4th fiscal periods).

(Note 12) Any ratio indicated on financial indices are rounded to the first decimal point (except for dividend payment ratio, which is rounded off to the first decimal point.)

## **(2) 9th Fiscal Period Asset Management**

### **1) Milestones of JPR**

Japan Prime Realty Investment Corporation (JPR) was established on September 14, 2001 under the Investment Trusts and Investment Corporations Law (hereafter, the Investment Trusts Law), and was listed on the Tokyo Stock Exchange Real Estate Investment Trust Section (securities code: 8955) on June 14, 2002, with 289,600 outstanding investment units. JPR made an additional public offering of 140,400 units (including an over allotment of 6,000 units) in July 2003, followed by another public offering of 100,000 units (including over allotment of 5,000 units) in February 2005. These public offerings have brought the number of investment units issued and outstanding to 530,000 units today. JPR has assigned the asset management of its portfolio to Tokyo Realty Investment Management, through which JPR aims to maximize unitholder value by efficiently managing the portfolio of office buildings and retail properties.

### **2) Management Environment**

#### **The Office Building Leasing Market**

The recovery of the Japanese economy has increased in its clarity with overall corporate performance steadily expanding. Demand for offices is strong throughout Japan and especially in large metropolitan areas, with vacancies dropping. Some cities are struggling to improve the supply-demand balance of office space but as a whole the improvement is clear.

Vacancy rates in the Tokyo CBDs have surpassed a balance in the supply-demand and decreased to around 3%, irrefutably a lesser's market. In particular, large "Class A" buildings are almost entirely occupied with both new and renewed rents starting to show signs of rising rates. The sense of shortage that has emerged among the large buildings, has also led to improved vacancy rates in the small- and medium-sized buildings.

Among local principal cities, vacancy rates in Sapporo, Sendai, Nagoya, Osaka and Fukuoka all improved, with Nagoya and Osaka falling to below 7%. The speed in this vacancy rate reduction has also accelerated.

#### **The Retail Property Leasing Market**

The economic recovery has caused the unemployment rate to drop and the overall employment environment to take a favorable turn. This is evident in the fact that the hiring of new college graduates has increased for the fourth consecutive year. The result has been a growth in income and gradual increase in personal spending. Although some regions continue to lag in their recovery, the increased personal spending helped to raise sales, though rather gradually, in most sectors of the retail industry, including shopping centers, large retail stores, department stores and supermarkets. The retail property leasing market in urban areas was relatively strong backed by the active opening and renovation of stores. There have also been revisions to the three urban planning laws known as the Machi Zukuri Sanpo (Three City Creation Laws), that will strictly regulate the opening of large stores in suburban areas. The legal revisions make it even more essential to closely watch market trends hereafter.

#### **The For-Sale Real Estate Market**

Low interest rates and a difficult fund management environment have caused a continuous inflow of investment funds (both Japanese and foreign) into the real estate market seeking strong investment targets. This has caused even more intense competition for deals in the real estate market. In Tokyo CBSs, expected returns have dropped and property prices soared due to a shortage in excellent investment properties and proactive investment by foreign capital and other players. On the other hand, this rise in prices and shortage in available properties in Tokyo has provided a strong impetus to invest in real estate in other cities, leading to increasingly heated real estate investment activities in other parts of Japan.

### **3) New Property Acquisitions by JPR**

JPR has continued to acquire properties based on a rigorous standard for selecting excellent office buildings and retail properties that can generate stable cash flow and possess the potential for future rent increases. JPR's key strategy in expanding our portfolio has been to stabilize portfolio earnings and balance the diversification of the portfolio both by location and asset class. During the ninth period, we acquired JPR Jingumae 432 (acquisition price of 4.46 billion yen) and Cupo-la Main Building (2.1 billion yen). As a result, the balance of assets under management now totals 44 properties, or 209.22 billion yen on an acquisition price basis. The total leasable floor space is now 315,156.84m<sup>2</sup> and the number of tenants is 462.

#### 4) Operational Management of Portfolio

##### \*Brand Strategy

JPR has implemented its brand strategy while pursuing the provision of a comfortable office environment based on the brand concept known as A/3S (Amenity/Service, Safety and Save Energy). During the 9th fiscal period, a brand manual was prepared to further spread our thinking about the JPR brand and training sessions were conducted for our property management firms. In addition, we created a plan to conduct a tenant satisfaction survey, which as was conducted last year, with the objective of heightening management quality and improving tenant services. We applied the results of the tenant satisfaction survey and administration content checking by the property managers to steadily implement new measures for spreading and penetrating the brand including establishing a system for the asset manager awarding superior property managers and administrative agents.

##### \*Occupancy Rate

JPR took into consideration the trend of rising rents in the office building leasing market and conducted activities to attract tenants that sought to secure higher rents in addition to just improving occupancy rates by lessening vacancies.

Our efforts were successful due in part to the overheating and lack of quality properties in Tokyo CBDs as well as to steady attraction of tenants, and the occupancy of our overall portfolio as of the end of June 2006 rose to 98.0%, a period-on-period increase of 0.8%.

#### 5) Fund Procurement

JPR procured capital this fiscal period to expand our portfolio. This was done using short-term borrowings that emphasized dynamism in the use of funds.

As a result, the balance of total outstanding borrowings as of the end of the 9th fiscal period reached 55.46 billion yen, with unsecured corporate bonds now totaling 42.00 billion yen. Of these, long-term interest-bearing debt with repayment periods of more than one year that hedge against the risk of future rises in interest rates made up 62.6% of all interest-bearing debt and the average maturity was 4.6 years (Note 1).

As for interest-bearing debt as a whole, the average interest (Note 2) as of the end of this fiscal period was 1.2%, while the interest-bearing debt ratio (Note 3) and the interest-bearing debt to total assets ratio at end of period (Note 4) for the same period were also 45.8% and 42.1% respectively.

The following is the corporate credit ratings of JPR and ratings of unsecured corporate bonds issued as of the end of the 9th fiscal period.

#### Details of Unsecured Corporate Bonds and Corporate Credit Ratings as of June 30, 2006

Ratings Agency	Corporate Credit Rating	Corporate Bonds (1st to 6th Issuance)
Rating and Investment Information, Inc.	A+ (Stable)	A+
Moody's Investor Services	A3 (Stable)	A3
Standard & Poor's	Long-term: A- (Stable) Short-term: A-2 (Stable)	A-

(Note 1) Average maturity of long-term interest-bearing debt is arrived at by calculating a weight average of maturities from the end of the 9th fiscal period to the repayment deadlines for long-term interest-bearing debt with repayment periods of more than one year, based on the balance of each debt.

(Note 2) Average interest is arrived at by calculating a weight average of interest rates as of the end of the 9th fiscal period based on the balance of each debt.

(Note 3) Interest-bearing debt ratio (%): interest-bearing debt/(interest-bearing debt + Unitholders' capital) x 100 (Unitholders' capital: 115.43 billion yen)

(Note 4) Interest-bearing debt to total assets ratio at end of period (%): interest-bearing debt/total assets at end of period x 100 (total assets at the end of the 9th fiscal period: 231.52 billion yen)

### (3) Additional Offerings, etc.

JPR did not make any additional offerings during the 9th fiscal period and there was no change in unitholders' capital. The table below indicates offerings provided by JPR prior to the 8th fiscal period.

Date	Event	Number of Units Outstanding		Unitholders' Capital (million yen)		Remarks
		Variation	Balance	Variation	Balance	
September 14, 2001	Established by private placement	240	240	120	120	(Note 1)
November 16, 2001	Additional private placement	62,000	62,240	31,000	31,120	(Note 2)
January 22, 2002	Split of investment units	93,360	155,600	-	31,120	(Note 3)
June 14, 2002	Initial public offering	134,000	289,600	25,862	56,982	(Note 4)
July 15, 2003	Additional public offering	134,400	424,000	30,758	87,740	(Note 5)
August 9, 2003	Third-party allotment	6,000	430,000	1,373	89,113	(Note 6)
February 2, 2005	Additional public offering	95,000	525,000	25,001	114,115	(Note 7)
March 2, 2005	Third-party allotment	5,000	530,000	1,315	115,431	(Note 8)

(Note 1) JPR was formed by the investment of three companies -- Tokyo Tatemono Co., Ltd. (100 units), Taisei Corporation (100 units), and Tokyo Realty Investment Management, Inc. (40 units) -- at 500,000 yen per unit.

(Note 2) Additional offering was made for private placement at 500,000 yen per unit, and JPR acquired 13 beneficiary interests in real estate trust and started management.

(Note 3) A single investment unit was split to 2.5 units.

(Note 4) New investment units were issued through public offering at 200,000 yen per unit (underwriting price of 193,000 yen per unit) to repay short-term debt and finance acquisition of new specific assets and the like.

(Note 5) New investment units were issued through public offering at 237,160 yen per unit (underwriting price of 228,859 yen per unit) to repay short-term debt and acquire new specific assets and the like.

(Note 6) New investment units were issued through a third-party allotment at 228,859 yen per unit to repay short-term debt and acquire new specific assets and the like.

(Note 7) New investment units were issued through public offering at 272,440 yen per unit (underwriting price of 263,177 yen per unit) to repay short-term debt and acquire new specific assets and the like.

(Note 8) New investment units were issued through a third-party allotment at 263,177 yen per unit to repay short-term debt and acquire new specific assets and the like.

### (4) Cash Distributions

Under the Special Taxation Measures Law of Japan, an investment corporation is allowed to deduct dividends of accounting profits paid to investors from its taxable income. In order to have the maximum amount of dividend distribution to be deducted, JPR determined to distribute all the retained earnings for the 9th fiscal period except for fractional portions that make distribution per unit at less than 1 yen. As a result, the cash distribution per unit for the 9th fiscal period was set at 6,509 yen.

(Thousands of yen unless otherwise indicated)

Date	5th fiscal period (as of June 30, 2004)	6th fiscal period (as of December 31, 2004)	7th fiscal period (as of June 30, 2005)	8th fiscal period (as of December 31, 2005)	9th fiscal period (as of June 30, 2006)
Retained Earnings at End of Period	2,614,881	2,868,599	3,376,139	3,398,137	3,449,967
Internal Reserves	51	69	39	307	197
Total Cash Distributions (Cash distribution per unit)	2,614,830 (6,081 yen)	2,868,530 (6,671 yen)	3,376,100 (6,370 yen)	3,397,830 (6,411 yen)	3,449,770 (6,509 yen)
Total Cash Distributions from Net Income (Cash distribution from net income per unit)	2,614,830 (6,081 yen)	2,868,530 (6,671 yen)	3,376,100 (6,370 yen)	3,397,830 (6,411 yen)	3,449,770 (6,509 yen)
Repayment of Paid-in Capital (Repayment of paid-in capital per unit)	- (-)	- (-)	- (-)	- (-)	- (-)

## **(5) Future Management Policy and Vital Issues**

### **A. Management Projections**

The Japanese economy is transforming from a recovery phase to an expansion phase with the enormous appetite for capital investment among companies and the increase in corporate revenues. This is also backed by the advancement of the Bank of Japan's basic economic judgment from a steady recovery to a gradual expansion. The overall employment environment is also improving with more than one job advertised for each individual seeking a job. The elements are also in place for a rapid escape from deflation with the Bank of Japan ending its loose monetary policy in March and ending its zero-interest-rate policy for the first time in about six years in July. However, there are also concerns about negative pressure on corporate revenues including the rising crude oil prices caused by instability in the Middle East and the rise of other industrial raw material prices.

The recovery is also inconsistent in its appearance. Despite the buoyant turn in the economies of major metropolises including Tokyo, Osaka and Nagoya, most local cities are only beginning or have yet to see any improvement and small- and medium-sized companies have a much more severe interpretation of the business climate than major corporations.

In the office building leasing market, vacancies have dropped centering on Tokyo and rents have also risen in Tokyo CBDs.

In the for-sale real estate market, prices of deals are soaring with expected returns dropping and expectations for increased rents emerging with the economic recovery. Furthermore a rise in long-term interest rates caused by the removal of the zero interest policy by the Bank of Japan is unavoidable, making it even more critical to weight investments by the superiority/inferiority of properties and the profitability of the investments themselves.

In the real estate investment trust market, the market continues to expand with more investment corporations (J-REITs) listing, but with the market expansion has come a greater importance placed on compliance.

Based on the above conditions, JPR shall focus its management efforts on the following points with even greater emphasis placed on compliance.

#### **1. Acquisition of New Properties**

JPR will implement the following policy while emphasizing our investment policy, distributions per unit, etc. and striving to improve stability through location and asset class diversification and improve the investment efficiency through an expansion in the portfolio size.

\*JPR will focus on and acquire properties that have future potential and are competitive from the perspective of medium to long-term management. In considering properties, JPR will emphasize the geographic superiority and future potential of properties while negotiating price based on a detailed market study and property appraisal so that we can acquire the property under appropriate conditions.

\*JPR will proactively gather information on development-type properties to ensure a planned acquisition of superior properties and endeavor to secure properties at an early stage through detailed research and risk analysis to heighten our competitiveness in the acquisition process.

\*As for the information route on properties for acquisition, JPR will expand our own proprietary information route with the management company and further reinforce the relationship with existing information routes to ensure the fast acquisition of good quality information.

