

# **Japan Real Estate Investment Corporation**

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**June 2002**

**Japan Real Estate Asset Management Co., Ltd.  
CEO & President Ryoichi Kakehashi**



## **Information regarding Forecasts**

This presentation contains the information regarding the forecasts reflecting the plan and outlook of Japan Real Estate Investment Corporations (“JRE”). Among the descriptions in this presentation, all the descriptions are related to the forecasts, except the ones describing the current or past facts. These descriptions regarding the forecasts are based upon the assumptions, judgment and information we are able to obtain at this moment from Japan Real Estate Asset Management (“J-Rea”) and other investment corporations. These information may contain known and unknown risks, uncertainty or other factors. The forecasts might be affected by known and unknown risks, uncertainty or other factors, especially, as to whether JRE will be able to achieve internal and external growths as planned, or to improve the profitability per share as expected. The said risks, uncertainty or other factors might bring drastically different result regarding JRE’s future performances, management effects and financials presented implicitly and explicitly. JRE shall not be required to update and disclose the descriptions regarding the said forecasts after the date on this presentation.

## What is J-REIT?

- “J-REIT” is a newly established system of Japanese Real Estate Investment Trust.
- The amendment of Japanese investment trust law has enabled investment trusts (typically corporate type) to invest in real estate.
- The equity securities issued by J-REITs are listed on the Tokyo Stock Exchange (TSE) and are freely tradable like stocks of normal corporations.
- Currently, 5 J-REITs including JRE are listed on the TSE.
- While US REITs are typically normal corporations who are exempt from corporate income taxes under IRS codes, J-REITs are special purpose entities and are not subject to the same regulations of normal corporations.

## J-REIT Characteristics

### Asset Manager System

J-REITs do not have employees. All investment decision making and administrative work must be outsourced to a licensed asset management company.

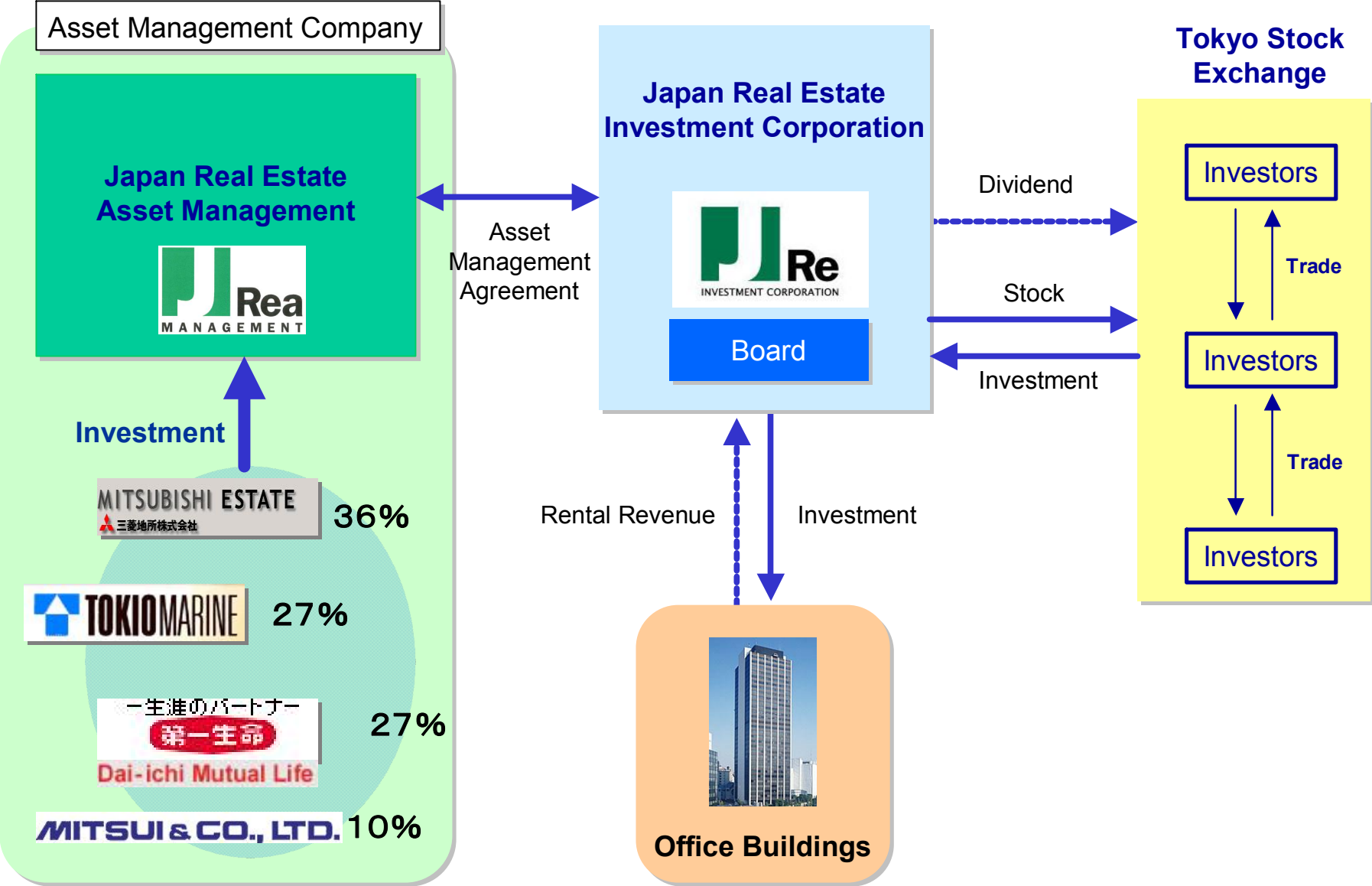
### Tax Exempt Status

As long as J-REITs pay dividends of more than 90% of their taxable income, all dividends are treated as expenses which thereby makes J-REIT exempt from corporate income taxes.

### Listing

The equity securities issued by J-REITs are listed on the Tokyo Stock Exchange and are freely tradable like stocks of normal corporations.

# JRE's organizational structure



# Portfolio Profile ①

<b>Property Type</b>	<b>Office buildings</b>
<b>Geographical Diversification</b>	<b>Diverse investments in major cities throughout Japan</b>
<b>Number of Properties</b>	<b>24</b>
<b>Average Property Age</b>	<b>13.9 years</b>
<b>Portfolio Size</b>	<b>Total acquisition price: 144,697 million yen</b>
<b>Occupancy Rate</b>	<b>94.0%</b>
<b>Diverse Tenant Base</b>	<b>Total number of tenants: 328</b>
<b>Aggregate Net Rentable Area</b>	<b>201,884m<sup>2</sup></b>

Note: As of March 31, 2002



# Portfolio Profile ②

## Tokyo 23 Wards



Shibuya Cross Tower



Mitsubishi Soken Building



Otsuka Higashi-Ikebukuro Building



Kodenmachi Shin-Nihonbashi Building



Kanasugibashi Building



Shiba 2-chome Daimon Building



Takanawa Building



Ikebukuro 2-chome Building



Omori-eki Higashiguchi Building



JTS Building

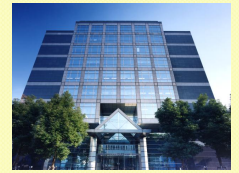
## Tokyo Metropolitan Area (excluding 23 wards)



Kawasaki Isago Building



Urawa Dai-Ichi-Seimei Dowa Kasai Building



Ericsson Shin-Yokohama Building

## Other Locations



Nagoya Hirokoji Building



Midosuji Daiwa Building



Shinjokawaramachi Building



Hinode Tenjin Building



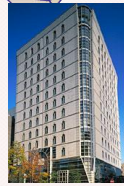
Nigata Ishizuecho Nishi-bandaibashi Building



Kanazawa Park Building



Kobe Itomachi Building



Fukusuke Sakaisujihonmachi Building



Kanazawa Minamicho Building



Sendai Honcho Honma Building



Tosei Tenjin Building

## 1. First J-REIT

- λ **Initial Public Offering**
- ┆ Establishment of Investment Corporation on May 11, 2001
- ┆ Issued 160,000 units and raised 81.1 billion yen equity capital
- ┆ Listed on the Tokyo Stock Exchange on September 10, 2001
- ┆ 20 initial properties contributed mainly from Mitsubishi Estate, Tokio Marine and Dai-ichi Mutual Life

## 2. Management Track Records

- λ **External Growth: Acquisition of Additional Properties**
- ┆ Number of properties: 20 → 24
- ┆ Aggregate acquisition price: 92,845 → 144,697 million yen
- ┆ Aggregate net rentable area: 133,927 → 201,884<sup>m</sup>
- ┆ Number of the tenants: 198 → 328
- λ **Stable Operations**
- ┆ Occupancy Rate: around 94%
- λ **Debt Financing**
- ┆ Total bank loans: 64 billion yen
- ┆ Obtained high credit ratings from rating agencies

## 3. Recent Financing

- λ **Secondary Equity Offering**
- ┆ First secondary equity offering of J-REIT
- ┆ Issued 65,000 additional units and raised 30.8 billion yen
- ┆ Post-offering total unitholders' equity: 112.1 billion yen
- λ **J-REIT Bond**
- ┆ First 25 billion yen 5 year J-REIT bond in June (S&P: A+, Moody's: A2)

## First J-REIT to obtain credit ratings from S&P and Moody's

STANDARD & POOR'S	
Long-term rating	A+
Short-term rating	A-1
Outlook	Stable
Announcement	2/14/02

### Commentary

- ∪ Strong business position and conservative capital structure
- ∪ Stable cash flow
- ∪ High quality portfolio
- ∪ Excellent investment skills
- ∪ Credibility of sponsors

Moody's Investors Service	
Rating	A2
Outlook	Stable
Announcement	3/15/02

### Commentary

- ∪ Leading J-REIT
- ∪ Stable business conditions
- ∪ Conservative financial policy
- ∪ High debt service coverage ratio
- ∪ Highly diversified tenant mix

\* Rating is for issuer, not for public shares or other specific securities issued by the investment company.



# JRE's Financial Performances

Income Statement		(In millions of yen, excluding dividend per unit)			
Term	1st Fiscal Period	1st Fiscal Period	2nd Fiscal Period	3rd Fiscal Period	
# of Days	(Forecast)	(Actual Result)	(Forecast)	(Forecast)	
	203days	203days	183days	182days	
Operating Revenues	5,100	6,492	7,700	7,800	
Operating Profits	3,000	3,632	3,800	4,000	
Recurring Profits	2,100	2,405	2,800	3,000	
Net Income	2,100	2,403	2,800	3,000	
Dividend	2,100	2,403	2,800	3,000	
Number of Units	160,400	160,400	225,400	225,400	
Dividend per Unit	13,000	14,983	12,400	13,600	
Dividend per Unit (semi-annualized)	11,687	13,506	12,400	13,600	

## Balance Sheet as of 3/31/2002

Item		Item	(In millions of yen)
Total Current Assets	16,162	Total Current Liabilities	41,728
Total Fixed Assets	145,579	Total Long-term Liabilities	36,418
Investments and Others	67	Total Liabilities	78,146
		Total Unitholders' Equity	83,663
<b>Total Assets</b>	<b>161,809</b>	<b>Total Liabilities and Unitholders' Equity</b>	<b>161,809</b>

# JRE's Financial Ratios

Financial Indices		
Return on Assets (ROA)	2.0% (3.6% annualized)	*Recurring profits/(BOP total assets + EOP total assets)/2 (203 working days)
Return on Equity (ROE)	2.9% (5.2% annualized)	*Net income/(BOP worth + term-EOP net worth)/2 (203 working days)
EOP equity ratio	51.7%	*EOP networth/ EOP total assets * 100
EOP interest-bearing debt ratio on total assets (LTV)	39.6%	*EOP interest-bearing debt/ EOP total assets * 100
Debt service coverage ratio	x15.5	*Net income before interest and depreciation/ interest expenses
Net Operating Income	4,732 million yen	*(Rental revenues - rental expenses) + Depreciation
Funds From Operations (FFO)	3,503 million yen	* Net income + Depreciation
FFO multiple	13.5	* Unit price at end of March (530,000 yen)/FFO per unit (annualized)

