

**Japan Real Estate Investment Corporation  
Performance Review of the Third Period  
(Ended March 31, 2003)**

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**June 2003**

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



# **I Summary of the 3rd Period Overview and the 4th Period Forecast**

# Overview of the 3rd Period

## Financial Figures for the 3rd Period

(in millions of yen)

	3rd Period (Mar 31, 03)	2nd Period (Sep 30, 02)
Operating Revenues	8,500	7,910
Net Operating Profits	3,687	3,386
Recurring Profits	3,259	2,898
Net Income	3,258	2,897
Total Assets	200,022	185,397
Total Debt	66,800	54,000
LTV *	33.4%	29.1%
Dividend per unit	14,455yen	12,853yen
Number of Properties	30	27
Net Rentable Area	236,693m <sup>2</sup>	215,928m <sup>2</sup>
Number of Tenants	359	339
Occupancy Ratio	94.4%	95.3%
Unit Price (fiscal end)	592,000 yen	511,000 yen

\*LTV: interest-bearing debt / total assets

## Comments

- Growing sales and earnings for two consecutive periods
- 4 newly acquired properties  
(Total acquisition price 19,265 million yen)
- Property management
  - No effect from the “Year 2003 Problem”  
We have no impact for the leasing contracts with major tenants (the largest 15 tenants)
  - Further stabilized rental revenue  
% of rental revenue from fixed rent contracts has risen.
    - Tokyo metropolitan area : 28.1%→32.5%
    - 3 wards area of Tokyo : 53.3%→58.3%
  - Cost reduction  
Property management fees and utility charges will be reduced by 227 million yen in the 3rd and 4th periods, which is 78% of our cost reduction target.

# Properties Acquired in the 3rd period

## Genki Medical Plaza



### Property Summary

- Address: Tokyo
- Area : <Land> 1,052.80 m<sup>2</sup>  
<Building> 6,722.02 m<sup>2</sup>
- Built in: September 1985  
(Age: 17 years)
- Type of Ownership:  
Land: Fee Simple / Leasehold  
Building: Fee Simple
- Net Rentable Area: 4,791m<sup>2</sup>
- Acquisition Price: 5,000 million yen
- Appraised Value : 5,450 million yen  
(as of September 1, 2002)
- Acquisition Date: October 31, 2002

\*On April 1, 2003 "Kokusai Iidabashi Building" was renamed to "Genki Medical Plaza"

## Kanazawa Park Building



### Property Summary

- Address: Ishikawa
- Area : <Land> 6,642.71 m<sup>2</sup>  
<Building> 43,481.20 m<sup>2</sup>
- Built in: October 1991  
(Age: 11 years)
- Type of Ownership:  
Land: Fee Simple  
Building: Fee Simple
- Net Rentable Area: 8,006m<sup>2</sup>
- Acquisition Price: 1,700 million yen
- Appraised Value : 1,838 million yen  
(as of January 1, 2003)
- Acquisition Date: March 3, 2003

## da Vinci Harajuku



### Property Summary

- Address: Tokyo
- Area : <Land> 839.66 m<sup>2</sup>  
<Building> 4,359.20 m<sup>2</sup>
- Built in: December 1987  
(Age: 15 years)
- Type of Ownership:  
Land: Fee Simple  
Building: Fee Simple
- Net Rentable Area: 3,051m<sup>2</sup>
- Acquisition Price: 4,885 million yen
- Appraised Value : 4,950 million yen  
(as of July 1, 2002)
- Acquisition Date: November 22, 2002

## Aoyama Crystal Building

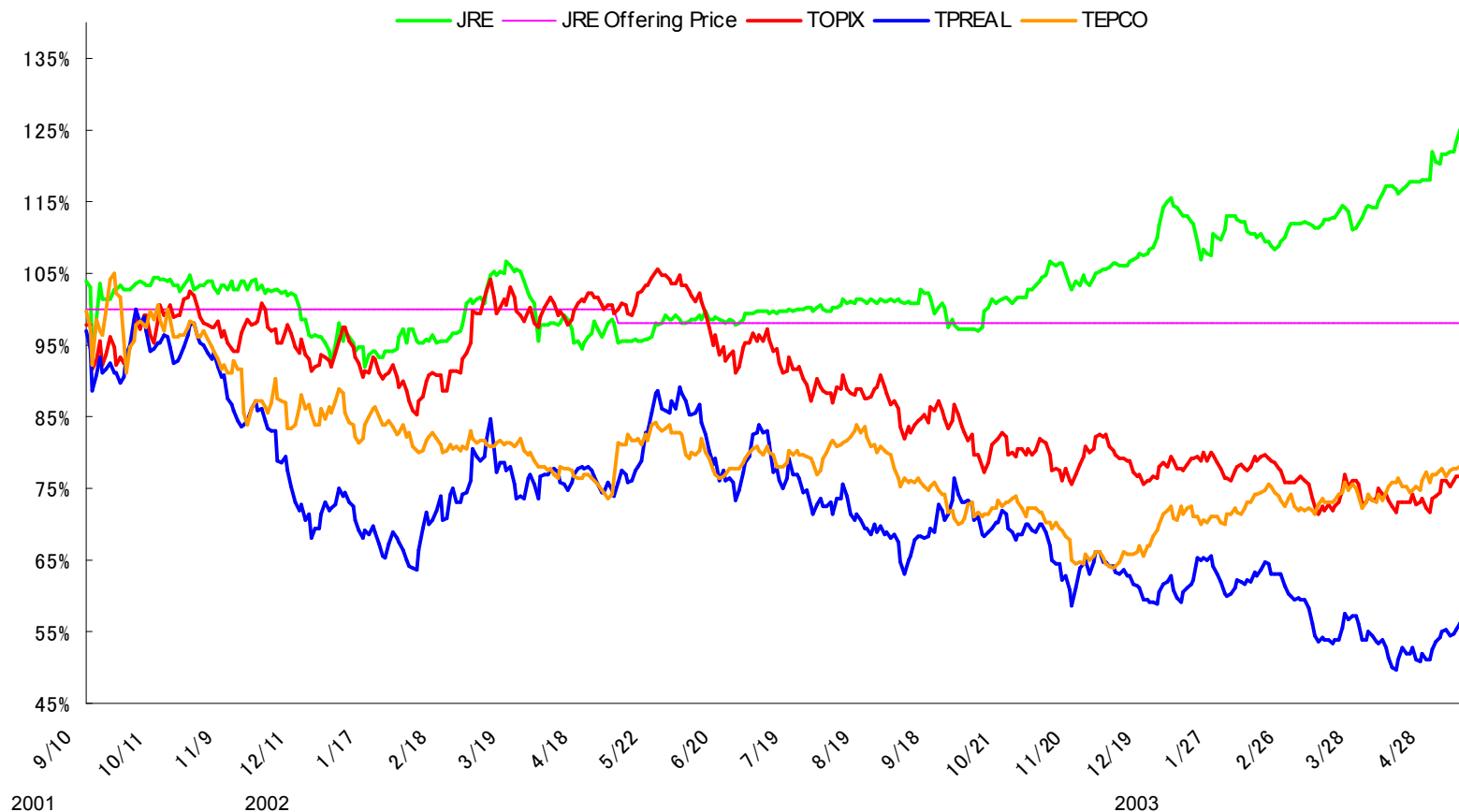


### Property Summary

- Address: Tokyo
- Area : <Land> 989.30 m<sup>2</sup>  
<Building> 8,094.36 m<sup>2</sup>
- Built in: December 1982  
(Age: 20 years)
- Type of Ownership:  
Land: Fee Simple  
Building: Fee Simple
- Net Rentable Area: 4,916m<sup>2</sup>
- Acquisition Price: 7,680 million yen
- Appraised Value : 7,430 million yen  
(as of January 15, 2003)
- Acquisition Date: March 14, 2003

# Unit Price Performances Relative to Indices

As of May 16, 2003



\* Share performance is measured based on the offering price of 525,000 yen for JRE and the Sept. 7, 2002 closing price of 1,080.83 yen for TOPIX, 770.21 yen for TPREAL, and 3,140 yen for Tokyo Electric Power Company

\* TPREAL (the TOPIX Real Estate Index) is a weighted index designed to measure the performance of the real estate sector of the TOPIX Index

\* Stock prices are based on closing prices of each day

\* Stock price performance above is historical and is not an indication of future performance

# Forecast Income Statement

## Forecast Revenues and Earnings for the 4th and 5th period

(in millions of yen)

	3rd Period (Mar 31, 03)	4th Period (Sep 30, 03)	5th Period (Mar 31, 04)
Operating Revenues	8,500	8,800	8,400
Net Operating Profits	3,687	3,800	3,600
Recurring Profits	3,259	3,300	3,100
Net Income	3,258	3,300	3,100
Dividend per unit	14,455yen	14,500yen	14,000yen

## Assumptions for Forecast Income

- v Revenues and earnings from expected acquisitions in future periods are not considered (only the existing 30 properties are considered).
  
- v Occupancy rate at the end of 4th period is estimated at 93.5%.
  
- v The PML(Probable Maximum Losses) on profits are considered:
  - Cancellation by Ericsson Japan will be at the end of October 2003
  - Some rent reductions or termination of contracts from the tenants will take place where rents are relatively expensive compared to surrounding rental market
  - Cancelled space will be gradually leased over time

# Forecast Property Occupancy Rates

Area		Name	2nd Period (Sep 30, 02)	3rd Period (Mar 31, 03)	4th Period (Forecast) (Sep 30, 03)
Tokyo Metro- politan Area	23 Wards	Mitsubishi Soken Building	96.3%	96.3%	96.3%
		Kodenmachi Shin-Nihonbashi Building	100.0%	100.0%	100.0%
		Shiba 2-chome Daimon Building	89.9%	86.1%	88.0%
		Cosmo Kanasugibashi Building	83.2%	100.0%	100.0%
		Takanawadai Building	100.0%	100.0%	100.0%
		JTS Building	100.0%	100.0%	100.0%
		Omori-Eki Higashiguchi Building	95.7%	98.6%	98.6%
		Otsuka Higashi-Ikebukuro Building	98.6%	94.6%	92.0%
		Ikebukuro 2-chome Building	88.9%	88.8%	100.0%
		Shibuya Cross Tower	100.0%	100.0%	94.2%
		MD Kanda Building	100.0%	100.0%	100.0%
		Burex Kyobashi Building	100.0%	100.0%	100.0%
		Kandabashi Park Building	100.0%	100.0%	100.0%
		Genki Medical Plaza	-	100.0%	100.0%
	da Vinci Harajuku	-	100.0%	100.0%	
	Aoyama Crystal Building	-	100.0%	92.1%	
		<b>Avarage</b>	97.1%	97.6%	96.0%
	Excluding 23 Wards	Saitama Urawa Building	91.1%	91.1%	91.1%
		Kawasaki Isago Building	93.1%	100.0%	100.0%
		Ericsson Shin-Yokohama Building	100.0%	100.0%	100.0%
		<b>Avarage</b>	95.2%	97.7%	97.8%
Other Major Cities		Sendai Honcho Honma Building	100.0%	100.0%	100.0%
		Niigata Ishizuecho Nishi-Bandaibashi Building	82.9%	82.9%	80.6%
		Kanazawa Minamicho Building	88.4%	88.4%	78.0%
		Kanazawa Park Building	93.3%	91.2%	89.2%
		Nagoya Hirokoji Building	99.7%	93.1%	95.6%
		Kyoto Shijo Kawaramachi Building	70.9%	72.6%	83.2%
		Midosuji Daiwa Building	100.0%	91.4%	90.7%
		Fukusuke Sakaisujihonmachi Building	91.6%	91.6%	91.6%
		Kobe Itomachi Building	73.8%	85.1%	88.0%
		Hinode Tenjin Building	100.0%	98.7%	88.6%
		Tosei Tenjin Building	80.4%	76.7%	76.7%
	<b>Avarage</b>	93.4%	90.1%	89.9%	
<b>Average</b>			95.3%	94.4%	93.5%