JPR will continue to strive to expand our portfolio by acquiring solid new properties via a proactive acquisition of information and carefully researched investment value including determining the future potential by accurately grasping market trends.

#### **2. Management of Portfolio**

JPR will strive to raise tenant satisfaction and maintain our high portfolio occupancy rate by providing high quality service and a comfortable office space environment built around the JPR Brand Strategy. JPR will also strive to raise rents for both new and existing tenants as a means to expand the internal growth of our overall portfolio. Moreover, JPR will promote reduced costs as a means to raise profitability while also giving due consideration to safety and the quality of management standards.

##### **Brand Strategy**

JPR will continue to implement various measures to steadily spread the provision of high quality services both in software and hardware based on the brand concept of A/3S (Amenity/Service, Safety and Save Energy). In addition, JPR will feed back the results of the tenant satisfaction survey, as it did last time, as a means to improve property quality.

##### **Tenant Marketing**

JPR will study the management policies of each property from a long-term perspective with an eye on increasing rents while maintaining high occupancy rates and continue measures to proactively increase income.

##### **Reduction of Operating and Management Costs**

JPR will continue to tackle cost reductions by reducing business costs centering on outsourcing fees, but this will be implemented with attention paid to the brand concept so that service quality is maintained and safety is secured rather than just emphasizing the reducing of costs.

##### **Renovations**

Renovations will be implemented in a planned manner based on the long-term repairs and maintenance plans established for each property. Priority will be given to renovations that heighten tenant satisfaction by analyzing tenant needs based on the results of the tenant satisfaction study. In this manner, JPR will realize the JPR brand it has conceptualized and focused on to date.

## (6) Fund Procurement

JPR's fundamental policy for fund procurement calls for an efficient combination of long-term steady fund procurement and short-term fund procurement that emphasizes dynamism. In line with this policy, JPR will procure funds centering on unsecured and unguaranteed bank borrowings. JPR will continue to focus on the diversification of fund procurement means and consistently strive to diversify the maturities employed by also considering the issuance of corporate bonds with an eye on the trends of the bond market, etc.

## (7) Information Disclosure

JPR has positioned the proactive voluntary disclosure of information as one of its key management policies and will voluntarily disclose information believed to be essential to investment decisions of JPR along with the timely disclosure of items to the Tokyo Stock Exchange. JPR will proactively employ its website (<http://www.jpr-reit.co.jp/>) as a vital means for implementing voluntary disclosure and to date JPR has promptly disclosed performance information and run movies on its primary properties using this site. We will work to further enrich our information disclosure activities hereafter.

## (8) Important Facts Arising after Settlement

### Sale of Properties

As of July 26, 2006, JPR decided to sell the following properties in accordance with JPR's investment policy stipulated in its regulations.

The sale price is the price after removing adjustment amounts equivalent to property taxes and city planning taxes as well as consumption tax.

Details of the buyer have not been disclosed at the request of the buyer.

### Tsurumi fuga 1 and JPR Takamatsu Bldg.

- a) Asset type: Beneficiary interest in real estate
- b) Sale price: 5,800 million yen
- c) Contract date: July 26, 2006
- d) Settlement date: January 11, 2007
- e) Impact on profit and loss: JPR plans to appropriate approximately 535 million yen of gain on sale of real estate as operating revenues for the 11th fiscal period (January 1, 2007 to June 30, 2007).

### < Reference Information >

#### Property Acquisition

JPR has acquired the following property.

### Chayamachi Grande Building

#### Property overview

Address:	2-19, Chayamachi, Kita-ku, Osaka-shi, Osaka (residential)
Type of ownership:	Land: Fee simple Building: Fee simple
Site area:	592.45m <sup>2</sup>
Gross total floor area:	3,219.36m <sup>2</sup>
Type of structure:	S, SRC, 9F
Completion date:	June 1994
Number of tenants:	8
Total leasable floor space:	2,484.39m <sup>2</sup>
Total leased floor space:	2,484.39m <sup>2</sup>
Occupancy rate:	100%

\*The number of tenants, total leasable floor space, total leased floor space and the occupancy rate are the figures as of August 22, 2006.

#### Transaction Terms

Acquisition price: 6,000 million yen

Asset type: Beneficiary interest in real estate

Acquisition date: August 30, 2006



# Overview of Investment Corporation

## (1) Unitholders' Capital

	5th fiscal period as of June 30, 2004	6th fiscal period as of December 31, 2004	7th fiscal period as of June 30, 2005	8th fiscal period as of December 31, 2005	9th fiscal period as of June 30, 2006
Total number of authorized units	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Total number of units issued and outstanding	430,000	430,000	530,000	530,000	530,000
Unitholders' capital (millions of yen)	89,113	89,113	115,431	115,431	115,431
Total number of unitholders	18,620	18,636	22,674	19,709	17,316

## (2) Primary Investors

The following table shows the 10 largest investors by the percentage of their owned investment units to the total number of units outstanding as of the end of the 9th fiscal period.

Name	Address	Number of owned units	Percentage to the total units outstanding (%)
Japan Trustee Services Bank, Ltd.	Chuo Ward, Tokyo	42,221	7.97
Nikko Citi Trust and Banking Corporation	Shinagawa Ward, Tokyo	35,340	6.67
Tokyo Tatemono Co., Ltd.	Chuo Ward, Tokyo	29,300	5.53
Kawasaki Gakuen	Kurashiki City, Okayama	25,000	4.72
Meiji Yasuda Life Insurance Company	Chiyoda Ward, Tokyo	24,000	4.53
Trust & Custody Services Bank, Ltd.	Chuo Ward, Tokyo	19,919	3.76
The Master Trust Bank of Japan, Ltd.	Minato Ward, Tokyo	18,476	3.49
AIG Star Life Insurance Co., Ltd.	Chuo Ward, Tokyo	13,190	2.49
The Senshu Bank, Ltd.	Kishiwada City, Osaka	10,568	1.99
The Hiroshima Bank, Ltd.	Hiroshima City, Hiroshima	9,355	1.77
	Total	227,369	42.90

## (3) Items Related to Directors

Position	Name	Other Assignments Currently on Service	Total Directors' Fee during the 9th fiscal Period (thousands of yen)	Number of Owned Units
Executive Officer	Hirohito Kaneko	Representative Counsel of Hirohito Kaneko Law Office	2,100	—
Supervising Officer(Note 1)	Sosuke Yasuda	Accountant of Sosuke Yasuda Tax Accountant Office CPA, Director and Senior Partner of Tokyo Hokuto & Co. Outside Auditor, Mitsui Sumitomo Insurance Company, Limited Outside Auditor, Nomura Research Institute, Ltd.	3,600	—
	Shigeru Sugimoto	Senior Partner, CPA, Accountant, Real Estate Appraiser of Horwath Sakura & Co. Representative Director of Sakura & Co.		—
Independent Auditor(Note 2)	Earnst & Young ShinNihon	—	9,500	—

(Note 1) Supervising officers may be directors of corporations other than those indicated above, but have no conflict of interest with JPR at those and above positions.

(Note 2) The independent auditor fees include fees regarding auditing of JPR's English financial statements.

## (4) Asset Manager, Asset Custodian and Administrative Agent

The asset manager, asset custodian and administrative agents of JPR at the end of the 9th fiscal period are as follows.

Outsourcing Category	Name
Asset management company	Tokyo Realty Investment Management, Inc.
Asset custodian	Mizuho Trust & Banking Co., Ltd.
Administrative agent (registration change for investment units, etc.)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (administration concerning corporate bonds)	Mizuho Trust & Banking Co., Ltd. Mizuho Investors Securities Co., Ltd. Mizuho Corporate Bank, Ltd. Shikin Securities Co., Ltd. Merrill Lynch Japan Securities Co., Ltd. Nomura Securities Co., Ltd.

# Status of JPR's Assets under Management

## (1) JPR's Asset Structure

Asset Type	Area	8th Fiscal Period (as of December 31, 2005)		9th Fiscal Period (as of June 30, 2006)	
		Assets owned by JPR	Percentage to total assets (%)	Assets owned by JPR	Percentage to total assets (%)
Real estate	Tokyo CBDs	16,140,890	7.1	16,116,501	7.0
	Greater Tokyo	4,246,866	1.9	6,300,287	2.7
	Other Cities	16,313,033	7.2	16,229,852	7.0
Real estate in trust	Tokyo CBDs	73,635,508	32.6	77,824,365	33.6
	Greater Tokyo	31,504,291	13.9	31,235,719	13.5
	Other Cities	58,179,378	25.8	57,837,269	25.0
Preferred securities	—	1,558,460	0.7	1,558,460	0.7
Deposits and other assets	—	24,303,746	10.8	24,420,843	10.5
	—	(—)	(—)	(—)	(—)
Total assets	—	225,882,175	100.0	231,523,301	100.0
	—	(200,019,969)	(88.6)	(205,543,997)	(88.8)

(Note 1) Total assets owned are based on the amounts appropriated on the balance sheet as of the settlement date (book values after depreciation for real estate and real estate in trust).

(Note 2) Figures in parenthesis are portions that practically falls on real estate owned in the object assets.

(Note 3) For separation of areas, refer to PP · 8-9

(Note 4) Various survey expenses (4,700 thousand yen for 8th fiscal period and 3,120 thousand yen for 9th fiscal period) appropriated with regard to planned acquisition properties are appropriated in deposits and other assets as construction in progress in this table.

(Note 5) JPR owns 8,490 units from 84,900 units of preferred securities issued by Kawasaki Dice TMK (with preferred securities of 10.0%). Furthermore, the value arrived at by multiplying the amounts of real estate and others on the balance sheet of Kawasaki Dice TMK for the latest settlement period by JPR's preferred securities is 1,756,864 thousand yen for the 8th fiscal period and 1,736,623 thousand yen for the 9th fiscal period.

## (2) Major Assets Owned by JPR

The following is the overview of the major assets (ten largest properties by book value at end of period) owned by JPR as of the end of the 9th fiscal period.

Property Name (Note 1)	Book Value (thousands of yen)	Leasable Floor Space (m <sup>2</sup> )	Leased Floor Space (m <sup>2</sup> )	Occupancy Rate (%)	Rate of Monthly Contracted Rent at End of Period (%)	Asset Class
Kanematsu Bldg.	15,716,947	7,994.02	7,994.02	100.0	5.1	Office
JPR Umeda Loft Bldg.	12,936,455	18,586.97	18,586.97	100.0	5.0	Retail
BYGS Shinjuku Bldg.	12,019,111	11,357.50	11,166.84	98.3	5.2	Office
JPR Shibuya Tower Records Bldg.	11,943,473	8,076.85	8,076.85	100.0	4.3	Retail
MS Shibaura Bldg.	11,288,486	14,429.09	14,429.09	100.0	5.8	Office
Shinjuku Square Tower	9,961,985	10,982.03	10,847.67	98.8	3.7	Office
Tanashi ASTA	9,094,832	31,121.71	31,121.71	100.0	7.4	Retail
Kawaguchi Center Bldg.	7,982,461	15,461.98	15,157.98	98.0	5.4	Office
Meiji Yasuda Life Osaka Umeda Bldg.	7,697,964	9,600.62	9,457.54	98.5	4.1	Office
Housing Design Center Kobe	7,422,904	35,444.13	35,444.13	100.0	3.2	Retail
Total	106,064,621	163,054.90	162,282.80	99.5	49.2	

(Note 1) Rate of monthly contracted rent at end of period is the rate arrived at by dividing the monthly contracted rent at end of period for each property by the total rents for all properties.

(Note 2) Each sectional owner of Shinjuku Square Tower leases its portions to Shinjuku Square Tower Management Co., Ltd. collectively, and the firm subleases them to sub-lessees.

Accordingly, the leasable floor space of the building is calculated by multiplying the total contracted areas of offices, shops and warehouses which the company rents and can sublease to sub-lessees by 39.70457%, the rent allocation ratio of JPR. The subleased areas used to calculate the occupancy rate are the subleased areas to sub-lessees multiplied by the rent allocation ratio. Each figure has been rounded to the second decimal point.

### (3) Acquired Properties

#### A. Real estate and other acquired properties

The overview of the real estate and beneficiary interest in real estate that JPR invests are as follows.