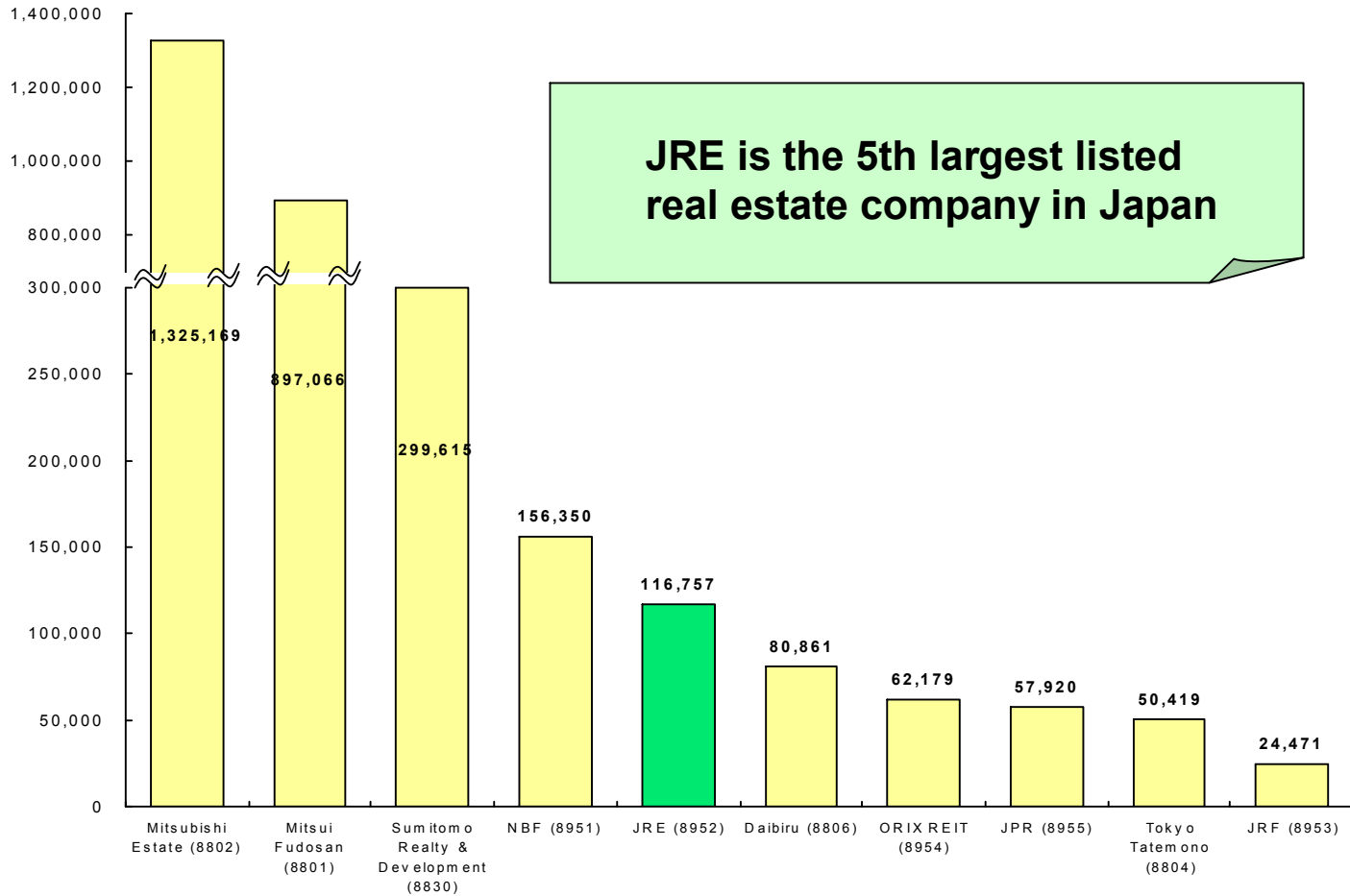
Note : BOP - Beginning of period

EOP - End of period

# JRE's Market Position

Million Yen

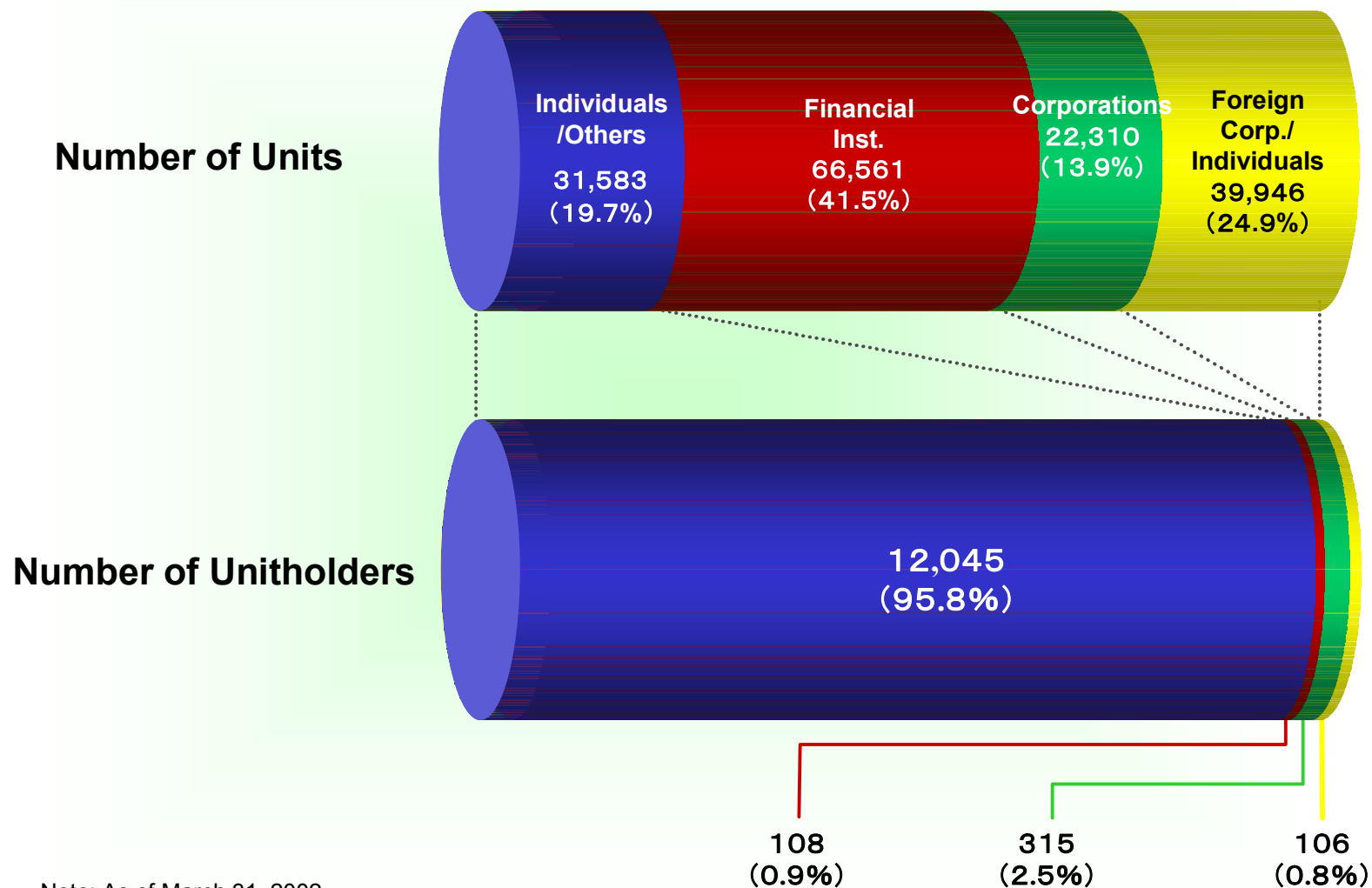
## Japanese Listed Real Estate Companies' Market Cap



Note: As of June 14, 2002.

Source: Bloomberg

# JRE's Unitholder Composition



Note: As of March 31, 2002.

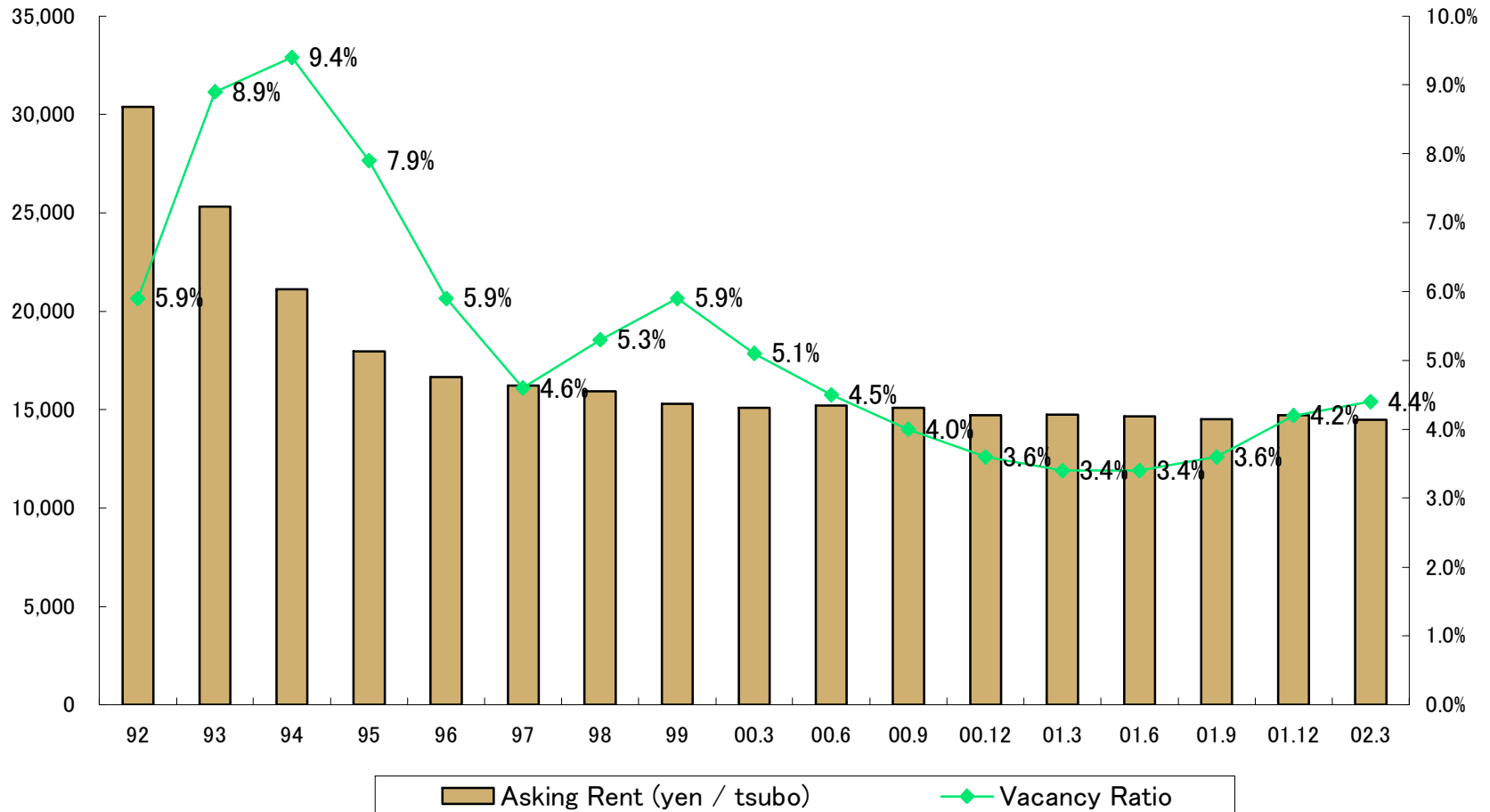
- ⌚ Due to ongoing corporate restructuring and the current economic slump in Japan, demand for office space is expected to be soft for the near-term.
- ⌚ At the same time, a significant supply of new office buildings is expected in the near future, the so-called the “Year 2003 Problem.”
- ⌚ Consequently, market vacancy rates will likely rise and rental rates will generally decline, which may result in sluggish growth in rental revenues.
- ⌚ On the other hand, as a result of severe restructuring activities arising from the corporate sector, a number of office buildings are expected to be up for sale.

