



May 17, 2007

JAPAN REAL ESTATE INVESTMENT CORPORATION
ANNOUNCEMENT OF ELEVENTH FISCAL PERIOD RESULTS

1. Summary of Financial Results

In the 11th fiscal period (six months ended March 31, 2007), Japan Real Estate Investment Corporation (“JRE”) recorded operating revenues of 16,960 million yen*, up 8.9% from the previous period. Operating profits rose 17.9% to 8,304 million yen. After deducting expenses for interest payments on loans and other costs, recurring profit increased 20.2% to 7,184 million yen and net income climbed 20.2% to 7,183 million yen.

JRE’s policy with regard to profit appropriation is to distribute dividends of approximately 100% of taxable income in order to enjoy the tax benefit available under Article 67-15 of the Special Taxation Measures Law of Japan applicable to Japanese Real Estate Investment Trusts (J-REITs). For the period under review, we declared a cash dividend of 17,521 yen per unit.

Note: *Includes gain from the exchange of properties totaling 459 million yen

2. Results of Operations

(1) Property Management and Acquisitions/Sales (Strengthening Portfolio Quality)

During the period under review, the Japanese economy continued to show a favorable trend, although the household sector displayed signs of weakness attributable to such factors as a general flattening out in consumer spending caused by a slowdown in income growth. Capital spending increased in an environment where profits in the corporate sector rose in response to growth in demand and an improvement in staffing conditions.

As a result of favorable corporate performance, the market for leased office space is seeing an increase in demand, which is leading to improved vacancy rates throughout the country. Demand is especially robust in central Tokyo, reflected in noticeably falling vacancy rates and climbing rents for new tenants.

Under these circumstances, JRE was able to maintain a high occupancy rate of 97.8% (as of March 31, 2007) by (1) acquiring top-level properties and upgrading building facilities through optimal refurbishment in order to maintain and improve functions; and (2) developing finely tuned building management policies from the perspective of tenants, while undertaking vigorous sales activities. In light of the recovery in the market for leased office space in central Tokyo, JRE has also undertaken concrete initiatives aimed at further increasing revenues and raising rent levels.

Regarding the property market, property values rose sharply as a result of expanding demand for residential and office properties amid the continuing economic recovery, as well as increased investment in real estate not only by J-REITs, but also by such entities as private

funds, pension funds and institutional investors. The official land prices announced in March 2007 saw commercial land values climb for the second consecutive year and residential land prices rise for the first time since 1991 after a period of prolonged decline.

In this sort of market environment, JRE undertook the acquisition of a competitive property as well as the following property exchange as part of revisions aimed at further strengthening the quality of its portfolio. As a result, JRE's properties as of March 31, 2007 consisted of 50 office buildings with a total acquisition amount of 441,276 million yen. Total leasable space was 397,928 m² (approximately 120,373 *tsubo*), with a total of 887 tenants.

	Transferred Property	Acquired Property
Name of Property	Mitsubishi Soken Building	Mitsubishi UFJ Trust and Banking Building
Location	Otemachi, Chiyoda-ku, Tokyo	Marunouchi, Chiyoda-ku, Tokyo
Type of Specified Asset	Trust beneficiary right in trust of real estate	Real property
Transfer / Acquisition Price	41,900 million yen	44,700 million yen

(2) Finance Activities

For its finance activities, which are aimed at providing funds to repay loans and acquire new specified assets, JRE decided to issue 64,600 investment units by public offering on October 24, 2006. The offering raised 63,211,100,000 yen.

The amount raised by the new unit issue was used to repay ahead of schedule short-term loans of 4,500 million yen on October 31, 2006, and 58,000 million yen on November 24, 2006, respectively.

In addition to the above, as a result of converting short-term loans to long-term loans, on March 31, 2007, JRE had total interest-bearing debt of 140,000 million yen, consisting of 85,000 million yen in long-term loans, including a 6,000 million yen current portion of long-term loans; and outstanding investment corporation bonds with a par value of 55,000 million yen, including a 25,000 million yen current portion of investment corporation bonds. (Short-term loans have been repaid in full.)

JRE has received the following credit ratings.