Location Category	Asset Class	Name	Location	Asset Type	Book Value (as of June 30, 2006 ) (thousands of yen )	Appraisal Value (as of June 30, 2006 ) (thousands of yen )
Tokyo CBDs	Office	Kanematsu Bldg.	Chuo Ward, Tokyo	Beneficiary Interest	15,716,947	14,300,000
		Kanematsu Bldg. Annex	Chuo Ward, Tokyo	Beneficiary Interest	2,692,908	2,880,000
		JPR Ningyo-cho Bldg.	Chuo Ward, Tokyo	Beneficiary Interest	2,008,028	2,240,000
		Shin-Kojimachi Bldg.	Chiyoda Ward, Tokyo	Beneficiary Interest	1,667,757 558,694 206,630	2,710,000
		JPR Crest Takebashi Bldg.	Chiyoda Ward, Tokyo	Beneficiary Interest	3,800,156	3,510,000
		MS Shibaura Bldg.	Minato Ward, Tokyo	Beneficiary Interest	11,288,486	14,000,000
		Gotanda First Bldg.	Shinagawa Ward, Tokyo	Beneficiary Interest	2,810,202	3,160,000
		Fukuoka Bldg.	Chuo Ward, Tokyo	Beneficiary Interest Real estate	1,815,526 1,163,441	2,950,000
		JPR Ichigaya Bldg.	Chiyoda Ward, Tokyo	Beneficiary Interest	5,248,829	5,330,000
		Oval Court Ohsaki Mark West	Shinagawa Ward, Tokyo	Beneficiary Interest	3,504,160	4,160,000
		Shinjuku Square Tower	Shinjuku Ward, Tokyo	Beneficiary Interest	9,961,985	9,580,000
	BYGS Shinjuku Bldg.	Shinjuku Ward, Tokyo	Real estate	12,019,111	12,100,000	
	Across Shinkawa Bldg. Annex	Chuo Ward, Tokyo	Real estate	706,451	793,000	
Retail	JPR Shibuya Tower Record Bldg.	Shibuya Ward, Tokyo	Beneficiary Interest	11,943,473	15,200,000	
	JPR Daikanyama	Shibuya Ward, Tokyo	Real estate	2,227,497	1,730,000	
	JPR Jingumae 432	Shibuya Ward, Tokyo	Beneficiary Interest	4,600,579	4,560,000	
Greater Tokyo	Office	Arca East	Sumida Ward, Tokyo	Beneficiary Interest	5,350,088	6,530,000
		JPR Chiba Bldg.	Chiba City, Chiba	Beneficiary Interest	2,351,537	2,060,000
		JPR Yokohama Nihon Odori Bldg.	Yokohama City, Kanagawa	Beneficiary Interest	2,694,009	2,620,000
		Shinyokohama 2nd Center Bldg.	Yokohama City, Kanagawa	Real estate	940,790	1,340,000
		Kawaguchi Center Bldg.	Kawaguchi City, Saitama	Beneficiary Interest	7,982,461	9,760,000
		JPR Ueno East Bldg.	Taito Ward, Tokyo	Real estate	3,254,810	4,210,000
		Tachikawa Business Center Bldg.	Tachikawa City, Tokyo	Beneficiary Interest	875,973	1,150,000
	Retail	Tanashi ASTA	Nishitokyo City, Tokyo	Beneficiary Interest	9,094,832	13,200,000
		Tsurumi fuga 1	Yokohama City, Kanagawa	Beneficiary Interest	2,886,817	3,720,000
		Cupo-la Main Bldg.	Kawaguchi City, Saitama	Real estate	2,104,686	2,420,000
Other Cities	Office	Niigata Ekinan Center Bldg.	Niigata City, Niigata	Beneficiary Interest	1,934,364	2,140,000
		Meiji Yasuda Life Osaka Umeda Bldg.	Osaka City, Osaka	Beneficiary Interest	7,697,964	9,780,000
		Tokyo Tatemono Honmachi Bldg.	Osaka City, Osaka	Beneficiary Interest	4,134,062	4,230,000
		JPR Takamatsu Bldg.	Takamatsu City, Kagawa	Beneficiary Interest	2,293,054	1,400,000
		JPR Hakata Bldg.	Fukuoka City, Fukuoka	Beneficiary Interest	2,972,366	2,840,000
		JPR Naha Bldg.	Naha City, Okinawa	Beneficiary Interest	1,499,878	1,440,000
		NORTH 33 Bldg.	Sapporo City, Hokkaido	Beneficiary Interest	3,569,863	2,910,000
		Sompo Japan Sendai Bldg.	Sendai City, Miyagi	Beneficiary Interest	2,841,764	3,700,000
		Sompo Japan Wakayama Bldg.	Wakayama City, Wakayama	Beneficiary Interest	1,516,505	1,800,000
		Tenjin 121 Bldg.	Fukuoka City, Fukuoka	Beneficiary Interest	2,626,506	2,660,000
		JPR Nagoya Sakae Bldg.	Nagoya City, Aichi	Real estate	4,610,359	5,550,000
		Dojima F Bldg.	Osaka City, Osaka	Beneficiary Interest	2,148,196	2,420,000
		Semba Fukuoka Bldg.	Fukuoka City, Fukuoka	Beneficiary Interest	1,938,499	2,060,000
		UFJ Central Leasing Head Office Bldg.	Nagoya City, Aichi	Real estate	4,196,588	4,400,000
		Retail	JPR Umeda Loft Bldg.	Osaka City, Osaka	Beneficiary Interest	12,936,455
	Strasse Ichibancho		Sendai City, Miyagi	Beneficiary Interest	4,134,443	3,960,000
	Benetton Shinsaibashi Bldg.		Osaka City, Osaka	Beneficiary Interest	5,593,343	5,680,000
			Housing Design Center Kobe	Kobe City, Hyogo	Real estate	7,422,904
Total					205,543,997	224,773,000

(Note 1) The calculated values at end of period are either appraisal values or survey values by real estate appraisers, based on the Cabinet Office Order on "Regulations on calculations of investment corporations".

(Note 2) Aside from properties indicated in the table above, JPR owns 8,490 units from 84,900 units of preferred securities issued by Kawasaki Dice TMK (with preferred securities of 10.0%).

Furthermore, the value arrived at by multiplying the amounts of real estate and others on the balance sheet of Kawasaki Dice TMK for the latest settlement period by JPR's preferred securities is 1,756,864,000 yen for the 8th fiscal period and 1,736,623,000 yen for the 9th fiscal period.

## History of Rental Business for JPR's Each Real Estate and Beneficiary Interest in Real Estate Investments.

Location Category	Asset Class	Name	8th Fiscal Period (from July 1, 2005 to Dec. 31, 2005)				9th Fiscal Period (from Jan. 1, 2006 to June 30, 2006)				
			Number of Tenants	Occupancy rate (%)	Rental Revenues (thousands of yen)	% of Total	Number of Tenants	Occupancy rate (%)	Rental Revenues (thousands of yen)	% of Total	
Tokyo CBDs	Office	Kanematsu Bldg.	10	100.0	434,317	5.2	10	100.0	439,467	5.1	
		Kanematsu Bldg. Annex	1	100.0	105,738	1.3	1	100.0	102,721	1.2	
		JPR Ningyo-cho Bldg.	4	100.0	100,377	1.2	4	100.0	98,477	1.2	
		Shin-Kojimachi Bldg.	11	100.0	112,329	1.3	10	84.8	118,801	1.4	
		JPR Crest Takebashi Bldg.	9	100.0	132,824	1.6	9	100.0	127,045	1.5	
		MS Shibaura Bldg.	8	100.0	521,002	6.2	8	100.0	529,991	6.2	
		Gotanda First Bldg.	2	100.0	133,918	1.6	2	100.0	132,815	1.6	
		Fukuoka Bldg.	2	100.0	102,489	1.2	2	100.0	102,489	1.2	
		JPR Ichigaya Bldg.	9	100.0	188,019	2.2	9	100.0	182,763	2.1	
		Oval Court Ohsaki Mark West	4	100.0	171,879	2.1	4	100.0	170,518	2.0	
		Shinjuku Square Tower	21	89.6	249,532	3.0	25	98.8	277,465	3.2	
		BYGS Shinjuku Bldg.	22	90.6	417,076	5.0	25	98.3	449,609	5.3	
		Across Shinkawa Bldg. Annex	4	100.0	47,867	0.6	4	100.0	46,245	0.5	
Tokyo CBDs	Retail	JPR Shibuya Tower Record Bldg.	1	100.0	345,576	4.1	1	100.0	345,576	4.0	
		JPR Daikanyama	4	100.0	41,924	0.5	4	100.0	47,132	0.6	
		JPR Jingumae 432	—	—	—	—	5	100.0	49,237	0.6	
Greater Tokyo	Office	Arca East	5	93.1	203,046	2.4	6	100.0	253,745	3.0	
		JPR Chiba Bldg.	28	90.5	143,237	1.7	26	89.5	135,338	1.6	
		JPR Yokohama Nihon Odori Bldg.	11	97.5	139,077	1.7	11	97.5	138,288	1.6	
		Shinyokohama 2nd Center Bldg.	14	96.0	68,124	0.8	15	100.0	74,231	0.9	
		Kawaguchi Center Bldg.	38	99.5	498,415	6.0	37	98.0	486,763	5.7	
		JPR Ueno East Bldg.	9	100.0	192,387	2.3	8	90.9	188,623	2.2	
		Tachikawa Business Center Bldg.	4	100.0	28,166	0.3	4	100.0	56,899	0.7	
	Greater Tokyo	Retail	Tanashi ASTA	1	100.0	596,400	7.1	1	100.0	596,400	7.0
			Tsurumi fuga 1	1	100.0	145,200	1.7	1	100.0	145,200	1.7
Other Cities	Office	Cupo-la Main Bldg.	—	—	—	—	1	100.0	(Note 3)	(Note 3)	
		Niigata Ekinan Center Bldg.	12	100.0	134,255	1.6	11	100.0	133,168	1.6	
		Meiji Yasuda Life Osaka Umeda Bldg.	24	94.2	360,781	4.3	27	98.5	358,652	4.2	
		Tokyo Tatemono Honmachi Bldg.	10	98.8	251,534	3.0	9	97.3	251,550	2.9	
		JPR Takamatsu Bldg.	29	85.6	102,082	1.2	28	80.5	88,009	1.0	
		JPR Hakata Bldg.	26	87.7	157,214	1.9	26	81.5	144,595	1.7	
		JPR Naha Bldg.	14	84.6	99,297	1.2	16	95.3	101,315	1.2	
		NORTH 33 Bldg.	23	96.9	174,580	2.1	23	95.5	168,978	2.0	
		Park East Sapporo (Note 2)	—	—	102,106	1.2	—	—	—	—	
		Sompo Japan Sendai Bldg.	13	94.2	194,448	2.3	15	97.1	197,319	2.3	
		Sompo Japan Wakayama Bldg.	16	91.6	112,813	1.3	17	95.1	114,903	1.3	
		Tenjin 121 Bldg.	12	88.1	112,292	1.3	14	91.5	109,757	1.3	
		SK Hiroshima Building (Note 2)	—	—	28,872	0.3	—	—	—	—	
		JPR Nagoya Sakae Bldg.	20	100.0	230,029	2.7	21	100.0	218,083	2.5	
		Dojima F Bldg.	9	84.9	121,420	1.5	11	100.0	118,205	1.4	
		Semba Fukuoka Bldg.	5	87.5	82,627	1.0	6	100.0	82,344	1.0	
		UFJ Central Leasing Head Office Bldg.	1	100.0	193,754	2.3	1	100.0	190,710	2.2	
	Other Cities	Retail	JPR Umeda Loft Bldg.	1	100.0	402,413	4.8	1	100.0	402,413	4.7
Strasse Ichibancho			1	100.0	128,388	1.5	1	100.0	128,388	1.5	
Benetton Shinsaibashi Bldg.			1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)	
Housing Design Center Kobe			1	100.0	(Note 3)	(Note 3)	1	100.0	(Note 3)	(Note 3)	
<b>Total</b>			441	97.2	8,372,711	100.0	462	98.0	8,552,819	100.0	

(Note 1) The number of tenants at end of period is counted as follows except for Shinjuku Square Tower: when a single tenant leases multiple rooms, it is counted as one if the tenant uses the same property. If the leased rooms are in multiple buildings, the tenant is counted in plural.

(Note 2) The SK Hiroshima Building and the Park East Sapporo were sold on September 27, 2005 and November 30, 2005 respectively.

(Note 3) The tenant to whom the entire building is leased has not agreed to our disclosing rents and other information. Therefore, JPR does not disclose them as it falls on case in which disclosure is impossible due to inevitable reasons.

## B. Details of Investment Securities Acquired as Properties

Securities Name	Asset Type	Units	Book Value		Appraisal Value		Gains or Losses from Valuation	Remarks
			Unit Price (yen)	Value (yen)	Unit Price (yen)	Value (yen)		
Kawasaki Dice TMK	Preferred securities	8,490 units	183,564	1,558,460,000	183,564	1,558,460,000	—	(Note 1) (Note 2)

(Note 1) The appraisal value of the preferred securities are their acquisition cost.

(Note 2) JPR owns 8,490 units from 84,900 units of preferred securities issued by Kawasaki Dice TMK (with preferred securities of 10.0%).

### (4) Status of Other Properties

Beneficiary interests with real estate as major entrusted properties have been entered in the Real Estate and other Acquired Properties in the previous page.

## Capital Expenditures of Owned Real Estate

### (1) Planned Capital Expenditures

The following are major items of capital expenditures for currently planned renovations, etc, for JPR-owned real estate and entrusted real estate regarding beneficiary interests in real estate. Further, the planned construction expenses include portions that are classified as expenses in accounting.