# Tokyo Real Estate Market (Prime 5 Wards)

Asking Rent (Monthly base)

Yen/Tsubo

Vacancy Ratio



Note: "Prime 5 wards" is including Chiyoda, Chuo, Minato, Shinjuku and Shibuya

Source: IKOMA/CB Richard Ellis



# Year 2003 Problem

**It is yet too early to be optimistic, but, the impact of the “Year 2003 Problem” on JRE’s performances is expected to be minimal.**

## **Reasons:**

- JRE owns few properties that directly compete with newly supplied buildings
- Stable revenues through fixed-term lease contracts (Revenue-wise, share of fixed-term lease contracts is 24.4% in JRE’s Tokyo metropolitan area portfolio)
- Leasing contracts with the sponsors (Revenue-wise, share of fixed-term lease contracts is 5.8% in JRE’s Tokyo metropolitan area portfolio)
- J-Rea and JRE have shown strong capability to attract tenants
- New supply/ concentration of buildings/ tenants will positively impact on adjacent sub-markets’ performances. (Favorable impact will be brought to Shiba / Hamamatsu-cho areas as Dentsu and Nippon Television Network will relocate their headquarters to Shiodome area.)
- Mitigated risks by geographical diversification and tenant diversification.

## **Action Plans:**

- Improve occupancy rates by offering flexible terms and conditions to tenants and understanding accurate needs of tenants
- Mid-long term maintenance plan and capital expenditure to improve property quality for tenant satisfaction
- Reduction of property management expenses

# APPENDIX

# **1. 1<sup>st</sup> Fiscal Period Results for Japan Real Estate Investment Corporation**

# 1<sup>st</sup> Fiscal Period Income Statement (5/11/01 – 3/31/02)

## Initial Forecast and Actual Results

Item	Forecast at IPO (20 properties)	Actual Results			Change	% Change
		Initial 20 Properties(*)	Additional Propertis	Total		
Operating Revenues	5,100	5,206	1,285	6,492	1,392	27.3%
Rental revenues		5,186	1,240	6,427		
Other rental revenues		19	45	65		
Operating Expenses	1,300	1,389	365	1,759	459	35.3%
Property management fees		731	183	915		
Utility charges		394	99	493		
Property and other taxes		0	4	4		
Insurance expenses		11	3	15		
Maintenance expenses		244	76	321		
Other operating expenses		9	0	10		
NOI	3,800	3,817	920	4,732	932	24.5%
Depreciation and amortization	800	848	251	1,100		
Operating Profits	3,000	2,969	665	3,632	663	22.1%
Administrative expenses	450	671				
Asset management fees		389				
Other administrative expenses		281				
Net Operating Profits	2,550	2,961			411	16.1%
Non-Operating Revenues	0	2				
Interest received		2				
Other non-operating revenues		0				
Non-Operating Expenses	450	559			109	24.2%
Interest expenses	150	241			91	60.7%
Deferred start-up costs		90				
New unit-issuance costs	300	121				
Unit-listing expenses		74				
Other non-operating expenses		31				
Recurring Profits	2,100	2,405			305	14.5%
Income before Income Taxes	2,100	2,405			305	14.5%
Taxes		1				
Net Income	2,100	2,403			303	14.4%
Retained Earnings	2,100	2,403				
FFO (Net Income + Depreciation)	2,900	3,503			603	20.8%
Dividend per unit (160,400 units)	13,000 yen	14,983 yen			1,983	15.3%

## 1<sup>st</sup> Fiscal Period YTD Results

(Calculated with the premises of full operation of all properties)

Item	1st Term
	Annualized
Operating Revenues	15,063
Rental revenues	14,888
Other rental revenues	175
Operating Expenses	5,500
Property management fees	2,127
Utility charges	1,094
Property and other taxes	1,516
Insurance expenses	706
Maintenance expenses	57
Other operating expenses	
NOI	9,563
Depreciation and amortization	2,267
Operating Profits	7,296
Administrative expenses	1,279
Asset management fees	747
Other administrative expenses	532
Net Operating Profits	6,017
Non-Operating Revenues	4
Interest received	4
Other non-operating revenues	0
Non-Operating Expenses	822
Interest expenses	757
Deferred start-up costs	0
New unit-issuance costs	35
Unit-listing expenses	30
Other non-operating expenses	0
Recurring Profits	5,199
Income before Income Taxes	5,199
Taxes	4
Net Income	5,195
Retained Earnings	5,195
FFO (Net Income + Depreciation)	7,462
Dividend per unit (160,400 units)	32,380 yen
Dividend per units (225,400 units)	23,040 yen

- λ Operating Income / Expense (excluding depreciation) : Annualized by operating days
- λ Property tax and the Tokyo metropolitan area tax : Amortization for 24 properties in 2001(1,509 million yen) was added to "Property and other taxes"
- λ Depreciation : Annualized by operating months
- λ Administrative expenses and Non-operating profit / loss : Posted the total amount of the administrative expenses and non-operating profit / loss for the 2<sup>nd</sup> and 3<sup>rd</sup> period

(\*)The above performance of the "Initial 20 Properties" includes the profit / loss status for the additionally acquired partial of the Urawa Dai-ichi-Seimei Dowo Kasai Building (acquired on October 11, 2001) and that of the Midosuji Daiwa Building (acquired on February 28, 2002).

# 1<sup>st</sup> Fiscal Period Balance Sheet (As of 3/31/02)

## Comparison of the balance sheets (As of 9/30/01 vs. as of 3/31/02)

(In millions of yen)

Item	As of Sep. 30, 2001	As of March 31, 2002	Difference	Factors for Differences
<b>Current Assets</b>				
Cash and entrusted cash	20,962	15,323	△ 5,639	Decreased by properties acquisition
Other current assets	1,546	838	△ 708	Decreased by returning consumption tax
<b>Total Current Assets</b>	<b>22,509</b>	<b>16,162</b>	<b>△ 6,347</b>	
<b>Fixed Assets</b>				
<b>Property and equipment (Including entrusted property and equipment)</b>				
Buildings	29,153	45,413	16,260	Increased by properties acquisition
Structures	0	262	262	
Machinery and equipment	0	944	944	
Land	63,436	99,614	36,178	Increased by properties acquisition
Accumulated depreciation	△ 117	△ 1,100	△ 983	
<b>Total Property and Equipment</b>	<b>92,472</b>	<b>145,135</b>	<b>52,663</b>	
<b>Intangible Assets</b>				
Entrusted lease hold rights	444	444	0	
<b>Total Intangible Assets</b>	<b>444</b>	<b>444</b>	<b>0</b>	
<b>Total Fixed Assets</b>	<b>92,916</b>	<b>145,579</b>	<b>52,663</b>	
<b>Investments and Others</b>				
Long-term prepaid expenses, etc	67	67	0	
<b>Total Investments and Others</b>	<b>67</b>	<b>67</b>	<b>0</b>	
<b>Deffered Assets</b>				
Deffered start-up costs	90	0	△ 90	Amortized at a time in the 1 <sup>st</sup> term
<b>Total Deffered Assets</b>	<b>90</b>	<b>0</b>	<b>△ 90</b>	
<b>Total Assets</b>	<b>115,585</b>	<b>161,809</b>	<b>46,224</b>	

(In millions of yen)

Item	As of Sep. 30, 2001	As of March 31, 2002	Difference	Factors for Differences
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Short-term borrowing	0	40,000	40,000	Borrowed for properties acquisition
Rent received in advance	519	998	479	
Other current liabilities	880	730	△ 150	
<b>Total Current Liabilities</b>	<b>1,399</b>	<b>41,728</b>	<b>40,329</b>	
<b>Long-term Liabilities</b>				
Long-term borrowings	24,000	24,000	0	
Deposits from tenants	8,935	12,418	3,483	Increased by properties acquisition
<b>Total Long-term Liabilities</b>	<b>32,935</b>	<b>36,418</b>	<b>3,483</b>	
<b>Total Liabilities</b>	<b>34,335</b>	<b>78,146</b>	<b>43,811</b>	
<b>Unitholders' Equity</b>				
Unitholders' capital	81,260	81,260	0	
Retained earnings	△ 10	2,403	2,413	Net income for the 1 <sup>st</sup> term
<b>Total Unitholders' Equity</b>	<b>81,249</b>	<b>83,663</b>	<b>2,414</b>	
<b>Total Liabilities and Unitholders' Equity</b>	<b>115,585</b>	<b>161,809</b>	<b>46,224</b>	

(\*) The above is a comparison of balance sheets as of September 30, 2001 and March 31, 2002. September 2001 balance sheet was prepared for administrative purposes, which has not been audited.

# Statement of Cash Flows (5/11/01 – 3/31/02)

(In millions of yen)

Item	Amount
Cash flow from operating activities	4,340
Net income before tax	2,405
Depreciation and adjustments	1,935
Cash flow from investing activities	△ 134,276
Cash flow from financing activities	145,260
Increase in short- and long- term loans	64,000
Proceeds from issuance of equity units	81,260
Net increase in Cash and Cash Equivalents	15,323
Balance of Cash and Cash Equivalents at beginning of period	-
Balance of Cash and Cash Equivalents at end of period	15,323



# Statement for 1<sup>st</sup> Fiscal Period Dividend (5/11/01 – 3/31/02)

Net income before distribution	¥2,403,333,973
Total amount of dividends	¥2,403,273,200
Retained earnings	¥60,773

\* Dividend per unit is: 14,983 yen

# Summary of Cash Flows by Property ①

## U Tokyo Metropolitan Area (Tokyo 23 wards)

(In millions of yen)

Item	Mitsubishi Soken Building	Kodenmachi Shin-Nihonbashi Building	Shiba 2 chome Daimon Building	Cosmo Kanasughibashi Building	Takanawadai Building	JTS Building
Number of Operating Days	188	188	203	188	188	203
Revenues	1,026	159	359	142	155	106
Operating Expenses (Excluding Depreciation)	248	37	102	34	33	35
NOI	778	122	256	108	122	72
Depreciation and Amortization	74	32	34	26	27	17
Operating Profits	704	90	222	82	95	54
(Property Information)						
Year Built	July-70	November-91	March-84	March-92	January-91	September-91
Acquisition Price	27,267	3,173	4,859	2,808	2,738	1,362
Appraised Value (As of the end of the period)	27,800	3,160	4,730	2,790	2,840	1,320
Gross Building Areas (㎡)	26,373	5,823	16,235	5,421	5,763	5,270
Occupancy Rate	97.4%	87.3%	89.3%	87.7%	100.0%	100.0%
Number of Tenants	4	5	20	8	1	1

Item	Omori-Eki Higashiguchi Building	Otsuka Higashi-Ikebukuro Building	Ikebukuro 2chome Building	Shibuya Cross Tower	Tokyo Metropolitan 23 Wards Total
Number of Operating Days	203	188	188	122	
Revenues	317	205	74	1,081	3,623
Operating Expenses (Excluding Depreciation)	97	46	18	319	968
NOI	220	159	56	762	2,655
Depreciation and Amortization	70	49	16	193	537
Operating Profits	150	110	40	569	2,118
(Property Information)					
Year Built	July-89	November-87	May-90	April-76	
Acquisition Price	5,123	3,541	1,728	34,600	87,199
Appraised Value (As of the end of the period)	4,900	3,550	1,600	34,500	87,190
Gross Building Areas (㎡)	14,095	9,531	3,158	61,862	153,531
Occupancy Rate	95.7%	98.6%	59.2%	95.8%	94.2%
Number of Tenants	19	9	3	52	119

\* Occupancy rate is calculated by dividing total rented areas by net rentable areas.