## **II Details of the 3rd Period**



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# 1. Performance Review of the 3rd Period

# Income Statement for the 3rd Period

(in millions of yen)

Item	2nd Fiscal End (183 days)	3rd Fiscal End (182 days)			Change	% Change
		Existing 27 properties	Newly acquired properties*	Total		
Operating Revenues	7,910	8,240	260	8,500	590	7.5%
Rental revenues	7,889	8,189	260	8,449		
Other rental revenues	21	51	—	51		
Operating Expenses	2,699	2,734	64	2,798	99	3.7%
Property management fees	1,121	1,049	27	1,076		
Utility charges	769	703	8	711		
Property and other taxes	628	626	0	626		
Insurance expenses	20	21	0	21		
Maintenance expenses	152	297	26	323		
Other operating expenses	7	38	0	39		
NOI	5,211	5,506	196	5,702	491	9.4%
Depreciation and amortization	1,194	1,261	49	1,310		
Operating Profits	4,017	4,244	147	4,391	374	9.3%
Administrative expenses	630			703	73	11.6%
Asset management fees	382			432		
Other administrative expenses	247			270		
Net Operating Profits	3,386			3,687	301	8.9%
Non-Operating Revenues	2			1	△ 1	
Interest received	0			0		
Other non-operating revenues	2			1		
Non-Operating Expenses	491			429	△ 62	△ 12.6%
Interest expenses	224			175		
Bond interest expenses	91			164		
Deferred bond-issuance costs	70			70		
New unit-issuance costs	70			—		
Other non-operating expenses	33			19		
Recurring Profits	2,898			3,259	361	12.5%
Gross Income	2,898			3,259	361	12.5%
Taxes	1			1		
Net Income	2,897			3,258	361	12.5%
Retained Earnings	2,897			3,258		
FFO (Net Income+ Depreciation)	4,091			4,568	477	11.7%
Dividend per unit	12,853			14,455		

- λ Continuous growth in revenues and profits for two consecutive periods
- λ Full contribution from the acquired properties in the 2nd period, and the contribution from the newly acquired properties in the 3rd period, “Genki Medical Plaza,” “da Vinci Harajuku,” co-ownership of “Kanazawa Park,” and ‘Aoyama Crystal”
- λ Contribution from the newly acquired properties in the 3rd period increase dividends per unit in the 3rd period (14,455 yen), higher than originally estimated(14,300 yen)

NOI: Net Operating Income

\*“Newly acquired properties” includes co-ownership of “Kanazawa Park Building,” as well as “Genki Medical Plaza,” “da Vinci Harajuku,” and ‘Aoyama Crystal”.

# Balance Sheet for the 3rd Period

(in millions of yen)

Item	2nd Fiscal End (Sep 30, 02)	3rd Fiscal End (Mar 31, 03)	Change	Reasons for Change
<b>Current Assets</b>				
Cash and entrusted cash	19,990	15,459	△ 4,531	Decreased due to property acquisitions
Other current assets	175	196	21	
<b>Total Current Assets</b>	<b>20,165</b>	<b>15,656</b>	<b>△ 4,509</b>	
<b>Fixed Assets</b>				
Property and equipment*				Increased due to property acquisitions
Buildings	51,892	57,693	5,801	
Structures	279	315	36	
Machinery and equipment	1,039	1,161	122	
Land	113,727	128,013	14,286	
Accumulated depreciation	△ 2,294	△ 3,604	△ 1,310	
<b>Total Property and Equipment</b>	<b>164,644</b>	<b>183,578</b>	<b>18,934</b>	
Intangible Assets				
Lease hold rights*	444	726	282	Increased due to property acquisitions
<b>Total Intangible Assets</b>	<b>444</b>	<b>726</b>	<b>282</b>	
Investments and Others				
Long-term prepaid expenses, etc.	71	61	△ 10	
<b>Total Investments and Others</b>	<b>71</b>	<b>61</b>	<b>△ 10</b>	
<b>Total Fixed Assets</b>	<b>165,160</b>	<b>184,366</b>	<b>19,206</b>	
<b>Deferred Assets</b>				
Bond issuance costs	70	—	△ 70	Decreased due to amortization of Bond issuance costs
<b>Total Deferred Assets</b>	<b>70</b>	<b>—</b>	<b>△ 70</b>	
<b>Total Assets</b>	<b>185,397</b>	<b>200,022</b>	<b>14,625</b>	

Item	2nd Fiscal End (Sep 30, 02)	3rd Fiscal End (Mar 31, 03)	Change	Reasons for Change
<b>Liabilities</b>				
<b>Current Liabilities</b>				Increased due to borrowing for property acquisitions
Short-term borrowing	5,000	17,800	12,800	
Rent received in advance	1,219	1,335	116	
Other current liabilities	873	1,340	467	
<b>Total Current Liabilities</b>	<b>7,092</b>	<b>20,476</b>	<b>13,384</b>	
<b>Long-term Liabilities</b>				Increased due to deposits from tenants by property acquisitions
Investment Corporation Bond	25,000	25,000	0	
Long-term borrowings	24,000	24,000	0	
Deposits from tenants	14,255	15,135	880	
<b>Total Fixed Liabilities</b>	<b>63,255</b>	<b>64,135</b>	<b>880</b>	
<b>Total Liabilities</b>	<b>70,347</b>	<b>84,611</b>	<b>14,264</b>	
<b>Unitholder Equity</b>				
Unitholder's capital	112,152	112,152	0	
Retained earnings	2,897	3,258	361	
<b>Total Unitholder Equity</b>	<b>115,049</b>	<b>115,410</b>	<b>361</b>	
<b>Total Liabilities and Unitholder Equity</b>	<b>185,397</b>	<b>200,022</b>	<b>14,625</b>	

\*Includes entrusted property and equipment, and entrusted lease hold rights.

# Cash Flow and Dividend Statement

## Cash Flow Statement

(in millions of yen)

Item	3rd Period (182 days)
Cash flow from operating activities	5,212
Net income before tax	3,259
Depreciation and adjustments	1,953
Cash flow from investing activities	△ 19,646
Cash flow from financing activities	9,902
Increase in short- and long-term loans	12,800
Repayment of short-term loans	-
Proceeds from issuance of bond	-
Proceeds from issuance of equity units	-
Payment of dividend and so on	△ 2,897
Net decrease in Cash and Cash Equivalents	△ 4,530
Balance of Cash and Cash Equivalents at BOP	19,990
Balance of Cash and Cash Equivalents at EOP	15,459

## Dividend Statement

(in yen)

	3rd Period (182 days)
Net income before distribution	3,258,255,645
Total amount of dividends	3,258,157,000
Retained earnings	98,645

\*Dividends per unit: 14,455 yen (2nd Period: 12,853 yen)

# Comparison of Financial Ratios

Financial Indices	1st Period (203 Days)	2nd Period (183 Days)	3rd Period (182 Days)
Return on assets (ROA)	2.0% (3.6% annualized)	1.6% (3.2% annualized)	1.7% (3.4% annualized)
Return on equity (ROE)	2.9% (5.2% annualized)	2.7% (5.4% annualized)	2.8% (5.7% annualized)
EOP equity ratio	51.7%	62.1%	57.7%
EOP interest-bearing debt ratio on total assets (LTV#1)	39.6%	29.1%	33.4%
EOP interest-bearing debt ratio on total property acquisition value (LTV#2)	44.2%	32.9%	36.4%
EOP long-term debt to capitalization	123.8%	94.2%	104.6%
Debt service coverage ratio (DSCR)	15.5x	13.9x	14.5x
Net operating Income (NOI)	4,732 million yen	5,211 million yen	5,702 million yen
Funds from operations (FFO)	3,503 million yen	4,091 million yen	4,568 million yen
FFO multiple	13.5x	14.1x	14.6x
Payout ratio to CAD	79.3%	76.4%	82.3%

\*ROA = Recurring profits / Average of total assets during the period (1st period:203 actual working days, 2nd period:183 actual working days, 3rd period:182 actual working days)

\*ROE = Net income / Average of net worth during the period (1st period:203 actual working days, 2nd period:183 actual working days, 3rd period:182 actual working days)

\*EOP equity ratio = EOP network / EOP total assets

\*LTV#1 = EOP interest-bearing debt / EOP total assets

\*LTV#2 = EOP interest-bearing debt / EOP total property acquisition value

\*EOP long-term debt to capitalization = EOP fixed assets / (EOP Long-term borrowing and others+EOP unitholders' equity)

\*DSCR = Net income before interest and depreciation / Interest expenses

\*NOI = (Rental revenues - rental expenses) + Depreciation

\*FFO = Net income + Depreciation + Deferred Expenses

\*FFO multiple = Unit price at the end of the Period / FFO per unit (annualized)

\*Payout ratio to CAD = Total amount of dividends / FFO

\*CAD (Cash Available for Distribution) = FFO - capital expenditure

# Summary of Loans (as of end of the 3rd Period)

	Name	Borrowing Date	EOB (million yen)	Interest (%)*	Repayment Date
Short-term borrowing	The Bank of Tokyo-Mitsubishi, Ltd.	2002/8/15	1,250	0.89683	2003/6/23
	Mizuho Corporate Bank, Ltd.	2002/8/15	1,250		
	The Sumitomo Trust & Banking Co., Ltd.	2002/8/15	1,250		
	The Misubishi Trust & Banking Corporation	2002/8/15	1,250		
	The Bank of Tokyo-Mitsubishi, Ltd.	2002/11/22	1,200	0.88817	2003/6/23
	Mizuho Corporate Bank, Ltd.	2002/11/22	1,200		
	The Sumitomo Trust & Banking Co., Ltd.	2002/11/22	1,200		
	The Misubishi Trust & Banking Corporation	2002/11/22	1,200		
	The Chugoku Bank, Ltd.	2003/3/3	2,000	0.5425	2003/10/31
	The Bank of Tokyo-Mitsubishi, Ltd.	2003/3/14	1,500	0.88917	2003/6/23
	Mizuho Corporate Bank, Ltd.	2003/3/14	1,500		
	The Sumitomo Trust & Banking Co., Ltd.	2003/3/14	1,500		
The Misubishi Trust & Banking Corporation	2003/3/14	1,500			
	<b>Total</b>		<b>17,800</b>		

\*Interest rates are weighted average rates calculated by days.