Property Name	Location	Purpose	Schedule	Planned (millions of yen)		
				Total Value	Payment during the 9th fiscal Period	Amount Already Paid
Housing Design Center Kobe	Kobe City, Hyogo	Renewal of exterior repair seals	Aug. 2006~ Dec. 2006	108	—	—
JPR Hakata Bldg.	Fukuoka City, Fukuoka	Replacement of 9th - 11th floor air-conditioning units	Aug. 2006~ Dec. 2006	104	—	—
Shin-Kojimachi Bldg.	Chiyoda Ward, Tokyo	Renewal of second floor	June 2006~ July 2006	31	—	—
JPR Umeda Loft Bldg.	Osaka City, Osaka	Repairs of 4th and 5th floor toilets	June 2006~ July 2006	28	—	—
UFJ Central Leasing Head Office Bldg.	Nagoya City, Aichi	Renewal of exterior repair seals	Aug. 2006~ Nov. 2006	21	—	—
Sompo Japan Wakayama Bldg.	Wakayama City, Wakayama	Interior renewal of common area	Aug. 2006~ Dec. 2006	18	—	—
JPR Chiba Bldg.	Chiba City, Chiba	Repairs of 2nd, 4th, 6th and 8th floor toilets	Aug. 2006~ Nov. 2006	16	—	—

### (2) Capital Expenditures during the 9th Period

The following are the capital expenditure amounts JPR invested in real estate and entrusted real estate during the 9th period. Among major capital expenditures are renovations in an effort to maintain and enhance tenant satisfaction as well as improvements to common-use areas and the installation of office automation floors for leased offices with the aim of attracting new tenants. Besides, JPR conducted construction of 170 million yen (\*), which was appropriated as expenditures for repair and maintenance, aside from these constructions.

Property Name	Location	Purpose	Period	Construction Expenses (millions of yen)
JPR Chiba Bldg.	Chiba City, Chiba	Renewal of air conditioner and heating and cooling water generator	Mar. 2006 ~ Apr. 2006	50
JPR Umeda Loft Bldg.	Osaka City, Osaka	Repairs of 6th, 7th and 8th floor toilets	Mar. 2006 ~ June 2006	37
JPR Chiba Bldg.	Chiba City, Chiba	Repairs of 1st, 3rd, 5th and 7th floor toilets	Apr. 2006 ~ June 2006	16
NORTH 33 Bldg.	Sapporo City, Hokkaido	Interior renewal of common area	Mar. 2006 ~ May 2006	10
Other Properties	Repairs of common area, installation of office automation floors, preparation of parking lots, air conditioners and disaster prevention facilities			198
Total				314

\* Expenditures for repair and maintenance included 4,000,000 yen of construction management fees paid to construction management companies as well as the amounts for repair and maintenance constructions themselves.

### (3) Amounts Reserved for Long-Term Repairs and Maintenance Plans

JPR has deposited the following amounts from the redundant cash flow (including one accompanying internal reserve of profits) such as depreciation in order to conduct large-scale repairs and maintenance work, based on long-term repairs and maintenance plans for individual properties.

(Millions of yen)

Operation Period	5th Fiscal Period (Jan. 1, 2004 ~ June 30, 2004)	6th Fiscal Period (July 1, 2004 ~ Dec. 31, 2004)	7th Fiscal Period (Jan. 1, 2005 ~ June 30, 2005)	8th Fiscal Period (July 1, 2005 ~ Dec. 31, 2005)	9th Fiscal Period (Jan. 1, 2006 ~ June 30, 2006)
Balance of deposits at end of previous period	640	750	850	716	667
Deposits during the period	220	220	43	228	141
Amounts used from deposits during the period	110	120	177	277	130
Deposits carried forward to the next period	750	850	716	667	678

## Expenses and Liabilities

### (1) Details of Expenses Related to Management

(Thousands of yen)

Item	8th Fiscal Period (July 1, 2005 - Dec. 31, 2005)	9th Fiscal Period (Jan. 1, 2006 - June 30, 2006)
(a) Asset Management Fees	¥ 345,844	¥ 350,947
Fixed compensation	¥ 75,000	¥ 75,000
Incentive-based compensation 1	¥ 165,728	¥ 169,249
Incentive-based compensation 2	¥ 105,115	¥ 106,697
(b) Administrative Service and Custodian Fees	¥ 73,471	¥ 68,880
(c) Directors' Fee	¥ 5,700	¥ 5,700
(d) Trust Fees	¥ 52,288	¥ 50,561
(e) Other Expenses	¥ 81,069	¥ 75,316
<b>Total</b>	<b>¥ 558,374</b>	<b>¥ 551,405</b>

### (2) Status of Borrowings

As of June 30, 2006, JPR has the following borrowings.

Category	Lender	Drawdown Date	Balance as of December 31, 2005 (millions of yen)	Balance as of June 30, 2006 (millions of yen)	Average Interest Rate (%) (Note 1) (Note 2)	Repayment Date	Repayment Method	Use	Remarks
Short-Term Borrowings	Mitsubishi UFJ Trust and Banking Corp.	Sept. 27, 2005	5,000	5,000	0.359	Sept. 27, 2006	Principal lump sum repayment on maturity	(Note 3)	Unsecured/ Unguaranteed/ Non-subordinated
		Mar. 30, 2006	—	1,000	0.435	July 5, 2006			
	Shinsei Bank, Ltd.	Sept. 27, 2005	1,500	1,500	0.358	July 5, 2006			
		Mar. 30, 2006	—	1,500	0.385	July 5, 2006			
	The Hachijuni Bank, Ltd.	Sept. 27, 2005	1,000	1,000	0.369	Sept. 27, 2006			
	Mizuho Corporate Bank, Ltd.	Mar. 23, 2006	—	1,000	0.435	July 5, 2006			
	Aozora Bank, Ltd.	Mar. 23, 2006	—	1,000	0.435	July 5, 2006			
	Resona Bank, Limited	Mar. 23, 2006	—	1,000	0.435	July 5, 2006			
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mar. 23, 2006	—	1,000	0.435	July 5, 2006			
<b>Total</b>			7,500	14,000					
Current Portion of Long-Term Borrowings	Sompo Japan Insurance Inc.	Mar. 25, 2004	—	1,000	0.873	Mar. 23, 2007	Principal lump sum repayment on maturity	(Note 3)	Unsecured/ Unguaranteed/ Non-subordinated
	Nippon Life Insurance Company	Mar. 31, 2005	—	2,000	0.493	Apr. 13, 2007			
	The Bank of Fukuoka, Ltd.	Apr. 11, 2005	—	2,000	0.478	Apr. 11, 2007			
	The Chugoku Bank, Ltd.	Apr. 11, 2005	—	1,500	0.478	Apr. 11, 2007			
	The Iyo Bank, Ltd.	Apr. 11, 2005	—	1,000	0.478	Apr. 11, 2007			
	The Chuo Mitsui Trust and Banking Company, Limited	Dec. 27, 2001	6,500	6,500	1.234	Dec. 27, 2006			
	Sumitomo Life Insurance Company	Dec. 27, 2001	6,500	6,500	1.234	Dec. 27, 2006			
	Aozora Bank, Ltd.	June 19, 2002	1,000	1,000	1.295	Dec. 27, 2006			
	Resona Bank, Limited	June 19, 2002	1,000	1,000	1.295	Dec. 27, 2006			
<b>Total</b>			15,000	22,500					
Long-Term Borrowings	Sompo Japan Insurance Inc.	Mar. 25, 2004	1,000	—	0.873	Mar. 23, 2007	Principal lump sum repayment on maturity	(Note 3)	Unsecured/ Unguaranteed/ Non-subordinated
	Nippon Life Insurance Company	Mar. 31, 2005	2,000	—	0.493	Apr. 13, 2007			
	The Bank of Fukuoka, Ltd.	Apr. 11, 2005	2,000	—	0.478	Apr. 11, 2007			
	The Chugoku Bank, Ltd.	Apr. 11, 2005	1,500	—	0.478	Apr. 11, 2007			
	The Iyo Bank, Ltd.	Apr. 11, 2005	1,000	—	0.478	Apr. 11, 2007			
	Zenkyoren (The National Mutual Insurance Federation of Agricultural Cooperatives)	Nov. 24, 2005	5,000	5,000	1.453	Nov. 27, 2012			
	Meiji Yasuda Life Insurance Company	Dec. 27, 2001	4,783	4,783	1.700	Dec. 26, 2008			
		June 21, 2002	4,783	4,783	2.050	June 21, 2011			
		Mar. 28, 2003	4,400	4,400	1.750	Mar. 28, 2013			
<b>Total</b>			26,466	18,966					

(Note 1) The average interest rates are weighted-average figures during the period and are rounded to the third decimal point. Furthermore, fees related to loan arrangement paid to the above lenders are not included.

(Note 2) Short-term borrowings are floating-rate borrowings. Long-term borrowings are fixed-rate borrowings.

(Note 3) Funds are mainly used for purchasing real estate or real estate beneficiary interest in trust (including accompanying expenses) and repaying borrowings.

### (3) Corporate Bonds

Details of corporate bonds outstanding as of June 30, 2006 are as follows.

	Issue Date	Balance as of Dec. 31, 2005 (millions of yen)	Balance as of June 30, 2006 (millions of yen)	Coupon Rate (per annum)	Maturity Date	Redemption	Use	Remarks
First Series of Corporate Bonds	Feb. 12, 2004	10,000	10,000	0.84	Feb. 12, 2008	Bullet payment	(Note 1)	(Note 2)
Second Series of Corporate Bonds	Feb. 12, 2004	7,000	7,000	1.38	Feb. 12, 2010			(Note 4)
Third Series of Corporate Bonds	Feb. 12, 2004	5,000	5,000	2.32	Feb. 12, 2014			
Fourth Series of Corporate Bonds	Nov. 4, 2004	10,000	10,000	0.92	Nov. 4, 2009			(Note 3)
Fifth Series of Corporate Bonds	Nov. 4, 2004	5,000	5,000	1.44	Nov. 4, 2011			(Note 4)
Sixth Series of Corporate Bonds	Nov. 4, 2004	5,000	5,000	2.00	Nov. 4, 2014			
<b>Total</b>		<b>42,000</b>	<b>42,000</b>					

(Note 1) The corporate bonds are mainly used for purchasing real estate or real estate beneficiary interest in trust (including accompanying expenses) and repaying borrowings.

(Note 2) These are equipped with a same rank rider limited among corporate bonds, and with limitations on private placement among small number of investors and on resale among qualified institutional investors.

(Note 3) These are equipped with a same rank rider limited among corporate bonds and limitations on resale among qualified institutional investors.

(Note 4) Redemption through purchasing is possible at any time on and after the next day of the issuance date.



## Acquisition and Sale during the 9th Fiscal Period

### (1) Acquisition and Sale of Real Estate and Asset-Backed Securities

Type of Asset	Real Estate Name	Acquisition		Sale					
		Acquired Date	Acquisition Price (thousands of yen) (Note)	Sale Date	Sale Price (A) (thousands of yen) (Note)	Book Value (B) (thousands of yen)	Difference (C) (A) - (B) (thousands of yen)	Sale Expenses (D) (thousands of yen)	Sale Profit and Loss (C) - (D) (thousands of yen)
Real Estate	Cupo-la Main Building	Mar. 31, 2006	2,100,000	—	—	—	—	—	—
Beneficiary Interest in Real Estate	JPR Jingumae 432	Mar. 24, 2006	4,460,000	—	—	—	—	—	—
Total			6,560,000	—	—	—	—	—	—

(Note) Values of "acquisition price" or "sale price" are amounts (transaction price indicated in the transaction contract) excluding expenses (such as real estate transaction brokerage fees) required for acquisition or sale of the relevant real estate.

### (2) Acquisition and Sale of Other Assets

There were no acquisitions or sales of other assets.

### (3) Survey on Values of Specified Assets, etc.

Acquisition or Sale	Real Estate Name	Transaction Date	Acquisition Price or Sale Price (Note 1) (thousands of yen)	Survey Value of Specified Assets (Note 2) (thousands of yen)
Acquisition	JPR Jingumae 432	Mar. 24, 2006	4,460,000	4,460,000
Acquisition	Cupo-la Main Building	Mar. 31, 2006	2,100,000	2,420,000

(Note 1) Values of "acquisition price or sale price" are amounts (transaction price indicated in the transaction contract) excluding expenses (such as real estate transaction brokerage fees) required for acquisition or sale of the relevant real estate.

(Note 2) Surveys on the values of specified assets indicated above were conducted by Ernst & Young ShinNihon at times of acquisition or sale of properties based on the Report No. 23, "surveys on values of specified assets of investment trusts and investment corporations," issued by the Industry Audit Committee of the Japanese Institute of Certified Public Accountants. Besides, aside from the value surveys shown above, JPR has received survey reports on locations, addresses and other items needed for identifying relevant real estate.

