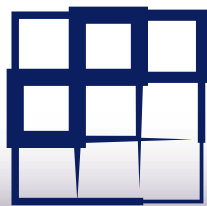


# 17

th



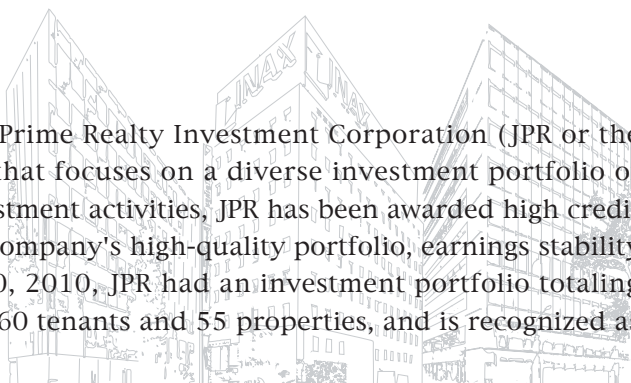
J P R

Seventeenth Fiscal Period Business Report  
January 1, 2010 – June 30, 2010  
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 fund that focuses on a diverse investment portfolio of office and retail properties. Through its investment activities, JPR has been awarded high credit ratings from rating agencies, reflecting the Company's high-quality portfolio, earnings stability and sound financial standing. As of June 30, 2010, JPR had an investment portfolio totaling 331.28 billion yen on an acquisition basis, 460 tenants and 55 properties, and is recognized as one of the top diversified REITs in Japan.



<b>Contents</b>	<b>Investment Highlights</b> .....	1
	<b>Message to Our Unitholders</b> .....	2
	<b>Account Highlights</b> .....	3
	<b>Investment Unit Status</b> .....	4
	<b>New Acquisitions during the 17th Fiscal Period and After</b> .....	5
	<b>Portfolio Topics</b> .....	6
	<b>Property Portfolio</b> .....	8
	<b>Overview of Portfolio Properties</b> .....	14
	<b>Characteristics and Corporate History</b> .....	21
	<b>Overview of the Asset Manager</b> .....	23
	<b>Overview of Asset Management</b> .....	25
	<b>Overview of the Investment Corporation</b> .....	31
	<b>Status of JPR's Assets under Management</b> .....	32
	<b>Capital Expenditures of Owned Real Estate</b> .....	37
	<b>Expenses and Liabilities</b> .....	38
	<b>Acquisition and Sale during the 17th Fiscal Period</b> .....	40
	<b>Overview of Accounting</b> .....	42
	<b>Other</b> .....	43
	<b>Balance Sheets</b> .....	44
	<b>Statements of Income and Retained Earnings</b> .....	46
	<b>Statements of Unitholders' Equity</b> .....	47
	<b>Notes to Financial Statements</b> .....	48
	<b>Report of Independent Auditors</b> .....	56
	<b>Statements of Cash Flows (Information Only)</b> .....	57
	<b>JPR Investment Policies (Reference)</b> .....	59
	<b>Investor Information</b> .....	68

# Investment Highlights

## *Portfolio Overview*

- Top-ranked diversified J-REIT
- Focusing on high-quality office buildings and high-profile retail properties
- Sponsored by major real estate developers, a general contractor, financial institutions
  - Providing support in property pipeline and financial aspects through expertise in real estate, construction and finance

## *Growth Strategies*

- Investment placing emphasis in properties with strong potential located in the Tokyo area using diversified acquisition method
- Maintaining high occupancy level through reinforce the competitiveness of the properties
- Maintaining conservative financial operations and maintaining a stable financial foundation

## *Targets*

- Asset size exceeding 500 billion yen
- Raise cash distribution per unit





## Message to Our Unitholders

---

We are delighted to have this opportunity to provide an overview of the asset management and financial results of Japan Prime Realty Investment Corporation (JPR) for its 17th fiscal period (January 1, 2010 - June 30, 2010).

With regard to the portfolio, JPR acquired the Tokyo Tatemono Kyobashi Building, TK Horidome Building and JPR Sendagaya Building for a total of 25.4 billion yen on an acquisition price basis, and sold the JPR Nagoya Sakae Building and a portion of land for the JPR Jingumae 432.

As a result, JPR's portfolio consisted of 55 properties, or 331.2 billion yen on an acquisition price basis, as of the end of the fiscal period.

As for financing, JPR further enhanced its financial standing. From February to March 2010, it implemented its first public offering in about three years and procured 14.6 billion yen, making the total of unitholders' capital 171.3 billion yen. Furthermore in March and May, it issued unsecured corporate bonds with five-year terms, first for 6 billion yen and then for 7 billion yen.

With regard to the financial results of the 17th fiscal period, due to factors such as full-period occupancy of the property acquired in the previous period, partial in-period contributions from new properties acquired during the period, as well as contributions from gains on the sales of the abovementioned properties, JPR recorded 12,314 million yen in operating revenue, 4,964 million yen in ordinary income and 4,963 million yen in net income.

As for cash distribution in the 17th fiscal period, we decided to retain a certain portion of unappropriated retained earnings within the company for the purpose of strengthening our financial standing, which is to become the foundation of sustainable growth of JPR, but within the limit of not placing a burden of additional income taxes on our unitholders.

Therefore the cash distribution per unit came to 6,770 yen.

JPR will continue working with Tokyo Realty Investment Management, Inc., our asset management company, to realize stable growth of our portfolio over the medium to long term by conducting prudent and careful asset management. With these efforts and commitment, we endeavor to meet the expectations of our unitholders.

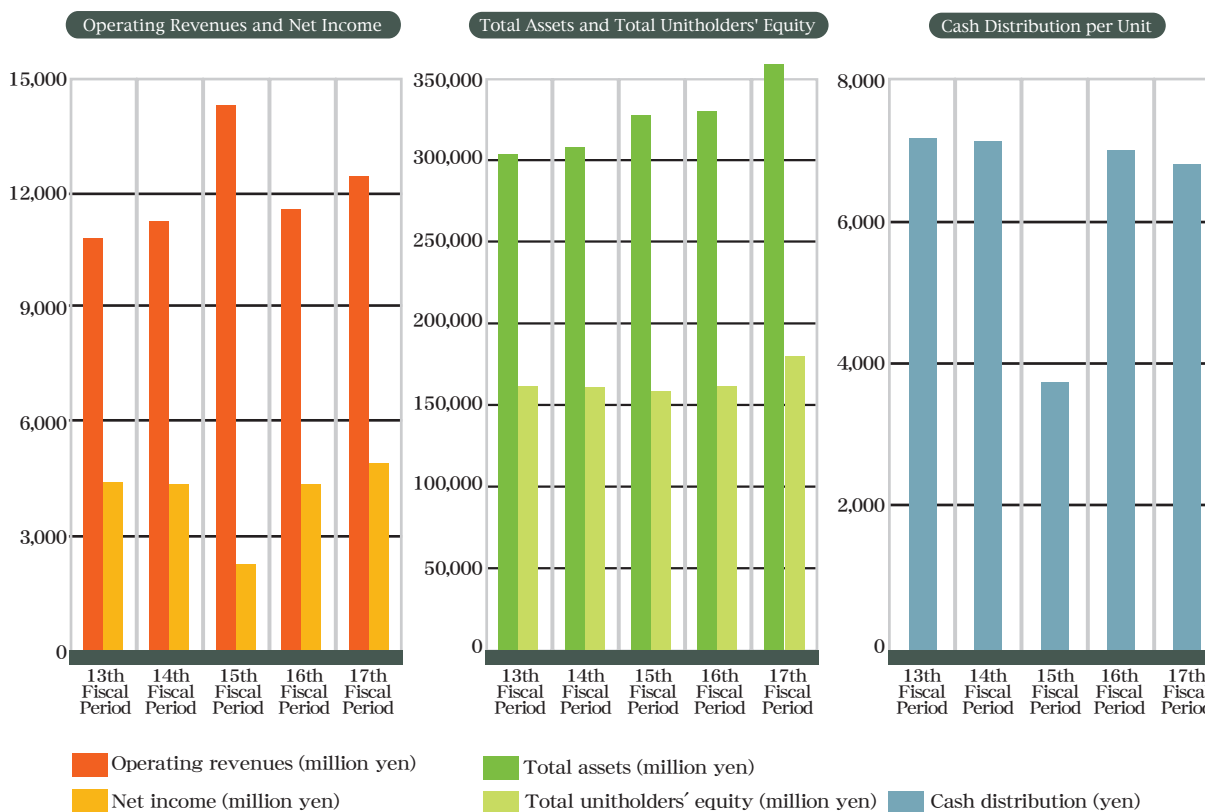
We ask for your continued understanding and support of our operations.

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

## Account Highlights

(All amounts in millions of yen unless otherwise stated)

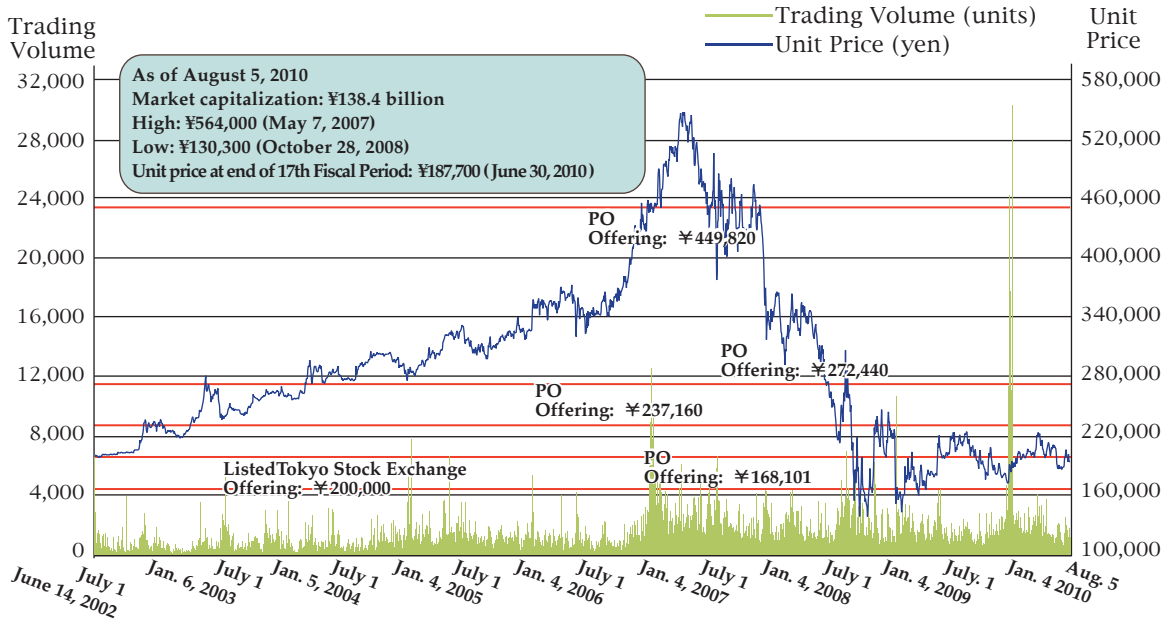
	13th Fiscal Period ended June 2008	14th Fiscal Period ended December 2008	15th Fiscal Period ended June 2009	16th Fiscal Period ended December 2009	17th Fiscal Period ended June 2010
Operating revenues	10,830	11,171	14,330	11,493	12,314
Ordinary income	4,452	4,433	5,572	4,333	4,964
Net income	4,451	4,432	2,331	4,332	4,963
Total cash distributions	4,451	4,432	2,331	4,333	4,840
Total assets	303,459	309,253	329,163	332,380	358,339
Total unitholders' equity	161,177	161,158	159,057	161,058	176,303
Equity ratio (%)	53.1	52.1	48.3	48.5	49.2
Unitholders' equity per unit (yen)	257,883	257,853	254,492	257,693	246,578
Cash distribution per unit (yen)	7,122	7,092	3,731	6,933	6,770





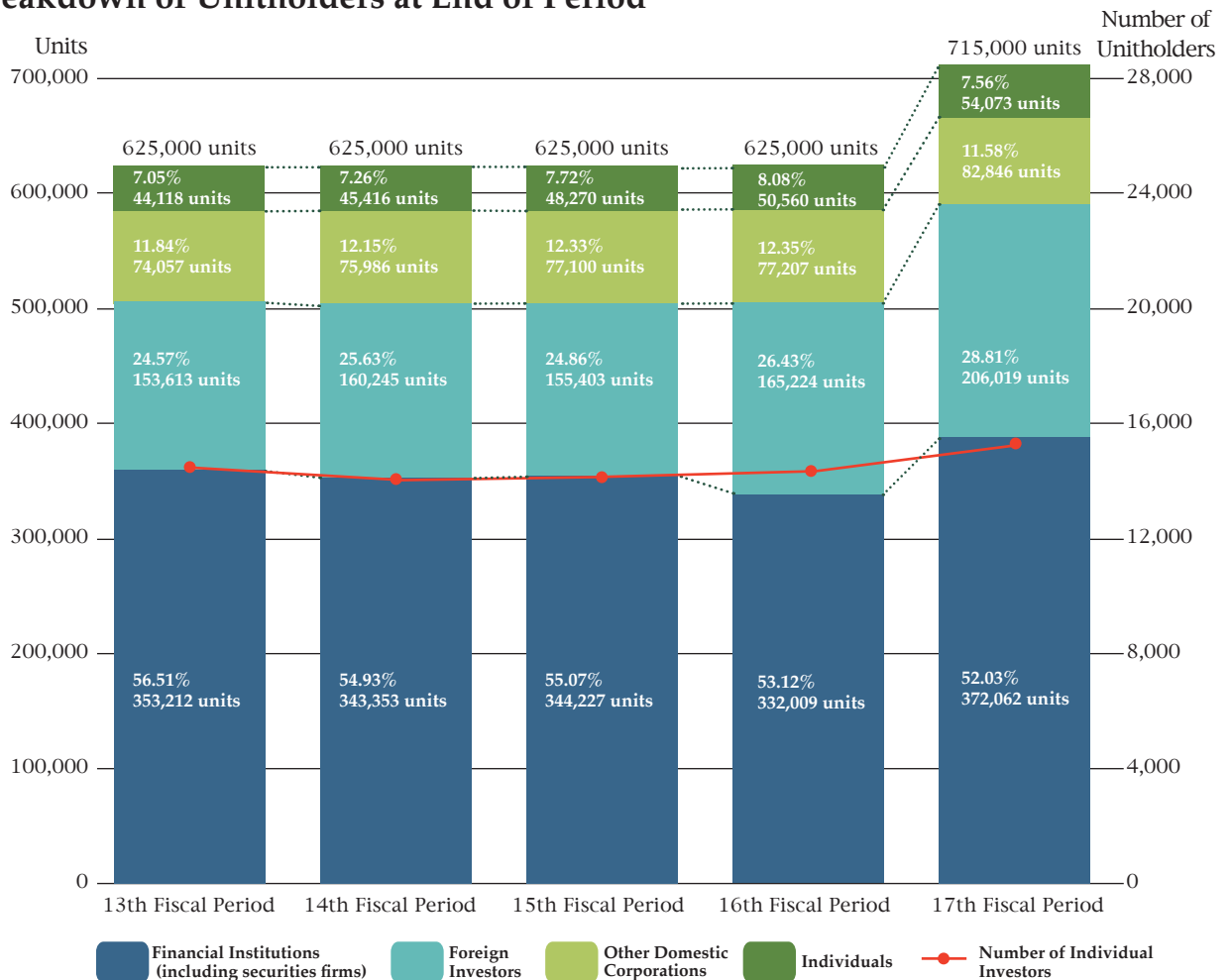
# Investment Unit Status

## 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 17th Fiscal Period and After

### Property Acquired in the 17th Fiscal Period

#### Tokyo Tatemono Kyobashi Building **A 19** (Office)



Location  
Chuo Ward, Tokyo

Acquisition Date  
February 12, 2010

Acquisition Price  
¥5,250 million

Site Area  
547.10m<sup>2</sup>

Total Floor Space  
4,419.79m<sup>2</sup>

Structure Floors  
SRC/S B1/10F

Completed  
January 1981

#### TK Horidome Building **A 20** (Office)



Location  
Chuo Ward, Tokyo

Acquisition Date  
March 31, 2010

Acquisition Price  
¥5,100 million

Site Area  
937.59m<sup>2</sup>

Total Floor Space  
7,190.82m<sup>2</sup>

Structure Floors  
SRC B1/9F

Completed  
June 2002

#### JPR Sendagaya Building **A 21** (Office)



Location  
Shibuya Ward, Tokyo

Acquisition Date  
May 31, 2010

Acquisition Price  
¥15,050 million

Site Area  
2,217.49m<sup>2</sup>

Total Floor Space  
7,683.19m<sup>2</sup>

Structure Floors  
S 8F

Completed  
May 2009

### Property to be Acquired in the 18th Fiscal Period

#### BYGS Shinjuku Bldg. (additional ownership) **A 18** (Office)



Location  
Shinjuku Ward, Tokyo

Acquisition Date  
July 13, 2010

Acquisition Price  
¥3,300 million

Site Area  
3,522.46m<sup>2</sup>

Total Floor Space  
25,733.10m<sup>2</sup>

Structure Floors  
SRC B2/14F

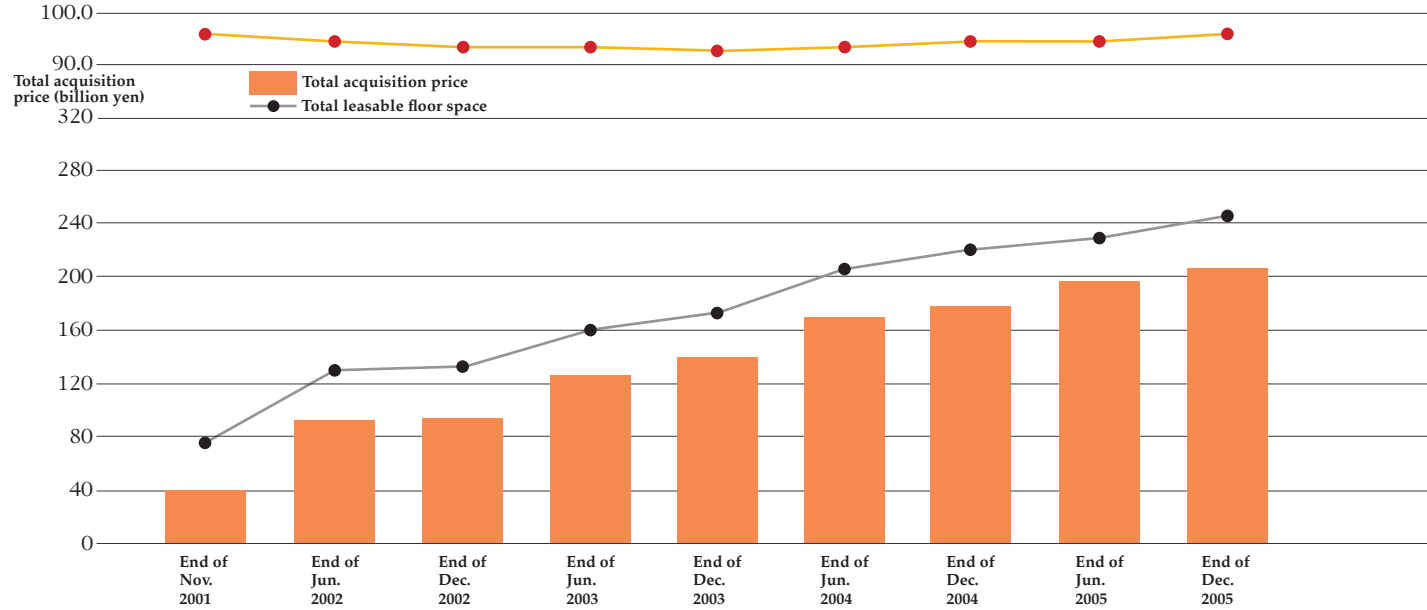
Completed  
April 1985

\*JPR owns 75% of the co-ownership of BYGS Shinjuku Bldg. and the acquisition of additional 25% co-ownership will bring JPR to hold the entire ownership.

# Portfolio Topics

## Portfolio Growth

Occupancy rate (%) ●—



Total acquisition price (billion yen)	40.73	92.18	94.59	125.79	139.64	163.65	179.62	197.65	202.66
Total leasable floor space (m <sup>2</sup> )	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
Occupancy rate (%)	96.3	94.1	93.4	93.5	92.7	93.2	95.1	95.4	97.2
Properties	13	25	27	30	32	38	42	42	42
Total number of tenants	133	281	311	324	357	437	496	459	441

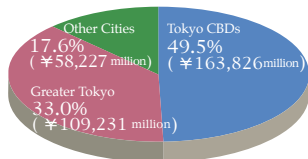
(Note 1) When a single tenant leases multiple rooms in the same property, the tenant is counted as one. If the leased rooms are in multiple buildings, the tenant is counted in plural.

(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 as it relates to JPR's ownership is calculated by multiplying the total contracted areas of offices, shops and warehouses the management company can sublease to sub-lessees by the rent allocation ratio of JPR (39.70457% up to the end of June 2008 and with the additional acquisition in September 2008, 40.31465% from the end of December 2008) to arrive at the rent allocated to 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. The number of sub-lessees of the Shinjuku Square Tower is also regarded as the number of tenants.