Rating Agency	Issuer Credit Rating
Standard & Poor's	Long-term: A+; Short-term: A-1; Outlook: Stable
Moody's Investors Service	Rating: A1; Outlook: Stable
Rating and Investment Information, Inc.	Rating: AA

3. Outlook

(1) Operating Environment

Although it will be necessary to pay close attention to the impact of the U.S. economy on the Japanese market, as well as the impact of rising interest rates and increasing crude oil and raw material prices on corporate earnings performance, the stable, favorable turnabout in the Japanese economy centered on the corporate sector is expected to continue for the foreseeable future.

In the market for leased office space, both vacancy rates and rent levels are demonstrating favorable trends, supported by the active demand for office space spurred by the robust corporate performance.

On the other hand, when selecting buildings, tenants in this market are making increasingly stringent demands ranging from location, building quality and features to building management and value-added services. We anticipate that it will become even more important for suppliers to provide services that correctly and promptly reflect the needs of tenants and to deliver added value that differentiates their buildings from the competition.

In the real estate market, JRE expects active real estate investment to be continued by J-REITs, in addition to such entities as private funds, pension funds and institutional investors. Accordingly, we expect that competition to acquire prime properties in urban centers will become more intense.

Property Management

In accordance with the aforementioned, while business conditions in the market for leased office space are trending toward recovery, JRE adheres to the following management policies in order to maintain and improve earnings.

(i) Strengthen relationships of trust with existing tenants and raise rent levels

As of March 31, 2007, JRE had contracts with 12 property management companies. Most of these companies were already managing their respective buildings before JRE acquired them, and so have built relationships of trust with their tenants. JRE will work to further strengthen these relationships by anticipating tenants' needs and providing tailored services in order to increase tenant satisfaction, and subsequently uncover additional demand for office space and raise rent levels. In addition, we are endeavoring to raise rent levels for those tenants whose rents are significantly below market value.

(ii) Fill vacancies promptly

In cooperation with the property management companies mentioned above, JRE actively seeks the most appropriate tenants for each property, based on location and

features, in order to fill current and anticipated vacancies as rapidly as possible. We are also working to uncover additional demand for office floor space among our existing tenants.

(iii) Stabilize revenues

With the aim of stabilizing revenues, JRE is endeavoring to apply fixed- and long-term leasing agreements with its large-scale tenants.

(iv) Reduce management costs

JRE has introduced sound competitive principles for its 12 property management companies to follow. These companies are also revamping their management systems and cost structures on an ongoing basis.

Property Acquisitions and Sales

JRE has adopted the following policies for acquiring properties.

- (i) To access important information quickly, JRE is enhancing its property information channels, including strengthening its relationships with building owners with whom it has previously conducted business. We are also working to develop new channels.
- (ii) In its acquisition activities, JRE will continue to meticulously monitor and examine economic, physical, and legal factors, including rights-related issues, while also taking business conditions into account when selecting properties. With regard to the structure of buildings, we require buildings to meet or exceed new earthquake-resistance standards and are targeting properties capable of maintaining a competitive edge in terms of the facilities they offer over the medium to long term.
- (iii) In accordance with its acquisition policies, JRE's general target for regional diversity of properties is for 70% or more of properties to be located within the Tokyo metropolitan area, with the remaining 30% or less located in other regional urban centers.

Under these policies, JRE will continue to acquire highly competitive properties while also considering suitable timing for the sales of properties in order to further strengthen the quality of its portfolio.

Concerning the financing of property acquisitions, JRE flexibly selects a variety of financial instruments, including the issue of investment corporation bonds, while monitoring

trends in financial markets. When procuring a loan, our policy is to minimize funding costs by negotiating with several qualified institutional investors before settling on a lender.

(2) Performance Forecasts

For the 12th fiscal period (April 1, 2007 to September 30, 2007), JRE forecasts operating revenues of 17,000 million yen, recurring profit of 7,000 million yen and net income of 7,000 million yen. We plan to declare a dividend of 17,090 yen per unit.

Our forecasts for the 13th fiscal period (October 1, 2007 to March 31, 2008) are operating revenues of 17,140 million yen, recurring profit of 7,070 million yen, and net income of 7,070 million yen and a cash dividend of 17,200 yen per unit.

The above estimates for the 12th and 13th periods are based on assumptions of the portfolio consisting of 50 properties as of March 31, 2007, and the acquisition of the 8·3 Square Kita Building on June 1, 2007. Estimates are subject to change in accordance with the acquisition or sale of other properties. The estimates are also based on the 410,000 investment units outstanding as of March 31, 2007, and on the assumption that the loan-to-value (LTV) ratio on will be at around the 30% level on September 30, 2007 and March 31, 2008.