	Name	Borrowing Date	EOB (million yen)	Interest (%)*	Repayment Date
Long-term borrowing	The Bank of Tokyo-Mitsubishi, Ltd.	2001/9/25	6,000	1.12	Expected Principal Repayment Date
	Mizuho Corporate Bank, Ltd.	2001/9/25	6,000		
	The Sumitomo Trust & Banking Co., Ltd.	2001/9/25	5,200		2006/6/23
	The Misubishi Trust & Banking Corporation	2001/9/25	5,200		Final Principal
	Sompo Japan Insurance Inc.	2001/9/25	1,600		Repayment Date
	<b>Total</b>		<b>24,000</b>		2008/6/23

	Name	Issuance Date	EOB (million yen)	Interest (%)	Maturity Date
Investment Corporation Bond	1st Investment Corporation Bond*	2002/6/21	25,000	1.32	2007/6/21

\* Please see page 7 for the details of the 2nd and 3rd Investment Corporation Bonds issued on April 30, 2003

- Weighted average interest rate is 1.12% based on the amount of loans at the end of the period
- Duration (as of the end of the 3rd period) is 0.27 year (approximately 3 months) for short-term borrowings, and 3.23 years (approximately 3 years and 3 months) for long-term borrowings

# Issuance of Investment Corporation Bonds

Name	Issuance Date	Amount (million yen)	Interest (%)	Spread (bp)	Maturity Date	Repayment	Use
1st Investment Corporation Bond	2002/6/21	25,000	1.32	80	2007/6/21	Bullet repayment	Property acquisition/Working capital



Name	Issuance Date	Amount (million yen)	Interest (%)	Spread (bp)	Maturity Date	Repayment	Use
2nd Investment Corporation Bond	2003/4/30	10,000	0.69	40	2008/4/30	Bullet repayment	Repayment of short-term loan
3rd Investment Corporation Bond	2003/4/30	10,000	0.98	55	2010/4/30	Bullet repayment	Repayment of short-term loan

\*First issuance of a 7-year bond by a J-REIT



# Property Data ① (Portfolio)

## Tokyo Metropolitan Area



**Shibuya Cross Tower**



**Aoyama Crystal Building**



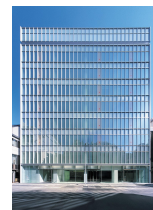
**da Vinci Harajuku**



**Genki Medical Plaza**



**Kandabashi Park building**



**Burex Kyobashi Building**



**MD Kanda Building**



**Cosmo Kanasugibashi Building**



**JTS Building**



**Mitsubishi Soken Building**



**Shiba 2-chome Daimon Building**



**Takanawadai Building**



**Ikebukuro 2-chome Building**



**Omori-Eki Higashiguchi Building**



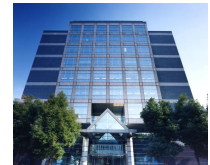
**Otsuka Higashi-Ikebukuro Building**



**Kawasaki Isago Building**



**Saitama Urawa Building**



**Ericsson Shin-Yokohama Building**



**Kodenmachi Shin-Nihonbashi Building**

## Chubu Area



**Nagoya Hirokoji Building**

## Kinki Area



**Midosuji Daiwa Building**



**Kyoto Shijo Kawaramachi Building**



**Kobe Itomachi Building**



**Fukusuke Sakaisujihonmachi Building**

## Other Area



**Hinode Tenjin Building**



**Niigata Ishizuecho Nishi-Bandaibashi Building**



**Kanazawa Park Building**



**Kanazawa Minamicho Building**



**Sendai Honcho Honma Building**



**Tosei Tenjin Building**

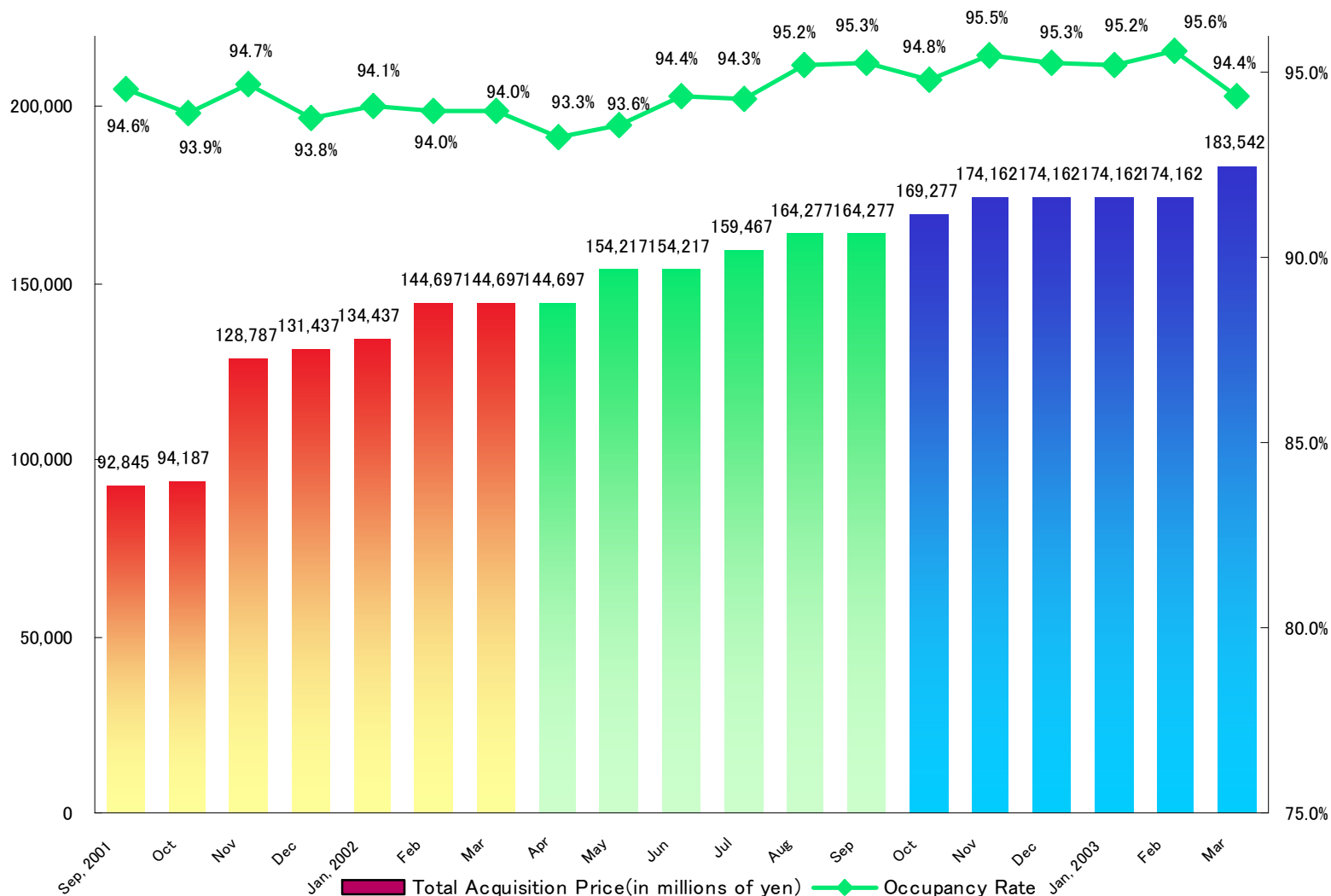
# Property Data ② (Property Price Comparison)

(in millions of yen)

Area	Name	Appraisal Value	Appraisal Value	Appraisal Value	Book Value	Acquisition Price	Year Built	Net Rentable Areas (m <sup>2</sup> )	Occupancy Rate	
		(Mar 31, 02)	(Sep 30, 02)	(Mar 31, 03)	(Mar 31, 03)					
Tokyo Metropolitan Area	23 Wards	Mitsubishi Soken Building	27,800	28,100	28,000	27,190	27,267	1970	18,006	96.3%
		Kodenmacho Shin-Nihonbashi Building	3,160	3,170	3,140	3,113	3,173	1991	3,897	100.0%
		Shiba 2-chome Daimon Building	4,730	4,890	4,890	4,875	4,859	1984	9,622	86.1%
		Cosmo Kanasugibashi Building	2,790	2,760	2,760	2,777	2,808	1992	4,062	100.0%
		Takanawadai Building	2,840	2,970	2,810	2,696	2,738	1991	4,091	100.0%
		JTS Building	1,320	1,330	1,500	1,339	1,362	1991	3,383	100.0%
		Omori-Eki Higashiguchi Building	4,900	4,980	5,220	4,991	5,123	1989	7,708	98.6%
		Otsuka Higashi-Ikebukuro Building	3,550	3,480	3,530	3,439	3,541	1987	7,114	94.6%
		Ikebukuro 2-chome Building	1,600	1,570	1,520	1,712	1,728	1990	2,186	88.8%
		Shibuya Cross Tower	34,500	34,500	34,400	35,056	34,600	1976	28,547	100.0%
		MD Kanda Building	-	9,590	9,620	9,570	9,520	1998	6,334	100.0%
		Burex Kyobashi Building	-	5,040	5,040	5,440	5,250	2002	4,279	100.0%
		Kandabashi Park Building	-	4,920	4,900	4,855	4,810	1993	3,687	100.0%
	Excluding 23 Wards	Saitama Urawa Building*	2,700	2,690	2,570	2,571	2,574	1990	4,510	91.1%
	Kawasaki Isago Building	3,320	3,370	3,190	3,268	3,375	1990	6,831	100.0%	
	Ericsson Shin-Yokohama Building	3,010	3,100	3,180	3,046	3,000	1992	6,964	100.0%	
Other Major Cities	Sendai Honcho Honma Building	2,870	2,900	2,940	2,846	2,924	1991	5,829	100.0%	
	Niigata Ishizuecho Nishi-Bandaibashi Building	970	911	854	1,012	1,010	1984	4,383	82.9%	
	Kanazawa Minamicho Building	1,290	1,310	1,200	1,301	1,331	1987	3,773	88.4%	
	Kanazawa Park Building(acquired in 1st period)	3,090	3,090	3,202	2,977	2,880	1991	13,030	91.2%	
	Nagoya Hirokoji Building	14,700	14,900	15,000	14,439	14,533	1987	21,590	93.1%	
	Kyoto Shijo Kawaramachi Building	2,660	2,470	2,380	2,826	2,650	1982	6,800	72.6%	
	Midosuji Daiwa Building	14,300	14,400	14,400	14,252	14,314	1991	20,449	91.4%	
	Fukusuke Sakaisujihonmachi Building	2,230	2,330	2,300	2,207	2,264	1992	5,337	91.6%	
	Kobe Itomachi Building	1,400	1,310	1,180	1,405	1,436	1989	3,478	85.1%	
	Hinode Tenjin Building	3,680	3,640	3,750	3,578	3,657	1987	5,944	98.7%	
	Tosei Tenjin Building	1,530	1,530	1,420	1,543	1,550	1992	4,080	76.7%	
Properties acquired in the 3rd Period	Genki Medical Plaza*	-	-	5,450	5,321	5,000	1985	4,791	100.0%	
	da Vinci Harajuku	-	-	4,960	5,050	4,885	1987	3,051	100.0%	
	Aoyama Crystal Building	-	-	7,430	7,767	7,680	1982	4,916	100.0%	
	Kanazawa Park Building(acquired in 3rd period)	-	-	1,968	1,829	1,700	1991	8,006	91.2%	
<b>Total</b>		<b>144,940</b>	<b>165,251</b>	<b>184,704</b>	<b>184,304</b>	<b>183,542</b>		<b>236,693</b>	<b>94.4%</b>	