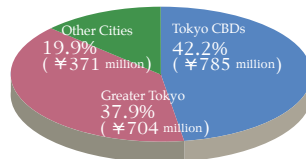
## Portfolio Diversification by Region

■ Tokyo CBDs ■ Greater Tokyo ■ Other Cities

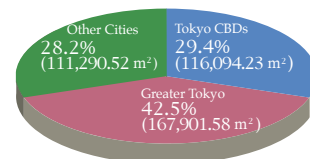
Value breakdown by acquisition price



Value breakdown by monthly rental revenue at period end



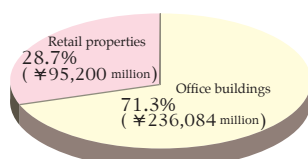
Value breakdown by leased floor space at period end



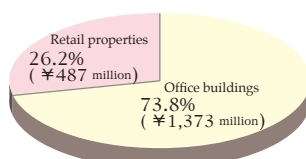
## Portfolio Diversification by Asset Class

■ Office buildings ■ Retail properties

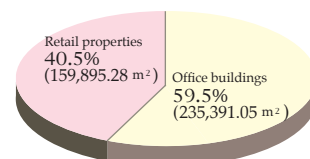
Value breakdown by acquisition price



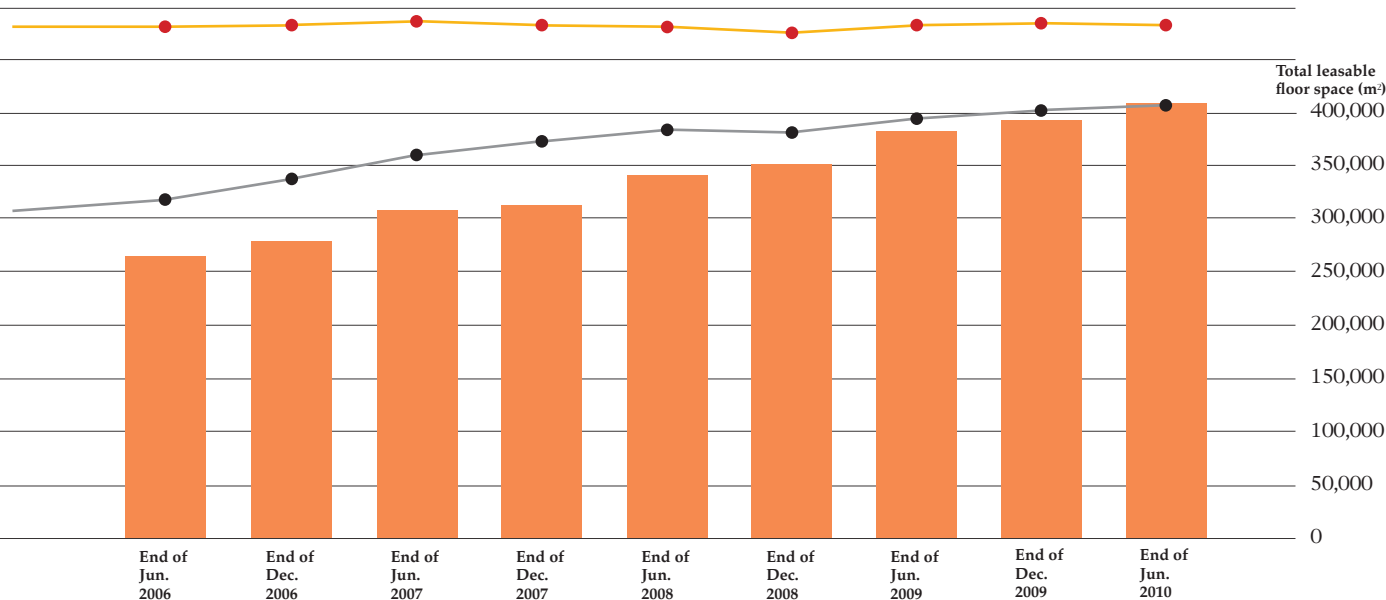
Value breakdown by monthly rental revenue at period end



Value breakdown by leased floor space at period end







	209.22	222.48	245.39	251.90	275.10	280.61	299.41	310.61	331.28
	315,156.84	337,382.05	361,574.77	373,609.99	383,491.03	383,215.57	393,532.31	400,751.87	410,326.04
	98.0	98.6	99.0	98.4	97.5	96.4	96.8	96.4	95.5
	44	46	48	49	50	52	51	53	55
	462	479	491	517	537	499	476	476	460

(Note 3) The tenants of Shinjuku Center Building, Rise Arena Bldg. and Kawasaki Dice Building have sublet space to a sub-lessee and a lease agreement has been executed where the rent paid by the tenant fluctuates in accordance with the lease conditions of the sub-lessee. Therefore, the total leasable floor space, total leased floor space and occupancy rate entered for these buildings are the figures concerning the sub-lessee of the tenant and the number of sub-lessees is deemed to be the number of tenants.

(Note 4) In the event that the contracted area and the area based on which the rent is calculated differ, the situation was handled by making the latter the leased floor space through the fiscal period ended December 2006. Since the period ended June 2007, the contracted area has been made the leased area.

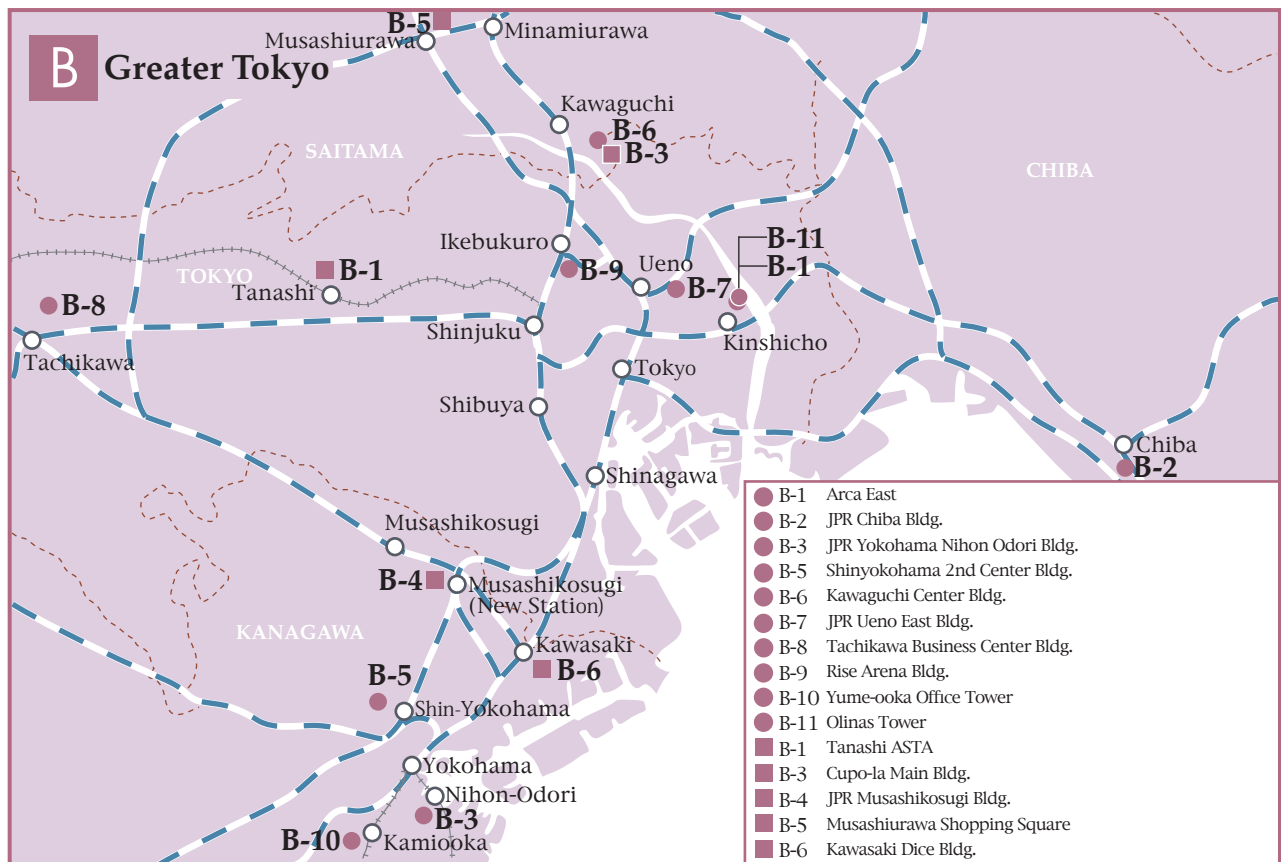
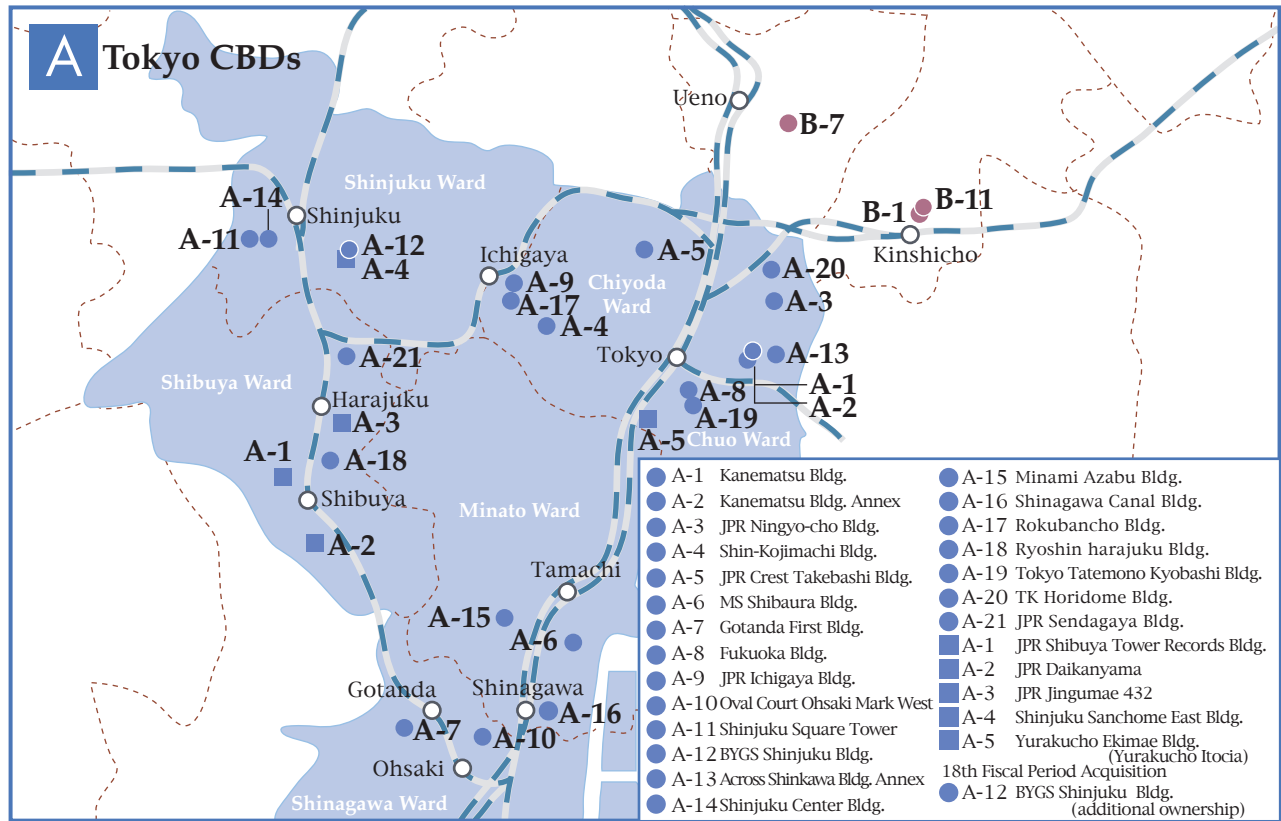
## Major Tenants

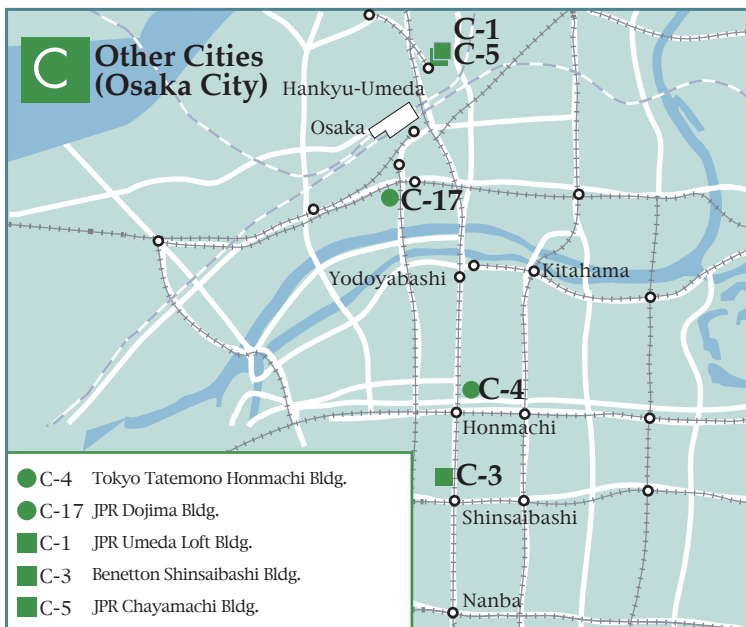
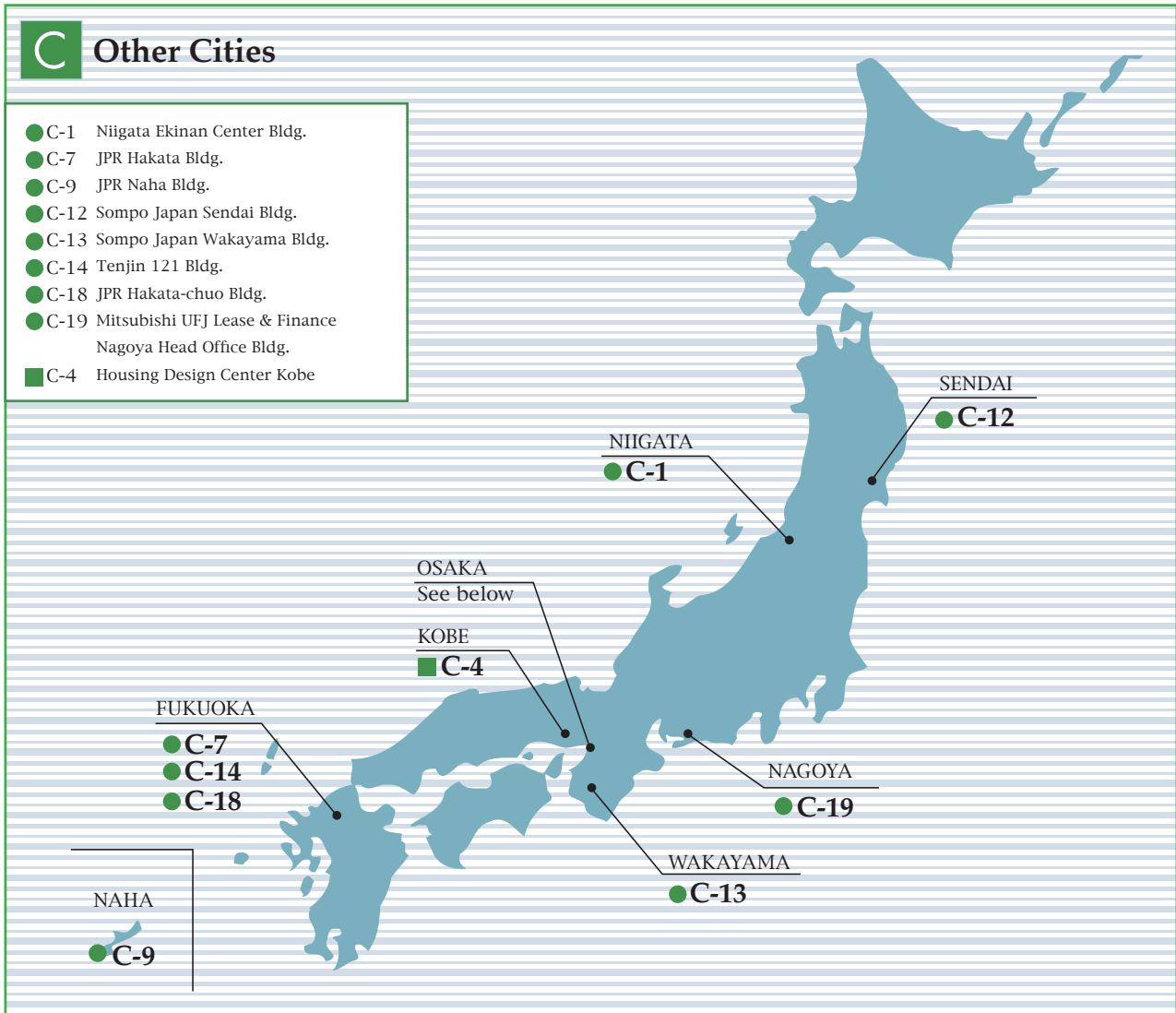
(As of June 30, 2010)

#	Tenant	Name of Property	Leased floor area at period end (m <sup>2</sup> )	Percentage of total leased floor area at period end
1	ABC Development Corporation	Housing Design Center Kobe	35,444.13	9.0%
2	The Seiyu, Ltd.	Tanashi ASTA	31,121.71	7.9%
3	Tokyo Tatemono Co., Ltd.	Shinjuku Center Building, Arca East, Kawasaki Dice Bldg.	22,158.40	5.6%
4	Ito-Yokado Co., Ltd.	JPR Musashikosugi Bldg.	19,740.95	5.0%
5	The Loft Co., Ltd.	JPR Umeda Loft Bldg.	18,586.97	4.7%
6	Shinjuku Square Tower Management Co., Ltd.	Shinjuku Square Tower	11,268.27	2.9%
7	Olympic Corporation	Musashiurawa Shopping Square	9,558.51	2.4%
8	Tower Records Japan, Inc.	JPR Shibuya Tower Records Bldg.	8,076.85	2.0%
9	Sompo Japan Insurance Inc.	Kawaguchi Center Bldg., Yume-ooka Office Tower, Sompo Japan Sendai Bldg., Sompo Japan Wakayama Bldg.	7,254.12	1.8%
10	Yuraku Real Estate Co., Ltd.	Rise Arena Bldg.	6,023.39	1.5%

(Note) The areas of co-owned buildings corresponding to the portions owned by JPR are indicated.

# Property Portfolio





<b>A</b>	Chiyoda Ward Chuo Ward Minato Ward Shinjuku Ward Shinagawa Ward Shibuya Ward
----------	---

<b>B</b>	All other areas of Tokyo and Chiba, Kanagawa and Saitama Prefectures
----------	--

<b>C</b>	All other areas in Japan
----------	--------------------------

Location Category	Asset Class	No.	Property 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 2002.11 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 2008.9	
	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	
	Office	A-14	Shinjuku Center Bldg.	Shinjuku Ward, Tokyo	1979.10	2008.3	
	Office	A-15	Minami Azabu Bldg.	Minato Ward, Tokyo	1992.6	2008.7	
	Office	A-16	Shinagawa Canal Bldg.	Minato Ward, Tokyo	2008.7	2008.12	
	Office	A-17	Rokubancho Bldg.	Chiyoda Ward, Tokyo	1991.10	2009.12	
	Office	A-18	Ryoshin Harajuku Bldg.	Shibuya Ward, Tokyo	1989.3	2009.12	
	Office	A-19	Tokyo Tatemono Kyobashi Bldg.	Chuo Ward, Tokyo	1981.1	2010.2	
	Office	A-20	TK Horidome Bldg.	Chuo Ward, Tokyo	2002.6	2010.3	
	Office	A-21	JPR Sendagaya Bldg.	Shibuya Ward, Tokyo	2009.5	2010.5	
	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	
	Retail	A-4	Shinjuku Sanchome East Bldg.	Shinjuku Ward, Tokyo	2007.1	2007.3 2008.4	
	Retail	A-5	Yurakucho Ekimae Bldg. (Yurakucho Itocia)	Chiyoda Ward, Tokyo	2007.10	2008.8	
Subtotal (26 Properties)							

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) Ownership indicates the ratio of proprietary ownership of JPR to the total proprietary ownership stipulated in the management regulations, etc. As for cases that proprietary ownership includes parking lots, figure in parentheses indicates ratio calculated excluding parking lots. In addition, ratio for Rise Arena Bldg., Olinas Tower and Tanashi ASTA do not include the residential portion and ratio for Yume-ooka Office Tower is that of for the business tower only.

(As of June 30, 2010)

	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)
	16,276	4.9	79.4	1,751.13	7,994.02	90.0	7	387,836
	2,874	0.9	79.4	679.06	2,291.13	100.0	1	90,528
	2,100	0.6	100.0	550.06	2,791.88	100.0	4	103,625
	2,420	0.7	77.2	657.80	2,105.44 901.36 312.53 3,319.33	94.1 100.0 100.0	10	77,346 32,281 12,880
	4,000	1.2	100.0	636.90	3,265.34	100.0	9	125,365
	11,200	3.4	58.0	8,992.18	14,470.72	98.4	8	539,873
	2,920	0.9	59.6	1,551.19	4,243.58	100.0	2	134,950
	2,920	0.9	26.2	1,302.17	1,250.06 687.34 1,937.40	100.0 100.0	1	87,356 38,973
	5,100	1.5	100.0	1,058.04	4,227.12	81.0	7	153,342
	3,500	1.1	23.9	4,006.00	4,088.44	100.0	3	177,670
	10,180	3.1	38.8	8,409.52	10,982.03 168.74 11,150.77	82.8 82.8	20	236,519 3,634
	11,821	3.6	75.0	3,522.46	11,350.62	93.3	22	444,060
	710	0.2	35.5	858.48	1,253.39	100.0	4	41,721
	21,000	6.3	8.6	14,917.11	8,041.63	84.1	20	476,668
	3,760	1.1	100.0	778.09	3,405.73	100.0	1	(Note 5)
	1,870	0.6	45.6	828.82	1,700.57	100.0	4	52,845
	2,800	0.8	100.0	716.95	2,488.36	100.0	1	(Note 5)
	8,400	2.5	100.0	1,205.07	4,760.13	100.0	8	266,279
	5,250	1.6	100.0	547.10	3,499.31	100.0	2	(Note 5)
	5,100	1.5	100.0	937.59	5,299.82	88.1	6	95,817
	15,050	4.5	100.0	2,217.49	6,177.74	73.5	3	151,257
	12,000	3.6	100.0	1,010.47	8,076.85	100.0	1	345,576
	2,160	0.7	100.0	277.12	651.29	100.0	4	41,566
	4,275	1.3	100.0	198.10	1,027.33	100.0	5	94,861
	2,740	0.8	12.5	2,578.69	2,347.81	100.0	1	78,306
	3,400	1.0	1.9	6,808.12	1,101.92	100.0	1	(Note 5)
	163,826	49.5	—	—	120,962.23	—	—	—

Notes: (4) Site area and total leasable floor space indicate the entire site area and entire floor space including portions of other sectional owners, etc. except for the following properties:

MS Shibaura Building: The above site area indicates the area of the property and Trinity Shibaura that has been developed in an integrated manner

Shinjuku Square Tower: The above site area and total leasable floor space indicate the area of the entire redevelopment project

Rise Arena Building: The above site area and total leasable floor space indicate the site area and floor space of the entire redevelopment project including the residential tower

Olinas Tower: The above site area and total leasable floor space indicate the area including the commercial building and the residential building.