After March 31, 2007, JRE plans to acquire the office building described below.

8·3 Square Kita Building

Outline of the acquisition

Asset to be acquired: Real property^{*1}
 Scheduled acquisition date: June 1, 2007
 Acquisition price: 7,100 million yen

Outline of the property

Location (Address): Kita 8 Nishi 3 32, Kita-ku, Sapporo City, Hokkaido^{*2}
 Usaga: Office, shop^{*2}
 Land area: 5,541.60 m² (Total land area for the 8·3 Square site)
 Building area: 16,048.59 m² (Office building)
 48.38 m² (Multi-level parking structure)
 Structure: Steel-reinforced concrete structure, flat roof
 Above ground: 11 floors Below ground: 1 floor^{*2}
 Completion date: December 2006
 Type of ownership: (Land) Ownership (4,717,000/10,000,000 in site rights)
 (Building) Ownership (All compartmentalized building units in the office building and the multi-level parking structure, and the common area in the project site)
 Total number of tenants: 7^{*3}

Total leasable space:	12,266 m ² *3
Total leased space:	12,078 m ² *3
Occupancy rate:	98.5% *3

Notes:

- *1 The asset to be acquired by JRE is land and a building of a complex, which were developed together with “8·3 Square D’ Grafort Sapporo Station Tower” (residential building) under the “8·3 Square” redevelopment project. JRE will acquire the share of co-ownership in land of 8·3 Square, the 8·3 Square Kita Building (office building) and a multi-level parking structure.
- *2 The location, usage and structure refer to the office building.
- *3 Total number of tenants, total leasable space, total leased space and occupancy rate are projections for the office building as of the scheduled acquisition date (June 1, 2007).

Income Statement for the 11th Period



(In millions of yen, except for dividend per unit)

Item	11th Period (182 days)			10th Period (183 days)	Change	% Change
	Existing properties	New properties and additional shares of ownership acquired	Total			
Operating Revenues	16,666	293	16,960	15,570	1,389	8.9%
Rental revenues	16,105	291	16,397	15,066		
Non-rental revenues	101	1	103	102		
Gain from transfer of properties	459	0	459	400		
Property-Related Expenses (excluding depreciation)	5,091	108	5,200	4,829	370	7.7%
Property management expenses	1,768	47	1,815	1,766		
Utilities expenses	1,119	14	1,133	1,198		
Property and other taxes	1,240	0	1,241	1,271		
Casualty insurance	37	0	38	38		
Repairing expenses	877	39	916	513		
Other rental expenses	47	6	54	40		
NOI (excluding gain from transfer of properties)	11,115	184	11,300	10,339	960	9.3%
Depreciation	2,630	86	2,717	2,682		
Gross Operating Profits	8,943	98	9,042	8,058	983	12.2%
Administrative Expenses			737	1,016	-278	-27.4%
Asset management fees			452	653		
Other administrative expenses			284	363		
Operating Profits			8,304	7,041	1,262	17.9%
Non-Operating Revenues			37	7	29	380.4%
Interest income			36	4		
Other non-operating revenues			1	3		
Non-Operating Expenses			1,157	1,072	84	7.9%
Interest expense			666	646		
Interest expense on investment corporation bonds			376	376		
Amortization of investment corporation bond issuance costs			9	9		
Other non-operating expenses			104	39		
Recurring Profits			7,184	5,977	1,207	20.2%
Income before Income Taxes			7,184	5,977	1,207	20.2%
Income taxes, etc.			0	1		
Net Income			7,183	5,976	1,207	20.2%
Retained Earnings at end of period			7,183	5,976		
FFO (Net Income+Depreciation)			9,901	8,658	1,242	14.4%
Dividend per Unit			17,521	17,302		

* New properties and additional shares of ownership acquired: Nishiki Park Building (acquisition of initial and additional shares of ownership), Mitsubishi UFJ Trust and Banking Building

Balance Sheet for the 11th Period



(In millions of yen)