\* The same tenant in multiple properties is counted as one tenant in the total number of tenants.

# Summary of Cash Flows by Property ②

## U Tokyo Metropolitan Area (Excluding Tokyo 23 wards)

(In millions of yen)

Item	Urawa Dai-Ichi-Seimei Dowa Kasai Building	Kawasaki Isago Building	Ericsson Shin-Yokohama Building	Tokyo Metropolitan (Except 23 Wards) Total
Number of Operating Days	188	188	63	
Revenues	149	188	64	401
Operating Expenses (Excluding Depreciation)	36	60	14	110
NOI	113	128	50	292
Depreciation and Amortization	25	52	22	98
Operating Profits	89	76	28	193
(Property Information)				
Year Built	March-90	December-90	April-92	
Acquisition Price	2,574	3,375	3,000	8,949
Appraised Value (As of the end of the period)	2,700	3,320	3,010	9,030
Gross Building Areas (㎡)	6,259	9,624	10,403	26,286
Occupancy Rate	95.0%	86.0%	100.0%	93.5%
Number of Tenants	13	7	2	21

\* Occupancy rate is calculated by dividing total rented areas by net rentable areas.

\* The same tenant in multiple properties is counted as one tenant in the total number of tenants.

# Summary of Cash Flows by Property ③

## Regional Cities

(In millions of yen)

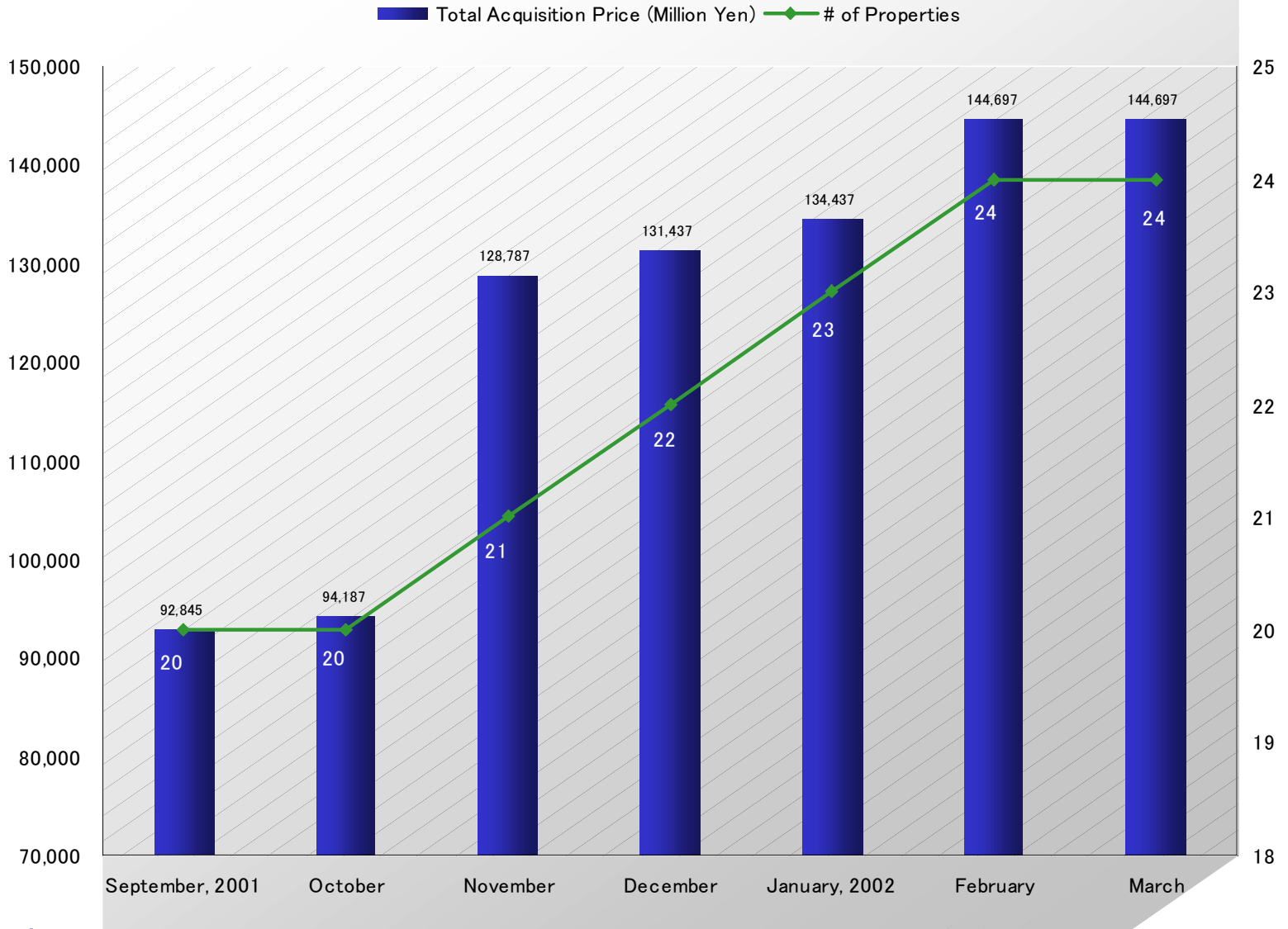
Item	Sendai Honcho Honma Building	Niigata Ishizuecho Nishi-Bandaibashi Building	Kanazawa Minamicho Building	Kanazawa Park Building	Nagoya Hirokoji Building	Kyoto Shijyo Kawaramachi Building
Number of Operating Days	188	188	188	32	203	102
Revenues	177	85	96	55	884	86
Operating Expenses (Excluding Depreciation)	40	60	28	13	277	18
NOI	137	24	68	42	608	68
Depreciation and Amortization	36	13	16	18	170	19
Operating Profits	101	11	53	24	438	50
(Property Information)						
Year Built	November-91	November-84	March-87	October-91	May-87	November-82
Acquisition Price	2,924	1,010	1,331	2,880	14,533	2,650
Appraised Value (As of the end of the period)	2,870	970	1,290	3,090	14,700	2,660
Gross Building Areas (㎡)	8,248	6,410	5,163	43,481	33,378	9,701
Occupancy Rate	100.0%	83.7%	87.0%	91.5%	98.6%	76.3%
Number of Tenants	12	8	12	60	31	21

Item	Midosuji Daiwa Building	Fukusuke Sakaisujihonmachi Building	Kobe Itomachi Building	Hinode Tenjin Building	Tosei Tenjin Building	Other Major Cities Total
Number of Operating Days	188	188	188	203	188	
Revenues	497	165	96	229	98	2,468
Operating Expenses (Excluding Depreciation)	87	41	26	62	27	678
NOI	411	124	69	166	71	1,790
Depreciation and Amortization	81	30	17	40	25	464
Operating Profits	330	94	52	126	46	1,325
(Property Information)						
Year Built	September-91	October-92	September-89	August-87	March-92	
Acquisition Price	14,314	2,264	1,436	3,657	1,550	48,549
Appraised Value (As of the end of the period)	14,300	2,230	1,400	3,680	1,530	48,720
Gross Building Areas (㎡)	31,213	17,146	4,894	12,527	5,589	177,750
Occupancy Rate	100.0%	91.6%	92.3%	100.0%	80.4%	93.9%
Number of Tenants	20	7	12	9	17	200

\* Occupancy rate is calculated by dividing total rented areas by net rentable areas.

\* The same tenant in multiple properties is counted as one tenant in the total number of tenants.

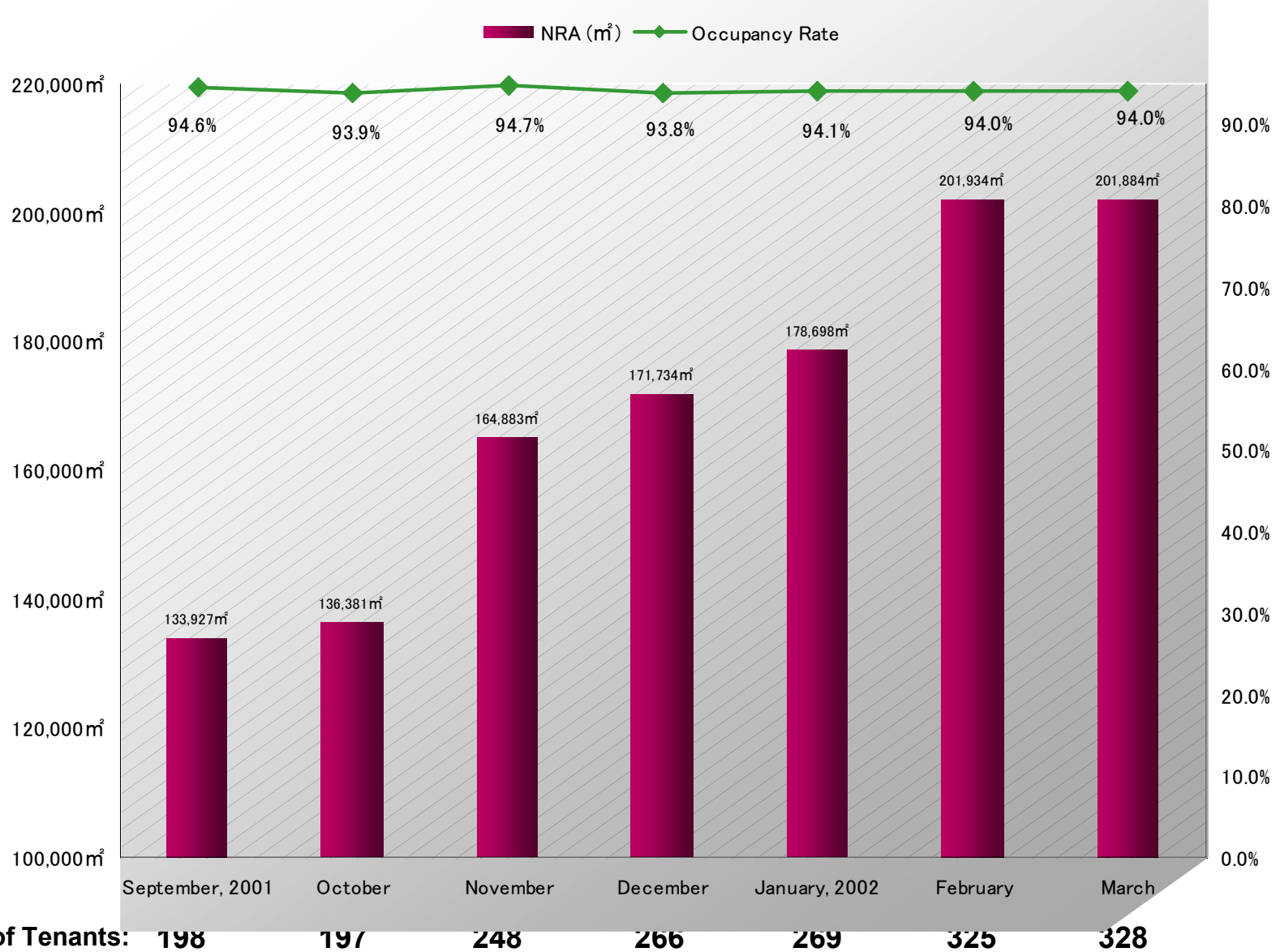
# Property Acquisitions after IPO



Name of Properties  
Additionally Acquired

- 
- Urawa Dai-Ichi-Seimei Dowa Kasai
- Shibuya Cross
- Kyoto Shijo Kawaramachi
- Ericsson Shin-Yokohama
- Kanazawa Park
- Midousuji Daiwa