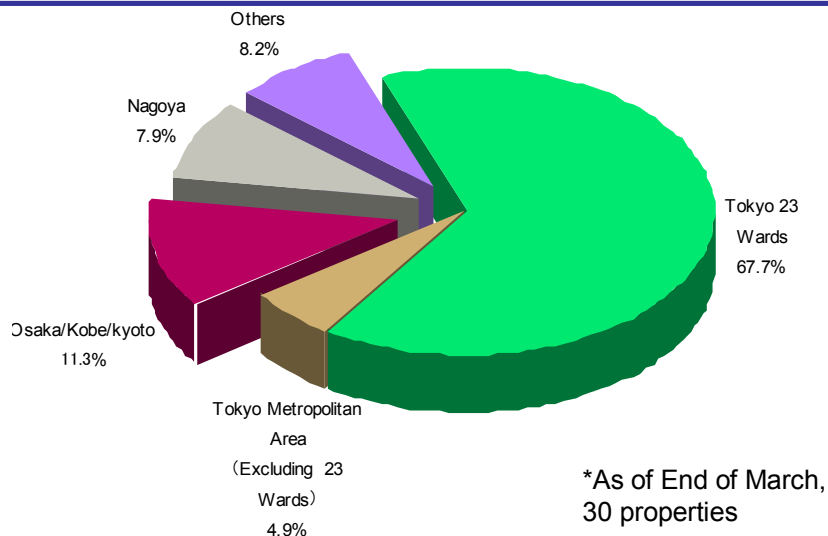
\*On April 1, 2003 "Kokusai Iidabashi Building" was renamed to "Genki Medical Plaza" and "Urawa Dai-ichi-Seimei Dowa Kasai Building" to "Saitama Urawa Building"

# Property Acquisition after IPO



\* Occupancy ratio of “Kokoro to Karada no Genki Plaza” is not considered for the calculation of October 2002, because its rent contracts started at the beginning of November 2002

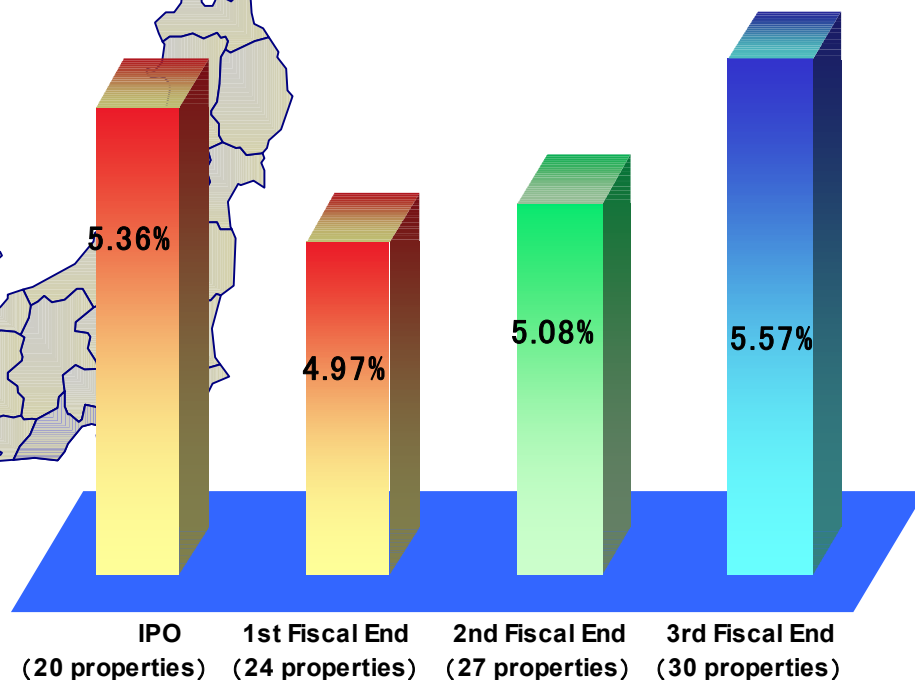
# Geographical Diversification and Earthquake Risk



PML value has been stable, even though almost all new properties are located in Tokyo 23 Wards.

Well-balanced portfolio: Highly liquid properties with stable rent income in Tokyo Metropolitan area account for approximately 70%; properties with attractive yields in other major cities account for 30%.

Since the three newly acquired properties are located in Tokyo 23 Wards, the total ratio of the Tokyo Metropolitan Area has increased from 70.4% to 72.6%.

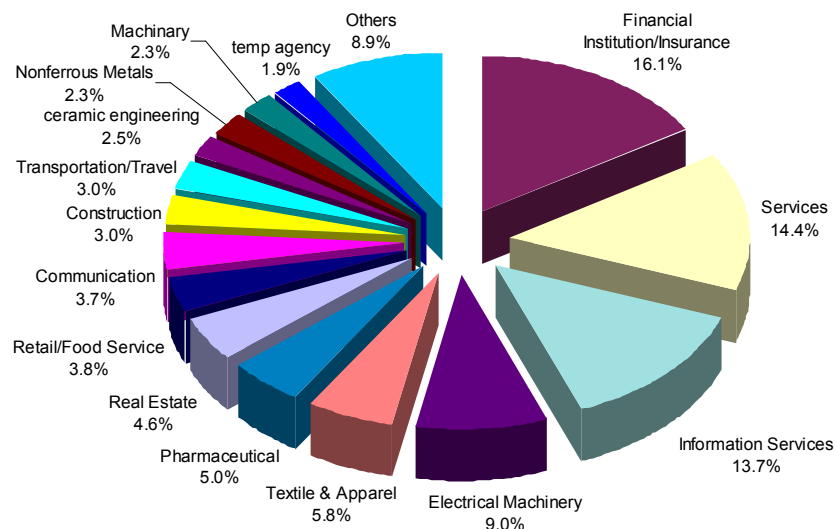


\* Ratios are based on purchase prices.

\* Tokyo Metropolitan Area encompasses Tokyo and the three neighboring prefectures of Saitama, Chiba and Kanagawa.

# Tenant Data ① (Diversification and Major Tenants)

## Tenant Diversification (based on leasing space)



## Top 5 Tenants

#	Top 5 Tenants	Property	Rent Area	% of Total Rent Area
1	Mitsubishi Research Institute	Mitsubishi Soken Building	14,529m <sup>2</sup>	6.5%
2	Dai-ichi Mutual Life	Midosuji Daiwa Building Other 8 buildings	13,292m <sup>2</sup>	6.0%
3	Ericsson Japan*	Ericsson Shin-Yokohama Building	5,794m <sup>2</sup>	2.6%
4	TOTO	Nagoya Hirokoji Building Midosuji Daiwa Building	4,840m <sup>2</sup>	2.2%
5	Tokyo Kenbikyoin Foundation	Genki Medical Plaza	4,791m <sup>2</sup>	2.1%

\* Rent contract with the Ericsson Japan will be canceled on October 31, 2003.

The number of tenants rose sharply from 198 at IPO to 359. (at the end of 2nd period: 339)

Rented-area ratios show diversification in tenants' lines of business.

# Tenant Data ② (Stability)

## Example ① ~Changes in total rented area

2nd Period	3rd Period	Tenant	2nd Period Rentable Areas(m <sup>2</sup> )	3rd Period Rentable Areas(m <sup>2</sup> )	Change(m <sup>2</sup> )
1	1	Mitsubishi Research Institute	14,529	14,529	0
2	2	Dai-ichi Life	13,292	13,292	0
3	3	Ericsson Japan	5,794	5,794	0
4	4	TOTO	4,840	4,840	0
-	5	Tokyo Kenbikyoin Foundation	-	4,791	-
5	6	Company A	4,318	4,318	0
6	7	Company B	4,279	4,279	0
7	-	Company C	4,137	-	(*)
8	8	Company D	3,918	3,918	0
9	9	Company E	3,592	3,592	0
10	10	Company F	3,575	3,575	0
11	11	Company G	3,383	3,383	0
12	12	Company H	3,103	3,103	0
13	15	Company I	2,953	2,783	-170
14	14	Company J	2,798	2,798	0
15	16	Company K	2,677	2,677	0

\*Company C changed the name of some of leasing contracts to its affiliate.

## Example ② ~Changes in leasing contracts to longer-term instruments \*

- Tokyo metropolitan area (% of revenue from fixed rent contracts):

28.1% (end of the 2nd period)  
→32.5% (end of the 3rd period)
- 3 wards area of Tokyo (% of revenue from fixed rent contracts):

53.3% (end of the 2nd period )  
→58.3% (end of the 3rd period)

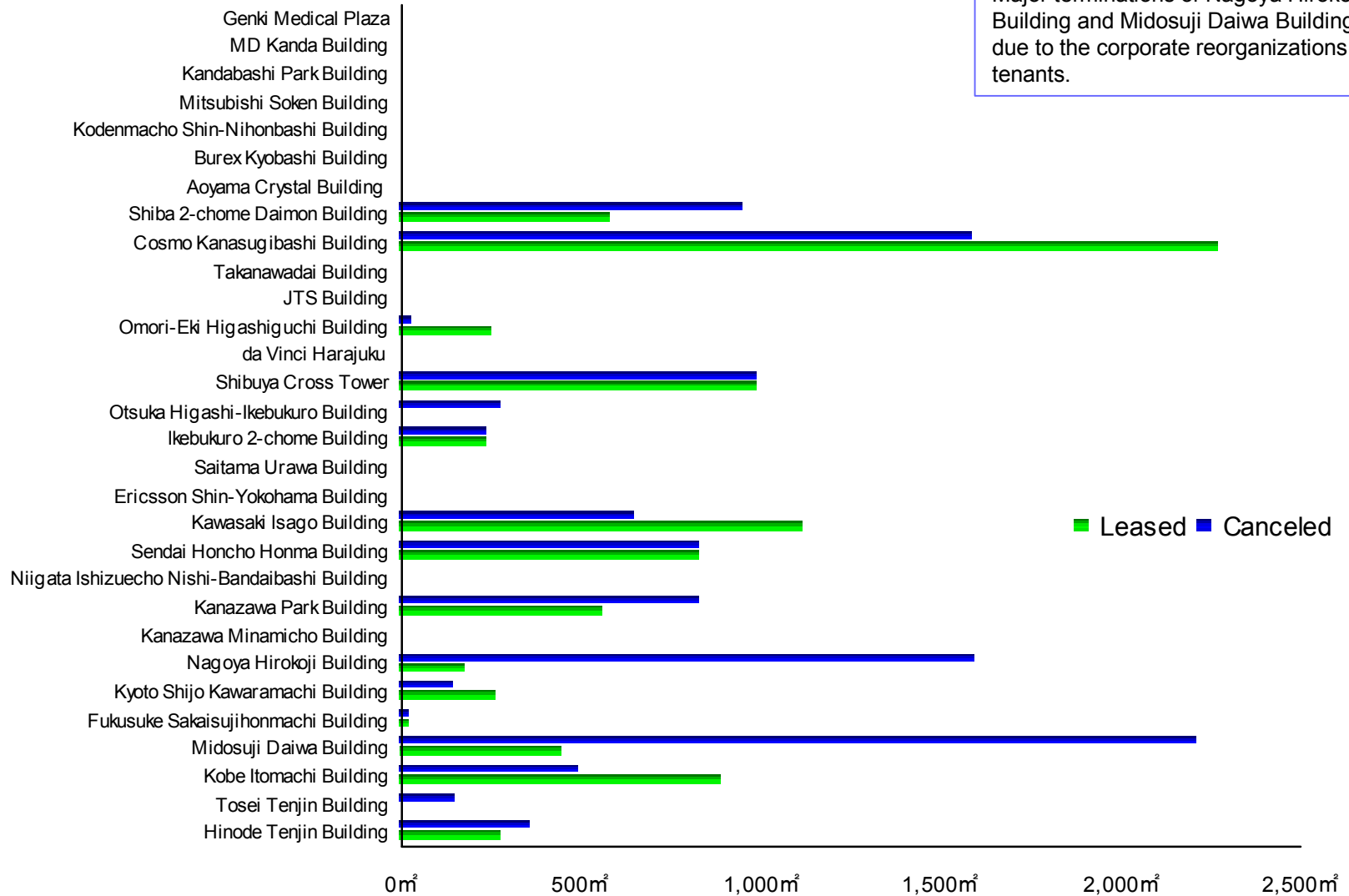
Rental revenues have been further stabilized

\* Includes a non-cancellation clause

The “Year 2003 Problem” has not resulted in termination of leasing contracts with major tenants.