Cupo-la Main Bldg.: The above site area indicates the area of the entire redevelopment project

(5) The portion owned by JPR are leased to single tenants.  
JPR was unable to obtain the tenants' approval to disclose rental information.



Location Category	Asset Class	No.	Property Name	Location	Completed	Acquired	
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 2007.2	
	Office	B-9	Rise Arena Bldg.	Toshima Ward, Tokyo	2007.1	2007.3	
	Office	B-10	Yume-ooka Office Tower	Yokohama City, Kanagawa	1997.3	2007.7	
	Office	B-11	Olinas Tower	Sumida Ward, Tokyo	2006.2	2009.6	
	Retail	B-1	Tanashi ASTA	Nishitokyo City, Tokyo	1995.2	2001.11	
	Retail	B-3	Cupo-la Main Bldg.	Kawaguchi City, Saitama	2006.1	2006.3	
	Retail	B-4	JPR Musashikosugi Bldg.	Kawasaki City, Kanagawa	1983.3	2006.9	
	Retail	B-5	Musashiurawa Shopping Square	Saitama City, Saitama	2005.10	2007.3	
	Retail	B-6	Kawasaki Dice Bldg.	Kawasaki City, Kanagawa	2003.8	2007.4	
Subtotal (15 Properties)							
Other Cities	Office	C-1	Niigata Ekinan Center Bldg.	Niigata City, Niigata	1996.3	2001.11	
	Office	C-4	Tokyo Tatemono Honmachi Bldg.	Osaka City, Osaka	1970.2	2001.11	
	Office	C-7	JPR Hakata Bldg.	Fukuoka City, Fukuoka	1985.6 2003.11	2001.11	
	Office	C-9	JPR Naha Bldg.	Naha City, Okinawa	1991.10	2001.11	
	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-17	JPR Dojima Bldg.	Osaka City, Osaka	1993.10	2004.1	
	Office	C-18	JPR Hakata-Chuo Bldg.	Fukuoka City, Fukuoka	1993.2	2004.6	
	Office	C-19	Mitsubishi UFJ Lease & Finance Nagoya Head Office Bldg. (Note 7)	Nagoya City, Aichi	1991.3	2005.3	
	Retail	C-1	JPR Umeda Loft Bldg.	Osaka City, Osaka	1990.4	2003.5-7	
	Retail	C-3	Benetton Shinsaibashi Bldg.	Osaka City, Osaka	2003.2 2005.1	2005.5	
	Retail	C-4	Housing Design Center Kobe	Kobe City, Hyogo	1994.6	2005.9	
	Retail	C-5	JPR Chayamachi Bldg.	Osaka City, Osaka	1994.6	2006.8	
Subtotal (14 Properties)							
Total (55 Properties)							

- 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) Ownership indicates the ratio of proprietary ownership of JPR to the total proprietary ownership stipulated in the management regulations, etc. As for cases that proprietary ownership includes parking lots, figure in parentheses indicates ratio calculated excluding parking lots. In addition, ratio for Rise Arena Bldg., Olinas Tower and Tanashi ASTA do not include the residential portion and ratio for Yume-ooka Office Tower is that of for the business tower only.

(As of June 30, 2010)

	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)
	5,880	1.8	38.3	3,755.01	7,022.76	100.0	6	274,075
	2,350	0.7	100.0	1,382.35	5,542.94	78.4	27	109,678
	2,927	0.9	100.0	1,100.59	6,066.53	94.5	12	136,952
	920	0.3	50.0	841.71	2,642.38	83.8	10	54,548
	8,100	2.4	86.5	4,524.61	15,461.98	85.2	36	452,603
	3,250	1.0	100.0	1,242.97	6,467.59	94.3	7	232,165
	3,188	1.0	47.9	2,047.22	1,747.13 2,968.00 4,715.13	100.0 77.8	16	60,927 81,674
	5,831	1.8	25.2	9,377.28	6,023.39	100.0	1	240,297
	6,510	2.0	48.8	12,011.00	12,011.51	86.3	31	313,756
	31,300	9.4	23.3	27,335.29	23,987.40	100.0	12	1,166,600
	10,200	3.1	43.6	12,326.30	31,121.71	100.0	1	596,400
	2,100	0.6	16.7	15,008.28	5,963.00	100.0	1	(Note 5)
	7,260	2.2	100.0	4,761.62	19,740.95	100.0	1	(Note 5)
	4,335	1.3	50.0	8,317.99	14,960.69	100.0	3	129,061
	15,080	4.6	46.6	4,475.45	13,066.69	99.3	20	481,174
	109,231	33.0	—	—	174,794.65	—	—	—
	2,140	0.6	32.9	2,706.99	5,326.89	98.2	9	133,726
	4,150	1.3	72.0	1,432.64	7,210.25	97.8	8	246,645
	2,900	0.9	100.0	1,214.63	6,581.15	93.3	27	151,593
	1,560	0.5	100.0	959.87	3,946.90	89.1	16	99,748
	3,150	1.0	100.0	1,895.67	7,153.67	92.7	12	192,735
	1,670	0.5	100.0	1,128.45	4,874.91	91.7	16	121,510
	2,810	0.8	52.2	1,164.39	3,281.12	79.6	10	102,209
	2,140	0.6	100.0	668.11	3,930.21	85.9	6	123,174
	1,920	0.6	100.0	680.63	3,331.78	100.0	5	81,698
	4,137	1.2	100.0	1,610.38	7,112.81	100.0	2	179,169
	13,000	3.9	100.0	3,518.68	18,586.97	100.0	1	402,411
	5,430	1.6	100.0	609.31	5,303.98	100.0	1	(Note 5)
	7,220	2.2	100.0	3,994.47	35,444.13	100.0	1	(Note 5)
	6,000	1.8	100.0	592.45	2,484.39	100.0	7	138,050
	58,227	17.6	—	—	114,569.16	—	—	—
	331,284	100.0	—	—	410,326.04	95.5	460	11,855,159 (Note 6)

Notes: (4) Site area and total leasable floor space indicate the entire site area and entire floor space including portions of other owners, etc. except for the following properties:

- MS Shibaura Building: The above site area indicates the area of the property and Trinity Shibaura that has been developed in an integrated manner
- Shinjuku Square Tower: The above site area and total leasable floor space indicate the area of the entire redevelopment project
- Rise Arena Building: The above site area and total leasable floor space indicate the site area and floor space of the entire redevelopment project including the residential tower
- Cupo-la Main Bldg.: The above site area indicates the area of the entire redevelopment project
- Olinas Tower: The above site area and total floor space indicate the area for the entire property including retail and residential towers.

(5) The Benetton Shinsaibashi Bldg. and the Housing Design Center Kobe are leased to single tenants. JPR was unable to obtain the tenants' approval to disclose rental information.

(6) This includes rental revenues from JPR Nagoya Sakae Bldg. gained until its sales on March 24, 2010.

(7) The name of the Mitsubishi UFJ Lease & Finance Nagoya Head Office Bldg. was changed to JPR Nagoya Fushimi Bldg. as of Oct. 1, 2010.

The same is true to other pages where the Mitsubishi UFJ Lease & Finance Nagoya Head Office Bldg. is mentioned.

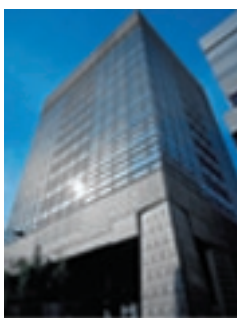
# Overview of Portfolio Properties

New Acquisitions during the 17th Fiscal Period and after are on page 5

## Tokyo CBDs

### Kanematsu Bldg.

A 1



Chuo Ward, Tokyo

Acquisition Price  
¥16,276 million  
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  
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  
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

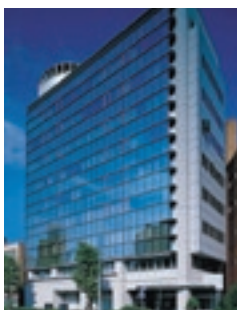


Chiyoda Ward, Tokyo

Acquisition Price  
¥2,420 million  
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  
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  
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  
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  
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  
 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

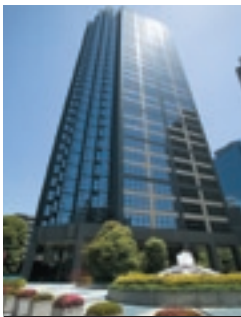


Shinagawa Ward, Tokyo

Acquisition Price  
 ¥3,500 million  
 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  
 ¥10,180 million  
 Site Area  
 8,409.52m<sup>2</sup>  
 (entire redevelopment project)  
 Total Floor Space  
 78,796.00m<sup>2</sup>  
 (entire redevelopment project)  
 Structure/Floors  
 S/RC/SRC B4/30F  
 Completed  
 October 1994

BYGS Shinjuku Bldg.

A 12



Shinjuku Ward, Tokyo

Acquisition Price  
 ¥11,821 million  
 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  
 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

Shinjuku Center Bldg.

A 14



Shinjuku Ward, Tokyo

Acquisition Price  
 ¥21,000 million  
 Site Area  
 14,917.11m<sup>2</sup>  
 Total Floor Space  
 176,607.89m<sup>2</sup>  
 Structure/Floors  
 SRC/RC/S B5/54F  
 Completed  
 October 1979

Minami Azabu Building

A 15



Minato Ward, Tokyo

Acquisition Price  
 ¥3,760 million  
 Site Area  
 778.09m<sup>2</sup>  
 Total Floor Space  
 4,570.63m<sup>2</sup>  
 Structure/Floors  
 S 9F  
 Completed  
 June 1992

Shinagawa Canal Building

A 16



Minato Ward, Tokyo

Acquisition Price  
 ¥1,870 million  
 Site Area  
 828.82m<sup>2</sup>  
 Total Floor Space  
 5,216.21m<sup>2</sup>  
 Structure/Floors  
 S B1/8F  
 Completed  
 July 2008



### Rokubancho Building

A 17

Chiyoda Ward, Tokyo



Acquisition Price  
¥2,800 million  
Site Area  
716.95m<sup>2</sup>  
Total Floor Space  
4,205.09m<sup>2</sup>  
Structure/Floors  
SRC B3/7F  
Completed  
October 1991

### Ryoshin Harajuku Building

A 18

Shibuya Ward, Tokyo



Acquisition Price  
¥8,400 million  
Site Area  
1,205.07m<sup>2</sup>  
Total Floor Space  
6,466.94m<sup>2</sup>  
Structure/Floors  
SRC B1/9F  
Completed  
March 1989

### JPR Shibuya Tower Records Bldg. (Retail)

A 1

Shibuya Ward, Tokyo



Acquisition Price  
¥12,000 million  
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

### JPR Daikanyama (Retail)

A 2

Shibuya Ward, Tokyo



Acquisition Price  
¥2,160 million  
Site Area  
277.12m<sup>2</sup>  
Total Floor Space  
668.09m<sup>2</sup>  
Structure/Floors  
RC B2/2F  
Completed  
July 2002

### JPR Jingumae 432 (Retail)

A 3

Shibuya Ward, Tokyo



Acquisition Price  
¥4,275 million  
Site Area  
198.10m<sup>2</sup>\*  
Total Floor Space  
1,066.81m<sup>2</sup>  
Structure/Floors  
S/SRC B1/7F  
Completed  
February 2006

### Shinjuku Sanchome East Bldg. (Retail)

A 4

Shinjuku Ward, Tokyo



Acquisition Price  
¥2,740 million  
Site Area  
2,578.69m<sup>2</sup>  
Total Floor Space  
24,617.65m<sup>2</sup>  
Structure/Floors  
S/SRC/RC B3/14F  
Completed  
January 2007

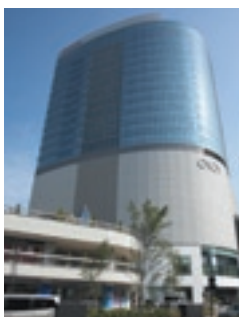
\*Does not include area transferred to Tokyo Metropolitan Government

### Greater Tokyo

### Yurakucho Ekimae Building (Yurakucho Itocia)(Retail)

A 5

Chiyoda Ward, Tokyo



Acquisition Price  
¥3,400 million  
Site Area  
6,808.12m<sup>2</sup>  
Total Floor Space  
71,957.65m<sup>2</sup>  
Structure/Floors  
S/SRS B4/20F  
Completed  
October 2007

### Arca East

B 1

Sumida Ward, Tokyo

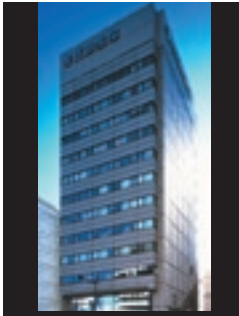


Acquisition Price  
¥5,880 million  
Site Area  
3,755.01m<sup>2</sup>  
Total Floor Space  
34,281.86m<sup>2</sup>  
Structure/Floors  
S/SRC B3/19F  
Completed  
March 1997



JPR Chiba Bldg.

B 2



Chiba City, Chiba

Acquisition Price  
¥2,350 million  
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  
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  
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  
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  
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  
¥3,188 million  
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

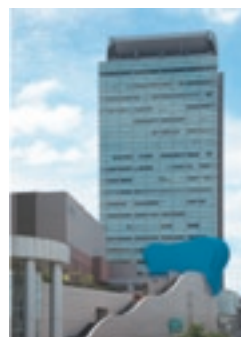
Rise Arena Bldg. B 9



Toshima Ward, Tokyo

Acquisition Price  
¥5,831 million  
Site Area  
9,377.28m<sup>2</sup>  
(entire redevelopment project)  
Total Floor Space  
91,280.94m<sup>2</sup>  
(including residential tower)  
Structure/Floors  
RC/SRC/S B3/42F \*  
Completed  
January 2007

Yume-ooka Office Tower B 10



Yokohama City, Kanagawa

Acquisition Price  
¥6,510 million  
Site Area  
12,011.00m<sup>2</sup>  
Total Floor Space  
185,974.87m<sup>2</sup>  
Structure/Floors  
S/SRC/RC B3/27F  
Completed  
March 1997

\*The commercial tower portion has 2 basement floors and 15 floors above ground.

## Olinas Tower

B 11



Sumida Ward, Tokyo

Acquisition Price  
¥31,300 million  
Site Area  
27,335.29m<sup>2</sup>  
Total Floor Space  
257,842.41m<sup>2</sup>  
Structure/Floors  
SRC/RC/S B2/45F \*  
Completed  
February 2006

\*The office building has 31 floors above ground and 2 floors underground.

## Tanashi ASTA (Retail)

B 1



Nishitokyo City, Tokyo

Acquisition Price  
¥10,200 million  
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

## Cupo-la Main Bldg. (Retail)

B 3



Kawaguchi City, Saitama

Acquisition Price  
¥2,100 million  
Site Area  
15,008.28m<sup>2</sup>  
(entire redevelopment project)  
Total Floor Space  
48,321.96m<sup>2</sup>  
Structure/Floors  
S/RC/SRC B2/10F  
Completed  
January 2006

## JPR Musashikosugi Bldg. (Retail)

B 4



Kawasaki City, Kanagawa

Acquisition Price  
¥7,260 million  
Site Area  
4,761.62m<sup>2</sup>  
Total Floor Space  
18,394.32m<sup>2</sup>  
Structure/Floors  
SRC/RC/S B1/6F  
Completed  
March 1983

## Musashiurawa Shopping Square (Retail)

B 5



Saitama City, Saitama

Acquisition Price  
¥4,335 million  
Site Area  
8,317.99m<sup>2</sup>  
Total Floor Space  
28,930.36m<sup>2</sup>  
Structure/Floors  
S B1/4F  
Completed  
October 2005

## Kawasaki Dice Bldg. (Retail)

B 6



Kawasaki City, Kanagawa

Acquisition Price  
¥15,080 million  
Site Area  
4,475.45m<sup>2</sup>  
Total Floor Space  
36,902.01m<sup>2</sup>  
Structure/Floors  
S/SRC/RC B2/11F  
Completed  
August 2003

## Other Cities

### Niigata Ekinan Center Bldg.

C 1

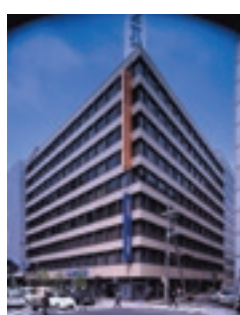


Niigata City, Niigata

Acquisition Price  
¥2,140 million  
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

### Tokyo Tatemono Honmachi Bldg.

C 4



Osaka City, Osaka

Acquisition Price  
¥4,150 million  
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 Hakata Bldg.

C 7

Fukuoka City, Fukuoka



Acquisition Price  
¥2,900 million  
Site Area  
1,214.63m<sup>2</sup>  
Total Floor Space  
9,828.73m<sup>2</sup>  
Structure/Floors  
S/RC B1/12F  
Completed  
June 1985

JPR Naha Bldg.

C 9

Naha City, Okinawa



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

Sompo Japan Sendai Bldg.

C 12

Sendai City, Miyagi



Acquisition Price  
¥3,150 million  
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  
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  
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 Dojima Bldg.

C 17

Osaka City, Osaka



Acquisition Price  
¥2,140 million  
Site Area  
668.11m<sup>2</sup>  
Total Floor Space  
5,696.01m<sup>2</sup>  
Structure/Floors  
SRC B2/9F  
Completed  
October 1993

JPR Hakata-Chuo Bldg.

C 18

Fukuoka City, Fukuoka



Acquisition Price  
¥1,920 million  
Site Area  
680.63m<sup>2</sup>  
Total Floor Space  
3,874.81m<sup>2</sup>  
Structure/Floors  
SRC 8F  
Completed  
February 1993

Mitsubishi UFJ Lease & Finance  
Nagoya Head Office Bldg.

C 19

Nagoya City, Aichi



Acquisition Price  
¥4,137 million  
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  
 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

Benetton Shinsaibashi Bldg. (Retail)

C 3

Osaka City, Osaka



Acquisition Price  
 ¥5,430 million  
 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  
 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

JPR Chayamachi Bldg. (Retail)

C 5

Osaka City, Osaka



Acquisition Price  
 ¥6,000 million  
 Site Area  
 592.45m<sup>2</sup>  
 Total Floor Space  
 3,219.36m<sup>2</sup>  
 Structure/Floors  
 S/SRC 9F  
 Completed  
 June 1994



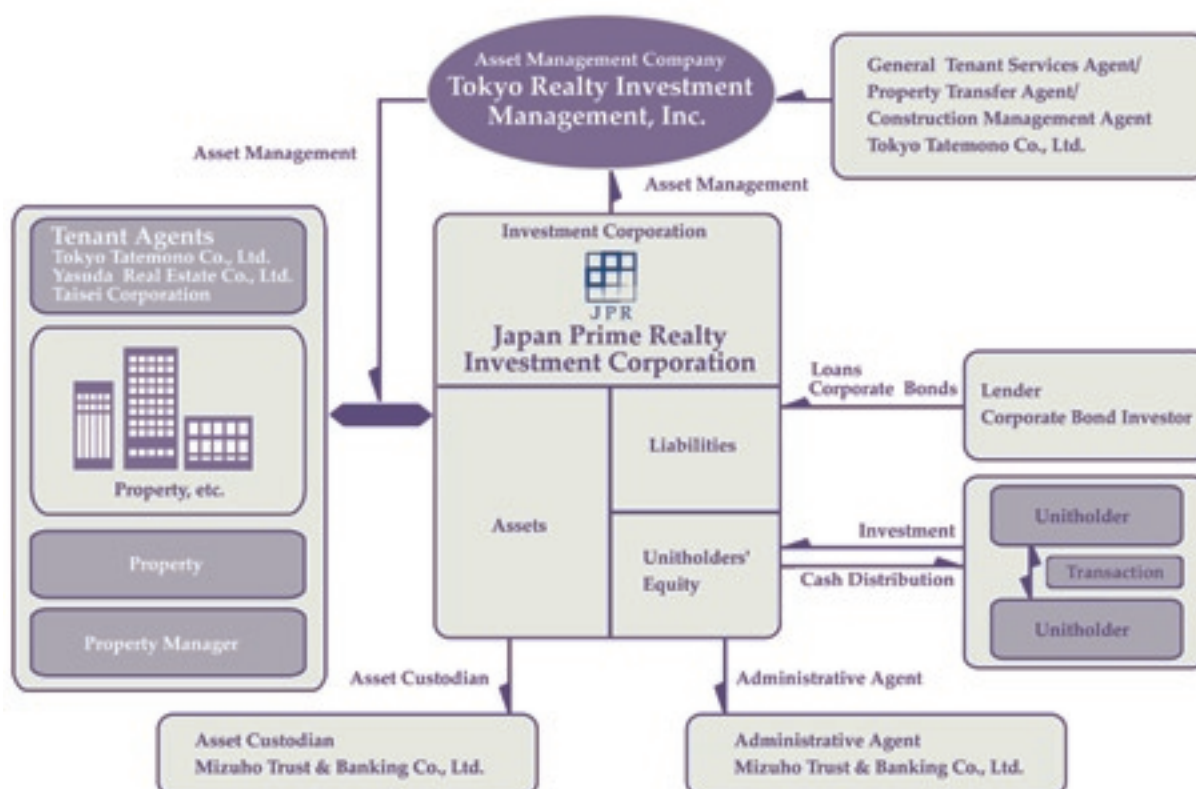
## Characteristics and Corporate History

### *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. JPR also diversifies its investment geographically by not limiting itself to Tokyo 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 existing unit)
June 14, 2002	Listed on the Real Estate Investment Trust Section of the Tokyo Stock Exchange