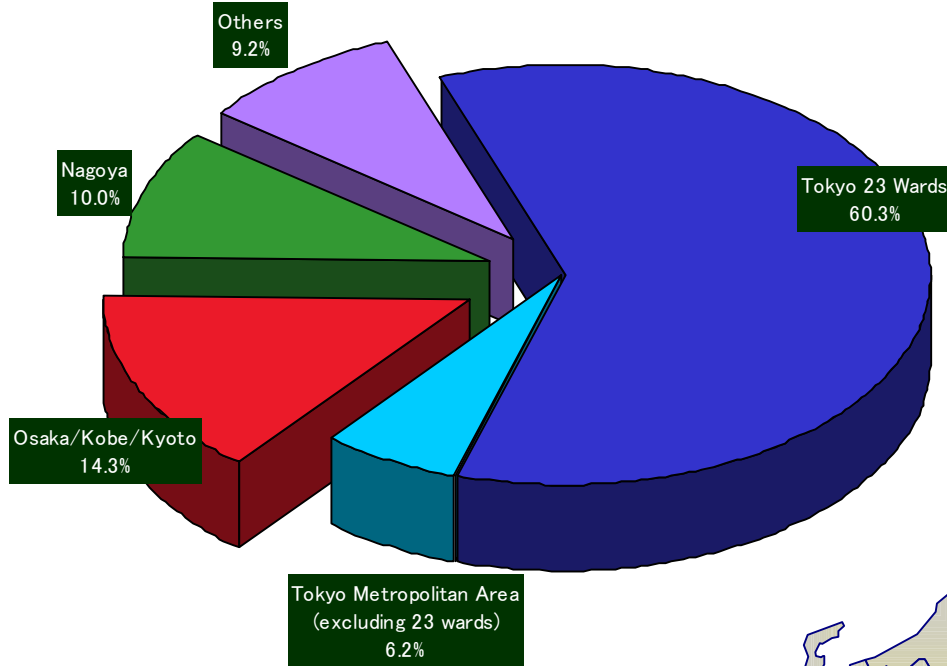
# Net Rentable Area and Occupancy Rates



\* The same tenant housed in multiple properties is counted as one tenant.

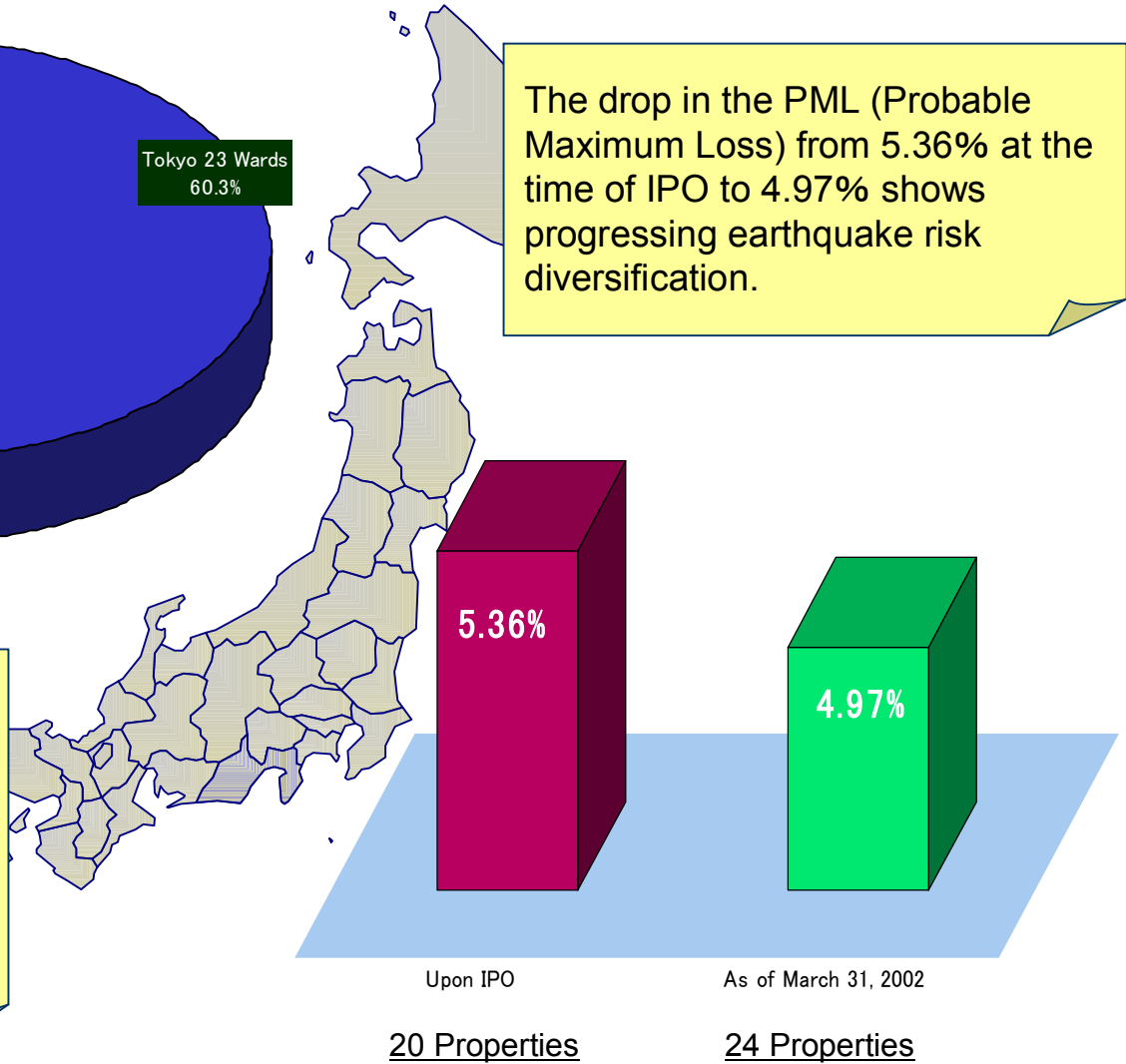


# Geographical Diversification and Earthquake Risk Diversification



The drop in the PML (Probable Maximum Loss) from 5.36% at the time of IPO to 4.97% shows progressing earthquake risk diversification.

The portfolio is well-balanced in terms of locations: approximately 70% are properties located in the Tokyo metropolitan area with high liquidity and stable rental income, and the remaining 30% are those located in other major cities with attractive yields.

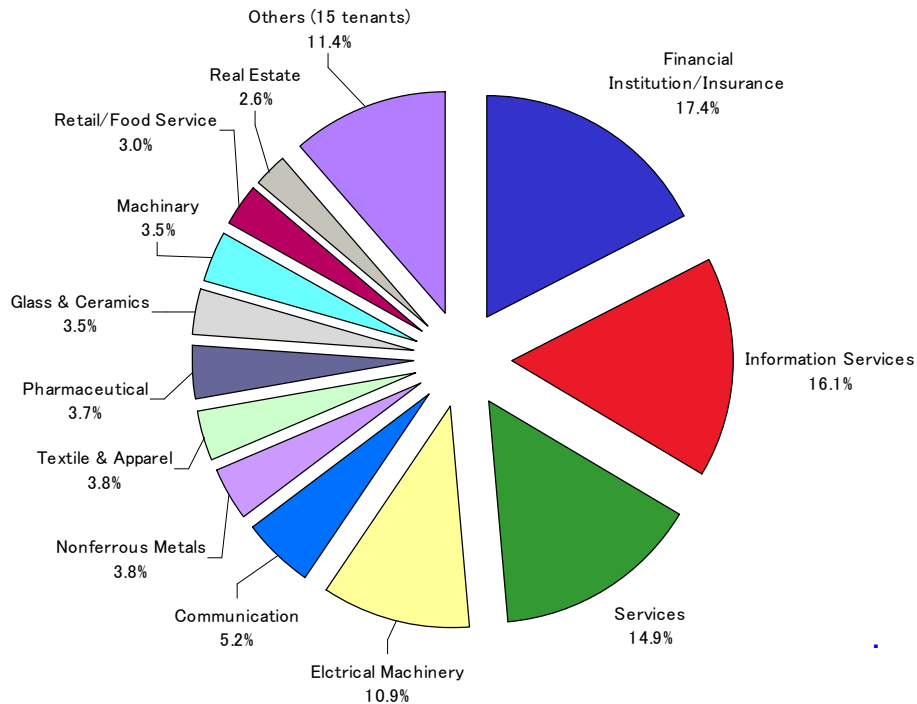


\* Ratios are based on purchase prices.

\* Tokyo metropolitan area encompasses Tokyo and 3 prefectures of Saitama, Chiba and Kanagawa.

# Tenancy Profile

## Business Diversification of Top 69 Tenants (based on their rented area)



## Top 5 Tenants

Rank	Top 5 Tenants	Property	Rent Area	% of Total Rent Area
1	Mitsubishi Research Institute	Mitsubishi Soken Building	14,529m <sup>2</sup>	7.7%
2	Dai-ichi Mutual Life	Midosuji Daiwa Building Other 8 buildings	13,591 m <sup>2</sup>	7.2%
3	Ericsson Japan	Ericsson Shin-Yokohama Building	5,794m <sup>2</sup>	3.1%
4	TOTO	Nagoya Hirokoji Building Midosuji Daiwa Building	4,840m <sup>2</sup>	2.6%
5	Janssen Pharmaceutical	Takanawadai Building Tosei Tenjin Building	4,318m <sup>2</sup>	2.3%

\* The above covers the top 69 tenants with more than 600 square meters of rented area.

\* The total rented area of the 69 tenants accounts for about 72% of the entire NRA of the portfolio.

The number of tenants rose sharply from 198 at IPO to 328. Rented area ratios show tenant diversification.

# Property Price Comparison

(In millions of yen)

Area		Name	Asset Type	Appraised Value at End of Period	Acquisition Price	%
Tokyo Metropolitan Area	23 Wards	Mitsubishi Soken Building	Trust Beneficiary Right	27,800	27,267	18.8%
		Kodenmacho Shin-Nihonbashi Building	Trust Beneficiary Right	3,160	3,173	2.2%
		Shiba 2chome Daimon Building	Trust Beneficiary Right	4,730	4,859	3.4%
		Cosmo Kanasugibashi Building	Trust Beneficiary Right	2,790	2,808	1.9%
		Takanawadai Building	Trust Beneficiary Right	2,840	2,738	1.9%
		JTS Building	Trust Beneficiary Right	1,320	1,362	0.9%
		Omori-Eki Higashiguchi Building	Trust Beneficiary Right	4,900	5,123	3.5%
		Otsuka Higashi-Ikebukuro Building	Trust Beneficiary Right	3,550	3,541	2.4%
		Ikebukuro 2chome Building	Trust Beneficiary Right	1,600	1,728	1.2%
		Shibuya Cross Tower	Real Estate	34,500	34,600	23.9%
	Excluding 23 Wards	Urawa Dai-Ichi-Seimei Dowa Kasai Building	Real Estate	2,700	1,232	0.9%
		Kawasaki Isago Building	Trust Beneficiary Right	3,320	3,375	2.3%
		Ericsson Shin-Yokohama Building	Real Estate	3,010	3,000	2.1%
Other Major Cities	Sendai Honcho Honma Building	Trust Beneficiary Right	2,870	2,924	2.0%	
	Niigata Ishizuecho Nishi-Bandaibashi Building	Trust Beneficiary Right	970	1,010	0.7%	
	Kanazawa Minamicho Building	Trust Beneficiary Right	1,290	1,331	0.9%	
	Kanazawa Park Building	Real Estate	3,090	2,880	2.0%	
	Nagoya Hirokoji Building	Real Estate	14,700	14,533	10.0%	
	Kyoto Shijo Kawaramachi Building	Real Estate	2,660	2,650	1.8%	
	Midosuji Daiwa Building	Trust Beneficiary Right	14,300	6,934	4.8%	
				7,380	5.1%	
	Fukusuke Sakaisujihonmachi Building		2,230	2,264	1.6%	
	Kobe Itomachi Building	Trust Beneficiary Right	1,400	1,436	1.0%	
	Hinode Tenjin Building	Trust Beneficiary Right	3,680	3,657	2.5%	
Tosei Tenjin Building	Real Estate	1,530	1,550	1.1%		
Total /Average				144,940	144,697	100.0%