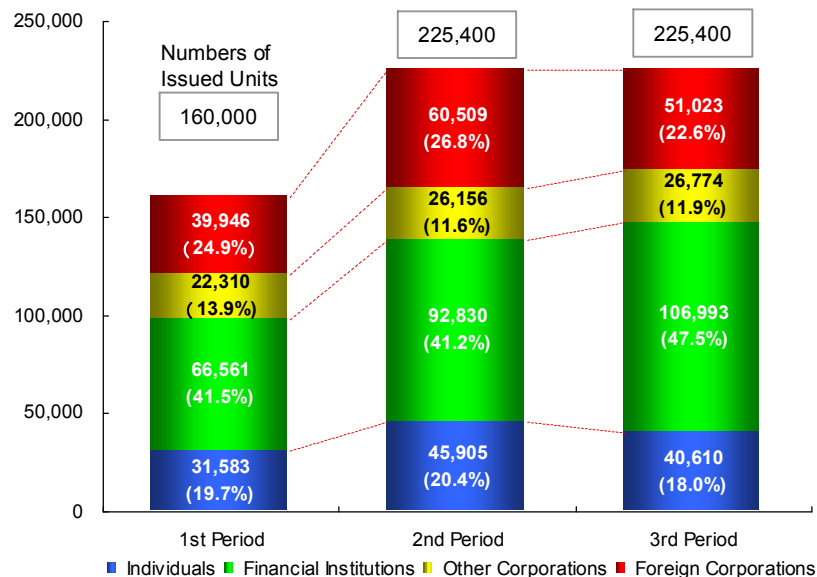


# Tenant Data ③ (Tenant Moves in the 3rd Period)



# Unitholder Data (Composition and Major Unitholders)

## Unitholder Composition



## Numbers of Unitholders by Sector

	1st Period		2nd Period		3rd Period	
	Unitholders	%	Unitholders	%	Unitholders	%
Individuals	12,045	95.8%	17,409	96.3%	14,897	96.0%
Financial Institutions	108	0.9%	127	0.7%	126	0.8%
Other Corporations	315	2.5%	417	2.3%	377	2.4%
Foreign Corporations	106	0.8%	130	0.7%	120	0.8%
Total	12,574	100.0%	18,083	100.0%	15,520	100.0%

## Top 10 Unitholders

2nd Period

Company	Units	% of Total Shares Outstanding
The Chase Manhattan Bank, N.A. London	14,965	6.64%
Mitsubishi Estate Co., Ltd.	10,160	4.51%
The Tokio Marine and Fire Insurance Co., Ltd.	8,120	3.60%
The Yamanashi Chuo Bank, Ltd.	7,300	3.24%
The Chugoku Bank, Ltd.	5,540	2.46%
The Nomura Trust & Banking Co., Ltd. (Toshin Acc.)	5,226	2.32%
The Hachijuni Bank, Ltd.	5,023	2.23%
The Dai-ichi Mutual Life Insurance Company	4,920	2.18%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	4,761	2.11%
Banca Nazionale del Lavoro	4,490	1.99%

3rd Period

Company	Units	% of Total Shares Outstanding
The Chase Manhattan Bank, N.A. London	13,088	5.81%
Mitsubishi Estate Co., Ltd.	10,160	4.51%
The Tokio Marine and Fire Insurance Co., Ltd.	8,120	3.60%
The Yamanashi Chuo Bank, Ltd.	7,300	3.24%
The Master Trust Bank of Japan, Ltd. (Shintaku Acc.)	7,103	3.15%
The Chugoku Bank, Ltd.	6,540	2.90%
The Bank of Ikeda, Ltd.	5,085	2.26%
The Nomura Trust & Banking Co., Ltd. (Toshin Acc.)	4,952	2.20%
The Dai-ichi Mutual Life Insurance Company	4,920	2.18%
The Goldman Sachs International	4,662	2.07%



### **3. Management Policy for the Future**

## Real Estate Market in Japan

- Overall real estate market will continue to be weak, reflecting uncertainty in the Japanese economy.
- Attractive properties are expected to be liquidated due to trends toward corporate restructuring and asset-impairment accounting.
- Trend toward separation of ownership management of real estate.

## Office Building Market in Japan

- The gap between supply and demand will further increase, due to an oversupply of office space in the Tokyo 23 wards, the so-called Year 2003 problem, and the current trend toward corporate cost-cutting and reorganization will depress demand for office space.
- The demand in local areas is expected to shift toward the Tokyo metropolitan area and major local cities.
- The split in the market between high- and low-occupancy properties is expected to keep growing, due to needs for advanced and diversified office space, based on globalization and the growth of IT.



**Replacement of the players as well as the vessels is expected because of deflation / “Year 2003 Problem”**

## Portfolio Management (Internal Growth)

- u Strengthen relations with existing tenants through quality services
- u Take timely steps to reduce vacancy rates
- u Revise lease contracts to fixed rent contracts and extend contract term
- u Reduce property management fees and utility charges by 5% within three years after acquisition

## Acquisition of New Buildings (External Growth)

- u Liquidation pressure on corporations due to “ the Year 2003 Problem” and asset-impairment accounting →Further expand sources of information on properties
- u Acquire earthquake-resistant buildings meeting new standards, or buildings of equal quality according to structural evaluation
- u Target geographic diversification: Metropolitan area 60~70%, local cities 30~40%
- u Reach total assets of ¥300 billion by the end of March 2006

## Capital Policy/ Financial Strategy

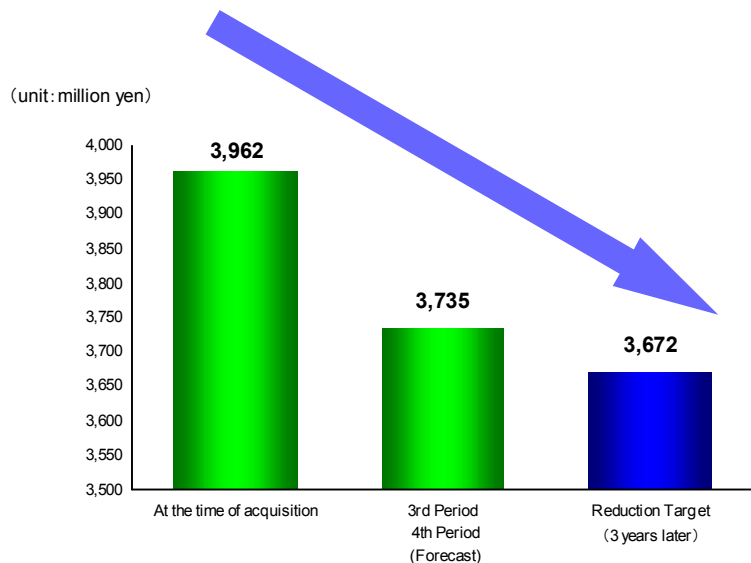
- u Secure flexibility and diversification

## Differential Strategy

- u We have completed a business cycle of REIT, maintaining core portfolio of excellent quality properties and superior financial soundness

## Current Situation and Plan for Cost Reduction

▽ **Basic Policy: Management fees and utility charges will be cut by 5% within three years after acquisition of property.**  
 → For the 24 properties acquired in the 1st period, we targeted a 7.32% reduction in fees.



【As for 24 properties acquired in 1st Period】

・・・Comparison in annual amount (in millions of yen)

	At the time of acquisition (Basis)	3rd Fiscal Period 4th Fiscal Period (Forecast)	Reduction Target (3 years later)
Property management fees	2,320	2,093	-
Utility charges	1,642	1,642	-
Total	3,962	3,735	3,672
Amount of reduction	-	-227	-290
Rate of reduction	-	-5.73%	-7.32%

\*Utility charges are assumed to be unchanged.

▽ **Achievement ratio in the 2nd year: 78.3%**

◆ Reduction plans for the properties acquired in the 2nd and 3rd periods are under consideration based on the current situation.

# Maintenance Work: Implementation and Plans

## 1. J-Rea's renovation works

- Prepare mid- to long-term maintenance plans for each building
- Conduct renovation work to increase asset profitability
- Implement maintenance work to ensure appropriate asset management
- Conduct maintenance to stabilize cash flows
- Conduct strict review of estimates on work done by third parties to improve management of work procedures

## 2. Implementation and plans

### ▪ Plans for 3rd Period

#### a. Renovation to attract tenants

(In thousands of yen)

Property Name	Purpose	Accounting Treatment	Cost of Construction
Genki Medical Plaza	Restroom・Pantry renewal	Capitalized cost	86,000
Shibuya Cross	Entrance・Lobby renewal	Capitalized cost	31,000
Cosmo Kanasugibashi	Access floor installation	Capitalized cost	22,000
Shiba 2-chome Daimon	Restroom renewal	Capitalized cost	9,000

#### b. Renovation for appropriate asset management

(In thousands of yen)

Property Name	Purpose	Accounting Treatment	Cost of Construction
Mitsubishi Soken	Sealants and caulings renewal at exterior wall panels	Expense	64,000
Shibuya Cross	Light Fixtures renewal	Capitalized cost	31,000
Niigata Ishizuecho Nishi-Bandaibashi	Building automation and monitoring systems renewal	Capitalized cost	26,000
Otsuka Higashi-Ikebukuro	Overhaul of air-conditioner	Expense	10,000

### ▪ Plans for 4th and 5th Periods

#### c. Renovation to attract tenants

(In thousands of yen)

Property Name	Purpose	Accounting Treatment	Cost of Construction
Kyoto Shijo Kawaramachi	Entrance・Lobby renewal	Capitalized cost	105,000
Niigata Ishizuecho Nishi-Bandaibashi	Restroom renewal	Capitalized cost	46,000
Kobe Itomachi	Restroom renewal	Capitalized cost	14,000
Kanazawa Minamidho	Restroom renewal	Capitalized cost	12,000

#### d. Renovation for appropriate asset management

(In thousands of yen)

Property Name	Purpose	Accounting Treatment	Cost of Construction
Shibuya Cross	Plumbing pipes and fittings renewal in building core	Capitalized cost	393,000
JTS	Exterior wall repair	Expense	21,000
Shiba 2-chome Daimon	Heating/cooling systems renewal	Capitalized cost	10,800
Nagoya Hirokoji	Security camera renewal	Expense	8,000

## 3. Cost reduction by strict inspection (during 3rd period)

(In thousands of yen)

Number of Works	67
Quotation before inspection	695,000
Quotation after inspection	622,000
Reduced	73,000 (▲10.5%)

## 4. 5 year-plan of renovation works

(in million of yen)


	2002	2003	2004	2005	2006	Total
Renovation Works	900	1,500	1,300	1,100	1,400	6,200
Annual Depreciation	2,500	2,700	2,500	2,300	2,200	12,200

\* 30 properties

\* Depreciation includes additional depreciation due to new renovation works.