### (4) Transactions with Interested Parties and Major Shareholders

#### A. Transaction Status

(Thousands of yen)

	Transaction Price, etc.	
	Purchase Price, etc.	Sale Price, etc.
Total Amount	¥ 6,560,000 Of which, purchase price from interested parties, etc. ¥ 2,100,000 (32.0%)	— Of which, sales price to interested parties, etc. — (-%)
Breakdown of Transactions with Interested Parties, etc.		
Taisei Corporation	¥ 2,100,000 (100.0%)	— (-%)
Total	¥ 2,100,000 (100.0%)	— (-%)

## B.Values of Fee Expenses

(Thousands of yen)

	Total Paid Fees (A)	Breakdown of Transactions with Interested Parties		Ratio to Total Amount (B/A) (Percent of total)
		Paid Party	Paid Amount (B)	
Management Fees (Note 2)	177,101	Tokyo Tatemono Co., Ltd.	120,687	68.1
		Yasuda Real Estate Co., Ltd.	8,174	4.6
		Meiji Yasuda Building Management, Co., Ltd.	20,503	11.6
		Sompo Japan Building Management, Co., Ltd.	10,182	5.7
Outsourcing Fees	456,304	Tokyo Tatemono Co., Ltd.	299,311	65.6
		Yasuda Real Estate Co., Ltd.	25,706	5.6
		Meiji Yasuda Building Management, Co., Ltd.	44,758	9.8
		Sompo Japan Building Management, Co., Ltd.	28,970	6.3
Tenant Brokerage Fees, etc.	21,093	Tokyo Tatemono Co., Ltd.	15,710	74.5
		Yasuda Real Estate Co., Ltd.	2,340	11.1
		Meiji Yasuda Building Management, Co., Ltd.	2,182	10.3
		Sompo Japan Building Management, Co., Ltd.	675	3.2

(Note 1) Among the interest parties of the asset management company who has concluded an asset management agreement with JPR and is regulated in Article 20 of the Enforcement Order of the Investment Trusts and Investment Corporations Law and the major shareholders of the asset management company regulated in Article 9-3 of the Investment Trusts and Investment Corporations Law, those who had transactions with JPR during the 9th fiscal period are Tokyo Tatemono Co., Ltd., Tokyo Tatemono Techno-build Co.,Ltd., Taisei Corporation, Yasuda Real Estate Co., Ltd., Meiji Yasuda Building Management, Co., Ltd., and Sompo Japan Building Management, Co., Ltd.

(Note 2) The management fees indicated in the above table include construction management fee (total of 10,408 thousand yen for JPR) appropriated as assets and not handled as expenses.

(Note 3) Aside from transactions indicated in the above table, JPR paid the following amounts for repairs, etc. conducted by the parties indicated during the 9th fiscal period.

Tokyo Tatemono Co., Ltd.	293,549 thousand yen
Tokyo Tatemono Techno-build Co., Ltd.	16,190 thousand yen
Yasuda Real Estate Co., Ltd.	7,421 thousand yen
Meiji Yasuda Building Management, Co., Ltd.	9,523 thousand yen
Sompo Japan Building Management, Co., Ltd.	18,891 thousand yen

## (5) Transactions with the Asset Management Company regarding Concurrent Work Conducted by the Asset Management Company

Tokyo Realty Investment Management, Inc., the asset management company of JPR, does not concurrently conduct securities business, land and building transaction business, or real estate syndication business, and has no such transactions with JPR.

## **Overview of Accounting**

### **(1) Assets, Liabilities, Principal and Profits and Loss**

Please refer to the Balance Sheet and Statement of Income.

### **(2) Changes in Calculation Method of Depreciation**

No change has been made.

### **(3) Changes in Valuation Method of Real Estate**

No change has been made.

## **Other**

### **(1) Notice**

During the 9th fiscal period, there was no issue related to conclusion or change of major contracts approved by JPR's Board of Directors meeting.

### **(2) Other**

Unless otherwise stated, figures indicated in this Business Report are rounded off for values and rounded up for ratios to the last figure. The aggregation of each individual item will not add up to the total from hereon.

## Balance Sheets

(As of June 30, 2006 and December 31, 2005)

(Thousands of yen)

	End of 9th Fiscal Period (June 30, 2006)	End of 8th Fiscal Period (information only) (December 31, 2005)	% Change
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and bank deposits	¥ 10,478,692	¥ 10,875,646	
Entrusted cash and deposits	13,600,136	13,035,294	
Rental receivables	157,002	126,225	
Prepaid expenses	97,900	145,600	
Deferred tax assets	467	676	
Other current assets	11,506	—	
<b>Total Current Assets</b>	<b>24,345,705</b>	<b>24,183,444</b>	<b>0.67%</b>
<b>FIXED ASSETS: PROPERTY AND EQUIPMENT:</b>			
Buildings	16,316,514	14,828,967	
Entrusted buildings	71,065,665	70,282,732	
Structures	4,714	3,830	
Entrusted structures	68,034	62,512	
Machinery and equipment	148,754	141,734	
Entrusted machinery and equipment	1,332,492	1,326,357	
Tools, furniture and fixtures	12,310	8,416	
Entrusted tools, furniture and fixtures	58,466	49,647	
Land	23,036,551	22,309,882	
Entrusted land	103,665,465	99,611,067	
Construction in progress	3,853	5,433	
Entrusted construction in progress	200	—	
Less: accumulated depreciation	(10,169,358 )	(8,608,682 )	
<b>Net Property and Equipment</b>	<b>205,543,666</b>	<b>200,021,898</b>	<b>2.76%</b>
<b>Intangible Assets:</b>			
Other intangible assets	5,969	6,467	
<b>Total Intangible Assets</b>	<b>5,969</b>	<b>6,467</b>	<b>( 7.70% )</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities	1,558,460	1,558,460	
Deposits	10,100	10,100	
Long-term prepaid expenses	—	292	
Other	250	250	
<b>Total Investments and Other Assets</b>	<b>1,568,810</b>	<b>1,569,102</b>	<b>( 0.02% )</b>
<b>Total Fixed Assets</b>	<b>207,118,445</b>	<b>201,597,468</b>	<b>2.74%</b>
<b>Deferred Assets:</b>			
Corporate bond issuance costs	59,149	101,263	
<b>Total Deferred Assets</b>	<b>59,149</b>	<b>101,263</b>	<b>( 41.59% )</b>
<b>TOTAL ASSETS</b>	<b>¥ 231,523,301</b>	<b>¥ 225,882,175</b>	<b>2.50%</b>

(Note) See accompanying Notes to Financial Statements

(Thousands of yen)

	End of 9th Fiscal Period (June 30, 2006)	End of 8th Fiscal Period (information only) (December 31, 2005)	% Change
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Trade accounts payable	¥ 785,828	¥ 782,906	
Short-term borrowings	14,000,000	7,500,000	
Current portion of long-term borrowings	22,500,000	15,000,000	
Other accounts payable	441,179	435,459	
Accrued expenses	169,453	165,059	
Accrued income taxes	773	1,159	
Accrued consumption taxes	147,979	223,857	
Rent received in advance	946,386	921,591	
<b>Total Current Liabilities</b>	<b>38,991,600</b>	<b>25,030,033</b>	<b>55.78%</b>
<b>LONG-TERM LIABILITIES:</b>			
Corporate bonds	42,000,000	42,000,000	
Long-term borrowings	18,966,000	26,466,000	
Leasehold and security deposits received	2,718,246	3,739,949	
Entrusted leasehold and security deposits received	9,965,983	9,816,551	
<b>Total Long-Term Liabilities</b>	<b>73,650,230</b>	<b>82,022,500</b>	<b>( 10.21% )</b>
<b>TOTAL LIABILITIES</b>	<b>112,641,830</b>	<b>107,052,534</b>	<b>5.22%</b>
<b>UNITHOLDERS' EQUITY:</b>			
Unitholders' capital 5,000,000 units authorized 530,000 units issued and outstanding	115,431,503	115,431,503	
Retained earnings	3,449,967	3,398,137	
<b>TOTAL UNITHOLDERS' EQUITY</b>	<b>118,881,470</b>	<b>118,829,641</b>	<b>0.04%</b>
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	<b>¥ 231,523,301</b>	<b>¥ 225,882,175</b>	<b>2.50%</b>

(Note) See accompanying Notes to Financial Statements

## Statements of Income and Retained Earnings

(For the six-month periods ended June 30, 2006 and December 31, 2005)

(Thousands of yen)

	9th Fiscal Period (Jan.1, 2006-June 30, 2006)	8th Fiscal Period (information only) (July 1, 2005-Dec.31, 2005)	% Change
<b>OPERATING REVENUES:</b>	¥ 8,588,774	¥ 8,587,373	0.02%
Real estate rental revenues	8,552,819	8,372,711	
Gain on sale of real estate	—	214,662	
Dividends received	35,955	—	
<b>OPERATING EXPENSES:</b>	4,564,632	4,602,617	( 0.83% )
Real estate rental expenses	4,013,227	4,044,243	
Asset management fees	350,947	345,844	
Administrative service and custodian fees	68,880	73,471	
Directors' fee	5,700	5,700	
Trust fees	50,561	52,288	
Other operating expenses	75,316	81,069	
<b>OPERATING PROFITS</b>	4,024,141	3,984,756	0.99%
<b>NON-OPERATING REVENUES:</b>	67,432	13,805	388.46%
Interest income	93	96	
Income on settlement of management association accounts	60,249	—	
Other non-operating revenues	7,089	13,709	
<b>NON-OPERATING EXPENSES:</b>	640,847	599,292	6.93%
Interest expense	296,526	264,210	
Loan arrangement fees	18,241	5,957	
Interest expense on corporate bonds	277,882	281,358	
Amortization of corporate bond issuance costs	42,113	42,113	
Other non-operating expenses	6,083	5,651	
<b>Recurring Profits</b>	3,450,727	3,399,269	1.51%
<b>Income Before Income Taxes</b>	3,450,727	3,399,269	1.51%
Current income taxes	858	1,178	
Deffered income taxes	208	( 6 )	
<b>NET INCOME</b>	3,449,659	3,398,097	1.52%
<b>RETAINED EARNINGS BROUGHT FORWARD</b>	307	39	687.18%
<b>RETAINED EARNINGS AT END OF PERIOD</b>	¥ 3,449,967	¥ 3,398,137	1.53%

(Note) See accompanying Notes to Financial Statements

## Statement of Changes in Unitholders' Equity

(For the six-month period ended June 30, 2006)

(Thousands of yen)

	Unitholders' capital	Retained earnings	Total
<b>Balance as of Jan. 1, 2006</b>	¥ 115,431,503	¥ 3,398,137	¥ 118,829,641
<b>Changes during the period</b>		51,829	51,829
Cash distributions paid		(3,397,830)	(3,397,830)
Net Income		3,449,659	3,449,659
<b>Balance as of June 30, 2006</b>	¥ 115,431,503	¥ 3,449,967	¥ 118,881,470

(Note) See accompanying Notes to Financial Statements

# Notes to Financial Statements

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## Basis of Presenting Financial Statements

Japan Prime Realty Investment Corporation (“JPR”) maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Law, the Company Law and the related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are basically a translation of the financial statements of JPR, which were prepared in accordance with Japanese GAAP, the Investment Trust Laws and the related regulations. 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.

JPR’s accounting period ends at the end of June and December. JPR’s 9th accounting period began on January 1, 2006 and ended on June 30, 2006.

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## Significant Accounting Policies

### 1. Assets Valuation Standards and Methods

Investment securities include other securities. Other securities without market value are stated on a cost basis using the moving-average method.

### 2. Depreciation Method for Property and Equipment

#### (1) Property and Equipment (including entrusted properties)

Depreciation is calculated using the straight-line method. The estimated useful lives of major property and equipment range are as follows:

Buildings .....	3 - 65 years
Structures .....	10 - 20 years
Machinery and equipment .....	3 - 17 years
Tools, furniture and fixtures .....	5 - 15 years

Assets with acquisition prices of 100,000 yen or more but less than 200,000 yen are depreciated in three years based on the Corporation Tax Law.

#### (2) Intangible Assets

Intangible assets are depreciated utilizing the straight-line method.

### 3. Accounting for Deferred Assets

Corporate bond issuance costs are depreciated over three years, with an equal amount depreciated in each fiscal period.

### 4. Standards for Recording Revenues and Expenses

#### Accounting treatment of Taxes on Properties and Equipment

In connection with property taxes, city planning taxes and depreciated asset taxes, JPR adopt the method of charging the corresponding amounts of assessed taxes to the current fiscal period as real estate rental expenses. Furthermore, JPR included an amount equivalent to the property tax paid to the sellers during the first fiscal period as an acquisition cost in connection with the acquisition of real estate or entrusted beneficiary interest with real estate as entrusted property. During the 9th fiscal period, the amount equivalent to the property taxes included as an acquisition cost of real estate totaled 8,322 thousand yen.



## 5. Other Significant Items Fundamental to Preparing the Financial Statements

### (1) Accounting Policies on Trust Beneficiary Interests in Real Estate as Entrusted Property

Regarding trust beneficiary interests in real estate, all asset and liability accounts of entrusted properties as well as all revenue and expense accounts generated by the entrusted property are recorded in relevant accounts on the balance sheet and statement of income.

Furthermore, the following material accounts are separately stated in the balance sheet for entrusted properties recorded in relevant accounts.

- a. Entrusted cash and deposits
- b. Entrusted buildings, entrusted structures, entrusted machinery and entrusted equipment, tools, furniture and fixtures, entrusted land and entrusted construction in progress
- c. Entrusted leasehold and security deposits received

### (2) Accounting for Consumption Taxes

National and local consumption taxes are accounted with the consumption taxes excluded.