# Summary of Loans

## Loans

(As of March 31, 2002)

	Lender	Outstanding loan amount	Interest rate	Closing date	Maturity	Collateral	Use of fund	Remarks
Short-term loan (Informal line of credit (Note) 1.) (Note) 2.	Industrial Bank of Japan (Note) 3.  Bank of Tokyo- Mitsubishi  Sumitomo Trust and Banking  Mitsubishi Trust Bank	31 billion yen	0.85923% per annum to Dec. 25, 2001  0.90077% per annum from Dec. 26, 2001 to June 24, 2002	Nov. 30, 2001	June 24, 2002	First-lien mortgage on Property  Second-lien pledge on trust beneficiary interests of Properties  Pledge on other certain cash deposit and claim for insurance benefits	For purchase of Property	Secured No guarantee Non-subordinated
	Same as above	2 billion yen	0.85231% per annum to Dec. 25, 2001  0.90077% per annum from Dec. 26, 2001 to June 24, 2002	Dec. 20, 2001	June 24, 2002	First-lien mortgage on property  Second-lien pledge on trust beneficiary interests of trust assets of Properties  Pledge on other certain cash deposit and claim for insurance benefits	For purchase of Property	Secured No guarantee Non-subordinated
	Same as above	7 billion yen	0.925% per annum	Feb. 28, 2002	June 24, 2002	First-lien pledge on trust beneficiary interest of Property  Second-lien pledge on trust beneficiary interests of Properties  Fixed pledge on other certain cash deposit and claim for insurance benefits	For purchase of property	Secured No guarantee Non-subordinated
Long-term loan	Industrial Bank of Japan (Note) 3. Bank of Tokyo- Mitsubishi Sumitomo Trust and Banking Mitsubishi Trust Bank Yasuda Fire and Marine Insurance	24 billion yen	1.12% per annum However, the interest rate after the planned principal repayment date should be decided two business days before that date	Sept. 25, 2001	Planned repayment day of principal June 23, 2006  Final repayment day of principal June 23, 2008	First-lien pledge on trust beneficiary interest of trust assets of Properties  Pledge on other certain cash deposit	For purchase of a total of 20 properties purchased by JRE by Oct. 11, 2001	Secured No guarantee Non-subordinated

(Note) 1. All properties to be purchased with proceeds from the informal line of credit shall be joint collateral of the loan.

(Note) 2. There exists a basic agreement of the informal line of credit between JRE and lenders, but such lenders are legally not obligated to disburse additional loans. JRE must pay fees to each lender at the time of disbursement. Also, JRE must pay fees to Bank of Tokyo-Mitsubishi and Industrial Bank of Japan (Note 3), who concurrently serve as agents for long and short-term loans on respective interest payment day based on the outstanding balance of loans.

(Note) 3. The transaction between JRE and Industrial Bank of Japan was succeeded by Mizuho Corporate Bank on April 1, 2002.

# Major Unitholders at Fiscal Period End

- Major unitholders as of March 31, 2002 are as follows:

Company	Units	% of Total Shares Outstanding
The Chase Manhattan Bank, N.A. London	12,514	7.8%
Mitsubishi Estate Co., Ltd.	10,160	6.3%
The Tokio Marine and Fire Insurance Co., Ltd	8,120	5.0%
The Yamanashi Chuo Bank, Ltd.	5,300	3.3%
The Hachijuni Bank, Ltd.	5,023	3.1%
The Dai-ichi Mutual Life Insurance Company	4,920	3.0%
Goldman Sachs International	3,284	2.0%
The Nomura Trust & Banking Co., Ltd	3,124	1.9%
The Mitsubishi Trust and Banking Corporation (Trust Accoun	2,550	1.5%
Fidelity Funds-Japan Fund (Fidelity Investments Luxembourg	2,165	1.3%

## **2. Participation of Mitsui & Co.**



# Participation in J-Rea by Mitsui & Co.

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- Mitsui & Co. (“Mitsui”) received 10% shares of J-Rea from the 3 existing shareholders, and will participate in management of J-REIT.
- With the participation of Mitsui, J-Rea will further promote transparent asset management through the partnership of four sponsors with different industry types and corporate groups.
- Two experienced employees will be seconded from Mitsui to J-Rea. Also, Mitsui will provide strong acquisition information channels.
- Upon participation, Mitsui will sell its MD Kanda Building to JRE.

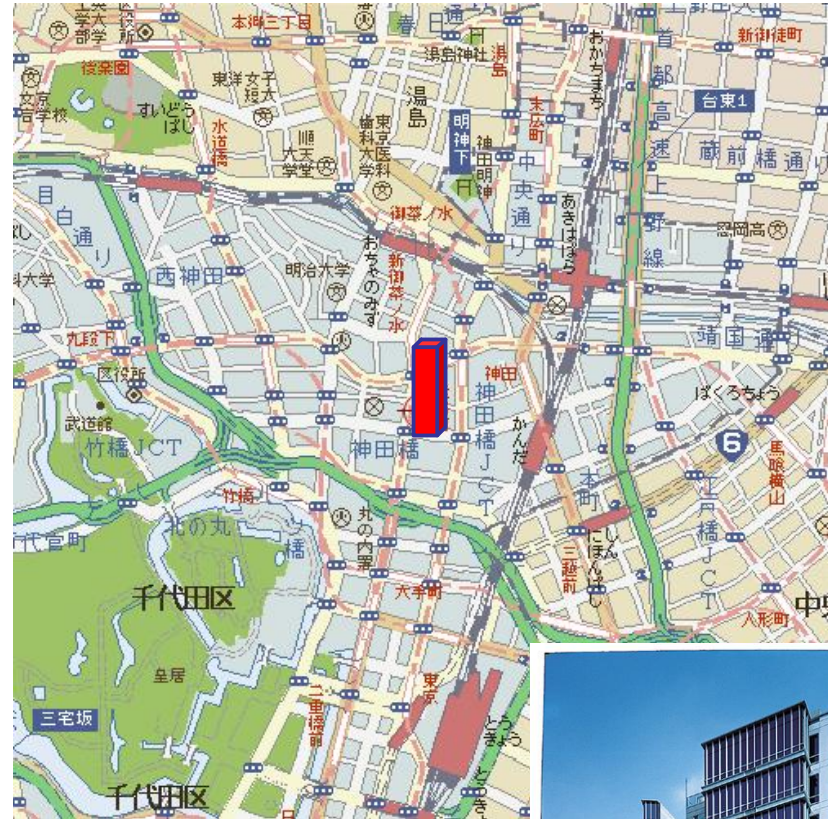
# Profile of MD Kanda Building

## 【Property Summary】

- Address: 9-1, Mitoshiro-cho, Kanda, Chiyoda-ku, Tokyo
- Area: <Land> 1, 085. 83 m<sup>2</sup>  
<Building> 8, 185. 11 m<sup>2</sup>
- Structure: Steel Framed Reinforced Concrete Structure / 10 Stories
- Built in: February 1998 (Age: 4 years)
- Type of Ownership: Fee Simple
- Net Rentable Area: 6, 334 m<sup>2</sup>

## 【Transaction Summary】

- Seller: Mitsui & Co.
- Acquisition Price: 9, 520 million yen
- Appraised Value: 9, 530 million yen (As of 3/31/02)
- Acquisition Date: May 31, 2002



(Source) <http://map.yahoo.co.jp/>

Excellent.; 1 - 9 minute walk from major JR stations, "Kanda" and "Ochanomizu", subway stations, "Ogawa-cho," "Awaji-cho," "Shin-Ochanomizu," "Kanda" and "Otemachi."