Item	11th Period-end (Mar 31, 07)	10th Period-end (Sep 30, 06)	Change	Reason for change
Current Assets				
Cash and entrusted cash	13,877	21,102	-7,225	
Other current assets	1,764	401	1,363	
Total Current Assets	15,642	21,504	-5,862	
Fixed Assets				
Property and Equipment				} Increased due to acquisition of properties and capital expenditure, and decreased due to transfer of properties
Buildings (including those held in trust)	144,450	136,599	7,850	
Structures (including those held in trust)	1,639	1,530	109	
Machinery and equipment (including that held in trust)	2,206	2,151	54	
Land (including that held in trust)	293,773	291,407	2,366	
Accumulated depreciation	-18,089	-16,023	-2,065	
Total Property and Equipment	423,981	415,666	8,314	
Intangible Assets				
Leasehold rights, etc. (including those held in trust)	3,032	2,941	91	
Total Intangible Assets	3,032	2,941	91	
Investments and Other Assets				
Investment securities	1,272	1,004	268	
Long-term prepaid expenses, etc.	24	16	8	
Total Investments and Other Assets	1,297	1,021	276	
Total Fixed Assets	428,310	419,628	8,682	
Deferred Assets				
Deferred investment corporation bond issuance costs	19	29	-9	
Total Deferred Assets	19	29	-9	
Total Assets	443,973	441,163	2,810	

(In millions of yen)

Item	11th Period-end (Mar 31, 07)	10th Period-end (Sep 30, 06)	Change	Reason for Change
Liabilities				
Current Liabilities				
Short-term loans	0	64,500	-64,500	Decreased due to repayment of short-term loans and conversion to long-term loans
Current portion of long-term loans	6,000	6,000	0	
Current portion of investment corporation bonds	25,000	25,000	0	
Rent received in advance	2,102	2,425	-322	
Other current liabilities	2,927	2,902	24	
Total Current Liabilities	36,029	100,827	-64,797	
Long-term Liabilities				
Investment corporation bonds	30,000	30,000	0	Increased due to conversion from short-term loans to long-term loans Changed due to property acquisitions and transfers
Long-term loans	79,000	77,000	2,000	
Deposits received from tenants	27,075	25,886	1,189	
Other long-term liabilities	0	0	0	
Total Long-term Liabilities	136,075	132,886	3,189	
Total Liabilities	172,105	233,714	-61,608	
Unitholders' Equity				
Unitholders' Capital	264,683	201,472	63,211	Increased due to issuance of investment units
Retained Earnings	7,183	5,976	1,207	
Total Unitholders' Equity	271,867	207,449	64,418	
Total Liabilities and Unitholders' Equity	443,973	441,163	2,810	

Property Data



(In millions of yen) (In thousands of yen)