## Members of the Board (As of June 30, 2010)



### Executive Officer

#### Hirohito Kaneko

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

### Supervising Officer

#### Sosuke Yasuda

- Jan. 2009** Group Representative Partner, Gyosei & Co. (currently held position)
- Apr. 2008** CPA and Director, Gyosei Audit Corporation (currently held position)
- Apr. 2008** Outside Auditor, Mitsui Sumitomo Insurance Group Holdings, Inc. (currently held position)
- Jan. 2008** Group Representative Partner, Gyosei Audit Corporation (Tokyo Hokuto & Co. merged with Serizawa Accounting Firm)
- Oct. 2006** CPA and Director, Gyosei Audit Corporation
- Jun. 2006** Outside Auditor, Nomura Research Institute, Ltd. (currently held position)
- Jun. 2005** Outside Auditor, Mitsui Sumitomo Insurance Company, Limited (currently held position)
- Sep. 2001** Supervising Officer, Japan Prime Realty Investment Corporation
- Oct. 1999** Director and Senior Partner, Tokyo Hokuto & Co. (Tokyo Akasaka Audit Co. merged with Hokuto Audit Co. ) (currently held position)
- Jul. 1993** Senior Partner, Tokyo Akasaka Audit Co.
- Feb. 1983** Representative, Tokyo Akasaka CPA Joint Office
- Jun. 1980** Sosuke Yasuda Tax Accountant Office (currently held position)
- Dec. 1975** Masamitsu Serizawa Accounting Firm
- Apr. 1968** Main Store, KK Ohgiya

### Supervising Officer

#### Masato Denawa

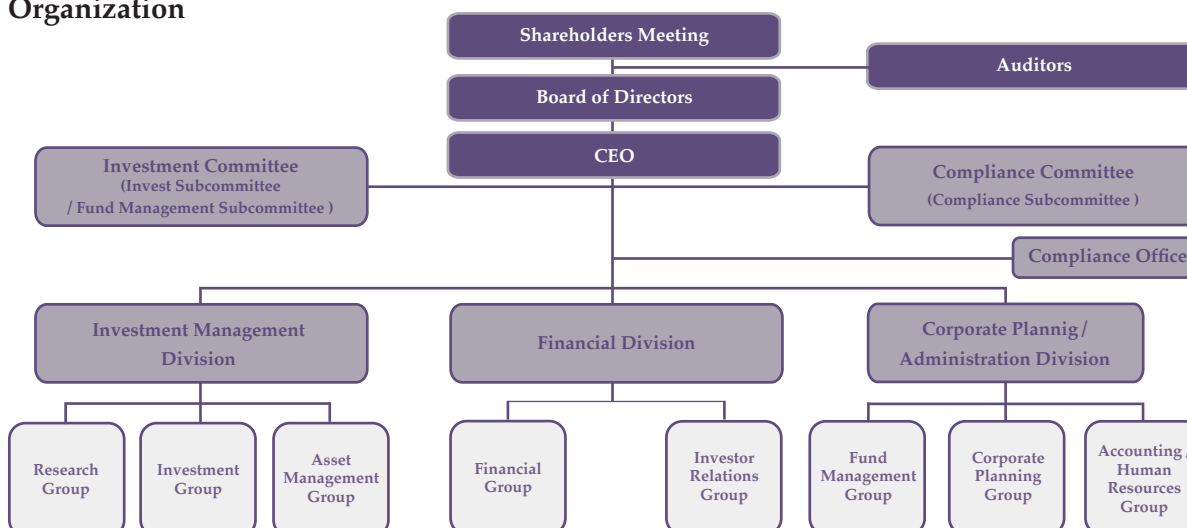
- Apr. 2009** Adjunct professor (part-time) at Keio Law School (currently held position)
- Sep. 2007** Supervising Officer of Japan Prime Realty Investment Corporation
- Jul. 2007** Director of Advicelink Co., Ltd. (currently held position)
- Feb. 2005** Part-time auditor of Ulvex Inc. (currently held position)
- Jul. 2003** Partner attorney at Spring Partners (former Okinobu, Ishihara & Sei Law Office) (currently held position)
- Apr. 2002** Adjunct professor (part-time) at Keio University Faculty of Law (Civil law practice)
- Jun. 2000** Part-time auditor of Kinkan Co., Ltd. (currently held position)
- Jan. 1999** Partner of Okinobu, Ishihara & Sei Law Office
- Apr. 1991** Okinobu, Ishihara & Sei Law Office (former Okinobu & Ishihara Law Office)
- Apr. 1990** Registered with Daiichi Tokyo Bar Association at Okinobu & Ishihara Law Office

# 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. (40%) Taisei Corporation (20%) Yasuda Real Estate Co., Ltd. (20%) Meiji Yasuda Life Insurance Company (10%) Sompo Japan Insurance Inc. (10%)	
History	April 28, 2000:	Founded
	October 13, 2000:	Approved for real estate transaction service
	March 16, 2001:	Approved as discretionary transaction agent
	June 20, 2001:	Approved for asset management of investment corporation
	September 30, 2007:	Registered as investment management business
	November 28, 2007:	Applying for and submitting application form regarding Financial Instruments and Exchange Law (investment management business)
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 judgement) (2) Funding by JPR (3) Reporting to JPR (4) Any other services related to or affiliated with the above	

## Organization



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

TRIM established the Investment Committee to make investment management decisions with Investment Subcommittee (including the Due Diligence Subcommittee) and Fund Management Subcommittee below it. Members of these Committees and Subcommittees include the CEO, CIO, CFO and CAO. However, regarding the Due Diligence Subcommittee, a Compliance Office General Manager is also included to enhance compliance when conducting due diligence for the targeted investment asset.

The Board of Directors is responsible for the targeted investment assets and policies. The Investment Committee formulates management plans, while the Investment Subcommittee is in charge of decisions on issues regarding the acquisition and disposition of individual assets. The Fund Management Subcommittee is responsible for issues regarding the management of individual assets.

Procedures for decision-making by the Investment Subcommittee entails following secure procedures that require two steps: a policy decision concerning acquisition or disposition and a final decision on acquisition or disposition. In addition, in regard to the acquisition of an individual asset, a Due Diligence Subcommittee meeting will be held after the acquisition policy is decided to enhance the screening of the details of due diligence. Furthermore, the Board of Directors is given final decision-making power on the acquisition and disposition of individual assets greater than a certain value.

Meanwhile, decisions and legal procedures by each committee are screened to confirm that they do not violate laws, regulations, JPR's Articles of Incorporation, internal rules, etc. at the Compliance Subcommittee just before Committee meetings are held. The Compliance Office General Manager reports on the presence or absence of violations of laws or rules before the screening at each Committee and, in addition, instructs each manager to decide at or report to the TRIM's Board of Directors or JPR's Board of Directors in compliance with the rules, etc.

## Directors of Tokyo Realty Investment Management, Inc.

### President and Chief Executive Officer (CEO)

#### Satoshi Okubo

- Jun. 2010 Appointed as President and CEO, Tokyo Realty Investment Management, Inc.
- Mar. 2010 Appointed as Advisor, Tokyo Tatemono Co., Ltd.
- Mar. 2010 Appointed as Auditor (part time), Tokyo Tatemono Real Estate Sales Co., Ltd.
- Oct. 2005 Appointed as Director and Head of Kansai Branch Office
- Mar. 2005 Appointed as Director and Head of Osaka Branch Office
- Oct. 1998 Appointed as General Manager, Residential Management Dept.
- Jan. 1996 Appointed as Group Leader, Second Leasing Group, Second Building Leasing Dept.
- Apr. 1995 Appointed as Manager, Management Planning Office, Corporate Planning Division
- Apr. 1994 Appointed as Manager, Corporate Planning Division and Manager, International Planning Office, Corporate Planning Division
- Apr. 1992 Appointed as Manager, Corporate Communications Office and Manager, Corporate Planning Division
- Apr. 1977 Joined Tokyo Tatemono Co., Ltd.

### Director and Chief Administrative Officer (CAO)

#### Kazuo Kitami

- Oct. 2004 Appointed as Director and Chief Administrative Officer, Tokyo Realty Investment Management, Inc.
- Oct. 2004 Dispatched to Tokyo Realty Investment Management, Inc.
- Jan. 2004 Appointed as member of the council in charge of Affiliated Companies Department, Meiji Yasuda Life Insurance Company
- Apr. 2003 Appointed as Manager, Loan Management of the Management and Administration Division
- Aug. 2000 Appointed as Manager, Loan General Affairs of the Management and Administration Division
- Apr. 1997 Appointed as Manager, Credit Assessment Dept. 2 of the Management and Administration Division
- Apr. 1995 Appointed as Manager of Real Estate Development Department of the Real Estate Division
- Sep. 1989 Appointed as Manager of Real Estate Development Dept. of the Real Estate Division
- Apr. 1975 Joined Yasuda Mutual Life Insurance Company (currently Meiji Yasuda Life Insurance Company) and assigned to Training Institute of the Education Division

### Director and Chief Investment Officer (CIO)

#### Seiji Miwa

- Mar. 2006 Appointed as Director and Chief Investment Officer, Tokyo Realty Investment Management, Inc.
- Oct. 2004 Appointed as General Manager of Investment Management Division (responsible for Asset Management Group)
- Jul. 2003 Dispatched to Tokyo Realty Investment Management, Inc.
- Jan. 2000 Appointed as Group Leader of Investment Services Department, Tokyo Tatemono Co., Ltd.
- Jul. 1998 Appointed as Manager, Investment Services Department
- Apr. 1998 Appointed as Manager, Yokohama Development Department
- Apr. 1995 Appointed as Assistant Manager of Yokohama Development Department
- Apr. 1991 Appointed Assistant Manager of Development Department 1
- Apr. 1989 Assigned to Development Department 1
- Apr. 1983 Joined Tokyo Tatemono Co., Ltd. and assigned to Design Department

### Director and Chief Financial Officer (CFO)

#### Katsuhito Ozawa

- Jul. 2009 Appointed as Director and Chief Financial Officer, Tokyo Realty Investment Management, Inc.
- Jul. 2009 Dispatched to Tokyo Realty Investment Management, Inc.
- Nov. 2007 Appointed as Representative Director of Kachidoki GROWTH TOWN Co., Ltd.
- Mar. 2007 Appointed as General Manager of Residential Management Division, Tokyo Tatemono Co., Ltd.
- Oct. 2004 Appointed as General Manager of Financial Division (responsible for Financial Group and Investor Relations Group)
- Apr. 2002 Dispatched to Tokyo Realty Investment Management, Inc.
- Apr. 2001 Appointed as Manager of Investment Services Department
- Apr. 1987 Joined Tokyo Tatemono Co., Ltd.

### Director and Compliance Officer

#### Shigeyuki Sugawara

- Jun. 2010 Appointed as Director and Compliance Officer, Tokyo Realty Investment Management, Inc.
- Apr. 2008 Appointed as Compliance Officer, Tokyo Realty Investment Management, Inc.
- Jul. 2005 Appointed as Corporate Planning/Administration Division Manager (responsible for Planning Group/Compliance Group)
- Oct. 2004 Appointed as Corporate Planning/Administration Division Manager (responsible for Compliance Group)
- Jan. 2001 Seconded to Tokyo Realty Investment Management, Inc. (joined Tokyo Realty Investment Management, Inc. in October 2002)
- Apr. 1999 Appointed as Manager, Real Estate Section, Real Estate Division, Asahi Jitsugyo Co., Ltd. (seconded from Asahi Mutual Life Insurance Company)
- Apr. 1998 Appointed as Deputy Manager, Real Estate Business Office, Real Estate Division
- Apr. 1985 Joined Asahi Mutual Life Insurance Company

# Overview of Asset Management

## (1) Operational Performance of JPR

	Unit	13th Fiscal Period (Jan. 1, 2008 - June 30, 2008)	14th Fiscal Period (July 1, 2008 - Dec. 31, 2008)	15th Fiscal Period (Jan. 1, 2009 - June 30, 2009)	16th Fiscal Period (July 1, 2009 - Dec. 31, 2009)	17th Fiscal Period (Jan. 1, 2010 - June 30, 2010)
Operating Performance	Operating Revenues	10,830	11,171	14,330	11,493	12,314
	Real estate rental revenues	10,830	11,171	11,030	11,493	11,855
	Gain on sale of real estate	—	—	3,300	—	459
	Operating Expenses	5,550	5,689	7,762	5,665	5,830
	Real estate rental expenses	4,909	5,022	4,961	5,010	5,144
	Loss on sale of real estate	—	4	2,154	—	—
	Loss on sale of investment securities	—	—	38	—	—
	Operating Profits	5,280	5,482	6,568	5,827	6,484
	Recurring Profits	4,452	4,433	5,572	4,333	4,964
Net Income	4,451	4,432	2,331	4,332	4,963	
Assets, etc.	Total Assets	303,459	309,253	329,163	332,380	358,339
	(% Change)	(+8.8)	(+1.9)	(+6.4)	(+1.0)	(+7.8)
	Interest-bearing Debt	123,475	129,255	150,230	150,872	161,262
	Total Unitholders' Equity	161,177	161,158	159,057	161,058	176,303
	(% Change)	(+0.2)	(-0.0)	(-1.3)	(+1.3)	(+9.5)
Unitholders' Capital	156,725	156,725	156,725	156,725	171,339	
Cash Distribution per Unit, etc.	Total Cash Distributions	4,451	4,432	2,331	4,333	4,840
	Dividend payment ratio	100.0	99.9	99.9	100.0	97.5
	Number of Units Outstanding	625,000	625,000	625,000	625,000	715,000
	Total Unitholders' Equity per Unit	257,883	257,853	254,492	257,693	246,578
	Cash Distribution per Unit	7,122	7,092	3,731	6,933	6,770
	Distribution amount	7,122	7,092	3,731	6,993	6,770
Exceeding profit distribution amount	—	—	—	—	—	
Financial Indices	Recurring Profits on Total Assets (Note 1)	1.5	1.4	1.7	1.3	1.4
	Annualized (Note 10)	3.1	2.9	3.5	2.6	2.9
	Return on Total Unitholders' Equity (Note 2-1)	2.8	2.8	1.5	2.7	2.9
	Annualized (Note 10)	5.5	5.5	2.9	5.4	5.9
	Total unitholders' equity at beginning of period (Note 2-2)	160,895	161,177	161,158	159,057	161,058
	Unitholders' Equity Ratio at End of Period (Note 3)	53.1	52.1	48.3	48.5	49.2
	(Year-on-year increase/decrease)	(-4.6)	(-1.0)	(-3.8)	(+0.1)	(+0.7)
	Interest-Bearing Debt to Total Assets at End of Period (Note 4)	40.7	41.8	45.6	45.4	45.0
	DSCR (Note 5)	8.0	7.0	7.1	5.4	5.4
	Net income before interest and amortization	7,168	7,285	7,284	7,604	7,841
	Interest paid (Notes 6)	897	1,048	1,024	1,420	1,439
NOI from Leasing (Note 7)	7,739	7,948	7,864	8,332	8,607	
Annualized NOI yield (Notes 9 and 10)	5.6	5.5	5.1	5.3	5.2	
NCF from Leasing (Note 8)	6,917	7,346	7,109	7,657	8,383	
Annualized NCF yield (Notes 9 and 10)	5.0	5.1	4.6	4.9	5.0	
Reference Information	Properties Owned (Note 11)	50	52	51	53	55
	Number of Tenants	537	499	476	476	460
	Total Leasable Floor Space (Note 12)	383,491.03	383,215.57	393,532.31	400,751.87	410,326.04
	Occupancy Rate	97.5	96.4	96.8	96.4	95.5

(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, loss on sales of investment securities and extraordinary loss) / 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 (13th fiscal period: ¥275.10 billion, 14th fiscal period: ¥284.31 billion, 15th fiscal period: ¥311.91 billion, 16th fiscal period: ¥310.61 billion and 17th fiscal period: ¥335.98 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: 13th fiscal period: 182 days, 14th fiscal period: 184 days, 15th fiscal period: 181 days, 16th fiscal period: 184 days and 17th fiscal period: 181 days.

(Note 11) Shin-Kojimachi Bldg., Fukuoka Bldg., Shinjuku Square Tower, BYGS Shinjuku Bldg., Shinjuku Sanhome East Bldg., Tachikawa Business Center Bldg. and JPR Umeda Loft Bldg. were acquired at multiple times but are calculated as one property.

(Note 12) Total leasable floor space in this table indicates the contracted area.

(Note 13) Any ratio indicated on financial indices are rounded to the first decimal point (except for the dividend payment ratio, which is rounded off to the first decimal point.)

## **(2) 17th 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 its fourth additional public offering in February 2010, bringing the number of investment units issued and outstanding to 715,000 units. JPR has assigned the asset management of its portfolio to Tokyo Realty Investment Management Inc., through which JPR aims to maximize unitholder value by efficiently managing the portfolio of office buildings and retail properties.

### **2) Management Environment**

With regards to the Japanese economy, corporate earnings has shown improvement and the trend of decreasing capital expenditure is starting to bottom out due to the impact of increased exports towards Asia and other factors against a backdrop of the economic growth of emerging countries. Furthermore, there were visible signs of a recovery in consumer spending as a result of policies coming into effect and the foundation for a self-sustained recovery looks as though it is being developed. However, employment conditions are still harsh, and the risk that foreign economies will enter into a downtrend cannot be ignored, such as issues concerning Greece. Thus, it seems as though the path towards economic recovery will not be smooth and that it will require a certain amount of time.

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

The office market continues to be weak. However, in Tokyo, rent adjustments have progressed significantly and rapidly. Due to this, there are signs that vacancy rates will bottom out. Furthermore, in regional cities, in addition to the decrease in overall demand, market conditions are continuing to worsen in regions where there are an excessive amount of new supplies when compared to market levels.

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

Although there are signs that consumption is recovering, it still lacks dynamism, and in the retail industry, overall sales are continuing to decline. There are cases where rents of some stores in good locations of major cities have been adjusted to a great degree and as a result, inquiries from tenants have once again been arriving.

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

Fund procurement conditions are improving and the willingness to invest by buyers has been on the recovery. As a result, the environment is developing for the conclusion of transactions involving some blue-chip properties that have cleared strict investment screening of buyers at a price level which is acceptable to sellers. However, the screening criteria of buyers remain harsh and the transaction volume has not grown to a great extent. Currently, only some players who have sufficient fund procurement capabilities have resumed investment based on expectations that the market is hitting the bottom. However, going forward, in the event that trends of a sustainable recovery of the economy and bottoming out of the leasing markets become evident, the for-sale market is seen to turn to a recovery trend from a downward trend prior to the recovery of the leasing markets.

### **3) Portfolio Management Status**

#### **Asset Replacement**

Based on the recent changes in market conditions, JPR has been focusing on asset replacement by endeavoring to replace properties in the “local area/retail property” category with those in the “Tokyo/office building” area, with a primary aim of stabilizing portfolio earnings while paying attention to balancing diversification of the portfolio, both in terms of location and asset class.

During the 17th fiscal period, JPR acquired Tokyo Tatemono Kyobashi Building (acquisition price: 5.25 billion yen), TK Horidome Building (acquisition price: 5.1 billion yen) and, based on a forward commitment, JPR Sendagaya Building (acquisition price: 15.05 billion yen). All of these properties are blue-chip office buildings located in the Tokyo CBDs. Meanwhile, JPR sold the JPR Nagoya Sakae Building (sale price: 4.937 billion yen), which is a regional property, as part of portfolio asset replacement. As a result, the balance of assets under management now totals 55 properties, or 331.2 billion yen on an acquisition price basis, as of the end of June 2010. The total leasable floor space is now 410,326m<sup>2</sup> and the number of tenants is 460.



## Operational Management of Portfolio

JPR is conducting management by working to improve the levels of the actual properties and services through promptly responding to tenant needs through tenant satisfaction surveys that are implemented regularly based on its brand strategy. Furthermore, given that severe leasing market conditions have continued, JPR placed the highest priority on maintaining occupancy rates while giving due consideration to maintaining balance with rental revenue for attracting new tenants and negotiating rent conditions with existing tenants. As a result, we successfully maintained a high occupancy rate of 95.5% (a period-on-period decrease of 0.9%), despite being a slight decrease from the previous fiscal period.

Furthermore, based on JPR's brand concept A/3S (Amenity/Service, Safety and Save Energy), JPR from time to time implements renovations in an aim to create spaces where the workers feel satisfied. During the 17th fiscal period, JPR implemented renovations in the common areas of Yume-ooka Office Tower. Moreover, in order to proactively provide environmentally-friendly office buildings, we have started activities to green the walls near entrances, as well as other activities.

## Fund Procurement

During the 17th fiscal period, JPR expanded its borrowing capacity and strengthen its financial ground by procuring 14.61 billion yen through additionally issuing investment units. (For details, see "(3) Additional Offerings, etc." below.) Furthermore, in the expansion of our portfolio, we practiced dynamic borrowings. JPR also worked to further increase financial stability through procurement of long-term fixed interest funds by issuing unsecured corporate bonds and procuring borrowings, with an eye on avoiding future interest rate fluctuation risks and remaining attentive to the diversification of repayment and redemption maturity dates.

As a result, the balance of total outstanding borrowings as of the end of the fiscal period was 110.76 billion yen, with unsecured corporate bonds of 50.5 billion yen. With regards to JPR's overall interest-bearing debt, the average interest rate as of the end of the fiscal period (Note 1) was 1.9%, the interest-bearing debt ratio (Note 2) was 48.5% and the LTV (ratio of interest-bearing debt to total assets) at the end of the period (Note 3) was 45.0%.

Of these, the non-current portion of long-term interest-bearing debt that is hedged against risk of interest rate fluctuations now comprises 81.7% of all interest-bearing debt, and the average maturity (Note 4) is 4.1 years. The current portion of long-term interest-bearing debt is 24.49 billion yen.

The following represents the issuer ratings for JPR as of the end of this fiscal period.

## Details of Corporate Credit Ratings as of June 30, 2010

Ratings Agency	Corporate Credit Rating
Rating and Investment Information, Inc.	AA- (Stable)
Moody's Investor Services	A2 (Negative)
Standard & Poor's	Long-term: A (Stable) Short-term: A-1

(Note 1) Average interest is arrived at by calculating a weighted average of interest rates as of the end of the 17th fiscal period based on the balance of each debt.