## Acquisition of New Buildings

- u Obtain timely information and expand sources of information on properties.
- u To acquire properties, careful investigation should be conducted on the economic, physical and legal aspects of those properties. Acquire buildings meeting new earthquake-resistance standards, or buildings of equal or higher quality according to structural evaluation.
- u Share of properties held by location:60% to 70% within Tokyo metropolitan area(Tokyo, Kanagawa, Chiba, and Saitama Prefectures), with the remainder spread among other major cities. The share of properties in the Tokyo metropolitan area may rise temporarily, depending on future office demand.
- u Reach total assets of 300 billion yen by the end of March 2006.



Enhance profitability and stability by acquiring new attractive properties at appropriate prices.

# Deal Source Overview

## Year of 2001

Area	1st Half of 2001							2nd Half of 2001							Total	%
	Apr	May	Jun	Jul	Aug	Sep	Total	Oct	Nov	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%
<b>Total</b>	18	16	16	31	25	23	129	32	25	24	25	29	21	156	285	100.0%

## Year of 2002

Area	1st Half of 2002							2nd Half of 2002							Total	%
	Apr	May	Jun	Jul	Aug	Sep	Total	Oct	Nov	Dec	Jan	Feb	Mar	Total		
Tokyo Metropolitan	11	19	24	18	20	28	120	34	16	13	26	17	6	112	232	79.5%
Other Cities	10	6	7	7	2	13	45	1	2	2	4	2	4	15	60	20.5%
<b>Total</b>	21	25	31	25	22	41	165	35	18	15	30	19	10	127	292	100.0%

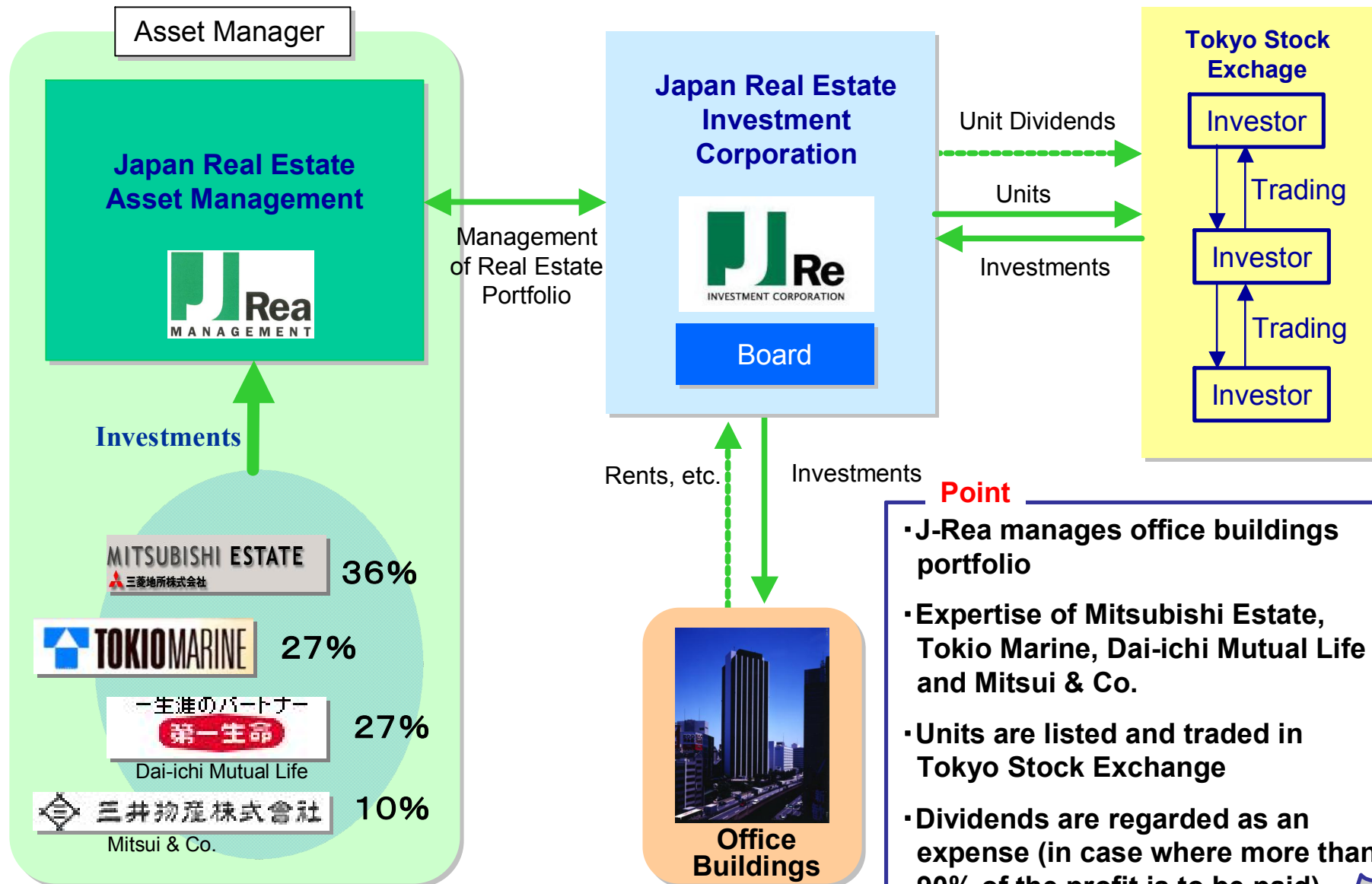
We received more information than in FY2001, although the amount of information in the 2nd half of 2002 was not sufficient.

Of these we are currently researching 15 properties, valued at ¥84 billion, and are negotiating to acquire six properties, valued at 42 billion yen.

# Appendix



# Investment Structure of JRE



**Point**

- J-Rea manages office buildings portfolio
- Expertise of Mitsubishi Estate, Tokio Marine, Dai-ichi Mutual Life and Mitsui & Co.
- Units are listed and traded in Tokyo Stock Exchange
- Dividends are regarded as an expense (in case where more than 90% of the profit is to be paid)

\*J-Rea is a different entity from JRE.

# Highlights from the Financial Matters (Pioneer of J-REIT)

## ① Listed

Listed Date : 2001/9/10

Offering Price : 525,000 yen

Units Issued : 160, 000 units

- ✓ Fairness to all unit holders: Purchased units at the time of IPO
- ✓ JRE attracted attention as a first listed J-REIT.
- ✓ JRE's unit kept the steady price movement after IPO, and it won the third place in "Deal of the Year" of Nikkei Bonds & Financial Weekly.
- ✓ Investor's comments: "JRE contributed to expand the number of J-REIT investors by holding vigorous IR seminars."

## ② Corporate Ratings

JRE got the first credit rating as J-REIT

JRE has the highest rating in the real estate industry

S&P A+  
Moody's A2

### (Reference) Credit Rating Comparison

\*Credit ratings are recent S&P long-term Issuer rating and Moody's Issuer rating

#### Real Estate Industry

Mitsubishi Estate: BBB+, A3

#### US-REIT

EOP(Largest US-REIT): BBB+, N/A

BXP(Representative US-REIT): BBB+, N/A

#### Other Japanese blue chips

Sony: A+, Aa3

Toyota: AAA, Aa1

Tepeco: AA-, Aa2

Tokyo Gas: AA-, Aa1

## ③ Primary Offering

Issuance Date : 2002/5/8

Offering Price : 490,980 yen

Units Issued : 65, 000 units

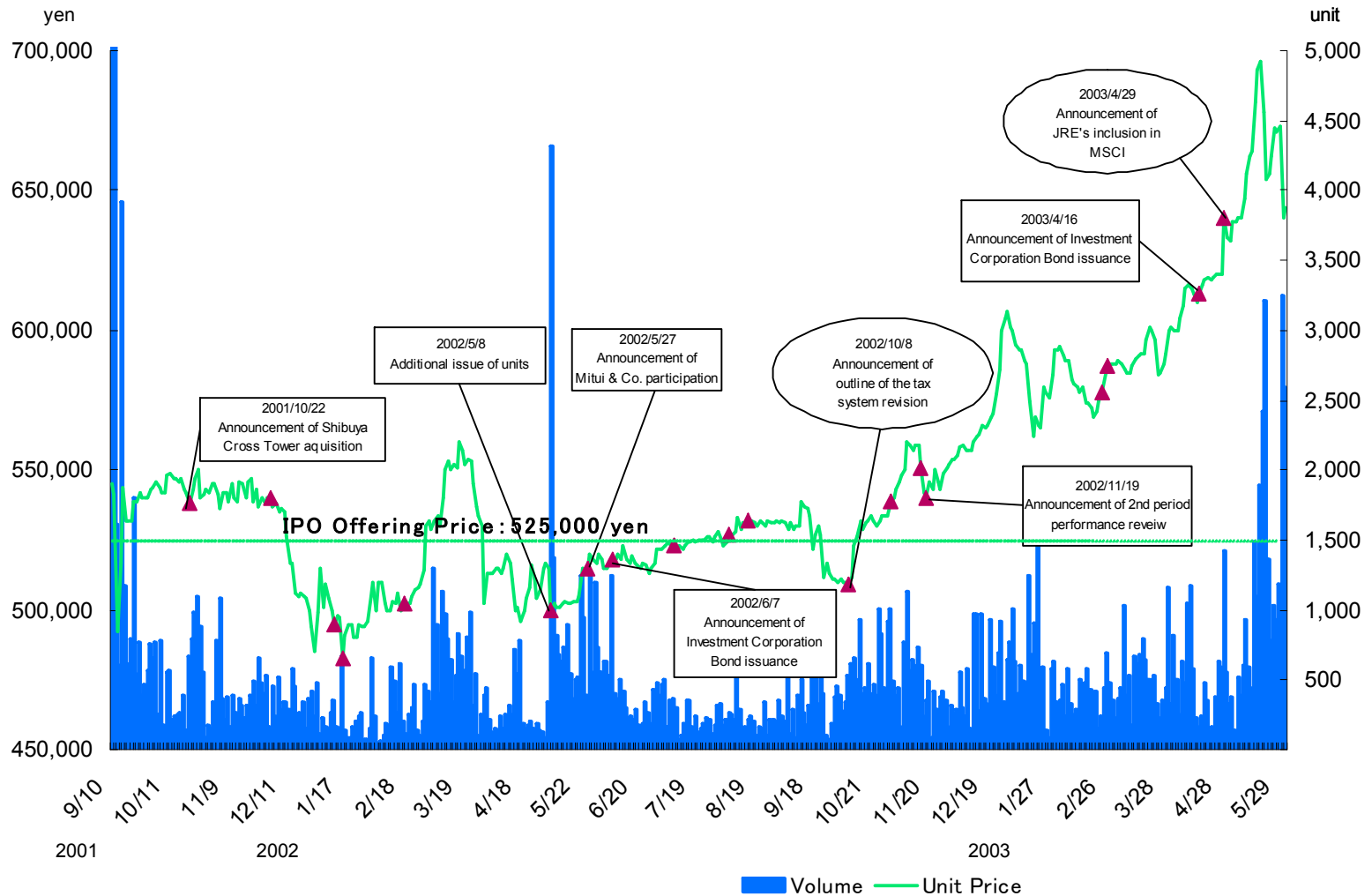
- ✓ The first primary offering as J-REIT
- ✓ JRE kept the policy, "fairness to all unit holders" through BOP Issuance.
- ✓ JRE's unit price hold steady after the offering, and it won the fourth place, [it won the place for second consecutive years], in "Deal of the Year" of Nikkei Bonds & Financial Weekly.
- ✓ Second consecutive year prize of "Deal of the Year Equity department" is first-ever.
- ✓ Investors' comments, "This year's best deal because of the issuance timing considering existing investors and price decision on investors' side."

