



May 27, 2002

JAPAN REAL ESTATE INVESTMENT CORPORATION ANNOUNCEMENT OF FIRST FISCAL PERIOD RESULTS

1. Summary of Financial Results

On May 27, 2002, Japan Real Estate Investment Corporation (“JRE”, TSE: 8952) has announced financial results of its first fiscal period ended March 31, 2002.

For the first fiscal period, JRE reported gross revenues of 6,492 million yen, operating profits of 2,961 million yen, recurring profits of 2,405 million yen and net income of 2,403 million yen, or 14,983 yen per unit.

As of March 31, 2002, JRE’s total asset balance was 161,809 million yen and its net worth was 83,663 million yen, or 521,591 yen per unit. On its balance sheet, JRE held real estate assets of 145,580 million yen and bore interest bearing debt of 64,000 million yen.

Although JRE’s first fiscal reporting period was technically from May 11, 2001, when JRE was established, to March 31, 2002 (325 days), it actually began its business operations as a publicly-listed real estate investment trust on September 10, 2001 when it was listed on the Tokyo Stock Exchange. Therefore, its practical investment period was from September 10, 2001 to March 31, 2002 (203 days).

2. First Fiscal Period Highlights

Establishment: On May 11, 2001, JRE was established by Japan Real Estate Asset Management Co., Ltd. (“J-Rea”), a licensed asset management company whose shareholders are Mitsubishi Estate Co., Ltd. (40%), The Tokio Marine and Fire Insurance Co., Ltd. (30%) and The Dai-ichi Mutual Life Insurance Company (30%). JRE’s initial unitholders’ capital was 200 million yen.

Initial Public Offering: On September 10, 2001, JRE was listed on the Tokyo Stock Exchange as one of the first real estate investment trusts in Japan (so-called “J-REITs”). Through this initial public offering of 160,000 units, JRE raised equity capital of 81,060 million yen.

Initial Portfolio: Following the IPO, JRE acquired 20 office buildings mainly from Mitsubishi Estate Co., Ltd., Tokio Marine and Fire Insurance Co., Ltd. and Dai-ichi Mutual Life Insurance Company, utilizing the IPO proceeds, as well as 24,000 million yen in bank loans. These 20 assets have formed the basis of JRE’s well diversified portfolio (diversified in terms of geographic locations and tenancy). In addition, JRE subsequently increased its ownership stake in Urawa Dai-ichi Seimei Dowa Kasai Building (on October 11, 2001) and Midosuji Daiwa Building (February 28, 2002) to 100% (fee simple) at purchase prices of 1,342 million yen and 7,380 million yen, respectively.

Additionally Acquired Properties: During the first fiscal period, JRE aggressively explored external growth opportunities, acquiring four additional office buildings; Shibuya Cross Tower for 34,600 million yen (acquired on November 30, 2001), Kyoto Shijo Kawaramachi Building for 2,650 million yen (December 20, 2001), Ericsson Shin-Yokohama Building for 3,000 million yen (January 28, 2002) and co-ownership of 55.12762% of Kanazawa Park Building for 2,880 million yen (February 28, 2002).

Fiscal Year-end Portfolio Profile: As a result of these external growth activities, as of March 31, 2002, JRE's real estate portfolio has grown to 24 properties from 20 at an aggregate acquisition cost of 144,697 million yen, with an aggregate net rentable area of 201,884 m². The total number of tenants in the portfolio has reached 328. In addition, as a result of J-Rea's continuous leasing management efforts, the portfolio's occupancy rates have been maintained at approximately 94% throughout the fiscal period (as of March 31, 2002, the occupancy rate of the portfolio was 94.0%).

Debt Financing: JRE's acquisitions have been partially financed through bank borrowings. JRE has successfully achieved competitive pricing of these bank loans through negotiations with several financial institutions. As of March 31, 2002, JRE's balance of borrowings was 64,000 million yen, of which 24,000 million yen consisted of long-term bank loans and the remaining 40,000 million yen consisted of short-term loans.

Credit Rating: JRE obtained the first issuer credit ratings as a J-REIT, which is believed to help JRE diversify its sources of debt financing in the future:

<u>Agency Name</u>	<u>Date of Rating</u>	<u>Rating Summary</u>
Standard & Poor's	February 14, 2002	Long-term: A+, Short-term: A-1, Outlook: Stable
Moody's	March 15, 2002	Rating: A2, Outlook: Stable

Additional Equity Offering: On March 29, 2002, JRE launched a secondary offering of 65,000 units. This offering was closed on May 8, 2002 and JRE raised 30,892 million yen, which will be utilized to acquire additional assets or partially redeem existing debt.