(Note 2) Interest-bearing debt ratio (%):  $\text{interest-bearing debt} / (\text{interest-bearing debt} + \text{unitholders' capital}) \times 100$  (unitholders' capital: 171.33 billion yen)

(Note 3) LTV at end of period (%):  $\text{interest-bearing debt} / \text{total assets at end of period} \times 100$  (total assets at the end of the 17th fiscal period: 358.33 billion yen)

(Note 4) Average maturity of long-term interest-bearing debt is arrived at by calculating a weighted average of maturities from the end of the 17th 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.

### (3) Additional Offerings, etc.

The table below indicates additional offerings, etc. in the 17th fiscal period and prior to the 16th 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 1, 2005	Additional public offering	95,000	525,000	25,001	114,115	(Note 7)
March 1, 2005	Third-party allotment	5,000	530,000	1,315	115,431	(Note 8)
February 6, 2007	Additional public offering	90,000	620,000	39,120	154,552	(Note 9)
March 7, 2007	Third-party allotment	5,000	625,000	2,173	156,725	(Note 10)
February 8, 2010	Additional public offering	82,000	707,000	13,315	170,040	(Note 11)
March 12, 2010	Third-party allotment	8,000	715,000	1,299	171,339	(Note 12)

(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) An additional offering was made via private placement at 500,000 yen per unit. JPR then acquired 13 beneficiary interests in real estate trust and started management.

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

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

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

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

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

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

(Note 9) New investment units were issued through a public offering at 449,820 yen per unit (underwriting price of 434,673 yen per unit) to repay debt, acquire new specific assets, etc.

(Note 10) New investment units were issued through a third-party allotment at 434,673 yen per unit to repay debt, acquire new specific assets, etc.

(Note 11) New investment units were issued through a public offering at 168,101 yen per unit (underwriting price of 162,382 yen per unit) to repay short-term debt, redeem investment corporation bonds, acquire new specific assets, etc.

(Note 12) New investment units were issued through a third-party allotment at 162,382 yen per unit to repay short-term debt, redeem investment corporation bonds, acquire specific assets, etc.

### (4) Cash Distributions

With regards to cash distributions for the 17th fiscal period, the Special Measures on Taxation for Investment Corporations (Special Taxation Measures Law, Article 67-15), the Special Deduction from Income for Expropriated Land or Other Property (Special Taxation Measures Law, Article 65-2) and the Special Measures in Case Land or Other Property is Acquired in Advance in 2009 or 2010 (Special Taxation Measures Law, Article 66-2) have been applied to internally reserve a certain amount of unappropriated retained earnings within the scope that no burden is borne on Unitholders due to the additional levy of corporate tax, etc. Based on this policy, we will distribute the maximum allowable amount of the dividend distribution which does not exceed the amount obtained after deducting the aforementioned internal reserves from the unappropriated retained earnings for the 17th fiscal period. As a result, the cash distribution per unit for the 17th fiscal period was set at 6,770 yen.

(Thousands of yen unless otherwise indicated)

Date	13th Fiscal Period (as of June 30, 2008)	14th Fiscal Period (as of December 31, 2008)	15th Fiscal Period (as of June 30, 2009)	16th Fiscal Period (as of December 31, 2009)	17th Fiscal Period (as of June 30, 2010)
Unappropriated Retained Earnings at End of Period	4,451,575	4,432,832	2,332,243	4,333,229	4,963,970
Internal Reserves	325	332	368	104	123,420
Total Cash Distributions (cash distribution per unit)	4,451,250 (7,122 yen)	4,432,500 (7,092 yen)	2,331,875 (3,731 yen)	4,333,125 (6,933 yen)	4,840,550 (6,770 yen)
Total Cash Distributions from Net Income (cash distribution from net income per unit)	4,451,250 (7,122 yen)	4,432,500 (7,092 yen)	2,331,875 (3,731 yen)	4,333,125 (6,933 yen)	4,840,550 (6,770 yen)
Repayment of Paid-in Capital (repayment of paid-in capital per unit)	- (- yen)	- (- yen)	- (- yen)	- (- yen)	- (- yen)

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

Despite signs of recovery, uncertainty over the future still remains, and JPR will continue to be tested as to how it can conduct management under this environment.

In regard to the office leasing market, it appears that the difficult conditions will continue for some time, as the market is believed to show a tendency to lag behind economic cycles. As such, JPR finds it necessary to carefully discern when and to what degree the leasing market will bottom out. We will need to minimize the decrease in earnings by making even more careful judgments on management concerning such factors as a breakdown of demand trends by location, property size and specification, in addition to the trend in overall demand, as well as a breakdown of new supply trends by city or region.

As for the for-sale real estate market, we must carefully discern how the competition between other players change while endeavoring to collect information necessary for acquiring blue-chip properties. Moreover, the for-sale market not only depends largely on the fund procurement environment, but also tends to change ahead of the leasing market, with the cycles of the changes recently becoming extremely short. Accordingly, we will have to make decisive investment judgments without missing the timing.

Based on these conditions, JPR will proceed with management that exercises caution regarding the following matters as we strive to maximize unitholder value while also taking note of economic and interest rate trends.

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

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

For the present, JPR will focus its investment on Tokyo and office buildings, rather than on regional cities and retail properties. Particularly, JPR will specifically target and work to acquire properties with strong future potential and competitiveness. In considering properties, JPR will strive to acquire properties under appropriate terms by negotiating prices based on detailed market studies and property appraisals.

JPR will continue to make investment decisions after a proactive collection of information through such sources as sponsors of the asset management company, accurately grasping market trends and carefully researching investment value, including the future potential of candidate properties.

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

Given the continuation of the severe leasing environment, JPR will continue differentiating ourselves from others through our brand strategy and strive to maintain and improve competitiveness of portfolio properties.

Furthermore, JPR will also proactively work on making conversions to environmentally-friendly buildings for which social demand is heightening and systematically implement renovations of air conditioning systems aiming to create buildings with high environmental performance, and other measures currently being carried out based on the concept of “Save energy,” which is part of JPR’s brand strategy. We plan on enhancing customer satisfaction together with measures such as renovations of common areas and at the same time, plan on maintaining and increasing occupancy rates upon pouring effort in attracting new tenants and preventing tenants from moving out.

In the future, JPR will need to prepare for complying with the revised Energy Conservation Act, the Environmental Security Ordinance of the Tokyo Metropolitan Government and other laws and regulations, but for the near term, JPR will work to grasp the energy usage of each property and formulate energy reduction goals. We also plan to formulate medium- to long-term plans for each property on the construction work necessary for saving energy.

## (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 through unsecured and unguaranteed bank borrowings as well as the issuance of corporate bonds. JPR will continue to focus on the diversification of fund procurement means and consistently strive to diversify maturities.

## (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 concerning JPR, along with the timely disclosure of items to the Tokyo Stock Exchange. JPR is proactively employing its website ([http://www.jpr-reit.co.jp/jpr\\_e](http://www.jpr-reit.co.jp/jpr_e)) as a vital means for implementing voluntary disclosure and, JPR has promptly disclosed performance information and has run videos on its primary properties using this site. We are committed to further enriching our information disclosure activities.

## (8) Important Facts Arising after the Settlement

There are no material subsequent events for this fiscal period.

### < Reference Information >

#### Property Acquisition

JPR has acquired the following property.

#### **BYGS Shinjuku Bldg. (additional ownership)**

##### Property Overview

Location:	2-19-1, Shinjuku, Shinjuku-ku, Tokyo
Type of ownership* :	Land: Ownership Building: Ownership
Site area:	3,522.46m <sup>2</sup>
Total floor space:	25,733.10m <sup>2</sup>
Structure:	SRC
Floors:	B2/14F
Completion date:	April 1985
Number of tenants	22
Total leasable floor space:	15,134.16m <sup>2</sup>
Total leased floor space:	14,120.60m <sup>2</sup>
Occupancy rate:	93.3%

\*The number of tenants, total leasable floor space, total leased floor space and occupancy rate are figures as of July 31, 2010.

##### Acquisition Terms

Acquisition price:	3,300 million yen
Asset type:	Real estate
Acquisition date:	July 13, 2010

(Note) JPR owns 75% of the co-ownership of BYGS Shinjuku Bldg. and the acquisition of additional 25% co-ownership brings JPR to hold the entire ownership.

## Overview of the Investment Corporation

### (1) Unitholders' Capital

	13th Fiscal Period as of June 30, 2008	14th Fiscal Period as of December 31, 2008	15th Fiscal Period as of June 30, 2009	16th Fiscal Period as of December 31, 2009	17th Fiscal Period as of June 30, 2010
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	625,000	625,000	625,000	625,000	715,000
Unitholders' capital (millions of yen)	156,725	156,725	156,725	156,725	171,339
Total number of unitholders	14,921	14,535	14,570	14,751	15,197

### (2) Primary Investors

The following table shows the 10 largest investors according to the percentage of their owned investment units to the total number of units outstanding as of the end of the 17th fiscal period.

Name	Address	Number of Owned Units	Percentage of Total Units Outstanding (%)
Japan Trustee Services Bank, Ltd.	Chuo Ward, Tokyo	74,751	10.45
NCT Trust and Banking Corporation	Shinagawa Ward, Tokyo	52,809	7.38
Trust & Custody Services Bank, Ltd.	Chuo Ward, Tokyo	41,216	5.76
Tokyo Tatemono Co., Ltd.	Chuo Ward, Tokyo	29,300	4.09
Nomura Trust and Banking Co., Ltd.	Chiyoda Ward, Tokyo	28,211	3.94
Northern Trust Company (AVFC) Account Singapore Clients (Standing proxy: Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	London, UK (Chuo Ward, Tokyo)	27,324	3.82
The Master Trust Bank of Japan, Ltd.	Minato Ward, Tokyo	25,796	3.60
Kawasaki Gakuen	Kurashiki City, Okayama	25,000	3.49
Meiji Yasuda Life Insurance Company	Chiyoda Ward, Tokyo	24,000	3.35
AIG Star Life Insurance Co., Ltd.	Sumidaku Ward, Tokyo	13,190	1.84
	Total	341,597	47.77

(Note) Percentage of total units outstanding are rounded to the second decimal point.



### (3) Items Related to Directors

A. The Executive Officer, Supervising Officers and Independent Auditors as of the end of the 17th fiscal period are as follows.

Position	Name	Other Current Assignments	Total Directors' Fee during the 17th Fiscal Period (thousands of yen)	Number of Owned Units
Executive Officer	Hirohito Kaneko	Representative Counsel, Hirohito Kaneko Law Office	2,400	—
Supervising Officers (Note 1)	Sosuke Yasuda	Group representative partner, Gyosei & Co. CPA and Director, Gyosei Audit Corporation Outside Auditor, Nomura Research Institute, Ltd. Outside Auditor, MS&AD Insurance Group Holdings	4,200	—
	Masato Denawa	Partner Attorney, Spring Partners		—
Independent Auditor (Note 2)	Ernst & Young ShinNihon LLC	—	23,300	—

(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 the above positions.  
 (Note 2) The independent auditor fees include fees regarding auditing of JPR's English financial statements and fees regarding comfort letters for additional offering of new investment units and for Eleventh and Twelfth Unsecured Corporate Bonds.

#### B. Policy on Dismissing and Deciding Not to Reappoint the Independent Auditor

The dismissal of independent auditors shall be considered in accordance with the designations of the Investment Trust Law. The decision to not reappoint the auditor shall be studied at JPR's Board of Directors Meetings following comprehensive consideration of circumstances including audit quality, audit fee and other various conditions.

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

The asset manager, asset custodian and administrative agents of JPR at the end of the 17th 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 (administration, etc. concerning unitholders' list, etc.)	Mizuho Trust & Banking Co., Ltd.
Administrative agent (administration concerning corporate bonds)	Mizuho Trust & Banking Co., Ltd. Mizuho Securities Co., Ltd. Mizuho Corporate Bank, Ltd. Shinkin 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	16th Fiscal Period (as of December 31, 2009)		17th Fiscal Period (as of June 30, 2010)	
		Assets owned by JPR (thousands of yen)	Percentage of total assets (%)	Assets owned by JPR (thousands of yen)	Percentage of total assets (%)
Real estate	Tokyo CBDs	52,692,941	15.9	73,147,819	20.4
	Greater Tokyo	59,163,834	17.8	58,721,705	16.4
	Other Cities	15,758,684	4.7	11,194,010	3.1
Real estate in trust	Tokyo CBDs	83,979,400	25.3	88,928,114	24.8
	Greater Tokyo	46,164,649	13.9	45,701,609	12.8
	Other Cities	45,330,954	13.6	45,111,605	12.6
Deposits and other assets	—	29,289,567	8.8	35,534,811	9.9
	—	( — )	( — )	( — )	( — )
Total assets	—	332,380,032	100.0	358,339,677	100.0
	—	(303,090,465)	(91.2)	(322,804,866)	(90.1)

(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 fall on real estate owned in the object assets.

(Note 3) Various survey expenses (3,819 thousand yen for the 16th fiscal period and 200 thousand yen for the 17th fiscal period) are appropriated in deposits and other assets as construction in progress in this table.

## (2) Major Assets Owned by JPR

The following is an overview of the major assets (ten largest properties by book value at end of period) owned by JPR as of the end of the 17th fiscal period.

Property Name	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
Olinas Tower	31,056,302	23,987.40	23,987.40	100.0	9.6	Office
Shinjuku Center Bldg.	21,406,759	8,041.63	6,760.31	84.1	3.9	Office
JPR Sendagaya Bldg.	15,402,742	6,177.74	4,542.58	73.5	1.9	Office
Kanematsu Bldg.	15,077,251	7,994.02	7,190.65	90.0	3.4	Office
Kawasaki Dice Bldg.	14,955,820	13,066.69	12,981.11	99.3	3.4	Retail
JPR Umeda Loft Bldg.	12,673,944	18,586.97	18,586.97	100.0	3.6	Retail
BYGS Shinjuku Bldg.	12,014,281	11,350.62	10,590.45	93.3	3.6	Office
JPR Shibuya Tower Records Bldg.	11,683,672	8,076.85	8,076.85	100.0	3.2	Retail
MS Shibaura Bldg.	11,036,094	14,470.72	14,240.39	98.4	4.5	Office
Shinjuku Square Tower	9,404,985	11,150.77	9,230.63	82.8	2.1	Office
Total	154,711,855	122,903.41	116,187.34	94.5	39.3	

(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) The tenants of Shinjuku Center Bldg. and Kawasaki Dice Bldg. have sublet space to a sub-lessee and a lease agreement has been executed where the rent paid by the tenant fluctuates in accordance with the lease conditions of the sub-lessee. Therefore, the leasable floor space, leased floor space and occupancy rate entered for this building are the figures concerning the sub-lessee of the tenant.

(Note 3) 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. The figure includes portion additionally acquired in 14th fiscal period.

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 40.31465%, 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

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

Location Category	Asset Class	Property Name	Location	Asset Type	Book Value (as of June 30, 2010) (thousands of yen)	Appraisal Value (as of June 30, 2010) (thousands of yen)
Tokyo CBDs	Office	Kanematsu Bldg.	Chuo Ward, Tokyo	Beneficiary Interest	15,077,251	10,300,000
		Kanematsu Bldg. Annex	Chuo Ward, Tokyo	Beneficiary Interest	2,522,765	2,310,000
		JPR Ningyo-cho Bldg.	Chuo Ward, Tokyo	Beneficiary Interest	1,944,877	2,380,000
		Shin-Kojimachi Bldg. (additional acquisition in 2nd fiscal period) (additional acquisition in 6th fiscal period)	Chiyoda Ward, Tokyo	Beneficiary Interest	1,640,810 566,870 202,020	3,090,000
		JPR Crest Takebashi Bldg.	Chiyoda Ward, Tokyo	Beneficiary Interest	3,582,931	3,530,000
		MS Shibaura Bldg.	Minato Ward, Tokyo	Beneficiary Interest	11,036,094	14,800,000
		Gotanda First Bldg.	Shinagawa Ward, Tokyo	Beneficiary Interest	2,731,575	2,850,000
		Fukuoka Bldg. (additional acquisition in 7th fiscal period)	Chuo Ward, Tokyo	Beneficiary Interest Real Estate	1,787,060 1,148,707	3,240,000
		JPR Ichigaya Bldg.	Chiyoda Ward, Tokyo	Beneficiary Interest	5,357,543	4,970,000
		Oval Court Ohsaki Mark West	Shinagawa Ward, Tokyo	Beneficiary Interest	3,264,868	4,320,000
		Shinjuku Square Tower (additional acquisition in 14th fiscal period)	Shinjuku Ward, Tokyo	Beneficiary Interest Real Estate	9,224,061 180,923	8,912,000
		BYGS Shinjuku Bldg.	Shinjuku Ward, Tokyo	Real Estate	12,014,281	9,930,000
		Across Shinkawa Bldg. Annex	Chuo Ward, Tokyo	Real Estate	643,876	863,000
		Shinjuku Center Bldg.	Shinjuku Ward, Tokyo	Real Estate	21,406,759	13,100,000
		Minami Azabu Building	Minato Ward, Tokyo	Real Estate	3,885,698	2,880,000
		Shinagawa Canal Building	Minato Ward, Tokyo	Real Estate	1,863,742	1,620,000
		Rokubancho Building	Chiyoda Ward, Tokyo	Real Estate	2,912,099	3,020,000
	Ryoshin Harajuku Building	Shibuya Ward, Tokyo	Beneficiary Interest	8,668,857	7,570,000	
	Tokyo Tatemono Kyobashi Bldg.	Chuo Ward, Tokyo	Real Estate	5,282,718	5,120,000	
	TK Horidome Bldg.	Chuo Ward, Tokyo	Beneficiary Interest	5,267,652	5,900,000	
	JPR Sendagaya Bldg.	Shibuya Ward, Tokyo	Real Estate	15,402,742	10,900,000	
	Retail	JPR Shibuya Tower Records Bldg.	Shibuya Ward, Tokyo	Beneficiary Interest	11,683,672	12,600,000
		JPR Daikanyama	Shibuya Ward, Tokyo	Real Estate	2,214,147	1,310,000
		JPR Jingumae 432 (Note 2)	Shibuya Ward, Tokyo	Beneficiary Interest	4,369,201	4,000,000
		Shinjuku Sanhome East Bldg.	Shinjuku Ward, Tokyo	Real Estate	2,783,562	2,350,000
Yurakucho Ekimae Building (Yurakucho Itocia)		Chiyoda Ward, Tokyo	Real Estate	3,408,559	2,660,000	
Greater Tokyo	Office	Arca East	Sumida Ward, Tokyo	Beneficiary Interest	4,891,735	5,530,000
		JPR Chiba Bldg.	Chiba City, Chiba	Beneficiary Interest	2,481,103	1,550,000
		JPR Yokohama Nihon Odori Bldg.	Yokohama City, Kanagawa	Beneficiary Interest	2,758,964	2,460,000
		Shinyokohama 2nd Center Bldg.	Yokohama City, Kanagawa	Real Estate	875,441	775,000
		Kawaguchi Center Bldg.	Kawaguchi City, Saitama	Beneficiary Interest	7,422,160	9,420,000
		JPR Ueno East Bldg.	Taito Ward, Tokyo	Real Estate	3,170,888	4,920,000
		Tachikawa Business Center Bldg. (additional acquisition in 11th fiscal period)	Tachikawa City, Tokyo	Beneficiary Interest Real Estate	804,225 2,239,277	3,190,000
		Rise Arena Bldg.	Toshima Ward, Tokyo	Real Estate	5,694,858	5,740,000
	Yume-ooka Office Tower	Yokohama City, Kanagawa	Real Estate	6,366,471	5,550,000	
	Olinas Tower	Sumida Ward, Tokyo	Real Estate	31,056,302	31,500,000	
	Retail	Tanashi ASTA	Nishitokyo City, Tokyo	Beneficiary Interest	8,138,216	12,200,000
		Cupo-la Main Bldg.	Kawaguchi City, Saitama	Real Estate	1,976,180	2,480,000
		JPR Musashikosugi Bldg.	Kawasaki City, Kanagawa	Real Estate	7,342,284	5,940,000
		Musashiurawa Shopping Square	Saitama City, Saitama	Beneficiary Interest	4,249,383	3,890,000
Kawasaki Dice Bldg.		Kawasaki City, Kanagawa	Beneficiary Interest	14,955,820	14,664,000	
Other Cities	Office	Niigata Ekinan Center Bldg.	Niigata City, Niigata	Beneficiary Interest	1,744,485	2,090,000
		Tokyo Tatemono Honmachi Bldg.	Osaka City, Osaka	Beneficiary Interest	4,132,670	3,030,000
		JPR Hakata Bldg.	Fukuoka City, Fukuoka	Beneficiary Interest	3,334,828	2,940,000
		JPR Naha Bldg.	Naha City, Okinawa	Beneficiary Interest	1,488,288	1,600,000
		Sompo Japan Sendai Bldg.	Sendai City, Miyagi	Beneficiary Interest	2,540,746	3,350,000
		Sompo Japan Wakayama Bldg.	Wakayama City, Wakayama	Beneficiary Interest	1,389,113	1,800,000
		Tenjin 121 Bldg.	Fukuoka City, Fukuoka	Beneficiary Interest	2,424,024	2,460,000
		JPR Dojima Bldg.	Osaka City, Osaka	Beneficiary Interest	2,089,968	2,370,000
		JPR Hakata-chuo Bldg.	Fukuoka City, Fukuoka	Beneficiary Interest	1,825,468	1,820,000
		Mistubishi UFJ Lease & Finance Nagoya Head Office Bldg.	Nagoya City, Aichi	Real Estate	4,265,623	2,510,000
	Retail	JPR Umeda Loft Bldg.	Osaka City, Osaka	Beneficiary Interest	12,673,944	14,000,000
		Benetton Shinsaibashi Bldg.	Osaka City, Osaka	Beneficiary Interest	5,380,958	4,630,000
		Housing Design Center Kobe	Kobe City, Hyogo	Real Estate	6,928,386	6,550,000
JPR Chayamachi Bldg.		Osaka City, Osaka	Beneficiary Interest	6,087,107	4,650,000	
				Total	322,804,866	308,134,000

(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) Book value and appraised value of JPR Jingumae 432 as of June 30, 2010 do not include portion of land transferred to Tokyo Metropolitan Government.