## Notes to Balance Sheets

	9th Fiscal Period (as of June 30, 2006)	8th Fiscal Period (information only) (as of Dec.31, 2005)
(Thousands of yen)		
<b>1. Assets Pledged as Collateral and Secured Liabilities</b>		
Assets pledged as collateral are as follows		
Entrusted deposits	¥ 5,955,605	¥ 5,885,258
Entrusted buildings	23,033,094	23,444,992
Entrusted structures	30,750	31,619
Entrusted machinery and equipment	200,209	215,672
Entrusted tools, furniture and fixtures	20,402	17,845
Entrusted Land	35,821,302	35,821,302
<b>Total</b>	<b>¥ 65,061,363</b>	<b>¥ 65,416,690</b>

	9th Fiscal Period (as of June 30, 2006)	8th Fiscal Period (information only) (as of Dec.31, 2005)
(Thousands of yen)		
Secured liabilities are as follows		
Current portion of long-term borrowings	¥ 15,000,000	¥ 15,000,000
Long-term borrowings	13,966,000	13,966,000
<b>Total</b>	<b>¥ 28,966,000</b>	<b>¥ 28,966,000</b>

### 2. Balance of Unused Commitment Line

JPR has executed a commitment line agreement with its principal banks to minimize refinancing risks and enhance financial stability.

	9th Fiscal Period (as of June 30, 2006)	8th Fiscal Period (information only) (as of Dec.31, 2005)
(Thousands of yen)		
Contract execution date	December 1, 2005	December 1, 2005
Credit limit	¥ 20,000,000	¥ 20,000,000
Outstanding debt at the end of the period	—	—
Unused commitment line at the end of the period	¥ 20,000,000	¥ 20,000,000

### 3. Minimum Total Unitholders' Equity Designated in Article 67-4 in the Investment Trust and Investment Corporation Law

	9th Fiscal Period (as of June 30, 2005)	8th Fiscal Period (information only) (as of Dec.31, 2005)
(Thousands of yen)		
	¥ 50,000	¥ 50,000

## Notes to Statement of Income

### 1. Breakdown of Real Estate Rental Revenues and Expenses

A. Real Estate Rental Revenues	9th Fiscal Period	(Thousands of yen) 8th Fiscal Period
	(Jan.1, 2006-June30, 2006)	(information only) (July 1, 2005-Dec.31, 2005)
Rental revenues		
Rents	¥ 6,450,655	¥ 6,182,585
Common charges	1,381,089	1,374,408
Parking revenues	208,516	203,751
Advertising expenses	11,886	11,257
Antenna use fees	7,793	7,776
Other	12,689	13,179
Sub total	8,072,631	7,792,957
Other rental revenues		
Incidental income	425,901	516,675
Time-based parking revenues	9,051	8,830
Cancellation charges	9,752	9,695
Income equivalent to expenses for restoration to as is condition	11,770	27,419
Other miscellaneous income	23,711	17,133
Sub total	480,188	579,753
Total real estate rental income	¥ 8,552,819	¥ 8,372,711
B. Real Estate Rental Expenses		
Rental expenses		
Outsourcing expenses	¥ 456,304	¥ 484,909
Utilities expenses	472,936	545,835
Property and other taxes	745,563	682,687
Casualty insurance	33,879	38,987
Repairs and maintenance	165,731	182,611
Property management fees	166,693	166,359
Management association accounts	355,207	345,290
Depreciation	1,560,732	1,531,773
Other	56,177	65,787
Real estate rental expenses	¥ 4,013,227	¥ 4,044,243
C. Profits (A-B)	¥ 4,539,591	¥ 4,328,467

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## Notes to Statements of Changes in Unitholders' Equity

The number of units outstanding for the 9th period is 530,000 units.

## Tax Effect Accounting

1. Breakdown of Main Causes for Deferred Tax Assets and Deferred Tax Liabilities		(Thousands of yen)	
(Deferred tax assets)	9th Fiscal Period	8th Fiscal Period	
	(Jan.1, 2006-June30, 2006)	(July 1, 2005-Dec.31, 2005)	(information only)
Enterprise tax not deductible for income tax purposes	¥ 61		¥ 28
Lump-sum depreciated assets not deductible for tax purposes	406		648
Total deferred tax assets	467		676
Net deferred tax assets	¥ 467		¥ 676

2. Breakdown of Main Items that caused Differences between the Effective Statutory Tax Rate and the Effective Tax Rate after Applying Tax Effect Accounting		9th Fiscal Period	8th Fiscal Period
	(Jan.1, 2006-June30, 2006)	(July 1, 2005-Dec.31, 2005)	(information only)
Effective statutory tax rate	39.39%		39.39%
(Adjustment)			
Deductible cash distributions	(39.38%)		(39.37%)
Other	0.02%		0.01%
Effective tax rate after applying tax effect accounting	0.03%		0.03%

## Property and Equipment Leased to JPR

JPR does not have any property or equipment leased to JPR for the 9th period.

## Transactions with Interested Parties

JPR has no transactions with interested parties during the 9th period requiring disclosures.

## Per Unit Information

	(Yen)
Total unitholders' equity per unit	¥ 224,304
Net income per unit	¥ 6,508

Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during the current fiscal period.

Diluted net income per unit has not been presented since no warrants and convertible bonds are outstanding.

(Note) Net income per unit for the 9th period was calculated based on the following data:

	(Thousands of yen)
Net income for the 9th period	¥ 3,449,659
Amounts not attributable to ordinary unitholders	—
Net income attributable to ordinary investment units	¥ 3,449,659
Average number of units during the 9th period	530,000 units

## Subsequent Events

### Appropriation of retained earnings

On August 22, 2006, the Board of Directors resolved to effect the payment of a cash distribution of 6,509 yen per share aggregating 3,449,770,000 yen to unitholders at the record date of June 30, 2006.

### Sales of properties

As of July 26, 2006, JPR decided to sell the following properties in accordance with JPR's investment policy stipulated in its regulations.

The sale price does not include the prorated amounts for property taxes and city planning taxes as well as consumption taxes.

Details of the buyer have not been disclosed at the request of the buyer.

#### Tsurumi fuga 1 and JPR Takamatsu Bldg.

a) Asset type	Trust beneficiary interest in real estate
b) Sale price	5,800 million yen
c) Contract date	July 26, 2006
d) Settlement date	January 11, 2007
e) Impact on profit and loss	JPR plans to record a gain on sale of properties in the amount of approximately 535 million yen in capital as operating revenues during the 11th period (January 1, 2007-June 30, 2007).

## Distribution Information

	9th Fiscal Period (Jan.1, 2006-June30, 2006)	8th Fiscal Period (information only) (July 1, 2005-Dec.31, 2005)
1. Retained earnings at end of period	¥ 3,449,967,136	¥ 3,398,137,679
2. Cash distributions	3,449,770,000	3,397,830,000
(Distribution per unit)	(6,509)	(6,411)
3. Retained earnings carried forward	¥ 197,136	¥ 307,679

In accordance with the distribution policy stipulated in Article 28-2 of the Articles of Incorporation, JPR will be able to distribute only to the extent of the profits and needs to distribute in excess of 90% of JPR's distributable income as stipulated in Article 67-15 of the Special Taxation Measures Law. Based on this policy, JPR decided on a total distribution of 3,449,770,000 yen for the 9th fiscal period (3,397,830,000 yen for 8th fiscal period). This is the maximum value arrived at when the number of units outstanding (530,000 units) is multiplied by an integer, within the limit of retained earnings for the respective fiscal period. Furthermore, JPR does not make cash distributions in excess of the profit as stipulated in Article 28-4 of the Articles of Incorporation.

## Report of Independent Auditors

### Report of Independent Auditors

The Board of Directors and Unitholders  
Japan Prime Realty Investment Corporation

We have audited the accompanying balance sheet of Japan Prime Realty Investment Corporation as of June 30, 2006, and the related statement of income and retained earnings, and changes in unitholders' equity for the six-month period then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Prime Realty Investment Corporation at June 30, 2006, and the results of its operations for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

August 21, 2006

*Ernst & Young Shin Nihon*

## Statements of Cash Flows (Information Only)

(For the six-month period ended June 30, 2006 and December 31, 2005)

(Thousands of yen)

	9th Fiscal Period (Jan.1, 2006-June 30, 2006)	8th Fiscal Period (July 1, 2005-Dec.31, 2005)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income taxes	¥ 3,450,727	¥ 3,399,269
Depreciation	1,561,173	1,531,780
Amortization of corporate bond issuance costs	42,113	42,113
Interest income	(93)	(96)
Interest expense	574,408	545,569
(Increase) decrease in rental receivables	(30,776)	60,629
Decrease in consumption tax refundable	—	51,772
Decrease (increase) in prepaid expenses	47,699	(57,344)
Increase (decrease) in trade accounts payable	93,398	(302,858)
Increase in other accounts payable	13,539	2,605
(Decrease) increase in accrued consumption taxes	(75,878)	223,857
Increase in rental received in advance	24,795	71,458
Decrease in entrusted fixed properties due to sale	—	3,154,113
Change in other current assets/liabilities	(45,793)	(27,286)
Subtotal	5,655,314	8,695,586
Interest received	93	96
Interest paid	(570,014)	(541,524)
Income taxes paid	(1,159)	(1,617)
<b>Net cash provided by operating activities</b>	<b>5,084,234</b>	<b>8,152,540</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(2,204,753)	(7,583,649)
Purchases of entrusted property and equipment	(4,968,166)	(1,163,463)
Purchases of intangible assets	—	(3,583)
Purchases of investment securities	—	(1,558,460)
Payment of leasehold and security deposits received	(1,210,549)	(147,309)
Proceeds from leasehold and security deposits received	196,265	1,914,214
Payment of entrusted leasehold and security deposits received	(124,217)	(474,687)
Proceeds from entrusted leasehold and security deposits received	291,048	545,429
<b>Net cash used in investing activities</b>	<b>(8,020,372)</b>	<b>(8,471,509)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowings	6,500,000	7,500,000
Repayment of short-term borrowings	—	(5,200,000)
Proceeds from long-term borrowings	—	5,000,000
Distributions to unitholders	(3,395,973)	(3,374,217)
<b>Net cash provided by financing activities</b>	<b>3,104,026</b>	<b>3,925,782</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>167,887</b>	<b>3,606,814</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>23,910,940</b>	<b>20,304,126</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>¥ 24,078,828</b>	<b>¥ 23,910,940</b>

## Significant Accounting Policies

### Scope of funds (cash and cash equivalents) in the Statements of Cash Flows

Funds (cash and cash equivalents) in the Statements of Cash Flows include the following:

- (1) Cash on hand and entrusted cash
- (2) Deposits placed with bank and entrusted deposits that can be withdrawn at any time
- (3) Short-term investments that are readily convertible to cash, have insignificant risk of price fluctuation and original maturities of three months or less from the acquisition date.

### Notes to Statements of Cash Flows

Breakdown of cash and cash equivalents	(Thousands of yen)	
	9th Fiscal Period (Jan.1, 2006-June30, 2006)	8th Fiscal Period (July 1, 2005-Dec.31, 2005)
Cash and deposits	¥ 10,478,692	¥ 10,875,646
Entrusted cash and deposits	13,600,136	13,035,294
Cash and cash equivalents	¥ 24,078,828	¥ 23,910,940

# JPR Investment Policies (Reference)

## A. INVESTMENT POLICIES

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### ① Basic Policies

JPR's basic investment strategy centers on investment in urban commercial real estate. The Company will invest primarily in real estate, which comprises superior urban office buildings and retail properties found in thriving commercial areas, the land on which they are located, as well as in asset-backed securities that have such real estate as their primary investments. In light of the returns and risks of these investments, the Company will invest not only in Tokyo but will attempt to diversify into other cities so as to maximize portfolio return.

The Company will diversify investments in terms of both tenants and properties, taking into account the amount of investment per property, and will thereby seek to achieve stable medium- and long-term growth. Investment ratio targets are as shown on page 55 under “(3) Investment stance ii) Investment ratio targets.”

Note: For the definitions of “real estate” and “asset-backed securities that have real estate as their primary investments,” please refer to the next section under “(2) Types of Investment Assets I) and II)”

### ② Types of Investment Assets

I) “Real estate” refers to the following:

- i) Real estate
- ii) Real estate leasing rights
- iii) Surface rights
- iv) Beneficiary interests in the following trusts (including comprehensive trusts in which cash associated with real estate is also entrusted, but excludes the marketable securities [referred to as “marketable securities” hereinafter] defined in Article 2:5 of the Law Concerning Investment Trusts and Investment Corporations, No. 198 of 1951, including all subsequent amendments; referred to as the “Investment Trust Law” hereinafter)
  - a) Real estate
  - b) Surface rights and land leaseholds
- v) Beneficiary certificates in monetary trusts (limited to trusts for which the primary purpose is investment in the assets listed in i) to iii) above; excludes equivalents to securities)
- vi) Equity investment based on a contract that specifies that one party will provide funding to be invested in the assets identified in i) to v) above and the other party will invest these funds in said assets, with the profits and losses from these investments distributed to investors (“Tokumei Kumiai equity” in Japanese, referred to as “TK equity” hereinafter).