Area	Name	11th Period	10th Period	Amount of	11th Period	11th Period	Acquisition	
		Appraisal	Appraisal		Difference	Appraisal		Appraisal
		Value	Value		Book Value	Value-Book	Price	
		(Mar 31, 07)	(Sep 30, 06)		(Mar 31, 07)	Value		
Tokyo Metropolitan Area	23 Wards	Genki Medical Plaza	6,220	6,210	10	5,156	1,063	5,000,000
		Kitanomaru Square	83,900	82,700	1,200	81,341	2,558	81,555,500
		MD Kanda Bldg.	10,200	9,680	520	9,195	1,004	9,520,000
		Kandabashi Park Bldg.	5,600	5,210	390	4,651	948	4,810,000
		Nibancho Garden	16,400	16,100	300	14,479	1,920	14,700,000
		Burex Kojimachi Bldg.	6,930	6,930	0	6,936	-6	7,000,000
		Sanno Grand Bldg.	26,800	25,100	1,700	21,780	5,019	20,900,000
		Yurakucho Denki Bldg.	7,980	7,610	370	7,679	300	7,200,000
		Kodenmacho Shin-Nihonbashi Bldg.	3,430	3,420	10	2,916	513	3,173,000
		Burex Kyobashi Bldg.	6,610	6,240	370	5,137	1,472	5,250,000
		Ginza Sanwa Bldg.	17,500	17,300	200	17,081	418	16,830,000
		Ryoshin Ginza East Mirror Bldg.	4,790	4,650	140	5,438	-648	5,353,500
		Aoyama Crystal Bldg.	8,900	8,770	130	7,595	1,304	7,680,000
		Shiba 2Chome Daimon Bldg.	6,990	6,930	60	4,955	2,034	4,859,000
		Cosmo Kanasugibashi Bldg.	3,560	3,470	90	2,610	949	2,808,000
		Shinwa Bldg.	8,450	8,270	180	7,818	631	7,830,000
		Tokyo Opera City Bldg.	11,600	11,300	300	9,099	2,500	9,350,000
		Takanawadai Bldg.	2,780	2,730	50	2,573	206	2,738,000
		Higashi-Gotanda 1Chome Bldg.	6,720	6,700	20	5,361	1,358	5,500,000
		Omori-Eki Higashiguchi Bldg.	5,520	5,460	60	4,613	906	5,123,000
		Nippon Brunswick Bldg.	8,480	8,090	390	6,737	1,742	6,670,000
		Yoyogi 1Chome Bldg.	11,800	10,100	1,700	8,426	3,373	8,700,000
		da Vinci Harajuku	6,090	6,080	10	4,954	1,135	4,885,000
	Jingumae Media Square Bldg.	15,300	15,100	200	12,093	3,206	12,200,000	
	Shibuya Cross Tower	45,800	43,300	2,500	38,454	7,345	34,600,000	
	Ebisu Neonato	5,520	5,370	150	3,905	1,614	4,100,000	
	Harmony Tower	12,700	11,800	900	8,645	4,054	8,500,000	
	Otsuka Higashi-Ikebukuro Bldg.	3,500	3,480	20	3,330	169	3,541,000	
	Ikebukuro 2Chome Bldg.	1,560	1,540	20	1,640	-80	1,728,000	
	Ikebukuro YS Bldg.	5,570	5,150	420	4,706	863	4,500,000	
	Excluding 23 Wards	Hachioji First Square	3,390	3,300	90	3,225	164	3,300,000
		Saitama Urawa Bldg.	2,550	2,550	0	2,430	119	2,574,000
		Kawasaki Isago Bldg.	3,360	3,360	0	2,963	396	3,375,000
Jozenji Park Bldg.		1,070	1,070	0	1,018	51	1,000,000	
Sendai Honcho Honma Bldg.		3,600	3,450	150	2,909	690	3,174,000	
Other Major Cities	Kanazawa Park Bldg.	6,300	5,610	690	4,354	1,945	4,580,000	
	Hirokoji Tokio Marine Nichido Bldg.	1,680	1,680	0	1,707	-27	1,680,000	
	Nagoya Hirokoji Bldg.	15,900	15,900	0	14,098	1,801	14,533,000	
	Nagoya Misono Bldg.	1,890	1,890	0	1,656	233	1,865,000	
	Kyoto Shijo Kawaramachi Bldg.	2,140	2,140	0	2,895	-755	2,650,000	
	Sakaisujihonmachi Bldg.	4,700	4,610	90	4,014	685	4,164,000	
	Midosuji Daiwa Bldg.	16,800	15,900	900	13,624	3,175	14,314,000	
	Kobe Itomachi Bldg.	951	951	0	1,341	-390	1,436,000	
	Lit City Bldg.	5,400	5,220	180	4,588	811	4,650,000	
	NHK Hiroshima Broadcasting Center Bldg.	1,780	1,550	230	1,274	505	1,320,000	
	Tosei Tenjin Bldg.	1,510	1,480	30	1,406	103	1,550,000	
	Tenjin Crystal Bldg.	4,970	4,970	0	4,961	8	5,000,000	
	Hinode Tenjin Bldg.	3,640	3,580	60	3,521	118	3,657,000	
	Total (48 properties)		448,831	434,001	14,830	391,310	57,520	391,426,000
	Properties Acquired after the 10th Period	Mitsubishi UFJ Trust and Banking Bldg.	44,700	-	-	30,503	14,196	44,700,000
Nishiki Park Bldg.		5,210	-	-	5,199	10	5,150,000	
Total (50 properties)		498,741	-	-	427,013	71,727	441,276,000	

* Appraisal values are those determined by an institutional appraiser for the 10th and 11th periods at the end of the fiscal period.

(In millions of yen)

(In thousands of yen)

Area	Name	Appraisal Value at Acquisition				Acquisition Price
Property Acquired after the 11th Period	8·3 Square Kita Bldg.	7,190	-	-	-	7,100,000
Total		7,190	-	-	-	7,100,000