## History of rental business for each of JPR's real estate and beneficiary interest in real estate investments

Location Category	Asset Class	Property Name	16th Fiscal Period (from July 1, 2009 to Dec. 30, 2009)				17th Fiscal Period (from Jan. 1, 2010 to June 30, 2010)			
			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.	7	84.9	459,969	4.0	7	90.0	387,836	3.3
		Kanematsu Bldg. Annex	1	100.0	98,353	0.9	1	100.0	90,528	0.8
		JPR Ningyo-cho Bldg.	4	100.0	106,580	0.9	4	100.0	103,625	0.9
		Shin-Kojimachi Bldg. (additional acquisition in 2nd fiscal period) (additional acquisition in 6th fiscal period)	10	94.1 100.0 100.0	82,269 32,103 12,969	0.7 0.3 0.1	10	94.1 100.0 100.0	77,346 32,281 12,880	0.7 0.3 0.1
		JPR Crest Takebashi Bldg.	8	89.2	119,388	1.0	9	100.0	125,365	1.1
		MS Shibaura Bldg.	8	99.0	580,532	5.1	8	98.4	539,873	4.6
		Gotanda First Bldg.	2	100.0	137,042	1.2	2	100.0	134,950	1.1
		Fukuoka Bldg. (additional acquisition in 7th fiscal period)	1	100.0 100.0	87,356 38,973	0.8 0.3	1	100.0 100.0	87,356 38,973	0.7 0.3
		JPR Ichigaya Bldg.	7	82.8	162,667	1.4	7	81.0	153,342	1.3
		Oval Court Ohsaki Mark West	3	100.0	182,138	1.6	3	100.0	177,670	1.5
		Shinjuku Square Tower (additional acquisition in 14th fiscal period)	20	80.9 80.9	247,138 3,797	2.2 0.0	20	82.8 82.8	236,519 3,634	2.0 0.0
		BYGS Shinjuku Bldg.	22	94.1	466,698	4.1	22	93.3	444,060	3.7
		Across Shinkawa Bldg. Annex	3	84.0	44,792	0.4	4	100.0	41,721	0.4
		Shinjuku Center Bldg.	19	85.1	510,410	4.4	20	84.1	476,668	4.0
		Minami Azabu Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
		Shinagawa Canal Building	3	81.4	36,755	0.3	4	100.0	52,845	0.4
		Rokubancho Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
		Ryoshin Harajuku Building	8	100.0	9,843	0.1	8	100.0	266,279	2.2
		Tokyo Tatemono Kyobashi Bldg.	—	—	—	—	2	100.0	(Note 2)	(Note 2)
	TK Horidome Bldg.	—	—	—	—	6	88.1	95,817	0.8	
	JPR Sendagaya Bldg.	—	—	—	—	3	73.5	151,257	1.3	
	Retail	JPR Shibuya Tower Records Bldg.	1	100.0	345,576	3.0	1	100.0	345,576	2.9
		JPR Daikanyama	4	100.0	41,822	0.4	4	100.0	41,566	0.4
JPR Jingumae 432 (Note 2)		5	100.0	88,581	0.8	5	100.0	94,861	0.8	
Shinjuku Sanchoe East Bldg.		1	100.0	78,306	0.7	1	100.0	78,306	0.7	
Yurakucho Ekimae Building (Yurakucho Itocia)		1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)	
Greater Tokyo	Office	Arca East	6	100.0	259,457	2.3	6	100.0	274,075	2.3
		JPR Chiba Bldg.	28	78.7	118,287	1.0	27	78.4	109,678	0.9
		JPR Yokohama Nihon Odori Bldg.	12	97.3	135,056	1.2	12	94.5	136,952	1.2
		Shinyokohama 2nd Center Bldg.	11	89.7	69,412	0.6	10	83.8	54,548	0.5
		Kawaguchi Center Bldg.	38	97.0	473,357	4.1	36	85.2	452,603	3.8
		JPR Ueno East Bldg.	7	94.3	206,812	1.8	7	94.3	232,165	2.0
		Tachikawa Business Center Bldg. (additional acquisition in 11th fiscal period)	18	100.0 81.4	62,153 83,977	0.5 0.7	16	100.0 77.8	60,927 81,674	0.5 0.7
		Rise Arena Bldg.	1	100.0	242,751	2.1	1	100.0	240,297	2.0
		Yume-ooka Office Tower	31	86.3	320,643	2.8	31	86.3	313,756	2.6
		Olinas Tower	12	100.0	1,178,783	10.3	12	100.0	1,166,600	9.8
	Retail	Tanashi ASTA	1	100.0	596,400	5.2	1	100.0	596,400	5.0
		Cupo-la Main Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
		JPR Musashikosugi Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
		Musashiurawa Shopping Square	3	100.0	129,061	1.1	3	100.0	129,061	1.1
Kawasaki Dice Bldg.	20	99.2	478,422	4.2	20	99.3	481,174	4.1		
Other Cities	Office	Niigata Ekinan Center Bldg.	10	100.0	133,216	1.2	9	99.2	133,726	1.1
		Tokyo Tatemono Honmachi Bldg.	9	98.7	247,626	2.2	8	97.8	246,645	2.1
		JPR Hakata Bldg.	27	96.6	160,079	1.4	27	93.3	151,593	1.3
		JPR Naha Bldg.	17	93.8	105,108	0.9	16	89.1	99,748	0.8
		Sompo Japan Sendai Bldg.	14	94.7	201,173	1.8	12	92.7	192,735	1.6
		Sompo Japan Wakayama Bldg.	17	100.0	123,169	1.1	16	91.7	121,510	1.0
		Tenjin 121 Bldg.	12	91.5	122,218	1.1	10	79.6	102,209	0.9
		JPR Nagoya Sakae Bldg.	17	85.3	223,563	1.9	—	—	93,963	0.8
		JPR Dojima Bldg.	7	93.2	113,168	1.0	6	85.9	123,174	1.0
		JPR Hakata-chuo Bldg.	5	87.5	87,554	0.8	5	100.0	81,698	0.7
	Mistubishi UFJ Lease & Finance Nagoya Head Office Bldg.	1	100.0	189,817	1.7	2	100.0	179,169	1.5	
	Retail	JPR Umeda Loft Bldg.	1	100.0	402,423	3.5	1	100.0	402,411	3.4
Benetton Shinsaibashi Bldg.		1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)	
Housing Design Center Kobe		1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)	
JPR Chayamachi Bldg.	7	100.0	141,970	1.2	7	100.0	138,050	1.2		
Total			476	96.4	11,493,470	100.0	460	95.5	11,855,159	100.0

(Note 1) The number of tenants at end of period is counted as follows except for Shinjuku Square Tower, Shinjuku Center Bldg., Rise Arena Bldg., and Kawasaki Dice Bldg. 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. The tenants of Shinjuku Square Tower, Shinjuku Center Building, Rise Arena Bldg., and Kawasaki Dice Bldg. have sublet space to sublessees and lease agreements have been executed where the rent paid by the tenants fluctuates in accordance with the lease conditions of the sublessees and thus the numbers of sublessees have been entered as the numbers of tenants.

(Note 2) The tenant to whom the entire portion owned by JPR is leased has not agreed to our disclosing rents and other information. Therefore, JPR does not disclose them as it falls under cases in which disclosure is impossible due to inevitable reasons.

(Note 3) JPR Nagoya Sakae Bldg. was sold on March 24, 2010.

#### **(4) Status of Other Properties**

Beneficiary interests with real estate as major entrusted properties have been entered under (3) Acquired Properties in P34.

There is no incorporation of main specific assets which are main investment targets of JPR other than listed on P34 as of the end of 17th period.



## 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 17th Fiscal Period	Amount Already Paid
Shinjuku Center Building	Shinjuku Ward, Tokyo	1st phase of renewal of passenger elevator	Oct. 2008~ Nov. 2010	110	22	22
JPR Chiba Bldg.	Chiba City, Chiba	Replacement of sprinkler system	Aug. 2010~ Dec. 2010	62	—	—
JPR Ningyo-cho Bldg.	Chuo Ward, Tokyo	Replacement of air conditioning units	Oct. 2010~ Dec. 2010	37	—	—
Tachikawa Business Center Bldg.	Tachikawa City, Tokyo	Renewal of central monitoring system	May 2010~ Dec. 2010	32	—	—
JPR Chiba Bldg.	Chiba City, Chiba	Renewal of central monitoring system	Sep. 2010~ Dec. 2010	31	—	—
Mitsubishi UFJ Lease & Finance Nagoya Head Office Bldg.	Nagoya City, Aichi	Replacement of 7th floor common areas	Jul. 2010~ Sep. 2010	26	—	—
Mitsubishi UFJ Lease & Finance Nagoya Head Office Bldg.	Nagoya City, Aichi	Installation work of OA floors	Jul. 2010~ Sep. 2010	23	—	—

### (2) Capital Expenditures during the 17th Period

The following are the capital expenditure amounts JPR invested in real estate and entrusted real estate during the 17th period.

Among major capital expenditures, JPR conducted to 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. In addition, aside from these constructions, JPR conducted construction of 219 million yen (Note), which was appropriated as expenditures for repair and maintenance.

Property Name	Location	Purpose	Period	Construction Expenses (millions of yen)
Shinjuku Center Building	Shinjuku Ward, Tokyo	Replacement of fire-resistant material within passenger elevator shaft	Jun. 2009~ May 2010	17
Across Shinkawa Bldg. Annex	Chuo Ward, Tokyo	Replacement of 8th and 9th floor air conditioning units	Apr. 2010~ May 2010	15
Sompo Japan Sendai Bldg.	Sendai City, Miyagi	Renewal of main parts of parking	May 2010~ May 2010	14
Other Properties		Repairs of common areas, installation of office equipment floors, maintenance of parking, air conditioners, and disaster prevention facilities		175
Total				223

(Note) Expenditures for repair and maintenance included 5 million 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	13th Fiscal Period (Jan. 1, 2008 ~ June 30, 2008)	14th Fiscal Period (July 1, 2008 ~ Dec. 31, 2008)	15th Fiscal Period (Jan. 1, 2009 ~ June 30, 2009)	16th Fiscal Period (July 1, 2009 ~ Dec. 31, 2009)	17th Fiscal Period (Jan. 1, 2010 ~ June 30, 2010)
Balance of deposits at end of previous period	737	796	768	783	731
Deposits during the period	604	697	555	391	238
Amounts used from deposits during the period	545	725	540	443	112
Deposits carried forward to the next period	796	768	783	731	857

## Expenses and Liabilities

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

(Thousands of yen)

Item	16th Fiscal Period (July 1, 2009- Dec. 31, 2009)	17th Fiscal Period (Jan. 1, 2010- June 30, 2010)
(a) Asset Management Fees (Note)	416,127	447,576
Fixed compensation	75,000	75,000
Incentive-based compensation 1	207,113	218,995
Incentive-based compensation 2	134,014	153,580
(b) Administrative Service and Custodian Fees	67,754	68,218
(c) Directors' Fee	6,600	6,600
(d) Trust Fees	48,244	48,489
(e) Other Expenses	116,423	115,525
Total	655,150	686,408

(Note) Aside from the amounts of the asset management fees entered above, a total 28,000 thousand yen for the 16th fiscal period and 63,500 thousand yen for 17th fiscal period have been paid for asset management of the acquired properties and have been included in the book value of each property.

### (2) Status of Borrowings

As of June 30, 2010 JPR has the following borrowings.

Category	Lender	Drawdown Date	Balance as of December 31, 2009 (millions of yen)	Balance as of June 30, 2010 (millions of yen)	Average Interest Rate (%) (Note 1) (Note 2)	Repayment Date	Repayment Method	Use	Remarks
Short-Term Borrowings	Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	Jul. 3, 2009	4,000	—	1.120	Jul. 2, 2010	Principal lump sum repayment on maturity	(Note 3)	Unsecured/ Unguaranteed/ Non-subordinated
	Resona Bank, Limited (Note 9)	Jul. 3, 2009	4,000	—	1.120	Jul. 2, 2010			
		Mar. 30, 2010	—	4,000	0.838	Jul. 2, 2010			
	Mizuho Corporate Bank, Ltd. (Note 9)	Jul. 3, 2009	3,972	1,000	1.108	Jul. 2, 2010			
	Mitsubishi UFJ Trust and Banking Corporation (Note 9)	Jul. 3, 2009	2,280	—	1.120	Jul. 2, 2010			
		Dec. 24, 2009	2,000	—	0.955	Jul. 2, 2010			
Total			16,252	5,000					

Current Portion of Long-term Borrowings	Development Bank of Japan Inc.	Mar. 31, 2009	50	50	1.740	(Note 4)	(Note 4)	(Note 3)	Unsecured/ Unguaranteed/ Non-subordinated	
		Jun. 26, 2009	200	200	3.190	(Note 5)	(Note 5)			
	Mizuho Corporate Bank, Ltd.	Feb. 5, 2008	—	5,000	1.181	Feb. 4, 2011	Principal lump sum repayment on maturity			
		Jun. 26, 2009	200	200	2.449	(Note 6)	(Note 6)			
	Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mar. 26, 2008	—	5,000	1.380	Mar. 26, 2011	Principal lump sum repayment on maturity			
		Jun. 26, 2009	166	166	2.390	(Note 7)	(Note 7)			
	Sumitomo Mitsui Banking Corporation	Jun. 29, 2009	100	100	2.440	(Note 8)	(Note 8)			
	Shinsei Bank, Ltd.	Sep. 26, 2006	3,000	3,000	1.356	Sep. 24, 2010	Principal lump sum repayment on maturity			
	The Bank of Fukuoka, Ltd.	Sep. 26, 2006	1,000	1,000	1.356	Sep. 24, 2010				
	The Chugoku Bank, Ltd.	Sep. 26, 2006	1,000	1,000	1.356	Sep. 24, 2010				
The Hachijuni Bank, Ltd.	Sep. 26, 2006	1,000	1,000	1.356	Sep. 24, 2010					
Meiji Yasuda Life Insurance Company	Jun. 21, 2002	—	4,783	2.050	Jun. 21, 2011					
Total		6,716	21,499				Secured/ Unguaranteed/ Non-subordinated			
Long-Term Borrowings	Zenkoryon (The National Mutual Insurance Federation of Agricultural Cooperatives)	Nov. 24, 2005	5,000	5,000	1.453	Nov. 27, 2012	Principal lump sum repayment on maturity	(Note 3)	Unsecured/ Unguaranteed/ Non-subordinated	
		Mar. 26, 2008	2,000	2,000	1.725	Mar. 26, 2015				
	Mitsubishi UFJ Trust and Banking Corp.	Aug. 29, 2006	6,000	6,000	1.734	Aug. 29, 2011				
		Jun. 26, 2009	1,000	1,000	2.156	Jun. 27, 2012				
	The Bank of Fukuoka, Ltd.	Apr. 11, 2007	2,000	2,000	1.676	Apr. 11, 2012				
	The Chugoku Bank, Ltd.	Apr. 11, 2007	2,000	2,000	1.676	Apr. 11, 2012				
	The Hachijuni Bank, Ltd.	Dec. 26, 2006	1,000	1,000	1.642	Apr. 11, 2012				
		Daido Life Insurance Company	Dec. 26, 2006	1,000	1,000	1.858				Dec. 27, 2013
	Feb. 5, 2008		1,000	1,000	1.666	Feb. 5, 2015				
	Taiyo Life Insurance Company	Dec. 26, 2006	1,000	1,000	1.858	Dec. 27, 2013				
		Jun. 4, 2008	1,000	1,000	2.035	Jun. 4, 2013				
	Sumitomo Life Insurance Company	Dec. 27, 2006	2,000	2,000	1.858	Dec. 27, 2013				
		Jun. 4, 2008	2,000	2,000	2.257	Jun. 4, 2015				
	Sompo Japan Insurance Inc.	Apr. 11, 2007	2,000	2,000	1.676	Apr. 11, 2012				
		Jun. 26, 2009	2,000	2,000	2.156	Jun. 27, 2012				
	The Iyo Bank, Ltd.	Apr. 11, 2007	1,000	1,000	1.676	Apr. 11, 2012				
		Feb. 5, 2008	5,000	—	1.181	Feb. 4, 2011				
	Mizuho Corporate Bank, Ltd.	Jun. 26, 2009	5,700	5,600	2.449	(Note 6)				(Note 6)
		May 28, 2010	—	3,000	1.279	Nov. 27, 2013				Principal lump sum repayment on maturity
		Mar. 26, 2008	5,000	—	1.380	Mar. 26, 2011				(Note 7)
	Bank of Tokyo-Mitsubishi UFJ, Ltd.	Jun. 26, 2009	4,751	4,668	2.390	(Note 7)				(Note 7)
		May 28, 2010	—	3,000	1.279	Nov. 27, 2013				Principal lump sum repayment on maturity
	Aozora Bank, Ltd.	Aug. 26, 2008	3,400	3,400	1.593	Aug. 26, 2011				Principal lump sum repayment on maturity
		Jul. 3, 2009	900	900	2.076	Jul. 3, 2012				
	Development Bank of Japan Inc.	Mar. 31, 2009	920	895	1.740	(Note 4)				(Note 4)
		Jun. 26, 2009	3,700	3,600	3.190	(Note 5)				(Note 5)
	Sumitomo Mitsui Banking Corporation	Jun. 29, 2009	2,850	2,800	2.440	(Note 8)				(Note 8)
	American Family Life Assurance Company of Columbus	Sep. 7, 2009	10,000	10,000	3.440	Sep. 6, 2019				Principal lump sum repayment on maturity
	Mizuho Trust & Banking Co., Ltd.	Feb. 4, 2010	—	3,000	1.376	Feb. 4, 2013				
	The Shinkumi Federation Bank	Feb. 4, 2010	—	3,000	1.376	Feb. 4, 2013				
	ORIX Trust and Banking Corporation	Feb. 4, 2010	—	1,000	1.376	Feb. 4, 2013				
		May. 28, 2010	—	2,000	1.281	Nov. 27, 2013				
	Meiji Yasuda Life Insurance Company	Jun. 21, 2002	4,783	—	2.050	Jun. 21, 2011				
Mar. 28, 2003		4,400	4,400	1.750	Mar. 28, 2013					
Total		83,404	84,263				Secured/ Unguaranteed/ Non-subordinated			

(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), repaying borrowings and amortization of corporate bonds.

(Note 4) The borrowings are subject to repayment of 25 million yen on Jun. 27, 2009 and hereafter every 6 months. In addition, repayment of 820 million yen will be made on the maturity date, Jun. 27, 2013.

(Note 5) The borrowings are subject to repayment of 100 million yen on Dec. 27, 2009 and hereafter every 6 months. In addition, repayment of 2,100 million yen will be made on the maturity date, Jun. 27, 2019.

(Note 6) The borrowings are subject to repayment of 100 million yen on Dec. 25, 2009 and hereafter every 6 months. In addition, repayment of 5,100 million yen will be made on the maturity date, Jun. 27, 2014.

(Note 7) The borrowings are subject to repayment of 83 million yen on Dec. 27, 2009 and hereafter every 6 months. In addition, repayment of 4,253 million yen will be made on the maturity date, Jun. 27, 2014.

(Note 8) The borrowings are subject to repayment of 50 million yen on Dec. 25, 2009 and hereafter every 6 months. In addition, repayment of 2,550 million yen will be made on the maturity date, Jun. 27, 2014.

(Note 9) JPR repaid, ahead of the maturity date, 1.6 billion yen on Feb. 24, 2010 and 2.4 billion yen on Mar. 18, 2010 of the 4 billion yen short-term borrowings from the Bank of Tokyo-Mitsubishi UFJ Bank, Ltd. undertaken on Jul. 3, 2009; JPR repaid, ahead of the maturity date, 1.6 billion yen on Feb. 24, 2010 and 2.4 billion yen on March 18, 2010 of the 4 billion yen short-term borrowings from Resona Bank, Limited undertaken on Jul. 3, 2009; JPR repaid, ahead of the maturity date, 1.588 billion yen on Feb. 24, 2010 and 1.383 billion yen on Mar. 18, 2010 of the 3.972 billion yen of the short-term borrowings from Mizuho Corporate Bank, Ltd. undertaken on Jul. 3, 2009; JPR repaid, ahead of the maturity date, 0.912 billion yen on Feb. 24, 2010 and 1.368 billion yen on Mar. 18, 2010 of the 2.28 billion yen short-term borrowings from Mitsubishi UFJ Trust and Banking Corporation undertaken on Jul. 3, 2009; JPR repaid, ahead of the maturity date, on Feb. 24, 2010 the 2 billion yen short-term borrowings from Mitsubishi UFJ Trust and Banking Corporation undertaken on Dec. 24, 2009.

### (3) Corporate Bonds

Details of corporate bonds outstanding as of June 30, 2010 are as follows.

Name	Issue Date	Balance as of December 31, 2009 (millions of yen)	Balance as of June 30, 2010 (millions of yen)	Coupon Rate (per annum)	Maturity Date	Redemption	Use	Remarks	
Second Series of Corporate Bonds	Feb. 12, 2004	7,000	—	1.38	Feb. 12, 2010	Bullet payment	Purchase of properties and repayment of borrowings	(Note 1)	
Third Series of Corporate Bonds	Feb. 12, 2004	5,000	5,000	2.32	Feb. 12, 2014				
Fifth Series of Corporate Bonds	Nov. 4, 2004	5,000	5,000	1.44	Nov. 4, 2011			(Note 2)	
Sixth Series of Corporate Bonds	Nov. 4, 2004	5,000	5,000	2.00	Nov. 4, 2014				
Seventh Series of Corporate Bonds	Dec. 14, 2006	4,500	4,500	2.90	Dec. 14, 2026		Repayment of borrowings	(Note 3)	
Eighth Series of Corporate Bonds	July 23, 2007	9,000	9,000	1.85	July 23, 2012				
Ninth Series of Corporate Bonds	July 23, 2007	6,000	6,000	2.10	July 23, 2014				
Tenth Series of Corporate Bonds	May 30, 2008	3,000	3,000	1.71	May 30, 2011				
Eleventh Series of Corporate Bonds	Mar. 12, 2010	—	6,000	1.68	Mar. 12, 2015				
Twelfth Series of Corporate Bonds	May 21, 2010	—	7,000	1.27	May 21, 2015				Purchase of properties
Total		44,500	50,500						

(Note 1) 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 2) These are equipped with a same rank rider limited among corporate bonds and limitations on resale among qualified institutional investors.