## ④ Issuances of Investment Corporation Bonds

1st	2nd	3rd
25 billion yen	10 billion yen	10 billion yen
Coupon: 1.32%	Coupon: 0.69%	Coupon: 0.98%
Issuance Date : 2002/6/21	Issuance Date : 2003/4/30	Issuance Date: 2003/4/30
Maturity Date : 2007/6/21	Maturity Date : 2008/4/30	Maturity Date: 2010/4/30
S&P A+, Moody's A2	S&P A+, Moody's A2	S&P A+, Moody's A2

- ✓ The first Investment corporation bond issued through the market
- ✓ Proceeds raised by the bond issuance were credited to repayment short-term loans etc.
- ✓ Bonds were purchased by large institutional investors (life and casualty insurance companies) and financial institutions (regional banks and credit unions).
- ✓ Investment corporation bond issuance expanded financing resources.

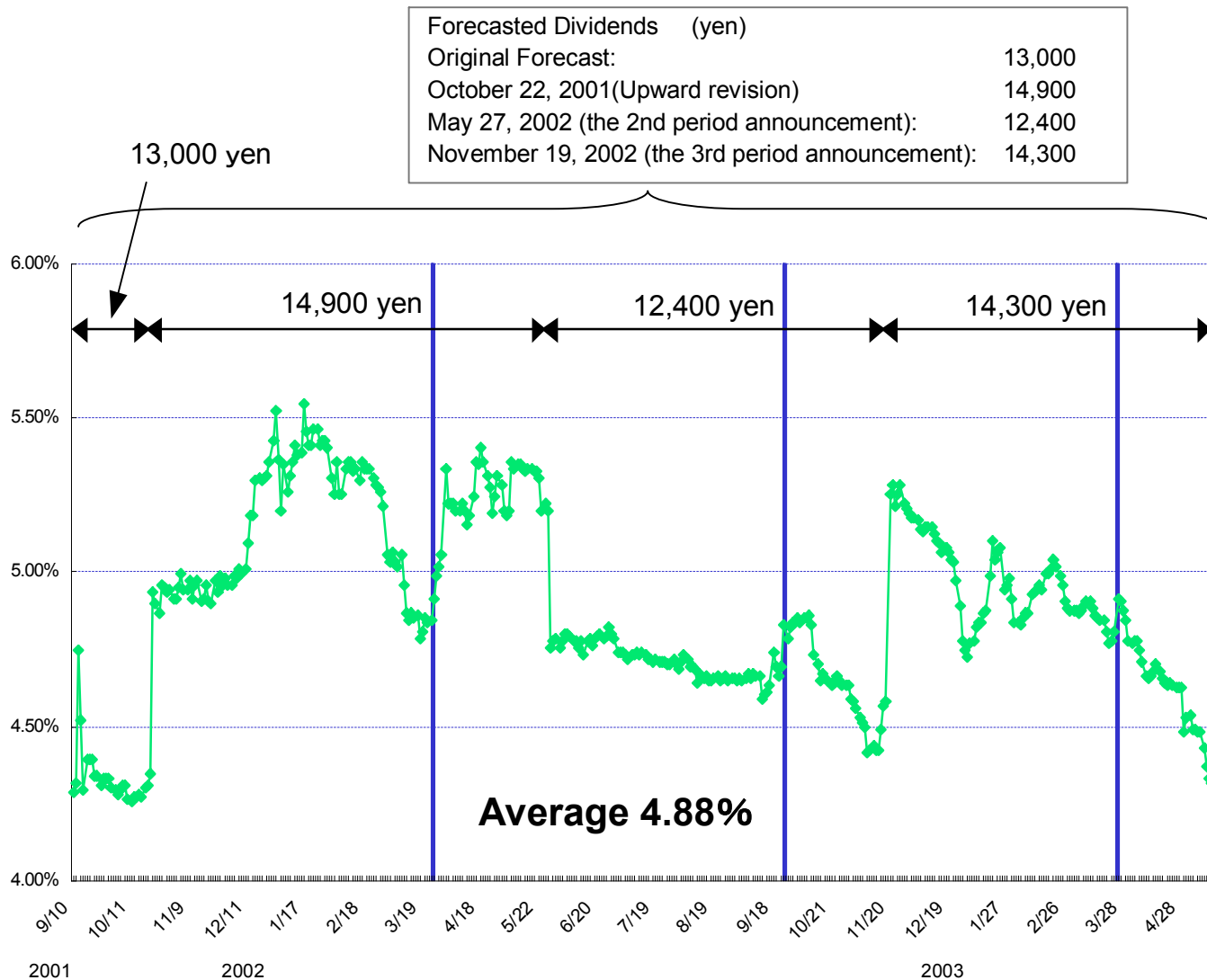
# JRE Unit Price Performance and Events after IPO



\* Unit prices are based on daily closing prices.

\* △ marks show acquisition dates of new buildings.

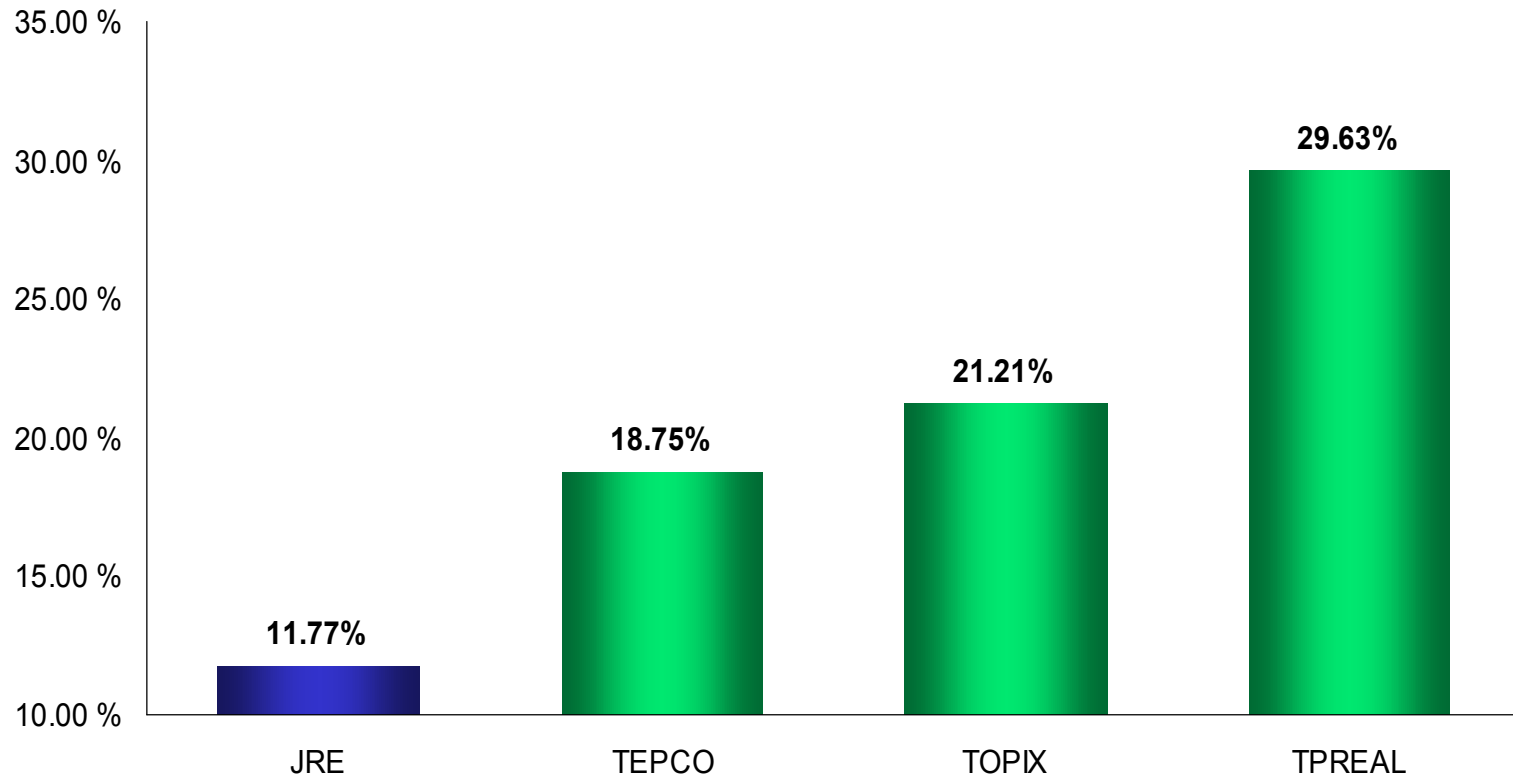
# Historical Dividend Yield of JRE Unit



- \* Dividend yield is annualized
- \* Blue line shows ex right date

# Historical Volatility of Unit Price

As of May 16, 2003



\* 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 200 trading day closing prices

\* Source: Bloomberg

# Performance of 27 Properties

(in thousands of yen)

## Tokyo Metropolitan Area (23 Wards)

Item	Mitsubishi Soken		Kodenmachi Shin-Nihonbashi		Shiba 2-chome Daimon		Cosmo Kanasugibashi	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	1,001,438	972,791	141,237	161,061	311,776	314,228	131,056	111,909
Operating Expenses(Excluding Depreciation)	301,724	352,358	63,333	55,945	131,788	152,835	48,873	62,020
NOI	699,714	620,433	77,904	105,116	179,988	161,393	82,183	49,889
Depreciation	62,917	63,173	27,442	28,033	28,769	30,058	22,213	22,576

Item	Takanawadai		JTS		Omori-Eki Higashiguchi		Otsuka Higashi-Ikebukuro	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	153,987	141,012	99,063	103,821	293,957	292,670	188,325	190,982
Operating Expenses(Excluding Depreciation)	57,799	65,496	38,901	32,723	89,491	85,179	67,384	72,692
NOI	96,188	75,516	60,162	71,098	204,466	207,491	120,941	118,290
Depreciation	22,788	23,619	14,647	15,044	59,555	60,117	41,625	42,152