II) “Asset-backed securities that have real estate as their primary investments” refer to investment in securities with over half of their investment backed by real estate, detailed as follows:

- i) Preferred securities as defined the Law Concerning Asset Liquidation (Law No. 105 of 1998, including all subsequent amendments; referred to as the “Asset Liquidation Law” hereinafter)
- ii) Beneficiary certificates in investment trusts as defined under the Investment Trust Law
- iii) Investment securities as defined under the Investment Trust Law
- iv) Beneficiary certificates in special-purpose trusts as defined under the Asset Liquidation Law (excludes beneficiary certificates in trusts listed in I) iv) and v) above)

III) The Company may invest in the following designated assets in order to efficiently utilize surplus funds remaining after the investments listed in I) and II) above:

- i) Bank deposits
- ii) Call loans
- iii) Japanese government bonds
- iv) Municipal bonds
- v) Commercial paper (refers to instruments defined in Article 2:1:8 of the Securities and Exchange Law)
- vi) Transferable certificates of deposit
- vii) Designated bonds as defined under the Asset Liquidation Law (refers to instruments defined in Article 2:1:3:2 of the Securities and Exchange Law; however, this is limited to instruments in which the assets obtained as the business for liquidation by the special purpose company are primarily real estate)



- viii) Beneficiary certificates in loan credit trusts (refers to instruments defined in Article 2:2:1 of the Securities and Exchange Law)
- ix) Cash credits, excluding securities and promissory notes, as defined in Article 3:12 of the Law Concerning Investment Trusts and Investment Corporations Cabinet Order (Law No. 480 of 2000, including all subsequent amendments; referred to as the “Investment Trust Law Cabinet Order” hereinafter) and financial derivative transactions, as defined in Article 3:14 of the same law
- x) Rights resulting from financial futures trading, as defined in Article 3:13 of the Investment Trust Law Cabinet Order
- xi) Rights resulting from financial derivatives trading, as defined in Article 3:14 of the Investment Trust Law Cabinet Order
- xii) Beneficiary interests in monetary trusts for the purpose of investments such as those described in i) to xi) above. Furthermore, the Company may invest in stock (restricted to the stock of the building management company and other companies in the course of the Company’s investment activities in specified assets identified in I) and II) above).

IV) In addition to the specified assets identified in I) through III) above, the Company may invest in the following assets when considered appropriate or of benefit to the Company in accordance with its basic investment management policy:

- i) Trademarks, exclusive licenses and ordinary use rights based on the Trademark Law (Law No. 127 of 1959, including all subsequent amendments)
- ii) Rights to use the source of hot springs as set forth in the Hot Spring Law (Law No. 125 of 1948, including all subsequent amendments) and facilities related to such hot springs
- iii) Other assets related to the real estate, which are considered appropriate to acquire together with the subject real estate

V) The Company may invest in assets other than the assets under management when considered appropriate and in line with the organizational operation of trademarks, etc., relating to the Company’s name.

### ③ Investment Stance

i) Investment horizon

The Company will, in principle, hold assets for the medium- and long-term (one to five years and over five years, respectively) and will not acquire assets for the purpose of short-term trading (less than one year).

ii) Investment ratio targets

Type of Investment Asset	Target Ratios
	By Asset Class      The target allocation ratio between office buildings and retail properties based on acquisition price shall generally be 8:2
Real Estate	By Location          The target allocation ratio between Tokyo <sup>(1)</sup> and other cities <sup>(2)</sup> based on acquisition price shall generally be 6:4
	Rental revenues from any individual tenant (total rental revenue when the tenant occupies multiple compartments and/or properties) will, in principle, be limited to less than 10% of total rental revenues <sup>(3)</sup>
Asset-Backed Securities, etc.	The total after-investment value of asset-backed securities <sup>(4)</sup> shall, in principle, be limited to less than 10% of the net worth of the Company

Notes:

- (1) “Tokyo” includes two categories: CBDs (Central Business Districts) comprising Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya Wards; and Greater Tokyo comprising all other areas of Tokyo, Chiba, Kanagawa and Saitama Prefectures.
- (2) “Other cities” includes all other areas in Japan.
- (3) “Rental revenues” includes common charges, parking revenues and storage revenues, but does not include additional usage fees such as after-hours airconditioning charges. This ratio may be exceeded, however, if there is any potential for tenant changes or if warranted by general considerations of leasing conditions and other factors.
- (4) Investment in asset-backed securities assumes that there will be an opportunity to obtain the relevant property, etc., at the end of the asset-backed security period.

iii) Investment policies for development projects

The Company will, in principle, acquire only real estate that generates or is expected to generate stable rental revenues or similar revenues at the time of acquisition.

The Company will not engage in development investments (projects in which the Company itself develops property from land and builds buildings). However, the Company may invest in buildings under construction by third parties prior to their completion if sufficient potential to secure tenants after construction is determined and the buildings are confirmed as non-development investments. In addition, the Company may invest in rebuilding projects for properties that it has already acquired, provided that sufficient potential to secure tenants after rebuilding is determined and the projects are confirmed as non-development investments.

iv) Equipment and fixtures investment policies

The Company will invest in equipment and fixtures in accordance with an efficient upkeep plan created for each property and designed to maintain and improve the competitiveness of the property from medium- and long-term perspectives. In principle, such investments will be within the scope of the depreciation expense of the individual property, but final decisions will be made in light of the depreciation expense for the portfolio as a whole. However, repairs to common areas will be implemented quickly by the Company from the perspective of tenant operational policies, and reinforcements will be made quickly for buildings requiring earthquake resistance reinforcements in light of the status of tenant operations.

v) Insurance policies

a) Criteria for selecting underwriting insurance companies:

The Company will select fair underwriting insurance companies through independent brokers. The underwriting insurance company will, in principle, have an insurance rating of A3 or A- or better from Moody's Investors Service Inc. (referred to as "Moody's" hereinafter) or Standard & Poor's.

b) Earthquake insurance coverage criteria:

The decision to cover earthquake insurance will be made in light of comparisons between the potential impact of the disaster and property insurance premiums based on the PML for the entire portfolio. Earthquake insurance may be purchased individually for properties that have high PML.

Note: "PML" refers to the probable maximum loss in the event of an earthquake. PML may be calculated for individual properties or for the portfolio as a whole. While there is no strict definition of PML (valuation methods will differ depending on the institution conducting the survey), it is generally found by calculating the probable damage from the largest foreseeable earthquake during the expected period of use (50 years is the useful lifetime ordinarily assigned to buildings; the largest foreseeable earthquake is a major earthquake of a size seen once every 475 years, having a 10% probability of occurring during any 50 year span). The figure represents the ratio of projected expenses for restoration of damage to the price of reacquisition.

vi) Sales policy

a) The Company will select real estate, asset-backed securities that have real estate as their primary investments, and other investments in its holdings to be sold based on overall considerations of the current status of the asset to be sold, projections of its future profitability and changes in asset value, and the asset allocation of the portfolio as a whole.

b) The Company will determine asset values each fiscal term and an investment policy committee will study whether to sell or hold any property that has declined more than 20% in terms of appraised value compared with book value. In addition, the Company may also consider the sale of other properties as it sees fit, as warranted by market conditions and other factors. The following are the main considerations in determining sales:

- Market forecast
- Development forecast for the surrounding area
- Profitability forecast
- Estimated amount of future investments
- Forecast changes in valuation
- Considerations of the portfolio as a whole (diversification by geographical location, tenant and asset class, etc.; impact on dividends, etc.)

vii) Value-up properties

Value-up properties refer to those properties that exhibit the potential for an increase in profitability and asset value, and have an immediate income stream on acquisition, along with any of the following characteristics:

1. An occupancy rate of less than 80% at the time of acquisition
2. Significant investment return following effective renovation work

In principle, value-up properties occupy a maximum 15% of the total property portfolio. (based on acquisition price)  
The additional acquisition of value-up properties is also subject to a total portfolio occupancy rate in excess of 90%.

Utilizing the know-how of its asset management company, the Company implements the following key strategies in the management of value-up properties:

1. Reinforce leasing activities with the aim of improving the occupancy rate
2. Carry out effective renovations to enhance market competitiveness
3. Implement cost controls by increasing efficiencies in management structure

Value-up properties that contribute to stabilizing the total income of the portfolio and fulfill certain criteria as determined by the Investment Committee are reclassified as “core properties,” which have the following characteristics:

1. Improve occupancy rate
2. Raise property value (on an appraisal basis)
3. Increase and stabilize income

The Company will consider the sale of value-up properties, under the aforementioned criteria, on a medium-term basis over two to four successive business periods. In addition, properties that are reclassified as core properties are, in principle, not reclassified as value-up properties.

The Company will consider the sale of value-up properties as one method to realize asset value appreciation.

Core properties refer to office buildings other than value-up properties. Core properties are positioned as those properties that contribute to the profit stability of the overall portfolio.

## ④ Investment Standards

When investing in individual real estate properties, asset-backed securities that have real estate as their primary investments, or other investments, the Company will, prior to making the investment, perform a general evaluation that considers the current status, future profitability, risk, location, building and facilities maintenance and management, deterioration and obsolescence, earthquake resistance, rights, contracts with current tenants, environment, topography, as well as other factors.

After acquisition of the investment, the Company will make ongoing and effective investments in facilities and equipment so as to maintain and improve the value and competitiveness of the asset, and will seek to stabilize and expand profitability by increasing revenues and reducing costs.

The major specific investment criteria of the Company are as follows:

i) Geographical location

Real estate to be invested in will be located in the following cities:

- a) Major urban areas: CBDs in Tokyo, Yokohama, Kawasaki, Chiba, Saitama, Nagoya, Osaka, Kyoto and Kobe
- b) Other government-designated cities: CBDs in Sapporo, Sendai, Hiroshima, Fukuoka, Kitakyushu and others
- c) Other core cities such as prefectural capitals with populations of 300,000 or more

When investing in retail properties, the Company will identify and determine an appropriate business area for the property; analyze the business area from a variety of perspectives, including population, demographic trends, number of households and average income; appropriately measure the latent buying power and growth potential of the business area; and determine the suitability of the tenants and their businesses to the business area. The Company will also study and analyze competitiveness from a variety of perspectives, including current market competition, plans for the opening of competitive stores in the vicinity, and future room for development.

ii) Size

a) Office buildings

In principle, the Company will invest in office buildings with total floor space of at least 3,300 square meters and floor space of approximately 330 square meters for each standard floor above the second story level.

b) Retail properties

In principle, the Company will invest in retail properties of an appropriate size in light of the future growth potential of their areas, as determined by local characteristics, business area scale and the standard property size for similar businesses.

iii) Facilities and equipment

a) Office buildings

Giving general consideration to local characteristics or potential for post-acquisition property modifications, etc., the Company will evaluate specifications on a case-by-case basis.

b) Retail properties

The Company will decide on retail properties individually, comparing them against standard qualifications and judging from overall factors, including the local characteristics of the property's area, versatility as a retail property, potential for conversion to other uses, visitor access, etc.

iv) Earthquake resistance

The Company will, in principle, invest only in buildings that meet new earthquake-resistance standards (specified under the Buildings Standards Law) or for which earthquake-resistance reinforcement work has been completed (including properties for which earthquake-resistance reinforcement work has not been done, but can be completed after acquisition).

v) Tenants

a) Office buildings

In principle, no single tenant will occupy more than 50% of a property (parent companies and their subsidiaries are considered as a single tenant). If a tenant occupies more than 50%, the Company can acquire the property after an evaluation of the tenant's creditworthiness, suitability and substitution potential.

b) Retail properties

The Company will make a general evaluation of the tenant's creditworthiness, suitability and substitution potential.

vi) Rights

a) Co-ownership

- The Company will, in principle, seek a co-ownership ratio above 50% in order to assure sufficient latitude in property management (leasing, improvements, etc.), but may acquire properties with an ownership ratio below 50% on a case-by-case basis after considering the nature and creditworthiness of other owners and the characteristics of the property.

- The Company shall, in order to assure sufficient latitude in disposal of the property, confirm whether special contracts or other agreements providing for preferential purchasing rights or options among the other owners will be executed and whether restrictions will be placed on the transfer of rights, and if so, the nature of these restrictions.

- The Company will attempt to assure the stability of revenues by fully confirming the nature and creditworthiness of other owners and, where possible, providing for appropriate procedures. (This may include, but is not limited to, signing contracts prohibiting the division of joint equity and reaching agreements on the registration of rights and the mutual use of land).

**b) Unit ownership**

- The Company will, in principle, reserve for itself at least 75% of the voting rights in meetings attended by unit owners in order to assure sufficient latitude in improvements. However, it may make individual decisions based on a general evaluation of the nature and creditworthiness of other unit owners.

- The Company shall, in order to assure sufficient latitude in disposal of the property, confirm whether special contracts or other agreements providing for preferential purchasing rights or options among the other owners will be executed, and whether restrictions will be placed on the transfer of rights, and if so, the nature of these restrictions.

- The Company will attempt to ensure the stability of revenues by confirming the operations of the management union (reserves, liability ratios, insurance, etc.) and will take such individual measures as are required. (This may include, but is not limited to, increasing accumulated amounts within the Company itself, or providing for insurance on the joint areas and registration of land rights separately from the management union.)

**c) Leaseholds**

- The Company will, in principle, invest in leaseholds as specified in the old Leasehold Law (Law No. 49 of 1921, including all subsequent amendments) and the Land and Building Leasing Law (Law No. 90 of 1991, including all subsequent amendments).