(Note 3) These are equipped with a same rank rider limited among certain corporate bonds.

## Acquisition and Sale during the 17th 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	Tokyo Tatemono Kyobashi Building	Feb. 12, 2010	5,250,000	—	—	—	—	—	—
Real Estate	JPR Nagoya Sakae Building	—	—	Mar. 24, 2010	4,937,296	4,434,630	502,666	148,578	354,087
Beneficiary Interest in Real Estate	TK Horidome Building	Mar. 31, 2010	5,100,000	—	—	—	—	—	—
Real Estate	JPR Sendagaya Building	May 31, 2010	15,050,000	—	—	—	—	—	—
Real Estate	A Portion of Land of JPR Jingumae 432	—	—	Jun. 1, 2010	301,650	196,088	105,561	—	105,561 (Note 2)
Total			25,400,000		5,238,946	4,630,718	608,227	148,578	459,648

(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) Regarding sale of a portion of land of JPR Jingumae 432, 3,840 thousand yen of compensation for building relocation is additionally allocated as revenue.

### (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	Tokyo Tatemono Kyobashi Building	Feb. 12, 2010	5,250,000	5,250,000
Sale	JPR Nagoya Sakae Building	Mar. 24, 2010	4,937,296	5,000,000
Acquisition	TK Horidome Building	Mar. 31, 2010	5,100,000	6,080,000
Acquisition	JPR Sendagaya Building	May 31, 2010	15,050,000	11,000,000
Sale	A Portion of Land of JPR Jingumae 432	Jun. 1, 2010	301,650	300,640

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

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

#### A. Transaction Status

(Thousands of yen)

Category	Transaction Price, etc.	
	Acquisition Price, etc.	Sale Price, etc.
Total Amount	¥25,400,000 Of which, acquisition price from interested parties, etc. ¥20,300,000 (79.9%)	¥5,238,946 Of which, sale price to interested parties, etc. — (-%)
Breakdown of Transactions with Interested Parties, etc.		
Tokyo Tatemono Co., Ltd.	5,250,000(25.9%)	— (-%)
Sendagaya Kaihatsu Tokutei Mokuteki Kaisha	15,050,000(74.1%)	— (-%)
Total	20,300,000(100.0%)	— (-%)

#### B. Value of Fee Expenses

(Thousands of yen)

Category	Total Paid Fees (A)	Breakdown of Transactions with Interested Parties		Ratio to Total Amount (B/A) (% of total)
		Paid Party	Paid Amount (B)	
Property Brokerage Fee	572,138	Tokyo Tatemono Real Estate Sales Co., Ltd.	270,900	47.3
Management Fees (Note 2)	225,698	Tokyo Tatemono Co., Ltd.	189,208	83.8
		Yasuda Real Estate Co., Ltd.	8,891	3.9
		Yuraku Real Estate Co., Ltd.	3,361	1.5
Outsourcing Fees	497,216	Tokyo Tatemono Co., Ltd.	398,304	80.1
		Yasuda Real Estate Co., Ltd.	22,548	4.5
Tenant Brokerage Fees, etc.	11,737	Tokyo Tatemono Co., Ltd.	1,540	13.1
		Tokyo Tatemono Real Estate Sales Co., Ltd.	207	1.8

(Note 1) Interested parties and major shareholders refers to the interested parties of the asset management company who has concluded an asset management agreement with JPR and is regulated as designated in Article 123 of the Enforcement Order of the Investment Trusts and Investment Corporations Law and article 26-27 of the regulation on management reports in regard to investment trusts and investment corporations of The Investment Trusts Association, and the major shareholders of the asset management company regulated defined in Article 29-4-2 of the Financial Instruments and Exchange Law.

(Note 2) The management fees indicated in the above table include construction management fees (total of 6,550 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 below parties during the 17th fiscal period.

Tokyo Tatemono Co., Ltd.	269,809 thousand yen
Yasuda Real Estate Co., Ltd.	10,400 thousand yen
Taisei Corporation	195 thousand yen
Shinjuku Center Building Management Co., Ltd.	87,838 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 the class 1 financial instruments transaction business, class 2 financial instruments transaction 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 Sheets, Statements of Income and Retained Earnings, Statements of Unitholders' Equity and Notes to Financial Statements as well as Distribution Information.

### **(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.

## **Overview of Investment Trust Beneficiary Certificates of JPR**

### **(1) Acquisition**

Tokyo Realty Investment Management, Inc., the asset management company of JPR, acquired 40 units of JPR on September 14, 2001, and an additional 60 units on January 22, 2002 as a result of an investment unit split (2.5 units for one existing unit).

### **(2) Units Held**

The number of investment units held by Tokyo Realty Investment Management, Inc. has remained at 100 units through June 30, 2010 with the total investment unchanged at 20 million yen. The amount of units held is immaterial versus the total units outstanding of JPR.

## Other

### (1) Notice

Major issues related to the items approved at JPR's Board of Directors meeting are as follows.

Date	Approvals	Details
Feb. 1, 2010	Execution of New Investment Unit Underwriting Agreement and New Investment Unit Purchase Agreement related to the Greenshoe Option	In regards to the additional issuing of investment units approved at the Board of Directors meeting on January 21, 2010, the administrative services related to the offering of these investment units were outsourced to the underwriters consisting of Mizuho Securities Co., Ltd. and 6 other firms (Note 1)). To tie a greenshoe option to the additional issuing of investment units, a new Investment Unit Purchase Agreement related to the Greenshoe Option was executed by JPR with Tokyo Realty Investment Management and Mizuho Securities.
Mar. 5, 2010	Consignment of administrative services concerning the issuance of 11th series unsecured corporate bonds (Note 2)	JPR consigned the administrative services related to the issuance of the 11th series unsecured corporate bonds to Goldman Sachs Japan, Shinkin Securities and Mizuho Corporate Bank based on the decision to issue these bonds by the executive director.
May 14, 2010	Consignment of administrative services concerning the issuance of 12th series unsecured corporate bonds (Note 3)	JPR consigned the administrative services related to the issuance of the 12th series unsecured corporate bonds to Mizuho Securities and Mizuho Corporate Bank based on the decision to issue these bonds by the executive director.

(Note 1) These six companies consist of Merrill Lynch Japan Securities, Nomura Securities, Daiwa Securities Capital Markets, Nikko Cordial Securities, Mitsubishi UFJ Securities (currently Mitsubishi UFJ Morgan Stanley Securities) and Tokai Tokyo Securities.

(Note 2) The comprehensive discussion regarding the issuance of these corporate bonds was agreed to at the Board of Directors meeting on April 22, 2009. The 11th series unsecured corporate bonds were issued on March 12, 2010 based on this agreement.

(Note 3) The comprehensive discussion regarding the issuance of these corporate bonds was agreed to at the Board of Directors meeting on April 28, 2010. The 12th series unsecured corporate bonds were issued on May 21, 2010 based on this agreement.

### (2) Other

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

## Balance Sheets

(As of December 31, 2009 and June 30, 2010)

(Thousands of yen)

	End of 16h Fiscal Period (information only) (as of December 31, 2009)	End of 17th Fiscal Period (as of June 30, 2010)	% Change
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	¥ 13,972,954	¥ 19,647,583	
Cash and deposits in trust	14,306,729	14,681,830	
Operating accounts receivable	168,177	200,156	
Prepaid expenses	190,316	192,994	
Deferred tax assets	29	46	
Other	6,164	6,133	
Total current assets	28,644,372	34,728,743	(21.2%)
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings	46,691,236	47,696,388	
Accumulated depreciation	(4,068,032)	(4,442,600)	
Buildings, net	42,623,203	43,253,787	
Buildings in trust	72,920,852	74,807,525	
Accumulated depreciation	(15,174,017)	(16,262,208)	
Buildings in trust, net	57,746,834	58,545,316	
Structures	30,181	27,729	
Accumulated depreciation	(4,026)	(3,737)	
Structures, net	26,155	23,991	
Structures in trust	89,443	92,143	
Accumulated depreciation	(27,373)	(30,464)	
Structures in trust, net	62,070	61,679	
Machinery and equipment	537,435	550,949	
Accumulated depreciation	(165,585)	(186,948)	
Machinery and equipment, net	371,850	364,001	
Machinery and equipment in trust	1,304,524	1,385,887	
Accumulated depreciation	(749,755)	(793,620)	
Machinery and equipment in trust, net	554,769	592,267	
Tools, furniture and fixtures	34,079	33,511	
Accumulated depreciation	(11,368)	(12,207)	
Tools, furniture and fixtures, net	22,710	21,304	
Tools, furniture and fixtures in trust	97,559	101,088	
Accumulated depreciation	(45,167)	(51,923)	
Tools, furniture and fixtures in trust, net	52,392	49,165	
Land	83,009,500	94,581,913	
Land in trust	117,058,000	120,491,107	
Construction in progress	22,377	23,982	
Total property, plant and equipment	301,549,865	318,008,517	5.5%
<b>Intangible assets</b>			
Leasehold right	1,542,818	4,794,109	
Other	5,111	5,256	
Total intangible assets	1,547,929	4,799,366	210.1%
<b>Investments and other assets</b>			
Lease and guarantee deposits	49,000	49,000	
Long-term prepaid expenses	491,015	581,579	
Total investments and other assets	540,015	630,579	16.8%
Total noncurrent assets	303,637,811	323,438,463	6.5%
<b>Deferred assets</b>			
Investment corporation bond issuance costs	97,848	172,471	
Total deferred assets	97,848	172,471	76.3%
<b>Total assets</b>	¥ 332,380,032	¥ 358,339,677	7.8%

(Note) See accompanying Notes to Financial Statements

(Thousands of yen)

	End of 16h Fiscal Period (information only) (as of December 31, 2009)	End of 17th Fiscal Period (as of June 30, 2010)	% Change
<b>Liabilities</b>			
<b>Current liabilities</b>			
Operating accounts payable	¥ 1,107,794	¥ 994,078	
Short-term loans payable	16,252,000	5,000,000	
Current portion of long-term loans payable	6,716,000	21,499,000	
Current portion of investment corporation bonds	7,000,000	3,000,000	
Accounts payable-other	548,051	630,561	
Accrued expenses	394,952	383,365	
Income taxes payable	624	605	
Accrued consumption taxes	312,246	31,017	
Advances received	1,416,980	1,465,927	
Total current liabilities	33,748,648	33,004,554	(2.2%)
<b>Noncurrent liabilities</b>			
Investment corporation bonds	37,500,000	47,500,000	
Long-term loans payable	83,404,000	84,263,000	
Tenant leasehold and security deposits	6,009,582	6,463,850	
Tenant leasehold and security deposits in trust	10,659,132	10,804,484	
Total noncurrent liabilities	137,572,715	149,031,334	8.3%
<b>Total liabilities</b>	171,321,364	182,035,888	6.3%
<b>Net assets</b>			
<b>Unitholders' equity</b>			
Unitholders' capital	156,725,438	171,339,818	
Surplus			
Unappropriated retained earnings (undisposed loss)	4,333,229	4,963,970	
Total surplus	4,333,229	4,963,970	14.6%
Total unitholders' equity	161,058,667	176,303,789	9.5%
<b>Total net assets</b>	161,058,667	176,303,789	9.5%
<b>Total liabilities and net assets</b>	¥ 332,380,032	¥ 358,339,677	7.8%

(Note) See accompanying Notes to Financial Statements

## Statements of Income and Retained Earnings

(For the six-month periods ended December 31, 2009 and June 30, 2010)

(Thousands of yen)

	16h Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)	% Change
<b>Operating revenue</b>			
Rent revenue-real estate	¥11,493,470	¥11,855,159	
Gain on sales of real estate properties	—	459,648	
<b>Total operating revenue</b>	11,493,470	12,314,808	7.1%
<b>Operating expenses</b>			
Expenses related to rent business	5,010,746	5,144,388	
Asset management fee	416,127	447,576	
Administrative service and asset custody fees	67,754	68,218	
Directors' compensations	6,600	6,600	
Trust fees	48,244	48,489	
Other operating expenses	116,423	115,525	
<b>Total operating expenses</b>	5,665,896	5,830,796	2.9%
<b>Operating income</b>	5,827,573	6,484,011	11.3%
<b>Non-operating income</b>			
Interest income	6,846	7,658	
Income on settlement of management association accounts	—	49,202	
Other	11,204	22,372	
<b>Total non-operating income</b>	18,050	79,233	339.0%
<b>Non-operating expenses</b>			
Interest expenses	957,607	1,008,955	
Borrowing expenses	74,221	89,604	
Interest expenses on investment corporation bonds	462,820	430,797	
Amortization of investment corporation bond issuance costs	12,748	16,329	
Unit-issuance costs	—	50,723	
Other	4,542	2,378	
<b>Total non-operating expenses</b>	1,511,938	1,598,790	5.7%
<b>Ordinary income</b>	4,333,685	4,964,454	14.6%
<b>Income before income taxes</b>	4,333,685	4,964,454	14.6%
<b>Income taxes-current</b>	762	605	
<b>Income taxes-deferred</b>	62	(16)	
<b>Total income taxes</b>	825	588	(28.7%)
<b>Net income</b>	4,332,860	4,963,866	14.6%
<b>Retained earnings brought forward</b>	368	104	(71.7%)
<b>Unappropriated retained earnings (undisposed loss)</b>	¥ 4,333,229	¥ 4,963,970	14.6%

(Note) See accompanying Notes to Financial Statements



## Statements of Unitholders' Equity

(For the six-month periods ended December 31, 2009 and June 30, 2010)

(Thousands of yen)

	16h Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
<b>Unitholders' equity</b>		
<b>Unitholders' capital</b>		
Balance at the end of previous period	¥156,725,438	¥156,725,438
Changes of items during the period		
Issuance of units	—	14,614,380
Total changes of items during the period	—	14,614,380
Balance at the end of current period	156,725,438	171,339,818
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)		
Balance at the end of previous period	2,332,243	4,333,229
Changes of items during the period		
Dividends from surplus	(2,331,875)	(4,333,125)
Net income	4,332,860	4,963,866
Total changes of items during the period	2,000,985	630,741
Balance at the end of current period	4,333,229	4,963,970
Total surplus		
Balance at the end of previous period	2,332,243	4,333,229
Changes of items during the period		
Total changes of items during the period	2,000,985	630,741
Balance at the end of current period	4,333,229	4,963,970
<b>Total unitholders' equity</b>		
Balance at the end of previous period	159,057,682	161,058,667
Changes of items during the period		
Total changes of items during the period	2,000,985	15,245,121
Balance at the end of current period	161,058,667	176,303,789
<b>Total net assets</b>		
Balance at the end of previous period	159,057,682	161,058,667
Changes of items during the period		
Total changes of items during the period	2,000,985	15,245,121
<b>Balance at the end of current period</b>	<b>¥161,058,667</b>	<b>¥176,303,789</b>

(Note) See accompanying Notes to Financial Statements

# Notes to Financial Statements

---

---

## 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. 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 17th accounting period began on January 1, 2010 and ended on June 30, 2010.

---

## Significant Accounting Policies

### 1. 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 ranges are as follows:

Buildings .....	3 - 65 years
Structures .....	10 - 35 years
Machinery and equipment .....	3 - 17 years
Tools, furniture and fixtures .....	3 - 20 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) Long-term Prepaid Expenses

Long-term prepaid expenses are depreciated utilizing the straight-line method.

### 2. Accounting for Deferred Assets

(1) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are depreciated utilizing the straight-line method over the redemption periods.

(2) Unit Issuance Costs

Unit issuance costs are expensed when incurred.

### 3. 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 adopts 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 taxes paid to the sellers during the first fiscal period as an acquisition cost, not as expenses, in connection with the acquisition of real estate or entrusted beneficiary interest with real estate as entrusted property. During the 17th fiscal period, the amount equivalent to the property taxes included as an acquisition cost of real estate totaled 51,841 thousand yen.

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

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

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 property in trust are recorded in relevant accounts on the balance sheets and statements of income. Furthermore, the following material accounts are separately stated in the balance sheet for properties in trust recorded in relevant accounts.

- a. Cash and deposits in trust
- b. Buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust, land in trust and construction in progress in trust
- c. Tenant leasehold and security deposits in trust

#### (2) Accounting for Consumption Taxes

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

---

## Notes to Balance Sheets

### 1. Assets Pledged as Collateral and Secured Liabilities

(Thousands of yen)

	End of 16th Fiscal Period (information only) (as of December 31, 2009)	End of 17th Fiscal Period (as of June 30, 2010)
Assets pledged as collateral are as follows:		
Cash and deposits in trust	¥ 2,231,835	¥ 2,200,489
Buildings (net)	135,720	133,851
Buildings in trust (net)	6,840,773	6,684,100
Structures in trust (net)	3,514	3,288
Machinery and equipment (net)	4,793	4,622
Machinery and equipment in trust (net)	10,851	14,657
Tools, furniture and fixtures in trust (net)	2,307	2,037
Land	399,183	399,183
Land in trust	8,536,013	8,536,013
Other (intangible assets)	—	147
Total	¥18,164,992	¥17,978,392
Secured liabilities are as follows:		
	End of 16th Fiscal Period (information only) (as of December 31, 2009)	End of 17th Fiscal Period (as of June 30, 2010)
Current portion of long-term loans payable	—	¥ 4,783,000
Long-term loans payable	¥ 9,183,000	4,400,000
Tenant leasehold and security deposits	15,536	15,536
Total	¥ 9,198,536	¥ 9,198,536

## 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.

	End of 16th Fiscal Period (information only) (as of December 31, 2009)	End of 17th Fiscal Period (as of June 30, 2010)
Contract execution date	December 1, 2008	December 1, 2008
Credit limit	¥16,000,000	¥16,000,000
Outstanding debt at end of period	—	—
Unused commitment line at end of period	¥16,000,000	¥16,000,000

(Thousands of yen)

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

	End of 16th Fiscal Period (information only) (as of December 31, 2009)	End of 17th Fiscal Period (as of June 30, 2010)
	¥50,000	¥50,000

(Thousands of yen)

# Notes to Statements of Income and Retained Earnings

## 1. Breakdown of Rent Revenue-Real Estate and Expenses Related to Rent Business

	16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
(Thousands of yen)		
A. Rent Revenue-Real Estate		
Rent revenue		
Rents	¥8,717,962	¥9,016,339
Common charges	1,703,699	1,730,099
Parking revenues	208,631	209,930
Advertising expenses	17,119	19,942
Antenna use fees	10,809	10,784
Other	26,029	27,693
Subtotal	10,684,253	11,014,790
Other rental revenues		
Incidental income	699,637	616,055
Time-based parking revenues	7,917	8,368
Cancellation charges	30,914	146,311
Income equivalent to expenses for restoration to as is condition	41,057	38,665
Other miscellaneous income	29,690	30,967
Subtotal	809,216	840,368
Total rent revenue-real estate	¥11,493,470	¥11,855,159
B. Expenses Related to Rent Business		
Outsourcing expenses	¥ 488,087	¥ 497,216
Utilities expenses	663,069	630,556
Property and other taxes	885,923	995,353
Casualty insurance	30,330	30,379
Repairs and maintenance	230,776	214,290
Property management fees	214,291	219,147
Management association accounts	569,469	569,032
Depreciation	1,850,113	1,896,791
Other	78,685	91,618
Total expenses related to rent business	¥5,010,746	¥5,144,388
C. Profits (A-B)		
	¥6,482,724	¥6,710,771

## 2. Breakdown of Gain on Sales of Real Estate Properties

(Thousands of yen)

	16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
JPR Nagoya Sakae Bldg.		
Proceeds from sales of real estate properties	—	¥4,937,296
Costs of sales of real estate properties	—	4,434,630
Other related sales expenses	—	148,578
Total gain on sales of real estate properties	—	¥ 354,087
A Portion of Land of JPR Jingumae 432		
Proceeds from sales of real estate properties	—	¥301,650
Costs of sales of real estate properties	—	196,088
Total loss on sales of real estate properties	—	¥105,561

## Notes to Statements of Changes in Unitholders' Equity

	16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
The number of units outstanding	625,000 units	715,000 units

## Tax Effect Accounting

### 1. Breakdown of Main Causes for Deferred Tax Assets (Deferred tax assets)

(Thousands of yen)

	16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
Enterprise tax not deductible for income tax purposes	¥ 4	¥ —
Local enterprise special tax not deductible for income tax purposes	3	—
Lump-sum depreciated assets not deductible for tax purposes	22	46
Total deferred tax assets	29	46
Net deferred tax assets	¥29	¥ 46

### 2. Breakdown of Main Items that caused Differences between the Effective Statutory Tax Rate and the Effective Tax Rate after Applying Tax Effect Accounting

	16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
Effective statutory tax rate (Adjustment)	39.33%	39.33%
Deductible cash distributions	(39.32%)	(38.35%)
Other	0.01%	(0.97%)
Effective tax rate after applying tax effect accounting	0.02%	0.01%

## Property and Equipment Leased to JPR

16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
No property and equipment leased to JPR	No property and equipment leased to JPR



## Financial Instruments

### 1. Matters Concerning Status of Financial Instruments

#### (1) Policy on Handling Financial Instruments

In an aim to proactively expand asset size and maintain stable cash distributions to unitholders, JPR adopts the asset management policy of paying heed to efficiently combining the procurement of long-term funds that are stable and the procurement of short-term funds that emphasize flexibility.

There may be cases where JPR will engage in derivative transactions, but such will be limited to management for interest rate fluctuation risk and other hedging purposes. Please note that JPR is not engaged in derivative transactions at present.

#### (2) Description of Financial Instruments and Associated Risks, and Risk Management Structure

Tokyo Realty Investment Management, Inc. (TRIM), the asset management company of JPR, strives for risk management by complying with the JPR Asset Management Guidelines and other rules and regulations. The following outlines the description of individual financial instruments and the associated risks, and the risk management.

Deposits are exposed to risks of failure of the financial institutions holding the deposits and other credit risks, but risks are managed through such measures as setting a minimum credit rating for the financial institutions holding the deposits.