Item	Ikebukuro 2-chome		Shibuya Cross Tower	
	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	75,429	76,038	1,573,660	1,619,884
Operating Expenses(Excluding Depreciation)	31,079	27,749	641,110	598,084
NOI	44,350	48,289	932,550	1,021,800
Depreciation	13,613	13,849	242,042	245,909

Item	Saitama Urawa		Kawasaki Isago		Ericsson Shin-Yokohama	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	154,938	147,554	185,368	195,772	190,396	186,248
Operating Expenses(Excluding Depreciation)	45,291	41,775	73,864	72,028	53,282	57,587
NOI	109,647	105,779	111,504	123,744	137,114	128,661
Depreciation	22,790	23,100	44,059	45,025	44,179	44,334

## Tokyo Metropolitan Area (Ex. 23 Wards)

Item	Sendai Honcho Honma		Niigata Ishizuecho Nishi-Bandaibash		Kanazawa Minamicho		Kanazawa Park	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	165,474	164,996	83,125	82,639	95,307	94,104	355,457	345,010
Operating Expenses(Excluding Depreciation)	46,483	45,342	38,850	34,668	38,188	32,728	139,760	139,212
NOI	118,991	119,654	44,275	47,971	57,119	61,376	215,697	205,798
Depreciation	30,791	31,094	11,425	12,210	13,427	13,806	53,688	54,232

Item	Nagoya Hirokoji		Kyoto Shijo Kawaramachi		Midosuji Daiwa		Fukusuke Sakaisujihonmachi	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	805,697	811,894	122,769	127,790	847,826	830,653	169,134	161,642
Operating Expenses(Excluding Depreciation)	307,803	299,489	56,869	53,662	189,111	195,258	63,232	64,179
NOI	497,894	512,405	65,900	74,128	658,715	635,395	105,902	97,463
Depreciation	145,312	148,844	28,785	30,788	100,246	102,522	25,354	25,647

Item	Kobe Itomachi		Hinode Tenjin		Tosei Tenjin	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	79,702	70,336	225,173	215,971	102,062	98,028
Operating Expenses(Excluding Depreciation)	35,408	39,209	67,853	66,699	43,576	37,222
NOI	44,294	31,127	157,320	149,272	58,486	60,806
Depreciation	14,423	14,588	33,993	34,273	21,868	22,204

Item	MD Kanda		Burex Kyobashi		Kandabashi Park	
	2nd Period	3rd Period	2nd Period	3rd Period	2nd Period	3rd Period
Revenues	369,962	375,286	149,658	150,000	199,295	198,004
Operating Expenses(Excluding Depreciation)	40,305	46,312	351	722	2,866	3,085
NOI	329,657	328,974	149,307	149,278	196,433	194,919
Depreciation	48,704	49,226	36,604	37,867	27,324	27,585

## Other Major Cities

## 27 properties

Item	2nd Period
Revenues	8,271,271
Operating Expenses(Excluding Depreciation)	2,714,573
NOI	5,556,702
Depreciation	1,238,583
Operating Profits	4,318,118



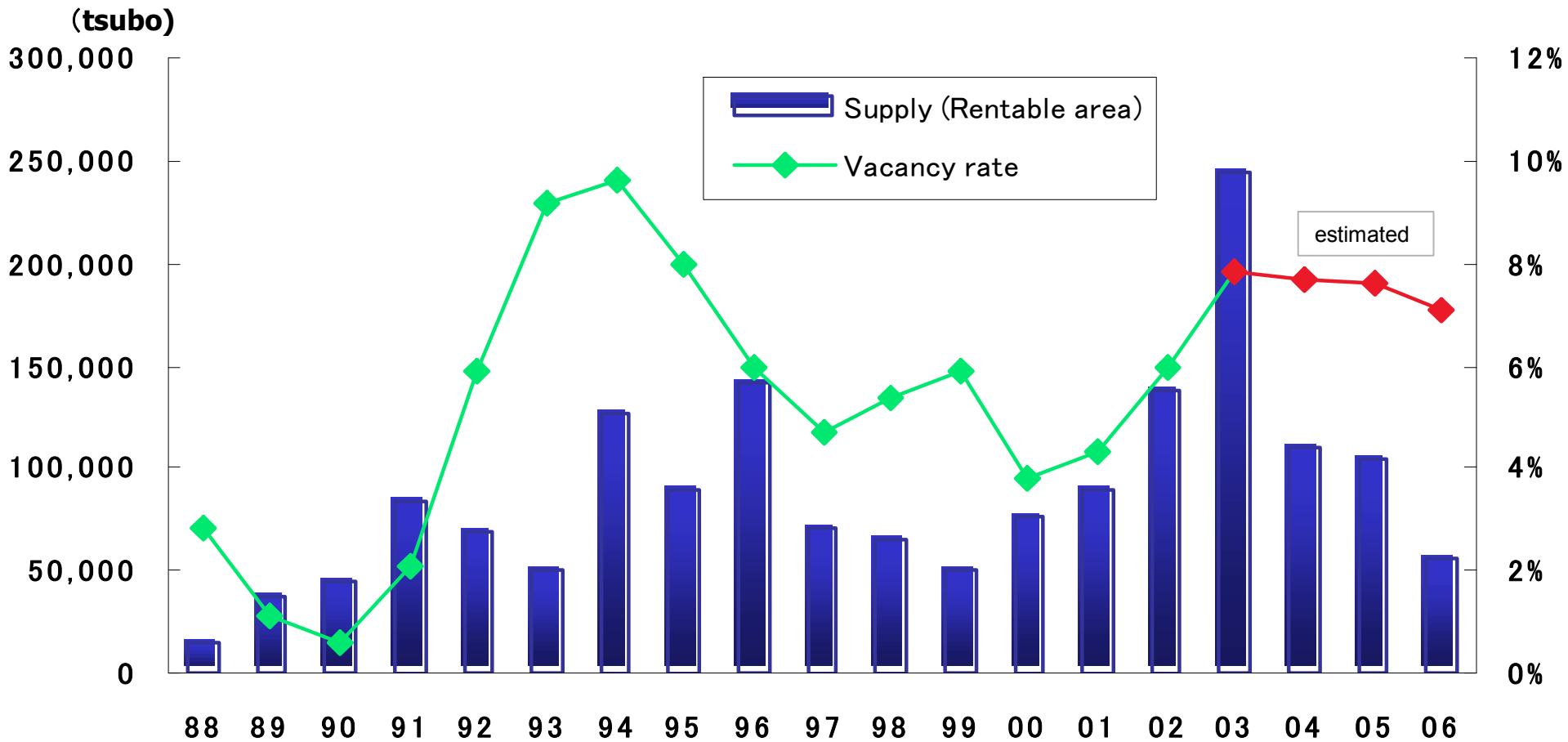
Item	3rd Period
Revenues	8,240,323
Operating Expenses(Excluding Depreciation)	2,734,258
NOI	5,506,065
Depreciation	1,261,874
Operating Profits	4,244,191

## Assumption:

Properties acquired in the 2nd period are assumed to have begun operation on April 1, 2002. The additional portion of Kanazawa Park Building acquired in the 3rd period is not counted.

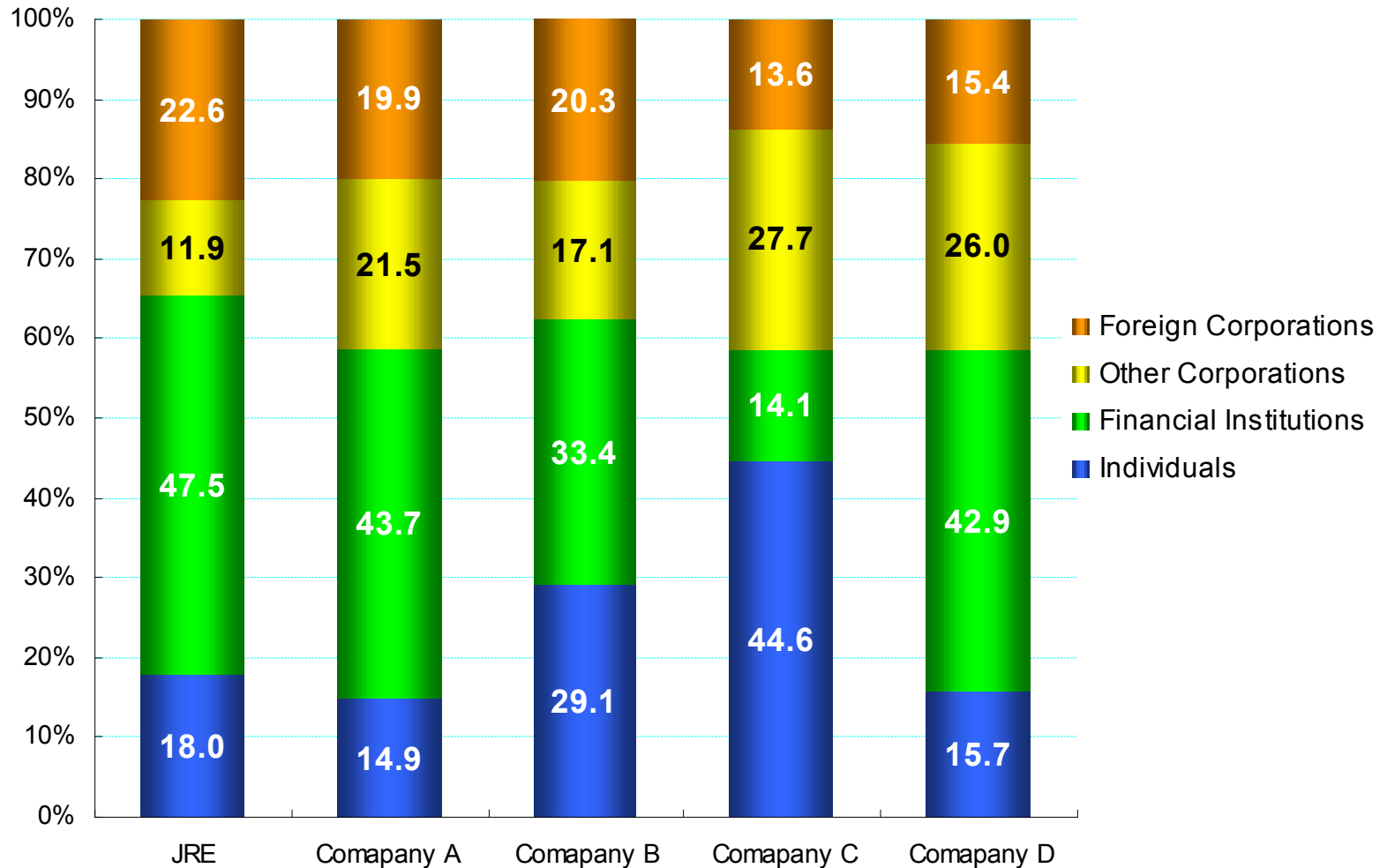
## Properties Acquired in the 2nd Period

# 2003 Problem in Tokyo Office Market



Source: the Real Estate White Paper 2002 published by Ikoma Data Service System (IDSS)

# Comparison of Unitholder Composition



High ratio of Financial Institutions and Foreign Corporations



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