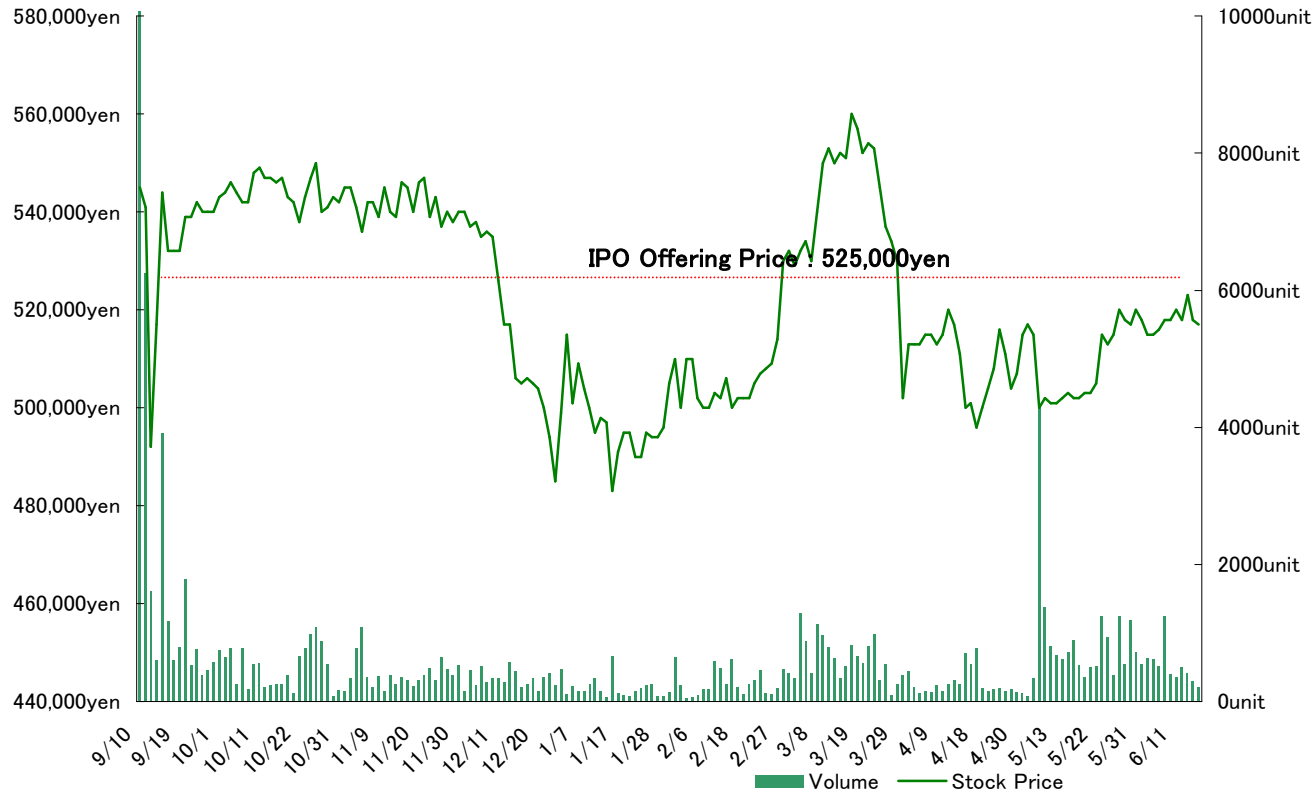


## **3. Other Information**

# JRE Stock Price Performance

As of June 17, 2002

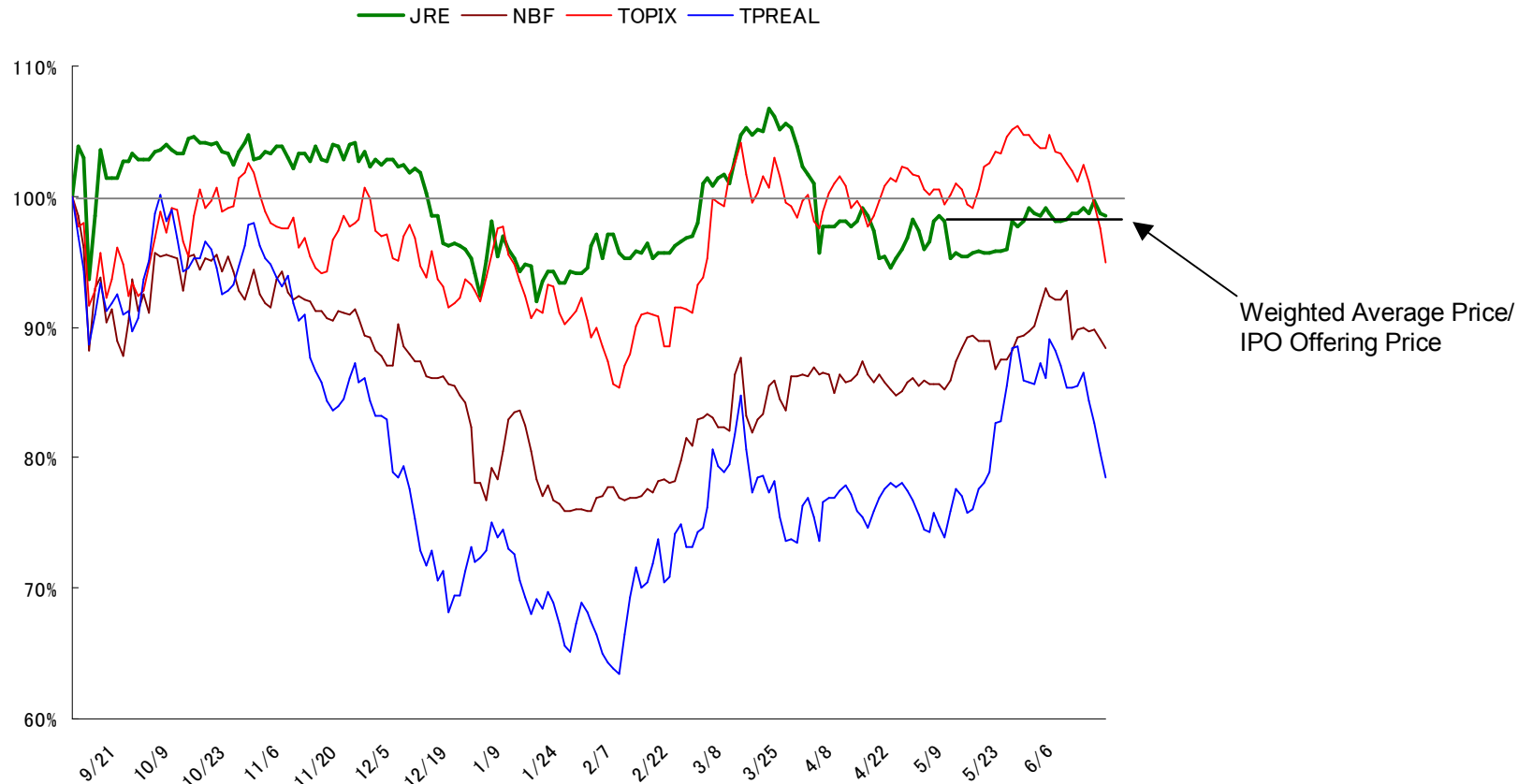
High	560,000円	03/18/02
Low	480,000円	01/16/02
Stock Price	517,000円	
To IPO Offering Price	-1.52%	



- \* Share prices used for making graphs are based on closing prices of each day.
- \* Stock price performance above is historical one, not an indication of future one.

# Stock Price Performances to Indexes

As of June 17, 2002



- \* Share performance is measured based on the offering price of 525,000 yen for JRE and 625,000 yen for NBF (100%) and based on the Sept. 7 closing price of 1,080.83 yen for TOPIX and 770.21 yen for TPREAL (100%).
- \* TPREAL (the TOPIX Real Estate Index) is a capitalization-weighted index designed to measure the performance of the real estate sector of the TOPIX Index.
- \* Share prices used for making graphs are based on closing prices of each day.
- \* Stock price performance above is historical one, not an indication of future one.

# J-REIT Market Overview

	JRE 8952	NBF 8951	JRF 8953	ORIX 8954	JPR 8955
<b>Listing date</b>	2001/9/10	2001/9/10	2002/3/12	2002/6/10	2002/6/14
<b>Sponsors</b>	Mitsubishi Estate/ Tokio Marine/ Dai-ichi Mutual Life	Mitsui Fudosan	Mitsubishi Corp./ UBSAG	Orix	Tokyo Tatemono/ Yasuda Life/ Taisei
<b>Asset type</b>	Office	Office	Commercial properties	Office/Residence/Hotel/ Commercial properties/ Others	Office/ Commercial properties
<b>Asset allocation</b>	Office 100%	Office 100%	Commercial Properties 100%	Office79%/Redidence4% /Hotel 15%/Commercial properties2%	Office86%/Commercial Properties 14%
<b>Total acquisition price</b>	154,370	227,835	40,917	99,616	92,180
<b>Number of properties</b>	25	24	4	40	25
<b>Offering price</b>	525,000	625,000	470,000	520,000	200,000
<b>Current price as of 6/17/2002</b>	517,000	557,000	468,000	511,000	201,000
<b>(vs. IPO price)</b>	-1.5%	-10.9%	-0.4%	-1.7%	0.5%
<b>Total number of Issued units</b>	225,400	280,700	52,400	123,372	289,600
<b>Equity market cap (Million yen)</b>	116,532	156,350	24,523	63,043	58,210

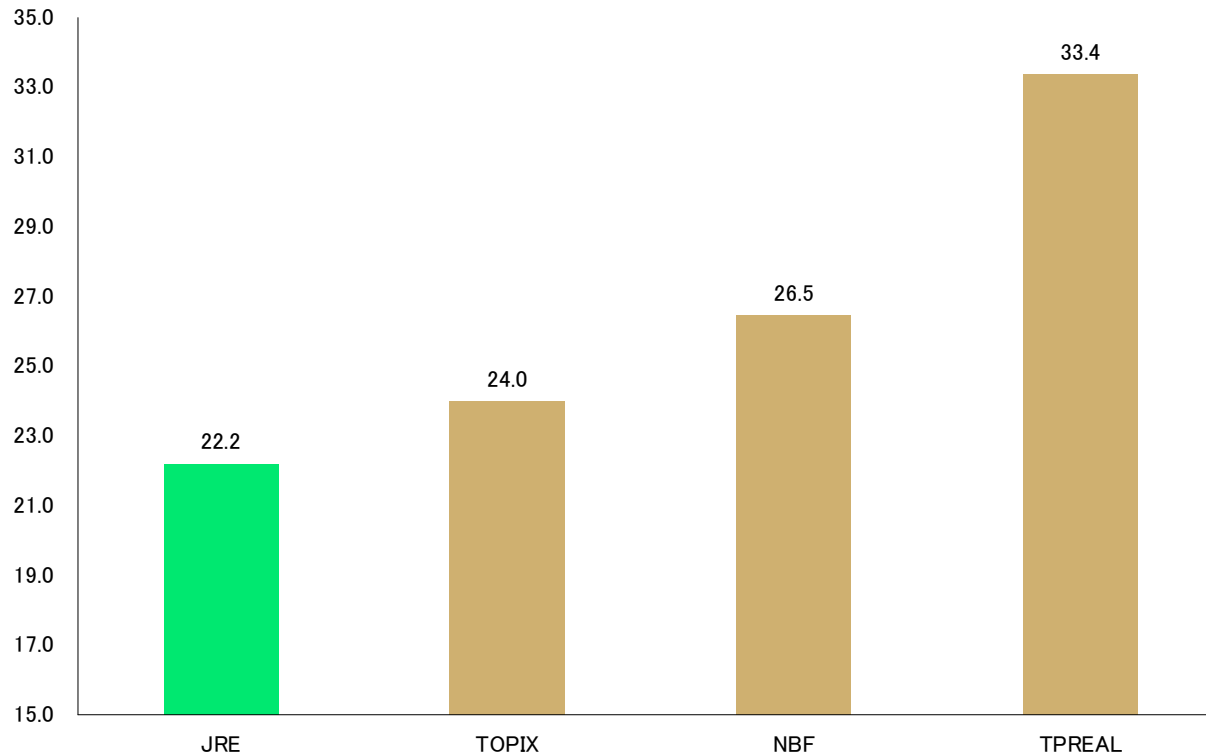
Data: As of 6/17/2002

Note: Aggregate J-REIT Market Cap as of 6/18/2002 is 418.6 billion yen.

Source: TSE, Company filing

# JRE Historical Volatility

As of 17 June, 2002



\* Volatility is a measure of the change in price of a financial instrument over a given period of time. By convention, historical volatility is the standard deviation of day-to-day logarithmic price changes, expressed as an annualized percentage. We calculated each volatility by analyzing a sample of the 187 trading day closing prices (2001/9/10~2002/6/17).

\* Source: Bloomberg

## **4. Performance Forecast**



# Forecasted Income Statements

(In millions of yen, excluding dividend per unit)

Term Property Taxes # of Properties # of Days	1 <sup>st</sup> Fiscal Period Capitalized 24 (203 days)	1 <sup>st</sup> Fiscal Period (Semi-annualized) Expense 24 (183 days)	2 <sup>nd</sup> Fiscal Period (Forecast) (183 days)			3 <sup>rd</sup> Fiscal Period (Forecast) (182 days)
			Existing 24 properties	MD Kanda	Total	
			Operating Revenues	6,492	5,852	
Operating Expenses	1,759	2,159	2,700	30	2,700	2,700
(Property and Other Taxes)	0	573	620	0	620	620
NOI	4,732	3,694	4,800	220	5,000	5,100
Depreciation and Amortization	1,100	992	1,100	40	1,200	1,100
Operating Profits	3,632	2,702	3,700	180	3,800	4,000
Administrative Expenses	671	605	600		600	600
Net Operating Profits	2,961	2,097	3,100		3,200	3,400
Non-Operating Profits	▲ 557	▲ 502	▲ 400		▲ 400	▲ 400
(Interest Expenses)	▲ 241	▲ 217	▲ 400		▲ 400	▲ 400
Recurring Profits	2,405	1,595	2,700		2,800	3,000
Net Income	2,403	1,595	2,700		2,800	3,000
Dividend	2,403	1,595	2,700		2,800	3,000
Number of Units	160,400	160,400	225,400		225,400	225,400
Dividend per Unit	14,983 yen					
Dividend per Unit (semi-annualized)	13,506 yen	9,943 yen	11,900 yen		12,400 yen	13,600 yen

# 2<sup>nd</sup> Fiscal Period Balance Sheet Forecast (As of 9/30/02)

## Comparison with March 31, 2002

(In millions of yen)

Item	As of March 31, 2002	As of Sep. 30, 2002	Differences	Factors of Differences
<b>Current Assets</b>				
Cash and entrusted cash	15,323	40,200	24,000	
Other current assets	838			
<b>Total Current Assets</b>	<b>16,162</b>	<b>40,200</b>	<b>24,000</b>	
<b>Fixed Assets</b>				
Property and Equipment (Including entrusted property and equipment)				
Buildings	45,413	48,000	2,600	
Structures	262	300	0	
Machinery and equipment	944	940	0	Increased by the acquisition of MD Kanda Building
Land	99,614	106,700	7,100	
Accumulated depreciation	△ 1,100	△ 2,300	△ 1,200	Increased by the accumulated depreciation of the 2 <sup>nd</sup> period
<b>Total Property and Equipment</b>	<b>145,135</b>	<b>153,600</b>	<b>8,500</b>	
<b>Intangible Assets</b>				
Entrusted lease hold rights	444	450	0	
<b>Total Intangible Assets</b>	<b>444</b>	<b>450</b>	<b>0</b>	
<b>Total Fixed Assets</b>	<b>145,579</b>	<b>154,050</b>	<b>8,500</b>	
<b>Investments and Others</b>				
Long-term prepaid expenses	67	50	0	Amortization of up-front fees of bank loans
<b>Total Investments and Others</b>	<b>67</b>	<b>50</b>	<b>0</b>	
<b>Total Assets</b>	<b>161,809</b>	<b>194,300</b>	<b>32,500</b>	