Loans payable and investment corporation bonds are exposed to liquidity risks at the time of repayment/redemption, but liquidity risks are managed through such measures as procuring funds from the capital market by increasing capital, executing a commitment line agreement with the main lending financial institutions, and also having statements of cash receipts and disbursements prepared by the financial division.

#### (3) Supplementary Explanation on Matters Concerning Estimated Fair Value, etc. of Financial Instruments

The estimated fair value of financial instruments, aside from values based on market price, include values based on reasonable calculations when there is no market price. Certain assumptions, etc. are adopted in calculating those values and there may be cases where the values will vary when different assumptions, etc. are adopted.

### 2. Matters Concerning Estimated Fair Value, etc. of Financial Instruments

The following are the carrying value and estimated fair values as of June 30, 2010, and the difference between these amounts. Please note that the following table does not include those for which discerning of estimated fair value is recognized to be extremely difficult (please refer to Note 3).

	(Thousands of yen)		
	Carrying Value (Note 1)	Estimated Fair Value (Note 1)	Difference
1) Cash and deposits	¥ 19,647,583	¥ 19,647,583	¥ —
2) Cash and deposits in trust	14,681,830	14,681,830	—
3) Short-term loans payable	(5,000,000)	(5,000,000)	—
4) Current portion of long-term loans payable	(21,499,000)	(21,594,554)	95,554
5) Current portion of investment corporation bonds	(3,000,000)	(3,023,400)	23,400
6) Investment corporation bonds	(47,500,000)	(48,116,034)	616,034
7) Long-term loans payable	¥(84,263,000)	¥(86,987,115)	¥2,724,115

(Note 1) Those stated under liabilities are shown in parentheses.

(Note 2) Method of calculation of estimated fair value of financial instruments

(1) Cash and deposits, and (2) Cash and deposits in trust

As these are settled within a short period of time, the estimated fair value is approximately the same as the book value and is thus stated at that book value.

(3) Short-term loans payable

As these are settled within a short period of time and also have floating interest rates, the estimated fair value is approximately the same as the book value and is thus stated at that book value.

(4) Current portion of long-term loans payable, and (7) Long-term loans payable

The estimated fair value of these are based on the method of calculating by discounting the sum total amount of principal and interest by the rate assumed as being applicable in the event of a new drawdown corresponding to the remaining loan term.

(5) Current portion of investment corporation bonds, and (6) Investment corporation bonds

Of the estimated fair value of these, those with market price are calculated based on market price and those with no market price are calculated according to (4) and (7) above.

(Note 3) Financial instruments for which discerning of estimated fair value is recognized to be extremely difficult

Tenant leasehold and security deposits and tenant leasehold and security deposits in trust that are deposited by lessees of lease rental properties are not subject to disclosure of estimated fair value because reasonable estimation of cash flows is recognized to be extremely difficult since there is no market price and also since it is difficult to calculate the actual deposit period from when lessees move in to when they move out. The following is the carrying value of tenant leasehold and security deposits and the carrying value of tenant leasehold and security deposits in trust.

(Thousands of yen)

**Carrying Value**

Tenant leasehold and security deposits	¥ 6,463,850
Tenant leasehold and security deposits in trust	¥ 10,804,484

(Note 4) Amount of redemption of monetary claims scheduled to be due after the settlement of accounts.

(Thousands of yen)

**Due in One Year or Less**

Cash and deposits	¥ 19,647,583
Cash and deposits in trust	¥ 14,681,830

(Note 5) Amount of repayment or redemption of short-term loans payable, investment corporation bonds and long-term loans payable scheduled to be due after the settlement of accounts.

(Thousands of yen)

	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years
Short-term loans payable	¥ 5,000,000	—	—
Investment corporation bonds	3,000,000	¥ 5,000,000	¥ 9,000,000
Long-term loans payable	¥ 21,499,000	¥ 21,116,000	¥ 19,811,000

(Thousands of yen)

	Due after Three Year through Four Years	Due after Four Year through Five Years	Due after Five Years
Short-term loans payable	—	—	—
Investment corporation bonds	¥ 5,000,000	¥ 24,000,000	¥ 4,500,000
Long-term loans payable	¥ 25,336,000	¥ 5,200,000	¥ 12,800,000

(Additional Information)

The "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10 issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008) are applied as of the 17th fiscal period.

## Investment and Rental Properties

JPR owns urban office buildings and retail facilities for leasing in Tokyo and other regions. The following is the carrying value, amount of increase (decrease) during current period and estimated fair value of these investment and rental properties.

Carrying Value			Estimated Fair Value at End of Current Period
As of December 31, 2009	Amount of Increase (Decrease) During Current Period	As of June 30, 2010	
¥ 303,090,465	¥ 19,714,401	¥ 322,804,866	¥ 308,134,000

(Note 1) The carrying value is the cost of acquisition less accumulated depreciation.

(Note 2) Of the amount of increase (decrease) during current period for investment and rental properties, the amount of increase is primarily attributable to acquisition of Tokyo Tatemono Kyobashi Building (5,282,718 thousand yen), TK Horidome Building (5,267,652 thousand yen) and JPR Sendagaya Building (15,402,742 thousand yen) and the amount of decrease is primarily attributable to sale of JPR Nagoya Sakae Building (4,448,639 thousand yen).

(Note 3) The estimated fair value at end of current period is the appraisal value or survey value as appraised by an outside real estate appraiser.

The income (loss) in the 17th fiscal period for investment and rental properties are as presented in the "Notes to Statements of Income."

(Additional Information)

The "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008) are applied as of the 17th fiscal period.

## Transactions with Interested Parties

### 16th Fiscal Period (information only) (July 1, 2009 – December 31, 2009)

No transactions with interested parties

### 17th Fiscal Period (January 1, 2010 – June 30, 2010)

(Thousands of yen)

Attribute	Name of Company, etc.	Business Description or Occupation	Percentage of Number of Investment Units Held Among Total Number of Investment Units	Transactions	Transaction Amount (thousands of yen)	Account	Balance at End of Period (thousands of yen)
Asset custodian	Mizuho Trust & Banking Co., Ltd.	Banking business and trust business	—	Long-term borrowings	¥ 3,000,000	Long-term loans payable	¥ 3,000,000
				Interest expenses	¥ 16,511	Accrued expenses	¥ 565

(Note) Transaction terms are determined based on prevailing market conditions.

## Per Unit Information

	(Yen)	
	<b>16th Fiscal Period</b> (information only) (July 1, 2009 - December 31, 2009)	<b>17th Fiscal Period</b> (January 1, 2010 - June 30, 2010)
Total net assets per unit	¥257,693	¥246,578
Net income per unit	¥6,932	¥7,145

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 was calculated based on the following data:

	(Thousands of yen)	
	<b>16th Fiscal Period</b> (information only) (July 1, 2009 - December 31, 2009)	<b>17th Fiscal Period</b> (January 1, 2010 - June 30, 2010)
Net income	¥4,332,860	¥4,963,866
Amounts not attributable to ordinary unitholders	—	—
Net income attributable to ordinary investment units	¥4,332,860	¥4,963,866
Average number of units	625,000 units	694,690 units

## Distribution Information

	(Yen)	
	<b>16th Fiscal Period</b> (information only) (July 1, 2009 - December 31, 2009)	<b>17th Fiscal Period</b> (January 1, 2010 - June 30, 2010)
1. Unappropriated retained earnings	¥4,333,229,310	¥4,963,970,414
2. Distributions (distribution per unit)	4,333,125,000 (6,933)	4,840,550,000 (6,777)
3. Voluntary deposits Transferred from deposits for advanced depreciation	—	73,946,740
4. Retained earnings brought forward	¥ 104,310	¥ 49,473,674

In accordance with the distribution policy stipulated in Article 30-2 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 4,840,550,000 yen for the 17th fiscal period. This is the maximum value arrived at when the number of units outstanding (625,000 units for the 16th fiscal period and 715,000 units for the 17th fiscal period) is multiplied by an integer, within the limit of retained earnings for the respective fiscal period and within the limit of not placing a burden of additional income taxes on our unitholders. Furthermore, JPR does not make cash distributions in excess of the profit as stipulated in Article 30-4 of the Articles of Incorporation.

# Report of Independent Auditors



**ERNST & YOUNG**

Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3, Uchisaiwai-cho,  
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197

## Report of Independent Auditors

The Board of Directors  
Japan Prime Realty Investment Corporation

We have audited the accompanying balance sheet of Japan Prime Realty Investment Corporation as of June 30, 2010, and the related statement of income and retained earnings, statement of unitholders' equity for the six-month period then end, 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, 2010, and the results of its operations for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young Shin Nihon LLC*

August 11, 2010



## Statements of Cash Flows (Information Only)

(For the six-month periods ended December 31, 2009 and June 30, 2010)

(Thousands of yen)

	16th Fiscal Period (July 1, 2009 - December 31, 2009)	17th Fiscal Period (January 1, 2010 - June 30, 2010)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	¥ 4,333,685	¥ 4,964,454
Depreciation and amortization	1,850,874	1,897,485
Amortization of investment corporation bond issuance costs	12,748	16,329
Unit-issuance cost	—	50,723
Interest income	(6,846)	(7,658)
Interest expenses	1,420,427	1,439,753
Decrease (increase) in operating accounts receivable	30,335	(31,978)
Decrease (increase) in consumption taxes refund receivable	357,367	—
Decrease (increase) in prepaid expenses	(6,083)	(2,677)
Increase (decrease) in operating accounts payable	(115,192)	72,070
Increase (decrease) in accounts payable-other	23,046	(8,501)
Increase (decrease) in accrued consumption taxes	312,246	(281,229)
Increase (decrease) in advances received	250,029	48,947
Decrease in property, plant and equipment	—	4,630,718
Other, net	105,522	(137,437)
Subtotal	8,568,160	12,651,001
Interest income received	6,846	7,658
Interest expenses paid	(1,302,843)	(1,451,340)
Income taxes (paid) refund	2,425	(924)
<b>Net cash provided by (used in) operating activities</b>	<b>7,274,589</b>	<b>11,206,394</b>
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(3,590,282)	(17,640,017)
Purchase of property, plant and equipment in trust	(9,032,089)	(5,531,870)
Purchase of intangible assets	(1,052)	(3,252,190)
Repayments of tenant leasehold and security deposits	(114,984)	(579,727)
Proceeds from tenant leasehold and security deposits	78,769	1,081,891
Repayments of tenant leasehold and security deposits in trust	(292,145)	(236,989)
Proceeds from tenant leasehold and security deposits in trust	643,841	470,475
<b>Net cash provided by (used in) investing activities</b>	<b>(12,307,943)</b>	<b>(25,688,429)</b>
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	16,252,000	4,000,000
Decrease in short-term loans payable	(16,152,000)	(15,252,000)
Proceeds from long-term loans payable	10,900,000	16,000,000
Repayment of long-term loans payable	(358,000)	(358,000)
Proceeds from issuance of investment corporation bonds	—	12,909,047
Redemption of investment corporation bonds	(10,000,000)	(7,000,000)
Proceeds from issuance of units	—	14,563,656
Dividends paid	(2,332,426)	(4,330,938)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,690,426)</b>	<b>20,531,765</b>
<b>Net changes in cash and cash equivalents</b>	<b>(6,723,781)</b>	<b>6,049,730</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,003,464</b>	<b>28,279,683</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥ 28,279,683</b>	<b>¥ 34,329,413</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 cash in trust
- (2) Deposits placed with bank and deposits in trust 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

	16th Fiscal Period (information only) (July 1, 2009 - December 31, 2009) As of December 31, 2009	(Thousands of yen) 17th Fiscal Period (January 1, 2010 - June 30, 2010) As of June 30, 2010
Breakdown of cash and cash equivalents		
Cash and deposits	¥13,972,954	¥19,647,583
Cash and deposits in trust	14,306,729	14,681,830
Cash and cash equivalents	¥28,279,683	¥34,329,413

# JPR Investment Policies (Reference)

These Investment Policies have been updated to reflect the revisions made to the Internal Rules (JPR Asset Management Guidelines) on December 24, 2009.

## A. INVESTMENT POLICIES

### 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 60 under "③ Investment Stance."

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"

### 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 excluding the marketable securities defined in the Enforcement Order of the Law Concerning Investment Trusts and Investment Corporations prior to the revisions pursuant to the Law to Partially Revise the Securities Exchange Law, enforced on September 30, 2007, and to Article 3 of the Cabinet Order (2007 Cabinet Order No. 233) Concerning Preparations of Related Cabinet Orders Accompanying the Enforcement of the Law Concerning Preparations of Related Laws Accompanying the Enforcement of the Law to Partially Revise the Securities Exchange Law (hereinafter referred to as "former marketable securities.")
  - 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 former marketable 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) Former marketable securities (as far as stock certificates are concerned, however, this is limited to those recognized to be necessary or useful in terms of the basic policies for asset management)
- ii) Monetary claims (as defined in the former Enforcement Order of the Law Concerning Investment Trusts and Investment Corporations and include bank deposits, large-scale time deposits and transferable deposits (excluding former marketable securities) and call loans)
- iii) Rights resulting from financial futures transactions (as defined in the former Enforcement Order of the Investment Trust Law)
- iv) Rights resulting from financial derivatives transactions (as defined in the former Enforcement Order of the Investment Trust Law)
- v) Beneficiary interests in monetary trusts for the purpose of investments in those described in i) to iv) 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

#### Portfolio Management Standards

The table below indicates the general targets of the investment ratio by asset type, region, use, etc. that should serve as the standards for portfolio management.

Type of Investment Asset		Target Ratios
Real Estate Asset	By Asset Class	As the allocation ratio between office buildings and retail properties, office buildings will be approximately from 70% to 90% and retail properties will be approximately from 10% to 30% of the managed portfolio, based on acquisition price
	By Location	As the allocation ratio between Tokyo and other cities, Tokyo will be approximately from 80% to 90% and other cities will be approximately from 10% to 20% of the managed portfolio, based on acquisition price
		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
Asset-Backed Securities, etc.		The total after-investment value of asset-backed securities shall, in principle, be limited to less than 10% of the net worth of the Company

- i) Period of ownership  
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) Use  
JPR's investment targets primarily comprise excellent office buildings (urban commercial facilities) and retail properties found in thriving commercial areas. (The targets cover other assets including building leaseholds of the office buildings and retail properties, the leaseholds and surface rights of the land on which they are located, and marketable securities and trust beneficiary interests backed by such real estate.)  
  
JPR will determine the allocation ratio of these assets in the portfolio based on full considerations of the economic situations, real estate market trends and other factors for respective occasions. As the allocation ratio between office buildings and retail properties, office buildings will be approximately from 70% to 90% and retail properties will be approximately from 10% to 30% of the managed portfolio, based on acquisition price.
- iii) Region  
JPR shall work to realize a diversification of the portfolio, not limited to Tokyo but investing in regional cities, primarily in consideration of the earthquake risks and risks associated with individual market conditions and in order to generate more cash flow.  
  
As the allocation ratio between Tokyo and other cities, Tokyo will be approximately from 80% to 90% and other cities will be approximately from 10% to 20% of the managed portfolio, based on acquisition price. However, JPR does not set a target allocation ratio within any region.

Note: JPR defines "Tokyo" as an investment area that refers to the combination of "Tokyo CBDs" and "Greater Tokyo" as designated below.

	Category	Region
Tokyo	Tokyo CBDs	Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya Wards
	Greater Tokyo	All other areas of Tokyo, Chiba, Kanagawa and Saitama Prefectures
	Other Cities	All other areas in Japan

iv) Tenants

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. ("Rental revenues" includes common charges, parking revenues and storage revenues, but does not include additional usage fees such as after-hours air-conditioning 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.

v) Asset-backed securities, etc. primarily investing in real estate

The total after-investment value of asset-backed securities shall, in principle, be limited to less than 10% of the total unitholders' equity of the Company. 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.

vi) 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.

i) Development investments

The Company will not engage in development investments (projects in which the Company itself develops land and builds buildings). However, the Company may place orders by concluding contract agreements for the construction of a building. However, the Company shall not do so in situations where it is not appropriate to place orders by concluding contract agreements for the construction of a building (including, but not limited to, the following cases).

- When tenants need to vacate the premises for a certain period of time due to large-scale repairs, renovations, etc., and it causes cash flow to fluctuate to the extent that the entire portfolio of the Company is severely impacted.
- When the acquisition of vacant land and investment to construct a new building severely impacts the entire portfolio of the Company. Moreover, the measure of impact on the entire portfolio of the Company shall be determined by giving consideration to the various risks with regard to real estate development (risks regarding development licenses/permission, interest rate fluctuations during development, occurrence of great natural disasters, etc.) and the period of time required until cash flow arises, among others.

ii) Rebuilding projects

The Company may conduct 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.

iii) Properties under development

The Company may conclude sale and purchase agreements for buildings under construction by third parties prior to their completion if sufficient potential to secure tenants after construction is determined and if completion/delivery risk has been minimized.

vii) 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 implementing equipment and fixtures investments, such investments will in principle be made within the scope of the depreciation expense of the portfolio as a whole. In addition, 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.

viii) Insurance policies

a) Criteria for selecting underwriting insurance companies:

The Company will select fair underwriting insurance companies through independent brokers. In principle, the underwriting insurance company for insurance finance shall have a long-term rating of A3 or better from Moody's Investors Service Inc. (referred to as "Moody's" hereinafter) or A- or better from 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.

ix) 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.)

x) 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 will be reclassified as core properties, as defined below, when the Investment Committee judges that the properties have realized enhanced values. The Company will consider the sale of value-up properties as one method to realize asset value appreciation.

xi) Core properties

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 real estate, asset-backed securities that have real estate as their primary investments or other investments, 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 areas:
  - 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

The Company will evaluate specifications on a case-by-case basis, after giving general consideration to local characteristics or potential for post-acquisition property modifications, etc. and fully confirming the specifications including the shape and dividability of lease floors, ceiling height, floor fittings, power capacity and air-conditioning systems.

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

Although JPR establishes no limitation on the floor occupancy rate of a single tenant, the Company will make a general evaluation of the tenant's creditworthiness, profitability of individual shops, replacability and other factors in selecting tenants. The Company will conduct vigorous property examinations with an aim to pick up properties with strong capability to attract tenants, while analyzing the subject trade zones and the competitive situations. After the acquisition, the Company will continue monitoring of tenants.

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 and the concerned property is a subordinate asset
- 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
- 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 acquisition price's upper limit of 105% of appraised value can be exceeded in the following cases:
- Properties that, by long-term fixed leasing contracts, are forecast to contribute to stable cash flow and that are expected to contribute to stably generating 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 that are expected to contribute to stably generating dividends in the medium- to long-term
- 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

---

### ① *Fund Management Policies*

#### I) Leasehold and security deposits

- For real estate trust beneficiary interests

In principle, all leasehold and security deposits by tenants will be reserved within the trust account, but the Company shall be able to reduce 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

In principle, leasehold and security deposits by tenants will be deposited in full to a commercial bank savings account or time deposit account. However, the Company shall be able to reduce reserves in order to more effectively utilize these funds if warranted by accumulated historical data, the establishment of commitment lines and other provisions, while ensuring to maintain 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 above:

- 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 as long as the current tax treatment requires investors to calculate capital gains/losses each time such investors receive cash distribution exceeding earnings. However, if the board of the Company decides that cash distribution exceeding earnings is required, the cash distribution exceeding earnings is allowed.
- 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 1: Short-term corporate bonds are included in the corporate bonds.

Note 2: 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 specified assets held by the Company (specified by Article 2, Paragraph 1 of the Law Concerning Investment Trusts and Investment Corporations (No. 198 of 1951, including all subsequent amendments)) for the difference between the period-end book value of the specified assets and its appraised value.

## C. PROPERTY-RELATED BUSINESS ADMINISTRATION POLICIES

---

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*

The Company will provide information related to general tenant agency services to its general tenant agents through the property manager. Furthermore, the Company will conclude contracts to commission general tenant agency services with Tokyo Tatemono Co., Ltd., Yasuda Real Estate Co., Ltd. and Taisei Corporation (Commissioned General Tenant Agents) and will commission general tenant agency services to

### ③ *Property Transfer Agents*

The Company will conclude a contract to commission property transfer services with Tokyo Tatemono. Tokyo Tatemono will be commissioned to provide property transfer services, as needed, 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.

## D. OTHER INVESTMENT POLICIES

---

① 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.

② 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.

③ Lending of assets in the portfolio

I) 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 59 in "A. Investment Policies (2) Types of investment assets" in order to more efficiently administer assets and achieve higher investment performance.

II) 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 65.

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

## **E. DISTRIBUTION POLICIES**

---

The Company shall make cash distributions to unitholders or eligible registered pledgees listed or registered on the unitholders list at the end of each fiscal period, based on the following policies.

### **① Distributable Amount**

Income available for distribution by the Company (the "distributable amount") equals the amount calculated by deducting the sum of unitholders' capital, retained earnings and evaluation/conversion adjustments from the net assets on the balance sheets.

### **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 long-term repair reserves, payment reserves, distribution reserves and similar reserves and allowances that are recognized to be 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.

## Investor Information

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

9-9 Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, 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.  
2-8-4 Izumi, Suginami-ku, Tokyo 168-8507

### 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.)

Tel: +81-3-3231-1051  
Fax: +81-3-3274-7775

## Annual Schedule (Provisional)



This document contains a translation of selected information described in the Financial Statements and Performance Information Report prepared pursuant to the Investment Trust Law of Japan and the Financial Instruments and Exchange Law, for the period from January 1, 2010 to June 30, 2010 of Japan Prime Realty Investment Corporation (JPR). This English language document was prepared solely for the convenience of and reference by non-Japanese investors and is not intended to constitute a disclosure document. The Japanese language Financial Statements and Performance Information Report for the aforementioned period should be referred to as the originals of this document. English translations for legal, accounting, tax and business concepts used herein may not convey precisely identical concepts of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English documents, the original Japanese documents will govern the meaning and interpretation. Neither JPR, Tokyo Realty Investment Management, Inc., nor any of their respective directors, officers, employees, partners, unitholders, agents or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English translations or the selection of portion(s) of any document(s) translated into English. No person has been authorized to give any information or make any representations other than contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by JPR, Tokyo Realty Investment Management, Inc., or any of their respective directors, officers, employees, partners, unitholders, agents or affiliates. The financial statements of JPR have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions. Many provisions of this document contain information that constitute forward-looking statements. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.