3. Second Fiscal Period Forecast

Environment: Due to the ongoing corporate restructurings and 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 "Year 2003 Problem". Also, as a result of severe restructuring activities arising from the corporate sector, a number of office buildings are expected to be up for sale.

Investment Strategies: Under such circumstances, J-Rea intends to manage JRE's portfolio, as follows:

- i. Strengthen and expand channels of information of properties for sale, and aggressively acquire good quality assets with attractive yields.
- ii. Maintain and improve the current tenancy by strengthening J-Rea's relationship with core tenants, satisfying them with the highest quality property management. As for the currently vacant space, J-Rea is taking various actions to lease-up such space as soon as possible.

- iii. Encourage core tenants to sign long-term/fixed-term lease contracts which will stabilize JRE's rental revenues over time.
- iv. Competitively supervise the in-place property management companies, and review each property's management procedures and their cost structure. J-Rea intends to reduce the amount of property management related expenses by 10% within 3 years from the date of acquisition.

Performance Forecast: For the second fiscal period from April 1, 2002 to September 30, 2002, JRE forecasts gross revenues of 7,700 million yen, recurring profits of 2,800 million yen and net income of 2,800 million yen, or 12,400 yen per unit. For the third fiscal period from October 1, 2002 to March 31, 2003, JRE forecasts total revenues of 7,800 million yen, recurring profits of 3,000 million yen and net income of 3,000 million yen, or 13,600 yen per unit.

JRE and J-Rea believe that the above forecast is based on reasonable assumptions of portfolio operations and the new acquisition of MD Kanda Building (described below), but these numbers are not a guarantee of JRE's future performances and are subject to changes/adjustments which may arise from uncontrollable events in the future.

Mitsui & Co.: On May 27, 2002, J-Rea announced that Mitsui & Co., Ltd. will be the fourth shareholder of J-Rea on May 31, 2002, by purchasing 10% ownership from the existing shareholders. As a result, J-Rea's shareholders will be Mitsubishi Estate Co., Ltd. (36%), Tokio Marine and Fire Insurance Co., Ltd. (27%), Dai-ichi Mutual Life Insurance Company (27%) and Mitsui & Co., Ltd. (10%).

New Acquisition: On May 27, 2002, JRE announced that it will acquire MD Kanda Building from Mitsui & Co., Ltd. for 9,520 million yen. This property is a 10-story office building with 6,334 m² net rentable area. Its current occupancy rate is 100%.

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JAPAN REAL ESTATE INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Period from May 11, 2001 to March 31, 2002

(In thousands of yen)

I. Operating Revenues and Expenses

Revenues.....	6,492,518
Rental revenues	6,427,133
Other rental revenues	65,384
Operating Expenses	3,530,762
Property-related expenses	2,859,570
Asset management fees	389,449
Fees of asset custody consignment.....	23,123
Fees of outsourcing administrative tasks	123,590
Salaries of directors.....	6,603
Other operating expenses	128,425
Operating Profits.....	2,961,756

II. Non-Operating Revenues and Expenses

1. Non-Operating Revenues.....	2,848
Interest received	2,035
Other non-operating revenues	812
2. Non-Operating Expenses	559,567
Interest expenses	241,562
New unit-issuance costs	121,149
Unit-listing expenses.....	74,901
Deferred start-up costs	90,497
Other non-operating expenses.....	31,456
Recurring Profits.....	2,405,036
Income before Income Taxes.....	2,405,036
Taxes.....	1,738
Deferred Taxes.....	(36)
Net Income	2,403,333
Retained Earnings.....	2,403,333



JAPAN REAL ESTATE INVESTMENT CORPORATION

BALANCE SHEET

As of March 31, 2002

(In thousands of yen)

ASSETS

I. Current Assets

Cash and deposits	4,542,693
Entrusted cash and deposits.....	10,781,217
Rental receivables.....	59,274
Consumption tax refundable	714,493
Other current assets	64,361
Total current assets	16,162,039