Item	As of March 31, 2002	As of Sep. 30, 2002	Differences	Factors of Differences
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Short-term borrowing	40,000	40,000	0	Assuming the constant debt balance
Rent received in advance	998	1,800	0	
Other current liabilities	730			
<b>Total Current Liabilities</b>	<b>41,728</b>	<b>41,800</b>	<b>0</b>	
<b>Fixed Liabilities</b>				
Long-term borrowings	24,000	24,000	0	
Deposits from tenants	12,418	13,500	1,200	
<b>Total Fixed Liabilities</b>	<b>36,418</b>	<b>37,500</b>	<b>1,200</b>	
<b>Total Liabilities</b>	<b>78,146</b>	<b>79,300</b>	<b>1,200</b>	
<b>Unitholders' Equity</b>				
Unitholder's capital	81,260	112,200	30,900	Increased by issuing new units on May 7, 2002
Retained earnings	2,403	2,800	400	
<b>Total Unitholder's Equity</b>	<b>83,663</b>	<b>115,000</b>	<b>31,300</b>	
<b>Total Liabilities and Unitholder's equity</b>	<b>161,809</b>	<b>194,300</b>	<b>32,500</b>	

Estimated Debt Ratio as of September 30, 2001

**33%**

# Property Occupancy Rates

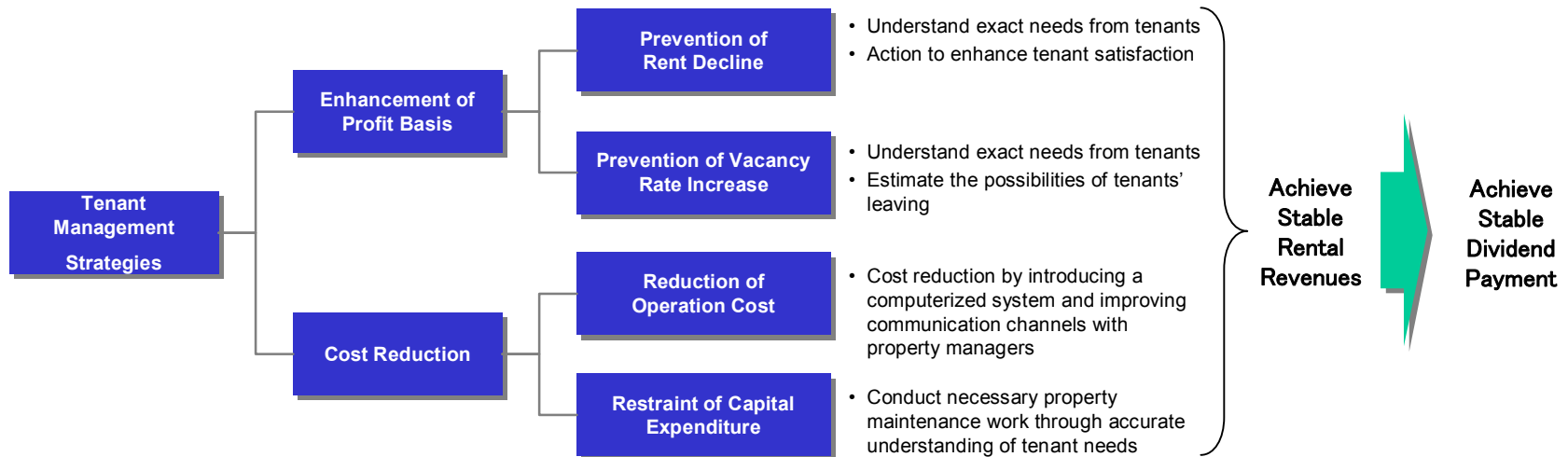
Area		Name	As of 3/31/02	As of 9/30/02 (forecast)
Tokyo Metropolitan Area	23 Wards	Mitsubishi Soken Building	97.4%	96.3%
		Kodenmacho Shin-Nihonbashi Building	87.3%	100.0%
		Shiba 2chome Daimon Building	89.3%	84.0%
		Cosmo Kanasugibashi Building	87.7%	83.2%
		Takanawadai Building	100.0%	100.0%
		JTS Building	100.0%	100.0%
		Omori-Eki Higashiguchi Building	95.7%	95.7%
		Otsuka Higashi-Ikebukuro Building	98.6%	98.6%
		Ikebukuro 2chome Building	59.2%	88.9%
	Shibuya Cross Tower	95.8%	98.3%	
	Excluding 23 Wards	Urawa Dai-Ichi-Seimei Dowa Kasai Building	95.0%	93.1%
		Kawasaki Isago Building	86.0%	86.0%
		Ericsson Shin-Yokohama Building	100.0%	100.0%
Other Major Cities	Sendai Honcho Honma Building	100.0%	100.0%	
	Niigata Ishizuecho Nishi-Bandaibashi Building	83.7%	82.9%	
	Kanazawa Minamicho Building	87.0%	88.4%	
	Kanazawa Park Building	91.5%	93.3%	
	Nagoya Hirokoji Building	98.6%	98.8%	
	Kyoto Shijo Kawaramachi Building	76.3%	69.9%	
	Midosuji Daiwa Building	100.0%	99.1%	
	Fukusuke Sakaisujihonmachi Building	91.6%	91.6%	
	Kobe Itomachi Building	92.3%	73.8%	
	Hinode Tenjin Building	100.0%	100.0%	
	Tosei Tenjin Building	80.4%	80.4%	
Weighted Average			94.0%	94.0%

## **5. Investment Policies**

# Tenant Management Strategies: Countermeasure for Year 2003 Problem

- Competition in the office building market is expected to grow, because a number of new large buildings in central Tokyo are scheduled to be completed around 2003.
- To mitigate the impact of the “Year 2003 Problem,” JRE plans to implement the following tenant management strategy and acquire new assets. JRE aims to stabilize its cash flows and dividends by “enhancing the profit base (prevention of rent decline and vacancy rate increase)” and “reducing costs (reduction of operational costs and close control of capital expenditure)”
- In order to cope with the above challenges, JRE plans to improve tenant satisfaction, strengthen the relationship with tenants, and reduce operating costs.

## Our Tenant Management Strategy



# Maintenance Plans and Internal Growth

## 1. J-Rea's Renovation Work

- λ Prepare mid-long term maintenance plans for each building
- λ Conduct renovation work which will increase asset profitability
- λ Implement maintenance work for appropriate asset management
- λ Conduct maintenance for stable cash flows
- λ Strict inspection on quotation prices and appropriate management of work procedures

## 2. Implementation and Plans

- λ Primary works in the 1<sup>st</sup> Year

### a. Renovation to attract tenants

(In thousands of yen)

Property Name	Purpose	Construction amount
Shibuya Cross Tower	System ceiling change	18,110
Omori-Eki Higashiguchi, Shiba 2chome Daimon	Cleaning facade	13,926
Hinode Tenjin, Cosmo Kanasugibashi	Renewal of common area	8,497
Tosei Tenjin, Omori-Eki Higashiguchi	Installing OA floors	6,205

### b. Renovation for appropriate asset management

(In thousands of yen)

Property Name	Purpose	Construction amount
Shibuya Cross Tower	Renewal of air-conditioning	115,500
Mitsubishi Soken	Changing facade sealing	26,000
Niigata Ishizuecho	Repair of facade tiles	19,450
Kawasaki Isago, Urawa Dai-ichi Life Dowa Kasai	Introduction of electrical parking facilities	6,034

- λ Plans for 2<sup>nd</sup> and 3<sup>rd</sup> Years

### c. Renovation to attract tenants

(In thousands of yen)

Property Name	Purpose	Expected construction amount
Kyoto Shijo Kawaramachi	Increasing individual air-conditioning	94,870
Shibuya Cross Tower	Repair of entrance hall	52,000
Ikebukuro 2chome, Kawasaki Isago	Renovation of common area	18,000
Takanawadai	Introduction of air-conditioning facility	14,508

### d. Renovation for appropriate asset management

(In thousands of yen)

Property Name	Purpose	Expected construction amount
Kyoto Shijo Kawaramachi	Repair of waterworks	71,000
Niigata Ishizuecho	Repair of computerized security system	21,000
Shiba 2chome Daimon	Upgrading security systems	20,000
Midosuji Daiwa	Changing deteriorated filling for cooling tower	12,286

## 3. Cost Reduction by Strict Inspection (during 1<sup>st</sup> Fiscal Period)

(In thousands of yen)

Number of construction	64
Estimated amount before assessment	303,548
Final amount after assessment	271,116
Cost-cutting amount	32,432 (▲ 10.7%)

# 5-year Plan of Renovation Works

(In thousands of yen)

	2002	2003	2004	2005	2006	Total
Renovation Work	1,000	600	900	2,000	1,700	6,200
Annual Depreciation Amount	2,300	2,300	1,900	1,700	1,600	9,800

\* 25 properties including MD Kanda Building

\* Depreciation does not include the additional depreciation due to the new renovation works

# Property Management Cost Reduction Plan

## Initial Target (19 Properties)

(In millions of yen)

Item	Base Amount	(Target) % Changes	Target	
	2001 (1 year)		Amount	% Changes
Property Management Expenses and Others	1,295	-8.4%	1,186	109
Utility Charges, Property Management Fees	889		889	0
<b>Total</b>	<b>2,184</b>	<b>-5.0%</b>	<b>2,075</b>	<b>109</b>

## Current Target (19 Properties)

(In millions of yen)

Item	Base Amount	(Target) % Changes	Target	
	2001 (1 year)		Amount	% Changes
Property Management Expenses and Others	1,295	-12.9%	1,128	167
Utility Charges, Property Management Fees	889		889	0
<b>Total</b>	<b>2,184</b>	<b>-7.6%</b>	<b>2,017</b>	<b>167</b>



# Deal Sourcing Summary ①

## Properties currently under review

### 2001

Area	First Half of FY 2001							Second Half of FY 2001							Total	%
	Apr	May	Jun	Jul	Aug	Sep	Total	Oct	Sep	Dec	Jan	Feb	Mar	Total		
Tokyo Metropolitan	13	15	11	26	11	22	98	26	22	22	21	20	15	126	224	78.6%
Other Cities	5	1	5	5	14	1	31	6	3	2	4	9	6	30	61	21.4%
Total	18	16	16	31	25	23	129	32	25	24	25	29	21	156	285	100.0%

### 2002

Area	First Half of FY 2002							Second Half of FY 2002							Total	%
	Apr	May	Jun	Jul	Aug	Sep	Total	Oct	Sep	Dec	Jan	Feb	Mar	Total		
Tokyo Metropolitan	11	5					16								16	57.1%
Other Cities	10	2					12								12	42.9%
Total	21	7					28								28	100.0%

- Among 313 candidates, 12 properties (45 billion yen) are currently under review, and 6 of properties (27 billion yen) are under due diligence for acquisition purposes.

## ▫ Sources of Property Information

- Real estate divisions of trust banks
- Developer brokers
- Real estate brokerage divisions of trading companies and affiliates
- Foreign asset management companies (principal and brokerage)
- General brokers
- Real estate divisions of construction companies
- Office lease brokers
- Financial institutions

## ▫ Future Policies

- Preemptive grasp of information through closer communication through existing channels
- Increase and diversify information volume by developing new network
- Preemptive grasp of information of redevelopments
- Direct approach to blue-chip properties
- Direct actions to corporate building owners who face requirements of asset disposition