- The Company will carefully study the nature of the proprietary right holder of land and will make its decision after fully investigating the impact of the provisions for rent revisions, charges for renewing the leasing contract, charges for approval of rebuilding proposals, charges for the approval of sales proposals and other factors in concerning profitability.

**d) Collateral rights and usufructuary rights**

- The Company will confirm the existence of mortgages or other collateral rights on the proposed property at the time of purchase, and the possibility of extinguishing such rights on closing.

- The Company will make its decision after confirming the existence of usufructuary rights (for example, surface rights or easements) set forth by third parties and the impact that such rights will have on profitability.

**vii) Investment amount**

**a) Minimum investment per property**

The minimum investment per property (only the purchasing price, exclusive of taxes, acquisition costs, etc.) will, in principle, be more than 1 billion yen. A property can be acquired for a lesser amount under the following circumstances:

- When acquiring part of a property valued in total at over 1 billion yen

- When acquiring a property with an appraisal value of more than 1 billion yen, but acquired after negotiation for a lesser amount

- In cases where several properties are being acquired together as a package

**b) Maximum investment per property**

The ceiling on the investment amount per property will be one-third of the total investment in real estate, asset-backed securities and other investments already held. Generally, however, properties that exceed this ratio can be acquired in cases where this is deemed advisable. The “total investment in real estate, asset-backed securities and other investments already held” refers to the total appraised value of investments up to the previous period, plus the price of investments purchased in the current period (exclusive of taxes, acquisition costs, etc.), plus the amount to be invested in the new property (exclusive of taxes, acquisition costs, etc.).

c) **Restrictions on acquisition price**

The acquisition price for investments including real estate and asset-backed securities will, in principle, be limited to 105% of the appraised value of the investments. However, provided that the property acquisition does not cause the total property acquisition fund to fall below the NOI yield criterion for the current period, the above-mentioned appraised-value upper limit of 105% can be exceeded in the following cases:

- Properties that, by long-term fixed leasing contracts, are forecast to contribute to stable cash flow and those that are expected to generate a certain profit for dividends in the medium- to long-term
- Properties that, in terms of scale, location or general standpoint, are judged to contribute to an increase in total fund quality and can be expected to generate a certain profit for dividends

viii) **Selection guidelines concerning real estate acquisition ownership type**

The Company acquires real estate under direct ownership or on an entrusted basis, acquiring beneficiary interests to the property. The decision as to which form of ownership the Company will take is determined after considering the requirements of the existing owner, the cost of transferring rights and a number of other factors.

## **B. FINANCIAL POLICIES**

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### **① Fund Management Policies**

#### **I) Leasehold and security deposits**

For beneficiary interests

All leasehold and security deposits by tenants will be accumulated within the trust account, but the Company may consider reducing the reserve amount if warranted by accumulated historical data, the establishment of commitment lines and other provisions.

For real estate, real estate leaseholds and surface rights

Leasehold and security deposits by tenants will be deposited in full to a commercial bank savings account or time deposit account. However, the Company may reduce reserves in order to more effectively utilize these funds if warranted by accumulated historical data, the establishment of commitment lines and other provisions for the maintenance of efficiency and security.

#### **II) Cash and bank deposits in the trust account (for real estate in trust)**

All cash will be deposited in ordinary savings accounts or time deposit accounts at banks with short-term debt ratings of at least P-2 from Moody's.

#### **III) Cash and bank deposits in the Company accounts**

The provisions of II) above will apply to cash and bank deposits in the Company accounts. However, this will not include savings accounts established for use in the execution of loans by financial institutions or the payment of interest on loans.

Surplus funds will, in principle, be paid out in the following order of priority; any balances will be administered as described below:

- Reinvestment (refers to a use in purchasing properties or capital expenditures)
- Cash distribution to investors (however, no cash distributions will be made to investors in excess of profits in the absence of changes in current tax treatment of cash distributions in excess of profits)
- Partial repayment of borrowings (however, this will be given the highest priority when the repayment maturity date of the loan agreement arrives, regardless of the priorities listed above)

#### **IV) Derivatives**

The Company will use financial futures, options and other derivatives only for the purpose of hedging interest rate fluctuation risks and other risks generated by the liabilities of the Company.

## **② Issuance of Additional Investment Units**

The Company may issue additional investment units in a progressive manner for the purpose of assuring stable, long-term asset growth as warranted by an accurate assessment of the market and upon consideration of the dilution effects to existing units (reduction in equity of existing units from the issuing of new units; reduction in the per-unit net asset value or cash distribution of existing units).

## **③ Borrowings and Issuance of Corporate Bonds**

### **I) Basic policies**

The Company will seek to actively expand the size of assets and maintain stable cash distributions to investors by achieving an effective combination of stable long-term fund-raising and flexible short-term fund-raising.

### **II) Loan to value (LTV)**

Loan to value (LTV) refers to a ratio calculated as shown below and will be used as a measurement of the ratio of liabilities to total assets of the Company.

$$\text{LTV} = (\text{Borrowings} + \text{Corporate bonds}) / \text{Total assets}$$

The Company will, in principle, maintain LTV at levels of no higher than 55%, but may temporarily exceed this level due to the acquisition of properties or changes in appraised values.

Note: For purposes of this calculation, total assets refers to the amount shown in the assets column of the period-end balance sheet for the most recent period prior to the calculation of LTV, and is found by adjusting the period-end book value of tangible fixed assets for the difference between the period-end book value of the tangible fixed asset and its appraised value.

## **C. PROPERTY-RELATED BUSINESS ADMINISTRATION POLICIES**

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Property-related business refers to property management, general tenant agency, lease manager/construction manager services and property transfers.

This business is necessary and effective for the achievement of growth for the Company. The Company will administer this business in accordance with the following policies.

### **① Asset Manager and Property Manager**

The growth of the Company requires integrated management by the Asset Manager (AM) and expert management by the Property Manager (PM), with the PM overseeing the facilities management, leasing management and construction management of individual properties.

In order to achieve more integrated management, the AM may seek the advice of third-parties regarding leasing management and construction plans for real estate invested in. The Company initially selected Tokyo Tatemono Co., Ltd. as the party to provide this advice (the Lease Manager/Construction Manager). The AM will select PMs with high degrees of management expertise, seek to concentrate the PMs for each geographical area, rigorously seek to homogenize management across the portfolio and work to maximize unitholder profits.

The AM will compare the capabilities and merits of a number of companies in its selection of property managers.

Existing PMs and candidates include: Tokyo Tatemono, a company that supports the AM in its leasing management activities and refurbishment plans; PMs that operate under existing contracts of properties acquired by the Company and possess established knowledge of tenants and locations; and other PMs. Final selection is also based on a variety of factors such as management expertise and efforts to integrate PMs in line with property proximity.

### **② Commissioned General Tenant Agents**

General tenant agencies will be commissioned to Tokyo Tatemono Co., Ltd., Yasuda Real Estate Co., Ltd., Taisei Corporation and other agents (Commissioned General Tenant Agents).

### **③ Property Transfer Agents**

Tokyo Tatemono will be commissioned to provide property transfer services in order to ensure the smooth execution of property purchases and sales. This will not be limited to the real estate, real estate leasing rights and surface rights, but will include real estate in trust as well. Services will include confirmation of leasing status, confirmation of building and facility maintenance and management, confirmation and establishment of rights, preparation and confirmation of delivery and other ancillary work.

### **④ Other Investment Policies**

I) The Company will administer its assets in such a way that the ratio of the total price of designated real estate (real estate, real estate leasing rights, surface rights, or real estate in trusts for which real estate, land leaseholds, or surface rights are the entrusted assets) to the total price of designated assets owned by the Company is 75% or more.

II) The Company will administer its assets in such a way that the ratio of real estate, real estate leasing rights, surface rights, real estate in trusts (refers only to trusts covering real estate, surface rights or land leaseholds), and TK equity (refers to contracts specifying only investment in real estate, real estate leasing rights or surface rights) to total assets is 75% or more, which is the ratio established by the Ministry of Finance.

III) The Company may modify the above ratios at any time as warranted by factors such as funding trends, market trends, general economic conditions and real estate market trends.

IV) Lending of assets in the portfolio

a) The Company may lend (for such purposes as parking space and the installation of billboards) real estate, real estate leasing rights and surface rights from among the assets listed on page 54 in “A. Investment Policies (2) Types of investment assets” in order to more efficiently administer assets and achieve higher investment performance.

b) If the lending of real estate described in a) above results in the acceptance of leasehold and security deposits or other similar cash funds, the acceptance of these funds will follow the guidelines listed in “B. Financial Policies (1) Fund management policies I) Leasehold and security deposits,” on page 60.

c) The Company shall not lend assets other than real estate, real estate leasing rights and surface rights.

## **D. DISTRIBUTION POLICIES**

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The Company’s fiscal period is for six months, from January 1 to June 30, and from July 1 to December 31, each year. The Company makes cash distributions to unitholders listed on the unitholders’ list at the end of each fiscal period, or to eligible registered pledgees.

### **① Distributable Amount**

Income available for distribution by the Company (the “distributable amount”) equals the amount calculated by adding/deducting capital gains/losses and gains/losses on redemption to rent, common expenses, parking charges, additional service charges, facility charges, facility installation fees, late payment penalties, termination penalties or similar cash related to termination of lease agreements generated from real estate (including beneficiary interests and underlying properties of any other assets acquired by the Company) and other income, interest/dividend income and similar income generated from other rental business and deducting expenses (including depreciation and amortization), interest payments, asset management fees, and after covering the entire amount of net loss carried forward if it exists.

### **② Determining Amount of Distribution**

The Company determines the amount of distribution, which must exceed 90% of the Company’s distributable income as stipulated in Article 67:15 of the Special Taxation Measures Law (Law No. 26 of 1957, including all subsequent amendments). However, the actual amount of distribution may not exceed the distributable amount, as defined above. In addition, the Company can reserve funds for capital expenditure, interest payment, dividend payment or similar purposes, which are necessary for maintenance of or increasing the value of assets.



#### **③ Retained Earnings**

Retained earnings not distributed from the distributable amount will be allocated based on the asset management policy of the Company.

#### **④ Distribution of Cash Exceeding Earnings**

In cases when the distribution is less than 90% of the distributable amount, or when the Company makes an appropriate decision based on the trend of the economic environment, the real estate market, the leasing market or other conditions, the Company may distribute cash exceeding earnings for the relevant period, as the sum of the distribution amount set in (2) above and the amount decided by the Company with the upper limit of the depreciation amount reported at the end of the fiscal period. In such a case, if the cash distribution does not meet the conditions of special tax treatments for the Company, the amount decided by the Company for the purpose of meeting the conditions may be distributed in cash.

As long as the current tax treatment requires investors to calculate capital gains/losses each time such investors receive cash distributions exceeding earnings, the Company will not conduct cash distribution exceeding earnings to investors. However, if the board of the Company decides that cash distributions exceeding earnings is required to satisfy the “qualification test of distribution deductible”, the distribution exceeding earnings is allowed following the above distribution policy.

#### **⑤ Method of Distribution**

Distributions are paid in cash based on the number of investment units held to unitholders who are listed on the final unitholders' list at the end of each fiscal period, or to eligible registered pledgees, within three months, in principle, from the end of each fiscal period.

#### **⑥ Extinctive Prescription**

The Company will be released from its payment obligation of distributions after a lapse of three years from the date of starting payment. No interest is payable in respect to unpaid distributions in arrears.

#### **⑦ Issuance of Additional Investment Units**

In the event the Company issues additional investment units during a fiscal period, the Company can pay cash distributions in connection with the aforementioned additional investment unit issue, calculated on a pro rata basis and subject to approval by the Company's Board of Directors.

## Investor Information

### Address of Japan Prime Realty Investment Corporation (JPR)

9-9 Yaesu 1-chome, Chuo-ku, Tokyo 103-8285, Japan

### 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

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

### Mailing Address

Stock Transfer Agency Division  
Mizuho Trust & Banking Co., Ltd.  
1-17-7 Saga, Koto-ku, Tokyo 135-8722

### Agents

Mizuho Trust & Banking Co., Ltd.  
(All branches nationwide)  
Mizuho Investors Securities Co., Ltd.  
(Head office and all branches nationwide)

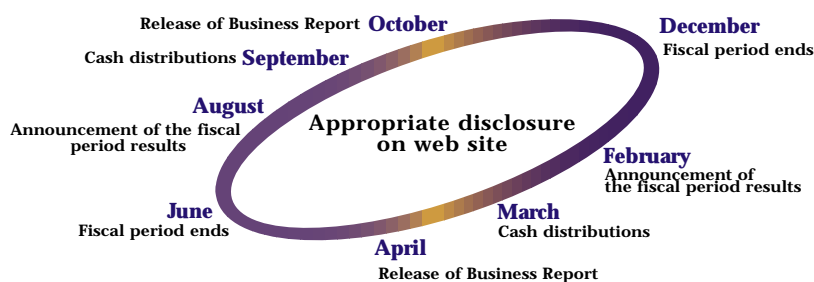
### Web Site

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

### Contact (Tokyo Realty Investment Management, Inc.)

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Fax: +81-3-3274-7775

## Annual Schedule (Provisional)



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