II. Fixed Assets

1. Property and equipment, at cost

Buildings	21,075,829
Less-Accumulated depreciation	(454,129)
Structures.....	156,812
Less-Accumulated depreciation	(1,948)
Machinery and equipment	273,155
Less-Accumulated depreciation	(14,591)
Land.....	41,755,392
Entrusted buildings.....	24,338,078
Less-Accumulated depreciation	(585,548)
Entrusted structures	105,777
Less-Accumulated depreciation	(1,317)
Entrusted machinery and equipment	671,602
Less-Accumulated depreciation	(42,470)
Entrusted land.....	57,858,757
Net property and equipment	145,135,400

2. Intangible fixed assets

Entrusted leasehold rights	444,160
Other intangible fixed assets	453
Total intangible fixed assets	444,614

3. Investment and others

Lease deposits.....	14,100
Long-term prepaid expenses.....	53,684
Total investment and others.....	67,784
Total fixed assets	145,647,799

Total Assets **161,809,838**



JAPAN REAL ESTATE INVESTMENT CORPORATION
BALANCE SHEET
As of March 31, 2002

(In thousands of yen)

LIABILITIES

I. Current Liabilities

Accounts payable	259,616
Short-term borrowings	40,000,000
Other payable	291,225
Accrued expenses	154,556
Accrued taxes	1,331
Rent received in advance.....	998,248
Other current liabilities.....	23,425
Total current liabilities.....	41,728,404

II. Long-Term Liabilities

Long-term borrowings.....	24,000,000
Deposits from tenants.....	12,418,100
Total long-term liabilities	36,418,100

Total Liabilities..... 78,146,504

UNITHOLDERS' EQUITY

I. Unitholders' Equity

Unitholders' capital.....	81,260,000
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II. Surplus

Retained earnings	2,403,333
Total surplus	2,403,333

Total Unitholders' Equity..... 83,663,333

Total Liabilities and Unitholders' Equity 161,809,838

JAPAN REAL ESTATE INVESTMENT CORPORATION
PORTFOLIO SUMMARY
As of March 31, 2002

Area		Name	Acquisition Price (MM yen)	% of Portfolio	NRA (m ²)	Occupancy Rate(%)
Tokyo Metropolitan Area	23 Wards	Mitsubishi Soken Building	27,267	18.8%	18,006	97.4%
		Kodenmacho Shin-Nihonbashi Building	3,173	2.2%	3,897	87.3%
		Shiba 2chome Daimon Building	4,859	3.4%	9,622	89.3%
		Cosmo Kanasugibashi Building	2,808	1.9%	4,062	87.7%
		Takanawadai Building	2,738	1.9%	4,091	100.0%
		JTS Building	1,362	0.9%	3,383	100.0%
		Omori-Eki Higashiguchi Building	5,123	3.5%	7,708	95.7%
		Otsuka Higashi-Ikebukuro Building	3,541	2.4%	7,114	98.6%
		Ikebukuro 2chome Building	1,728	1.2%	2,475	59.2%
	Shibuya Cross Tower	34,600	23.9%	28,501	95.8%	
	Excluding 23 Wards	Urawa Dai-Ichi-Seimei Life Dowa Kasai Building	1,232 1,342	1.8%	4,510	95.0%
		Kawasaki Isago Building	3,375	2.3%	6,831	86.0%
		Ericsson Shin-Yokohama Building	3,000	2.1%	6,964	100.0%
		Sendai Honcho Honma Building	2,924	2.0%	5,829	100.0%
Niigata Ishizuecho Nishi-Bandaibashi Building		1,010	0.7%	4,383	83.7%	
Other Major Cities	Kanazawa Minamicho Building	1,331	0.9%	3,773	87.0%	
	Kanazawa Park Building	2,880	2.0%	13,030	91.5%	
	Nagoya Hirokoji Building	14,533	10.0%	21,605	98.6%	
	Kyoto Shijo Kawaramachi Building	2,650	1.8%	6,800	76.3%	
	Midosuji Daiwa Building	6,934 7,380	9.9%	20,449	100.0%	
	Fukusuke Sakaisujihonmachi Building	2,264	1.6%	5,337	91.6%	
	Kobe Itomachi Building	1,436	1.0%	3,478	92.3%	
	Hinode Tenjin Building	3,657	2.5%	5,944	100.0%	
	Tosei Tenjin Building	1,550	1.1%	4,080	80.4%	
	24 Properties Total / Average			144,697		201,884